



**NOVENTA LIMITED**

**("Noventa" or the "Company")**

**[AIM: NVTA]**

**TRADING UPDATE FOR THE THREE MONTHS ENDED 31 MARCH 2008**

Highlights –

- Tantalum production increased by more than 40%
- The run of mine feed grade rose to an average of 190 parts per million
- Recoveries increased month on month during Q1 to around 55% in March
- The plant operating problems are expected to be resolved by the end of the second quarter

The Board of Noventa provides the following update on its operations:

**Marropino, Mozambique**

The planned ramp up of production at the Marropino plant continued during the first quarter of 2008. Significant strides have been made towards reaching targets; nevertheless certain aspects have proved to be more complex than first anticipated.

The Key Performance Indicators ("KPI's") being used to measure progress are:

- Plant feed rate

The target increased from 165 tonnes per hour (tph) to 175tph during the quarter. In January and February, the Company achieved or exceeded the target on a regular basis. However, during March, the actual feed rate fell below 165tph due to a number of unforeseen equipment deficiencies, which were rectified during early April.

- Run of mine feed grade

The target increased from 160ppm to 180ppm during the first quarter. Save for two short periods at the end of January and in the middle of February the plant was consistently fed at or above the targeted grade and an average of 190ppm for the quarter was achieved.

- Run of mine feed oversize

Oversize is considered economically barren and represents that portion of the feed material that the plant is not designed to process. The target is to be at or below 40%. The average of 41% achieved was an improvement on the 50% or more experienced last year.

- Recoveries

This represents the portion of tantalum in our feed that the wet process plant is designed to recover. The target during the quarter was 50%. Recoveries have improved from around 40% in January to in excess of 55% in March.

- Plant availability

The plant is designed to operate 75% of the time, 24 hours a day, seven days a week including planned maintenance and unplanned shutdowns. While availability has improved from around 50% in January and on occasions exceeded 90% the average for the quarter was only 56%; with March at 48% as a result of the equipment deficiencies mentioned earlier.

- Finished product

Production increased by 43% from an average of 300 to 430 pounds of tantalum concentrate per day during the quarter. Our target for the period was an average of 475 pounds per day. All tantalum concentrate produced was to specification. The Company produced 34,100 pounds of tantalum concentrate during the quarter. Due to the delays in achieving targeted production Noventa anticipates having between 300,000 and 330,000 pounds of material available for sale this year.

While it is disappointing that the targets mentioned have not consistently been reached in the time expected the above KPI's confirm the following:

- The mine is capable of delivering the anticipated grade of ore as set out in the mine plan and that an appropriate blending program allows the plant to be fed with the requisite grade at the desired percentage oversize.
- The plant can be fed and can process material at the designed feed rate exceeding targeted recoveries and producing material to customer specification. This confirms the views of the various independent experts that there are no systemic flaws in the plant design.

Plant availability requires further attention. The impact of unexpected equipment failures has been exacerbated by the remoteness of the plants location resulting in longer than anticipated downtime and hence below targeted quantities of finished material being produced. Deliveries of spares by truck take 10 days to reach the mine assuming they are

in stock at our logistical office. Downtime caused by operator error has decreased due to the Company's training initiative. Planned maintenance and predictive spares management are receiving management's attention.

The non delivery of grid power by the state owned utility Electricidade de Mocambique EP ("EDM") has required the Company to run its diesel generators well beyond the planned date to shut them down. The Company was originally informed that the electrification project would be completed by August 2007 and that grid power would be available at both Morrua and Marropino. Investigations on the ground confirm that the project is underway and that the majority of the equipment needed is on site. EDM's project management team now anticipate that the line will be completed in August 2008. The short term objective is to consistently operate at or above each of the KPI targets simultaneously.

### **Management changes**

A number of changes have been made since the Chairman, Clinton Wood, took over executive responsibility in September 2007. These include the replacement of the following staff at the mine: General mine manager, plant manager, engineering manager, administration manager and laboratory supervisor. A number of people have also been appointed or promoted to the position of shift supervisor. New people have been appointed to the positions of finance manager, commercial manager and purchasing manager at our logistical and support offices. The post of chief operations officer has been abolished. The enthusiasm with which the new staff have tackled their roles is very encouraging, with the benefits being evident on a daily basis.

### **Pre shipment facility**

During April, the Board entered into a pre shipment finance facility of \$6.7 million. This will reduce the pressure on working capital experienced due to the irregularity of shipping lines servicing southern African ports which are licensed to carry the Company's finished product. The Board expect final documentation to be signed shortly and the first drawdown on this facility to be in May. The groups balance sheet remains ungeared save for this facility.

### **Cash flow**

The delay in reaching targeted capacity has resulted in the businesses not yet achieving cash flow breakeven. During March \$3 million was raised to supplement working capital. This was in the form of a zero coupon convertible bond, convertible to ordinary shares at 175 pence each. The mentioned pre shipment facility provides cash flow for all finished product at the mine. The delay in the ramp up process will necessitate the raising of more capital from shareholders to cover the period until cash breakeven levels are reached.

## **Morrua development**

The development of the Morrua mine has progressed to the point where the necessary funding for implementation can now be raised. The project has been unavoidably delayed as a result of uncertainty around the date for availability of line power at Morrua. The additional time has, however, been used to perform further optimisation work, which has demonstrated the benefit of increasing annual production from 400,000 to 450,000 pounds, at a higher plant throughput. The original plant design was estimated to cost \$36 million in October 2006 terms and the cost to completion will need to be escalated accordingly. Investec Bank UK Limited has been mandated to secure the capital required for Morrua and the hard rock circuit at Marropino. Construction will commence when the funding is available with mechanical completion 12 months thereafter.

## **Tantalum market**

Tantalum consumption has grown at a compound rate of 5% pa since 1990 and is expected to continue growing at between 4-6% pa for at least the next five years. Expansion plans by existing producers and known new development projects are not sufficient to meet the growth in demand and it is expected that the price of tantalum will continue to strengthen. The spot price for tantalum concentrate increased from \$30 in January 2007 to the current level of around \$47 per pound.

Tantalum is not traded on a recognised trading exchange like other metals and commodities, and generally a contract price is established by negotiation of an off-take agreement between producer and consumer based on product specification, volume and contract duration. Historically the contract price received has been higher than the spot price.

A significant portion of Noventa's Marropino production is accounted for in terms of a long-term off-take agreement.

## **Morganite**

During November last year a business plan was finalised with the Company's joint venture partners and an agreement relating thereto concluded. This is an exclusive arrangement for the processing and marketing of morganite gemstones and is structured to enable Noventa to participate in the value added by the sale of the final cut gemstone to retailers / jewelry manufacturers (i.e. in addition to Noventa being paid for the rough morganite supplied, it also participates in the profits earned in connection with the sale of the final cut gemstone).

During the quarter 750 kilograms of morganite was extracted from the main pit, of which 280 kilograms was delivered to the joint venture. Based on the material processed, run of mine rough is expected to yield around 10% thereof as sliced material. Including Noventa's share of the joint ventures profits this equates to \$700 - \$800 per kilogram of rough. These estimates are likely to improve as more experience is gained in processing

and marketing Marropino morganite. The Company plans to extract in excess of 5,000 kilograms of run-of-mine rough during 2008. Due to the time material spends in the processing and distribution pipeline there are delays between extraction and receipt of cash from the sale of the final polished gemstone.

Chairman of Noventa, Clinton Wood commented, "I am encouraged by the numerous and significant challenges that the team have dealt with in the last six months and I thank them for their untiring effort. They have made significant progress in overcoming the problems encountered and anticipating that this trend will continue, consistent achievement of targets can be expected. The growing demand for and limited new production of tantalum continue to add to the attractiveness of our existing operations and our planned expansion."

The Company intends to release its Audited Financial Results for the year end 31 December 2007 in June.

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