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Obtala Resources Limited
27 June 2012

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

Annual Results

The Board of Obtala Resources Limited, the natural resources investment and development company, announces its annual results for the year ended 31 December 2011.

A copy of the Annual Report and notice of AGM is being posted to shareholders shortly and will be available on the Company's website - www.obtalaresources.com.

Strategic

Paragon

- Acquisition of IDC's remaining interest during the year brings the Company's ownership to 100%
- Paragon's focus is to fast track the Lesotho projects to become a diamond producer in the near future
- 2012 is set to be an important year for the development of the Lesotho projects, with all resources now fully focused on achieving production

Bushveld

- Successful listing post year end of Bushveld Minerals Limited raises £5.6 million, Obtala retains a 46% interest

Montara

- Joint venture completed for 19,787 hectares of farm land with further JV being finalised for an additional 14,000 hectares
- 300,000 hectares of forestry under control or under application pending completion

Financial

- Cash balance of £7.6 million as at 31 December 2011
- Paragon undertook a further fundraising of £1.7million to fast track the Lesotho projects in 2012
- Net assets increased by 51% to £66.6 million as at 31 December 2011 following the acquisition of International Diamond Consultants (IDC)
- £4.3 million gain recognised on the acquisition of further interests in IDC (a non cash increase in the asset value of IDC)
- Loss during the year of £4 million including an impairment charge of £2.3 million (a non-cash charge relating to the write down of Sierra Leone and other exploration licences in Tanzania)

Operations

Paragon

Lemphane (Lesotho)

- Bulk sampling underway with 5,000 tonnes processed to date
- Initial grade of 2.2cpht, in line with other prominent Lesotho Kimberlites
- Further 25,000 tonnes stockpiled awaiting processing over coming months

Motete (Lesotho)

- Awarded licence in December 2011, rapid exploration work undertaken
- Initial modelled grade in excess of 100cpht and in excess of 1 million tonnes
- Further licences under application

Montara

Agriculture

- First crops being harvested, canola completed, soya in progress
- Crops for this year: groundnuts, sunflowers and sesame
- International peanut price at historical high of $2,000/tonne

Forestry

- Agreement concluded to provide 33,200 railway sleepers in Northern Mozambique
- Line upgrades commissioned by Vale
- Near-term revenue stream

- Negotiations on-going to expand this order and hard wood orders

Francesco Scolaro, Chairman of Obtala commented: "I am pleased to report on the developments of the Group in what has been a very exciting year for Obtala. With the rapid expansion and development of our Montara agriculture and forestry division progressing well and the completion of the acquisition of the final interest in IDC bringing an exciting kimberlite project to the portfolio of assets. I look forward to reporting on the development of these projects as well as the ongoing results from the Botle kimberlite dyke over the coming months. The Group remains debt free and well funded to achieve its objectives and with revenues commencing at our timber division in Q2 2012, the Group is well positioned to continue its development and expansion of its operations"

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Nicholas Harland

I am pleased to present the annual report and consolidated financial statements for Obtala Resources Limited (the "Company" or the "Group") for the year ended 31 December 2011.

2011 was an eventful year for Obtala, which saw the Group make good commercial progress in the development of its Montara agriculture and forestry operations. In addition, the Group significantly expanded its diamond interests, whilst also progressing the acquisition of substantial iron ore and tin interests.

The past year has proved pivotal for our Montara agriculture and forestry operations with the recent news that we have planted and are now harvesting our first crop and that a first order has been placed for timber products in Mozambique.

The Group acquired the remaining interest in International Diamond Consultants ("IDC") in May 2011, via its listed diamond subsidiary, Paragon Diamonds Limited ("Paragon"). This has transformed the operations of Paragon into a hard rock kimberlite development company and diluted the Group's interest down further to 46.5 per cent. The Group financial statements in this annual report do however continue to consolidate those of Paragon as the Company was deemed to exert control at the balance sheet date.

During the year, the Group also conditionally agreed to purchase a 50 per cent interest in both Greenhills Resources Limited and Bushveld Resources Limited subject to certain conditions being met. These acquisitions completed subsequent to the year end, in March 2012, simultaneously with the listing on AIM of a new holding company for both of these resources businesses, Bushveld Minerals Limited ("Bushveld") in which Obtala holds an interest of 46 per cent. This deal gives the Group a significant interest in another listed entity and net interests of between 28 per cent and 31 per cent in Bushveld's subsidiaries, which hold the licences which comprise the Mokopane Iron Ore Project and the Mokopane Tin Project in South Africa. Mokopane has an estimated potential for approximately 2 billion tonnes of iron ore within a magnetite hosted deposit which also hosts some titanium and vanadium resource.

Financial results
The Group remained development focused in the year ended 31 December 2011 and generated £0.7 million (2010: £0.8 million) of sales from its alluvial diamond mine in Sierra Leone, before it was placed on care and maintenance during August 2011. The loss after tax for the year amounted to £4.0 million (2010: loss £5.8 million) after a £2.3 million non-cash impairment charge (2010: £2.9 million) and a £0.2 million loss on investing activities (2010: loss £0.5 million).

A gain of £4.8 million arising on the deemed partial disposal of the Group's interest in Paragon, which was diluted from a holding of 61.3 per cent to 46.5 per cent, was recognised directly to equity during the year.

The Group has a strong balance sheet with net equity attributable to shareholders of Obtala at 31 December 2011 amounting to £46.2 million (2010: £38.3 million). Net assets, including those attributable to minority interests in Paragon, amounted to £66.6 million (2010: £44.1million). Intangible exploration assets are carried at £61.4 million (2010: £22.6 million), including those arising on the acquisition of the further significant interest in IDC. The Group held cash balances of £7.6 million at 31 December 2011 (2010: £8.8 million).

Montara

During 2011, the Group continued to focus on developing its forestry and agriculture enterprise, which has operations in both Mozambique and Tanzania. The Group holds an interest of 75 per cent of Montara Continental Limited which in turn holds the forestry and agriculture concessions through local companies.

The Group currently holds 19,787 hectares of agricultural land and 300,000 hectares of forestry concessions through its Montara subsidiaries and is working towards bringing these into production. In addition to the areas already under control, the Group is working towards completing the acquisition of further land areas totalling 14,000 hectares. Agreements have been signed and the remaining process is expected to be purely administrative.

Agriculture
A trial area of 84 out of the total 19,787 hectares of agriculture land was cleared and prepared for planting during the year. This parcel of land is being used as a testing site, to determine the optimum crops for the project with groundnuts, sunflower, sesame, soya and canola planted. This trial farm will in future become a training centre or "Centre of Excellence" for the surrounding farmers as part of a planned out-grower scheme. It is anticipated that the crop from the canola and soya harvest will be sold to the market with the seed from the remaining crops bulked up to plant the newly cultivated area later this year.

Montara plans to advance and expand the cultivated area to in excess of 2,500 hectares during the remainder of 2012 and will focus on groundnut, sunflower and sesame, with crops expected to produce between 2 and 2.5 tonnes per hectare. In order to achieve this goal, Montara is finalising the acquisition of farm equipment and expects to have additional equipment on site in early Q3 2012. Montara is primarily focussed on developing crops to meet growing world food demand and intends to accelerate expansion of its cultivated area in conjunction with securing bulk export food contracts to regions such as China and India.

Forestry
At present the Montara forestry operations are located solely in Mozambique with concessions situated within well established Africa Blackwood and other exotic hardwood areas. We have over 300,000 hectares of completed and application pending forestry concessions, all within easy access to the ports. These concessions are long-term leases, giving us the opportunity to responsibly manage these forest operations and enhance the quality of these forests over time. We have invested significant resources to ensure that we have access to some of the highest quality timber in the region. This scale of operations enables us to select which trees are the most appropriate to harvest to meet our customers' needs and provide a reliable source of timber.

In 2012, Montara concluded an agreement with a private Mozambique registered company to supply 33,200 wooden railway sleepers over the next seven months, with negotiations currently on-going to significantly expand this production as the country upgrades and improves the existing rail infrastructure.

This agreement allows the company to further develop its new satellite business which will continue to operate in parallel to the main business of sustainable management of the forest concessions and the export of hardwood timber. The timber used for the manufacture of the sleepers does not affect the standing stock of the hardwood species. Timber supply negotiations are currently in progress with a number of internationally based end-users.

Paragon Diamonds
The acquisition of the remaining 54.2 per cent interest in IDC in May 2011 strengthened the Group's asset base considerably and increased its interest to 85 per cent in both the Lemphane and Motete kimberlite projects in Lesotho, and to 100 per cent in the Kabale River and Kaplamp exploration projects in Zambia and the Kopje exploration project in Botswana.

The activities of Paragon over the last year have mainly focussed on completing the integration of the IDC portfolio and the commencement of a rapid exploration and bulk sampling programme on our Lemphane and Motete kimberlite projects in Lesotho, both of which have returned very encouraging results.

During 2011, Paragon acquired, assembled and commissioned a pilot scale bulk sampling plant and commenced the sampling of 30,000 tonnes of stockpiled ore body. The initial results from the pipe have been positive with an initial grade of over 2 carats per hundred tonne ("cpht") and a high average stone size, in line with other prominent Lesotho kimberlite pipes. To date, over 5,000 tonnes have been processed and the quality of diamonds is generally high, the largest stones being over 6 carats and with virtually all stones being of gem quality including some coloured stones. I am pleased with our progress so far and we intend to continue this momentum by completing our 30,000 tonne sample, followed by a delineation drilling programme with a view to establishing the parameters of the pipe and moving towards establishing a resource.

In late November 2011, Botle Diamonds, one of Paragon's subsidiaries, was awarded a new prospecting licence covering 23.4 km² and including a known kimberlite dyke. Paragon has begun exploration work and numerous micro-diamond samples indicate an anticipated grade of around 100 cpht, which, by Lesotho standards, is exceptionally high. A bulk sampling programme of 1,500 tonnes has been commenced using the existing plant and equipment at Lemphane with results expected over the coming months. The dyke has been estimated to contain in excess of 1 million tonnes of accessible kimberlite and a drilling contract has been signed with the anticipation of developing an initial resource in 2012.

Paragon announced in August 2011 that it was placing its Konoma alluvial diamond mine on care and maintenance, due to the deterioration of the fiscal operating regime in Sierra Leone. The Group is working towards converting the licences to small scale mining licences, which should attract significantly lower annual rents, by bringing in local partners to hold 25 per

cent of the operating entity. The operations currently still remain on a care and maintenance programme and an impairment charge of £1.2 million has been recognised in the year in Obtala's consolidated financial statements.

Bushveld Minerals
During February and March 2011, Obtala conditionally agreed to acquire a 50 per cent interest in Greenhills Resources Limited and Bushveld Resources Limited. The acquisitions completed subsequent to the year end, in March 2012, when a new holding company for these resources businesses, Bushveld Minerals Limited, was admitted to AIM. Obtala currently holds a 46 per cent interest in the listed Bushveld entity. The Obtala financial statements to 31 December 2011, include a receivable of £2.1 million in respect of monies advanced to Bushveld in the year, part of which was later capitalised under the subsequent acquisition.

The decision to create one company allows Bushveld to take advantage of the management team, which has extensive experience of exploration and mining geology, mining engineering and metallurgy on the African continent and in particular within the mineral rich Bushveld Complex, a region with well developed infrastructure.

Bushveld's projects are the Mokopane Iron Ore Project and the Mokopane Tin Project, both located on the northern limb of the Bushveld Complex. This is a well-established and prolific mining province with strong governmental support for mineral exploration, particularly focused on Limpopo Province. South Africa presents a stable mining jurisdiction with sound mining laws with government interest in developing alternative steel producers in the country.

The Iron Ore Project comprises 7,409 hectares with a JORC compliant open-castable resource of 633 million tonnes established in 2011. The resource has been established over a small portion of the total strike length of the deposit. Further drilling along strike is expected to significantly add to the resource on the basis of identified strike extensions several kilometres long to the north and south of the project area.

The Tin Project consists of 13,422 hectares of open-castable shallow disseminated tin resource between surface and approximately 70m. 2011 saw Bushveld complete 53 drill holes to allow the completion of a JORC-compliant resource statement which highlighted in excess of 5,000 tonnes of tin.

Bushveld is looking to expand and increase both of these resource bases by undertaking an additional drilling programme on the other three targets in the licence area and one target in a licence area currently under application. In the longer term, Bushveld intends to expand the resource base by acquiring further projects.

We remain confident that in the medium term the Mokopane Iron Ore Project will grow into a world class asset.

Directorate changes
Nicholas Clarke left the board of directors in May 2012 and I would like to take this opportunity to thank Nicholas for all his contributions to the development of the group and wish him the best for his future. Grahame Vetch was appointed to the board as agriculture operations director and brings with him a wealth of experience which will benefit the Group going forward.

Outlook
2011 was a year of considerable change for the Group. I am confident 2012 will prove equally as exciting and look forward to reporting on the development of our diamond bulk sampling in Lesotho, the iron and tin drilling campaign in South Africa and the progression of our Montara operations.

The Group benefits from a strong balance sheet with cash balances of £7.6 million at 31 December 2011, which together with the subsequent fundraisings in early 2012 of £1.7 million in Paragon and £5.5 million in Bushveld leaves Obtala and its investments well placed to continue their rapid and valuable development.

Finally I would thank my colleagues and our employees for all their hard work throughout the year and look forward to a successful and eventful 2012.

Francesco Scolaro
Executive Chairman
26 June 2012

Consolidated statement of comprehensive income

	Notes	2011	2010
		£000	£000
Revenue		731	832
Loss on investments	2	(172)	(535)
Distribution fee income		-	177
Operating costs		(1,992)	(836)
Administrative expenses		(3,313)	(1,815)

Depreciation	14	(878)	(319)
Share based payments	28	(400)	(233)
Impairment of assets	13,14	(2,314)	(2,856)
OPERATING LOSS	4	(8,338)	(5,585)
Listing costs for subsidiary		-	(336)
Cost of re-organisation		-	(323)
Gain on acquisition of subsidiary	11	4,349	-
Finance income	6	19	11
Finance costs	7	-	(18)
LOSS BEFORE TAXATION		(3,970)	(6,251)
Taxation	8	-	495
LOSS FOR THE YEAR		(3,970)	(5,756)
ATTRIBUTABLE TO:			
Owners of the parent		(3,706)	(5,376)
Non-controlling interests		(264)	(380)
		(3,970)	(5,756)
Other comprehensive income:			
Exchange differences on translation of foreign operations		1,016	946
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(2,954)	(4,810)
ATTRIBUTABLE TO:			
Owners of the parent		(3,321)	(4,430)
Non-controlling interests		367	(380)
		(2,954)	(4,810)

LOSS PER SHARE			
Basic (pence)	9	(1.71)	(2.65)
Diluted (pence)	9	(1.71)	(2.65)

Consolidated statement of changes in equity

	Share capital £000	Share premium £000	Merger reserve £000	Foreign exchange reserve £000	Share based payment reserve £000	Revenue reserve £000	Total £000	Non-controlling interests £000	Total equity £000
AT 1 JANUARY 2010	1,927	5,290	16,400	5,022	89	1,610	30,338	-	30,338
Loss for the year	-	-	-	-	-	(5,376)	(5,376)	(380)	(5,756)
Other comprehensive income:									
Exchange differences on translation of foreign operations	-	-	-	946	-	-	946	-	946
Total comprehensive income for the period	-	-	-	946	-	(5,376)	(4,430)	(380)	(4,810)
Transactions with owners:									
Issue of shares	314	6,988	-	-	-	-	7,302	-	7,302
Expenses on issue of shares	-	(4)	-	-	-	-	(4)	-	(4)
Transfer of share based payment on cancelled options	-	-	-	-	(45)	45	-	-	-
Share based payment	-	-	-	-	233	-	233	-	233
Purchase of own shares	-	-	-	-	-	(735)	(735)	-	(735)
Group re-organisation	-	(12,143)	12,143	-	-	-	-	-	-
Dilution of interest in subsidiary	-	-	-	-	-	5,579	5,579	6,218	11,797
AT 31 DECEMBER 2010	2,241	131	28,543	5,968	277	1,123	38,283	5,838	44,121
Loss for the year	-	-	-	-	-	(3,706)	(3,706)	(264)	(3,970)
Other comprehensive									

income:									
Exchange differences on translation of foreign operations	-	-	-	385	-	-	385	631	1,016
Total comprehensive income for the year	-	-	-	385	-	(3,706)	(3,321)	367	(2,954)
Transactions with owners:									
Issue of shares	141	6,546	-	-	-	-	6,687	-	6,687
Share based payment	-	-	-	-	400	-	400	-	400
Purchase of own shares	-	-	-	-	-	(681)	(681)	-	(681)
Non-controlling interest acquired with subsidiary	-	-	-	-	-	-	-	3,428	3,428
Dilution of interest in subsidiary	-	-	-	-	-	4,829	4,829	10,795	15,624
AT 31 DECEMBER 2011	2,382	6,677	28,543	6,353	677	1,565	46,197	20,428	66,625

Consolidated statement of financial position

	Notes	2011 £000	2010 £000
ASSETS			
NON-CURRENT ASSETS			
Investments in associates	17	-	5,927
Available for sale investments	17	-	317
Intangible exploration and evaluation assets	13	61,406	22,625
Property, plant and equipment	14	6,370	6,938
TOTAL NON-CURRENT ASSETS		67,776	35,807
CURRENT ASSETS			
Trade and other receivables	15	2,269	498
Inventory	16	67	197
Financial investment assets	18	18	180
Cash and cash equivalents	19	7,625	8,825
TOTAL CURRENT ASSETS		9,979	9,700
TOTAL ASSETS		77,755	45,507
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	20	(238)	(457)
Loans	21	(369)	-
Current tax liabilities		(504)	(622)
TOTAL CURRENT LIABILITIES		(1,111)	(1,079)
NON-CURRENT LIABILITIES			
Site restoration provision	22	(469)	(307)
Deferred tax	8	(9,550)	-
TOTAL NON-CURRENT LIABILITIES		(10,019)	(307)
TOTAL LIABILITIES		(11,130)	(1,386)
NET ASSETS		66,625	44,121
EQUITY			
Share capital	23	2,382	2,241
Share premium	24	6,677	131
Merger reserve	25	28,543	28,543
Foreign exchange reserve		6,353	5,968
Share based payment reserve		677	277
Revenue reserve	26	1,565	1,123
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT		46,197	38,283
Non-controlling interests	29	20,428	5,838
TOTAL EQUITY		66,625	44,121

Consolidated statement of cash flows

	Notes	2011 £000	2010 £000
OPERATING ACTIVITIES			
Loss before taxation		(3,970)	(6,251)
Adjustment for:			
Depreciation of property, plant and equipment	14	878	319
Profit on disposal of property, plant and equipment		(15)	-
Foreign exchange gains		(60)	(61)
Share based payments	28	400	233
Losses on investments	2	172	535
Impairment of assets	13,14	2,314	2,856
Gain on acquisition of subsidiary	11	(4,349)	-
Finance income	6	(19)	(11)
Finance costs	7	-	18
Decrease/(increase) in trade and other receivables		185	(325)
(Decrease)/increase in trade and other payables		(219)	355
Decrease/(increase) in inventory		130	(197)
CASH OUTFLOW FROM OPERATIONS		(4,553)	(2,529)
Income taxes paid	8	-	(365)
NET CASH OUTFLOW FROM OPERATIONS		(4,553)	(2,894)
INVESTING ACTIVITIES			
Expenditure on property, plant and equipment	14	(1,511)	(2,431)
Disposal of property, plant and equipment	14	95	-
Expenditure on intangible exploration and evaluation assets	13	(2,030)	(694)
Proceeds from disposal of financial investment assets	18	538	5,754
Purchase of financial investment assets	18	(553)	(1,333)
Loans advanced to Bushveld	15	(1,958)	-
Purchase of available for sale investments	17	(123)	(508)
NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES		(5,542)	788
FINANCING ACTIVITIES			
Proceeds from issue of share capital	23,24	6,007	2,306
Expenses of issue of share capital	24	-	(4)
Funds raised by subsidiary	12	2,890	3,797
Expenses of issue of subsidiary shares	12	(25)	(150)
Finance income	6	19	11
Finance costs	7	-	(18)
NET CASH INFLOW FROM FINANCING ACTIVITIES		8,891	5,942
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1,204)	3,836
Cash and cash equivalents at beginning of year		8,825	5,010
Effect of foreign exchange rate variation		4	(21)
CASH AND CASH EQUIVALENTS AT END OF YEAR		7,625	8,825

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