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Kenmare Resources plc ("Kenmare" or "the Company")

Kenmare Preliminary Results
For the year ended 31 December 2009
(LSE/ISE: KMR)

5 March 2010

Chairman's Statement

Dear Shareholder,

These preliminary results are being issued as Kenmare also announces a fully underwritten equity issue to raise US$270 million before expenses, the primary purpose of which is to fund the expansion of production at Moma.

Moma Expansion

Our decision to move swiftly into expansion of the Moma mine is based, in large part, on our analysis of the market for titanium feedstocks. We believe that growth in consumption of titanium dioxide feedstocks for the next 5 years will be above historic trend-line growth rates due to a recovery from depressed demand during the recession and positive regional developments. Consumption of titanium dioxide feedstocks is closely correlated to world GDP and is particularly influenced by growth trends in newly industrialising economies where increasing intensity of use of pigment has accelerated demand for titanium feedstocks. The recession has, in the main, impacted these economies less than fully industrialised countries and they continue to experience strong growth. In addition to the cyclical recovery in demand for titanium feedstocks as world GDP grows and increasing intensity of use in the newly industrializing countries, demand is being given a further boost by a reversal of the inventory de-stocking which occurred during the recession. As a result, growth in consumption of titanium feedstocks in 2010 is expected to be above trend-line growth rates.

Despite the positive end-use market outlook, the titanium feedstock supply industry is suffering from a long period of under-investment. The industry is characterised by large older mines which have been open for many years and which are now dealing with gradually reducing grades; depletion of resources causing closures; significant cost pressures, such as power costs, particularly in South Africa; and delays and difficulties in the few start up projects which have been established. All in all, the feedstock supply industry is not well positioned to respond to increasing demand. We believe that this will result in an increasing shortage of titanium feedstocks from 2012 onwards with consequent upward pressure on prices. This view is shared by many analysts of the industry. Even with a Moma expansion included in the supply forecast, there remains a significant projected deficit of supply.

Unlike most of our competitors, Kenmare is well placed to take advantage of this market opportunity. Our large, long-life, low-cost deposit at Moma provides for a capital-efficient expansion. The recently completed expansion study (conducted on the basis of an accuracy of estimate of +/- 25%) estimated that we can expand our production volumes of ilmenite, rutile and zircon by 50% for capital expenditure of U$200 million and that this expansion can be implemented rapidly with little disruption to the existing operation. Kenmare can seize first-mover advantage ahead of other competitors and capture upside in the developing market supply deficit with this expansion strategy. We have discussed the expansion with our lenders, who are supportive and have agreed to amend the terms of their loans to accommodate the expansion should the fund-raising be successful. Details of the amended financing arrangements will be contained in the prospectus, expected to be issued later today (the "Prospectus").

The Prospectus also provides full details of the equity-raising of U$270 million which is being implemented as a Firm Placing and Placing and Open Offer.

Operations Review

We started 2009 with a plant partially handed over by the EPC Contractor but which had severe limitations, and was unable to operate at contracted levels. Following completion of the Performance Improvement Programme (PIP) in December 2009, we now have a plant operating at materially increased production levels, and delivering increasing amounts of product to market. The operational improvements which have facilitated this progress were, in the main, paid for by the EPC Contractor through the strict enforcement of the construction contract. This contract was then closed out in December 2009 with a Deed of Final Settlement and Release, pursuant to which a final compensation payment was made to Kenmare.

While the production improvements delivered by the PIP fell short of expectations during 2009, Heavy Mineral Concentrate (HMC) production is currently at design capacity levels, with processing improvements on track. The significantly improving trend in zircon production since the commissioning of additional equipment in the zircon circuit, referred to in the announcement of 26 January 2010, has continued and is expected to be followed by improvements in rutile production. Production at levels approaching design capacity for ilmenite and zircon is expected by the end of the first half of 2010, with work to increase rutile production ongoing throughout 2010.

From the beginning of the year to the end of February 2010, eight shipments from the Mine have been completed totalling 154,000 tonnes of ilmenite and zircon, as compared to one shipment in the first two months of 2009 for 7,050 tonnes of ilmenite, and twenty four shipments in all of 2009 totalling 418,000 tonnes of ilmenite and zircon.

Production for the year ended 31 December 2009 is shown in the table below, which is adjusted for an end-of-year stock reconciliation that reduced ilmenite production by 3,900 tonnes from the level announced on 26 January 2010.

	H1 2009	**H2 2009**	**Total 2009**
	Tonnes	**Tonnes**	**Tonnes**
Mining - heavy mineral concentrate	317,000	509,200	826,200
Processing – finished products	210,000	284,400	494,400
Export Sales	148,000	270,000	418,000

I am pleased to say that we have worked safely through the year with a lost-time injury frequency rate of 0.38 per 200,000 hours worked and no serious accidents on site. This is a tribute to the high importance all management and staff at Moma place on the safety and care for one another. We continue to see malaria prevention as an important challenge for our operation and continue our awareness and prevention programmes with active engagement of staff, community and governmental authorities.

During the year, KMAD, the not-for-profit development trust founded by Kenmare with the objective of uplifting the lives of our neighbours, was awarded the prestigious Nedbank Green Mining Socio-Economic Award for its work in the local communities. This is an award programme for all mining companies with activities in Africa. Also, Ireland's Chamber of Commerce recognised Kenmare's contribution through the granting of the award for International Corporate Responsibility. We are very pleased to receive these awards, which provide us with independent confirmation of our social and community successes in Mozambique, and which encourages us to work even harder in this area.

Financial Review

Until the end of June 2009, because of the delayed ramp-up, Kenmare continued to operate an accounting policy where costs net of revenues were capitalised into the overall development expenditure for the project. From July 2009, the Group has reported revenue and related costs in the income statement.

The reported loss after tax for the year is US$30.4 million. During the first six months of the year costs of US$13.8 million, net of revenue earned of US$15.6 million and net of delay damages of US$1.2 million were capitalised in development expenditure in property, plant and equipment. Loan interest of US$13.4 million and finance fees of US$5.6 million were also capitalised resulting in an increase in development expenditure of US$32.8 million to 30 June 2009.

Revenue for the six months from July to December 2009 amounted to US$26.7 million and cost of sales for the corresponding period was US$35.2 million resulting in a gross loss of US$8.5 million. Distribution and administration costs for the six month period to December 2009 were US$1.8 million and US$1.9 million respectively. There were loan interest and finance fees of US$15.5 million during the second half of the year and deposit interest earned of US$0.2 million. In addition there was a foreign exchange loss for the year of US$2.9 million, mainly as a result of the retranslation of the Euro denominated loans, resulting in a loss for the year of US$30.4 million.

For the year, additions to property, plant and equipment amounted to US$47.7 million made up of assets of US$14.1 million and development expenditure of US$33.6 million. At 31 December 2009 net property, plant and equipment amounted to US$540.9 million. Depreciation and amortization for the six month period was US$12.9 million.

In June 2009, the Group completed a share placing resulting in US$16.1 million being received in August 2009. At 31 December 2009, Group loans totalled US$356.1 million and cash balances amounted to US$17.4 million. In January 2010, US$7.7 million was received pursuant to the exercise of warrants.

The loss in the last six months of 2009 is a result of both the slower than planned ramp-up and the depressed feedstock market situation. As detailed above, production, and market conditions, current and projected, are now healthier, providing encouraging indications of a significant improvement in operational and financial performance for the year ahead.

We are pleased to announce the appointment of J.P. Morgan Cazenove as broker to the Company, who will be working with Davy, Canaccord Adams and Mirabaud.

We are all looking forward to the successful completion of the fund-raising and the commencement of the expansion project. Since this will not be debt funded, we will not be required to utilise a fixed price turnkey contracting method in the expansion. Hence the Company will have much greater control over the quality of construction process and ability to use the experience we have gained over the last few years.

Charles Carvill
Chairman

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The securities to be offered in the equity issue referred to above have not been, and will not be, registered under the US Securities Act of 1933, as amended (the "Securities Act"), or under the securities legislation of any state or territory or jurisdiction of the United States. Securities may not be offered, sold, transferred or delivered, directly or indirectly in or into the United States absent registration under the Securities Act or an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any states or other jurisdiction of the United States. There will be no public offer of the securities referred to herein in the United States.

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KENMARE RESOURCES PLC
PRELIMINARY RESULTS
UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009

	Unaudited 2009 US$'000	2008 US$'000
Continuing Operations		
Revenue	26,721	-
Cost of sales	(35,170)	-
Gross loss	(8,449)	-
Distribution costs	(1,770)	-
Administration costs	(1,892)	(1,304)
Operating loss	(12,111)	(1,304)
Finance income	202	1,302
Finance costs	(15,533)	-
Foreign exchange (loss)/gain	(2,910)	347
(Loss)/profit before tax	(30,352)	345
Income tax expense	-	-
(Loss)/profit for the year and total comprehensive (loss)/income for the year	(30,352)	345
Attributable to equity holders	(30,352)	345

	US$ cents per share	US$ cents per share
(Loss)/earnings per share: Basic	(3.59c)	0.045c
(Loss)/earnings per share: Diluted	(3.59c)	0.042c

KENMARE RESOURCES PLC
PRELIMINARY RESULTS
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2009

	Unaudited 2009 US$'000	2008 US$'000
Assets		
Non-current assets		
Property, plant and equipment	540,924	539,672
Current assets		
Inventories	21,951	6,405
Trade and other receivables	13,311	3,033
Cash and cash equivalents	17,408	40,536
	52,670	49,974
Total assets	**593,594**	**589,646**
Equity		
Capital and reserves attributable to the Company's equity holders		
Called-up share capital	74,670	65,424
Share premium	163,147	145,088
Retained losses	(57,501)	(27,149)
Other reserves	41,795	39,780
Total equity	222,111	223,143
Liabilities		
Non-current liabilities		
Bank loans	297,326	299,982
Obligations under finance lease	2,172	2,264
Provisions	4,347	4,179
	303,845	306,425
Current liabilities		
Bank loans	58,791	34,842
Obligations under finance lease	92	28
Provisions	650	-
Trade and other payables	8,105	25,208
	67,638	60,078
Total liabilities	371,483	366,503
Total equity and liabilities	**593,594**	**589,646**

KENMARE RESOURCES PLC
PRELIMINARY RESULTS
UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009

	Unaudited 2009 US$'000	2008 US$'000
Cash flows from operating activities		
(Loss)/profit for the year	(30,352)	345
Adjustment for:		
Foreign exchange movement	2,910	(5,472)
Share-based payments	796	-
Finance income	(202)	(1,302)
Finance costs	15,533	-
Depreciation	12,871	-
Increase in provisions	739	1,674
Operating cash flow	2,295	(4,755)
(Increase)/decrease in inventories	(13,749)	408
(Increase)/decrease in trade and other receivables	(700)	1,809
Increase/(decrease) in trade and other payables	5,898	(4,414)
Cash used by operations	(6,256)	(6,952)
Interest received	202	1,302
Interest paid	(11,866)	(13,739)
Net cash used in operating activities	(17,920)	(19,389)
Cash flows from investing activities		
Addition to property, plant and equipment	(40,197)	(39,050)
Net cash used in investing activities	(40,197)	(39,050)
Cash flows from financing activities		
Proceeds on the issue of shares	19,582	28,269
Repayment of borrowings	(336)	(20,335)
Increase in borrowings	15,890	29,316
(Decrease)/increase in obligations under finance leases	(286)	50
Net cash from financing activities	34,850	37,300
Net decrease in cash and cash equivalents	(23,267)	(21,139)
Cash and cash equivalents at beginning of the year	40,536	56,203
Effect of exchange rate changes on cash and cash equivalents	139	5,472
Cash and cash equivalents at the end of the year	**17,408**	**40,536**

NOTES TO THE PRELIMINARY RESULTS

Note 1. Basis of Accounting and Preparation of Financial Information

While the unaudited consolidated financial statements for the year ended 31 December 2009 from which the preliminary results have been extracted are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, these preliminary results do not contain sufficient information to comply with IFRSs. The Directors expect to approve and publish full financial statements that comply with IFRSs as adopted by the European Union in April 2010. The unaudited consolidated financial statements are prepared in US Dollars under the historical cost convention.

The financial information presented in this preliminary results document does not constitute consolidated financial statements within the meaning of the Companies Acts, 1963 to 2009. A copy of the consolidated financial statements for the year ended 31 December 2009 will be annexed to the Annual Return for 2010.

The auditors have not yet issued their opinion on the consolidated financial statements for the year ended 31 December 2009. The auditors' opinion when issued is likely to draw attention to the disclosures in the consolidated financial statements in relation to the recoverability of property, plant and equipment (see Note 5 below) and in relation to investments in and amounts due from subsidiary undertakings on the parent Company's balance sheet.

In the event that the equity funding does not proceed, the auditors' opinion when issued is also likely to draw attention to the disclosures in the consolidated financial statements in relation to going concern (see Note 2 below)

The statutory accounts for the year ended 31 December 2008 prepared under IFRS as adopted by the European Union upon which the auditors have issued an unqualified opinion, but with an emphasis of matter drawing attention to the disclosures made in the financial statements concerning the recoverability of property, plant and equipment and investments in and amounts due from subsidiary undertakings, and the continued availability of adequate financing, have been filed with the Registrar of Companies.

The Directors approved this preliminary results document on 4 March 2010.

Note 2. Going Concern

On 5 March 2010 the Group announced plans to raise approximately US$270 million by means of a fully underwritten equity issue. This funding will enable the Group to proceed with a proposed expansion of the Moma Titanium Minerals Mine (the Mine or the Project) on the basis of an expansion study which was completed in January 2010. In accordance with the capital cost estimates under the expansion study, approximately US$200 million, in quarter three 2009 US$ terms and including a contingency of approximately US$18 million, of the net proceeds from the fund-raising is intended to be used to fund the engineering, procurement and construction costs of the expansion. This estimated cost is to a stated accuracy limit of +/- 25 per cent. The balance of the net proceeds of approximately US$56.7 million will be available to the extent necessary for any increase in costs of the expansion and general corporate purposes, including meeting any debt service payments which are not met from operating cash flows.

The senior and subordinated lenders to the Project (the Lender Group) have agreed to a number of waivers and amendments to the existing Project financing agreements in connection with the proposed expansion the effectiveness of which are conditional on US$200 million of the proceeds of the equity raising being deposited into the Contingency Reserve Account (an account securing certain obligations of the Group in connection with the financing of the Project) by 30 June 2010. Further detail on these waivers and amendments are set out in Note 8.

The current terms of the Project loan agreements require that "Technical Completion" be achieved by 31 December 2010. Should the equity raising not be completed and, as a result, the waivers and amendments to the Project financing agreements do not become effective, the Group would seek to agree with the Lender Group a number of amendments to the Technical Completion requirements in order to accommodate some operational aspects of the mine which are different than those originally envisaged. Furthermore, in the event that production rates and other operational aspects from the mine were not expected to be sufficient to satisfy the Technical Completion requirements as at 31 December 2010, the Group would also seek to re-negotiate the requirements for Technical Completion and/or implement a number of operational measures in order to satisfy the Technical Completion test or to limit the scope of any necessary modifications to the Technical Completion tests.

The equity-raising is conditional on the approval of authorizing resolutions by shareholders at an EGM. If the resolutions are not approved, the equity-raising will not complete, the proposed expansion will not proceed at this time or possibly at all, and the agreed waivers and amendments to the Project financing agreements will not become effective. In this situation, the existing provisions of the Project financing agreements would, absent further renegotiation, continue to apply. Details of the existing provisions of the Project financing agreements are set out in Note 8.

In such circumstances, the Group would, to the extent it becomes necessary, take a number of actions designed to maximise cash flow and increase its cash balances in order to meet loan repayment obligations as they fall due. These steps could include disposing of stocks of titanium minerals product built up at the mine earlier than planned under the Group's shipping schedule, curtailing discretionary expenditure, seeking to obtain additional debt or equity finance and/or seeking to agree with the Project lenders amendments to loan repayment schedules. While the Directors believe they would be able to implement the necessary courses of action in order to satisfy scheduled payment obligations under the Project loans, the consequences of such actions may be inconsistent with the long term strategy of the Group. For example, the accelerated sale of inventory may affect the pricing the Group achieves for its products more generally, curtailment of expenditure may delay or prevent the delivery of benefits from the capital expenditure programme, alternative capital may be expensive, and the cost of any amendments agreed with the Project lenders may be punitive and may result in more onerous obligations than those currently prevailing.

Taking account of the factors detailed above the Directors believe that the Group has adequate resources for the foreseeable future and continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Note 3. Segment Reporting

The Group has adopted IFRS 8 Operating Segments with effect from the 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board to allocate resources to the segments and to assess their performance. In prior years management considered the operation of the Mine in Mozambique as its primary business and geographical segment. This is also the means by which information is reported to the Group's Board for the purposes of resource allocation and assessment of segment performance. Therefore there is no change to the Group's reportable segments under IFRS 8. Information regarding the Group's operating segment is reported below. Amounts reported for the prior year have been restated to conform to the requirements of IFRS 8.

Segment revenues and results

	Unaudited 2009	2008
Moma Titanium Minerals Mine	US$'000	US$'000
Revenue	26,721	-
Cost of sales	(35,170)	-
Gross loss	(8,449)	-
Distribution costs	(1,770)	-
Segment operating loss	(10,219)	-
Central administration costs	(1,892)	(1,304)
Group operating loss	(12,111)	(1,304)
Finance income	202	1,302
Finance expenses	(15,533)	-
Foreign exchange loss/gain	(2,910)	347
(Loss)/profit before tax	(30,352)	345
Income tax expense	-	-
(Loss)/profit for the year	(30,352)	345

Segment assets

	Unaudited 2009 US$'000	2008 US$'000
Moma Titanium Minerals Mine assets	571,266	554,562
Corporate assets	22,328	35,084
Total assets	593,594	589,646

Segment liabilities

	Unaudited 2009 US$'000	2008 US$'000
Moma Titanium Minerals Mine liabilities	366,352	364,401
Corporate liabilities	5,131	2,102
Total liabilities	371,483	366,503

Other segment information

	Unaudited 2009	2008
Depreciation and amortisation	US$'000	US$'000
Moma Titanium Minerals Mine	12,830	9,682
Corporate	41	26
Total	12,871	9,708
Additions to non-current assets		
Moma Titanium Minerals Mine	43,651	63,651
Corporate	4,024	124
Total	47,675	63,775

Depreciation for the first six months to the 30 June 2009 of US$5.8 million and the 2008 depreciation charge of US$9.7 million have been capitalised in development expenditure in property, plant and equipment. During the year mobile equipment at the Moma Titanium Minerals Mine with net book value of US$0.2 million (2008: US$0.2 million) were deemed impaired and therefore written off. Development expenditure at Corporate level with a cost of US$0.05 million was deemed impaired and therefore written off.

Revenue from major products

	Unaudited 2009 US$'000
Ilmenite	18,855
Zircon	7,866
Total	26,721

Revenue for the first six months to the 30 June 2009 of US$15.6 million has not been included in the above amount as this has been capitalised in development expenditure in property, plant and equipment. Revenue earned in 2008 of US$25.3 million has been capitalised in development expenditure in property, plant and equipment.

Geographical information

	Unaudited 2009
Revenue from external customers	US$'000
Europe	13,700
USA	8,458
Asia	4,563
Total	26,721

The Group's revenue from external customers is generated by the Moma Titanium Minerals Mine, the non-current assets of which are US$536.8 million (2008: US$539.5 million).

Information about major customers

Included in revenues are US$8.5 million from the sale of ilmenite to the Group's largest customer, US$7.7 million from the sale of zircon to the Group's second largest customer and US$4.6 million from the sale of ilmenite to the Group's third largest customer during the six month period ended 31 December 2009. All revenues are generated by the Mine.

Note 4. (Loss)/Earnings per share

The calculation of the basic and diluted (loss)/earnings per share attributable to the ordinary equity holders of the parent is based on the loss after taxation of US$30.4 million (2008: profit US$0.3 million) and the weighted average number of shares in issue during 2009 for the purposes of basic earnings/(loss) per share of 844,314,758 (2008: 760,160,548) and for diluted earnings/(loss) per share of 891,343,016 (2008:825,386,342).

In 2009 the basic loss per share and the diluted loss per share are the same, as the effect of the outstanding share options and warrants are anti-dilutive.

Note 5. Property Plant and Equipment

	Plant & Equipment US$'000	Buildings & Airstrip US$'000	Mobile Equipment US$'000	Fixtures & Equipment US$'000	Construction In Progress US$'000	Development Expenditure US$'000	Total US$'000
Cost							
At 1 January 2008	257,502	3,812	6,022	2,535	46,082	176,365	492,318
Transfer from construction in progress	2,403	-	177	78	(2,658)	-	-
Reclassification to inventory	(1,182)	-	-	-	-	-	(1,182)
Additions during the year	793	-	525	135	2,281	60,041	63,775
Impairment during the year	-	-	(486)	-	-	-	(486)
At 1 January 2009	259,516	3,812	6,238	2,748	45,705	236,406	554,425
Transfer from construction in progress	47,354	289	1,107	115	(48,865)	-	-
Reclassification to inventory	(1,797)	-	-	-	-	-	(1,797)
Additions during the year	6,360	-	263	5	7,473	33,574	47,675
Adjustment as a result of the DOFS&R	-	-	-	-	-	(25,758)	(25,758)
Impairment during the year	-	-	(362)	-	-	(48)	(410)
At 31 December 2009	311,433	4,101	7,246	2,868	4,313	244,174	574,135
Accumulated Depreciation							
At 1 January 2008	2,775	74	2,207	302	-	-	5,358
Charge for the year	7,445	191	1,252	820	-	-	9,708
Impairment during the year	-	-	(313)	-	-	-	(313)
At 1 January 2009	10,220	265	3,146	1,122	-	-	14,753
Charge for the year	11,042	195	1,351	894	-	5,188	18,670
Impairment during the year	-	-	(212)	-	-	-	(212)
At 31 December 2009	21,262	460	4,285	2,016	-	5,188	33,211
Carrying Amount							
At 31 December 2009	290,171	3,641	2,961	852	4,313	238,986	540,924
At 31 December 2008	249,296	3,547	3,092	1,626	45,705	236,406	539,672

An EPC Contract for the engineering, procurement, building, commissioning and transfer of facilities at the Moma Titanium Minerals Mine in Mozambique was entered into on 7 April 2004. The EPC Contractor was a joint venture formed for this project by subsidiaries of Multiplex Limited and Bateman B.V. The facilities, excluding the roaster, were taken over from the EPC Contractor in 2007. At 1 September 2009, the roaster was taken over. On 12 December 2009, a Deed of Final Settlement and Release (DOFS&R) was signed by the Project Companies and the EPC Contractor. Under the terms of the DOFS&R, substantially all outstanding rights, obligations and liabilities of all parties under the EPC contract and related agreements have been mutually settled and released.

Included in property, plant and equipment is the acquired valuation of US$41.6 million for the mining and processing plant. Under the transition to IFRS, the Group has elected to use this valuation as the deemed cost as and from the 1 January 2005.

During the year the Group carried out an impairment review of property, plant and equipment. The cash generating unit for the purpose of impairment testing is the Moma Titanium Minerals Mine as this is the business and geographic segment of the Group. The basis on which the recoverable amount of the Moma Titanium Minerals Mine is assessed is its value in use. The cash flow forecast employed for the value-in-use computation is a life-of-mine financial model. The recoverable amount obtained from the financial model represents the present value of the future pre-tax and pre-finance cash flows discounted at the average effective borrowing rate of the Moma Titanium Mineral Mine of 8.8%. Key assumptions include the following:

- Life of mine, which is currently estimated at 28 years, is based on the Namalope proved and probable reserves.
- The cash flows assume ramp-up to expected production levels during 2010 for ilmenite and zircon, and 2011 for rutile. Expected production levels are annual production levels of approximately 800,000 tonnes of ilmenite per annum plus co-products, rutile and zircon.
- Product sales prices are based on contract prices as stipulated in marketing agreements with customers, or where contracts are based on market prices or production is not presently contracted, prices not exceeding those forecast by the lender's independent marketing consultant.
- Operating and capital replacement costs are based on approved budget costs for 2010 and escalated by 2% per annum thereafter.

The discount rate is the significant factor in determining the recoverable amount and a 1% change in the discount rate results in an 8% change in the recoverable amount.

A detailed asset review during the year resulted in a mobile equipment with net book value of US$0.2 million deemed to be impaired and therefore written off.

During the year the mining reserve was increased and represents approximately a 28 year life at expected production levels. This has resulted in a change in the unit of production depreciation which is calculated using the quantity of Heavy Mineral Concentrate produced in the period as a percentage of the total quantity of Heavy Mineral Concentrate material to be produced in current and future periods based on the mining reserve.

Included in plant and equipment are capital spares of US$1.0 million (2008: US$0.5 million). The Company has reclassified consumable spares included in property, plant and equipment of US$1.8 million (2008: US$1.2 million) into inventory.

Substantially all the property, plant and equipment of the Group is or will be mortgaged, pledged or otherwise secured to provide collateral for the senior loans (the Senior Loans) and the subordinated loans (the Subordinated Loans) provided to the Project, or in the case of the trans-shipment barge Peg, and tug workboat, Sofia III, a loan provided to the Group, as detailed in Note 8.

The carrying amount of the Group's plant and equipment includes an amount of US$1.5 million (2008: US$1.7 million) in respect of assets held under a finance lease.

During the first six months ended 30 June 2009, the Group continued to build up production to target levels. From the 1 July 2009 the mine was considered to be capable of operating at target levels of production and as a result the Group has reported revenue and costs in the income statement from July 2009 onwards.

During the first six months of the year additions to development expenditure include loan interest capitalised of US$13.4 million (2008: US$26.9. million), finance fees of US$5.6 million (2008: US$1.5 million), costs of US$13.8 million (2008: US$31.7 million) net of revenue earned of US$15.6 million (2008: US$25.3 million) and net of delay damages of US$1.2 million (2008: US$3.1 million).

As a result of the DOFS&R noted above US$25.8 million of EPC Contract accruals net of receipt of US$10 million, were credited to development expenditure in December 2009. Included in development expenditure are costs of US$1.0 million in relation to the expansion of the current mining operation. Deferred exploration expenditure of US$0.05 million was deemed to be impaired and therefore written off. This has resulted in development expenditure increasing by US$7.8 million during the year.

Included in plant and equipment is US$2.9 million relating to the product trans-shipment barge, Peg, and tug workboat, Sofia III. These vessels were purchased in August 2009 and are currently located in Western Australia. The vessels will be brought to the mine during 2010. The vessels require modifications to bring them into use for mineral product shipments.

The recovery of property, plant and equipment is dependent upon the successful operation of the Moma Titanium Minerals Mine and continued availability of adequate funding for the mine. The Directors are satisfied that at the balance sheet date the recoverable amount of property, plant and equipment exceeds its carrying amount and based on the planned mine production levels that the Moma Titanium Minerals Mine will achieve positive cash flows.

Note 6. Trade and Other Receivables

	Unaudited 2009 US$'000	2008 US$'000
Trade receivables	4,557	593
Other receivables	8,178	2,343
Prepayments	576	97
	13,311	3,033

The carrying amount of the trade and other receivables represents the maximum credit exposure. Before entering into sales contracts with new customers, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed regularly during the year. In addition the Project lenders, in certain circumstances, must approve new customers as detailed in the financing documentation.

On 31 July 2009 the Group entered into a trade finance facility with Absa Corporate and Business Bank.

Of the US$4.6 million outstanding from trade receivables above, US$4.55 million was current (i.e. not past due).There has been no impairment in trade receivables during the year and no allowance for impairment has been provided for during the year or at the year end.

US$7.7 million of other receivables relates to shares to be issued at the year end of which all was received post year end. Warrants were due to expire on 31 December 2009. On 20 November 2009, the Company entered into an agreement with a transferee to take up unexercised warrants at 31 December 2009. On 30 November 2009, at an extraordinary general meeting of warrant-holders, an amendment to the terms of the warrants was approved, permitting the Company to transfer those warrants which had not been exercised by 31 December 2009 to a transferee (nominated by the Company) who would be permitted to exercise the transferred warrants.

At 31 December 2009 there were 16.2 million shares to be issued as a result of warrant-holders exercising their warrants on or before 31 December 2009 and 10.1 million of shares to be issued to the transferee pursuant to the agreement noted above.

Note 7. Cash and Cash Equivalents

	Unaudited 2009 US$'000	2008 US$'000
Immediately available without restriction	10,255	19,548
Contingency Reserve Account	1	15,292
Shareholder Funding Account	25	24
Project Companies Account	7,127	5,672
	17,408	40,536

Cash and cash equivalents comprise cash balances held for the purposes of meeting short-term cash commitments and investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. Where investments are categorised as cash equivalents, the related balances have a maturity of three months or less from the date of investment.

Cash at bank earns interest at variable rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The Contingency Reserve Account and Shareholder Funding Account are accounts established under a cash collateral and shareholder funding deed to secure the obligations of the Company and Congolone Heavy Minerals Limited (a wholly-owned subsidiary) under the Completion Agreement as detailed in Note 8.

The amount required by the Project financing agreements to be maintained in the Contingency Reserve Account from time to time depends on a calculation involving capital and operating costs, interest and principal payments, and reserve account contributions required to achieve completion under the Project loans as referred to in Note 8. Upon the effectiveness of the waivers and amendments to the financing agreements set out in Note 8, there will no longer be a requirement to maintain a specific amount on the CRA.

Note 8. Bank Loans

	Unaudited 2009 US$'000	2008 US$'000
Senior Loans	190,592	188,844
Subordinated Loans	165,525	145,980
	356,117	334,824
The borrowings are repayable as follows:		
Within one year	58,791	34,842
In the second year	41,722	36,633
In the third to fifth years inclusive	124,979	109,899
After five years	130,625	153,450
	356,117	334,824
Less: amount due for settlement within 12 months	(58,791)	(34,842)
Amount due for settlement after 12 months	297,326	299,982

Project loans

Project loans have been made to the Mozambique branches of Kenmare Moma Mining (Mauritius) Limited and Kenmare Moma Processing (Mauritius) Limited (the Project Companies). The Project loans are secured by substantially all rights and assets of the Project Companies, and, amongst other things, the shares in the Project Companies.

Under the Completion Agreement, the Company and Congolone Heavy Minerals Limited have guaranteed the Project loans during the period prior to "Completion". The final date for achieving Completion was formerly 30 June 2009. The Deed of Waiver and Amendment dated 31 March 2009 extended this date to 31

December 2012. Completion occurs upon meeting certain tests and satisfying certain conditions, including installation of all required facilities, meeting certain cost, efficiency, and production benchmarks and social and environmental requirements ("Technical Completion", which must take place by 31 December 2010), meeting marketing requirements (which must take place by 30 June 2011), meeting legal and permitting requirements, and meeting certain financial requirements including filling of specified reserve accounts to the required levels. Upon Completion, the Company's and Congolone Heavy Minerals Limited's guarantee of the Project loans will terminate. Failure to achieve Technical Completion by 31 December 2010 or, subject to extension for force majeure not to exceed 365 days, failure to achieve Completion by 31 December 2012, would result in an event of default under the Project financing agreements which, following notice, would give Project lenders the right to accelerate the loans against the Project Companies, and exercise their security interests in the shares and assets (including accounts) of the Project Companies, and require payment under the guarantee provided under the Completion Agreement. If payment is not made under the guarantee or if there is any other "Completion Default" under the Completion Agreement, the Project lenders may exercise security interests in the Contingency Reserve Account and the Shareholder Funding Account.

Seven Senior Loan credit facilities were made available for financing the Moma Titanium Minerals Mine. The aggregate maximum available amount of the Senior Loan credit facilities was US$185 million plus €15 million of which US$182.8 million and €15 million had been drawn at 31 December 2009, and US$2.2 million was undrawn and prior to June 2009 was available under one of the facilities. The availability period for the undrawn US$2.2 million expired on 30 June 2009 without the amount being drawn down because of the failure of the EPC Contractor to provide the necessary tied content. Settlement of any claim in respect of such failure was included as part of the Deed of Final Settlement and Release detailed in note 5.

Senior Loans were originally scheduled to be repaid in equal semi-annual installments commencing on 1 February 2008 in the case of six of the seven Senior Loan facilities, and on 2 February 2009 in the case of the seventh. Principal instalments originally scheduled to be paid in 2008 were paid when due. On 30 January 2009 a Deed of Waiver and Amendment was entered into by the Project Companies whereby the Senior principal installments due on 2 February 2009 were deferred, to be repaid over the remaining life of the respective loan facility commencing on 4 August 2009, and pursuant to which Kenmare Resources plc contributed US$15 million to the Contingency Reserve Account between 12 December 2008 and 31 January 2009. On 31 March 2009 a second Deed of Waiver and Amendment was entered into by the Project Companies whereby the Senior Loan principal instalments due on 4 August 2009 were also deferred, to be repaid over the remaining life of the loan facilities commencing on 1 February 2010 in equal semi-annual installments.

The Senior Loan tenors have therefore remained unchanged and range from 5.5 years to 8.5 years from 31 December 2009. Three of the Senior Loans bear interest at fixed rates and four bear interest at variable rates.

The original Subordinated Loan credit facilities (made available under documentation entered into in June 2004) with original principal amounts of €47.1 million plus US$10 million (excluding capitalised interest) were fully drawn down at year end. Under the loan documents Subordinated Loans were repayable in 21 semi-annual installments commencing on 1 August 2009. The Subordinated Loans denominated in Euro bear interest at a fixed rate of 10% per annum, while the Subordinated Loans denominated in US Dollars bear interest at six month LIBOR plus 8% per annum. .

The Standby Subordinated Loan credit facilities (made available under documentation entered into in June 2005) with original principal amounts of €2.8 million and US$4 million were fully drawn down at year end. Standby Subordinated Loans bear interest at fixed rates of 10% per annum in respect of €2.8 million and US$1.5 million and at six month LIBOR plus 8% per annum in respect of US$2.5 million.

The Additional Standby Subordinated Loan credit facilities of US$12 million and US$10 million (made available under documentation entered into in August 2007) were fully drawn down at year end. The Additional Standby Subordinated Loans bear interest at 6 month LIBOR plus 5%.

Pursuant to the original terms of the financing documentation, interest on the Subordinated Loan, Standby Subordinated Loans and the Additional Standby Subordinated Loans (the Subordinated Loans) was capitalised up to and including 4 August 2009. Interest on the Subordinated Loans was due to be paid in cash for the first time on 1 February 2010, but as cash was insufficient on such date to make the schedule interest payment, interest was capitalised and becomes payable on the first semi-annual payment date on which sufficient cash is available in the Project Companies, in whole or in part, to the extent of available cash.

Under the second Deed of Waiver and Amendment referred to above, the first scheduled Subordinated Loan principal instalment, which would have otherwise been due on 4 August 2009 has been deferred and is scheduled for repayment on 1 February 2010, but since cash was insufficient on such date, is scheduled for repayment on the first semi-annual payment date thereafter on which sufficient cash is available in the Project Companies, in accordance with the terms of the financing documentation. The final installments are due on 1 August 2019.

Standby Subordinated lenders have an option to require that Kenmare Resources plc purchase the Standby Subordinated Loans on agreed terms.

Under the second deed of waiver and amendment referred to above, interest margins on subordinated loans were increased by 3% per annum until Technical Completion and by 1% per annum until Completion. This additional margin is scheduled to be paid after senior loans have been repaid in full but may be prepaid without penalty.

Amendments to Project loans

On 5 March 2010 the Company, Congolone Heavy Minerals Limited and the Project Companies entered into a deed of waiver and amendment (the "Expansion Funding Deed of Waiver and Amendment" or the "Expansion Deed") with the Project lenders and the lenders' agents. The effectiveness of the waivers and amendments set out in this deed is conditional on (a) the certification by SRK, the lender's independent engineer, of its reasonable satisfaction with the expansion study and that the operations of the Project Companies will not be adversely affected in any material respect by the construction and operation of the expansion contemplated by the expansion study, and (b) the deposit of US$200 million into the Contingency Reserve Account by 30 June 2010.

The certification by SRK was obtained on 19 February 2010 and hence the only condition that remains to be satisfied is the deposit of US$200 million into the Contingency Reserve Account, which the Group expects to make immediately upon completion of the equity raising. Upon satisfaction of this condition, the Expansion Deed provides, amongst other things, for the following, which apply notwithstanding any provision of the financing agreements, including those described under the heading "Project loans" above:

a. The funds deposited into the Contingency Reserve Account may be transferred by Congolone Heavy Minerals Limited, at its sole discretion, to the secured Project bank accounts controlled by the Project Companies. Once deposited in those accounts, the funds are required to be applied in accordance with the provisions of the financing agreements (as amended, including pursuant to the Expansion Deed) pursuant to which such funds may in the absence of an event of default, be spent on, amongst other things, the expansion;

b. Funds deposited into the Contingency Reserve Account may not be transferred other than to the Project Accounts, until and unless the Completion Agreement is terminated in accordance with its terms (an event of default under the financing documents);

c. All continuing funding requirements in relation to the Contingency Reserve Account cease to have effect. As a result, there will be no minimum balance required to be maintained in the Contingency Reserve Account;

d. Failure to achieve Completion by the final completion date ceases to be an event of default. Instead, failure to achieve Non-Technical Completion by the final completion date, which has been extended to 31 December 2013, is an event of default. "Non-Technical Completion" occurs when the marketing, legal and other conditions, financial, and environmental certificates specified in the Completion Agreement (in the case of the environmental certificate, as verified by the independent engineer) have been delivered;

e. The target date to achieve Technical Completion is extended to 31 December 2011, and failure to achieve Technical Completion by the target date ceases to constitute an event of default. Instead, the consequence of failure to achieve Technical Completion by the target date is that the interest rates applicable to the Senior Loans and Subordinated Loans increase by 1 per cent per annum and 2 per cent per annum respectively until Technical Completion is achieved;

f. The requirement to fund the Price Drop Reserve Account and the Operating Cost Reserve Account (reserve accounts of the Project Companies) as a continuing obligation or as conditions to completion cease to apply. Instead, the funding of these accounts to a reduced level will be a condition to making distributions from the Project Companies to the Company: in the case of the Price Drop Reserve Account, from a minimum of US$10 million to US$2.5 million; and in the case of the Operating Cost Reserve Account, from an amount equal to six months' operating costs to two months' operating costs;

g. The terms of all certificates under the Completion Agreement, other than the marketing certificate, were amended; in particular:

    i. the physical facilities certificate was amended to better reflect the current physical facilities at the mine;
    ii. the production certificate was amended to reflect less onerous operational and production levels and to reflect more accurately the products currently produced at the mine;
    iii. the efficiency certificate was made less onerous, simplified and updated to reflect current costs;
    iv. the financial certificate was amended to remove the funding requirements relating to the Operating Cost Reserve Account and the Price Drop Reserve Account and to require the transfer to the Project Accounts of any amounts then remaining in the Contingency Reserve;

h. certain waivers and accommodations were granted in connection with the expansion and the expansion study; and

i. certain additional undertakings were provided by the Project Companies, including in relation to the expansion, although it should be noted that it is not a condition of the Expansion Deed or of any completion test or any financing agreement that the expansion is implemented or completed.

Other Group bank borrowings
On the 7 August 2009, Mozambique Minerals Limited (a wholly-owned Group subsidiary) entered into a loan agreement with Banco Comerical e de Investimentos, S.A. for US$2.5 million to fund the purchase of an additional product trans-shipment barge, Peg, and a tug work boat, Sofia III. Interest accrues based on 6 month LIBOR plus 6%, payable monthly in arrears commencing September 2009, and principal is scheduled to be repaid in 54 equal monthly installments commencing March 2010. This loan was drawn down on the 10 August 2009. The loan is secured by a mortgage on the Peg and Sofia III and by a guarantee from Kenmare Resources plc.

Note 9. 2009 Annual Report and Accounts

The Annual Report and Accounts will be posted to shareholders before 30 April 2010.