

NOVENTa

NOVENTA LIMITED
(“Noventa” or the “Company”) (AIM: NVTA; ISDX: NV)

Production update and impact on forecast compliance with the terms of the Secured Loan

11 February, 2013

Following the announcement of 28 November 2012, the Company now provides a production update to 31 January 2013, including an outline of immediate actions to be undertaken by the Company and its subsidiaries (the “Group”) to reassess the Group’s forecast production volumes during the remainder of 2013. Preliminary reassessments of forecast production for 2013 indicate a significant decrease in production volumes compared to plan which, if confirmed, would cast doubts over the Company’s ability to comply with the terms of the medium term secured loan entered into by certain members of the Group and Richmond Partners Master Limited (the “Lender”) on 22 November 2012 (as further described in the Company’s announcement of 23 November 2012) (the “Secured Loan”).

Final production for November 2012 was 5,360 lbs contained Ta₂O₅. Production for December 2012 and January 2013 was respectively 1,601 lbs contained Ta₂O₅ and 1,642 lbs contained Ta₂O₅. The Directors believe that the low production volumes for December and January reflect a combination of factors (some of which are outside of the Group’s control) including, but not limited to:

1. unreliable electricity supply;
2. adverse weather conditions experienced in the rainy season;
3. new customs regulations that have delayed the import of goods and equipment into Mozambique and consequently the delivery of necessary materials to the Marropino Mine;
4. the relatively low recovery rates in the new Plant, reflecting in part the factors outlined below in this announcement;
5. frequent shutdowns of the new and old processing plants at Marropino while the remedial work (as explained in the Company’s announcement of 28 November 2012) was carried out; and
6. the relatively low grade of ore available for processing in these months.

Further and due to the above, while progress is being made, the remedial work necessary to improve production from the new processing plant continues to be behind schedule.

The combination of these factors has led the Group to update its previous production forecast for 2013 which, on a preliminary basis, shows a significant decrease in production volumes. The Board has reviewed the factors leading to the revised production assessment and the options available to the Group. The Board considers that the achievement of forecast production is, inter alia, materially dependent on improvements in the following areas of the plant:

1. crushing and -screening circuits to increase ore throughput and to reduce the fines size fraction (which is at present significantly higher than forecast in the engineering design) to improve the concentration process in the spirals plant;

2. shaking table layout changes to prevent anomalous structural vibrations in the shaking tables building which are affecting the material classification on the tables and consequently reducing the recovery of Ta₂O₅;
3. the conveyor belts on the band dryers which are currently unable to maintain continuous drying of the wet concentrate and adversely affect the production of dry concentrate. New and better quality materials are being tested to replace the existing belt;
4. the new thickener is incapable of processing the tailings generated by the new plant resulting in inadequate water clarification and excessive deposits of tailings in the recycled water pond; and
5. the magnetic and electrostatic dry processing circuits are not recovering the planned levels of Ta₂O₅ due to the excess of fines in the dry concentrate.

Further and, in the opinion of the Directors, of critical importance is the forecast of a short to medium term decrease in the ore grade available to be mined from the Marropino pit. This lower ore grade forecast results from the internally updated mining plan which is currently being reviewed. Under this updated mining plan, the average ore grade that would currently be available for processing during 2013 is lower than the average for the Marropino pit resources (which is 223 ppm). While the Group can only process ore at this lower grade from Marropino, the maximum monthly output of the new processing plant, assuming all other factors are equal, would be restricted to approximately 40,000 lbs contained Ta₂O₅ per month. When combined with the existing production shortfalls arising in December 2012 and January 2013, and the continued difficulties experienced by the Group in achieving any sustained increased output from the new plant, this monthly production level would be insufficient to meet the financial covenant tests under the Secured Loan and would further result in an additional short to medium term funding requirement for the Group.

The Board has requested details of the mining data and calculations used to forecast the ore grades in the updated mining plan, which is currently expected to be available by 13 February 2013. Under the terms of the Secured Loan the borrower (HAMC Minerals Limited, an indirect, wholly-owned subsidiary of the Company) (the "Borrower") must deliver to the Lender a certificate of compliance (the "Certificate") at certain times which must confirm that the Group can deliver its business plan within the remaining available funding under the Secured Loan. One of these Certificates was due on 10 February 2013. Until the supporting data for the updated mining plan has been reviewed by the Independent Board (being the Board other than Mr Bechis who is not independent with respect to the Secured Loan), the Group cannot confirm the new mining plan, or the expected ore grades for the purposes of confirming the updated production forecast. Due to this limitation, the Independent Board could not produce a valid and accurate Certificate on 10 February 2013 as set out in the Secured Loan.

The Independent Board approached the Lender to request a waiver of the need to deliver the Certificate by 10 February 2013 for a short period (until 28 February 2013) in order to allow the Independent Board to assess the revised production forecast (and in particular the updated mining plan and the forecast ore grade) and to allow it to give a valid and reliable Certificate.

The Lender denied this waiver on 10 February 2013 and therefore an Event of Default has now technically occurred under the Secured Loan arising from the failure to provide a Certificate in accordance with the terms of the Secured Loan.

The Lender has not provided the Independent Board with any information as to whether it will confirm the Default, whether it will seek to enforce the rights it has under the Secured Loan now that an Event of Default has occurred, or whether it will allow the Independent Board sufficient time to collate the details of the computations used for the forecast production to allow a valid assessment of the forecasts. The Lenders rights are set out below.

The Board will update Shareholders with further announcements as and when any actions are taken by the Lender; in the event that the Independent Board is able to determine that the original production estimates (i.e. the forecast production used in the business plan and prior to the abovementioned revisions) still remain accurate, then the Independent Board intends to contest any enforcement actions which the Lender may take.

If the decrease in forecast production is confirmed and if the Company is unable to either obtain additional sources of finance or renegotiate terms with its Lender, the Borrower will not be able to contest any enforcement actions which the Lender takes under the terms of the Secured Loan or the Security granted pursuant to it.

As a result of Default occurring, the Lender is entitled to (i) cancel the Secured Loan such that no further funds would be available to the Group (ii) levy a fee of 30% of the principal amount of the loan outstanding and declare that all outstanding amounts become immediately due and payable 5 business days following the occurrence of Default and/or (iii) exercise any of its rights under the security granted by the Group under the terms of the Secured Loan.

As at the date of this announcement, the Borrower has voluntarily ceased making drawdowns against the Secured Loan and the Independent Board believes that the Group has sufficient funds available to continue in operation at least until 28 February 2013, by which time the Independent Board feels it will be in a position to definitively determine (based on third party corroboration where necessary) whether or not the reduction in estimated production levels based on the decreased ore grade is accurate or not.

The Borrower is the holding company for all of the operating subsidiaries of the Group in Mozambique, South Africa and DRC, each of which has guaranteed the Secured Loan. The Lender has been granted security interests (e.g. mortgage, charge, lien or pledge, as appropriate depending on the type of asset, location of the asset and jurisdiction of incorporation) over substantially all of the assets of the Borrower and its subsidiaries (including the Marropino mine). In addition, the Lender has been granted security interests over the entire issued share capital of the Borrower and each of the bank accounts of the Group.

Enforcement of the Lender's security interests would result in disposal of materially all the assets of the Group (including, in particular, the entire issued share capital of the Borrower) with the proceeds applied in or towards repayment of the Secured Loan. As at today's date it is considered highly unlikely that the proceeds realised from the disposal of assets subject to security interests will exceed the balance of the Secured Loan. If Default is confirmed and the Lender exercises its remedies, the Company will in all likelihood become immediately insolvent and the security interests will become exercisable thereafter at the time and in the manner provided for by applicable law and/or the terms of the relevant security agreement.

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