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Obtala Resources Limited
28 August 2012

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

Paragon Diamonds signs MOU for full financing of the Motete Dyke, Lesotho

The Board of Obtala Resources Limited, the natural resources investment and development company, announces the following RNS made by Paragon Diamonds Limited this morning:

Francesco Scolaro, Chairman of Obtala commented: *"The funding provided to Paragon will fast track revenue streams to the company, thereby supporting and further adding value to the projects. Undoubtedly the shareholders of Obtala will benefit directly from the cash generated going forward from Paragon, and I would expect significant upside to our currently depressed market value."*

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28 August 2012

Paragon Diamonds Limited
("Paragon" or the "Company")
(AIM: PRG)

MOU for Financing signed, Motete Dyke project, Lesotho

Paragon Diamonds Limited, the African focused diamond explorer and developer, is pleased to announce that it has signed a Memorandum of Understanding ("MOU") for project financing for its Motete Dyke operation in Lesotho.

Highlights

- MOU signed with Lesotho partner Matekane Group of Companies ("MGC") to provide up to US$10m of project financing, which is sufficient to bring the Motete Dyke project into full production
- Repayment of loan and interest from free cash flows once Paragon's initial costs have been recovered
- Ongoing interest rate at 2% above LIBOR for term of loan
- Financing fee of US$1 million accrued and repaid out of cash flow

On the back of the continuing positive results from the ongoing bulk sampling programme and the anticipated publication of the initial scoping study on the Motete Dyke project, the Company has secured project financing to take the dyke into full production. This will enable the group to finance the project without any dilution to shareholders and enable the rapid development of the Lesotho projects.

The MOU sets out a framework for MGC, Paragon's local Lesotho-based shareholder of Botle, a subsidiary of Paragon which owns 100% of the Motete Dyke project, to provide $10m of project financing specifically for the Motete Dyke project once the scoping study and mining licence have been obtained.

Terms of the agreement

The US$10m funding will be utilised by Paragon to undertake pre-determined capital investments as required and agreed between the shareholders in Botle. In return, Paragon will transfer 5% of the equity of Botle to MGC, resulting in Paragon and MGC holding 80% and 20% respectively of Botle. A financing fee of 10% of the value of the loan (up to a maximum of US$1million) will be accrued and repaid along with the capital and interest under the terms below.

The loan carries an interest rate of 2% above LIBOR for the life of the loan or at cost if MGC sources funding from external institutions. The Company expects it to be fully repaid within one to two years out of free cash flow generated by the Motete Dyke project, subject to anticipated production schedules and sales revenues being achieved, which will be based on the awaited scoping study and the resource statement it will contain.

Once production at the Motete Dyke project has commenced, 75% of all free cash flow will initially be used to repay the investment that the Company and MGC have made to date (approximately $750,000 in total). Following the full repayment of that investment, the Company will allocate 75% of free cash flow to repay the project loan drawn down to date. The balancing 25% of free cash flow will remain in the subsidiary as working capital.

Paragon anticipates finalising the scoping study within two months and announcing the results to its shareholders. Moreover, the Company with MGC is seeking to negotiate reduced royalty terms with the Kingdom of Lesotho once the scoping study is published and the Company begins to apply for a full mining licence. The Company anticipates to be in full production within 12 months at Motete subject to all approvals being granted.

Paragon Chairman Francesco Scolaro commented: "*I am delighted that we have secured project finance to bring the Motete Dyke in production. This is a significant milestone for the Company especially considering we only started exploring at Motete in December 2011 and now expect to be in production in 2013. This highlights the potential for the project and the continuing support we have received from our local partners, MGC, in Lesotho. I look forward to the completion of the initial scoping study and will announce the progress of both this and our ongoing bulk sampling programme in due course.*"

In accordance with the AIM Rules, the information in this announcement has been reviewed by Stephen Grimmer PhD., MSc., a qualified geologist with over 20 years' diamond exploration experience.

For further information:

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This information is provided by RNS
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