

NOTES

(forming part of the financial statements)

1. GENERAL INFORMATION

Noventa Limited (the “Company”), registration number 95036, is a company incorporated in Jersey, Channel Islands.

The financial statements are a consolidation of the Company and its subsidiaries (together referred to as the “Group”).

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the European Union (“Adopted IFRS”) and has been applied consistently to all years presented.

Adopted IFRS require management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future year if the revision affects both current and future year.

The consolidated financial statements include the results of the company and its subsidiaries. The financial statements are presented in US Dollars and has been prepared on the historical cost basis except for derivative financial instruments and share-based payments which are stated at fair value.

Non-current assets are stated at the recoverable amount which will be the lower of depreciated cost and fair value less costs to sell.

NOTES *(continued)*

BASIS OF PREPARATION *(continued)*

New standards and interpretations not applied

The IASB and IFRIC have issued the following standards and interpretations with an effective date after the commencement date of the accounting period for these financial statements:

<i>International Accounting Standards (IAS/IFRS)</i>	<i>Effective date</i>
• IAS 1 Presentation of financial statements	1 January 2009 (revised)
• IAS 23 Borrowing Costs	1 January 2009 (revised)
• IAS 27 Consolidated and Separate Financial Statements	1 July 2009 (amended)
• IAS 32 Financial Instruments: Presentation	1 January 2009 (amended)
• IFRS 2 Share-based Payment	1 January 2009 (amended)
• IFRS 3 Business Combinations	1 July 2009 (revised)
• IFRS 8 Operating Segments	1 January 2009 (revised)

Key sources of estimation uncertainty

Management is required to make estimates and assumptions regarding the future. In the future, actual experience may deviate from these estimates and assumptions. Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows :

- While conducting an impairment review of its assets, the Group exercises judgement in making assumptions about the mineral reserves / resources, future development and production costs
- In determining the fair value of share-based payments made during the year to employees, a number of assumptions have been made by management. Details of these assumptions are reflected in the note on share-based payments.

Critical accounting judgements in applying the Group's accounting policies

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 13 – Deferred Tax
- Note 19 – Employee Share Incentive Reserve

BASIS OF PREPARATION *(continued)*

Going concern

The global financial and economic crisis has had a significant impact on the availability and cost of raising new capital, either in the form of debt or equity. As such, the Board recognises that there is a material uncertainty as to whether the necessary funding for the hard rock circuit at Marropino and the development of Morrua will in fact be secured and, if secured, the timed receipt thereof.

Despite this uncertainty the group financial statements have been prepared on the going concern basis, which the Board, after careful deliberation, believes to be appropriate for the following reasons:

- The Board believes there is a realistic prospect of securing the necessary financial support and funding within an acceptable timeframe;
- The Board believes that the Company has, or will have access to, sufficient resources to sustain operations on a care and maintenance basis until the necessary funds can be secured to recommence operations.
- The Board believes there is still no indication that there are any fatal flaws in the design and / or construction of the wet process plant at the Marropino mine that will prevent the plant achieving targeted production.
- The grade of the deposit at Marropino (albeit varied) is not a contributory factor to the production shortfalls.
- The assets of the group are unencumbered and can therefore be used as collateral.
- The Group has an off-take agreement for all forecast saleable concentrate produced through to at least 2012.
- The medium term outlook for suppliers of primary tantalum concentrate remains extremely positive in light of the limited number of opportunities (i.e. both greenfield developments and expansions to existing capacity) that can be brought to account in a relatively short period of time to meet anticipated demand for regularised material.

The financial statements are prepared on a going concern basis; therefore 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 would need to be written down and liabilities not recognised in the balance sheet may crystallise.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists where the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial information of subsidiaries is included in the consolidated financial information from the date that control commences until the date that control ceases.

Elimination of transactions on consolidation

Inter-group transactions and balances are eliminated on consolidation together with any unrealised gains and losses arising on inter-group transactions.

Translation of foreign operations

The statements of financial positions of consolidated foreign operations, whose functional currency is not the US Dollar, are translated into US Dollars at rates of exchange ruling at the end of the financial year. The related items of income and expense included in profit and loss are translated at the average rates of exchange for the year. Exchange differences on translation of foreign subsidiaries are recognised directly in equity and accumulated in equity (translation reserve).

3.2 Revenue

Revenue is recognised when the significant risk and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

3.3 Foreign currency

The Company's functional and presentational currency is US Dollar which is the currency of the primary economic environment in which the Group operates.

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

NOTES *(continued)*

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The exchange rates during the year are as follows:

US\$: SA Rand	Closing	Average
31 December 2008	9.4649	8.2751
31 December 2007	6.8547	7.0692

3.4 Financial instruments

Financial assets

The Group classifies its financial assets on the basis of the purpose for which the asset has been acquired. All of the financial assets of the Group arise principally through the provision of goods to customers and include other types of contractual monetary assets i.e. other receivables and cash and cash equivalents.

Trade and other receivables

Trade receivables are non-interest bearing and are stated at their nominal amount that is usually the original invoiced amount less provisions made for bad and doubtful receivables. Estimated irrecoverable amounts are based on the ageing of the receivable balances and historical experience. Individual trade receivables are written off when management deems them not to be collectible.

Cash and cash equivalents

Cash and cash equivalents consist of cash in bank and short-term deposits, and other short-term investments that are highly liquid and can be readily converted into cash.

Impairment losses are recognised when there is objective evidence of impairment. An impairment loss is recognised in profit or loss when the carrying amount of the asset exceeds its recoverable amount. If, in a subsequent period, the amount of the impairment loss decreases, the previously recognised impairment loss is reversed through profit or loss.

Financial liabilities and equity instruments issued by the Group

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. The Group classifies its financial liabilities depending upon the purpose for which the liability was incurred. No financial liabilities of the Group are held for trading.

The Group classifies its financial liabilities in the following categories :

- At fair value through profit or loss; and
- Other financial liabilities.

NOTES *(continued)*

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities at fair value through profit or loss

A financial liability is designated to this category if classified as held for trading, or is regarded as a contract that contains one or more embedded derivatives. Financial liabilities are initially measured at fair value through the profit or loss, excluding any transaction costs.

Other financial liabilities

This category represents financial liabilities that are not classified as belonging in the other category. Other financial liabilities are initially measured at fair value, plus transaction costs.

Interest expense is separated from the net gain or losses on these items and is included in finance expenses. Net gains or losses represent gains or losses on de-recognition and they are included in finance income or finance expenses.

3.5 Intangible assets

In line with IFRS 6 *Exploration for and Evaluation of Mineral Resources*, all costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on a project are written off as incurred.

Exploration and evaluation costs arising following the acquisition of a right to explore a specific area or evaluate a mineral resource are capitalised, pending determination of the technical feasibility and commercial viability of the project, or upon termination of such right

This expenditure includes:

- geological studies
- exploratory drilling
- trenching and sampling;
- costs associated with evaluating the technical feasibility and commercial viability of exploiting the mineral resource; and
- an appropriate allocation of administrative and other general overheads directly attributable to those mineral resources.

Once a development decision has been made the related expenditure will be transferred to mining assets within property, plant and equipment as assets under construction. If the project is not technically or commercially viable the related costs are written off.

Expenditure where no further economic value or reserves enhancement is anticipated is recognised in the income statement immediately. The recoverability of deferred exploration costs is dependent upon the discovery of economically recoverable ore reserves, the ability of the Group to obtain the necessary financing to complete the development of the ore reserves and future profitable production or proceeds from the disposal thereof.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.6 Property, plant and equipment

Property, plant and equipment are recognised at cost less accumulated depreciation and impairment losses.

Costs previously categorised as deferred exploration and evaluation costs (see accounting policy 3.5) in intangible assets, are transferred into property plant and equipment and classified as assets under construction. On commencement of commercial production these costs will be amortised over the estimated life of the ore reserves on a unit of production basis.

The Group recognises in the carrying amount of an item in property, plant and equipment, the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense when incurred.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each component of property, plant and equipment. Where components of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The estimated useful lives are as follows:

Plant	2 – 10 years
Mining equipment	4 years
Vehicles	4 years
Office furniture and equipment	5 years
Computer equipment	3 years
Buildings	10 years

Assets in the course of construction are not depreciated. Gains or losses on disposal are determined by comparing the proceeds with the carrying amount of the asset. The net amount is included in profit or loss for the period.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct costs and an appropriate share of overheads that have been incurred in bringing the inventories to their present location and condition (based on normal operating capacity). Cost is calculated on a first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and disposal.

Finished product consists of saleable tantalum concentrate and morganite, either in rough or sliced form. Work-in-progress is tantalum concentrate that is awaiting final aggregation or that is “locked up” within the final processing plant.

3.8 Impairment of non-financial assets

The carrying amounts of the Group’s assets other than inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset’s recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Impairment losses in respect of goodwill are not reversed.

NOTES *(continued)*

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.9 Provisions

The Group recognises a provision when it has a present legal or constructive obligation as a result of a past event, and it is probable that the Group will be required to settle the obligation. Provisions are measured based on the best estimate of the expenditure required to settle the present obligation at the reporting date. Where the effect of the time value of money is material, the amount of the provision is discounted to present value using a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The increase in the amount of the provision as a result of the passage of time is recorded in profit or loss for the year.

3.10 Leases

Leases that transfer substantially all the risks and reward of ownership are classified as finance leases. All other leases are classified as operating leases.

The Group currently does not have any finance leases. Obligations incurred under operating leases are charged to profit or loss in equal instalments over the period of the lease.

3.11 Taxation

Current and deferred tax are recognised as income or expense and included in profit or loss for the year, except to the extent that the tax relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates of the respective tax jurisdictions enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is generally recognised for all temporary differences between the carrying amount of assets and liabilities (used in the financial statements) and the corresponding tax bases used in the calculation of taxable profit or loss. The following temporary differences are not recognised: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. Deferred tax is recognised using the balance sheet liability method and is based on tax rates that have been enacted or substantially enacted by the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects to recover or settle the carrying amount of its assets or liabilities at the reporting date. A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.12 Share options

Share options or similar instruments may be awarded to employees either through the Unapproved Share Option Plan ("Share Plan") or by the Noventa Employee Benefit Trust ("Noventa EBT") in consideration for services provided to group companies. The fair value of the share option or similar instruments at the date of grant is recognised as an employee expense over the period in which the employee becomes unconditionally entitled to the options. The fair value of share options is determined by reference to the market value of the share at the date of grant.

The fair value of share options issued with non-market vesting conditions is calculated using the Black Scholes model, taking into account the terms and conditions upon which the options were granted. For share option schemes with non-market related vesting conditions, the likelihood of vesting has been taken into account when determining the relevant charge. Vesting assumptions are reviewed during each reporting period to ensure that they reflect current expectations. The charge to the income statement is recognised by a corresponding adjustment to the employee share incentive payment reserve in equity.

Where the terms and conditions of options or similar instruments are modified before they vest, the increase in the fair value of the options or similar instruments, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

3.13 Noventa Employee Benefit Trust

Transactions of the Noventa Employee Benefit Trust ("Noventa EBT") are treated as being those of the Company and are treated accordingly. Any shares issued to the Noventa EBT that have not been transferred to a third party in terms of the Noventa EBT trust deed are treated in the group financial statements as a reduction of equity.

3.14 Employee benefits

Short-term employee benefits

Short-term employee benefits include salaries and wages, short-term compensated absences and bonus plans. The Group recognises a liability and corresponding expense for short-term employee benefits when an employee has rendered services that entitle him / her to the benefit.

Post-employment benefits

The Group does not contribute to any defined retirement benefit plan for its employees. Any social security payments to state schemes are charged against profit or loss as they are incurred.

NOTES *(continued)*

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.15 Segment reporting

Based on the risks and returns the directors consider that the primary reporting format is by business segment. The directors consider there to only be one business segment, being mining, extraction and production of tantalum concentrate. Therefore the disclosures for the primary segment have already been given in these financial statements.

No geographical analysis per region is reported due to the dominance of the Group's operations in Southern Africa relative to these in Jersey (Channel Islands).

4. OTHER OPERATING EXPENSES

Other operating expenses represent that portion of direct and indirect "mine site" mining and processing costs (i.e. diesel, explosives, salary and wages, spares, consumables, etc.) that are in excess of the net realisable value of inventories on hand and the cost of sales, based on normalised production levels. Once targeted production levels have been achieved on a sustainable basis, these mine site production costs will be incorporated into cost of sales.

5. EXPENSES AND AUDITOR'S REMUNERATION

Included in loss are the following:

	2008	2007
	US\$000	US\$000
Depreciation	3,737	1,564
Impairment of property, plant and equipment	2,443	-
Amortisation of intangible assets	78	311
Loss / (profit) on disposal of property, plant and equipment	141	(11)
Royalty taxes	208	44
Share-based incentive expense	205	274
Exploration and evaluation expenditure	19	617

NOTES *(continued)*

	2008 US\$000	2007 US\$000
EXPENSES AND AUDITOR'S REMUNERATION <i>(continued)</i>		
<i>Auditors' remuneration:</i>		
Audit		
Noventa Limited	134	221
Subsidiary entities	(95)	210
	<u>39</u>	<u>431</u>
Other services		
Other advisory services	9	132
Other	-	11
	<u>9</u>	<u>143</u>
	2008	2007
	#	#
6. STAFF		
Executive directors	2	3
Management	5	5
Administration	21	24
Operational	345	418
	<u>373</u>	<u>450</u>
	2008	2007
	US\$000	US\$000
<i>Staff costs (including executive directors' emoluments) comprise :</i>		
Executive directors' emoluments	1,045	661
Salaries and wages	2,789	2,086
Social security costs	29	21
Consulting fees	38	152
Share-base payment expense	205	274
	<u>4,108</u>	<u>3,194</u>

NOTES *(continued)*

	2008 US\$000	2007 US\$000
7. REMUNERATION OF EXECUTIVE DIRECTORS AND KEY MANAGEMENT		
Key management personnel remuneration is detailed below and is included in staff costs (note 6)		
Executive directors' emoluments	1,045	661
Salaries and wages	354	403
Consulting fees	-	152
Share-base payment expense	182	123
	<u>1,581</u>	<u>1,339</u>
	2008 US\$000	2007 US\$000
8. NET FINANCE EXPENSE		
Interest income	79	467
Foreign exchange gain	196	73
Finance income	<u>275</u>	<u>540</u>
Interest expense	106	349
Foreign exchange loss	654	177
Discount unwind (note 20)	11	14
Loss on re-measurement of financial liabilities at fair value through profit or loss	-	152
Finance expense	<u>771</u>	<u>692</u>
Net finance expense	<u>496</u>	<u>152</u>

NOTES *(continued)*

	2008 US\$000	2007 US\$000
9. TAXATION		
<i>Recognised in the income statement</i>		
<i>Deferred tax income (note 13)</i>		
Reversal (benefit) of tax losses recognised	7,088	(2,688)
Total tax in income statement	<u>7,088</u>	<u>(2,688)</u>

There was no current income tax during the period.

	2008 US\$000		2007 US\$000	
<i>Reconciliation of effective tax rate</i>				
Loss before taxation		<u>(15,486)</u>		<u>(17,024)</u>
Tax using the UK corporation tax rate	28.0%	4,336	30.0%	5,107
Non-deductible expenses	(1.6)%	(245)	(0.2)%	(32)
Movement of unrecognizable tax losses	(2.3)%	(356)	(0.8)%	(137)
Tax exempt incomes	8.9%	1,382	2.9%	515
Tax exempt expenses	(2.6)%	(405)	(4.7)%	(801)
Lower tax rates on overseas losses	(9.0)%	(1,394)	(11.4)%	(1,964)
Tax losses not recognised	(21.4)%	(3,318)	-	-
Reversal of deferred tax asset	(45.8)%	(7,088)	-	-
Total tax in income statement	<u>(45.8)%</u>	<u>(7,088)</u>	15.8%	2,688

Given the uncertainty regarding the need for the Group to raise additional funding, the deferred tax asset has been reversed and expensed to profit and loss.

NOTES *(continued)*

10. LOSS PER SHARE

The acquisition of Highland African Mining Company Limited by Noventa Limited in 2007 has been accounted for as a reverse acquisition, using merger accounting principles. The consolidated loss per share comparative has therefore been presented as if Noventa Limited had been the holding company of the Group throughout the periods being presented.

Basic earnings per share is calculated by dividing the losses attributable to ordinary shareholders by the weighted average number of ordinary in issue during the reporting period.

There is no difference between the diluted loss per share and the loss per share presented.

	Shares in issue No.	Weighted average in issue No.
<i>Calculation of weighted average number of shares in issue:</i>		
Number of shares issued re share-for-share exchange	20,255,812	20,255,812
Shares issued on incorporation of Noventa Limited ⁽ⁱ⁾	1,837,208	1,837,208
Conversion of loan notes	6,430,563	5,056,360
New shares on listing	4,600,497	3,617,377
Share options that vested	10,568	7,094
At 31 December 2007⁽ⁱ⁾	33,134,648	30,773,851
At 1 January 2008	33,134,648	33,134,648
New shares issued	3,045,685	1,797,435
Conversion of loan notes	1,522,843	732,296
At 31 December 2008⁽ⁱ⁾	37,703,176	35,664,379

(i) excludes 1,743,928 shares issued to the Noventa EBT

NOTES *(continued)*

11. PROPERTY, PLANT AND EQUIPMENT

	Assets under construction US\$000	Mining assets US\$000	Office furniture, equipment and computers US\$000	Buildings US\$000	Total US\$000
<i>Cost</i>					
At 1 January 2008	294	13,711	366	1,454	15,825
Additions	304	464	62	76	906
Transfers	(95)	-	-	95	-
Disposals	-	(173)	(9)	-	(182)
At 31 December 2008	503	14,002	419	1,625	16,549
<i>Depreciation and impairment</i>					
At 1 January 2008	-	(5,058)	(161)	(339)	(5,558)
Depreciation charge	-	(3,514)	(67)	(156)	(3,737)
Impairment	-	(2,443)	-	-	(2,443)
Disposals	-	32	9	-	41
At 31 December 2008	-	(10,983)	(219)	(495)	(11,697)
Net book value at 31 December 2008	503	3,019	200	1,130	4,852
<i>Cost</i>					
At 1 January 2007	3,995	7,516	207	763	12,481
Additions	1,387	1,123	163	691	3,364
Disposals	(5,088)	5,088	-	-	-
Transfers	-	(16)	(4)	-	(20)
At 31 December 2007	294	13,711	366	1,454	15,825
<i>Depreciation</i>					
At 1 January 2007	-	(3,654)	(112)	(245)	(4,011)
Depreciation charge	-	(1,418)	(52)	(94)	(1,564)
Disposals	-	14	3	-	17
Transfers	-	-	-	-	-
At 31 December 2007	-	(5,058)	(161)	(339)	(5,558)
Net book value at 31 December 2007	294	8,653	205	1,115	10,267

Assets under construction include development costs of \$348,000 (2007: \$194,000) relating to Morrua. Mining assets includes a capitalized rehabilitation asset of \$138,000 (2007: \$138,000).

NOTES *(continued)*

PROPERTY, PLANT AND EQUIPMENT *(continued)*

Impairment of Mining assets

As a result of the uncertainty regarding funding and the probability that the Group would not recommence operations until such time as the hard rock circuit had been constructed and commissioned a review was carried out of the property, plant and equipment that was used to process soft weathered ore and which may become redundant. This review resulted in an impairment charge of \$2.4 million being expensed to profit and loss (2007: Nil).

	Mining rights US\$000	Concessions US\$000	Total US\$000
12. INTANGIBLE ASSETS			
<i>Costs</i>			
At 1 January 2008	2,798	150	2,948
Additions	-	-	-
At 31 December 2008	2,798	150	2,948
<i>Amortisation</i>			
At 1 January 2008	(987)	(150)	(1,137)
Amortisation charge	(78)	-	(78)
At 31 December 2008	(1,065)	(150)	(1,215)
Net book value at 31 December 2008	1,733	-	1,733
<i>Costs</i>			
At 1 January 2007	2,798	150	2,948
Additions	-	-	-
At 31 December 2007	2,798	150	2,948
<i>Amortisation</i>			
At 1 January 2007	(706)	(120)	(826)
Amortisation charge	(281)	(30)	(311)
At 31 December 2007	(987)	(150)	(1,137)
Net book value at 31 December 2007	1,811	-	1,811

Intangible assets relate to the cost of acquiring the mining permit for the Marropino Mine and the costs of acquiring the exploration and mining rights to various other tantalum titles in Mozambique, including those for Morrua.

NOTES *(continued)*

13. DEFERRED TAX ASSET

	US\$000
<i>Movement in deferred tax during the year:</i>	
At 1 January 2008	7,088
Recognised in income (note 9)	<u>(7,088)</u>
At 31 December 2008	<u>-</u>
At 1 January 2007	4,400
Recognised in income (note 9)	<u>2,688</u>
At 30 December 2007	<u>7,088</u>
	2008
	2007
	US\$000
	US\$000

Deferred tax assets are attributable to the following:

Tax value of loss carry-forwards	<u>-</u>	<u>7,088</u>
Recognised deferred tax asset	<u>-</u>	<u>7,088</u>

The deferred tax asset in the comparative period relates to the accumulated tax losses incurred by the Group's activities in Mozambique (i.e. at a tax rate of 17.5%) as contained in the Mining Licence Agreement signed between Highland African Mining Company Limitada and the Mozambican Government. The deferred tax asset was reversed during the current reporting period, due to the uncertainty regarding future funding.

The company has exempt company status under Article 123A of the Income Tax (Jersey) Law of 1961.

	2008	2007
	US\$000	US\$000
<i>Unrecognised deferred tax assets are attributable to the following:</i>		
Tax value of tax losses carried forwards	<u>9,174</u>	<u>131</u>
Unrecognised deferred tax asset	<u>9,174</u>	<u>131</u>

The unrecognised deferred tax assets relate to the Group's activities where it is uncertain as to whether such a tax asset will be realised in the foreseeable future.

NOTES *(continued)*

	2008 US\$000	2007 US\$000
14. INVENTORIES		
Consumables	230	403
Work-in-progress	633	158
Finished products	-	301
	<u>863</u>	<u>862</u>
	2008 US\$000	2007 US\$000
15. TRADE AND OTHER RECEIVABLES		
Other trade receivables	3,807	688
Prepayments	164	324
Other debtors	26	845
	<u>3,997</u>	<u>1,857</u>
	2008 US\$000	2007 US\$000
16. CASH AND CASH EQUIVALENTS		
Cash on hand	18	50
Cash in bank	2,522	2,095
	<u>2,540</u>	<u>2,145</u>
Cash in bank earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents is \$2,5 million (2007 : \$2,1 million)		
	2008	2007
17. CAPITAL AND RESERVES		
Share capital	£	£
<i>Authorised</i>		
Ordinary shares of £0.0004 each	<u>50,000</u>	<u>50,000</u>
	No. of shares	No. of shares
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £0.0004 each	<u>39,447,104</u>	<u>34,878,576</u>
	US\$000	US\$000
Ordinary shares of £0.0004 each	<u>32</u>	<u>28</u>

NOTES *(continued)*

CAPITAL AND RESERVES *(continued)*

Share issue

During the year 3,045,685 (2007: 4,600,497) ordinary shares were issued at a premium of £1.00 (2007: £1.71) per share. The company also converted the convertible loan with a value of £3 million into 1,522,843 fully paid up ordinary shares. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Share consolidation

The shareholders by way of resolutions in writing on 14 March 2007, in accordance with article 95 of the Companies (Jersey) Law 1991 (as amended) and the articles of association of the Company, resolved that four existing issued ordinary share of £0.0001 each be consolidated into one ordinary share of £0.0004 each.

Analysis of ordinary shares in issue

	No.
At 1 January 2007	23,255,821
Conversion of loan note	6,430,563
New shares issued on admission to AIM	4,600,497
Shares issued to Noventa EBT	591,695
At 31 December 2007	34,878,576
New shares issued	3,045,685
Conversion of loan notes	1,522,843
At 31 December 2008	39,447,104

NOTES (continued)

18. CHANGES IN EQUITY

	Notes	Share capital US\$000	Share premium US\$000	Convertible loan US\$000	Merger reserve US\$000	Employee share incentive reserve US\$000	Translation reserve US\$000	Retained losses US\$000	Total Equity US\$000
Balance at 1 January 2007		17	-	-	8,858	-	12	(6,583)	2,304
Total recognised income and expenses for the year		-	-	-	-	-	(17)	(14,336)	(14,353)
Share based payments	19	-	-	-	-	274	-	-	274
Issue of share capital		5	16,874	-	-	-	-	-	16,879
Expenses incurred in issuing share capital		-	(4,481)	-	-	-	-	-	(4,481)
Treasury shares held by the company		-	-	-	-	-	-	(1,236)	(1,236)
Conversion of loan notes		6	21,827	-	-	-	-	-	21,833
Balance at 31 December 2007		28	34,220	-	8,858	274	(5)	(22,155)	21,220
Total recognised income and expenses for the year		-	-	-	-	-	219	(22,574)	(22,355)
Share-based payments	19	-	-	-	-	205	-	-	205
Issue of convertible loan		-	-	2,000	-	-	-	-	2,000
Issue of share capital		3	6,018	-	-	-	-	-	6,021
Expenses incurred in issuing share capital		-	(361)	(13)	-	-	-	-	(374)
Conversion of loan notes		1	2,999	-	-	-	-	-	3,000
Balance at 31 December 2008		32	42,876	1,987	8,858	479	214	(44,729)	9,717

CHANGES IN EQUITY *(continued)*

Merger reserve

The merger reserve was created when Noventa acquired 100% of the issued ordinary share capital of Highland African Mining Company Limited in terms of the share-for-share agreement signed on 11 January 2007. The agreement was put into effect on 19 March 2007 with the admission of Noventa's entire ordinary issued share capital onto the Alternative Investment Market ("AIM") of the London Stock Exchange.

Employee share incentive reserve

The employee share incentive reserve arises when the equity settled payments are charged to the income statement in respect of share options or similar instruments granted to employees. The reserve represents the corresponding increase in equity. Further information about share-based payments to employees is provided in note 19.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial information of foreign operations, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

Convertible loans

The convertible loans ("Convertibles B") were issued on the following principal terms:

- Convertible into ordinary shares at an effective 15p per share.
- Convertible at the holder's discretion or the Company's discretion into ordinary shares at any time following the passing of a special resolution to approve the issue of the new ordinary shares arising on conversion of the Convertibles B. It is expected that the special resolution will be proposed at Noventa's 2009 AGM.
- The holder may require some or all of the Convertibles B to be repaid in the event of an issue by the Company of new ordinary shares for cash on the basis that the entire proceeds are immediately applied by the holder in subscribing for its entitlement to such new ordinary shares.
- If the Convertibles B are not converted, the principal amount is repayable on 31 December 2020.
- No interest shall be payable by the Company in respect of the Convertibles B.

Capital contribution

The capital contribution relates to Highland African Ventures Limited waiving its rights to the repayment of the its shareholder loan of \$24,510,000, subject to the successful private placement of 10% fixed rate convertible unsecured loan notes in 2007. The convertible loan notes were successfully placed in August 2007.

19. EMPLOYEE SHARE INCENTIVE RESERVE

Certain share options were issued to employees and directors of the Group to acquire ordinary shares in the Company.

The following options have been issued:

	Number	Grant date	Expiry date	Exercise price	Fair value at grant date
<i>31 December 2008 :</i>					
Share Plan – issue 2	294,000	9 July 2009	2018	£1.15	£0.31
Share Plan – issue 2	294,000	9 July 2009	2018	£1.15	£0.40
Share Plan - issue 2	294,000	9 July 2009	2018	£1.15	£0.48
Share Plan – issue 2	294,000	9 July 2009	2018	£1.15	£0.54
<i>31 December 2007 :</i>					
Share Plan – issue 1	379,182	20 February 2007	2017	£0.0004	£1.75
Noventa EBT	250,000	24 September 2007	2017	£1.15	£0.37
Noventa EBT	250,000	24 September 2007	2017	£1.15	£0.45
Noventa EBT	250,000	24 September 2007	2017	£1.15	£0.52
Noventa EBT	250,000	24 September 2007	2017	£1.15	£0.58

The weighted average fair value of options granted during the year by the Share Plan is £0.43 (2007: £0.83). No options were granted by the Noventa EBT during the year (2007: 1,000,000). The fair value of the options granted has been recognised in accordance with the respective vesting periods applicable to the options. The options were priced using the Black-Scholes model. Where relevant, the expected life used in the model has been adjusted based on management’s best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations. Expected volatility takes into consideration the mining and exploration sector within which the Group is classified and the relatively low liquidity of the Company’s shares. The fair value charge to profit and loss for the year was \$205,000 (2007: \$274,000).

Inputs into the model for the respective share option grants are as follows:

	Share Plan 4 July 2008	Share Plan 20 February 2007	Noventa EBT 24 September 2007
Options granted	1,176,000	379,182	1,000,000
Grant date share price	£1.15	£0.0004	£1.15
Exercise price	£1.15	£0.0004	£1.15
Expected volatility	50%	50%	50%
Estimated weighted average life (years)	3.38	3.49	3.49
Risk-free interest rate (UK)	5.51%	5.62%	5.75%

*The allotment under the Share Plan was to general staff in the employ of the group on 4 July 2008 (2007: 20 February 2007).
The allotment to the executive chairman (C Wood) on 24th September 2007 was made by the Noventa EBT.*

EMPLOYEE SHARE INCENTIVE RESERVE (continued)

The following reconciles the options granted at the end of the year :

	Number of options	Weighted average exercise price
Outstanding at 1 January 2008	1,273,544	£0.90
Granted during the year	1,176,000	£1.15
Lapsed during the year ⁽¹⁾	(661,664)	£0.78
Outstanding at 31 December 2008	1,787,880	£1.12
Outstanding at 1 January 2007	-	-
Granted during the year	1,379,182	£0.83
Lapsed during the year ⁽¹⁾	(95,070)	£0.0004
Exercised during the year	(10,568)	£0.0004
Outstanding at 31 December 2007	1,273,544	£0.90

⁽¹⁾ Options lapsed due to performance criteria not being achieved and / or option holders leaving the employ of the Group.

The share options exercised during 2007 were exercised at a share price of £1.40.

As of 24 September 2008 250,000 options became exercisable. No share options were exercisable at 31 December 2007.

	2008 US\$000	2007 US\$000
20. PROVISIONS		
At beginning of year	234	220
Unwinding of discounted amount (note 8)	11	14
At end of year	245	234

The provision relates to the anticipated costs to be incurred in rehabilitating the open pit and surrounding area once the mineral ore body has been fully exploited at the Marropino mine in Mozambique. The estimated remaining life of mine is 7 years.

	2008 US\$000	2007 US\$000
21. OTHER INTEREST-BEARING LOANS AND BORROWINGS		
<i>Current liabilities</i>		
FirstRand (Ireland) Plc pre-shipment finance	59	-
	59	-

	2008 US\$000	2007 US\$000
22. TRADE AND OTHER PAYABLES		
Trade payables	747	1,510
Other payables	3,217	1,066
	<u>3,964</u>	<u>2,576</u>

23. FINANCIAL INSTRUMENTS

The Board of directors determines, as required, the degree to which it is appropriate to use financial instruments, commodity contracts or other hedging techniques to mitigate risks. The main risks for which such instruments may be appropriate are market risk (including interest rate risk, foreign currency and commodity price risk), credit risk and liquidity risk.

The Group's financial instruments comprise cash, borrowings and various items such as short term receivables and payables which arise directly from the Group's operations. There were no derivative instruments outstanding as at 31 December 2008. The Group does not trade in financial instruments.

The accounting classification of each category of financial instrument is set out below:

	2008 US\$000	2007 US\$000
<i>Financial assets</i>		
Trade and other receivables	3,997	1,857
Cash and cash equivalents	2,540	2,145
	<u>6,537</u>	<u>4,002</u>
<i>Financial liabilities</i>		
Trade and other payables	<u>(3,964)</u>	<u>(2,576)</u>

There is no material difference between the carrying value and the fair value of the financial instruments. There were no derivative financial liabilities during 2008 and 2007.

Market risk : interest rate risk

The Group's interest rate risk arises from long-term borrowings, loans and receivable financial assets. Loans that are issued at variable interest rates and financial assets with variable interest rates expose the Group to cash flow interest rate risk. Loans issued at fixed rates and financial assets with fixed rates expose the Group to fair value interest rate risk.

The Group's exposure to interest rate risk is managed by the Noventa executive management team. As at 31 December the Group had no fixed interest rate financial instruments.

FINANCIAL INSTRUMENTS *(continued)*
Market risk: currency risk

The Group operates internationally and therefore the Group is exposed to foreign exchange risk arising from a number of currencies, mainly in relation to the US Dollar. The Group has potential currency exposures in respect of items denominated in foreign currencies comprising:

- Transactional exposure in respect of operating costs, capital expenditures and, to a lesser extent, sales incurred in currencies other than the functional currency of operations and in respect of certain exchange control restrictions which require funds to be maintained in currencies other than the functional currency of operations; and
- Translational exposures in respect of investments in overseas operations which have functional currencies other than US Dollars. When not in conflict with exchange control requirements, the Group's policy is to minimise translational exposure generally through borrowing in the relevant currency. Currency risk in respect of non-functional currency expenditure is reviewed by the Board of directors.

As the foreign operations within the Group are fully reliant on the Company for the provision of funding and are considered as part of the investment in the foreign operation, where permitted by applicable foreign exchange regulations and international accounting standards, transactions between Noventa and the foreign operations are denominated in the functional currency of the foreign operation so as to minimise the effect of foreign exchange risk on the income statement and cash flows of the foreign operation.

As at 31 December the Group had the following monetary assets and liabilities in currencies other than the functional currency of Noventa, which is US Dollars:

	2008 US\$000	2007 US\$000
Pound Sterling	192	255
SA Rand	(225)	(157)
Other	(441)	80
	<u>(474)</u>	<u>178</u>

As at 31 December the Group's cash balances comprised of the following currencies:

	2008 US\$000	2007 US\$000
US Dollar	2,299	785
Pound Sterling	191	1,122
SA Rand	14	130
Other	36	108
	<u>2,540</u>	<u>2,145</u>

FINANCIAL INSTRUMENTS *(continued)*

A 10% increase or decrease in the value of the SA Rand or Pound Sterling relative to the US Dollar would not have a material impact on the profit or loss of the Group for the period. Currency risk is reduced by borrowing in US Dollars, the same currency as Noventa's functional currency. Cash surpluses are also principally maintained in US Dollars. The Group does not have any forward foreign currency contracts.

Market risk : commodity price risk

The Group is exposed to movements in the price and demand for morganite. While the coloured gemstone market is well established and has been for some time, morganite has not been actively promoted due to there not having been a sustainable and reliable source of supply. Due to the nature of the gemstone market the Group is not able to use hedging or derivative instruments to mitigate the risk. As there were only limited sales of morganite during the reporting period, an increase or decrease of 1% in the price of morganite would not have a material impact on the profit or loss for the period.

Credit risk

The Group is exposed to credit risk on its receivables and the morganite inventories being held by counterparties. This risk arises due to changes in the credit rating of the counterparty subsequent to the Group obtaining the financial asset and / or shipping the morganite to the counterparty. The Group's credit risk is reduced with it only having to transact with a small number of counterparties who have a sound credit rating. The Group's exposure to credit risk is further controlled by reviewing its credit exposure to counterparties at regular intervals.

The maximum exposure at 31 December was \$2,1 million (2007: \$0.6 million).

Liquidity risk

The Group raises funds as and when required on the basis of forecast expenditure and inflows. When funding is required, the Group balances the costs and benefits of equity and debt financing. When funds are received they are deposited with banks of high standing in order to obtain competitive market interest rates.

The liquidity risk of each Group entity is managed the Noventa executive management team, as all Group entities are dependent on Noventa for their funding requirements. Funds are provided to the Group entities on an "as required basis", based on their forecast expenditure.

Fair values

The fair values reflect the carrying amounts in the balance sheet. For short term receivables and payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables and payables are not deemed material and have used the notional amount to determine the fair value.

FINANCIAL INSTRUMENTS (continued)

Capital management

The Group defines capital as the total equity of the Group. The objective of the Group's capital management is to ensure that it makes the maximum use of its capital to support its business and maximise shareholder value. There are no external constraints on the Group's capital.

	2008 US\$000	2007 US\$000
24. OPERATING LEASES		
The total amounts payable under non-cancellable building operating leases are as follows:		
Less than one year	68	105
Between one and five years	199	369
	267	474

Operating lease rentals recognised as an expense in the income statement:

Land and buildings	66	88
Other	-	1
	66	89

25. CONTINGENT LIABILITIES

Legal

A former contractor at the Marropino mine has instigated a legal claim for \$0.9 million against HAMC Project Services (Pty) Limited and its management on the grounds that the company and its management were responsible for his wrongful imprisonment in Mozambique relating to an incident of theft at the Marropino mine in April 2006. Management is vigorously defending the claim and the company's legal counsel is of the opinion that his case will not succeed.

Commitments in terms of off-take agreements

While the Group is not in default of its obligations in terms of its signed tantalum off-take agreement, should the Group be unable to deliver the required volume of concentrate as stipulated in the off-take agreement, the Group may be required to compensate the off-taker for losses and / or damages sustained as a direct result of a breach of the off-take agreement.

26. RELATED PARTIES

The immediate parent of Noventa Limited is Highland African Ventures Limited, a company registered in Jersey, Channel Islands. The ultimate controlling party is Fleming Family & Partners (Liechtenstein) AG, a Liechtenstein registered trust company which is acting in its capacity as trustee of a settlement dated 17 August 1995.

The following represents a list of the 100% owned subsidiaries of the Group:

Name	Country of incorporation	Principal activity	Class of shares held
Highland African Mining Company Limited	Jersey	Holding company	Ordinary
Highland African Mining Company Limitada	Mozambique	Mining	Ordinary
Speciality Minerals Corporation Limited	Jersey	Marketing and Sales	Ordinary
HAMC Project Services (Proprietary) Limited	South Africa	Support services	Ordinary

Transactions between Noventa and its subsidiaries have been eliminated upon consolidation and are therefore not disclosed in this note. Details of transactions between the Group and other related parties are detailed below.

	2008 US\$000	2007 US\$000
Transactions with related parties		
<i>Convertible loan notes issued</i>		
Highland African Ventures Limited	7,200	-
<i>Convertible loan notes not converted at year end</i>		
Highland African Ventures Limited	1,987	-
<i>Interest on amounts advanced</i>		
Highland African Ventures Limited	-	75
Gestrust SA	-	6
Transactions with key management personnel		
Short-term employee benefits	<u>1,739</u>	<u>1,765</u>

Key management personnel compensation is included in the Directors' Report. No share options were exercised by the directors during the reporting period.

27. SIGNIFICANT CONTRACTS**Nagrom service agreement**

The Company has a service agreement with Nagrom, an Australian based specialist minerals processing organization, for the operation of the final processing plant at the Marropino mine. The main terms of the agreement are:

- The agreement was for an initial period of one year, commencing on 1 September 2007 which has been rolled over.
- Nagrom's fee is based on certain time charges and the volume of dry intermediate concentrate processed.
- The Company is responsible for all disbursements i.e. travel and accommodation.
- Nagrom will provide onsite training.
- Nagrom guarantee a minimum concentrate recovery rate.

Tantalum off-take agreement

The Company has a confidential long-term off-take agreement for the sale of a substantial proportion of its projected production of tantalum concentrate at market related prices.

Morganite joint venture agreement

The Company has an exclusive agreement with Goldleaves Trading Limited ("GTL") (a subsidiary of NASDAQ listed LJ International) and Miranda Gems (HK) ("Miranda"). Both companies are leaders in their respective fields within the colored gemstone industry. In terms of the agreement, GTL will be responsible for processing the morganite "rough" into polished cut morganite gemstones. Miranda is responsible for the marketing and sale of the morganite gemstones to prospective customers, in terms of the agreed business plan.

In addition to the Company being paid for the morganite "rough", the exclusive arrangement is structured so as to enable Noventa to participate in the downstream added value generated by selling the final cut gemstone to gem wholesalers and jewellery manufacturers.

Other main terms of the agreement are :

- The agreement is for an indefinite period that can be terminated on not less than 180 days.
- Noventa retains ownership of the morganite up until the final point of sale.
- The proceeds from the morganite sales are shared between Noventa, Miranda and GTL on an agreed basis.

The agreement restricts the parties' ability to dealing in any other morganite.

28. SUBSEQUENT EVENTS

Termination of the pre-shipment finance facility

In April 2009 the Group was advised by FirstRand (Ireland) PLC (“FirstRand”) that they would not be advancing any further funds to the Group in terms of the pre-shipment finance facility that was established in May 2008. This is despite Noventa complying with all covenants. The pre-shipment facility had the following terms:

- Saleable tantalum concentrate is to be financed from the time that it has been assayed at the mine to when it has been delivered and paid for by the Group’s off-taker.
- Initial term of the agreement is for 12 months, renewable on 30 days notice by either party.
- Total funding under the agreement has been limited to 300,000 lb Ta₂O₅ contained.
- The effective cost of the facility is in the order of 5.7%, based on the Group utilizing the full facility over the 12 month period.



Blasting at Marropino