

## **DIRECTORS' REPORT**

The directors present their report and the audited financial statements of the Group for the year ended 31 December 2007.

### **PRINCIPAL ACTIVITIES**

Noventa is a Jersey (Channel Islands) registered holding company, involved primarily in the mining and marketing of tantalum concentrate. Through its subsidiary, Highland African Mining Company Limitada, the Group holds title to a number of mining and exploration licences over various concession areas in Mozambique. The most advanced of which is the Marropino mine i.e. currently the only industrial scale tantalum mine in Mozambique. The next concession area to be developed is Morrua, some 25 km from Marropino. The Morrua project is at an advanced stage of planning. The other concession areas over which the Group has title are to be brought into production in a phased manner so as to provide the Group with a sustainable source of tantalum concentrate.

In addition to tantalum, the Marropino mine is believed to host the largest known deposit of a pink beryl gemstone commonly known as morganite. The morganite occurs in the same ore body as the tantalum and is extracted as and when encountered.

### **REVIEW OF RESULTS**

These are the first full year results since the Group's flotation on the Alternative Investment Market of the London Stock Exchange ("AIM") in March 2007. The consolidated income statement for the year ended 31 December 2007 and the consolidated balance sheet at that date are set out on pages 20 and 21 of this report. The Group reported a loss of \$14.3 million (2006 : \$13.6 million) for the financial year.

The result for the year reflects the operational difficulties experienced in ramping up production at the Marropino mine to targeted levels. These difficulties relate amongst others to (i) the variability of the quality of the run-of-mine ore (i.e. low grade and higher percent oversize material), (ii) poor efficiencies within the processing plant (i.e. recovery rates) and (iii) low plant availability. Due to these operating difficulties, the Company was not able to produce sufficient saleable product to sustain on-going operational and capital expenditure. As a result, the Company has had to rely on the proceeds from the listing and fund raising activities conducted in March and May of 2008 to fund on-going expenditure.

Although at the date of this report the Company has not achieved the targeted production levels, significant progress has been made towards achieving key performance targets as a result of the various initiatives being implemented by the management team. A detailed review of these can be found in the Chairman's statement and operating review that forms part of the annual report on pages 8 to 11.

While it is not unusual for a new start-up mining Group to experience operational difficulties in achieving its targeted production, if the Group is not able to achieve its projected production targets, the Group will need to secure additional external funding to finance its ongoing operational expenditure as well as additional capital expenditure requirements. The Group will also be required to delay certain discretionary development expenditure until such time as these can either be funded from internally generated cash flows or the necessary external funding can be secured.

The Board's review of the accounts, budgets and forward plans, lead the directors to believe that the Company has sufficient resources to continue in operation for the foreseeable future and a reasonable expectation that targeted production levels will be reached. The financial statements are therefore prepared on a going concern basis. The financial information does not include any adjustments that would result from the basis of preparation being inappropriate. If the going concern assumption was not appropriate, certain assets (including property, plant and equipment, intangible assets and deferred taxation) would need to be written down and liabilities not recognised in the balance sheet may crystallise.



## DIRECTORS' REPORT

### SUBSTANTIAL SHAREHOLDINGS

As at 31 December 2007, the following interests in the ordinary shares of Noventa represented more than 3% of the ordinary shares in issue :

<b>Shareholder:</b>	<b>Number of shares</b>	<b>% holding</b>
Highland African Ventures Ltd	12,965,750	37.17%
BlackRock Investment Management	5,069,039	14.53%
Varroville Finance	2,638,830	7.57%
Kerias Management Trading	2,025,581	5.81%
Lochside International	1,765,415	5.06%
Noventa EBT	1,743,928	5.00%
Metage Capital	1,429,478	4.10%
Gestrust SA <sup>(1)</sup>	1,265,811	3.63%

<sup>(1)</sup> An entity in which JP Herselman has an interest

### DIRECTORS AND DIRECTORS' INTERESTS

The directors who held office during the year and until the date of these accounts were:

<b>Director</b>	<b>Date appointed</b>	<b>Executive / Non-executive</b>	<b>Independent</b>
Burt RO	1 January 2007	Non-executive	Yes
Delafield PGR	1 January 2007	Non-executive	Yes
Emerson RV	24 September 2007	Non-executive	No
Herselman Dr JP	3 November 2006	Executive	No
Hinxman M	3 November 2006	Executive	No
Mokoena Professor T	1 January 2007	Non-executive	Yes
Moncreiffe Hon. PDEM	3 November 2006	Non-executive	No
Richardson MH	3 November 2006	Non-executive	Yes
Wood C ( <i>Chairman</i> ) <sup>(1)</sup>	1 January 2007	Executive	No

<sup>(1)</sup> C Wood appointed as executive chairman on 20th September 2007, previously held appointment as non-executive chairman.

The following directors resigned from office during the year :

<b>Director</b>	<b>Date appointed</b>	<b>Date resigned</b>
Cawley NB	3 November 2006	20 February 2007
Hunter AG	1 January 2007	23 September 2007

## DIRECTORS' REPORT

### Directors' interests

As at the date of this report, the interest of the directors and their related entities in the shares and options of Noventa Limited were :

	Ordinary shares held	Options over ordinary shares
Herselman Dr JP	1,265,811	-
Wood C	1,229,235	1,000,000 <sup>(1)</sup>
Mokoena Professor T	465,116	-
Hinxman M	93,023	-

<sup>(1)</sup> The option over ordinary shares was issued to C Wood by the Noventa Employee Benefit Trust on 24<sup>th</sup> September 2007 at an exercise price of £1.15 per share.

According to the register of directors' interest, other than as disclosed above no rights to subscribe for shares of the Company or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Details of the nature and amount of each element of remuneration earned by each director of the Group during the financial year are shown in the table below.

Directors	Directors' fees US\$ 000	Base salary US\$ 000	Consulting fees US\$ 000	Total US\$ 000
Burt RO <sup>(1)</sup>	65	-	73	138
Cawley NB	-	-	-	-
Delafield P	65	-	-	65
Emerson RV	14	-	-	14
Herselman Dr JP <sup>(2)</sup>	-	342	-	342
Hinxman M	-	198	-	198
Hunter AG	55	-	-	55
Mokoena Prof TR	59	-	-	59
Moncreiffe Hon. PDEM	85	-	-	85
Richardson MH	50	-	-	50
Wood C	83	121	-	204
<b>Directors' emoluments and fees</b>	<b>476</b>	<b>661</b>	<b>73</b>	<b>1,210</b>

### Senior management

Russell F	270	-	270
Whitehouse D <sup>(3)</sup>	80	152	232
Rademeyer L	53	-	53
<b>Senior managements' emoluments</b>	<b>403</b>	<b>152</b>	<b>555</b>

<sup>(1)</sup> Includes payments to GraviTa for consulting services.

<sup>(2)</sup> Includes payments to Sazerac Management Corporation for Dr Herselman's services until 28 February 2007.

<sup>(3)</sup> Includes payments to Alitum Africa (Proprietary) Limited for consultancy services.



## DIRECTORS' REPORT

### Meetings of directors

The Board has established four standing committees to assist in the execution of its responsibilities : the Audit Committee, the Remuneration Committee, the Nomination Committee and the Health, Safety, Environment & Community Committee. Other committees may be formed from time to time to deal with specific matters. Each committee operates under a charter approved by the Board detailing their role, structure, responsibilities and membership requirements. Each committee comprises a majority of non-executive directors and is chaired by a non-executive director.

The number of meetings of the Board of directors of Noventa held during the year ended 31 December 2007 (i.e. since admission) and the number of meetings attended by each director are tabled below :

Director	Number of meetings attended				
	Board	Remuneration	Audit	HSE	Nomination
Burt RO	4	3	-	3	-
Delafield P	4	3	2	-	-
Emerson RV	1	-	-	-	-
Herselman Dr JP	4	-	-	3	-
Hinxman M	4	-	-	-	-
Hunter AG	1	-	-	-	1
Mokoena Prof TR	4	-	2	3	2
Moncreiffe Hon. PDEM	2	1	1	-	-
Richardson MH	2	-	-	-	-
Wood C	4	2	-	-	2

Director	Number of meetings held while in office				
	Board	Remuneration	Audit	HSE	Nomination
Burt RO	4	3	-	3 <sup>(†)</sup>	-
Delafield P	4	3 <sup>(†)</sup>	2 <sup>(†)</sup>	-	-
Emerson RV	1	-	-	-	-
Herselman Dr JP	4	-	-	3	-
Hinxman M	4	-	-	-	-
Hunter AG	3	-	-	-	2
Mokoena Prof TR	4	-	2	3	2 <sup>(†)</sup>
Moncreiffe Hon. PDEM	4	3	2	-	-
Richardson MH	4	-	-	-	-
Wood C	4 <sup>(†)</sup>	2	-	-	2

<sup>†</sup> Chairman



## **DIRECTORS' REPORT**

### **SHARE FOR SHARE TRANSACTION**

On 11 January 2007 Noventa entered into an agreement with Highland African Mining Company Limited (“HAMC”) for Noventa to acquire 100% of HAMC’s issued ordinary share capital. The consideration payable by Noventa was the allotment of 81,023,257 new ordinary shares of £0.0001 each, fully paid. The agreement was put into effect on 19 March 2007 with the admission of Noventa’s entire ordinary issued share capital on the Alternative Investment Market (“AIM”) of the London Stock Exchange. On admission, the transaction resulted in 20,255,812 new ordinary shares of £0.0004 each being issued by Noventa i.e. post the consolidation of Noventa’s ordinary shares.

### **CONVERTIBLE LOAN NOTE TRANSACTION**

On 5 February 2007, HAMC and the HAMC Noteholders entered into a deed of termination, cancellation, waiver, release and reissue relating to a loan note instrument (dated 4 August 2006 consisting of \$15.3 million 10% fixed rate convertible unsecured loan notes due on 4 August 2009) with Noventa. Under the deed HAMC and the HAMC Noteholders agreed, conditional on admission, to the cancellation of the Notes, in return for the issue to them of new loan notes by Noventa on similar terms as the Notes (the “New Notes”). The New Notes would upon issue immediately be converted into fully paid ordinary par value shares in Noventa at a predetermined discount to the market value of Noventa on admission.

With the admission of Noventa onto AIM, the convertible loan note transaction was put into effect. The convertible loan notes were converted into 6,430,563 fully paid ordinary shares of £0.0004 each in Noventa.

### **DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union (“Adopted IFRSs”) and has been applied consistently to all years presented in this financial information.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any point in time, the financial position of the Company and to ensure that the financial statements comply with the Company (Jersey) Law 1991. The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are also responsible for the maintenance and integrity of the corporate and financial information included on the Company’s website.

Legislation in the Channel Islands governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



## DIRECTORS' REPORT

### DISCLOSURE OF INFORMATION TO THE AUDITORS

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are not aware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### POLITICAL AND CHARITABLE CONTRIBUTIONS

The Company made no political or charitable contributions during the year.

### SUBSEQUENT EVENTS

#### Zero coupon convertible loan note

On 7 March 2008 the Company raised \$3 million from Highland African Ventures Limited ("HAVL"), an existing substantial shareholder, in the form of a zero coupon convertible unsecured loan note ("Convertibles"). The proceeds from the Convertibles were used to fund additional working capital and operational costs as a consequence of the delays experienced in ramping-up production to targeted levels.

The terms of the Convertibles are set out in note 28 of the financial statements.

#### Pre-shipment finance facility


In May 2008 the Group concluded negotiations with FirstRand (Ireland) PLC ("FirstRand") regarding a "rolling" pre-shipment finance facility of \$6.7 million. Certain risk exposure limits have been agreed regarding the amount of funding that will be made available at various stages of the warehousing and logistics pipeline. These limits are unlikely to have a significant impact on the Group being able to access the funding being made available in terms of this arrangement.

The terms of the pre-shipment finance facility are set out in note 28 of the financial statements.

#### Private placement of shares

In May 2008, in accordance with the terms of the Company's Articles of Association, the Board decided to undertake a private placement of ordinary shares with institutional and high net worth shareholders to raise \$6 million to fund working capital required as a result of the delay in ramping up production to targeted levels.

A total of 3,045,685 ordinary shares of £0.0004 each were placed at £1.00 each. This resulted in the total number of ordinary shares in issue increasing to 37,924,261 ordinary shares of £0.0004 (par value) each as at the date of this report.



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**C Wood**  
Executive Chairman  
27 June 2008



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**M Hinxman**  
Chief Financial Officer  
27 June 2008

