RNS Number : 3346F
Obtala Resources Limited
14 June 2012

14 June 2012

Obtala Resources Limited
("Obtala" or the "Company")
(AIM: OBT)

Operations Update for Projects in Mozambique and Tanzania

Obtala Resources Limited (AIM:OBT), the natural resource investment, development and production company, is pleased to provide an update on activities on the agriculture and forestry concessions in Mozambique and Tanzania.

Highlights:

Mozambique

- Delivery of railway sleepers in progress
- Strong revenue being generated
- Additional saw mills on site and operational
- Orders received for sawn hardwood from international buyers

Tanzania

- Groundnut harvest underway, yields up to 2 tonne/hectare
- Current international groundnut market prices of US$2,000 per tonne
- Planning underway for 2012 farm expansion
- Finalising agreements with farm equipment suppliers
- Satellite imagery being utilised to evaluate irrigation potential
- Irrigation will allow for 2 harvests per annum, potentially doubling the annual production
- Intention to focus on groundnuts, sunflowers and sesame

Mozambique

Sleeper Contract

In May 2012, the Company announced that it had entered into an agreement to provide 33,200 wooden railway sleepers to a private Mozambican company which has been commissioned by Vale, the Brazilian Mining Conglomerate, to upgrade the railway infrastructure in northern Mozambique. The first delivery of sleepers was made on the 21st May with 3,000 sleepers delivered to date. In order to meet the production targets, an additional 4 mobile saw mills have been purchased and were operational as at 12th June. Total number of saw mills operational on the project now stands at 8 and over 300 workers are employed. The Company is in the process of purchasing additional large volume road transporters and tractors for the project to provide increased production capacity.

Sawn Hardwoods

The sleeper manufacturing is a satellite business, which currently operates in parallel to the main business objective of sustainable forest management and the export of hardwood timber. Importantly, the timber used for the manufacture of the sleepers does not affect the standing stock of the export quality hardwood species. Three orders have now been received from buyers based in Europe and South Africa for 13 containers of mixed Panga-Panga and Kiaat timber with sales prices up to $1,365 per m^3 (totalling over 200 m^3) Work is underway constructing a drying shed and preparing an area for the recently purchase re-saw machinery at the yard in Nampula.

Forest Stewardship Council ("FSC")

Mozambique is in the process of becoming a new member state of the FSC, which is an independent, non-governmental, non-profit organization established to promote the responsible management of the world's forests. FSC is a certification system providing internationally recognized standard setting, trademark assurance and accreditation services. Montara, through its subsidiaries, expects the first site inspection by FSC representatives in late July this year. By acquiring FSC certification, there is the potential for additional international end markets to open up to Montara.

Tanzania

Harvesting of groundnuts is now in progress with yields up to 2 tonnes per hectare being produced (updated photographs - www.obtalaresources.com). Current international groundnut prices, by way of reference, are $2,000/tonne (www.indexmundi.com). It is expected that over the near term the yields will increase as the soil develops and matures. A satellite image based topographic survey has been completed and is being used as an aide for future irrigation planning and installation.

The application of irrigation will deliver a second crop every year, potentially doubling the yield per hectare and production revenue. A portion of the current crop will be used to evaluate the oilseed production potential for the project using a small-scale trial oil processer, which has arrived in Dar es Salaam.

Negotiations are at an advance stage for the purchase of agricultural equipment valued at approximately $2million. This equipment will be utilised to expand the area under cultivation with planning at an advanced stage for expanding the cultivated area to over 2,500 hectares by the end of 2012. Cash operating costs are forecast to be in the order of US$700-750 per hectare. Second planting on the project is anticipated towards the end of the year. It is the intention to focus on groundnuts, sunflower and sesame.

Corporate Social Responsibility

The Company is committed to operate in a socially responsible manner that meets the needs of our communities, employees, customers and stakeholders. In May 2012, construction started on a four-room Community School building on the Gile Concession, Mozambique which will provide facilities to children from three surrounding villages. In Tanzania, Montara has commenced the design work and completed the bills of quantity, required to add a new ward to the existing dispensary. Construction will start during the month of June. The Company is also assisting in building a women's section to the Police Station.

Chairman's comment

Francesco Scolaro, Chairman of Obtala, commented "I am very pleased to provide this market update to our shareholders. Over the past few months we have made significant progress and project development, as our operations ramp up and gather momentum with increasing production capacity. We will continue to make additional investments into these projects to allow for continued corporate growth. I am particularly pleased with the progress in building up the hardwood export business and remain confident of the benefits which the business will bring to the citizens of the countries in which we operate, to the company, and importantly to our shareholders who have remained supportive during this development phase of the forestry and agriculture businesses. The sleeper business has now started to generate a steady revenue stream, which will provide capital to strengthen our market position. We remain on course with our development plans and will work in partnership with local communities with our next steps. The Company remains debt free and has cash reserves to grow both the agriculture and forestry business in Africa."

Obtala Resources +44 (0) 20 7099 1940
Francesco Scolaro - Chairman
Simon Rollason - Managing Director
www.obtalaresources.com

Macquarie (Nomad and Broker) +44 (0) 20 3037 2000

Nicholas Harland

Steve Baldwin

This information is provided by RNS
The company news service from the London Stock Exchange

END

PFUDGGDLLDBBGDX