

## DIRECTORS' REPORT

The directors present their report and the audited financial statements of the Group for the year ended 31 December 2008.

### 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. 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

The consolidated income statement for the year ended 31 December 2008 and the consolidated balance sheet at that date are set out on pages 14 and 15 of this report. The Group reported a loss of \$22.6million (2007: \$14.3 million) for the financial year.

While it is not unusual for mineral resource companies to experience operational difficulties in ramping up production to targeted levels, it is disappointing that targeted production levels have not yet been achieved on a sustainable basis. The result for the year reflects the continued operational difficulties experienced in ramping up production at the Marropino mine. Operations at the Marropino mine have been impacted by a number of factors. During the first eight months of 2008, production was affected by unforeseen equipment outages in the wet processing plant, including the failure of certain OEM bridge screens that were not manufactured to specification. In addition, the variability of the quality of run-of-mine ore (i.e. lower grade and higher percent oversize material) and poor efficiencies within the wet processing plant (i.e. recovery rates) negatively impacted on production.

The Group's performance and finances have also been affected by the delays in the delivery of grid power to the Marropino mine. In the intervening period it has been necessary to produce power using ageing diesel generators which have significantly impacted on operations i.e. through the high cost of diesel and power outages resulting in the wet plant not being operated at optimal capacity and/or availability.

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### REVIEW OF RESULTS *(continued...)*

Despite significant progress having been made toward achieving key performance targets the Company has not achieved anticipated production levels that would allow it 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 various fund raising activities in 2008 to sustain operations.

### SUBSEQUENT EVENTS

In addition to the operational difficulties experienced in ramping up production to targeted levels, the Company has been directly impacted by the current global financial and economic crisis:

- The bankers providing the pre-shipment finance facility gave notice in April 2009 that the facility is no longer available. This is despite Noventa complying with all covenants;
- The broad based decrease in the provision of credit by the banking sector has resulted in an inability to replace the pre-shipment facility or to secure short term loans on acceptable terms, despite the Company's balance sheet being ungeared;
- The decrease in global trade has reduced the frequency with which ships allowed to carry tantalum concentrate call at the port of Walvis Bay. This together with the withdrawal of the pre-shipment facility have placed excessive strain on the working capital funding requirements;
- A significant decrease in demand for capacitor grade powder has meant that our customer is not in a position to improve the payment terms on which they purchase concentrate from the Company to compensate for the above; and
- The Company's morganite joint venture partners have experienced a marked decrease in demand and have not been able to honour their commitments to the Company.

It is disappointing that the above factors have resulted in the Board having to place the Company's operations on care and maintenance, especially at a time when the plant has been performing ahead of expectations with average availability exceeding 80% in the first quarter of 2009.

Discussions are being held with various potential investors who have expressed an interest in providing the necessary funding to construct the hard rock circuit at the Marropino mine and develop Morrua. The Board believes there is a realistic prospect of obtaining the necessary financial support and funding within an acceptable timeframe.

Shareholders are referred to the going concern note on page 20 of the annual report.