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Obtala Resources Limited
25 July 2012

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

Operational Update

Obtala Resources Limited (AIM:OBT), the natural resource investment and development company, is pleased to announce an update on operations and investments.

Highlights:
Operational

Mozambique

- Sleeper project now profitable and achieving production targets
- Over 300 employees on site
- Processing of export timber underway
- Orders received for large volume furniture manufacturing

Tanzania

- Harvesting on trial farm now completed
- Phase 2 farm expansion planning underway

Investments

Paragon Diamonds

- Second bulk sample (~200 tonnes) from the Motete Dyke in Lesotho processed with 97 carats recovered
- Recovered grade of 56 carats per hundred tonnes (recovered grade excludes smaller stones due to plant limitations)
- Drilling in progress with intersections of kimberlite reported at 200 meters below surface
- Maiden JORC compliant resource on Motete Dyke expected Q4 2012
- Scoping study commenced

Bushveld Minerals

- Drilling underway on the Mokopane Iron Ore Project to upgrade the existing 633 million tonnes JORC resource to Indicated/Measured categories and to expand resource
- Work programme on the Zaaiplaats tin target making steady progress
- Mokopane Iron Ore Scoping Study, due Q1 2013
- Revised JORC resource expected Q4 2012

Operational

Mozambique

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.

Deliveries are now made regularly with production target being met. Payments from the customer are being received with the operation now producing a monthly profit. The total number of saw mills operational on the project currently stands at 8 with over 300 workers employed. Additional equipment in the form of tractors and two 35-tonne road transporters have been purchased.

The Company continues to build its order book for sawn hardwoods with orders now received from buyers based locally, in Europe and in South Africa, with sales prices fetching up to $1,365 per m3. The main drying

shed in the Nampula yard is now complete and the re-saw machinery is operating and producing sawn timber products.

The company is also negotiating with timber processing companies with a view to establishing potential manufacturing and sales partnerships for high-end, value-added products, such as engineered flooring. The Company has received orders for furniture, including doors and frames from the local Mozambican Government.

Tanzania

Harvesting of the trial crops is now complete. Out of the crops planted (groundnuts, soya, sunflower, sesame and canola), the groundnut crop produced the best results with yields of up to 2 tonnes per hectare being recorded in some paddocks. Current international groundnut prices, by way of reference, are $1,820 per tonne (www.indexmundi.com).

It is expected that over the near term, the yields will substantially increase as the soil fertility increases and the pH is balanced. Areas for farm expansion have been identified with land preparation expected to continue to the end of the year. A recently commissioned satellite image based topographic survey is being used as an aide for future irrigation planning and installation, with application for water extraction use rights being submitted later in the year.

The application of irrigation will deliver a second crop every year, potentially doubling and guaranteeing higher yields 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 with the balance of the crop either old or planted in the next season starting at the end of the year.

Investments

Paragon Diamonds (Obtala shareholding 45.35%)

Paragon Diamonds announced on the 24 July 2012 additional results from a bulk sample collected from trench T1, located at the eastern end of the Motete Dyke in Northern Lesotho. This second 200 tonne bulk sample recovered 97 carats at a grade of 56 carats per hundred tonnes. The samples yielded 1,404 individual stones with the largest stone recovered being 0.91 carats; however the recovered grade excludes smaller stones due to plant limitations.

The quality of the diamonds recovered is considered generally high, with abundant clear white dodecahedra encountered in the majority of size fractions, as is the case in the micro-diamond population. Whilst the average stone size of the Motete diamonds is smaller than those from the Lemphane Kimberlite, current world demand for smaller good-quality stones is currently high, on the back of the buoyant watch and accessory jewellery market.

The Motete Dyke continues to produce positive results, with this second bulk sample result, taken circa 600 meters to the east of the first result, demonstrating the uniform consistency in terms of grade and stone size.

Ongoing delineation drilling on the Motete Dyke has intersected kimberlite in all three holes drilled from a helicopter-accessible pad at an altitude of 2,700 meters at the western end of the dyke. Kimberlite was intersected at true vertical depths of between 203.4 meters and 197.4 meters (average 199.5 meters) and at true horizontal widths of between 1.45 meters and 1.10 meters (average 1.23 meters). Drilling shows a consistent width in excess of one metre, at over 200 metres below surface and supports the initial calculation of at least 1 million tonnes of kimberlite to this depth. Paragon is rapidly generating data to allow the company to declare a maiden resource on this kimberlite, and remains highly confident that a viable economic development strategy will be delivered in due course.

Bushveld Minerals (Obtala shareholding 46%)

Since listing on AIM in March 2012, Bushveld has made good progress in meeting its objectives of upgrading and expanding the known resource on both iron and tin projects. Bushveld remains on track to deliver a revised JORC resource in Q4 2012 following the current drilling campaign that is underway. In addition, Bushveld expects to deliver a scoping study on the Mokopane iron ore project by Q1 2013 following the recent appointment of several consultants to advise on the work streams.

Bushveld announced in an operational update, dated 26 June 2012, that two extension boreholes (VK16 and MAL2) have been completed to extend the known shallow (<200 meters) resource along strike to both the north and south. Both boreholes intersected the mineralised P-Q magnetite zone as expected. The P-Q zone occurs between 34 meters and 88 meters (i.e. ~54 meters intersection) in VK16 and between 64 meters and 116 meters (i.e. ~52 meters intersection) in MAL2. This drilling has confirmed a 25% increase in the strike of the mineralisation.

Three deeper boreholes (VK17, VK18 and VK19), drilled as infill boreholes to better constrain the deeper

(<400 meters) resource, all intersected the P-Q zone as expected. Samples have been submitted to Setpoint Laboratories with first assay results expected in late July 2012.

A geochemical rock chip sampling programme has been undertaken on the Zaaiplaats tin target, located some 3km northwest of the previously drilled Groenfontein target. In addition, a survey of the abandoned open pit and underground workings have been completed which identified outcropping tin mineralisation occurring along the southeastern slopes of the Zaaiplaats hill, where two abandoned open pits are found. These pits are connected by underground workings. The survey has shown that, potentially, a number of pillars of un-mined mineralised material remain.

A number of vertical rock chip profiles were sampled in the abandoned open pit and underground workings. The samples were pulverized and assayed using a Niton handheld XRF analyser. Duplicate samples were also sent to Setpoint for check assays, and although not from a certified laboratory, the results indicate grades consistently above 0.1% SnO_2, and often above 0.3% SnO_2. These are encouraging results, and drilling is planned to begin on the Zaaiplaats target in late 2012, once drilling access roads have been completed.

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. 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 announce this update on our recent activities to our shareholders. The most significant development over the past month or so is that we have started generating a revenue stream.

The revenues from the forestry operation is expected to increase significantly over the next 6-8 months and will provide additional working capital to fund the expansion and development of our other interests. We shall continue making investments into these projects, allowing for continued corporate growth. I am particularly pleased with the progress in building up the hardwood export business and potential manufacturing and sales partnerships, 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.

Our investments in Paragon and Bushveld are proving well founded. Both companies are showing strong positive progress with resource statements expected later this year and scoping studies early in 2013.

The Company's share price performance has been a source of great disappointment for the Board and our shareholders. The Directors have experienced that sense of disappointment very keenly and are committed to building shareholder value as fast as possible and communicating Obtala's achievements to the market as we proceed."

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