28 June 2012

NOVENTA LIMITED
("Noventa" or the "Company")

Final Results for the Year Ended 31 December 2011

The Board of Noventa is pleased to announce the Company's audited results for the year ended 31 December 2012. A copy of the annual report and accounts is available to download from the Company's website, www.noventa.net.

Chief Executive Officer's statement

Dear Shareholder,

2011 and subsequently 2012 to date have been a difficult period for the Group during which the funding requirements to bring the Marropino process plant upgrade to completion have increased materially. In August 2011 the Group secured additional funds of approximately $36.9m (of which $6.8m has been received during 2012) and is now exploring two alternative options to provide a further up to $35.0m (pre issue expenses) of which $16.7m relates to Marropino (including the repayment on 31 July 2012 of a bridging loan facility of $10.0m provided by Richmond, of which $7.7m has been drawn as at the date of this report), $16.3m is required for the development of the Group's remaining mine sites, including $13.3m for Morrua, $0.5m for initial activities at Mutala, $2.5m for our licenses in the Katanga province of the Democratic Republic of Congo ('DRC') and $2.0m is provisioned for expenses. Of the total figure being sought, approximately $21.2m (after expenses) is required to complete the Marropino ramp-up, repay the bridging loan facility of $10.0m and conduct certain minimum activities to protect legal title relating to Morrua, Mutala and the DRC.

To a large extent the Marropino funding requirements reflect the repeated delay to the commissioning of the new process plant with a consequential delay to the expected date when the Marropino mine (the 'Marropino Mine') will be self-sustaining in terms of cashflow. Further they reflect the increasing capital investment needed for the new plant, particularly in the latter nine months, and the increasing infrastructure and support expenditure required in practice to support the mining and processing operations, such as the pump and pipe system implemented during Q4-2011 to provide process water for the Marropino plant. The impact of these delays and additional expenditure has been exacerbated by the poor performance of the old processing plant at Marropino, reflecting the state of repair of that plant which led to repeated mechanical breakdown, the plant downtime arising from interruptions to the power supply at Marropino, insufficient process water during the first nine months of 2011 and the inadequate human resources at Marropino to effectively address the significant issues arising in the operation.

We believe that these issues are now behind us, or we have actions in place that will remedy them in the short term. A significant milestone for the Group has been the commissioning of the new process plant on 4 May 2012. Initial start- up difficulties have now been rectified and from 19 June 2012 the plant has continually been processing ore. We anticipate that the ramp up to full production of 50,000 lbs contained Ta_2O_5 per month will be completed during Quarter 1-2013.

We have also been successful in renegotiating the terms of both of our long term supply contracts during 2011 and 2012 such that these now reflect sales prices and volumes that are expected to generate a net positive cash flow per lbs Ta_2O_5 sold, after allocation of all expenditure including administrative overhead. The margins will not be significant though while the Group continues to operate a sole plant, in a single country producing only tantalum concentrate. Geographical expansion into other African countries is critical to the Group, as is the development of the Group's remaining mining concessions in Mozambique.

The Group has initiated its geographical expansion through the establishment of operations in the Katanga province of the DRC. The Katanga province is a conflict free zone with rich tantalum and tin mineralisation and we are of the opinion that a significant portion of the world's tantalum feedstock will soon be produced in this region. Initial supplies of conflict free tantalum have already been exported from the DRC for processing in the United States of America under the American led 'Solutions for Hope' programme. The Group plans to use a similar validation process for its tantalum concentrate exports from the DRC which we anticipate will commence in early Quarter 4-2012. $2.5m of the funding currently being sought will allow us to significantly increase our presence in DRC and we anticipate will allow us to immediately generate net positive cash returns.

Development of the Group's remaining concessions in Mozambique, being Morrua and Mutala is also a high priority to leverage off the infrastructure at Marropino and the Group's significant understanding of this country. Further, the Group has retained a commitment to the Mozambique Government that it would immediately commence activities on these concessions once the development of Marropino was complete. This commitment, and the on-going indications of support from the Ministry of Mineral Resources in Mozambique, has been critical for the retention of our titles to these concessions which could otherwise have been revoked as there is a minimum production requirement at both Morrua and Mutala which had not been fulfilled either at 31 December 2011 or the date of this report. The Mozambique Government still has the ability to revoke these concessions at any time, but we believe that the planned activities will be sufficient to mitigate this risk. At Mutala we have initiated actions to commence mining activities on a pilot scale basis, including the recruitment of local workers. We will also complete further geological studies at Mutala to inform the mining plan and upgrade the SAMREC compliant inferred resource to a CIM Code Measured resource. At Morrua we will initiate further geological testing including drilling and bulk sampling to hopefully complete a bankable pre-feasibility study while also processing some of the Morrua ore through the Marropino process plant. Funding for these initial activities is covered by the $35.0m of new cash noted above, subject to this funding being available on terms that are acceptable to the Group. Total funding of up to $60.0 million is anticipated to be needed for the full development of Morrua (including all capital expenditure, overburden removal and working capital) of which $13.3m is being sought now. The Group continues to explore ways to reduce the initial investment in Morrua which will be confirmed by the pre-feasibility study. If the Group is successful in completing a bankable pre-feasibility study, we anticipate that a competitive tender to finance Morrua through an off-take agreement will commence during Half 2-2012, with a view to Morrua being in production during 2013, or early 2014.

There have been many changes to the Board of Noventa during 2011 and 2012. The Board needs to be significantly strengthened with high calibre individuals with experience in mining and experience in Africa to support the actions of executive management. New appointments, including a new Non-Executive Chairman, will be made in early Q3-2012.

The Board acknowledges that these have been difficult times for Shareholders many of whom have suffered significant dilution and losses in value through the poor performance of Noventa's share price. I believe that we are now on track to develop the Group into a profitable, value creating Group capable of producing a positive return for existing Shareholders. This development will be supported by the current additional funding being sought of $35,000,000. The Board is exploring two options to raise this finance, being either through loan financing from Richmond (collectively Richmond Partners Master Limited, Richmond Capital LLP, Richmond Master Fund Limited and other affiliated entities), the Company's largest shareholder, or through an equity offering. Proposals previously announced on 11 May 2012 will now no longer be undertaken. In the event that the Company is unable to secure the new funding on acceptable terms, there is a risk that the Company may lose its concessions and that it may also become insolvent, not least due to the requirement to repay $7.7m of short term debt provided by Richmond subsequent to the year-end which falls due on 31 July 2012.

I would like to thank all current and past Directors, management and employees of the Group for the significant efforts that have been made during this difficult period. I believe the remainder of 2012 will be a better period for the Group, but this will only be achieved with your on-going commitment for which I thank you.

Fernando Fernandez-Torres
Chief Executive Officer

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Consolidated statement of comprehensive loss

	Note	**2011** **US$000**	2010 US$000
Revenue	**5**		
Tantalum concentrate		**5,614**	1,190
Morganite		**-**	1,111
		5,614	2,301
Cost of sales		**(14,913)**	(4,595)
Gross loss		**(9,299)**	(2,294)
Administrative expenses		**(10,545)**	(7,182)
Impairment of property, plant and equipment	**15, 4.1.1**	**(31,359)**	-
Impairment of intangible fixed assets	**14**	**(439)**	-
Loss on disposal of property, plant and equipment		**(7)**	-
Operating loss		**(51,649)**	(9,476)
Net finance expense	**11**	**(3,059)**	(846)
Investment revenues		**3,217**	8
Finance costs		**(6,276)**	(854)
Loss before taxation	**7**	**(54,708)**	(10,322)
Taxation	**12**	**(20)**	3
Loss for the financial year		**(54,728)**	(10,319)
Other comprehensive loss			

	Note		
Foreign currency translation gain / (loss) on foreign operations		**4**	(13)
Total comprehensive loss for the financial year		**(54,724)**	(10,332)
		US cents	US cents
Basic and diluted loss per share	**13**	**(95.9)**	(75.0)

All results derive from continuing operations. The loss for the financial year and total comprehensive loss are wholly attributable to equity holders of the parent company.

Consolidated statement of financial position

	Note	31 December 2011 US$000	31 December 2010 US$000
Non-current assets			
Intangible assets	14	-	-
Property, plant and equipment	15	7,212	3,757
Deferred tax asset	16	-	-
Other receivables	18	1,809	-
		9,021	3,757
Current assets			
Inventories	17	2,282	1,347
Trade and other receivables	18	5,307	1,640
Cash and cash equivalents	25	7,873	23,396
		15,462	26,383
Total assets		24,483	30,140
Current liabilities			
Trade and other payables	19	6,920	3,030
Convertible redeemable preference share dividend	20	109	-
Current tax liabilities		16	20
Short-term provisions	22	575	345
Derivative financial liabilities	21	12	3,218
		7,632	6,613
Net current assets		7,830	19,770
Non-current liabilities			
Convertible redeemable preference share liability	20	3,501	-
Long-term provisions	22	281	269
		3,782	269
Total liabilities		11,414	6,882
Net assets		13,069	23,258
Share capital	23	1,556	324
Share premium		121,483	84,542
Shares to be issued reserve	23	46	55
Convertible redeemable preference share reserve	20	617	-
Merger reserve	23	8,858	8,858
Translation reserve	23	13	9
Accumulated losses		(119,504)	(70,530)
Equity attributable to equity holders of the parent		13,069	23,258

The financial statements of Noventa Limited, registered number 95036, were approved by the Board of Directors and authorised for issue on 27 June 2012. Signed on behalf of the Board of Directors

F F Fernandez-Torres, Director
Chief Executive Officer
27 June 2012

T Eggers, Director
Chairman of the Audit and Risk Committee
27 June 2012

Consolidated statement of changes in equity

	Notes	Share capital US$000	Share premium US$000	Shares to be issued reserve US$000	Convertible redeemable preference share reserve US$000	Merger reserve US$000	Translation reserve US$000	Retained losses US$000	Total Equity US$000
Balance at 1 January 2010		156	54,335	76	-	8,858	22	(60,484)	2,963
Total comprehensive loss for the year		-	-	-	-	-	(13)	(10,319)	(10,332)
Share-based payments	24	3	939	(21)	-	-	-	273	1,194
Issue of bonus shares	24	2	(2)	-	-	-	-	-	-
Issue of share capital	23	163	31,471	-	-	-	-	-	31,634
Expenses incurred in issuing share capital		-	(2,311)	-	-	-	-	-	(2,311)
Fair value of derivative warrants released on exercise	21	-	110	-	-	-	-	-	110
Balance at 31 December 2011		**324**	**84,542**	**55**	**-**	**8,858**	**9**	**(70,530)**	**23,258**
Total comprehensive income / (loss) for the year		-	-	-	-	-	4	(54,728)	(54,724)
Share-based payments	24	10	517	(9)				480	998
Issue of share capital	23	974	30,800	-	-	-	-	-	31,774
Expenses incurred in issuing share capital		-	(2,446)	-	-	-	-	-	(2,446)
Issue of Convertible redeemable preference shares	20	-	-	-	1,804	-	-	-	1,804
Allocation of expenses incurred in issuing Convertible redeemable preference shares	20	-	-	-	(110)	-	-	-	(110)
Redemption of Convertible redeemable preference shares	20	248	7,510	-	(1,077)	-	-	5,274	11,955
Fair value of derivative warrants released on exercise	21	-	560	-	-	-	-	-	560
Balance at 31 December 2011		**1,556**	**121,483**	**46**	**617**	**8,858**	**13**	**(119,504)**	**13,069**

Consolidated cash flow statement

	2011	2010
	US$000	US$000
Loss for the year		
Loss for the year	**(54,728)**	(10,319)
Adjustments for:		
Depreciation	**701**	71
Impairment of intangible fixed assets	**439**	-
Impairment of property, plant and equipment	**31,359**	-
Loss on disposal of property, plant and equipment	**7**	-
Increase / (decrease) in provision against IVA recoverable	**257**	(1,043)
Share based payment expense	**734**	665
Foreign exchange loss	**1,373**	270
Finance costs	**6,276**	854
Investment revenues	**(3,217)**	(8)
Taxation	**20**	(3)
Cash flows from operating activities	**(16,779)**	(9,513)
Increase in trade and other receivables	**(6,483)**	(519)
Increase in inventories	**(1,044)**	(855)
Increase in trade and other payables	**323**	713
Increase in short term provisions	**199**	235
Cash used by operations	**(23,784)**	(9,939)
Income taxes paid	**(4)**	(45)
Net cash used in operating activities	**(23,788)**	(9,984)
Cash flows from investing activities		
Interest received	**125**	8
Proceeds from disposal of property, plant and equipment	**15**	-
Acquisition of intangible fixed assets	**(439)**	-
Acquisition of property, plant and equipment	**(31,543)**	(3,746)
Net cash used in investing activities	**(31,842)**	(3,738)
Cash flow from financing activities		
Proceeds from issue of new shares	**32,220**	34,119
Share issue expenses	**(2,446)**	(1,782)
Proceeds from issue of convertible loan notes	**11,904**	-
Convertible loan note issue expenses	**(728)**	-
Interest paid	**(490)**	-
Net cash inflow from financing activities	**40,460**	32,337
Net (decrease) / increase in cash and cash equivalents	**(15,170)**	18,615
Effect of exchange rates on cash and cash equivalents	**(353)**	(248)
Cash and cash equivalents at beginning of year	**23,396**	5,029
Cash and cash equivalents at end of year	**7,873**	23,396

Notes to the consolidated financial statements

1. GENERAL INFORMATION

Noventa Limited is a company incorporated in Jersey, the Channel Islands under the Companies (Jersey) Law 1991, as amended, with registered number 95036. Further details, including the address of the registered office is given in the section of this report entitled 'Company information and advisers'. The nature of the Group's operations and its principal activities are set out in the Directors' report. A list of the significant investments in subsidiaries, including the name, country of incorporation, operation and ownership interest is given in note 27.

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the Eurpoean Union as required by the AIM Rules of the London Stock Exchange (the 'AIM Rules').

The financial information is a consolidation of the Company and its subsidiaries. These financial statements are presented in United States Dollars ('US$' or '$') because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 3.

2. ADOPTION OF NEW AND REVISED STANDARDS

In the current year, no new and revised Standards and Interpretations have been adopted that have affected the amounts reported or disclosed in these financial statements.

2.1 New Standards and Interpretations adopted with no significant effect on the financial statements

The following new and revised Standards and Interpretations have been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements, but may impact the accounting for future transactions and arrangements.

IAS 24	Revised 2011	Revised definition of related parties
Improvements to IFRS	Improvements 2010	All amendments to existing standards resulting from the 2010 IASB annual improvement process

2.2 New Standards and Interpretations in issue but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations are in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 7	Amendment 2011	Financial instruments disclosures
IAS 12	Amendment 2011	Deferred tax – recovery of underlying assets
IAS 1	Amendment 2011	Presentation of items of other comprehensive income
IFRS 9	New 2011	Financial instruments
IFRS 10	New 2011	Consolidated financial statements
IFRS 12	New 2011	Disclosure of interest in other entities
IAS 27	Amendment 2011	Separate financial statements
IAS 28	Amendment 2011	Investment in associates and joint ventures
IFRS 13	New 2011	Fair value measurement
IFRIC 20	New 2011	Stripping costs in the production phase of surface mines
Improvements to IFRS	Improvements 2011	All amendments to existing standards resulting from the 2011 IASB annual improvement process

The Directors do not anticipate that the adoption of these Standards and Interpretations will have a material impact on the Group's financial statements in the period of initial application except for IFRIC 20 which may impact on the measurement of stripping cost assets. It is currently not practicable to provide a reasonable estimate of the effect of IFRIC 20 until a detailed review has been completed.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on a historical cost basis, except for certain financial instruments and share based payments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets acquired. The principal accounting policies adopted are set out below in this note.

3.1 Going concern

As at the date of this report, the Group has cash balances of $3,769,000 and undrawn loan facilities of $2,300,000. On 31 July 2012, the Group is contracted to repay the $10,00,000 bridging loan facility provided by Richmond, of which $7,700,000 has been drawn at the date of this report. The Group's available funds are insufficient to meet the repayment of this bridging loan facility failing due on 31 July 2012. The Group believes that it requires minimum further funding of $16,700,000 (after expenses) to repay this bridging loan facility and for working capital purposes until the Marropino Mine commences generating positive cash flows, anticipated in Quarter 1-2013, and for the Group's initial activities in the Katanga province of the DRC. Further, the Group is seeking minimum additional funding of $4,500,000 (after expenses) to commence activities at the Group's Morrua and Mutala concessions (in order to meet the minimum production requirements specified in the concession agreements).

Accordingly, if the Group is unable to obtain at least $21,200,000 of additional funding (after expenses) there is (1) a material risk that the Group will have insufficient funds to complete the production ramp-up at Marropino, (2) a material risk that the Company will breach the terms of its existing loans, (3) a material risk that the Company will have insufficient time to seek alternative sources of funding on terms and conditions acceptable to the Company and if such capital was unable to be secured, the Company and Group may become insolvent, and (4) a material risk that the Group will lose title to its Morrua, Mutala and Katanga province concessions.

The Directors are exploring two options to provide up to $35,000,000 (before issue expenses) of funding through either a loan facility from Richmond or through an equity placing. This figure represents the minimum funding of $21,200,000 referred to above, a further $11,800,000 to accelerate the development of Morrua and Mutala and an estimated $2,000,000 of expenses. The terms under which the funding may be available under either of these options have not been finalised. Further details on the proposed funding options are included in the section of the Directors' report entitled 'Events subsequent to the balance sheet date'. The Directors, having consulted with the Company's financial advisors believe that funding of at least the minimum figure of $21,200,000 (after expenses) will be available under one, or both of these options on terms that are acceptable to the Company. There can however be no certainty that funding will be available under either of these options, or if available, whether the terms will be acceptable to the Company. The Directors acknowledge that there therefore is a material uncertainty over the Company's ability to raise the necessary funding in the timeframe required.

The reliability of the Group's cash forecasts which form the basis of the identified minimum funding requirement of $21,200,000 is further materially dependant on the ability of the new process plant at Marropino to produce the forecast volumes of Ta_2O_5 contained in concentrate at the budgeted cost and to complete the ramp-up process in the anticipated timeframe. The new process plant was commissioned on 4 May 2012 when run-of-mine ore processing commenced. This start-up phase identified certain issues involving flow control in the water recirculation and ore pumping, mainly related to motor capacities which affected the pressure balances in the plant and in particular affected the performance of a critical cyclone which needed replacing. These types of issue are to be expected during the start-up process of such a plant and, while relatively simple matters to resolve, they have limited the throughput of ore such that production until 19 June 2012 from the new plant was negligible. While these start-up issues have been resolved, the Group has limited historical information to support the forecast production volumes or forecast expenditure. Further, the Marropino mine has never produced a profit or positive cash flows in the period it has been operated by the Group. Accordingly, while all reasonable diligence has been undertaken in the preparation of the forecast, there can be no guarantee that cash flows will be in accordance with the forecast or that the Group's funding requirement will not be materially higher than the minimum figure of $21,200,000. While the Company has historically been successful in raising funds from the issue of new equity and/or loan financing to support its operations, there can be no guarantee that this support will be available in the future on terms that are acceptable to the Company if the Company identifies further funding requirements arising from operations at Marropino.

As a result of the above factors, the Directors acknowledge that material uncertainties exists which may cast significant doubt on the Company and the Group's ability to continue as a going concern and, therefore, to realise its assets and discharge its liabilities in the normal course of the business. Nevertheless after making enquiries, and considering both the uncertainties described above and the status of the ramp-up process at Marropino and discussions regarding additional funding, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

As a consequence of these material uncertainties the auditors have issued an audit report that is not modified but includes an emphasis of matter paragraph on going concern.

3.2 Basis of consolidation

The Consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the IFRS compliant policies applied by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

3.3 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, value added tax and other sales-related taxes.

All of the Group's revenue derives from the sale of goods. Revenue is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, being principally the right to process the material and derive profits or losses therefrom and the risk of loss through damage to the material;

- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

With respect to Ta_2O_5 concentrate sales, the above policy results in the recognition of revenue when the Ta_2O_5 concentrate crosses ship rails on destination to the final customers as the Group's offtake agreements establish delivery on either a Cost and freight ('CFR') or Cost, insurance and freight ('CIF') basis as defined under International Commercial Terms 2010 ('INCOTERMS 2010'). Both of these delivery terms transfer the risks and rewards of ownership of the product to the buyer when the product is loaded onto a maritime vessel on destination to the customer. The amount of revenue initially recognised is based on an independent third party pre-shipment assay which establishes the weight and concentration of the Ta_2O_5 concentrate shipped. The Group's customers are entitled to perform a post shipment assay when the product arrives at its destination. Generally the final amount payable to the Group is determined based on an average of the pre and post shipment assay results. Historically the variances between the pre and post shipment assays are not significant and the Group records adjustments to the amount of revenue recognised in the period when the post shipment assay becomes available. In the event that variances are significant and the post shipment assay is available before the Group publishes its financial statements, the adjustment to revenue is treated as an adjusting post balance sheet event and recorded in the period during which the Group shipped the product to its customer, being the period in which revenue was initially recognised.

Under the Group's exclusive sale and distribution agreement for morganite, which was terminated during the 2010 financial year (note 5), morganite sales revenue was recognised when morganite inventory was sold to the Group's distribution, selling and marketing partner. The point of sale generally occurred after the delivery date to the partner, once the partner had located buyers for the inventory. During 2011 and to the date of this report, the Group has not made sales of morganite.

3.4 Cost of sales

Cost of sales represents the direct and indirect mining, processing, royalty (production tax) and distribution costs incurred in the production and distribution of saleable Ta_2O_5 concentrate (e.g. diesel, explosives, salaries and wages, spares, consumables, packing, shipping, insurance, production tax, etc.).

3.5 Operating loss

Operating loss is stated before investment revenues, finance costs and taxation.

3.6 Foreign currency

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in United States Dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity in the translation reserve.

3.7 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The Group has incurred relevant borrowing costs on the CPS dividend during 2011 for the construction of the new processing plant at Marropino which is a qualifying asset as defined under IAS 23, *Borrowing costs*.

All other borrowing costs are recognised in Consolidated statement of comprehensive loss in the period in which they are incurred.

3.8 Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 24.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions. The impact of the revision of the

original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to accumulated losses.

3.9 Noventa Employee Benefit Trust

Transactions of the Noventa Employee Benefit Trust ("Noventa EBT") are treated as being those of the Company and are consolidated with the Company and Group. Where loan advances to the Noventa EBT by the Company and Group are deemed not to be recoverable, the loan receivable balance is impaired to the Statement of comprehensive loss under the policy described below for impairment of financial assets in note 3.16.1.2.

3.10 Employee benefits

3.10.1 Short term employee benefits

Short-term employee benefits include salaries and wages, short-term compensated absences and bonus payments. 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.

3.10.2 Post-employment benefits

The Group does not contribute to any defined retirement plan for its employees, either defined contribution or defined benefit. Social security payments to state schemes, which arise in Mozambique and South Africa, are charged to the Consolidated statement of comprehensive loss as they are incurred.

3.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

3.11.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit / (loss) as reported in the Consolidated statement of comprehensive loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

3.11.2 Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Consolidated statement of comprehensive loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3.12 Intangible assets

Acquired intangible assets, such as Mining Concessions and qualifying exploration and evaluation expenditure, are recognised at cost, less accumulated amortisation and impairment losses. Where applicable, in accordance 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.

If the Group subsequently determines that the mineral resource is not technically feasible or commercially viable, the expenditure is written off to the Consolidated statement of comprehensive loss in the period in which this assessment is made.

3.13 Property, plant and equipment

Property, plant and equipment are recognised at cost less accumulated depreciation and impairment losses. Mining asset costs previously categorised as deferred exploration and evaluation costs in intangible assets, are transferred into property, plant and equipment once technical feasibility and commercial viability have been determined. On commencement of commercial production the costs of mining assets will be amortised over the estimated life of the ore proven and probable 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 Consolidated statement of comprehensive loss as an expense when incurred.

Depreciation is charged to the Consolidated statement of comprehensive loss on a straight-line basis in order to write off the cost of property, plant and equipment, less estimated residual value over the estimated useful economic lives of each component of property, plant and equipment. The Group considers this to be a reasonable approximation to depreciation of the assets over the proven and probable reserves on a unit of production basis. 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:

Mining assets:	
-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 the Consolidated statement of comprehensive loss for the period.

3.14 Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. As at the date of this report the Group has one significant cash generating unit being the Marropino / Mutala cash generating unit comprising the Marropino and Mutala mining concessions with their associated mining and processing equipment.

Recoverable amount is the higher of 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the Consolidated statement of comprehensive loss because the Group does not record any assets at a revalued amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the Consolidated statement of comprehensive loss.

3.15 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 weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and disposal, or value in use.

Finished product consists of saleable Ta_2O_5 concentrate.

Work-in-progress is Ta_2O_5 concentrate that is awaiting final aggregation or that is "locked up" within the final processing plant.

Spare parts and consumables represents items used within the production process on a recurring basis, such as diesel, explosives, pump impellers and other spare parts.

3.16 Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

3.16.1 Financial Assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition. The Company and Group currently only have financial assets in the category of loans and receivables.

3.16.1.1 Loans and receivables

Trade receivables, loans, bank balances, cash in hand and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3.16.1.1.1 Trade 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.

3.16.1.1.2 Cash and cash equivalents

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

3.16.1.2 Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For loans and receivables carried at amortised cost, the amount of the impairment is the differences between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced through the use of an allowance account. When a financial asset is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Consolidated statement of comprehensive loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Consolidated statement of comprehensive loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3.16.1.3 Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3.16.2 Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3.16.2.1 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs and adjustments required to comply with applicable accounting standards for compound instruments (refer to note 3.16.2.4).

3.16.2.2 Compound instruments

The component parts of compound instruments (such as convertible redeemable preference shares, convertible loan notes or warrants issued with Ordinary Shares where the warrants do not meet the definition of equity instruments) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated. For convertible redeemable preference shares and convertible loan notes, this amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. For derivative warrants, the fair value of the warrants is measured at each reporting date, or exercise date, with changes in fair value credited or charged to the Consolidated statement of comprehensive loss within finance costs. The equity component is determined by deducting the amount of the liability component on initial measurement from the fair value of the compound instrument as a whole. This is recognised and included in equity and is not subsequently re-measured.

3.16.2.3 Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

3.16.2.3.1 Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in the Consolidated statement of comprehensive loss. The Group and Company issued certain warrants which fall within the category of FVTPL (refer to note 3.16.2.4).

3.16.2.3.2 Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

3.16.2.3.3 Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

3.16.2.4 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resultant gain or loss is recognised in the Consolidated statement of comprehensive loss. Other than warrants, the Group does not have any derivative instruments.

For derivative warrants, all of which were issued as part of the Company's fundraisings, the Company and Group estimates the fair value of the instruments on initial recognition using a Black-Scholes pricing model. This fair value is 'carved out' of the proceeds received from the issue of Ordinary Shares and recorded within current liabilities. The pricing model is updated at each reporting date, or exercise date, with changes in fair

value recorded in the Consolidated statement of comprehensive loss in finance costs. Upon exercise, or termination, the fair value of the warrants is recorded to the share premium account.

3.16.2.5 Embedded derivatives

Derivative embedded in other financial instruments or other host contracts are treated as separate derivatives where their risks and characteristics are not closely related to those of the host contract and the host contracts are not measured at FVTPL. Where the embedded derivative is closely related to the host contract it is initially recorded at fair value with the fair value included in the carrying value of the host contract and is not subsequently re-measured. The Group has not identified any embedded derivatives which are not closely related to the host contract.

3.17 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.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

3.18 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 and the amount concerned can be estimated reliably. 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 the Consolidated statement of comprehensive loss for the year.

Where the Group provides for rehabilitation of mining sites and the Group anticipates the expenditure at the commencement of exploration, the provision is recorded with a corresponding increase in the carrying value of property, plant and equipment.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The effect on the financial statements of changes in estimates in future periods could be material.

4.1 Critical judgments in applying the Group's accounting policies

The following are the critical judgements that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

4.1.1 Impairment of the carrying value of property, plant and equipment

The Group completed an impairment review of the carrying value of its property, plant and equipment as at 31 December 2011 recording an impairment of $31,359,000 against assets with a carrying value pre impairment of $38,571,000. The impairment review was required under IAS 36, *Impairment of* assets, due, inter alia, to increases in the budgeted capital cost of the new process plant at Marropino and increases in budgeted operating expenditure at Marropino.

The impairment review was completed on the Marropino process plant and supporting infrastructure cash generating unit ('CGU'), which includes all of the Group's Property, plant and equipment assets as at 31 December 2011, on a fair value less costs of disposal basis. Fair value was determined on a discounted post tax cash flow basis assuming that a buyer would operate the assets in the CGU to process the Marropino and Mutala ore bodies. Cash flows have been discounted at the Company's estimated Weighted Average Cost of Capital of 19.9% which is considered to be the rate which approximates market rates for the risks specific to this CGU. The impairment is materially sensitive to the discount rate and the timing of cash flows, with significant positive cash flows (prior to the impact of discounting) anticipated from 2014 onwards and in particular over the period of processing ore from the Mutala concession. A 1% increase in the discount rate would increase the impairment charge by approximately $1,200,000. The impairment calculation is further materially sensitive to the assumptions regarding future Ta_2O_5 concentrate sales prices for volumes not committed by the Group under its existing off-take agreements in 2016 and beyond. The market for this product in this timeframe is illiquid and therefore the sales price estimate used in the impairment calculations, which is approximately 10% above current spot rates, takes into consideration a third party estimate of future prices after the application of what the Directors consider to be an appropriate downward risk adjustment.

There is a risk that the Mutala concession may be revoked by the Mozambique government at any time due to the Group not having complied, as at 31 December 2011 and the date of this report, with certain production requirements from Mutala. The Group does not consider it likely that the Mutala concession will be revoked given the current activities being implemented at Mutala. However, if it was revoked the remaining discounted cash flows relating solely to the Marropino ore body would be negligible and, although the Group believes it should be possible to generate significant funds by selling the facilities in place at Marropino on a piecemeal basis, there are significant uncertainties over the level of funds that could be generated in this way. Accordingly, were the Mutala license to be revoked, the results of any impairment review could differ significantly from the

impairment recorded to date. The other significant uncertainty which could have a material impact on the impairment recorded to date is the extent to which the Marropino ramp-up process completes as expected (see note 3.1).

The impairment review excludes any net cash inflows which might be generated from the Morrua concession as, although the Group has early stage plans for the use of certain Marropino assets in the processing of the Morrua ore body, there are significant uncertainties in respect of the Group's ability to develop the Morrua concession as this is dependent on both the completion of a bankable pre-feasibility study and the availability of financing of up to $60,000,000. The scale of these uncertainties also increases the risk that the government of Mozambique revokes the Morrua licence due to the lack of compliance with minimum production levels as described in 4.1.2 below.

If the Group is able to realise better than forecast budgeted results and is able to bring the Morrua concession into production, part of the impairment against the carrying value of property, plant and may be reversed in future periods.

4.1.2 Impairment of intangible fixed assets

The Group's intangible assets relate principally to the Morrua mining concession in the Zambezia Province of Mozambique. The acquisition costs of the mining concession recorded within intangible fixed assets were impaired during financial year 2008 due to significant uncertainties regarding the extent and timing of any development of the concession. During the current financial year the Group updated the life-of-mine study for Morrua and completed the Environmental Impact Assessment as required by Mozambique mining legislation, incurring expenditure of $56,000. As at 31 December 2011 and the date of this report, the Group is in breach of the requirements of Mozambique mining legislation which establish minimum production levels to be achieved in pre-determined time-frames with respect to the Morrua mining concession. The Group believes there is a significant risk that the Morrua mining concession may be revoked by the Mozambique government unless the Group acts in the immediate future to commence activities at this concession. Due to this risk, all intangible assets related to Morrua are fully impaired as at 31 December 2011. To address this risk with respect to Morrua, the Group plans to (1) complete a programme for further geological, metallurgical and engineering studies at Morrua in Half 2-2012, and (2) commence production from the Morrua stockpiles by trucking ore from Morrua to Marropino for processing through the Marropino process plant. If a viable resource is determined, the Group plans to bring Morrua into full production by the end of 2013, subject to appropriate market conditions and the availability of additional external funding (shareholder investment, loan arrangements or financing offtake).

If the Group is successful in establishing the commercial viability of Morrua, part or all of the impairment of the Morrua intangible fixed assets may be written back.

4.1.3 Recoverability of input Value Added Tax

Mozambique Value Added Tax ("IVA") operates in a similar manner to UK Value Added Tax ("VAT"). The Group is exempt from IVA on its exports from Mozambique under the terms of its Mining License Agreement and Mozambique tax law. The Group is able to recover input sales tax on all purchases within Mozambique. The Group is always therefore in a net recovery position of IVA. From 2004 to 2009, the Group had not succeeded in recovering IVA from the Mozambique Government. Due to the significant uncertainty over the recoverability of these IVA balances, the Group provided in full against the assets as at 31 December 2009.

In August 2010, $502,000 of the IVA recoverable was approved for payment by the Mozambique Tax Authority and subsequently paid. This represented 87.3% of the total IVA reclaimed to that date by the Group. Accordingly, during 2010 the Group released $1,081,000 of the provision against IVA recoverable assets reflecting the refund of IVA due and the revised assessment of the recoverability of the remaining IVA balances.

As at 31 December 2011, the gross and net IVA recoverable assets are respectively $3,452,000 and $2,588,000 at the US$ to Metical exchange rate of 26.71 at that date. While the Group remains confident that the net IVA asset will be recovered, the timing of recovery remains uncertain due to factors outside of the control of the Group, including (1) the procedures in process / to be undertaken by the Mozambique Tax Authority to validate the Group's IVA claims and the timing of those procedures; and (2) the Mozambique Government's budgeted amounts for annual repayment of IVA and the inclusion of the Group's repayments in those budgeted amounts. The Group is actively seeking recovery of all IVA balances due and anticipates that the amounts will be recovered during 2012 and early 2013. Due to the uncertainty regarding when IVA recoverable assets will be reimbursed by the Mozambique Government, IVA balances of $1,809,000 relating to 2011 have been shown as a non-current asset. The remaining IVA recoverable balance of $779,000 is presented as a current asset.

4.1.4 Convertible Redeemable Preference Shares – initial measurement

On 11 April 2011 the Group issued $11,904,000 (pre issue expenses) of Convertible Redeemable Preference Shares. While the CPS in legal form are part of the Capital Stock of the Company, IAS 32, 'Financial Instruments: Presentation', requires the Group to identify the equity and liability component parts of the instrument and assign a value to each. Identification and valuation of the components requires management to exercise judgment. Further details are provided in note 20.

4.1.5 Convertible Redeemable Preference Shares - redemption

On 1 October 2011 the Group redeemed 1,794,215 CPS by way of the issuance of new Ordinary Shares in the Company at a favourable conversion rate to that initially established when the CPS were issued. The redemption has been accounted for as an alteration to the conversion terms of the CPS resulting in a non-cash charge to the Consolidated statement of comprehensive loss of $5,731,000 representing the fair value of the additional new Ordinary Shares issued to the CPS holders that would not have been issued had the conversion terms not been altered. Further details are provided in note 20.

4.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

4.2.1 Warrants

Certain warrants issued by the Group are classified as derivative financial liabilities as the warrants were issued in a currency other than the functional currency of the Company. At each reporting date the fair value of the warrants is measured using a Black-Scholes valuation model, with changes in the fair value of the warrants recorded in the Consolidated statement of comprehensive loss within finance income/expense. The valuation is sensitive to the inputs in the valuation model, some of which require judgment. The warrants do not create any obligation on the Company other than to deliver Ordinary Shares in the Company for a fixed price at the option of the holder, over the life of the warrants. Further details are provided in note 24.

5. REVENUE

An analysis of the Group's revenue is as follows:

	2011	2010
	US$000	US$000
Sales of goods:		
Ta_2O_5 concentrate	**5,614**	1,190
Morganite	**-**	1,111
	5,614	2,301
Finance income	**125**	8
	5,739	2,309

5.1 Tantalum concentrate sales

During 2011 the Group sold Ta_2O_5 concentrate containing approximately 80,400 lbs of Ta_2O_5 (2010: approximately 23,000 lbs of Ta_2O_5).

5.2 Morganite sales

During 2011 the Group did not extract or sell any morganite. During 2010, the Group reached agreement with its previous morganite trading partner for the sale of consignment stock held by Goldleaves Trading Limited and Miranda Gems (HK) under the Morganite Joint Venture Agreement between the Group, and these parties. The Morganite Joint Venture Agreement was terminated in 2010, with payment of $1,000,000 received by the Group for the sale of the consignment stock. Additionally, the Group realised revenue of $111,000 through the bulk sale of the Group's remaining rough Morganite inventory held at the Marropino Mine.

6. SEGMENT INFORMATION

The Directors consider that the primary reporting format is by business segment. The Directors consider there to only be one business segment, being the mining, extraction and production of Ta_2O_5 concentrate, currently undertaken solely from the Marropino Mine in Mozambique. Morganite production is incidental to this principal activity and arises as a by-product of the Ta_2O_5 concentrate production. All administrative expenditure is allocated to this sole segment. No geographical analysis of the results by region, other than revenue by destination which is reported below, is provided due to the dominance of the Group's operations in The Republic of Mozambique relative to those in Jersey (Channel Islands) other than for 'Cash and cash equivalents' which are predominantly maintained in Jersey (refer to note 25).

Revenue by destination of the Group's customers was:

	2011	2010
	US$000	US$000
United States of America	**578**	500
Thailand	**5,036**	1,801
	5,614	2,301

In both periods presented, sales to the United States of America were made to one of the Group's customers and sales to Thailand were made to the Group's other customer.

7. LOSS BEFORE TAXATION

	2011 US$000	2010 US$000
Loss before taxation has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	**701**	71
Impairment of intangible fixed assets	**439**	-
Impairment of property, plant and equipment (note 4.1.1 and 15)	**31,359**	-
Impairment / (reversal of impairment) on spares and consumables inventory	**162**	(303)
Loss on disposal of property, plant and equipment	**7**	-
Share-based incentive expense (note 24.2)	**734**	665
Exchange loss	**1,373**	270
Staff costs (note 9)	**7,057**	3,742
Royalty taxes	**73**	28
Operating lease rentals	**296**	193

8. AUDITORS' REMUNERATION

The analysis of the auditors' remuneration is as follows:

	2011 US$000	2010 US$000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	**149**	131
Fees payable to the Company's auditors and their associates for other services to the Group:		
The audit of the Company's subsidiaries	**31**	15
Total audit fees	**180**	146
Audit related assurance services	**28**	6
Corporate finance services	**300**	-
Total non-audit fees	**328**	6
	508	152

Audit related assurance services in 2011 comprise (1) services provided to the Group in connection with the statutory solvency statements required to be made by the Directors to comply with Jersey Law for the purposes of payment of the quarterly dividend on the Convertible redeemable preference shares; (2) statutory services relating to the 20:1 consolidation of the Company's Ordinary Shares; and (3) the review of the accounting treatment of specific transactions (2010: relate solely to the review of the accounting treatment of specific transactions). Corporate finance services relate to procedures completed by Deloitte LLP in respect of the Company's business plan in May to August 2011.

Fees payable to Deloitte LLP and their associates for non-audit services to the Company are not required to be disclosed because the Group financial statements disclose such fees on a consolidated basis.

9. STAFF

	2011 No.	2010 No.
The average monthly number of employees in the Group during the year were:		
Executive directors	**1**	1
Management	**2**	4
Administration	**24**	13
Operational	**468**	157
	495	175

	US$000	US$000
Staff costs (including executive Director's emoluments) comprise:		
Salaries and wages	**6,724**	3,314
Social security costs	**145**	49
Share based payments expense	**188**	379
	7,057	3,742

Staff costs exclude non-executive Director's emoluments and fees payable for the service of certain Directors whose services are provided by third party companies and associated share-based payment expense. Information on these fees and expenses are provided in notes 10 and 27.

10. REMUNERATION OF DIRECTORS AND KEY MANAGEMENT

	2011 US$000	2010 US$000
Remuneration of Directors and key management personnel is detailed below:		
Directors’ emoluments	**501**	587
Directors’ compensation for loss of office	**151**	-
Directors’ share-based payment expense	**218**	310
Directors’ other benefits	**69**	58
Other key management emoluments	**284**	691
Other key management share-based payment expense	**47**	250
Other key management other benefits	**116**	107
	1,386	2,003

Directors’ emoluments reported above include fees payable for the services of non-executive Directors and certain Directors whose services are provided by third party companies and share-based payment expense. Details are provided in note 27.

The highest paid Director in the year was Mr E Kohn TD (2010 – Mr P Lawless), who received aggregate payments and benefits with a cash value amounting to $390,000 (2010 – cash value amounting to $271,000).

11. NET FINANCE EXPENSE

	2011 US$000	2010 US$000
Interest income on bank deposits	**125**	8
Change in fair value of derivative warrants (note 21)	**3,092**	-
Investment revenues	**3,217**	8
Interest expense on Convertible redeemable preference shares	**(417)**	-
Debt arrangement expenses	**(116)**	-
Discount unwind on provisions (note 22)	**(12)**	(11)
Change in fair value of derivative warrants (note 21)	**-**	(843)
Charge arising on redemption of CPS (note 20)	**(5,731)**	-
Finance costs	**(6,276)**	(854)
Net finance expense	**(3,059)**	(846)

12. TAXATION

	2011 US$000	2010 US$000
Current tax		
Relating to the current year	20	21
Relating to prior periods	-	(24)
	20	(3)
Deferred tax (note 16)	-	-
Tax expense / (income)	20	(3)

The Group´s mining operations are located in Mozambique within the wholly owned Group subsidiary Highland African Mining Company Limitada (‘HAMCL’). The statutory tax rate in Mozambique is 32% (2010: 32%). Under the terms of the Group’s Mining License Agreement, the Group has a reduced tax rate in Mozambique of 17.5% (2010: 17.5%) for the first ten years of production (i.e. until 2013). The Group’s operations in Jersey are subject to Jersey corporate income taxation at the rate of 0% (2010: 0%):

Reconciliation of effective tax rate	**2011 US$000**	**%**	2010 US$000	%
Loss before taxation	**54,708**		(10,322)	
Tax on loss before taxation at HAMCL rate of 17.5% (2010: 17.5%)	**9,574**	**17.5**	1,806	17.5
Non-deductible expenses	**(178)**	**(0.3)**	(162)	(1.6)
Utilisation of unrecognised tax losses	**150**	**0.3**	-	-
Difference in tax rates on non Mozambique operations	**(496)**	**(0.9)**	(173)	(1.6)
Items subject to autonomous taxation	**20**	**-**	22	0.2
Timing differences on property, plant and equipment	**(5,404)**	**(9.9)**	207	2.0
Tax losses not recognised	**(3,646)**	**(6.7)**	(1,679)	(16.4)
Prior period adjustments	**-**	**-**	(24)	(0.2)
Total tax in income statement	**20**	**-**	(3)	-

13. LOSS PER SHARE

Basic loss per share is calculated by dividing the losses attributable to ordinary shareholders by the weighted average number of Ordinary Shares in issue during the reporting period on a post Share Consolidation basis (note 23). There is no difference between the diluted loss per share and the basic loss per share presented as the Group is loss making in all periods presented. The calculation of basic and diluted loss per share are based on the following data:

	2011	2010
Loss for the year – US$	**54,728,000**	10,319,000
Weighted average number of shares	**57,041,073**	13,762,771
Basic and diluted loss per share – US Cents	**95.9**	75.0

The weighted average number of Ordinary Shares for 2011 and 2010 excludes 1,743,928 shares held by the Noventa EBT.

The Group has not issued any new Ordinary Shares subsequent to 31 December 2011. Instruments that could be dilutive in future periods if the Group realises a net profit are disclosed in note 23.3.2.

14. INTANGIBLE ASSETS

	Morrua US$000	**Marropino US$000**	**Mutala US$000**	**Other exploration and evaluation US$000**	**Total US$000**
Cost					
At 1 January 2010 and 31 December 2010	2,494	454	-	-	**2,948**
Additions	**56**	**-**	**8**	**375**	**439**
At 31 December 2011	**2,550**	**454**	**8**	**375**	**3,387**
Amortisation and impairment					
At 1 January 2010 and 31 December 2010	(2,494)	(454)	-	-	**(2,948)**
Impairment in the period	**(56)**	**-**	**(8)**	**(375)**	**(439)**
At 31 December 2011	**(2,550)**	**(454)**	**(8)**	**(375)**	**(3,387)**
Net book value					
At 31 December 2011	**-**	**-**	**-**	**-**	**-**
At 31 December 2010	-	-	-	-	-

Details on the Morrua intangible fixed assets including the impairment recorded in the year are provided in note 4.1.2.

During 2011 the Group completed exploration and evaluation activities on two pegmatites on the Marropino Concession – the Marropino Extension pegmatite and the Marropino South pegmatite. Total expenditure of $365,000 was incurred during 2011 principally on drilling and sampling core samples and consultant geologist fees. It was determined that these pegmatites are not economic at the current prices of Ta_2O_5 concentrate and the related exploration and evaluation expenditure has been impaired. Other expenditure on intangible assets during 2011 relates to the Environmental Impact Assessment for Mutala and further work on one of the Group's exploration licenses. This latter work has determined that this license does not contain economic quantities of Ta_2O_5 and the Group formally relinquished this license in January 2012.

15. 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
Cost					
At 1 January 2010	484	14,217	423	1,628	16,752
Additions	3,064	578	137	3	3,782
Exchange differences	-	-	24	-	24
At 31 December 2010	3,548	14,795	584	1,631	20,558
Additions	**30,139**	**5,190**	**208**	**-**	**35,537**
Disposals	**-**	**-**	**(27)**	**-**	**(27)**
Transfers	**(945)**	**166**	**129**	**650**	**-**
Exchange differences	**-**	**-**	**(41)**	**-**	**(41)**
At 31 December 2011	**32,742**	**20,151**	**853**	**2,281**	**56,027**
Depreciation and impairment					
At 1 January 2010	(484)	(14,217)	(383)	(1,628)	(16,712)
Charge for the year	-	(31)	(40)	-	(71)
Exchange differences	-	-	(18)	-	(18)
At 31 December 2010	(484)	(14,248)	(441)	(1,628)	(16,801)
Charge for the year	**-**	**(555)**	**(124)**	**(22)**	**(701)**
Eliminated on disposals	**-**	**-**	**5**	**-**	**5**
Impairment	**(26,248)**	**(4,323)**	**(278)**	**(510)**	**(31,359)**
Transfers	**-**	**22**	**(22)**	**-**	**-**
Exchange differences	**-**	**-**	**41**	**-**	**41**
At 31 December 2011	**(26,732)**	**(19,104)**	**(819)**	**(2,160)**	**(48,815)**
Carrying amount					
At 31 December 2011	**6,010**	**1,047**	**34**	**121**	**7,212**
At 31 December 2010	3,064	547	143	3	3,757

At 31 December 2011, the Group had entered into contractual commitments for the acquisition of Property, plant and equipment amounting to $2,665,000 (2010: $4,724,000), principally related to the new processing plant at the Marropino Mine and associated mining equipment and infrastructure in both periods.

Included within the cost of 'Assets under construction' is $524,000 (2010: $nil) of interest capitalised from CPS borrowings at the effective interest rate applicable to these borrowings of 15.028%.

As required by IAS 36, *Impairment of assets*, the Group completed an impairment review of its property, plant and equipment as at 31 December 2011 resulting in an impairment charge of $31,359,000. Further details of the impairment review undertaken are included in note 4.1.1.

16. DEFERRED TAX ASSETS

	31 December 2011 US$000	31 December 2010 US$000
Deferred tax asset	**41,789**	17,514
Allowance	**(41,789)**	(17,514)
	-	-

The following are the major deferred tax assets recognised by the Group and movements thereon during the current and prior reporting period.

	Tax value of losses carried forward US$000	**Accelerated book depreciation US$000**
At 1 January 2010	9,500	892
Arising in the year	1,648	(207)
Exchange loss	(1,473)	(142)
Effect of change in tax rates on forecast utilisation	6,910	386
At 31 December 2010	16,585	929
Prior period adjustments	**550**	-
Arising in the year	**3,646**	**5,404**
Exchange gain	**4,391**	**1,012**
Effect of change in tax rates on forecast utilisation	**4,725**	**4,547**
At 31 December 2011	**29,897**	**11,892**

The deferred tax asset, which is fully provided for, relates to the accumulated tax losses incurred by the Group's activities in Mozambique and timing differences on fixed assets. The gross tax losses are denominated in Mozambique Metical being approximately 2.5 billion Metical ($93,428,000) at 31 December 2011 (31 December 2010: 1.8 billion metical ($55,282,000)). The statutory tax rate in Mozambique is 32% (2010: 32%). Under the terms of the Group's Mining License Agreement, the Group has a reduced tax rate in Mozambique of 17.5% (2010: 17.5%) for the first ten years of production (i.e. until 2013). Deferred tax assets that could potentially be utilised subsequent to 2013 are shown above at the 32% rate. The deferred tax asset was reversed during the year ended 31 December 2008, due to the uncertainty regarding future funding and profitability. This uncertainty has not been resolved by 31 December 2011 and accordingly the asset remains fully provided for.

The Mozambique operations were subject to a tax inspection in 2009, relating to the financial years ended 31 December 2005, 2006, 2007 and 2008. During 2010 the Group received the final findings letter from that tax inspection which supports the availability of the losses for offset against future profits earned in Mozambique for the Group's mining operations.

17. INVENTORIES

	31 December 2011 US$000	31 December 2010 US$000
Spare parts and consumables	**1,712**	1,140
Finished goods	**570**	207
	2,282	1,347

18. TRADE AND OTHER RECEIVABLES

	31 December 2011 US$000	31 December 2010 US$000
Non-current assets		
Other receivables (refer to note 4.1.3)	**1,809**	-
Current assets		
Trade receivables	**2,527**	565
Other receivables	**2,484**	939
Prepayments	**296**	136
	5,307	1,640
	7,116	1,640

19. TRADE AND OTHER PAYABLES

	31 December 2011 US$000	31 December 2010 US$000
Trade payables	**6,713**	2,968
Other payables	**207**	62
	6,920	3,030

Included in trade payables is $3,482,000 (2010: $45,000) of amounts payable for the purchase of items of property, plant and equipment.

20. CONVERTIBLE REDEEMABLE PREFERENCE SHARES

20.1 Carrying value

The following summarises the movements in the Convertible Redeemable Preference Shares liability and equity components during the year:

	Liability US$000	Equity US$000	Total US$000
At 1 January 2010 and 1 January 2011	-	-	-
Initial measurement	10,100	1,804	11,904
Allocation of issue expenses	(832)	(148)	(980)
Share based payments credit	-	38	38
Interest accrued at effective interest rate	940	-	940
Interest paid in cash	(374)	-	(374)
Charge arising on redemption	5,731	-	5,731
Redemption of 1,794,215 CPS including Q3-2011 dividend	(11,955)	(1,077)	(13,032)
At 31 December 2011	**3,610**	**617**	**4,227**
Included within			
Current liabilities	109	-	109
Non-current liabilities	3,501	-	3,501
Convertible redeemable preference share reserve	-	617	617
	3,610	617	4,227

20.2 Initial measurement

In March 2011 the Group secured the placing of 2,822,290 Convertible Redeemable Preference Shares ('CPS') at a price of $4.218 per CPS (the 'Issue Price') raising gross proceeds of $11,904,000 before expenses. The CPS have a nominal value of £1.00 each and carry an annual coupon ('dividend') of 10% of the Issue Price, payable quarterly in arrears. Under the terms of the initial issue:

- each CPS is convertible at any time at the holders' request into one Ordinary Share in the Company;
- the Company could give notice of redemption at any date after 11 October 2012 at the Issue Price. If an early redemption notice is issued, the holder of the CPS can issue a conversion notice at any date prior to the stipulated redemption date;
- the CPS will be mandatorily redeemed on 11 April 2016;
- the CPS dividend accrues quarterly and is payable, subject to Jersey Law in arrears within 10 calendar days of each of 31 March, 30 June, 30 September and 31 December; and
- to the extent that the Company cannot lawfully pay the dividend, which is the case when the Directors are unable under Jersey Law to conclude that the Company is solvent at the date of payment, then the dividend is deferred until the date at which it can lawfully be paid

The Issue Price was calculated at a 25% conversion premium to the mid-market closing price of 210.5 pence for the Ordinary Shares of the Company on AIM on 16 March 2011, applying the GBP/US$ exchange rate of 1:1.6031. Expenses of $980,000 were incurred, of which $728,000 was settled in cash and $252,000 through the issue of warrants to the placing agents over 168,985 Ordinary Shares at a subscription price of 210.5 pence per Ordinary Share.

While in legal form the CPS are part of the Capital Stock of the Company (note 23), the CPS include components with liability and equity features as defined under IFRS. IAS 32, *'Financial Instruments: Presentation'*, requires the Group to identify the equity and liability component parts of the instrument and assign a value to each. The material components have been identified as the host debt contract, a Company call option to prepay the liability and a holder call option to convert to Ordinary Shares. The fair value of the host debt component has been determined at the present value of the contractual stream of future cash flows (including both preference dividend payments and redemption amount) discounted at the market rate of interest that would have applied to an instrument of comparable credit quality with substantially the same cash flows, on the same terms, but without the conversion feature. The relevant market interest rate applicable to the Company has been estimated at 14%. The Company's prepayment call option has been valued using the Montis Convertibles Model. The Company's prepayment call option has been determined to be closely related to the host debt contract and is not required to be fair valued separately from the host contract in future periods. The combined fair value of the liability component and embedded prepayment call option is $10,100,000. The balance of the gross proceeds received of $1,804,000 has been established as the equity component of the CPS. After allocation of the issue expenses pro-rata to the carrying value of each component, the liability component was initially recorded at $9,268,000 and the equity component at $1,694,000. The liability component is subsequently measured at amortised cost using the effective interest rate method and an effective interest rate of 15.028%. The equity component is not re-measured.

20.3 Redemption of CPS

On 19 August 2011 (updated 2 September 2011) the Group announced proposals to alter the terms of the CPS. The proposals were approved at a class meeting of the CPS holders on 28 September 2011 to allow the Company to redeem the CPS early in exchange for Ordinary Shares in the Company. As permitted by the changes to the terms and conditions of the CPS, the Company extended a redemption offer (the 'Redemption Offer') to the CPS holders. Under the terms of the Redemption Offer, the CPS holders were offered the opportunity to convert their CPS to fully paid Ordinary Shares in the Company based on the initial subscription value paid by the CPS holders and a conversion rate to Ordinary Shares at 25.0p per Ordinary Share. A GBP/US$ exchange rate for the conversion was established at 1:1.620. CPS holders electing to accept the Redemption Offer were required to convert their Quarter 3-2011 cash dividend into Ordinary Shares on the same terms established for the redemption of the capital amount

outstanding. Holders of 1,794,215 CPS elected to accept the Redemption Offer. On 1 October 2011, 18,686,422 new Ordinary Shares were issued to redeem the CPS with a nominal value of $7,568,000 and a further 470,987 new Ordinary Shares were issued in payment of the related Quarter 3-2011 dividend, the value of which was $190,000.

The redemption has been accounted for under IAS 32:AG35 as an amendment to the terms of the CPS to make conversion more attractive by offering a favourable conversion ratio in the event of conversion under the redemption offer as extended by the Company. CPS holders not accepting the redemption offer retain a conversion ratio of CPS to Ordinary Shares of 1 to 1. The difference between the fair value of the consideration that the CPS holder would have received under the initial terms (i.e. 1 new Ordinary Share per CPS with a fair value of 25.0p at the date the redemption offer was extended) and the fair value of the consideration that the CPS holder received under the revised terms (i.e. 10.4 new Ordinary Shares per CPS with a fair value of £2.604 or $4.218 at the date the redemption offer was extended), measured at the date when the terms were amended has been recognised as a fair value loss. A loss of $5,731,000 has been recorded in the Consolidated statement of comprehensive loss.

21. DERIVATIVE FINANCIAL LIABILITIES

Derivative financial liabilities represents warrants issued by the Company which are classified as derivative financial liabilities because the warrants are issued in GB£ which is not the functional currency of the Company. At 31 December 2011 the fair value of derivative financial liabilities for warrants is $12,000 (31 December 2011: $3,218,000).

Warrants falling within this category were issued by the Group in September 2009 (the '2009 warrants'), twice in September 2010 (the 'September 2010 warrants - 1' and the 'September 2010 warrants – 2', together the 'September 2010 warrants'), once in October 2010, once in December 2010 (collectively the '2010 warrants') and once in April 2011 (the '2011 warrants'). The warrants were issued as part of fundraisings secured in September 2009 and September 2010. Upon initial recognition, the fair value of the warrants is 'carved out' of the funds received from shareholder investment and recorded within derivative financial liabilities. At each reporting date the fair value of the warrants is measured, with changes in the fair value of the warrants recorded in the Consolidated statement of comprehensive loss within finance income/expense. At each exercise date, the derivative liability fair value of the warrants exercised is recorded to the Share premium account. The warrants do not create any obligation on the Company other than to deliver Ordinary Shares in the Company for a fixed price (360p per Ordinary Share for the September 2009 warrants subsequent to the March 2011 share consolidation and 200p per Ordinary Share for the 2010 and 2011 warrants subsequent to the March 2011 share consolidation), at the option of the holder, for 18 months from the date of issuance of the September 2009 warrants and 2 years from the date of issuance of the September 2010 warrants. The warrants do not therefore expose the Company or Group to any risks, other than fair value risks, as at the balance sheet date. The September 2009 warrants expired unexercised in April 2011.

Subsequent to the March 2011 share consolidation, 20 warrants must be exercised to acquire one Ordinary Share. Movements in the number of Ordinary Shares that could be issued if outstanding warrants are exercised are as follows:

	2009 warrants No.	**2010 warrants No.**	**2011 warrants No.**	**Total No.**
At 1 January 2010	468,750	-	-	468,750
Issued in the period	-	2,022,075	-	2,022,075
Exercised in period	-	(76,192)	-	(76,192)
At 31 December 2010	468,750	1,945,883	-	2,414,633
Issued in the period	**-**	**-**	**248,829**	**248,829**
Exercised in the period	**-**	**(275,253)**	**-**	**(275,253)**
Expired in the period	**(468,750)**	**-**	**-**	**(468,750)**
At 31 December 2011	**-**	**1,670,630**	**248,829**	**1,919,459**

Movements in the fair value of the warrants derivative financial liability are:

	2011 US$000	2010 US$000
At 1 January	**3,218**	-
Fair value on initial recognition	**446**	2,485
Change in fair value (note 4 and 11)	**(3,092)**	843
Credited to the Share premium account on exercise of warrants	**(560)**	(110)
At 31 December	**12**	3,218

The fair value of warrants at the relevant period ends has been determined using a Black Scholes valuation model with the following inputs:

	At 31 December 2011	At 31 December 2010	
	2010 and 2011 warrants	2009 warrants	2010 warrants
Weighted average share price – GBP pence[1]	16	220	220
Weighted average exercise price – GBP pence[1]	200	260	200
Expected volatility[2]	143%	88%	90%
Risk-free rate	0.41%	0.33%	0.91%
Expected dividend yield	0%	0%	0%
US$/GBP exchange rate	1.55	1.55	1.55
Fair value per warrant – US Cents	0.6	2	160
Fair value of warrants - US$000	12	71	3,147

(1) The weighted average share price and weighted average exercise price have been adjusted for the 20:1 share consolidation.
(2) The volatility assumption has been determined based on the historic volatility of the Company's Ordinary Share price.

22. PROVISIONS

22.1 Short term provisions

Movements in the short term provisions were:

	Taxation provisions US$000	**Other provisions US$000**	**Total Provisions US$000**
At 1 January 2010	-	-	-
Reclassified from Current tax liabilities	154	-	154
Charged to the Consolidated statement of comprehensive loss in the period	101	124	225
Foreign exchange gain	(34)	-	(34)
At 31 December 2010	221	124	345
Charged to the Consolidated statement of comprehensive loss in the period	**222**	**-**	**222**
Reclassified from Current tax liabilities	**19**		**19**
Payments made in the period	**(42)**	**-**	**(42)**
Foreign exchange loss	**31**	**-**	**31**
At 31 December 2011	**451**	**124**	**575**

Taxation provisions represent probable taxation liabilities and penalties arising in Mozambique. Included in this provision is $128,000 of assessed IVA (including penalties) relating to 2008 identified in the tax inspection into the tax affairs of the Group's subsidiary Highland African Mining Company Limitada undertaken by the Mozambique Tax Authority in December 2009. During 2010, the Group formally contested this assessed IVA with the Mozambique Tax Authority and may be successful in defending the assessment. Of the remaining provision, $285,000 relates to taxes which the Group has not paid in accordance with the Group's interpretation of the terms of its Mining Licence Agreement. The Mozambique Tax Authority has not formally confirmed this interpretation and there is a significant risk that the amounts may become payable. The remaining $38,000 relates to possible exposures on income tax for 2009 and 2010. Payments made during 2011 relate to production tax previously paid by the Group in 2008 and 2009 which the Mozambique Tax Authority contested as having not been paid. While the Group believes it has appropriate supporting documentation to evidence payment, the Group was unable to definitively prove that payment had been made.

Other provisions represent liabilities arising from contractual arrangements of the Group under which the Group has obligations to indemnify the third party against costs or losses incurred. These provisions relate to the parent Company, Noventa Limited.

The Group anticipates that any cash outflow arising from short term provisions will be realised in 2012.

22.2 Long term provisions

	31 December 2011 US$000	31 December 2010 US$000
At 1 January	**269**	258
Unwinding of discounted amount (note 11)	**12**	11
At 31 December	**281**	269

The provision relates to the anticipated costs to be incurred in rehabilitating the open pit and surrounding area at Marropino once the mineral ore body has been fully exploited. The movement in the provision in all periods reflects the unwinding of the discount on the amount provided. The estimated remaining life of the mine is between 50 and 55 months, which may be extended if the Group identifies pegmatites on the Marropino concession that prove to be economically viable resources.

Subsequent to 31 December 2011, the Group has received notification from the Ministry of Mineral Resources in Mozambique to provide a financial guarantee, in the form of a bank guarantee, insurance contract or cash deposit, to cover the anticipated environmental rehabilitation costs at Marropino, Morrua and Mutala. The Group is completing the calculations of the required financial guarantees which must be in place before the end of June 2012. The Group does not anticipate that the amount related to Marropino will exceed the amount recorded above. The amounts applicable for Morrua and Mutala are not expected to be significant because the Group has not yet commenced production from these concessions.

23. SHARE CAPITAL, RESERVES, CALL OPTIONS OVER EQUITY AND CAPITAL RISK MANAGEMENT

The Company's authorised share capital is £8,700,000 divided into 212,500,000 Ordinary Shares of £0.008 each ('Ordinary Shares') and 7,000,000 10% Convertible Redeemable Preference Shares of £1.00 each ('Preference Shares' or 'CPS'). Full details of the rights attached to each class of authorised share capital is provided in the section of the Directors' report entitled 'Capital stock'.

23.1 Share capital

	2011 £	2010 £
Authorised		
212,500,000 Ordinary Shares of £0.008 each (2010: 1,250,000,000 Ordinary Shares of £0.0004 each)	**1,700,000**	500,000
7,000,000 Preference Shares of £1.00 each (2010: none)	**7,000,000**	-
	8,700,000	500,000
	US$000	US$000
Issued, called up and fully paid		
119,658,819 Ordinary Shares of £0.008 each (2010: 504,413,035 Ordinary Shares of £0.0004 each)	**1,556**	324
1,028,075 Preference Shares of £1.00 each (2010: none)	**1,028**	-
	2,584	324

Details of proposals which may increase the authorised and issued Ordinary Share capital of the Company are provided in the sections of the Directors' report entitled 'Capital stock' and 'Events subsequent to the balance sheet date'.

23.2 Ordinary Shares

23.2.1 Share consolidation

On 11 March 2011, the Company completed a 20:1 share consolidation of the Company's £0.0004 Ordinary Shares into £0.008 Ordinary Shares.

23.2.2 Shares in issue

The table below presents a reconciliation of the Company's Ordinary Shares in issue. For transactions and balances prior to 11 March 2011 the number of Ordinary Shares has been adjusted for the share consolidation and is presented at the post consolidation amounts:

	2011 No.	2011 Issue price GBp	2010 No.	2010 Issue price GBp
New Ordinary Shares issued for cash:				
June 2010 Placing, Conditional Placing and Additional Placing	**-**	**-**	1,114,796	130
September 2010 Placing, Subscription and Additional Placing	**-**	**-**	3,011,850	130
September 2010 Additional Subscription – First and second tranche	**-**	**-**	995,317	132
December 2010 Placing	**-**	**-**	8,000,000	190
September 2010 Additional Subscription – Final tranche	**497,658**	**132**		
August 2011 Placing	**73,600,000**	**25**		
Share options exercised	**172,250**	**80**		
Warrants exercised	**275,253**	**200**	76,192	80 to 200
New Ordinary Shares issued for services including bonus shares	**735,597**	**23 to 238**	385,753	0 to 146
Redemption of Preference Shares including Q3-2011 interest	**19,157,409**	**25**	-	-
Ordinary shares issued in the year	**94,438,167**		13,583,908	
At 1 January	**25,220,652**		11,636,744	
At 31 December	**119,658,819**		25,220,652	

23.3 Preference shares

The table below presents a reconciliation of the Company's Preference Shares in issue.

	2011 No.	2011 Price GBp	2010 No.	2010 Price GBp
March 2011 Placing of Convertible Redeemable Preference Shares	**2,822,290**	**263.1**	-	-
Redemption of Convertible Redeemable Preference Shares	**(1,794,215)**	**263.1**	-	-
Movement in Preference Shares in the year	**1,028,075**		-	
At 1 January	**-**		-	
At 31 December	**1,028,075**		-	

Further details on preference shares are provided in note 20.

23.3.1 Reserves

23.3.1.1 Shares to be issued reserve

As at 31 December 2011, the Group had obligations to deliver 133,689 Ordinary Shares (2010: 16,534 Ordinary Shares) to Directors and employees in consideration for services rendered with a fair value of $46,000 (2010 - $55,000). These Ordinary Shares have not been issued as at the date of this report (2010: were issued in January 2011). The compensation expense for the services received has been included in the Consolidated statement of comprehensive loss for the year ended 31 December 2011 (2010: year ended 31 December 2010), with the related obligation recognised in the 'Shares to be issued' reserve.

23.3.1.2 Convertible redeemable preference shares reserve

The Convertible redeemable preference shares issued by the Group during the year ended 31 December 2011 include an equity component (note 20). The fair value of the debt component and associated embedded derivatives was determined at the date of issue and recorded within liabilities, with the fair value of the equity component recorded directly to equity in the 'Convertible redeemable preference shares' reserve. Upon redemption of CPS through conversion into Ordinary Shares, amounts relating to the converted CPS contained in the Convertible redeemable preference share reserve are reclassified to the Share premium account. Upon redemption of CPS through cash, amounts relating to the cash redeemed CPS contained in the Convertible preference share reserve will be extinguished through the cash repayment with any residual balance transferred to accumulated losses.

23.3.1.3 Merger reserve

The merger reserve was created when Noventa acquired 100% of the issued Ordinary Share capital of Highland African Mining Company Limited under the terms of the share-for-share agreement signed on 11 January 2007. The transaction was accounted for as a reverse takeover.

23.3.1.4 Translation reserve

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the Statement of financial position date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising are taken to the 'Translation reserve'.

23.3.2 Call options over Ordinary Shares

Call options over Ordinary Shares represent instruments issued by the Company which may result in the Company issuing Ordinary Shares, such as warrants, share options and CPS. Where these instruments were issued prior to the share consolidation on 11 March 2011, the conversion terms of the instruments have been altered to require the conversion of 20 instruments to acquire one new Ordinary Share in the Company.

The following table summarises the principal terms under which Ordinary Shares of the Company could be issued in respect of options, warrants, bonus shares and CPS outstanding at 31 December 2011. Where applicable, the number of Ordinary Shares has been adjusted to take account of the share consolidation.

	Number of Ordinary Shares adjusted for share consolidation	Number exercisable at period end adjusted for share consolidation	Weighted average exercise price adjusted for share consolidation	Expiry date	Comments
Options issued by employee share option plans in 2007	51,184	51,184	50,000 at £23.00 1,184 at £0.008	2017	None
Options issued by employee share option plans in 2008	6,180	6,180	£23.00	2018	None
Options issued by employee share option plans in 2009 – 1	91,084	81,953	£3.20	2019	None
Options issued by employee share option plans in 2009 – 2	172,250	172,250	£0.80	2013	None
Options issued outside of the share option plans – 2009	100,000	100,000	£0.80	2016	None
Warrants 2009 – 1	579,298	-	£0.80	2016	Share price to reach £5.00 on a 30 day moving average for the warrants to be exercisable.
Warrants 2009 – 2	56,500	56,500	£0.80	2016	None
Bonus shares 2009	150,000	-	-	No expiry	Share price to reach £3.00 on a 30 day moving average for the bonus shares to vest.
Options issued by employee share option plans in 2010	100,000	100,000	£0.80	2019	None
Options issued outside of share option plans – 2010	97,120	97,120	£1.08	2017	None
Warrants 2010 – 1	957,492	957,492	£2.00	2012	None
Warrants 2010 – 2	215,480	215,480	£2.00	2012	None
Warrants 2010 – 3	248,829	248,829	£2.00	2012	None
Warrants 2010 – 4	248,829	248,829	£2.00	2012	None
Warrants 2010 – 5	399,998	399,998	£1.90	2012	None
Warrants 2011 – 1	248,829	248,829	£2.00	2012	None
Warrants 2011 – 2	168,985	168,985	£2.105	2012	None
Warrants 2011 – 3	3,966,137	3,966,137	£0.25	2013	None
Warrants 2011 – 4	16,683	16,683	£1.30	2012	None
Options issued by employee share option plans in 2011	305,000	5,000	£0.28	2018	None
Options issued outside of share option plans in 2011	97,120	97,120	£0.27	2018	None
Convertible redeemable preference shares	1,028,075	1,028,075	$4.218	2015	CPS are redeemable by the Company in cash in April 2016 if the instruments are not converted into Ordinary Shares prior to this date.
	9,305,073	8,266,644			

23.3.3 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while implementing the Plan to maximise the return to shareholders. The Directors consider that the capital structure of the Group consists of the Company's Ordinary Shares and Convertible Redeemable Preference Shares net of retained losses.

The Group's Board of Directors reviews the capital structure when funding is required. As part of the review, the Board of Directors considers the cost of capital and the risks associated with each class of capital.

24. SHARE BASED PAYMENTS

A summary of all options, warrants and other call options over Ordinary Shares in the Company is provided in note 23.3.2. On 11 March 2011, the Company completed a 20:1 share consolidation of the Company's £0.0004 Ordinary Shares into £0.008 Ordinary Shares. The conversion or issue terms of all options, warrants and bonus shares were adjusted to require twenty options, warrants or bonus shares to be exercised to acquire one Ordinary Share in the Company. All amounts presented in this note reflect the number of Ordinary Shares that could be issued if the options, warrants or bonus shares are exercised, or become exercisable.

24.1 Equity-settled share options and warrants

The Company has a share option scheme for all employees of the Group – the Noventa Unapproved Share Option Scheme (the 'Share Plan'). Until June 2009, options were granted to employees and certain Directors, exercisable at a price equal to the average quoted market price of the Company's shares on the 30 days preceding the date of grant. Generally the options were granted annually with vesting over one, two, three and four years, subject to certain production related performance criteria being met, and the employee remaining in continued employment with the Group. Subsequent to June 2009, options have been granted on an ad hoc basis to certain employees and directors of the Group at the recommendation of the Chairman or Chief Executive Officer. If the options remain unexercised after a period of ten years from the date of grant the options expire. Options are forfeited if the employee leaves the Group before the options vest, unless certain conditions apply. On the retrenchment of staff, options vest in full immediately.

The Group also issues options under the terms of the Share Plan which do not have performance conditions, and have either no service period or a service period of up to two years. These options are granted to Directors and key management.

Further options and warrants over Ordinary Shares in the Company are issued to Directors for services rendered and certain service providers. These instruments are not granted under the terms of the Share Plan.

In the year ended 31 December 2007 the Company issued options to a Director through the Noventa Employee Benefit Trust ('EBT'). No options have been granted by the EBT since 2007.

24.2 Charge in the period

The total charge recorded in the Consolidated statement of comprehensive loss for share based payments in 2011 was $734,000 (2010: $665,000). A further $50,000 (2010: $nil) has been recorded to Property, plant and equipment, $717,000 (2010: $529,000) has been charged to the Share premium account and $252,000 (2010: $nil) has been recorded as issue expenses for the Convertible redeemable preference shares and allocated pro-rata between the carrying value of the equity and liability components of these instruments (refer to note 20).

Of the amount charged to the Consolidated statement of comprehensive loss, $468,000 (2010: $392,000) arises on Ordinary shares issued to Directors as contractual Directors' fees and consultancy fees, employee and Directors sign on bonuses, salary payments made in Ordinary shares under employment contracts or payments made in Ordinary Shares under service agreements from third party suppliers (2010: arises on Ordinary shares issued to Directors as contractual Directors' fees and consultancy fees, employee and Directors sign on bonuses and salary payments made in Ordinary shares under employment contracts). Of the amount charged to Property, plant and equipment, $50,000 (2010: $nil) relates to payments made in Ordinary Shares under service agreements from third party suppliers. The number of Ordinary Shares issued in these cases is determined based on the contractual amounts due, and relevant market prices for the Company's Ordinary Shares. The expense recorded is therefore the contractual amount due.

$266,000 (2010: $273,000) of the amount charged to the Consolidated Statement of comprehensive loss arises from the issuance of share options to certain employees and Directors of the Group, under the Share Plan, or through options outside of the Share Plan or through the issuance of warrants over Ordinary Shares to third party suppliers under service agreements (2010: arises from the issuance of share options to certain employees and Directors of the Group, under the Share Plan, or through options outside of the Share Plan). The amount charged to the Share Premium account of $717,000 (2010: $529,000) and the amount recorded as issue expenses for the Convertible redeemable preference shares or $252,000 (2010: $nil) relate to the issuance of warrants over Ordinary Shares to third party suppliers under service agreements.

24.3 Summary of share options, warrants and bonus shares accounted for as share based payments

Details of the number of Ordinary Shares that may be issued to satisfy share options, warrants and bonus shares which are accounted for as share based payments are as follows:

	Options[1]		Warrants[2]		Bonus Shares[3]		
	No.	Weighted average exercise price GBP	No.	Weighted average exercise price GBP	No.	Weighted average exercise price GBP	Total No.
At 1 January 2010	636,346	360.5	654,298	80.0	300,000	-	1,590,644
Granted in the year	297,120	89.7	399,998	190.0	-	-	697,118
Lapsed in the year	(16,708)	813.3	-	-	-	-	(16,708)
Terminated in the year	(8,161)	727.0	-	-	-	-	(8,161)
Exercised in the year	-	-	(18,500)	80.0	**(150,000)**	-	(168,500)
At 31 December 2010	**908,597**	**257.6**	**1,035,796**	**122.5**	**150,000**	**-**	**2,094,393**
Granted in the year	**402,120**	**27.9**	**4,151,805**	**33.0**	**-**	**-**	**4,553,925**
Lapsed in the year	**(15,704)**	**821.3**	**-**	**-**	**-**	**-**	**(15,704)**
Terminated in the year	**(102,825)**	**92.1**	**-**	**-**	**-**	**-**	**(102,825)**
Exercised in the year[4]	**(172,250)**	**80.0**	**-**	**-**	**-**	**-**	**(172,250)**
At 31 December 2011	**1,019,938**	**205.0**	**5,187,601**	**50.1**	**150,000**	**-**	**6,357,539**

(1) As at 31 December 2011, options over 675,698 new Ordinary Shares (2010: 661,477) are in issue by the Share Plan, 50,000 (2010: 50,000) are in issue by the EBT and 294,240 (2010: 197,120) are in issue outside of these Schemes. The expense recorded in the Statement of comprehensive loss during 2011 for share options was $41,000 (2010: $273,000).

(2) Warrants were awarded in 2010 and 2011 to the Company's brokers and placing agents as consideration for services due for the placing of Ordinary Shares or Convertible redeemable preference shares in the Company and have no future service or performance conditions. The fair value of all such warrants awarded during 2011 was $1,194,000 (2010: $529,000), of which $717,000 (2010: $529,000) has been expensed to the Share premium account, $252,000 (2010: $nil) has been allocated pro-rata to the liability and equity components of the Convertible redeemable preference shares (note 20) and $225,000 (2010: $nil) has been expensed to the Consolidated statement of comprehensive loss.

(3) 450,000 bonus shares were issued in 2009 as turnaround incentives to Barons Financial Services Limited (the Company which provided the services of Mr E F Kohn TD as Executive Chairman) and Ekasure Limited (the Company that provides the services of Mr J N Allan). The bonus shares vest in equal tranches of 150,000 (100,000 bonus shares to Barons Financial Services Limited and 50,000 bonus shares to Ekasure Limited) when the share price of the Company achieves a 30 day moving average of 120p, 200p and 300p. 150,000 bonus shares vested during 2010 when the Ordinary Share price of the Company reached 200p on a 30 day moving average. The compensation expense for bonus shares of $381,000 was expensed in full during 2009.

(4) Ordinary Shares were issued on the exercise of warrants on 2 March 2011 when the Company's Ordinary Share price was 265 pence.

Details of exercisable share options, warrants and bonus shares which are accounted for as share based payments are as follows:

	Options		Warrants		Bonus Shares		
	No.	Weighted average exercise price GBP	No.	Weighted average exercise price GBP	No.	Weighted average exercise price GBP	Total No.
At 1 January 2010	433,817	410.7	75,000	80.0	-	-	508,817
Granted in the year	172,120	96.8	399,998	190.0	-	-	572,118
Vested from prior years	150,000	80.0	-	-	150,000	-	300,000
Exercised in the year	-	-	(18,500)	80.0	(150,000)	-	(168,500)
At 31 December 2010	755,937	273.6	456,498	176.4	-	-	1,212,435
Granted in the year	**102,120**	**32.4**	**4,151,805**	**33.0**	**-**	**-**	**4,253,925**
Vested from prior years	**50,000**	**80.0**	**-**	**-**	**-**	**-**	**50,000**
Terminated in the year	**(25,000)**	**80.0**	**-**	**-**	**-**	**-**	**(25,000)**
Exercised in the year	**(172,250)**	**80.0**	**-**	**-**	**-**	**-**	**(172,250)**
At 31 December 2011	**710,807**	**279.1**	**4,608,303**	**47.2**	**-**	**-**	**5,319,110**

The outstanding and exercisable options, warrants and bonus shares that are accounted for as share based payments could result in the issue of new Ordinary Shares at the following prices:

		Total		Exercisable	
		31 December 2011	31 December 2010	**31 December 2011**	31 December 2010
Price – GBp	**Expiry**	**No.**	No.	**No.**	No.
2,300	2017	**56,180**	60,515	**56,180**	56,180
310	2019	**91,084**	105,278	**81,953**	81,953
210.5	2012	**168,985**	-	**168,985**	-
190	2012	**399,998**	399,998	**399,998**	399,998
130	2017	**45,963**	24,280	**45,963**	24,280
103	2017	**72,840**	72,840	**72,840**	72,840
80	2016 – 2019	**1,008,048**	1,280,298	**428,750**	576,000
27.4	2018 – 2021	**297,120**	-	**97,120**	-
25.0	2013	**3,966,137**	-	**3,966,137**	-
24.2	2021	**100,000**	-	**-**	-
0.8	2017	**1,184**	1,184	**1,184**	1,184
0.00	None	**150,000**	150,000	**-**	-
		6,357,539	2,094,393	**5,319,110**	1,212,435

The following instruments have been issued during the current and preceding financial years:

	Grant date	**Expiry date**	**Exercise price GBP**	**Number**	**Total fair value at grant date US$000**
Year ended 31 December 2011:					
Share Plan – Issue 10	5 September 2011	2021	24.2	**100,000**	**23**
Share Plan – Issue 9	19 August 2011	2021	27.4	**200,000**	**62**
Share Plan – issue 8	1 August 2011	2021	130.0	**5,000**	**7**
Other – Issue 4[(1]	19 August 2011	2021	27.4	**97,120**	**23**
August 2011 placing warrants[(1)]	25 August 2011	2013	25.0	**3,966,137**	**942**
April 2011 CPS placing warrants[(1)]	11 April 2011	2012	210.5	**168,985**	**252**
January 2011 warrants[(1)]	1 January 2011	2012	130.0	**16,683**	**24**
				4,553,925	**1,333**
Year ended 31 December 2010:					
Share Plan – Issue 7	26 April 2010	2020	80.0	100,000	98
Share Plan – issue 6	1 January 2010	2019	80.0	100,000	91
Other – Issue 3[(1)]	3 September 2010	2017	130.0	24,280	31
Other – Issue 2[(1)]	20 January 2010	2017	103.0	72,840	55
December 2010 placing warrants[(1)]	17 December 2010	2012	190.0	399,998	529
				697,118	804

(1) These instruments have no performance conditions and the total fair value was recorded in the year of grant.

The fair value of options and warrants granted has been determined using a Black Scholes valuation model with the following inputs:

	Share plan – Issue 10	**Share plan – Issue 9**	**Share plan – Issue 8**	**Other – Issue 4**	**August 2011 placing warrants**	**April 2011 CPS placing warrants**	**January 2011 warrants**
Weighted average share price – GBp [(3)]	**24.2**	**27.4**	**130.0**	**27.4**	**25.0**	**237.6**	**130.0**
Weighted average exercise price – GBp [(3)]	**24.2**	**27.4**	**130.0**	**27.4**	**25.0**	**210.5**	**130.0**
Expected volatility - %[(2)]	**117**	**116**	**143**	**114**	**118**	**71**	**143**
Expected life – years[(1)]	**2**	**3**	**2**	**1.5**	**2**	**1.5**	**2.0**
Risk free rate - %	**0.59**	**0.84**	**0.99**	**0.58**	**0.65**	**1.19**	**0.99**
Expected dividend yield - %	**-**	**-**	**-**	**-**	**-**	**-**	**-**

	Share plan – Issue 7	Share plan – Issue 6	Other – Issue 3	Other – Issue 2	December 2011 placing warrants
Weighted average share price – GBp [3]	103.2	106.0	130.0	103.0	190.0
Weighted average exercise price – GBp [3]	80.0	80.0	130.0	103.0	195.0
Expected volatility - %[2]	82	84	146	95	92
Expected life – years[1]	3	2	1.5	1.5	1.5
Risk free rate - %	1.99	1.44	0.72	1.04	0.91
Expected dividend yield - %	-	-	-	-	-

(1) 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.

(2) The volatility assumption has been determined based on the historical volatility of the Company's share price, where applicable adjusted for a period of abnormal volatility between 24 April 2009 and 24 August 2009 reflecting the uncertainty over the future of the Group following the Marropino Mine entering care and maintenance.

(3) Where relevant, the weighted average share price and weighted average exercise price have been adjusted for the 20:1 share consolidation of the Company's Ordinary Shares.

25. FINANCIAL INSTRUMENTS

Details of the capital risk management policy of the Group are provided in note 23 to the financial statements. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3.

This note provides further information on the financial instruments of the Group.

25.1 Financial risk management objectives

The Group manages the risks arising from its operations, and financial instruments at Board and Chief Financial Officer level. The Board of Directors and the Chief Financial Officer have overall responsibility for the establishment and oversight of the Group's risk management framework and to ensure that the Group has adequate policies, procedures and controls to manage successfully the financial risks that the Group faces.

While the Group does not have a written policy relating to risk management of the risks arising from any financial instruments held, the close involvement of the Chief Executive Officer and Chief Financial Officer in the day to day operations of the Group ensures that risks are monitored and controlled in an appropriate manner for the size and complexity of the Group. Financial instruments are not traded, nor are speculative positions taken. The principal risks that the Group faces with an impact on financial instruments are summarised below. Further details by class of financial instrument are described later in this note.

The Group's key financial market risks arise from changes in foreign exchange rates ('currency risk'). The Group is also exposed to credit risk. To a lesser extent the Group is exposed to interest rate risk and liquidity risk.

25.1.1 Currency risk

The Group is exposed to foreign currency exchange risk mainly between the US Dollar, South African Rand, Mozambique Metical and Great British Pound. The potential currency exposures are:

Transactional exposure in respect of:

- operating costs and capital expenditures incurred in currencies other than the functional currency of operations; and
- financial assets and liabilities denominated in currencies other than the functional currency of Group companies, such as bank balances held in currencies other than US$, trade payables denominated in Mozambique Metical or South African Rand and IVA recoverable assets denominated in Mozambique Metical.

Translational exposures in respect of investments in overseas operations which have functional currencies other than US Dollars.

The Group's policy is to minimise transactional exposure through maintaining detailed forecast cash flows by principal currency in which cash inflows and outflows are made, allowing the Group to retain funds in the relevant currencies to create natural hedges against exchange fluctuations. This policy results in significant holdings of South African Rand as at 31 December 2011, which is the currency in which capital commitments related to the Marropino ReStart Project are principally incurred.

25.1.2 Credit risk

The Group principally has exposure to credit risk on its bank balances, trade receivables and other receivables. Where possible, this risk is managed through the selection of bank counterparties based on the financial security of the counterparty, credit assessment of customers and contractual terms and conditions and monitoring. Certain receivables, principally IVA in Mozambique, arise with counterparties over which the Group has no control and the Group is unable to mitigate against risk of counterparty default.

25.1.3 Interest rate risk

The Group is, to a limited extent, exposed to interest rate risk which arises principally from the Group's bank and cash balances.

25.1.4 Liquidity risk

As at 31 December 2011 the Group has limited liquidity risk due to its receivables including cash and bank balances exceeding its short term liabilities. As at the date of this report, the Group has liquidity risk due to the forecast cash outflows before and during the Marropino Mine ReStart project exceeding forecast operating cash flows in the period. Details of the liquidity position of the Group as at the date of these financial statements and its dependence on future financing to implement the Plan is provided in the section entitled 'Going concern' of the Directors' report.

25.2 Categories of financial instruments

Based on the application of the accounting policies with respect to financial instruments, the amounts included in the relevant balance sheet items represent the following categories of financial instruments:

At 31 December 2011	**Loans and receivables**	**Fair value through profit and loss**	**Financial liabilities at amortised cost**	**Total**
	US$000	**US$000**	**US$000**	**US$000**
Financial assets				
Non-current				
Other receivables	**1,809**	**-**	**-**	**1,809**
Current				
Trade receivables	**2,527**	**-**	**-**	**2,527**
Other debtors	**2,484**	**-**	**-**	**2,484**
Cash and cash equivalents	**7,873**	**-**	**-**	**7,873**
	14,693	**-**	**-**	**14,693**
Financial liabilities				
Trade and other payables	**-**	**-**	**6,871**	**6,871**
Convertible redeemable preference share dividend	**-**	**-**	**109**	**109**
Derivative financial liabilities	**-**	**12**	**-**	**12**
Convertible redeemable preference share liability	**-**	**-**	**3,501**	**3,501**
	-	**12**	**10,481**	**10,493**

At 31 December 2010	Loans and receivables	Fair value through profit and loss	Financial liabilities at amortised cost	Total
	US$000	US$000	US$000	US$000
Financial assets – Current				
Trade receivables	565	-	-	565
Other receivables	880	-	-	880
Cash and cash equivalents	23,396	-	-	23,396
	24,841	-	-	24,841
Financial liabilities				
Trade and other payables	-	-	2,968	2,968
Other payables	-	-	15	15
Derivative financial liabilities	-	3,218	-	3,218
	-	3,218	2,983	6,201

25.3 Classes of financial assets and liabilities

The Group analyses its financial instruments into the following classes based on the differing risks to which the instruments expose the Group:

	Book Value 2011 US$000	Book Value 2010 US$000
Trade receivables	**2,527**	565
Other operating assets	**4,293**	880
Bank balances and cash in hand	**7,873**	23,396
Total financial assets	**14,693**	24,841
Short-term liabilities	**6,980**	2,983
Warrants	**12**	3,218
Long-term Convertible preference share liabilities	**3,501**	-
Total financial liabilities	**10,493**	6,201

25.3.1 Fair value

For all classes except for the Long-term Convertible preference share liabilities class the book value and fair value are the same. The assumptions used by the Group to estimate the fair values of financial instruments are summarised below:

For 'Trade receivables', 'Other operating assets' and 'Short-term liabilities' the fair value approximates to book value because of the short maturities of these assets and liabilities.

For 'Bank balances and cash in hand', the fair value has been determined to approximate book value. The Group has no fixed rate deposits exceeding one month as at each reporting date.

For 'Warrants' the fair value has been calculated using a Black Scholes valuation model due to the short term of the derivative instruments (a maximum of 9.5 months as at 31 December 2011 and 20.5 months as at 31 December 2010). The warrants are carried at fair value and accordingly the book value and the fair value of the warrants is the same. The fair values of the warrants are derived from inputs other than quoted prices that are observable for warrants, either directly (i.e. as prices) or indirectly (i.e. derived from prices) and they are therefore categorized within level 2 of the fair value hierarchy set out in IFRS 7.

For 'Long-term Convertible preference share liabilities' the fair value has been determined at $3,033,000 based on 1,028,075 CPS outstanding as at 31 December 2011 and the quoted market price of $2.95 per Convertible redeemable preference share on the Plus Quoted Market as at that date.

25.3.2 Trade receivables

The balance in both periods comprises trade receivables from the sale of Ta_2O_5 concentrate. These assets are principally subject to credit risk. The Group's credit risk is reduced as it only transacts with a small number of counterparties who, in the opinion of the Directors, 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.

No amounts included in 'Trade receivables' are past due and not impaired at either reporting date. The Group does not hold any security against the receivables in 'Trade receivables' other than customary legal title over the Ta_2O_5 concentrate until the Group's customers make final payment. This is established under the Group's supply contracts and international shipping terms applicable to the supply terms established which are either CIF or CFR as defined in INCOTERMS 2010.

As at 31 December 2010 amounts relating to 'Trade receivables' were reported within the 'Short-term operating assets' class. They have been reclassified due to a change in the risk profile of other assets included within 'Short-term operating assets' as at 31 December 2011.

25.3.3 Other operating assets

The balance at 31 December 2011 principally comprises recoverable input IVA assets (note 4) in Mozambique and VAT recoverable assets in South Africa (the balance at 31 December 2010 principally comprises recoverable input IVA in Mozambique). These assets are principally subject to credit risk, the maximum exposure being the carrying value of the class at all balance sheet dates. Credit risk arises due to changes in the credit rating of the counterparty and, where applicable, the counterparty Government's ability and willingness to pay balances due to the Company.

Included in the 'Other operating assets' are receivables which have been provided against. Movements in the allowance account against 'Other operating assets', which principally relates to the input IVA recoverable in Mozambique is as follows:

	US$000
At 1 January 2010	1,664
Credited to the Consolidated statement of comprehensive loss	(1,081)
Charged to the Consolidated statement of comprehensive loss	130
Foreign exchange gain	(69)
At 1 January 2011	644
Credited to the Consolidated statement of comprehensive loss	**(19)**
Charged to the Consolidated statement of comprehensive loss	**280**
Amounts written off against provisions	**(52)**
Foreign exchange loss	**97**
At 31 December 2011	**950**

The increase in the allowance account during 2011 principally reflects the increase in the underlying input IVA balance recorded by the Group and the effect of the valuation of the Mozambique Metical against the United States Dollar. The decrease in the allowance account in 2010 principally reflects the revision to the assessment of recoverability of the IVA balances as at 31 December 2009 and the effect of the devaluation of the Mozambique Metical on the IVA recoverable balance.

25.3.4 Bank balances and cash in hand

All amounts are carried at amortised cost, and, other than cash in hand, are interest bearing assets, with interest rates arranged with counterparty financial institutions based on commercial negotiations, reflecting the term, currency and amount of each deposit. As at 31 December 2011 and 31 December 2010 all bank balances were held in current accounts or deposit accounts with a maturity of less than one month.

The principal risk arising for 'Bank balances and cash in hand' is credit risk in terms of counterparty default. The maximum amount subject to credit risk is the carrying value of this class. In the current economic climate, the Group actively manages this risk through the monitoring of the credit status of the counterparty financial institutions. As at the balance sheet date the Group's assets in 'Bank balances and cash in hand' are held with the following banks, which are all high quality financial institutions:

Banker	Location of funds	2011 US$000	2010 US$000
Deutsche Bank	Jersey	**6,277**	20,429
Standard Bank	Mozambique	**820**	1,295
First National Bank	South Africa	**669**	1,653
Other (including cash in hand)		**107**	19
Total		**7,873**	23,396

'Bank balances and cash in hand' is also subject to the risk of changes in foreign currency exchange rates. The impact of changes in foreign currency exchange rates on the carrying value of 'Bank balances and cash in hand' is shown along with all other financial instruments, in the foreign currency sensitivity analysis below.

25.3.5 Short-term liabilities

'Short term liabilities' represents trade and other payables arising in the normal course of business, amounts due for property, plant and equipment and quarterly interest payments due on the CPS. No interest is chargeable on any of the items included in 'Short term operating liabilities', as long as the Group adheres to the agreed payment terms with each supplier or the holders of the CPS. In the event that the Group is unable to repay the CPS quarterly dividend when it falls due, the payment is deferred until the Group can lawfully make payment (refer to note 20).

The principal risks associated with 'Short-term liabilities' are liquidity risk and the risk of changes in foreign currency exchange rates. The impact of these risks is shown in the sections below respectively on liquidity risk and foreign currency sensitivity analysis along with all other financial instruments of the Group.

25.3.6 Warrants

'Warrants' contains warrants issued by the Company which are classified as derivative financial liabilities as the warrants are issued in a currency other than the functional currency of the Company. Further details are provided in note 21. The warrants do not create any obligation on the Company other than to deliver shares in the Company for a fixed price in GBp over the life of the warrants at the call of the holder. 'Warrants' does not therefore expose the Company or Group to any risks, other than changes in fair value, as at the balance sheet date.

25.3.7 Long-term Convertible preference share liabilities

This class contains the amortised cost of the CPS liability discussed more fully in note 20. The liability is repayable in April 2016 when the CPS mature at which date the principal amount repayable will be $4,336,000. In the short-term the CPS do not expose the Group to risks other than liquidity risk arising from the repayment of the CPS dividend. The CPS dividend is included within the 'Short-term liabilities' class reflecting the differing risk profile to which it currently exposes the Group.

25.3.8 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

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.

Due to the on-going Marropino Mine upgrade, the liquidity as at 31 December 2011 is not representative of the liquidity of the Group as at the date of this report. The Going Concern section of the Directors' report provides further information on the planned future liquidity and the Going Concern basis of the Group.

The Group's liabilities at the gross repayable amount are contractually due as follows:

	2011 US$000	2010 US$000
30 days	**6,289**	3,107
90 to 120 days	**424**	-
1 to 2 years	**267**	-
April 2016	**4,336**	-
Total	**11,316**	3,107

25.3.9 Foreign currency sensitivity analysis

The Group's foreign currency assets and liabilities are exposed to foreign currency transaction risk.

The following are the exchange rates applied by the Group to US$ for significant foreign currency assets and liabilities as at 31 December:

	31 December 2011	31 December 2010
£ Sterling	**0.65**	0.65
South African Rand	**8.12**	6.65
Mozambique Metical	**26.71**	32.62

The table below illustrates the hypothetical sensitivity of the Group's reported profit and equity to a simultaneous 10% increase and decrease in the US$ exchange rate to £ Sterling, South African Rand and Mozambique Metical at the period-end assuming that all other variables remain unchanged. 10% represents the Directors' assessment of a reasonably possible change in the relevant exchange rates. A positive number below indicates an increase in profit and equity.

	2011 Income	**2011 Equity**	2010 Income	2010 Equity
US$ strengthens by 10%	**(496)**	**(496)**	(202)	(202)
US$ weakens by 10%	**601**	**601**	221	221

The Group publishes its consolidated financial statements in US$ and, as a result, is also subject to foreign currency exchange translation risk in respect of the translation of the results and underlying net assets of its non US$ functional currency entities into US$. The impact of translation risk is not quantified in the table above.

26. OPERATING LEASES

At 31 December the Group had commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2011 US$000	2010 US$000
Within one year	**146**	203
In the second to fifth years inclusive	**28**	60
	174	263

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

Land and buildings	**296**	193

27. RELATED PARTIES

The following represents a list of the subsidiaries of the Company as at 31 December 2011, all of which are 100% owned in the Group:

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

Transactions between the Company and its subsidiaries have been eliminated upon consolidation and are therefore not disclosed in this note.

Details of investments entered into by the Company subsequent to 31 December 2011 are provided in the section of the Directors' report entitled 'Events subsequent to the balance sheet date'.

Details of transactions and balances at 31 December between the Group and other related parties are detailed below. The amounts reported are the fair value of the transaction in US$. Directors' fees and expenses are excluded unless they are invoiced to the Group by means of a separate company. Remuneration of key management personnel, including Directors, is shown in note 10 and the Directors' report.

	2011 US$000	2010 US$000
Richmond Master Fund Limited		
Subscription of new Ordinary Shares	**5,082**	-
Fleming Family & Partners (Liechtenstein) AG		
Subscription of Convertible Redeemable Preference Shares	**240**	-
Bridgewater Pension Trustees Ltd		
Subscription of Convertible Redeemable Preference Shares	**160**	-
Barons Financial Services SA		
Consulting fees	**406**	324
Fees due for the services of Mr E Kohn TD as Chairman paid in cash	**226**	81
Bonus paid in cash	**100**	100
Funds advanced to the Company (representing expenditure incurred on the Company's behalf and recharged to the Company)	**395**	589
Balance due to Barons Financial Services SA at period end	**-**	55
Funds due to the Company from Barons Financial Services SA for advances against expenses	**-**	13
Barons Financial Services Limited		
Fees due for the services of Mr E Kohn TD as Chairman paid in shares	**63**	79
Balance due to Barons Financial Services Limited in shares at period end	**-**	20
Barons Financial Services (UK) Limited		
Commission arising on fundraising on the same terms as those provided to the Company's brokers	**175**	308
Fair value of warrants over 27,583 (2010: 42,368) Ordinary Shares of £0.008 issued to Barons Financial Service Limited on the same terms as those provided to the Company's brokers	**41**	56
Carey Olsen		
Legal fees and expenses	**751**	306
Balance due to Carey Olsen at period end	**184**	200
Ekasure Limited		
Fees due for the services of Mr J Allan as Director	**18**	190
Consulting fees	**600**	63
Re-imbursement of expenses incurred on behalf of Noventa	**26**	27
Balance due to Ekasure Limited at period end	**154**	9
Goldline Global Consulting		
Fees due for the services of Mr P. Cox as Director	**-**	12
Hains Engineering Company Limited		
Consulting Fees	**7**	53
Balance due to Hains Engineering Company Limited at period end	**-**	12
KLM Consulting Services (Pty) Limited		
Hydro-geological consulting fees	**58**	10
Balance due to KLM Consulting at period end	**-**	-
IGAS Research		
Analysis Costs	**-**	3

In addition to the amounts reported above, Mr F Fernandez-Torres subscribed for 32,000 new Ordinary Shares, Mr G Berglund subscribed for 400,000 new Ordinary Shares, Mr J Allan (through Ekasure Limited) subscribed for 40,000 new Ordinary Shares and Mr R Fleming subscribed for 1,400,000 new Ordinary Shares in the August 2011 Placing on the same terms as those offered to all subscribers in the August 2011 Placing. Mr F Fernandez-Torres, Mr J Allan and Mr G Berglund are Directors of the Company. Mr R Fleming is a significant shareholder in the Company.

Fleming Family & Partners (Liechtenstein) AG was a related party of the Company by virtue of its trusteeship of a Trust with a significant shareholding in the Company and of which Mr R J Fleming is a potential beneficiary. Fleming Family & Partners (Liechtenstein) AG has now been retired as trustee

of this trust and Sanne Trust Company Limited has been appointed. Bridgewater Pension Trustees Ltd is a related party of the Company by virtue of its relationship with Mr R J Fleming, who has a significant shareholding in the Company.

Barons Financial Services SA, Barons Financial Services Limited, Barons Financial Services (UK) Limited, Ekasure Limited, Carey Olsen, Goldline Global Consulting (Pty) Limited, Hains Engineering Company Limited and IGAS Research are related parties to the Group by virtue of common current or former directorship / employment as follows:

Related party	**Common Director/Employee**
Richmond Master Fund Limited	Mr L Bechis
Barons Financial Services SA, Barons Financial Services Limited and Barons Financial Services (UK) Limited	Mr E F Kohn TD (resigned 2011)
Ekasure Limited	Mr J N Allan (resigned 2012)
Carey Olsen	Mr G Coltman (resigned 2012)
Goldline Global Consulting (Pty) Limited	Mr P Cox (resigned 2010)
Hains Engineering Company Limited	Mr L Heymann (deceased 2011)
IGAS Research	Dr E J Martin

KLM Consulting Services (Pty) Limited is a related party of the Company by virtue of the close family relationship between Mr J Allan and the owner director of KLM Consulting Services (Pty) Limited.

All related party transactions are transacted on an arm's length basis, in accordance with standard commercial terms applicable to the type of transaction.

28. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Details of events subsequent to the balance sheet date which are considered by the Directors to be material and require disclosure in these financial statements are included in the section of the Directors' report entitled 'Events subsequent to the balance sheet date'.

Company statement of comprehensive loss

	Note	**2011**	2010
		US$000	US$000
Administrative expenses		**(5,940)**	(5,023)
Impairment of investments in subsidiary undertakings	**34**	**(136)**	(224)
Impairment of property, plant and equipment	**35**	**(22)**	-
Provision against receivables from subsidiary undertakings	**36**	**(49,798)**	(13,813)
Operating loss		**(55,896)**	(19,060)
Net finance expense	**32**	**(3,617)**	(859)
Investment revenues		**3,207**	3
Finance costs		**(6,824)**	(862)
Loss before taxation	**30**	**(59,513)**	(19,919)
Taxation	**33**	**-**	-
Loss for the financial year and total comprehensive loss		**(59,513)**	(19,919)

All results derive from continuing operations in both financial years.

Company statement of financial position

	Note	2011 US$000	2010 US$000
Non-current assets			
Investments in subsidiaries	34	-	-
Property, plant and equipment	35	-	37
Loans due from subsidiary undertakings	36	-	-
		-	37
Current assets			
Trade and other receivables	37	316	83
Loans due from subsidiary undertakings	36	-	-
Cash and cash equivalents	40	6,262	20,294
		6,578	20,377
Total assets		6,578	20,414
Current Liabilities			
Trade and other payables	38	695	728
Convertible redeemable preference share dividend	19	109	-
Loans due to subsidiary undertakings	38	2,361	1,590
Derivative financial liabilities	21,38	12	3,218
Short-term provisions	22,38	124	124
		3,301	5,660
Net current assets		3,277	14,717
Non-current liabilities			
Convertible redeemable preference share liability	20,38	3,501	-
Total liabilities		6,802	5,660
Net (liabilities) / assets		(224)	14,754
Equity			
Share capital	23,39	1,556	324
Share premium		121,483	84,542
Shares to be issued	23,39	46	55
Convertible preference share reserve	20,23,39	617	-
Accumulated losses		(123,926)	(70,167)
Total (deficit) / equity		(224)	14,754

The financial statements of Noventa Limited, registered number 95036, were approved by the Board of Directors and authorised for issue on 27 June 2012.

Signed on behalf of the Board of Directors

F F Fernandez-Torres, Director
Chief Executive Officer
27 June 2012

T Eggers, Director
Chairman of the Audit and Risk Committee
27 June 2012

Company statement of changes in equity

	Notes	Share capital	Share premium	Shares to be issued	Convertible preference share reserve	Retained losses	T Eq
		US$000	US$000	US$000	US$000	US$000	US$
At 1 January 2010		156	54,335	76	-	(50,521)	4,
Total comprehensive loss for the year		-	-	-	-	(19,919)	(19,9
Share-based payments	**24**	3	939	(21)	-	273	1,
Issue of bonus shares	**23**	2	(2)	-	-	-	
Issue of share capital	**23**	163	31,471	-	-	-	31,
Expenses incurred in issuing share capital		-	(2,311)	-	-	-	(2,3
Fair value of derivative warrants released on exercise	**21**	-	110	-	-	-	
At 31 December 2010		324	84,542	55	-	(70,167)	14,
Total comprehensive loss for the year		-	-	-	-	**(59,513)**	**(59,5**
Share-based payments	**24**	**10**	**517**	**(9)**	**-**	**480**	
Issue of share capital	**23**	**974**	**30,800**	**-**	**-**	**-**	**31,**
Expenses incurred in issuing share capital		**-**	**(2,446)**	**-**	**-**	**-**	**(2,4**
Issue of Convertible redeemable preference shares	**20**	**-**	**-**	**-**	**1,804**	**-**	**1,**
Allocation of expenses incurred in issuing Convertible redeemable preference shares	**20**	**-**	**-**	**-**	**(110)**	**-**	**(1**
Redemption of Convertible redeemable preference shares	**20**	**248**	**7,510**	**-**	**(1,077)**	**5,274**	**11,**
Fair value of derivative warrants released on exercise	**21**	**-**	**560**	**-**	**-**	**-**	
At 31 December 2011		**1,556**	**121,483**	**46**	**617**	**(123,926)**	**(2**

Company cash flow statement

	2011	2010
	US$000	US$000
Cash flows from operating activities		
Loss for the year	**(59,513)**	(19,919)
Adjustments for:		
Depreciation	**20**	21
Impairment of investments in subsidiary undertakings	**136**	224
Impairment of property, plant and equipment	**22**	
Provision against receivables from subsidiary undertakings	**49,798**	13,813
Foreign exchange loss	**437**	245
Share based payments	**648**	442
Finance income	**(3,207)**	(3)
Finance expense	**6,824**	862
Operating loss before changes in working capital and provisions	**(4,835)**	(4,315)
Increase in trade and other receivables	**(233)**	(25)
(Decrease) / increase in trade and other payables	**(62)**	318
Increase in short-term provisions	**-**	124
Net cash used in operating activities	**(5,130)**	(3,898)
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(8)**	(18)
Proceeds from disposal of property, plant and equipment	**3**	-
Advances to subsidiary undertakings	**(49,798)**	(13,746)
Interest received	**115**	3
Net cash used in investing activities	**(49,688)**	(13,761)
Cash flow from financing activities		
Proceeds from issue of new shares	**32,220**	34,119
Share issue expenses	**(2,446)**	(1,782)
Advances from subsidiary undertakings	**735**	1,571
Proceeds from issue of Convertible redeemable preference shares	**11,904**	-
Convertible redeemable preference shares issue expenses	**(728)**	-
Interest paid	**(490)**	-
Net cash inflow from financing activities	**41,195**	33,908
Net (decrease) / increase in cash and cash equivalents	**(13,623)**	16,249
Effect of exchange rates on cash and cash equivalents	**(409)**	(318)
Cash and cash equivalents at beginning of year	**20,294**	4,363
Cash and cash equivalents at end of year	**6,262**	20,294

Notes to the Company financial statements

29. SIGNIFICANT ACCOUNTING POLICIES

The separate financial statements of the Company have been presented as required by the Companies (Jersey) Law 1991. As permitted by that Law, the separate financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS').

The financial statements have been prepared on the historical cost basis except for the measurement of certain financial instruments, and share based payments. The principal accounting policies adopted are the same as those set out in note 3 to the Consolidated financial statements, other than as noted below.

29.1 Borrowing costs

All borrowing costs are recognised in the Statement of comprehensive loss in the period in which they are incurred because the Company as a stand-alone entity has not financed qualifying assets with loan funding.

29.2 Investments in subsidiary undertakings

Investments are recorded at cost, less provision for impairment. The Company includes within the carrying value of investments in subsidiary undertakings the fair value of the consideration paid for the subsidiary. Additional investment in the subsidiary undertakings, in the form of capital subscriptions, capital contributions or share based payment obligations assumed on behalf of the subsidiary is added to the cost of the investment in the period in which it arises.

30. LOSS BEFORE TAXATION

	2011	2010
	US$000	US$000
Loss before taxation has been arrived at after charging:		
Depreciation	**20**	21
Impairment of investment in subsidiary undertakings	**136**	224
Impairment of property, plant and equipment	**22**	-
Provision against receivables from subsidiary undertakings	**49,798**	13,813
Foreign exchange loss	**437**	245
Staff costs (note 31)	**617**	574

The auditors' remuneration for audit and other services is disclosed in note 8 to the Consolidated financial statements.

31. STAFF

	2011	2010
The average monthly number of employees in the year was:		
Directors	**1**	1
Management	**2**	1
	3	2
	US$000	US$000
Staff costs:		
Directors	**347**	199
Management	**168**	187
Share based payments	**102**	188
	617	574

Staff numbers and staff costs exclude Non-Executive Directors and Executive Directors for whom services are provided via service agreements with third party companies. The aggregate charge arising for Directors´ services to the Company is:

	US$000	US$000
Emoluments	**411**	507
Compensation for loss of office	**151**	-
Other benefits	**-**	26
Share based payments	**218**	310
	780	843

32. NET FINANCE EXPENSE

	2011 US$000	2010 US$000
Interest income on loans to Highland African Mining Company Limited, a subsidiary undertaking	**952**	910
Provision against irrecoverable interest	**(952)**	(910)
Interest income on bank deposits	**115**	3
Change in fair value of derivative warrants	**3,092**	-
Investment revenues	**3,207**	3
Interest expense on loans from Speciality Minerals Corporation Limited, a subsidiary undertaking	**(37)**	(19)
Interest expense on Convertible redeemable preference shares	**(940)**	-
Debt arrangement expenses	**(116)**	-
Change in fair value of derivative warrants	**-**	(843)
Charge arising on redemption of CPS	**(5,731)**	-
Finance costs	**(6,824)**	(862)
Net finance expense	**(3,617)**	(859)

The Company charges interest on receivable balances from Group undertakings in accordance with the loan agreements in place with the counterparty company. The interest is provided for if considered to be irrecoverable.

33. TAXATION

With effect from the 2009 year of assessment Jersey abolished the exempt company regime for existing companies. Profits arising in the Company are subject to taxation at the rate of 0% (2010: 0%).

34. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	US$000
Cost	
At 1 January 2010	75,190
Capital contribution	224
At 1 January 2011	75,414
Capital contribution	**136**
At 31 December 2011	**75,550**
Provision for impairment	
At 1 January 2010	75,190
Charge to the Statement of comprehensive loss	224
At 1 January 2011	75,414
Charge to the Statement of comprehensive loss	**136**
At 31 December 2011	**75,550**
Net book value	
At 31 December 2011	**-**
At 31 December 2010	-

Capital contributions represent increases in investment arising from the grant of share options or Ordinary Shares to employees of subsidiary undertakings.

Details of the Company's subsidiary undertakings are included in note 27 to the Consolidated financial statements.

35. PROPERTY, PLANT AND EQUIPMENT

	Office furniture, equipment and computers US$000
Cost	
At 1 January 2010	40
Additions	18
At 31 December 2010	58
Additions	**8**
Disposals	**(5)**
At 31 December 2011	**61**
Depreciation and impairment	
At 1 January 2010	-
Charge for the year	**(21)**
At 31 December 2010	**(21)**
Charge for the year	**(20)**
Impairment	**(22)**
Eliminated on disposals	**2**
At 31 December 2011	**(61)**
Net book value	
At 31 December 2011	**-**
At 31 December 2010	37

36. LOANS DUE FROM SUBSIDIARY UNDERTAKINGS

At the balance sheet date amounts receivable from fellow group companies (including the Noventa EBT) are:

	31 December 2011 US$000	31 December 2010 US$000
Non-current		
Highland African Mining Company Limited	**43,856**	41,451
Highland African Mining Company Limitada	**50,736**	9,490
HAMC Project Services (Pty) Limited	**82**	251
Noventa EBT	**1,270**	1,270
	95,944	52,462
Current		
Highland African Mining Company Limitada	**8,034**	1,500
	8,034	1,500
Provision for irrecoverable amounts	**(103,978)**	(53,962)
	-	-

Amounts repayable from Highland African Mining Company Limited carry interest of 1 month US LIBOR + 3.5% per annum (2010: 1 month US LIBOR + 3.5% per annum) charged on the outstanding loan balances. Interest is currently fully provided for in the year that it arises due to uncertainty over the recoverability of the outstanding loan balance.

Amounts repayable from Highland African Mining Company Limitada do not bear interest and are repayable either on demand, or in instalments under agreed repayment terms contained in loan agreements approved by the Central Bank of Mozambique until 30 June 2020.

Amounts repayable from HAMC Project Services (Pty) Limited do not bear interest and have no fixed repayment terms.

The loans receivable have been provided for in full due to the losses experienced by subsidiary undertakings and uncertainty over the recoverability of the amounts. The Company will reverse the provision against loans due from subsidiary undertakings if there is evidence to support the recoverability of the amounts advanced in future periods.

Movements in the provision accounts are:

	US$000
At 1 January 2010	39,239
Increase in allowance	14,723
At 1 January 2011	53,962
Increase in allowance	**50,750**
Foreign exchange	**(734)**
At 31 December 2011	**103,978**

37. TRADE AND OTHER RECEIVABLES

	31 December 2011 US$000	31 December 2010 US$000
Other receivables	**36**	13
Prepayments	**280**	70
	316	83

38. FINANCIAL LIABILITIES AND SHORT-TERM PROVISIONS

38.1 Trade and other payables

Trade payables in all periods presented principally comprise amounts outstanding for Directors' fees, legal, audit and other professional services, and ongoing costs.

38.2 Amounts due to subsidiary undertakings

Amounts due to subsidiary undertakings of $2,361,000 (2010: $1,590,000) are due to Speciality Minerals Corporation Limited and carry interest of 1 month US LIBOR + 2.5%.

38.3 Derivative financial liabilities

Details of the derivative financial liabilities are given in note 21 to the Consolidated financial statements.

38.4 Short-term provisions

Details of the Short-term provisions are given in note 22.1 to the Consolidated financial statements, being the amounts recorded within 'Other provisions'.

38.5 Convertible redeemable preference share liability

Details of the Convertible redeemable preference share liability are given in note 20 to the Consolidated financial statements.

39. SHARE CAPITAL, SHARE PREMIUM ACCOUNT AND RESERVES

Details on these items are disclosed in note 23 to the Consolidated financial statements.

40. FINANCIAL INSTRUMENTS

Details of the capital risk management policy, financial risk management objectives and accounting policies for financial instruments of the Company and Group are provided in notes 3 and 23 to the Consolidated financial statements. This note provides further information on the financial instruments of the Company.

40.1 Categories of financial instruments

Based on the application of the accounting policies with respect to financial instruments, the amounts included in the relevant balance sheet items represent the following categories of financial instruments:

At 31 December 2011	**Loans and receivables**	**Fair value through profit and loss**	**Financial liabilities at amortised cost**	**Total**
	US$000	**US$000**	**US$000**	**US$000**
Financial assets				
Loans due from subsidiary undertakings	**-**	**-**	**-**	**-**
Other receivables	**36**	**-**	**-**	**36**
Cash and cash equivalents	**6,262**	**-**	**-**	**6,262**
	6,298	**-**	**-**	**6,298**
Financial liabilities				
Trade and other payables	**-**	**-**	**694**	**694**
Convertible redeemable preference share dividend			**109**	**109**
Amounts due to subsidiary undertakings	**-**	**-**	**2,361**	**2,361**
Derivative financial liabilities	**-**	**12**	**-**	**12**
Convertible redeemable preference share liability	**-**	**-**	**3,501**	**3,501**
	-	**12**	**6,665**	**6,677**

At 31 December 2010	Loans and receivables	Fair value through profit and loss	Financial liabilities at amortised cost	Total
	US$000	US$000	US$000	US$000
Financial assets				
Loans due from subsidiary undertakings	-	-	-	-
Other receivables	13	-	-	13
Cash and cash equivalents	20,294	-	-	20,294
	20,307	-	-	20,307
Financial liabilities				
Trade and other payables	-	-	840	840
Amounts due to subsidiary undertakings	-	-	1,590	1,590
Derivative financial liabilities	-	3,218	-	3,218
	-	3,218	2,430	5,648

40.2 Classes of financial assets and liabilities

The Company analyses its financial instruments into the following classes based on the differing risks to which the instruments expose the Company:

	Book Value 2011 US$000	Book Value 2010 US$000
Group receivables	**-**	-
Other operating assets	**36**	13
Bank balances and cash in hand	**6,262**	20,294
Total financial assets	**6,298**	20,307
Group payables	**2,361**	1,590
Short-term liabilities	**803**	840
Warrants	**12**	3,218
Long-term Convertible preference share liabilities	**3,501**	-
Total financial liabilities	**6,677**	5,648

40.2.1 Fair value

For all classes except the 'Long-term Convertible preference share liabilities' class the book value and fair value are the same. The fair value of the Long-term Convertible preference share liabilities class as at 31 December 2011 was $3,033,000.The assumptions used by the Company to estimate the fair values of financial instruments are the same as those applied by the Group (refer to note 25).

40.2.2 Group receivables

As disclosed in note 25, the Company funds the operations of its subsidiaries where the relevant subsidiary is currently unable to generate positive cash flows to support operations. 'Loans due from subsidiary undertakings' contains all receivable balances from Group companies, which are fully provided against. The terms on which the loans are provided to group companies and movements in the group receivable provision are disclosed in note 37.

40.2.3 Other operating assets

These assets are principally subject to credit risk. The balance at 31 December 2011 comprises $16,000 (2010: $13,000) of advances to suppliers, $1,000 of accrued bank interest and $105,000 (2010: $106,000) of deposits for legal costs against which a provision of $86,000 is recorded, (2010: which are fully provided against). Subsequent to 31 December 2011 the provision against legal costs has been released in full to the Consolidated statement of comprehensive loss reflecting the resolution of the matter to which the deposit for legal costs was made without further exposure to the Company. As at the date of this report, all amounts in this class have been recovered in full.

No amounts included in 'Other operating assets' are past due and not impaired at 31 December 2011 or 31 December 2010. The Group does not hold any security against the receivables in 'Other operating assets'.

40.2.4 Bank balances and cash in hand

'Bank balances and cash in hand' represents the total of the Company's bank balances and cash. All amounts in this class are carried at amortised cost, and, other than cash in hand, are interest bearing assets, with interest rates arranged with counterparty financial institutions based on commercial negotiations, reflecting the term, currency and amount of each deposit. As at 31 December 2011 all bank balances were held in current accounts or deposit accounts with a maturity of less than one month (2010: held in current accounts or deposit accounts with a maturity of less than one month).

The principal risk arising for 'Bank balances and cash in hand' is credit risk in terms of counterparty default. The Company manages this risk through monitoring of the credit status of the counterparty financial institutions. As at the reporting dates, the Company's assets in 'Bank balances and cash in hand' are held with Deutsche Bank (2010: all with Deutsche Bank) which is a high quality financial institution. The maximum amount subject to credit risk is the total carrying value. 'Bank balances and cash in hand' is also subject to the risk of changes in foreign currency exchange rates. The impact of changes in foreign currency exchange rates on the carrying value of 'Bank balances and cash in hand' is shown along with all other financial instruments, in the section on foreign currency sensitivity analysis below.

40.2.5 Short-term liabilities

'Short-term liabilities' represents trade and other payables arising in the normal course of business and quarterly interest payments due on the CPS. No interest is chargeable on any of the items included in 'Short-term operating liabilities', as long as the Company adheres to the agreed payment terms with each supplier or the holders of the CPS. In the event that the Company is unable to repay the CPS quarterly dividend when it falls due, the payment is deferred until the Company can lawfully make payment (refer to note 20 to the Consolidated financial statements).

The principal risks associated with 'Short-term liabilities' are liquidity risk and the risk of changes in foreign currency exchange rates. The impact of these risks is shown in the sections below respectively on liquidity risk and foreign currency sensitivity analysis along with all other financial instruments of the Company.

40.2.6 Group payables

Group payables represents amounts payable to subsidiary group companies. There is no set repayment term on these loans which carry interest of 1 month US LIBOR + 3.5% per annum.

The principal risk associated with Group payables is liquidity risk. This risk is mitigated by the ability of the Company to control the repayment of the balances due.

40.2.7 Warrants

'Warrants' contains warrants issued by the Company which are classified as derivative financial liabilities due to the warrants being issued in a currency other than the functional currency of the Company. Further details are provided in notes 4 and 20 to the Consolidated financial statements.

40.2.8 Long-term Convertible preference share liabilities

This class contains the amortised cost of the CPS liability as discussed more fully in note 20 to the Consolidated financial statements. The liability is repayable in April 2016 when the CPS mature at which date the principal amount repayable will be $4,336,000. In the short-term the CPS do not expose the Company to risks other than liquidity risk arising from the repayment of the CPS dividend. The CPS dividend is included within the 'Short-term liabilities' class reflecting the differing risk profile to which it currently exposes the Company.

40.2.9 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach is to ensure that it will have sufficient liquidity to meet its liabilities when due.

The Company raises funds as and when required on the basis of forecast expenditure and inflows. When funding is required, the Company 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 by the Noventa Limited executive management team, as all Group entities are dependent on Noventa Limited for their funding requirements. Funds are provided to the Group entities on an 'as required basis', based on their forecast expenditure. Due to the on-going Marropino Mine upgrade, the liquidity as at 31 December 2011 is not representative of the liquidity of the Group as at the date of this report. The Going Concern section of the Directors' report provides further information on the planned future liquidity and the Going Concern basis of the Company and Group.

All of the Company's liabilities are due within 30 days of the period end at 31 December 2011 (30 days at 31 December 2010) with the exception of $4,336,000 relating to the Long-term Convertible preference share liabilities which is due in April 2016 .

40.2.10 Foreign currency sensitivity analysis

The Company's foreign currency assets and liabilities are exposed to foreign currency transaction risk.

The following are the exchange rates applied by the Company with US$ being for the significant foreign currency assets and liabilities as at 31 December:

	31 December 2011	31 December 2010
£ Sterling	**0.65**	0.65
South African Rand	**8.12**	6.65

The table below illustrates the hypothetical sensitivity of the Company's reported profit and equity to a simultaneous 10% increase and decrease in the US$ exchange rate to £ Sterling and South African Rand at the period-end assuming that all other variables remain unchanged. 10% represents the Directors' assessment of a reasonably possible change in the relevant exchange rates. A positive number below indicates an increase in profit and equity.

	2011 Income	**2011 Equity**	2010 Income	2010 Equity

US$ strengthens by 10%	**(520)**	**(520)**	(117)	(117)
US$ weakens by 10%	**630**	**630**	117	117

41. RELATED PARTY TRANSACTIONS

The transactions disclosed in note 27 to the Consolidated financial statements all relate to the Company except for those with IGAS Research, Hains Engineering Company Limited and KLM Consulting Services (Pty) Limited. Balances with related parties that are members of the Noventa Group as at 31 December are shown in notes 36 and 38. Details of interest charged to or by fellow group companies is shown in note 32.

42. ULTIMATE CONTROLING PARTY

The Directors of the Company are of the opinion that there is no controlling party of the Company.

43. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Details of events subsequent to the balance sheet date, all of which refer to the Company with the exception of matters pertaining to the renegotiation of off-take supply contracts, are included in the section of the Directors' report entitled 'Events subsequent to the balance sheet date'.