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*Kenmare Resources plc (“Kenmare” or “the Company”)*

Kenmare Preliminary Results  
For the year ended 31 December 2011  
(LSE/ISE: KMR)

28 March 2012

Kenmare Resources plc., which operates the Moma Titanium Minerals Mine (the “Mine” or “Moma”) in Mozambique, today announces its preliminary results for the twelve months to 31 December 2011. This release incorporates Kenmare’s Interim Management Statement relating to the period from the 1 January 2012 to the 28 March 2012.

### Highlights

- EBITDA of US\$71.7 million for 2011 (2010: US\$17.4 million)
- Profit after tax of US\$23.7 million for 2011 (2010: loss of US\$16.3 million)
- Robust demand increases market prices strongly in 2011
- 2011 Revenues of US\$167.5 million (2010: US\$91.6 million)
- Moma’s health and safety record continues to improve, with a lost time injury frequency rate per 200,000 hours worked of 0.23
- 730,400 tonnes of total products were shipped in 2011, up from 712,900 tonnes shipped in 2010
- Total HMC production for the year was 842,900 tonnes (2010: 956,900 tonnes)
- Ilmenite production was 636,800 tonnes (2010: 678,400 tonnes)
- Zircon production was 43,600 tonnes (2010: 37,100 tonnes)
- Combination of dry mining and operation of the dredges set to return mine to target output levels
- Phase II expansion project progressing with delivery of critical items to Moma
- Demand for output from Phase II expansion has been strong, majority of output already allocated to customers
- Kenmare achieved lender “Technical Completion”, resulting in a reduction in the subordinated debt interest rate by 2% (approximately US\$3 million pa.)

Justin Loasby, Chairman of Kenmare said, “ I hope that, under my stewardship, the Board will continue to develop and grow Kenmare’s value in a sustainable and socially responsible manner, whilst retaining the entrepreneurial spirit that has served the Company so well thus far. With this in mind, increasing and stabilising production is a key success factor. The Board continues to identify and implement actions to reduce risks and to enhance the robustness and resilience of the production system.”

### Chairman’s Statement

Dear Shareholder,

I am delighted to be addressing you for the first time as the Chairman of Kenmare and look forward to working with the Board and management in continuing to build the value of the Company over the coming years. Having delivered profit, and large increases in both revenues and EBITDA, I am confident that Kenmare is exceptionally well placed to deliver real long-term value for its shareholders, and I would like to set out the reasons why this is so.

First and foremost is our world class resource base, which at around 200 million tonnes of contained ilmenite (equivalent to more than 160 years production at our projected levels following Phase II expansion), is arguably the best dredge-mineable resource in the world. The nature of the deposit with abundant fresh water, no overburden, a

good mineral grade and attractive products which do not have to be upgraded before being used, gives us the ability to mine, concentrate and separate our products with capital and operating expenditure which are low compared with our peers. Operating our own dedicated port facility immediately adjacent to the Mine allows us to transfer these products to our customers at minimum cost. These factors have enabled Kenmare to move quickly from Phase I into a 50% expansion (Phase II) which, while it has been challenging operationally to execute, will greatly add to the long-term value of the Company. When Phase II is ramped up, Kenmare will be supplying around 10% of the world's titanium feedstock requirement and will be well placed to embark on further expansion to meet demand from our customers (Phase III) if appropriate.

The minerals we produce and market - ilmenite, zircon and rutile - have all recently experienced significant price increases due to tightness in supply and rapidly expanding demand. Titanium feedstocks are used to produce titanium dioxide pigment and titanium metal. Titanium dioxide pigment has unrivalled properties of whiteness, brightness, and opacity. It is chemically inert and non-toxic and in general is non-recyclable. The market for titanium pigment is expanding at above trend-line growth rates due to a steep increase of usage in newly industrialising economies. Titanium metal is light, strong, non-corrosive and has a low coefficient of thermal expansion. While only representing a small portion of the overall use of titanium feedstocks, titanium metal is experiencing a steep increase in usage as the intensity of use in new generation airliners is significantly greater than in previous designs. The fundamental usefulness of our products, expanding market and tightness of supply, positioned against the size of the Moma resource, all bode well for the Company.

The Company's operating team is strong and experienced. Having successfully addressed numerous challenges during the original construction and ramp up of Phase I, the team has built up a considerable bank of knowledge on how this orebody responds to the mining and processing equipment deployed, and is now uniquely qualified to implement the completion of Phase II.

The host country for our mining operations is Mozambique. Many of you will have read of the major developments that have been announced in recent months concerning the broader resources sector of the country, both onshore and offshore. I would like to record here a note of appreciation of the excellent relationship with the Mozambique government and authorities that our Company has been able to establish over many years, which I am confident will be continued and strengthened even further in the future. A particular feature of our development cooperation in the country is the established not-for profit Kenmare Moma Development Association ("KMAD") initiative, which is making a major contribution to the social and economic development of the local region where our Mine is located.

## Markets

The market for titanium dioxide feedstocks enjoyed a very positive period during 2011. Ilmenite was achieving about US\$100 per tonne at the start of the year; by the end of the year we were negotiating new contracts for delivery in the first half of 2012 at between US\$300 and US\$400 per tonne. The industry has moved away from multi-year pricing to a model of setting prices on a shorter term basis. The multi-year pricing mechanism previously in place allowed prices to be kept at pre-agreed levels despite the underlying price growth through the period of the contract. Hence, for new contracts, Kenmare has moved to volume based agreements with six-monthly price negotiations to ensure that sale prices more closely reflect current market conditions. Despite the downturn in Chinese real estate, the market for titanium feedstocks remains strong and we believe that it will continue to be strong for the medium-term. Save a precipitous drop in demand caused by another global financial crisis, it is hard to see how supply tightness can be relieved for some time to come. This tightness is particularly acute for rutile which has seen price increases from around US\$700 to well above US\$2,000 during the period under review.

Zircon, an important raw material used in the manufacture of ceramics, continued to grow strongly for most of 2011, driven principally by urbanisation trends in emerging economies. However, demand slowed in the fourth quarter and has continued into 2012 with reduced construction related activity in China. Growth is expected to resume strongly in China in the second half of 2012 as fiscal tightening policies are eased and activity in the large social housing program increases. Zircon supply contracts are volume based, with prices adjusted quarterly. As with titanium feedstocks, there was similar positive zircon price increases during 2011, with prices for standard grade zircon climbing from around US\$1,000 per tonne at end of 2010 to around US\$2,400 per tonne by end of 2011.

Demand for output from our Phase II expansion has been strong and much of the volume has already been allocated to customers.

## Operations

During 2011, mining operations were hampered as we encountered areas within the orebody with slightly elevated clay levels. The ore in these areas, while not consolidated, is harder to mine than free flowing sand and our two

existing dredges supplied under the original lump sum turnkey construction contract struggled to maintain their required dredging rates in these conditions. Consequently, we produced less Heavy Mineral Concentrate ("HMC") from our mining operations and in turn less ilmenite, zircon and rutile than we originally anticipated. Planned downtime was experienced on the wet concentrator plant during 2011 and I am pleased to report that plant capacity has been successfully upgraded to 3,500 tonnes per hour in line with the expansion requirements. Total HMC production for the year was 842,900 tonnes compared with 956,900 tonnes in 2010. Ilmenite production was 636,800 tonnes compared with 678,400 tonnes in 2010 and zircon production was 43,600 tonnes compared with 37,100 tonnes in 2010. Zircon output was augmented by the reprocessing of zircon rich concentrate that was processed in the early stage commissioning of the plant and which had been stockpiled for use as a future feedstock. Whilst rutile output remains below forecast, we are continuing to work on optimising the circuit. 730,400 tonnes of total products were shipped in 2011, an increase from 712,900 tonnes shipped during the previous year.

Our operational update of 5 March this year outlined the continued presence of elevated clay areas and the impact of exceptional adverse weather conditions on production during the early months of this year. The Company has developed a dry mining operation which mines ore using standard mobile equipment, slurries this ore and pumps it to the wet concentrator plant as a supplementary feed. During March, the capacity of this operation has been increased from 500 tonnes per hour ("tph") to 1,000 tph and is being ramped up to this level. Principally to ensure the optimal product mix and maximise revenues in a very positive market, a further supplementary dry-mining operation will be established for an additional 1,000 tph later this year. We believe that this is a satisfactory short-term answer to the dredging issues we are facing. However, dry mining is more expensive than dredge mining, resulting in some of the benefits of the Mine's inherently low cost of operations being reduced. Hence, the Board has decided that one of the existing dredges will be replaced with a more robust and capable dredge which will be able to mine these zones without the difficulties that we have encountered. This will be a unit similar to the dredge being installed as part of Phase II which has around three times the cutter power and three times the winch pull of the existing dredges. It is important to note that the issue we are addressing is one of insufficient dredge power rather than an orebody issue. Production during the early part of this year was also hampered by an exceptional number of power dips, largely a result of an unusually active cyclone season. There were 46 dips which affected production in January and 66 in February. The Board has approved the purchase of voltage stabilisation equipment which is designed to reduce stoppages caused by power dips by 83%. This equipment is expected to be in place for the next rainy season.

Whilst reduced production during the early months of this year has adversely impacted revenues, we anticipate that the combination of dry mining and operation of the dredges will allow the mine to reach target levels during the second quarter and onwards for the rest of the year. We anticipate some limited transitional interruption to operations as a result of the linking in of the expansion facilities to the main plant at the end of the year.

The Mine's health and safety record continues to improve with a lost time injury frequency rate per 200,000 hours worked of 0.23, representing a very strong achievement by everyone working at the Mine.

#### Expansion - Completion of Phase II

The expansion is at a very exciting stage, with fabricated steelwork arriving on site through March and April ready for immediate installation. Now that the design of the expansion is effectively complete, the next task is the management of site and logistics to ensure that the schedule for a rapid build programme is maintained within the current cost estimate, which remains at approximately US\$300 million. Most of the equipment, around which the steel buildings will be constructed, is already on site. The new dredge, manufactured and tested in the USA, has arrived at Moma and will be reassembled in the coming months. All of the pontoons that form the floating base of the new wet concentrator plant have also arrived at Moma; they have been positioned in the starter pond and the construction of the superstructure has commenced. Commissioning of the expansion plant is scheduled to commence during the last quarter of this year. This will allow us to ramp-up our operations, enabling full production from our expanded facilities during 2013.

#### Financial

I am pleased to report that the Company generated earnings before interest, tax and depreciation ("EBITDA") of US\$71.7 million in 2011 (2010: US\$17.4 million), and a profit after tax of US\$23.7 million (2010: loss US\$16.3 million). This is the Company's first profit that is attributable to trading performance of the Moma Mine and it is an important milestone for Kenmare.

Revenues during the year increased to US\$167.5 million from US\$91.6 million in 2010, largely resulting from the continued strengthening of product prices. Operating costs also increased in 2011, during a period of mining industry inflation, and cost control remains a key priority for management.

Investment in property, plant and equipment at Moma during 2011 amounted to US\$180.1 million, primarily in the Phase II expansion works that are due to be completed later this year. This expansion is financed by a combination

of equity raised in 2010 and from operating cashflow in accordance with an agreement concluded with lenders in December 2011.

At 31 December 2011, bank loans amounted to US\$327.1 million (2010: US\$338.4 million) and cash balances were US\$77.3 million (2010: US\$238.5 million). As anticipated, the reduction in cash is largely a reflection of the investment in the Phase II expansion works. Kenmare passed a significant milestone in September 2011 when “Technical Completion”, which is a requirement of the financing documents, was achieved and results in a reduction in the subordinated debt interest rate by 2%, equivalent to approximately US\$3 million per annum.

## Board

On behalf of your Board, I take this opportunity to pay tribute to and express our great appreciation for the leadership that your outgoing Chairman, Charles Carvill, has given to the Company since 1986. He has successfully guided Kenmare from initial exploration through many challenging phases of development, construction and finally into production. He has followed his vision to create a sustainable world-class mining business of considerable shareholder value and has handed over the reins as the Company entered profitability during the past year. The Moma Mine is now well established as one of the world’s leading producers of titanium minerals with excellent prospects for the future. He has been an exceptional Chairman. I wish him the very best for the future and have no doubt that he will continue to take a very close interest in the development of Kenmare in the years ahead.

## Outlook

The outlook for the business is very positive. Given our plans to increase production and in an environment of increasing prices, Moma operations will generate a strong positive cashflow. Some of this cashflow will be allocated to expansion funding in the current year, with the remainder building up to allow us to repay the deferred interest and principal that has accumulated on the subordinated debt.

As outlined above, while we expect to have continuing dredging issues during 2012, supplementary dry mining will compensate for the lack of dredged ore, and in 2013 we expect to take delivery of a new more capable dredging unit. The priority attention of management in 2012 is to complete the Phase II expansion, but the Board is reviewing the options for further expansion beyond Phase II. The proposals for commercialisation of our monazite stream are still in hand, and our pre-feasibility study on Phase III is progressing, with an intensive drilling and sampling programme planned for the second half of 2012, so that we will be in a position to consider the post-Phase II possibilities on a better-defined basis in due course. I hope that, under my stewardship, the Board will continue to develop and grow Kenmare’s value in a sustainable and socially responsible manner, whilst retaining the entrepreneurial spirit that has served the Company so well thus far.

In summary, Kenmare has a very exciting future, with exceptional opportunities to provide long-term growth and value for shareholders, and I look forward to leading the Board as it guides the Company in this task.

*Justin Loasby*  
Chairman

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**KENMARE RESOURCES PLC  
PRELIMINARY RESULTS  
CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Notes	2011 US\$'000	2010 US\$'000
Revenue		167,485	91,587
Cost of sales		<u>(97,498)</u>	<u>(77,741)</u>
Gross profit		69,987	13,846
Other operating costs	3	<u>(17,071)</u>	<u>(17,369)</u>
Operating profit/(loss)		52,916	(3,523)
Finance income		3,332	1,522
Finance costs		(31,748)	(31,024)
Foreign exchange (loss)/gain		<u>(6,277)</u>	<u>16,691</u>
Profit/(loss) before tax		18,223	(16,334)
Income tax credit	6	<u>5,477</u>	-
Profit/(loss) for the year and total comprehensive profit/(loss) for the year		<u>23,700</u>	<u>(16,334)</u>
Attributable to equity holders		<u>23,700</u>	<u>(16,334)</u>
		Cent per share	Cent per share
Earnings/(loss) per share: Basic	4	<u>0.99</u>	<u>(0.80)</u>
Earnings/(loss) per share: Diluted	4	<u>0.98</u>	<u>(0.80)</u>

**KENMARE RESOURCES PLC  
PRELIMINARY RESULTS  
CONSOLIDATED BALANCE SHEET  
AS AT 31 DECEMBER 2011**

	Notes	2011 US\$'000	2010 US\$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	714,118	552,786
Deferred tax asset	6	<u>5,477</u>	<u>-</u>
		<u>719,595</u>	<u>552,786</u>
<b>Current assets</b>			
Inventories		25,846	24,618
Trade and other receivables		38,831	12,974
Cash and cash equivalents	7	<u>77,256</u>	<u>238,515</u>
		<u>141,933</u>	<u>276,107</u>
<b>Total assets</b>		<b><u>861,528</u></b>	<b><u>828,893</u></b>
<b>Equity</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Called-up share capital	8	196,347	195,830
Share premium		301,391	299,860
Retained losses		(19,994)	(43,694)
Other reserves		<u>17,610</u>	<u>14,103</u>
<b>Total equity</b>		<u>495,354</u>	<u>466,099</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Bank loans	9	213,523	252,814
Obligations under finance lease		1,810	2,015
Provisions		<u>7,407</u>	<u>6,750</u>
		<u>222,740</u>	<u>261,579</u>
<b>Current liabilities</b>			
Bank loans	9	113,585	85,574
Obligations under finance lease		221	157
Provisions		276	279
Trade and other payables		<u>29,352</u>	<u>15,205</u>
		<u>143,434</u>	<u>101,215</u>
<b>Total liabilities</b>		<u>366,174</u>	<u>362,794</u>
<b>Total equity and liabilities</b>		<b><u>861,528</u></b>	<b><u>828,893</u></b>

**KENMARE RESOURCES PLC**  
**PRELIMINARY RESULTS**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

	Notes	2011 US\$'000	2010 US\$'000
<b>Cash flows from operating activities</b>			
Profit/(loss) for the year		18,223	(16,334)
Adjustment for:			
Foreign exchange movement		6,277	(16,691)
Share-based payments		3,368	2,374
Finance income		(3,332)	(1,522)
Finance costs		30,333	29,852
Depreciation		18,801	20,955
Impairment of property, plant and equipment		-	3,066
Increase in provisions		<u>384</u>	<u>845</u>
Operating cash flow		74,054	22,545
Increase in inventories		(1,228)	(2,667)
(Increase)/decrease in trade and other receivables		(25,847)	319
Increase in trade and other payables		<u>3,983</u>	<u>6,851</u>
Cash used by operations		50,962	27,048
Interest received		3,332	1,522
Interest paid		<u>(8,595)</u>	<u>(10,191)</u>
<b>Net cash from operating activities</b>		<u>45,699</u>	<u>18,379</u>
<b>Cash flows used in investing activities</b>			
Addition to property, plant and equipment	5	<u>(169,823)</u>	<u>(34,790)</u>
<b>Net cash used in investing activities</b>		<u>(169,823)</u>	<u>(34,790)</u>
<b>Cash flows (used in)/from financing activities</b>			
Proceeds on the issue of shares	8	2,048	257,873
Repayment of borrowings		(28,093)	(26,374)
Payment of obligations under finance leases		<u>(564)</u>	<u>(588)</u>
<b>Net cash from financing activities</b>		<u>(26,609)</u>	<u>230,911</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		(150,733)	214,500
Cash and cash equivalents at beginning of the year		238,515	17,408
Effect of exchange rate changes on cash and cash equivalents		<u>(10,526)</u>	<u>6,607</u>
<b>Cash and cash equivalents at the end of the year</b>		<u>77,256</u>	<u>238,515</u>

## NOTES TO THE PRELIMINARY RESULTS

### Note 1. Basis of Accounting and Preparation of Financial Information

On 27 March 2012, the Directors approved the preliminary results for publication. While the unaudited consolidated financial statements for the year ended 31 December 2011, 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 publish the full financial statements that comply with IFRS as adopted by the European Union in April 2012.

The auditors have not yet issued their audit opinion on the financial statements in respect of the year ended 31 December 2011, but when issued is likely to draw attention to the disclosures made in the financial statements concerning the recoverability of property, plant and equipment (see Note 5) and investments in and amounts due from subsidiary undertakings, which are dependent on the successful development of economic ore reserves, successful operation of the Mine including the Mine expansion project and continued availability of adequate funding for the Mine. They are also likely to note that the financial statements do not include any adjustments relating to these uncertainties and that the ultimate outcome cannot at present be determined.

The financial information presented above does not constitute statutory accounts within the meaning of the Companies Acts, 1963 to 2009. A copy of the accounts in respect of the financial year ended 31 December 2011 will be annexed to the Annual Return for 2012.

The statutory accounts for the year ended 31 December 2010 prepared under IFRS 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, which are dependent on the successful development of economic ore reserves and successful operation of the Mine, have been filed with the Registrar of Companies.

### Note 2. Segment Reporting

Information on the operations of Moma Titanium Minerals Mine in Mozambique is reported to the Board for the purposes of resources allocation and assessment of segment performance. Information regarding the Group's operating segment is reported below.

#### Segment revenues and results

	2011	2010
	US\$'000	US\$'000
Moma Titanium Minerals Mine		
Revenue	167,485	91,587
Cost of sales	<u>(97,498)</u>	<u>(77,741)</u>
Gross profit	69,987	13,846
Other operating costs	<u>(11,931)</u>	<u>(10,363)</u>
Segment operating profit	58,056	3,483
Other corporate operating costs	<u>(5,140)</u>	<u>(7,006)</u>
Group operating profit/(loss)	52,916	(3,523)
Finance income	3,332	1,522
Finance expenses	(31,748)	(31,024)
Foreign exchange (loss)/gain	<u>(6,277)</u>	<u>16,691</u>
Profit/(loss) before tax	18,223	(16,334)
Income tax credit	<u>5,477</u>	-
Profit/(loss) for the year	<u>23,700</u>	<u>(16,334)</u>

#### Segment assets

Moma Titanium Minerals Mine assets	783,791	593,305
Corporate assets	<u>77,737</u>	<u>235,588</u>
Total assets	<u>861,528</u>	<u>828,893</u>

<b>Segment liabilities</b>		
Moma Titanium Minerals Mine liabilities	361,989	356,504
Corporate liabilities	<u>4,185</u>	<u>6,290</u>
Total liabilities	<u>366,174</u>	<u>362,794</u>

**Other segment information**

**Depreciation and amortisation**

Moma Titanium Minerals Mine	18,785	20,912
Corporate	<u>16</u>	<u>43</u>
Total	<u>18,801</u>	<u>20,955</u>

**Additions to non-current assets**

Moma Titanium Minerals Mine	178,496	32,647
Corporate	<u>1,637</u>	<u>3,236</u>
Total	<u>180,133</u>	<u>35,883</u>

**Revenue from major products**

	2011	2010
	US\$'000	US\$'000
Mineral products (ilmenite, zircon and rutile)	<u>167,485</u>	<u>91,587</u>

**Geographical information**

	2011	2010
	US\$'000	US\$'000
Revenue from external customers		
Europe	77,771	51,169
Asia	54,681	25,059
USA	15,811	13,153
Rest of World	<u>19,222</u>	<u>2,206</u>
Total	<u>167,485</u>	<u>91,587</u>

The Group's revenue from external customers is generated by the Moma Titanium Minerals Mine, the non-current assets of which are US\$711.5 million (2010: US\$546.6 million).

**Information about major customers**

Included in revenues are US\$33.0 million (2010: US\$17.5 million) from sales to the Group's largest customer, US\$29.4 million (2010: US\$15.1 million) from sales to the Group's second largest customer and US\$19.5 million (2010: US\$13.2 million) from sales to the Group's third largest customer. All revenues are generated by the Moma Titanium Minerals Mine.

### Note 3. Other Operating Costs

	2011 US\$'000	2010 US\$'000
Distribution costs	5,717	3,777
Freight costs	3,561	4,098
Demurrage costs	2,450	-
Administration costs	5,343	7,660
Cost of the settling pond breach incident net of insurance claim	-	1,834
	<u>17,071</u>	<u>17,369</u>
Included in administration costs are:		
Share-based payments	2,249	2,063
Litigation costs	<u>118</u>	<u>1,839</u>

Freight costs of US\$3.6 million (2010: US\$4.1 million) are reimbursable by customers or factored into the sales price for product delivered to customers on a CIF (cost, insurance and freight) basis. There were demurrage costs incurred during the year of US\$2.5 million (2010: nil) as a result of unseasonably bad weather in the middle of the year which restricted shipments.

Total share-based payments for 2011 amounted to US\$3.5 million (2010: US\$2.5 million) of which US\$1.1 million (2010: US\$0.3 million) relate to staff at the Mine and are included as a production cost of inventories. US\$0.1 million (2010: US\$0.1 million) relate to staff working on the expansion project and have been capitalised in property, plant and equipment and the balance of US\$2.3 million (2010: US\$2.1 million) included in administration costs in the income statement.

### Note 4. Earnings/(Loss) per share

The calculation of the basic and diluted earnings/(loss) per share attributable to the ordinary equity holders of the Parent Company is based on the profit after taxation of US\$23.7 million (2010: loss US\$16.3 million) and the weighted average number of shares in issue during 2011 for the purposes of basic earnings/(loss) per share of 2,404,281,590 (2010: 2,029,895,059) and for diluted earnings/(loss) per share of 2,424,073,254 (2010: 2,093,498,317).

In 2010 the basic loss per share and the diluted loss per share are the same, as the effect of the outstanding share options was anti-dilutive.

## Note 5. Property, plant and equipment

	<b>Plant &amp; Equipment US\$'000</b>	<b>Development Expenditure US\$'000</b>	<b>Construction In Progress US\$'000</b>	<b>Other Assets US\$'000</b>	<b>Total US\$'000</b>
<b>Cost</b>					
At 1 January 2010	311,433	244,174	4,313	14,215	574,135
Transfer from construction in progress	4,224	-	(6,118)	1,894	-
Additions during the year	<u>4,510</u>	<u>4,169</u>	<u>27,180</u>	<u>24</u>	<u>35,883</u>
At 1 January 2011	320,167	248,343	25,375	16,133	610,018
Transfer from construction in progress	22,616	-	(22,963)	347	-
Additions during the year	<u>668</u>	<u>418</u>	<u>179,027</u>	<u>20</u>	<u>180,133</u>
At 31 December 2011	<u>343,451</u>	<u>248,761</u>	<u>181,439</u>	<u>16,500</u>	<u>790,151</u>
<b>Accumulated Depreciation</b>					
At 1 January 2010	21,262	5,188	-	6,761	33,211
Charge for the year	10,949	7,518	-	2,488	20,955
Impairment during the year	<u>3,066</u>	-	-	-	<u>3,066</u>
At 1 January 2011	35,277	12,706	-	9,249	57,232
Charge for the year	<u>10,382</u>	<u>6,749</u>	-	<u>1,670</u>	<u>18,801</u>
At 31 December 2011	<u>45,659</u>	<u>19,455</u>	-	<u>10,919</u>	<u>76,033</u>
<b>Carrying Amount</b>					
At 31 December 2011	<u>297,792</u>	<u>229,306</u>	<u>181,439</u>	<u>5,581</u>	<u>714,118</u>
At 31 December 2010	<u>284,890</u>	<u>235,637</u>	<u>25,375</u>	<u>6,884</u>	<u>552,786</u>

At 30 June 2010, the Group finalised drilling work on the Nataka deposit resulting in an increase in the total reserves from 25 million tonnes of total heavy mineral to 33 million tonnes of total heavy mineral. This resulted in a change in the depreciation rate for plant and equipment and development expenditure which are depreciated on a unit of production basis.

The jetty was initially damaged in December 2007 when the Bronagh J collided with it while berthing. While the jetty remained operational using a modified mooring and loading procedure, there was some further deterioration to the structure over time. During 2010, an assessment of the permanent repair work required was carried out. Based on this assessment, an impairment of US\$3.0 million was recognised in the income statement and property plant and equipment. In addition, during the year repair costs of US\$0.5 million were incurred. The Group completed repair and upgrade work on the jetty in October 2011 which both strengthened the current structure and increased its operational capacity by allowing the transshipment vessels to load from both sides of the jetty. An insurance claim relating to the damage to the jetty structure was settled in June 2010 for US\$3.5 million which was recognised in the income statement in that year.

Included in plant and equipment are capital spares of US\$0.8 million (2010: US\$1.4 million).

Substantially all the property, plant and equipment of the Group is or will be mortgaged, pledged or otherwise secured to provide collateral for the Project senior and subordinated loans.

The carrying amount of the Group's plant and equipment includes an amount of US\$1.3 million (2010: US\$1.3 million) in respect of assets held under finance lease.

Additions to development expenditure include costs associated with a third phase of mine expansion of US\$0.4 million. Expansion development costs incurred during the period before the expansion assets are capable of operating at production levels in a manner intended by management are deferred and included in property, plant and equipment.

## Note 6. Deferred Tax

	US\$'000
At 1 January 2010	-
Credit/(charge) to income statement	=
At 1 January 2011	-
Credit to income statement	<u>5,477</u>
At 31 December 2011	<u>5,477</u>

At the balance sheet date Kenmare Moma Mining (Mauritius) Limited (“KMML”) had unused tax losses of US\$42.2 million (2010: US\$36.4 million) available for offset against future profits. A deferred tax asset has been recognised of US\$5.5 million in respect of US\$31.2 million (2010: nil) of such losses. No deferred tax asset has been recognised in respect of the remaining US\$11.0 million as it is not considered probable that there will be future taxable profits available before such losses expire. Included in tax losses are losses of US\$7.6 million that will expire in 2012. The other losses may be carried forward for three years. No deferred tax liability is recognised on temporary differences arising in connection with accelerated tax depreciation as the differences are not significant. A deferred tax asset on assessed losses as at 31 December 2010 was not recognised because it was not probable at such date that future taxable profits would be available against which the Company could utilise the tax losses before they expired. The significant increases in final product prices achieved by KMML in 2011 and forecast to be achieved in future has increased taxable profits earned and to be earned by KMML. Revenues (and hence taxable profits) in KMML are determined by reference to costs incurred in producing heavy mineral concentrate plus a margin which is related to prices earned by Kenmare Moma Processing (Mauritius) Limited (“KMPL”) for final products.

## Note 7. Cash and cash equivalents

	2011 US\$'000	2010 US\$'000
Immediately available without restriction	7,695	55,892
Contingency Reserve Account	63,222	172,753
Project Companies' Accounts	<u>6,339</u>	<u>9,870</u>
	<u>77,256</u>	<u>238,515</u>

The Contingency Reserve Account (the “CRA”) is an account established under a cash collateral and shareholder funding deed to provide for shareholder funding to the Project Companies and to secure the obligations of the Company and Congolone Heavy Minerals Limited (a wholly-owned subsidiary undertaking) under the Completion Agreement.

On 21 December 2011, the Company, Congolone Heavy Minerals Limited and the Project Companies entered into a deed of amendment with the Project lenders in relation to the funding of the expansion. Further details of this amendment are set out in Note 9. Under this amendment the Company deposited the equivalent of US\$45 million in various currencies valued at June 2011 exchange rates into the CRA before 31 December 2011 to fund expansion capital.

## Note 8. Called up share capital

6,094,962 new ordinary shares were issued during 2011 as a result of share options exercised, resulting in US\$0.5 million being credited to share capital and US\$1.5 million credited to share premium.

On 1 April 2010, 1,497,030,066 new ordinary shares were issued by way of a firm placing and placing and open offer which raised US\$257.8 million net of expenses. The primary purpose of this equity raising was to fund an expansion of the existing Mine operations to increase production capacity from 800,000 tonnes per annum of ilmenite plus co-products to 1.2 million tonnes per annum of ilmenite plus co-products. US\$121.12 million of this issue has been credited to share capital. US\$136.68 million of this issue has been credited to share premium.

## Note 9. Bank loans

	2011 US\$'000	2010 US\$'000
Project Loans		
Senior Loans	133,054	159,968
Subordinated Loans	<u>194,054</u>	<u>176,372</u>
Total Project Loans	327,108	336,340
Mortgage Loan	=	<u>2,048</u>
	<u>327,108</u>	<u>338,388</u>
The borrowings are repayable as follows:		
Within one year	113,585	85,574
In the second year	39,750	40,578
In the third to fifth years inclusive	103,850	120,656
After five years	<u>69,923</u>	<u>91,580</u>
	327,108	338,388
Less: amount due for settlement within 12 months	<u>(113,585)</u>	<u>(85,574)</u>
Amount due for settlement after 12 months	<u>213,523</u>	<u>252,814</u>
<u>Project Loans</u>		
Balance at 1 January 2011	336,340	353,604
Loan interest accrued	29,561	29,024
Loan interest paid	(8,560)	(10,026)
Loan repayment	(26,053)	(25,911)
Foreign exchange movement	<u>(4,180)</u>	<u>(10,351)</u>
Balance at 31 December 2011	<u>327,108</u>	<u>336,340</u>
<u>Mortgage Loan</u>		
Balance at 1 January 2011	2,048	2,513
Drawdown	-	-
Loan interest accrued	27	163
Loan interest paid	(35)	(165)
Loan repayment	<u>(2,040)</u>	<u>(463)</u>
Balance at 31 December 2011	<u>=</u>	<u>2,048</u>

### Project loans

Project loans have been made to the Mozambique branches of KMML and KMPL (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 and intercompany loans to the Project Companies.

The Company and Congolone Heavy Minerals Limited have guaranteed the Project loans during the period prior to Completion (achievement of "Technical Completion" and "Non-Technical Completion"). The Expansion Funding Deed dated 5 March 2010 extended the final date for achieving Completion to 31 December 2013. On 5 September 2011 Technical Completion was achieved. Non-Technical Completion occurs upon meeting certain legal and permitting requirements, including filling of specified reserve accounts to the required levels. Upon Completion, the Kenmare Resources plc's and Congolone Heavy Mineral Limited's guarantee of the loans will terminate. Failure to achieve Non-Technical Completion by 31 December 2013 is an event of default.

#### Amendments to Project loan agreements

On 18 April 2011, Kenmare Resources plc, Congolone Heavy Minerals Limited and the Project Companies entered into a Deed of Amendment with the lenders and lenders' agents. The main provisions of this Deed of Amendment include the following:

- The marketing covenant is to be tested semi-annually as at 1 January and 1 July, the calculation to be set out in a periodic marketing certificate to be delivered no later than 1 March (45 days after the effectiveness of the Deed of Amendment in the case of 2011) and 1 September of each year;
- In determining projected revenues for the marketing covenant, all offtake agreements with eligible buyers entered into on or before the date of the marketing certificate are considered regardless of term;
- The marketing covenant requires sales contracts with eligible buyers with a term of at least 1 year for a specified tonnage of final products, to be tested annually as at 1 January.
- The Project Companies agreed to pay fees to the lenders totalling US\$0.03 million.

Failure to comply with the marketing covenant no longer results in an event of default; rather, such a failure results, pre-Completion, in majority lenders being able to convene a meeting at which the Project Companies would present their marketing plan, and post-Completion in the inability of the Project Companies to make restricted payments (dividends and payments on intercompany loans) on the next semi-annual restricted payment date.

On 21 December 2011, the Project Companies entered into an Deed of Amendment with the lenders in relation to funding of the expansion as a result of projected capital cost increases. Under this amendment:

- Kenmare Resources plc deposited the equivalent of a further US\$45 million in various currencies valued at June 2011 exchange rates, into the Contingency Reserve Account ("CRA"), an account held in the parent company Congolone Heavy Minerals Ltd., by 31 December 2011 to fund expansion capital costs.
- The Project Companies capitalised US\$15.5 million due to Congolone Heavy Minerals Ltd as at 30 June 2011 under the Management Services Agreement and the lenders agreed that internally generated cash flow equal to such capitalised amount may be applied to meet expansion capital costs.
- The lenders agreed that the Project Companies may apply internally generated cash flow to meet up to an additional US\$65 million of expansion capital costs.
- The lenders agreed that prior to Completion, funds may be withdrawn from Senior Debt Reserve Account ("SDRA") to meet senior debt obligations, operating costs and expansion capital costs without triggering a breach of covenant provided the account is replenished prior to Completion.
- The Project Companies agreed to pay fees to the lenders totalling US\$1.61 million.

#### Other Group bank borrowings

On 7 August 2009, Mozambique Minerals Limited (a wholly-owned subsidiary undertaking) entered into a loan agreement with Banco Comercial e de Investimentos, S.A. for US\$2.5 million to fund the purchase of an additional product transshipment barge, Peg, and a tug/work boat, Sofia III. Interest accrued at a 6 month LIBOR plus 6%, and was payable monthly commencing September 2009 with principal scheduled to be repaid in 54 monthly instalments commencing March 2010. This loan was fully drawn on 10 August 2009. The loan was secured by a mortgage on the Peg and Sofia III and by a guarantee from Kenmare Resources plc. This loan was repaid in full on 5 March 2011.

#### **Note 10. 2011 Annual Report and Accounts**

The Annual Report and Accounts will be posted to shareholders before 30 April 2012.