

# Baobab Resources Limited

## Mozambique



**BAOBAB**  
RESOURCES

### Overview and product

Baobab Resources Limited (Baobab) is a company dedicated to the development of an integrated steel and vanadium making industrial complex in the coal-rich Tete Province of Mozambique, where the company has a mining concession over a 759Mt iron ore resource.

Operating as the anchor project for the Revuboe Industrial Free Zone (IFZ), the Tete Steel & Vanadium Project will be strategically positioned to become the only steel producer of scale in a region experiencing rapid growth in the construction steel sector. Initial production of 500,000tpa construction steel (predominantly rebar) can be scaled-up to compliment future demand profiles.

The co-production of 2,500tpa high value Ferro-vanadium (FeV) alloy as well as surplus electricity will add substantially to the already robust Project economics, promising to deliver unprecedented investor and socio-economic returns. Tete Steel & Vanadium will become one of the top Vanadium producers globally and, as a co-product, be one of the most cost competitive.

The Company's iron ore resources will underpin more than 100 years of steel production, providing more than 2,000 direct employment opportunities. With all licences and concessions now in place, the Tete Steel & Vanadium Project is construction-ready and looking for equity and debt investment partners.

### The market

In 2016, the Southern African Development Community region was importing more than 80% of its steel demand. Steel is priced in almost all regional markets by considering the 'next best alternative', i.e. the cost of imports at the closest port plus the transport cost from the relevant port to market. Thus, the logistical cost advantage over that of imported products, combined with better customer inventory and lead time management, presents opportunity for the Tete steel mill to capture market share in the regional land-locked markets.

There are four major growth regions in Southern Africa which are driving demand for steel through natural resource and infrastructure development. Baobab's target market will cover three of them:

- The Gas Belt in Northern Mozambique/Tanzania
- Coal belt of Zambia and southern DRC
- Coal belt in Mozambique and Zimbabwe, underpinned by the Nacala logistics corridor

Current steel demand in the region is sufficient to support Baobab's 500,000 tonne per annum steel mill. LNG development is set to grow steel demand in excess of 3Mt per annum over the medium term. Lacking local steel production, this market represents the ideal opportunity to establish a large East African steel player. The target market suffers from large road transport distances, which enhances Baobab's competitive advantage.

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### Key facts

<b>Name of Organization</b>	Baobab Resources Limited
<b>Country of operations</b>	Mozambique
<b>Headquarters</b>	HQ: Maputo OP: Tete
<b>Website</b>	www.baobabresources.com
<b>Year operational</b>	2005
<b>Sector</b>	Integrated mining & steel/vanadium/power production
<b>Legal structure</b>	Limited liability company
<b>Number of employees</b>	42
<b>Revenues</b>	N/A

### Proposed investment structure

<b>Proposed investment amount</b>	USD 200 million
<b>Type of investment</b>	Equity
<b>Type of investor needed</b>	Financial investor
<b>Use of proceeds</b>	Project development

## The competition

The Tete Steel & Vanadium Project is poised to become the only large-scale steel producer in the region with an operating expenditure at the bottom of the global cost curve.

## Management

- **Dr Martin van Wijngaarden, Chairman** – Experienced business leader and previous COO & Deputy CEO of Arcelor Mittal South Africa; Director of Macsteel International BV; former Chairman of Duferco Steel Processing and Chairman of various global vanadium companies.
- **Ben James, Managing Director** – Geologist with over 25 years global experience in the mineral exploration and development industry, with Baobab Resources since 2006, relocated to Mozambique in 2012 to oversee government and key stakeholders liaisons.
- **Frank Eagar, Finance Director** – Chartered Accountant with 18 years of experience across a diversified range of minerals projects and jurisdictions. He has been heavily involved in M&A, evaluation and due diligence of a large scale mining and resource transactions across Africa and Eastern Europe.

## Investment Proposal

Baobab completed a Feasibility Study (DFS) during 2017, which estimated a total project capital requirement of approximately USD 900 million. At a target debt/equity of 70/30, Baobab requires USD 300 million in equity in order to implement the project.

Discussions are ongoing with the Cornerstone Investment Consortium (CIC). The CIC consist of three Chinese State-Owned Entities having steel and power as their core business interests. The CIC will take up a minority equity position for USD 100 million. The balance of USD 200 million equity are being sought from other financial investors.

Baobab is pursuing the remaining project finance of USD 600 million of the total project capital from loans and has commenced discussions with China Eximbank and Sinosure. Exit opportunities can be negotiated and will become evident after the commission of the steel mill. The construction timeline is expected to be 30 months, with commission and first production in 2021. The equity payback period is estimated at 4.5 years with IRR expected to be higher than 30%.

## Social Impact

The industrial nature of the Project will have a large social and economic impact as it creates employment for rural people. In addition, the project provides a platform for upstream and downstream industrial development, generating demand for steel products, economic growth and development.

## Financial details

Company's financials are available upon request

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*Fig.1: The longest suspension bridge in Africa linking Maputo with the Catembe district*



*Fig.2: The second bridge over the Zambezi River in Tete*



*Fig.3: Foundry in Tete*



*Fig.4: Chinese Delegation at Tenge, Dec 5<sup>th</sup> 2017*