KENMARE

Annual Report and Accounts 2011

Contents

2011 Highlights

Annual LTIFR rate 0.23
against an industry average of 0.39

Demand for all products robust during 2011,
with strong growth in prices

83% increase in revenue
to US$167.5 million in 2011 from US$91.6 million in 2010

730.4kt finished products shipped in 2011, up from 712.9kt tonnes in 2010

EBITDA of US$71.7 million
for 2011, up from US$17.4 million in 2010.

Profit after tax of US$23.7 million for 2011, up from US$16.3 million loss in 2010.

Expansion project progressing
with delivery of critical items to Moma

Increase in localisation
from 79% in 2010 to 85% in 2011

Aerial photo of mining pond, dredges, WCP, MSP and jetty

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, is arguably the best 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 costs 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 strong demand growth 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 per tonne during the year.

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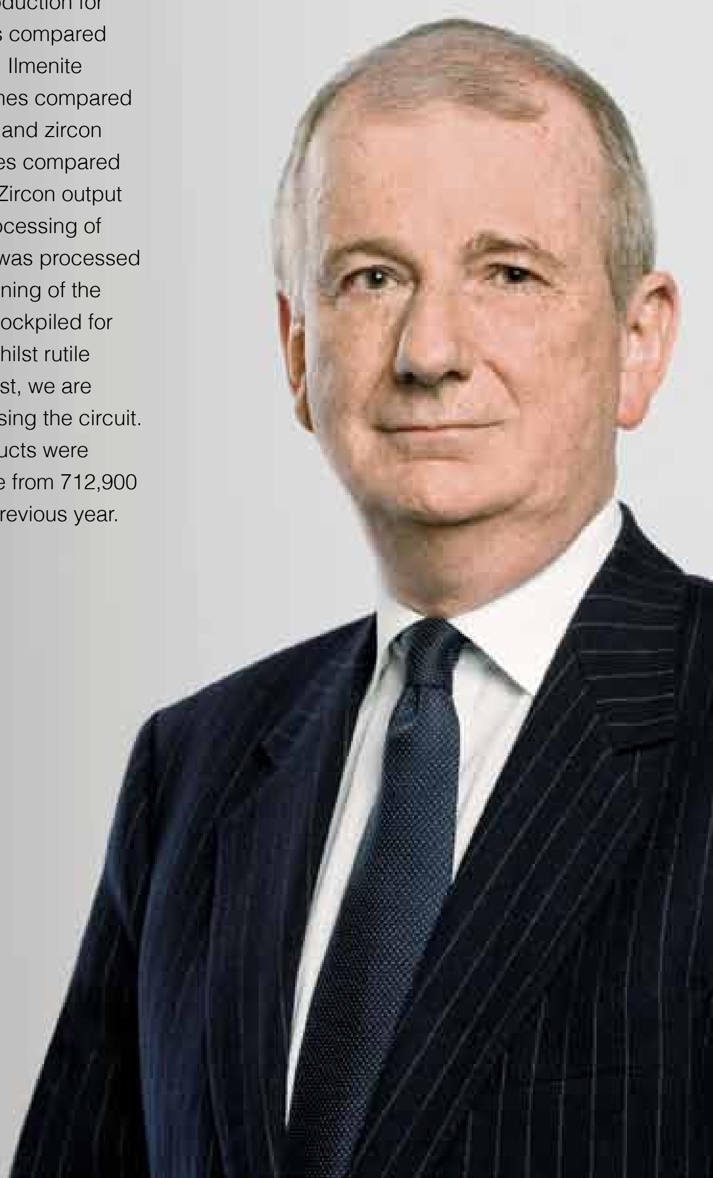
Demand for zircon, an important raw material used in the manufacture of ceramics, continued to grow strongly for most of 2011, driven principally by urbanisation trends in emerging economies. However, demand slowed in the fourth quarter and this has continued into 2012 with reduced construction related activity in China. Growth is expected to resume strongly in China in the second half of 2012 as policy settings 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 were 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 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 ("WCP") 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.



Chairman's Statement continued


Construction of new WCP

> The expansion is at a very exciting stage, with fabricated steelwork arriving on site through March and April ready for immediate installation

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 2012. The Company has developed a dry mining operation which mines ore using standard mobile equipment, slurries this ore and pumps it to the WCP as a supplementary feed. During March, the production 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, 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 elevated clays 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 projected 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, against an industry average of 0.39 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 is already on site. The new dredge, manufactured and tested in the USA, 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 the expansion facilities to full production during 2013.

Jetty with the Bronagh J. alongside

Given our plans to increase production, and in an environment of increasing prices, Moma operations will **generate a strong positive cashflow**

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. 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. The expansion is financed by a combination of equity raised in 2010 and 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", a requirement of the financing documents, was achieved, resulting in a reduction in the subordinated debt interest rate of 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 and has 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 shortfall in dredge production, 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

Operating & Financial Review

Kenmare Resources plc (“Kenmare” or “the Company”) is an Irish incorporated company with a premium listing on the London Stock Exchange and a secondary listing on the Irish Stock Exchange.

The principal activity of the Company and its subsidiary undertakings (together, the “Group”) is the operation and the current expansion (“Phase II”) of the Moma Titanium Minerals Mine (the “Mine” or “Moma”). The Mine is located on the northern coast of Mozambique. Mining operations are carried out by Kenmare Moma Mining (Mauritius) Limited and downstream processing is undertaken by Kenmare Moma Processing (Mauritius) Limited (together the “Project Companies”), both wholly-owned subsidiary companies within the Group.

Kenmare’s world class reserve and resource contains approximately 200 million tonnes of contained ilmenite and associated co-products rutile and zircon. Ilmenite and rutile are titanium minerals used as feedstocks to produce titanium dioxide (TiO_2) pigment, titanium metal and welding electrodes. Zircon, a high value zirconium silicate mineral, is an important raw material for the ceramics industry where it is used as an opacifier and frit compound for decorative wall and floor tiles and sanitary ware. Zircon is also used in the refractory and foundry industries and to produce zirconia and zirconium chemicals for a variety of applications. The nature of Kenmare’s mineral sands 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 Kenmare the ability to mine, concentrate and separate its products with relatively low capital and operating costs. Kenmare operates a dedicated port facility immediately adjacent to the Mine which allows for the transfer of products to customers’ vessels at minimum cost. These factors have enabled Kenmare to move quickly from Phase I into a Phase II expansion, which will increase production capacity by 50%. When production from Phase II is ramped-up, Kenmare will produce around 10% of the world’s titanium feedstock supply and will be well placed to embark on a further expansion to meet demand from customers (Phase III), when appropriate.

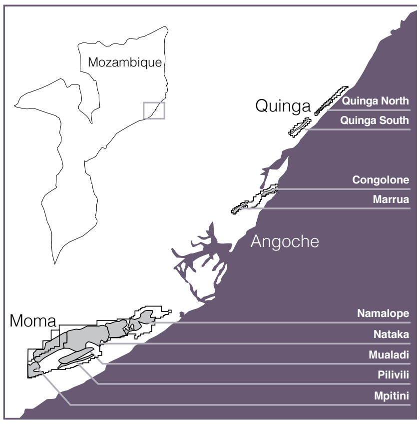
Kenmare's world class reserve and resource contains approximately

200 million tonnes of contained ilmenite

Spirals in the WCP

Operating & Financial Review continued


Heavy machine operator in front of MSP



Summary of Reserves and Resources
The total proved and probable ore reserves in Kenmare's Namalope and Nataka mining concessions as at 31 December 2011 is estimated at 869 million tonnes, grading 3.0% ilmenite, 0.063% rutile, and 0.21% zircon, containing 26 million tonnes of ilmenite, 1.8 million tonnes of zircon and 0.55 million tonnes of rutile. The total resource (excluding reserves) held by Kenmare under a combination of exploration licences and mining concessions at 31 December 2011 is estimated at 7.4 billion tonnes grading 2.4% ilmenite, 0.055% rutile, and 0.17% zircon, containing 180 million tonnes of ilmenite, 12 million tonnes of zircon and 4 million tonnes of rutile.

The reserves continue to expand and become more fully defined with ongoing exploration and drilling activity. Drilling of the Nataka deposit recommenced in late 2011 and further increases to the reserves are expected during 2012. This drilling programme has been expanded and an intensive drilling, sampling and metallurgy programme is planned for the second half of 2012 in the Congolone and Pivilli deposits to assess their potential as Phase III expansion feed.

The Mining Concession covering the existing operation at Namalope was significantly extended during 2011 to include the Nataka reserves and much of the nearby resources of Nataka, Pivilli, Mualadi and Mpitini. This extension will facilitate future development of these resources by Kenmare. A map detailing all areas covered by exploration licences and mining concessions held by Kenmare is set out above.

The following table sets out Kenmare's mineral resources and reserves as at 31 December 2011:

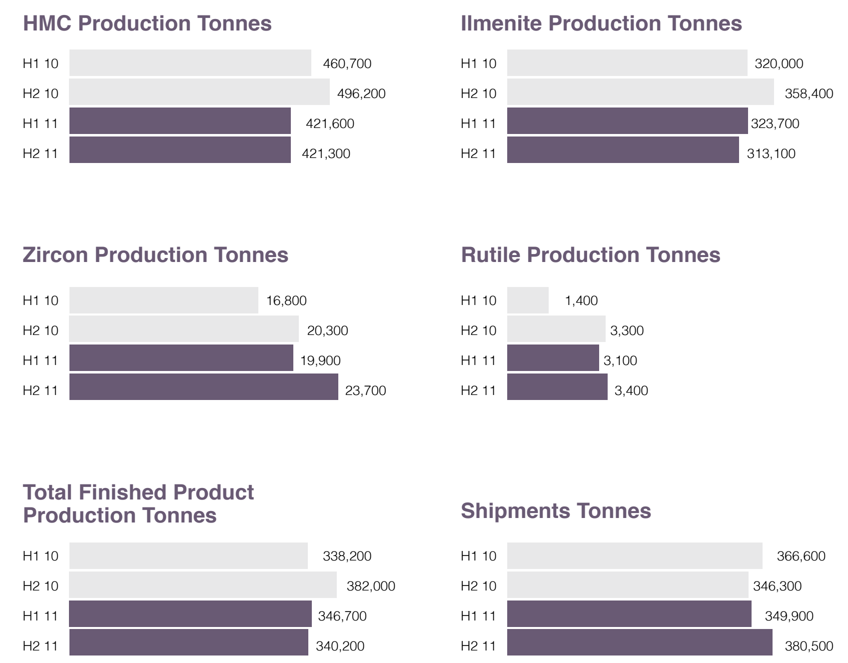
Reserve-Resource Table

Ore Reserves Zone	Category	Ore (Mt)	% THM	% Ilmenite in THM	% Ilmenite in ore	% Rutile in ore	% Zircon in ore	THM (Mt)	Ilmenite (Mt)	Rutile (Mt)	Zircon (Mt)
Namalope	Proved	250	4.4	82	3.6	0.085	0.26	11	9.0	0.21	0.66
Namalope	Probable	174	3.8	82	3.1	0.074	0.23	6.6	5.4	0.13	0.40
Nataka	Probable	445	3.2	83	2.7	0.047	0.16	14	12	0.21	0.73
TOTAL RESERVES	**Proved & Probable**	**869**	**3.7**	**83**	**3.0**	**0.063**	**0.21**	**32**	**26**	**0.55**	**1.8**

Mineral Resources Zone	Category	Sand (Mt)	% THM	% Ilmenite in THM	% Ilmenite in sand	% Rutile in sand	% Zircon in sand	THM (Mt)	Ilmenite (Mt)	Rutile (Mt)	Zircon (Mt)
Congolone	Measured	167	3.3	77	2.5	0.060	0.24	5.4	4.2	0.1	0.4
Namalope	Indicated	350	3.1	81	2.5	0.060	0.18	11	8.7	0.21	0.6
Pivilli	Inferred	227	5.4	80	4.3	0.13	0.35	12	9.8	0.3	0.8
Mualadi	Inferred	327	3.2	80	2.6	0.061	0.21	10	8.4	0.2	0.7
Nataka	Inferred	5,800	2.8	82	2.3	0.047	0.15	160	130	2.7	8.6
Mpitini	Inferred	287	3.6	80	2.9	0.070	0.24	10	8.3	0.2	0.7
Marrua	Inferred	54	4.1	80	3.3	0.18	0.19	2.2	1.8	0.1	0.1
Quinga North	Inferred	71	3.5	80	2.8	0.14	0.28	2.5	2.0	0.1	0.2
Quinga South	Inferred	71	3.4	80	2.7	0.14	0.28	2.4	1.9	0.1	0.2
TOTAL RESOURCES		**7,400**	**2.9**	**82**	**2.4**	**0.055**	**0.17**	**220**	**180**	**4.0**	**12**

The data is in accordance with the JORC Code (2004) (Australasian Code for Reporting Ore Reserves and Mineral Resources). Resources are additional to Reserves. The competent person for the Namalope and Nataka reserves and resources is Colin Rothnie (MAusIMM), a full time employee of Kenmare. The competent person for the other resources is Dr. Alastair Brown (FIMMM). THM is total heavy minerals of which ilmenite (typically 82 per cent.), rutile (typically 2 per cent.) and zircon (typically 6 per cent.) total approximately 90 per cent. Tonnes and grades have been rounded and hence small differences may appear in totals. Mt represents million tonnes.

The reserves continue to expand and become more fully defined with ongoing exploration and drilling activity



Kenmare has identified the presence of rare earth oxides ("REOs") in the tailing streams of the Mineral Separation Plant ("MSP"). These REOs including cerium, lanthanum and neodymium, are found in monazite, present in Namalope and Nataka deposits at a grade of 0.02% (0.6% of the total heavy minerals). Monazite concentrate is used as a feed stock for REO plants and has the potential to add several million dollars to annual revenues based on current market conditions. The MSP concentrates monazite in the reject streams as part of normal operations. A study to evaluate the production of monazite concentrate as a salable product is ongoing. Kenmare is in the process of seeking the environmental and other regulatory approvals required for the production, storage, handling and export of a monazite concentrate. The monazite content of the ore reserves are presented in the table below.

Mining

Kenmare currently undertakes mining and concentrating activities in the Namalope deposit. Ore is mined using dredges supplemented by dry mining using excavators and trucks. Dredge mining has the lowest cost per tonne mined in the mineral sands industry. At Moma, dredging takes place in an artificial freshwater dredge pond (approximately 800m long, 300m wide and up to 15m deep) by two dredges feeding a single Wet Concentrator Plant ("WCP"). Before mining begins, the area ahead of the dredge path must be prepared by clearing the vegetation and removing topsoil. The topsoil is either applied directly to an area being rehabilitated, or stockpiled for use in future rehabilitation.

The dredges cut the ore at the base of the prepared ore face, allowing the mineral-bearing sands to collapse into the dredge pond from where they are collected and pumped from the dredges to the WCP, which floats in the dredge pond behind the dredges. The dry mining operation mines the ore using standard mobile equipment, slurries the ore and pumps it into the WCP as a supplementary feed.

The first processing stage of the WCP consists of oversize material screening through two trommels, with the undersize material passing into the surge bin as plant feed. This feed is passed over progressive stages of spiral gravity separators which separate heavy minerals from silica sand and clay tailings. The products of the WCP are heavy mineral concentrate ("HMC") and tailings.

HMC consists of the valuable heavy minerals ilmenite, rutile and zircon, some non-valuable heavy minerals, and a small amount of light minerals, the bulk of which is silica. HMC, representing approximately 5% by weight of the total sand mined, is pumped overland to the MSP where it is stockpiled prior to further processing. Tailings, which consist of a coarse tails fraction (silica sand) that settles

Monazite

Zones	Category	Ore (Mt)	% THM	% Monazite in THM	% Monazite in ore	Monazite (Mt)
Ore reserves						
Namalope	Proved	250	4.4	0.59	0.026	0.065
Namalope	Probable	174	3.8	0.57	0.022	0.038
Nataka	Probable	445	3.2	0.54	0.018	0.078
TOTAL RESERVES	**Proved & Probable**	**869**	**3.7**	**0.56**	**0.021**	**0.18**

The economics of producing a monazite by-product from the existing reserves are being assessed. The monazite mineralisation does not constitute a reserve. The ore categories in this table relate to the reserve category for the Mine's existing products, ilmenite, rutile and zircon. Mt represents million tonnes.

Operating & Financial Review continued

Heavy machine operator in the finished product storage warehouse

immediately and a fine tails fraction (clay) that settles less quickly, are co-deposited at the rear of the dredge pond into a series of settling ponds. Thickened fine tails are pumped from these settling ponds to drying paddocks located in the rehabilitation zone where the dried material helps the subsoil retain moisture and nutrients to aid revegetation.

After the tailings have sufficiently dewatered, the dried tailings are recontoured. Topsoil containing seeds and organic material is placed onto the recontoured tailings. The rehabilitation process is completed by fertilising and seeding or planting with a variety of native and/or other species of vegetation as well as food crops. The rehabilitation process is being optimised with input from local communities, government authorities and non-governmental organisations.

Separation

The MSP uses screening, magnetic, electrostatic and gravity separation circuits to separate valuable minerals from non-valuable minerals, and to make different ilmenite, rutile and zircon product grades for specific customer requirements. HMC is transferred from the stockpile by front-end loaders and fed to the MSP drier where it is dried and then passed through high-intensity magnets in order to separate the magnetic mineral, ilmenite, from the non-magnetic minerals, rutile and zircon. The magnetic fraction is then further processed using electrostatic separation to produce final ilmenite products. A 50tph ilmenite roaster and downstream magnetic separation plant were built to increase the quality of the ilmenite products when required.

The non-magnetic fraction passes on to the wet gravity separation circuit to remove any remaining silica and trash minerals. Electrostatic separators are used to separate the conducting mineral rutile, from the non-conducting mineral, zircon.

The modifications increased the plant capacity from 3,000 to 3,500 tonnes per hour (tph) and addressed many existing bottlenecks

Storage and transportation

Final products are stored in a 145,000 tonne capacity warehouse with facilities for loading onto a 2.4km overland conveyor, which leads to a 400m long jetty. The conveyor transports product to the end of the jetty where it is loaded onto Kenmare's product transhipment vessel, the Bronagh J, at a rate of 1,000tph. This vessel then transports the products to a deep water transhipment point 10.5km offshore, where it self-discharges into customer vessels. Kenmare's second product transhipment unit, consisting of a barge ("Peg") and tug ("Sofia III"), is expected to become operational in mid-2012.

Other Infrastructure

The Mine has other supporting infrastructure including a 170km 110kV power transmission line, 6MVA of standby diesel generation capacity, maintenance workshops, store warehouse, diesel storage tanks, an accommodation village, offices, laboratory, a jet-capable airstrip, water supply, sewage treatment plants and roads.

OPERATIONAL REVIEW

2011 review

In 2011, output from mining operations was curtailed by the intersection of areas of the orebody which have elevated clay levels and, to a lesser extent, by planned interruptions to facilitate the expansion upgrade to the WCP. While higher clay levels were anticipated prior to mining, the characteristics were different than clays previously mined. The ore in these areas, while not consolidated, results in a lower mine throughput rate than when the

Jetty and Bronagh J.

41 ships were loaded,
bringing total sales for the year to 730,400 tonnes of product

dredges are operating in free-flowing sand. The two existing dredges have failed to maintain design dredging rates in these conditions. Kenmare considers that the issue is due to insufficient dredge power rather than an orebody difficulty.

The expansion upgrade of the existing WCP took place in September 2011 and over a period of three weeks, the WCP's two circuits were modified. The modifications increased the plant capacity from 3,000 to 3,500tph and addressed many existing bottlenecks. Following the upgrade the plant was successfully operated at 3,500tph during the fourth quarter 2011, but due to reduced ore feed this has not been consistently maintained.

The Mine produced less HMC in 2011 and in turn less ilmenite, zircon and rutile than was originally forcasted due to reduced mining rate caused by the elevated clay levels. 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 material that had been produced in the early commissioning of the plant and was stockpiled as future feed. Reprocessing contributed 6,200 tonnes of secondary grade zircon product. The stockpile being reprocessed is expected to be exhausted later this year.

A number of improvements took place at the MSP in 2011, especially in the non magnetic (zircon and rutile) circuits, which improved recoveries. Rutile production, while improved, has not reached planned levels and further optimisation work on this circuit is continuing.

In 2011, 41 ships were loaded, bringing total sales for the year to 730,400 tonnes of product. This compares with 43 ships and 712,900 tonnes in 2010. The jetty upgrade was successfully completed in October 2011. The upgrade has significantly increased jetty availability and loading can now take place over a broader range of weather conditions.

First quarter of 2012 review

Mining production in the first quarter of 2012 was also adversely impacted by the continued presence of elevated clay areas and the direct and indirect impact of exceptional adverse weather conditions. During the first quarter 2012, 188,000 tonnes of HMC, 132,700 tonnes of ilmenite and 10,600 tonnes of zircon were produced. Zircon output included 4,800 tonnes of a secondary zircon product. The Company has developed a dry mining operation whereby ore is mined using standard mobile equipment, slurried and pumped directly to the WCP as a supplementary feed. During March 2012, the design capacity of this operation was increased from 500 tph to 1,000 tph and is presently being ramped up to full capacity. Principally to optimise the product mix, a second dry mining operation will be established for an additional 1,000 tph later this year.

Whilst dry mining is a satisfactory short term answer to the dredging issues, it is more expensive to operate than dredge mining, resulting in some of the benefits of the Mine's inherently low cost dredge mining being reduced. The Board of Directors approved the replacement of one of the existing dredges with a more robust and capable dredge which will be able to mine zones containing elevated clay levels without the difficulties encountered by the existing dredges. The unit will be similar to the dredge being installed as part of Phase II, which has approximately three times the cutter power and three times the winch pull of the existing dredges.

Production was also hampered by an exceptional number of power outages since the beginning of this year, largely a result of an unusually active cyclone season that affected power reliability on the national grid. Kenmare plans to purchase voltage stabilisation equipment which is designed to reduce stoppages caused by power dips by in excess of 80%. This equipment is expected to be in place ahead of the next cyclone season, which typically runs from November to April.

With the end of the cyclone season approaching and as supplementary dry mining operations reach capacity, Kenmare anticipates that the Mine will reach target HMC production levels during the second quarter of 2012. At the MSP, some downtime is expected towards the end of the year as a result of integrating the new expansion facilities with the existing plant.

Operating & Financial Review continued

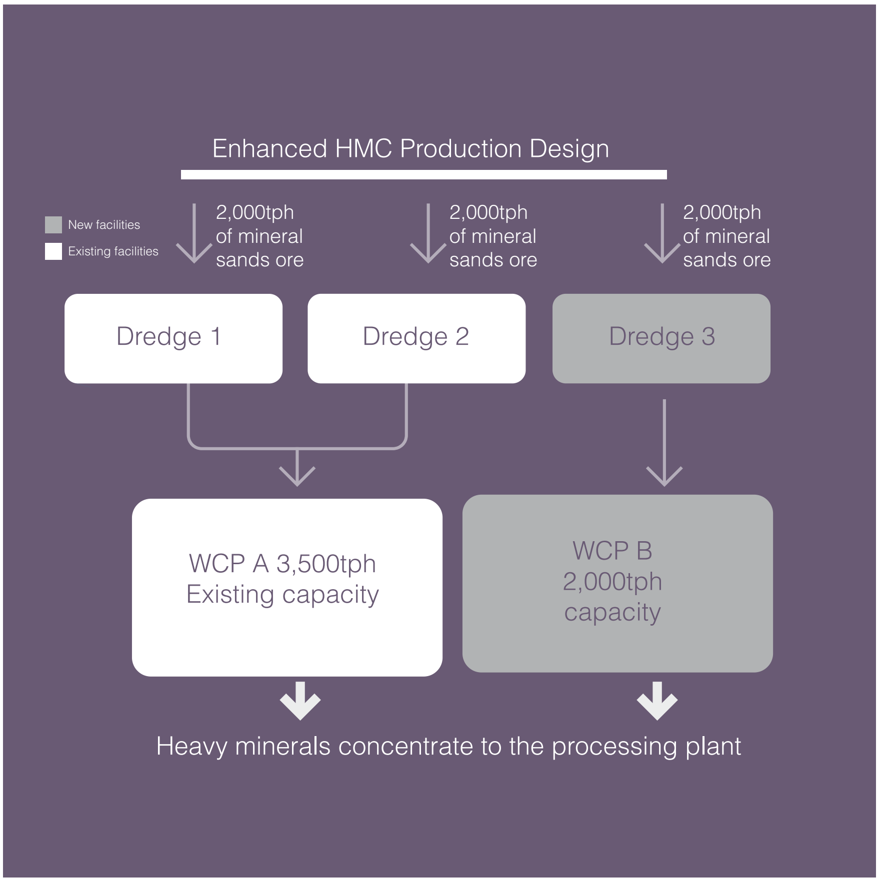
Kenmare is increasing the Mine's design capacity by approximately 50%, resulting in production output increase of ilmenite from 800,000 tpa to approximately **1.2 million tpa,** with corresponding increases in zircon and rutile production

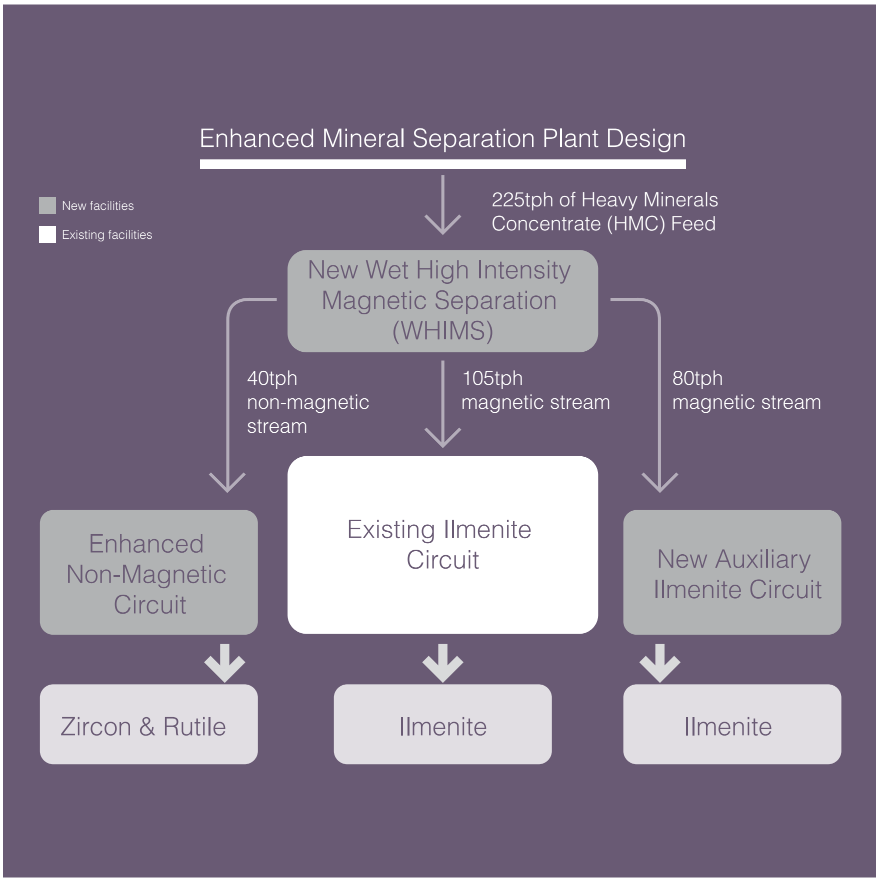
EXPANSION UPDATE

Kenmare is increasing the Mine's design capacity by approximately 50%, to increase ilmenite production capacity from 800,000 tpa to approximately 1.2 million tpa, with corresponding increases in zircon and rutile production capacity. The detailed engineering of the expansion facilities is effectively complete. The current task is the management of site construction activities and logistics to ensure that the schedule for a rapid build programme is maintained within the current cost estimate of approximately US$300 million.

The expansion works are being carried out under an engineering, procurement & construction management ("EPCM") contract strategy which, unlike a lump-sum contract, allows Kenmare to remain in control of the project design and implementation. This contract is placed with the South African-based Aveng Group. The main elements of the expansion include:

- The upgrade of the capacity of the existing WCP to increase spiral feed capacity from 3,000 tph to 3,500 tph. This upgrade was successfully completed in September 2011;
- The installation of a third dredge and second WCP with a spiral feed capacity of 2,000 tph in a separate dredge pond in the Namalope reserve;
- The addition of a wet high intensity magnetic separation ("WHIMS") circuit at the front of the ilmenite circuit of the MSP. This will replace the dry primary separation stage and reduce some of its associated costs;






Construction of the new WCP

Kenmare is a major supplier of titanium mineral sand products to a global customer base operating in over fifteen countries and includes some of the world's largest end users of these products


Construction of additional product storage warehouse

- The existing MSP will require some modifications, including an auxiliary 80tph ilmenite circuit, to increase throughput capacity from 105 tph to 185 tph and expansion of the existing non-magnetic circuits to 40 tph to increase zircon and rutile production.
- An upgrade of the product storage facilities to increase capacity of final products from 145,000 tonnes to 220,000 tonnes.

Earthworks and civil construction are nearing completion, with the majority of the remaining work residing in the non-critical raw water dam infrastructure. Most of the equipment, is already on site. Fabricated steelwork is arriving on site in March and April 2012 and will be ready for immediate installation.

The new dredge, manufactured and tested in the USA, arrived at Moma and will be reassembled in the coming months. All of the pontoons which form the floating base of the new WCP have also been delivered, are positioned in the starter pond, and construction of the superstructure has commenced.

Expansion works at the MSP are continuing, with substantial progress on steelwork construction on the new WHIMS Plant, Auxiliary Ilmenite Plant and expanded storage facility infrastructure.

Commissioning of the expansion plant is scheduled to commence during the last quarter of 2012. Ramp-up of expanded operations to full production will occur during 2013 to capitalise on the growing market opportunity presented by the shortage of titanium feedstocks.

The Phase III expansion pre-feasibility study is progressing well with an intensive drilling, sampling and metallurgy programme planned for the second half of 2012.

MARKETING REVIEW

Titanium Dioxide (TiO_2) Mineral Feedstock Market

Kenmare is a major supplier of titanium mineral sand products to a global customer base operating in over fifteen countries and includes some of the world's largest end users of these products. The output from the Mine operation consists of several grades of the titanium dioxide (TiO_2) minerals, ilmenite and rutile, as well as the zirconium mineral, zircon.

Ilmenite and rutile are used as feedstocks to produce titanium dioxide pigment, which accounts for more than 90% of global titanium feedstock consumption. TiO_2 pigment is consumed in the manufacture of paints and other coatings, plastics and paper, as well as a number of other applications, including cosmetics, food additives, ceramics, inks and textiles. TiO_2 pigment is a non-toxic inert product with one of the highest refractive indices that gives it a superior ability to disperse light. This makes it the preferred pigment to impart a brilliant white colour, and offer ultraviolet protection and opacity when included in final products.

The balance of the demand for titanium feedstocks is largely accounted for by titanium metal production and for welding electrode applications. Titanium metal's unique properties, including its high strength-to-weight ratio, high melting point and its resistance to corrosion, make it the preferred metal for a number of demanding applications, including airframes and jet engines. It is also widely employed in equipment and materials used in chemical, water desalination and power plants, as well as a number of growing applications in the electronics, medical and leisure industries. Rutile and some grades of ilmenite are also used as a component of fluxes for coating welding electrodes, used in the construction and ship-building industries.

Following a strong rebound year in 2010, robust demand for TiO_2 pigment, continued well into 2011. This was a clear sign that global demand had recovered and resumed its pre 2008 growth trend of around 3% per year. In the latter part of 2011, the impact of China's monetary policy on its real estate market and the Eurozone sovereign debt concerns dampened expectations for another exceptional year for the industry. Despite this slowdown, global pigment demand for 2011 was marginally above 2010, while China led the way with growth levels of above 8%. Pigment producers continued to be optimistic on market conditions for the short and long term with announcements of plant expansions, alliances and successful consecutive pigment price increases throughout the year and into 2012.

Operating & Financial Review continued

The overall healthy demand in the pigment market led to

strong demand growth for TiO_2

feedstocks during 2011


New dredge prior to delivery to the mine

The outlook for pigment demand growth for 2012 and beyond is positive. The supply and demand fundamentals for feedstocks and pigment remain favourable in the context of a global GDP growth scenario of 2.5% to 3.5% per year. It is expected that pigment demand will grow on average above the long term trend of 3% per year to 2020. The underlying macroeconomic assumption of continued industrialisation and ensuing urbanisation within emerging economies will continue to favourably impact pigment demand. The average annual consumption of TiO_2 pigment in developed economies ranges between 2 and 4kgs per person, while globally average annual consumption is less than 1kg per person, with China being less than 1kg and India around 0.1 kg. The assumption that per capita pigment consumption rates in China, India and South East Asia will grow strongly in the coming decade remains valid.

The overall healthy demand in the pigment market led to strong demand growth for TiO_2 feedstocks during 2011. This was further assisted by a strong recovery in demand in the titanium metal sector. Security of feedstock supply for the short and long term remains the top priority for pigment and titanium metal producers. A low level of investment over many years in exploration and development in the titanium feedstock sector, due to low feedstock prices throughout the last decade, has resulted in a small number of new projects in the pipeline relative to what is necessary to sustain future supply at required levels. This, as well as significant depletion of existing resources and closures of a number of large mines in the past few years, has led to a deficit in supply of feedstocks which is likely to persist for at least the coming three years until major new sources of supply enter the market.

Consequently, strong upward price pressure has been exerted in the market which has intensified coming into 2012. The price of high grade feedstocks has increased in 2012 to above US$2,000 per tonne, a four-fold increase over the price levels of just a couple of years ago.

Ilmenite prices have also increased four-fold driven by similar tight market conditions. The industry has also moved away from multi-year pricing to a model of setting prices on a shorter term basis, although some feedstock producers are still tied to some lower priced legacy contracts that are likely to run for another one to two years. It is likely that upward pressure on feedstock prices will continue in the coming years as demand increases while supply remains constrained.

The demand for all Kenmare's products was robust during 2011 and prices grew strongly. Kenmare has moved away from the multi-year pricing model for ilmenite and rutile to volume based agreements with six-monthly price negotiations to ensure that sales prices more closely align to current market conditions. Kenmare has secured pricing for new ilmenite contracts in the range of US$300 to US$400 per tonne for the first half of 2012.

The supply and demand outlook, together with a favourable pricing environment, has generated interest from potential entrants in the industry. Kenmare has already established itself as a reliable long term supplier to the industry and is well positioned to capture a share of the demand growth with its large, long life mine. The timing of the current expansion and possible future expansion plans will give Kenmare a competitive edge in supplying the growing demand.

There is strong interest from feedstock consumers to enter new sales agreements covering the expanded production from the Mine and most of the additional output has already been allocated. Given the continued growth of ilmenite consumption in pigment plants, slag plants and synthetic rutile plants in an undersupplied market for the coming years, Kenmare is confident that it will be able to place the new production in the market. Kenmare's share of the global feedstock market is expected to grow from approximately 7% to 10% upon completion of Phase II.

Zircon Market

Zircon is a zirconium mineral produced as a co-product of titanium minerals mining and is an important raw material for the ceramics industry as an opacifier and frit compound for decorative wall and floor tiles and sanitary ware. It is also consumed in the foundry and refractory industries and in a growing number of chemical applications, which include fused and chemical zirconia. The largest consuming regions for zircon are Mediterranean Europe and Asia, and

Kenmare generated earnings before interest, tax, depreciation and amortisation (EBITDA) of

US$71.7 million

during 2011 (2010: US$17.4 million)

in particular China. India, the Middle East and South America are also fast growing markets.

Global demand for zircon products was strong for most of 2011. Despite subdued demand in the last quarter, it is estimated that demand grew by a healthy 3.1% in 2011 to reach over 1.4 million tonnes; this after a very strong year of above 20% growth in 2010. In China, where over 40% of the global zircon production is consumed, demand for zircon products grew strongly in the first nine months of 2011. The effects of the measures adopted by the Chinese government authorities since early 2010 to cool down the housing market started to take effect in the latter part of 2011. The real estate downturn directly impacted construction related activities and a number of key sectors that are highly dependent on the housing sector. Output of ceramic tiles dropped as a consequence and demand for zircon products consumed in this sector was adversely affected in the fourth quarter of 2011.

Growth in China is expected to resume strongly in the second half of 2012 as monetary tightening policies are eased and activity in the large social housing programs intensifies. Construction of 36 million units of low-cost housing between 2011 and 2015 is targeted under the five year plan announced by the Chinese Government, with construction of 10 million units planned for 2012.

Industry analysts forecast that zircon demand growth will remain at above 3.5% per year to 2020, mostly supported by the increase in consumption from industrialisation and urbanisation in emerging markets, most notably in China. Global demand is expected to outstrip supply as limited additional supply of zircon becomes available in the next three to five years, giving rise to favourable market conditions. Kenmare expects to be in a position to place all the additional zircon from the Moma Phase II expansion given strong demand from existing and new customers.

Standard grade zircon prices more than doubled during 2011 to around US$2,400 per tonne by the year end. Pricing of zircon continues to be set quarterly or on a shipment by shipment basis depending on the customer.

In summary, the market outlook for all of Kenmare's products looks positive with continuing favourable market conditions expected for titanium feedstocks and zircon, which will likely exert further upward price pressure during 2012.

FINANCIAL REVIEW

2011 financial results

Kenmare generated earnings before interest, tax, depreciation and amortisation (EBITDA) of US$71.7 million during 2011 (2010: US$17.4 million). This was mainly due to the increase in revenues during the year of 83% as a result of continued strengthening of product prices. Sales volumes, which increased by 2% compared with the previous year, were constrained by lower production of finished products. Operating costs increased by 21% in 2011 and the operating profit was US$52.9 million (2010: loss US$3.5 million). Investment in property, plant and equipment amounted to US$180.1 million (2010: US$35.9 million), primarily in the Phase II expansion works. Bank loans at the end of 2011 amounted to US$327.1 million (2010: US$338.4 million), a reduction of US$11.3 million during the year. Cash balances at the year-end amounted to US$77.3 million (2010: US$238.5 million), the reduction largely a function of the investment in the Phase II expansion.

Operating & Financial Review continued

The mine laboratory

The operating profit for the year amounted to

US$52.9 million

(2010: loss US$3.5 million)

Production and revenue

Revenue for 2011 was US$167.5 million (2010: US$91.6 million), an increase of 83%. 686,900 tonnes (2010: 720,200 tonnes) of finished product were produced during the year and 730,400 tonnes (2010: 712,900 tonnes) were sold. There was significant price appreciation on all products during the year as demand increased. The blended price for all products sold increased by 83% compared with 2010.

	2011 Tonnes	2010 Tonnes
Heavy mineral concentrate production	842,900	956,900
Ilmenite production	636,800	678,400
Zircon production	43,600	37,100
Rutile production	6,500	4,700
Total production	686,900	720,200
Total sales	730,400	712,900

Included in the 2011 zircon production are 6,200 tonnes of a zircon concentrate produced from a secondary grade zircon product.

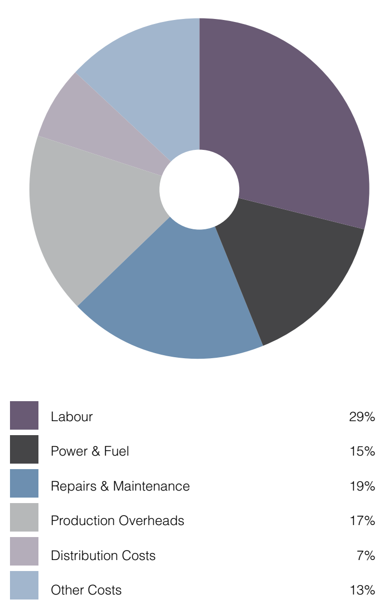
At the start of 2011, operation of the Mine tailing ponds was restricted by a decision not to have an operating pond in the vicinity of Tupuito village, following a pond breach in October 2010. This hampered mining activities during the early part of the year, but the tailing ponds were fully operational by the end of the first quarter.

There is a clay-rich band in part of the Moma deposit known as Unit 81. In general, this unit is avoided by the mine path. However, in order to access a pod of high grade ore, it was decided to mine a section of Unit 81, resulting in a reduced mining rate during the second and third quarters of the year. While the clay band was anticipated prior to mining, the characteristics were different than clays previously mined. Partly in response to this development, a 500 tph supplementary dry mining operation was commissioned and is due to be fully ramped-up to 1,000 tph in April 2012. Principally to optimise the product mix, a second supplementary dry mining operation will be established for an additional 1,000 tph later this year. It is expected that dry mining will enable the combined mining operation to keep the WCP supplied to capacity over a range of mining conditions.

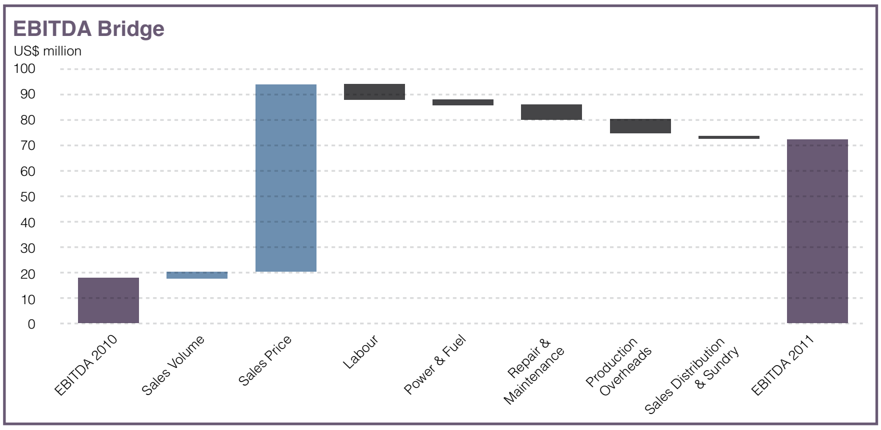
Operating costs

Cost of sales for the year amounted to US$97.5 million (2010: US$77.7 million), including depreciation and amortisation of US$18.8 million (2010: US$21.0 million). Other operating costs amounted to US$17.1 million (2010: US$17.4 million) comprised of: freight costs of US$3.6 million (2010: US$4.1 million), which are reimbursable by customers and factored into the sales price for product delivered to customers on a CIF (cost, insurance and freight) basis; US$2.5 million (2010: nil) for demurrage as a result of unseasonably bad weather in the middle of the year which restricted shipments; distribution costs of US$5.7 million (2010: US$3.8 million); and administration costs of US$5.3 million (2010: US$7.6 million), which includes a charge of US$2.3 million (2010: US$2.1 million) for share-based payments.

Cash Operating Costs 2011



Jetty



During the year there were two sets of negotiations with the Mine union which resulted in labour cost increases. These, coupled with fuel price increases and mining industry cost inflation, were largely responsible for the increase in operating costs in 2011. Technical Completion, which is a requirement under the project financing documents, was achieved in September 2011 after passing a comprehensive set of tests. These tests required the Mine to achieve certain production and efficiency levels on a sustained basis and to meet specified environmental, health and safety, and social requirements. Non-recurring costs of approximately US$1.5 million were incurred during the year in passing these tests. This major milestone triggered a 2% reduction in the subordinated debt interest rate, reducing interest costs by approximately US$3 million per annum.

The total charge for share-based payments in cost of sales and other operating costs is US$3.5 million (2010: US$2.5 million). This charge is non-cash cost to the Company and is calculated in accordance with IFRS 2.

Operating profit

The operating profit for the year amounted to US$52.9 million (2010: loss US$3.5 million). The increase in operating profit resulted from higher revenues, principally due to an increase in product prices.

Finance costs, interest and exchange movements

Loan interest and finance fees were US$31.7 million (2010: US$31.0 million). In accordance with the project financing documents, US$8.6 million (2010: US$10.0 million) of senior loan interest was paid and US$21.0 million (2010: US$15.9 million) of subordinated loan interest was accrued. The mortgage loan which was used to purchase the transhipment vessels, Peg and Sofia III, was repaid in full during the year. At 31 December 2011, the Group's total debt was US$327.1 million (2010: US$338.4 million). The debt to equity ratio was 66% (2010: 73%). The weighted average interest rate on debt at year-end was 8.2% (2010: 9.0%).

Cash and cash equivalents at 31 December 2011 were US$77.3 million (2010: US$238.5 million). Interest earned during 2011 amounted to US$3.3 million (2010: US$1.5 million). Funds are only invested in financial products and with counterparties that meet acceptable credit and other risk criteria. Subject to this requirement, the funds are managed in accordance with Group treasury policy in order to maximise returns subject to currency mix and other contractual considerations. An exchange loss of US$6.3 million (2010: gain US$16.7 million) arose during the year, mainly due to losses on South African Rand deposits held to fund Rand-denominated expansion capital costs, partially offset by gains in Euro-denominated loans. Euro-denominated loans at 31 December 2011 amounted to US$149.1 million (2010: US$139.0 million), 46% of total debt. Of the US$77.3 million (2010: US$238.5 million) in cash balances at the year-end, US$46.9 million (2010: US$35.2 million) or 61% is denominated in South African Rand.

Deferred tax

An income tax credit was not recognised in previous years in which losses have been incurred because of the likelihood that the carryforward loss would expire before being used. As a result of much higher product prices in 2011, a portion of the carryforward loss is now expected to offset taxable profits, so a deferred tax asset of US$5.5 million has been recognised. This results in a profit after tax of US$23.7 million (2010: loss US$16.3 million) for the year.

Operating cash flow

Net cash flow generated from operations in 2011 was US$45.7 million (2010: US$18.4 million). Investing activities of US$169.8 million (2010: US$34.8 million) in the year represents additions to property, plant and equipment, primarily on capital costs for Phase II expansion. Loan repayments during the year amounted to US$28.1 million (2010: US$26.4 million). The increase on 2010 is largely a result of the repayment in full of the mortgage loan on the transhipment vessels, Peg and Sofia III. There was a decrease in cash and cash equivalents for the year of US$150.7 million, primarily due to Phase II expansion capital costs.

Balance Sheet

Additions to property, plant and equipment during 2011 amounted to US$180.1 million (2010: US$35.9 million). The upgrade of the jetty, to allow transhipment vessels to berth on both sides, enhances the export facility's flexibility and availability. This was completed in October 2011 at a cost of US$11.2 million (of which US$2.2

Operating & Financial Review continued


HMC stockpile

million was incurred in 2010). US$4.1 million relates to capital projects on the MSP completed during the year and US$7.8 million relates to other sustaining capital projects. The expansion related upgrade of the WCP to increase spiral feed capacity from 3,000 tph to 3,500 tph was completed in September 2011 at a cost of US$6.8 million. The remaining additions of US$152.0 million relates to the remaining expansion works. US$0.4 million was spent on development work of Phase III.

As noted above, a deferred tax asset of US$5.5 million was recognised during the year as a result of the Group having unused tax losses available for offset against future profits which had not been previously recognised because it was not considered probable that the tax losses would be used before they expired. With the significant increase in product prices in 2011, it is now considered likely that a portion of such losses will be used before expiry.

Total liabilities at 31 December 2011 amounted to US$366.2 million (2010: US$362.8 million), of which US$327.1 million (2010: US$338.4 million) relates to bank loans, details of which are set out below:

	Loan balance US$ million	Maturity
Senior loans		
AFDB	28.8	2018
Absa (ECIC)	47.9	2015
EAIF	3.6	2018
EIB	14.2	2018
FMO	14.2	2016
KfW IPEX-Bank (Hermes)	13.6	2015
KfW IPEX-Bank (MIGA)	10.8	2018
Total	**133.1**	
Subordinated loans		
EIB	115.2	2019
EAIF	43.0	2019
FMO	35.8	2019
Total	**194.0**	
Total Loans	**327.1**	

In December 2011, in order to address projected expansion capital cost increases, Kenmare concluded an amendment to the project financing documents which provides that up to US$65 million of operating cash flow from the Mine may be applied to fund expansion capital costs.

Accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union and therefore the Group financial statements comply with Article 4 of the IAS Regulation. The financial statements have been prepared in compliance with Companies Acts 1963 to 2009. The Group's significant accounting policies and details of the significant accounting judgements and critical accounting estimates are disclosed within the notes to the financial statements. The Group did not make any material changes to its accounting policies in the year ended 31 December 2011.

Financial outlook

Prices of titanium minerals and zircon have continued to strengthen in 2012 and this trend is expected to continue. Kenmare anticipates that the combination of dry mining and operation of the dredges will enable the Mine to deal with the clay-rich ore which has reduced production during the first quarter of 2012, allowing it to reach HMC target production levels during the second quarter. Some limited transitional interruption to operations as a result of the integration of the expansion facilities to the main plant is expected at the end of the year. The Phase II expansion project to increase production capacity by 50% is well underway and scheduled for ramp-up in 2013. Given the strong product price environment and increasing production, the outlook for 2012 is very positive for Kenmare.

Wet shaking tables in the MSP

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

GENERAL COMMUNITY INTERACTION

Introduction

Kenmare is committed to operating in a sustainable and responsible manner and has a long-term strategic approach to the conduct of its business, with corporate responsibility as a key priority. Kenmare recognises that its social licence to operate derives from its stakeholders, in particular the members of the communities in the immediate vicinity of the Mine. Ensuring close communication and consultation with all stakeholders is therefore one of the central pillars of its operations. Kenmare aims to be a catalyst for positive social and economic improvements in the communities neighbouring its operations. One of the ways it does this is by supporting the Kenmare Moma Development Association ("KMAD"), an independent not-for-profit development organisation, established in 2004 to implement development programmes in these communities.

A highlight for 2011 was the construction of the Health Centre in Mtiticoma, the resettled village near the Mine. Construction of housing for the nurses that will staff the clinic is underway. Once these are completed, the clinic can be handed over to the local government health authorities and commence operating. Once the clinic is operating, significant improvements in health care are expected in the communities surrounding the Mine. At present, members of the neighbouring communities in need of medical attention with no means of transport either have to walk long distances to reach the nearest health post, or wait for the bi-weekly Mobile Clinic Team ("MCT") visits to access basic health care services. The new clinic will make healthcare service more accessible to members of these communities.

Type of projects supported

KMAD and its partners support three categories of projects: enterprise, social and cultural, and rural infrastructure.

Enterprise projects

The focus of these projects is on facilitating and developing new business ideas in response to market needs. The business initiatives which receive support from KMAD vary from fruit, vegetable, egg and salt production to the establishment of local shops, and sewing groups. The support provided is varied and includes both direct support in terms of materials, finance, etc., as well as capacity building such as business and skills training. KMAD works to ensure that dependency relationships, requiring medium to long-term economic or technical assistance, are not created with project participants, and that the business can, after initial support, be run independently by the participants.

Social and cultural projects

These include educational programs, such as HIV/AIDS prevention as well as the establishment of a mobile clinic team which makes regular visits to health centres in communities surrounding the Mine. Practical training with the health personnel working at these facilities is conducted and educational sessions were carried out at the schools with the children to address the importance of dental care from an early age. Community sports initiatives are also supported by KMAD.

Rural infrastructure projects

KMAD works closely with local government to invest in infrastructure needs identified by local communities. KMAD seeks to improve local livelihoods, through provision of health facilities, schools and school furniture, for example. Caution is used to ensure that a sustainable program for maintenance and utilisation of each infrastructure project is established prior to implementation. For example, the Mtiticoma health centre was built in consultation with the Ministry of Health, which has committed to staff, equip and operate the clinic.

ORGANISATIONAL DEVELOPMENT

KMAD Membership

The KMAD Board consists of members of the Board and executives of Kenmare Resources plc, five community representatives, and members of the Mine operations team.

Operation

KMAD activities are supervised by the Kenmare Country Manager together with the full-time KMAD Coordinator, who is responsible for day-to-day management of KMAD's activities and managing relationships with the implementing partners. The Community Liaison Officer (a member of the Mine operations team) assists with monitoring KMAD projects. Financial information is maintained by the Company's Financial Controller. In November 2011, a new KMAD manager position was created and filled. The manager will train the existing staff, review the portfolio of KMAD projects, and identify opportunities for future projects.

Sources of funding

The majority of funding to date has come from Kenmare Resources plc. Additional resources have been obtained through direct support from partner institutions such as FMO (the Netherlands Development Finance Company) who have provided funds for technical assistance and capacity-building on the agriculture/poultry projects and health projects. Donations have also been received from Kenmare Directors and employees. KMAD has leveraged indirect support by working with partners who have projects in the region and can extend their focus to include KMAD's target area with minimal additional effort.

IMPLEMENTATION STRATEGIES

KMAD's approach to project implementation includes a mixture of direct, contracted, and collaborative implementation.

Direct implementation

KMAD has in some instances directly managed activities, such as school construction and school furniture production. Direct implementation is generally the most rapid implementation method. Given the desire to maintain a lean operational structure, KMAD's capacity to carry out direct implementation projects is limited.

Contracted implementation

There are a number of organisations working with KMAD in the Nampula province which are active in community development. Working with and providing funding for these organisations helps leverage their existing organisational capacities and field experience. As various projects are identified, KMAD has worked to explore possible linkages. This has generally been the preferred form of implementation method in order to ensure high quality of implementation.

Kenmare is committed to operating in a sustainable and responsible manner and has a long-term strategic approach to the conduct of its business, with corporate responsibility as a

key priority

Vegetable garden funded by KMAD

A new egg project was started in the village of Thipane

KMAD increasingly seeks to
develop long-term collaborative relationships
with partners in the area

Collaborative implementation
KMAD increasingly seeks to develop long-term collaborative relationships with partners in the area. Such relationships will be pursued with institutions, such as World Wildlife Federation (WWF), that have a long-term interest in the region. Collaboration encompasses planning of activities and management of resources. While they take considerable time to develop and there are inevitable challenges in coordination, such arrangements have long-term benefits, not only for the communities in the form of increased funding, but also for the partnering institutions in terms of more efficient activities.

ENTERPRISE PROJECTS
There were twenty enterprise projects supported by KMAD during the year, as summarised in the table below:

Type of Project	Communities	No. of Participants	Revenue generated in the year (US$)
Vegetable gardening	Nathuco, Nataka	51	16,052
Fruit farm	Thipane	12	-
Egg farm	Mtiticoma, Thipane	9	34,602
Goat raising	Naholoco, Mulimuni	65	-
Geology sample bag sewing	Topuito, Thipane and Cabula	18	64,974
Small-scale petrol station	Topuito	4	2,992
Hair Salon	Mtiticoma	4	1,451
Bakery	Topuito	4	267
Fishing project	Thipane, Larde	9	442
Salt production	Mulimini	5	586
Grocery shop	Cabula, Nathuco	12	8,479
Bicycle repair shop	Nataka	6	2,503
Building materials shop	Thipane	6	4,954
Total		**205**	**137,302**

Existing projects
In 2011, the enterprise projects already supported by KMAD continued to mature. The grocery shops restocked their shops taking into account customer demand. The farmers had meetings with the Mine catering company to assess requirements for local procedure. KMAD conducted refresher training courses with each group to improve business skills and record-keeping.

Lack of water in the dry season (normally August to November) is a problem for the horticulture associations. A sustainable means of ensuring year-round irrigation continues to be investigated. The Thipane group started planting banana, cashew and pineapple, with the first crops from the banana trees and pineapple plants expected later this year.

The fishing project experienced difficulties during the year. Catches in the area have declined sharply due to over-fishing by commercial trawlers. The Naholoco group was disbanded and the equipment provided by KMAD returned. The Larde group was restructured and is catching and selling fish.

Restructuring of the goat rearing project, undertaken in 2010, has been successful with the stock of goats increasing during the year. KMAD is planning to add more goats and target other communities in 2012. An increase in the goat population is seen as a positive step by the community


Construction of health care centre

The biggest investment supported by KMAD in 2011 was the **construction of the new Health Centre**

as they will have an alternative source of animal protein for times of fish scarcity, allowing them to maintain a balanced diet.

The salt produced by the salt pans in Mulimuni is of a high quality. The group produced 5.5 tonnes in the first cycle, well above the originally targeted 2 tonnes. Whilst transport to market proved challenging, a significant portion of production was sold. The second production cycle is currently under way.

The small-scale petrol station had a challenging year, mainly due the fact the three other fuel shops opened in Topuito alone and each of the other villages now has at least one small scale petrol station. Whilst this has caused difficulties for the existing group, it represents a positive development for the community as a whole as it demonstrates an increase in entrepreneurial initiative that was not present when KMAD first started its development activities.

The sewing projects, Nathuco grocery store and building material store in Thipane continued successfully as in previous years. There is, however, still a requirement for small business training in order to ensure they are truly sustainable.

New projects

Demand for eggs both from the Mine and the local community has increased in the last year. A new egg project was started in the final quarter of 2011 in Thipane as a result of the increased local demand and has provided some competition to the existing producers in Mtiticoma. Technical advice is being provided for twelve months by the technician that advised the Mtiticoma project. FMO generously provided the available balance of their original commitment to this new project.

Three new retail projects were supported throughout the year. The equipment from the disbanded fishing project in Nahaloco was used to support a new fishmonger in Thipane, whilst support was also given to a bicycle repair shop in Nataka and a grocery shop in Cabula. Two other small-scale shops, a bakery and a hair salon, were also started in 2011.

SOCIAL AND CULTURAL PROJECTS

Health

The fortnightly visits by the Mobile Clinic Team ("MCT") consisting of a doctor and dentist from Missão Betesda (an NGO specialising in the development and teaching of good healthcare practices) continued throughout 2011, with the double aim of attending to patients in the health centres surrounding the Mine and using the treatment of these cases to provide training for the local health staff. The number of patients attending the MCT visits has increased during the past year and the project is well integrated into the medical health system.

In 2011, twenty visits were undertaken and over three thousand people received consultations. Eighteen patients were transferred to Nampula Provincial Hospital and sixty six to Moma and Angoche hospitals for specialised treatment. The local health staff received refresher training courses and new courses covering nutrition and diarrhoea treatment. Two health education specialists have joined the MCT to carry out hygiene promotion among children attending the local primary schools. Kits containing hygiene and school materials (soap, toothbrushes and toothpaste, exercise books, pens, pencils, rulers and erasers) are distributed to the children at the health education sessions.

The biggest investment in the health sector supported by KMAD in 2011 was the construction of the new Health Centre at Mtiticoma. The main clinic has been completed, including a maternity block, borehole, water tank, toilets and bathrooms. Construction of the houses for the health clinic staff and connection of the health clinic to the electricity grid is progressing well and work on the medical waste incinerator will start soon. All work has been inspected by the Department of Public Works together with the Department of Health and by Kenmare engineers.
A Memorandum of Understanding was signed with the Health Department prior to starting works in which they committed to providing all equipment and staff necessary for the health clinic to function. Once the health clinic is completed and staffed, the ambulance already purchased by KMAD will be allocated to the facility.

KMAD distributed school supplies

Kenmare is committed to conducting all of its activities in a manner that minimises risks to employees, contractors, the general public and the environment

New soccer kits funded by KMAD

Education
KMAD distributed school supplies (exercise books, pencils, pens, erasers and pencil sharpeners) at the beginning of the year to all pupils in the area. KMAD also constructed a new classroom block at Naholoco primary school.

Sports
KMAD continues to support the soccer competition in the locality but is no longer involved in the day-to-day management. Instead, KMAD provides financial support to a community committee who organise tournaments. New soccer kits were also given to teams in Moma town.

COMPANY-COMMUNITY INTERACTION

Kenmare is committed to conducting all of its activities in a manner that minimises risks to employees, contractors, the general public and the environment.

The Company recognises that its licence to operate requires a good relationship with the local community. As part of Kenmare's commitment to comply with IFC Performance Standards, a new Stakeholder Engagement Plan ("SEP") defining how Kenmare plans to manage its involvement with stakeholders was developed.

Kenmare recognises that the benefits of community engagement include:

- A strengthened sense of community;
- The development of a co-operative working environment;
- Communities that take a greater responsibility for what is happening in their areas;
- Increased conflict management capacities; and
- Informed policy-making by local government.

Engagement focuses on the processes that bring people together. Good community engagement builds agreement around issues and creates momentum for communities to address these issues. Community members need to be at the centre of the engagement process to ensure that they are empowered and have control over their decision-making processes. Kenmare's approach is therefore to engage frequently and proactively with communities adjacent to the Mine.

The key criteria that Kenmare focus on to ensure successful engagement are:

1. Ensuring that a broad range of people and sectors participate in the process.
2. Striving to resolve complex issues.
3. Creating a vision that achieves results and creates beneficial change.
4. Ensuring collaboration and social inclusion.
5. Identifying local priorities together with communities.
6. Creating a balance between the community engagement process and the resulting actions required from both the Company and the community.

In order to manage its stakeholder engagement process, the Mine has a Community Liaison Department. The department is led by the Community Superintendent who has two Community Liaison Officers ("CLOs") reporting to her. The Community Superintendent reports directly to the General Manager. The CLO's are mandated to deal with the issues raised by local communities. Typical issues dealt with by the CLO's include crop compensation, grave relocations, employment opportunities, water and sanitation issues, and general grievances. These are dealt with individually, if applicable, or in the regular community workshop forums facilitated by Kenmare. While specific community relations programmes will change between project phases the overall goal is to align Kenmare's business and community actions to improve communication between the Company and the community.

Regular meetings were held with representatives of local communities during the year to share information. Minutes are prepared for all meetings and are approved by Kenmare and community representatives.

Local Working Groups ("LWG") are the primary channel of communication between the Company, Government representatives and representatives from the surrounding communities. These LWG, which have been set up to ensure continuity of issues discussed by a permanent group, are composed of the village secretaries, a local government official, an administrative government official, the communities' traditional leader, school directors, a representative of women's organisations, a representative of the youth population, and elected community leaders. By invitation, representatives from District Government also take part.

Regular meetings were held with representatives of local communities during the year

During the year there were four formal community meetings dealing with issues of water supply, job opportunities for residents of the neighbouring communities, safety zone around the airstrip fencing, resettlement of houses in the mine path, farming land issues, management of rental fees paid by Kenmare for use of the community hall for community meetings, and an adult literacy program. In response to the issues raised in these meetings, the Company fixed village boreholes and drilled new boreholes where needed, initiated recruitment in the villages, worked with village secretaries in compiling individuals' qualifications, cleared an area and designated it as a safety zone along the airstrip, committed to work with the community on how funds from the hall rental should be best used, committed to design and roll out an adult literacy program and agreed with the community that the Government retains responsibility for allocating farming land.

There were five community consultation meetings relating to the Nataka Environmental, Social & Health Impact Assessment ("ESHIA") plan and the Mine closure plan during the year. Items dealt with included feedback on issues raised during previous Mine expansion meetings, results of the ESHIA, job opportunities for locals, water availability, social benefits for the communities, land rehabilitation and the Mine closure plan. It was agreed that all issues raised in these meetings would be dealt with in the ESHIA, that the closure plan would be shared with the Government officials and community and that the Company would continue working on social development and design a rehabilitation program and land handover procedure with Government officials.

There were three other community meetings held during the year dealing with compensation for use of sand by the Company in construction, compensation for farmland located on areas newly cleared for mining, new crop prices issued by the Government and compensation payments. In relation to the sand used for construction, the Company agreed to organise a traditional blessing ceremony and the construction contractor agreed to drill additional boreholes. On the issue of crop compensation, the Company agreed to liaise with Governmental officials on the existing procedure and legislation and communicate the results of this communication to the community. The Company also committed to review the payment process for crop compensation.

HEALTH AND SAFETY

Kenmare has continued to improve safety performance as measured by the Lost Time Injury Frequency Rates ("LTIFR"). The rate achieved for 2011 was 0.23 (2010, 0.24; 2009, 0.38). For 2012, Kenmare has set a LTIFR ceiling of 0.21, providing a challenging target to improve on 2011 results.

Moma operations safety statistics for 2011 and 2010 are as follows:

	2011	2010	Ceiling
Man-hours worked	2,657,496	2,552,653	-
Man-hours worked since last LTI	150,685	286,829	-
Lost Time Injury (LTI)	3	3	3
Medical Treatment (MTC)	9	5	5
First Aid (FAC)	46	44	55
All Injury (AI)	58	52	62
Days lost (Injuries)	48	15	23
LTIFR	0.23	0.24	0.24
Malaria Cases	1,020	718	-


Construction of the health centre

Kenmare is committed to operating in an environmentally responsible manner and to minimise the impact of mining and processing operations on the local environment

Moma Expansion safety statistics for 2011 are as follows:

	2011
Man hours worked	1,285,428
Man hours worked since last LTI	765,327
Lost Time Injury (LTI)	1
Medical Treatment (MTC)	3
First Aid (FAC)	6
All Injury (AI)	10
Days lost (Injuries)	55
LTIFR	0.15
Malaria Cases	167

The Mine is located in an endemic malaria area, which represents a continuous challenge to employees, visitors and inhabitants of the local communities. There were 1,020 malaria cases in 2011 (2010: 718) amongst the operations employees, a 42% increase on 2010. Kenmare conducts insecticide spraying and other techniques to control the spread of mosquitoes, as well as regular employee malaria awareness promotion. During 2011, with the agreement of the Government of Mozambique and local community, Kenmare conducted an indoor residual spraying program in the surrounding communities where many of its employees live. This spraying program has also benefited the local population.

Kenmare has implemented the following additional safety strategies:

NOSA Safety System

NOSA is internationally recognised for its safety, health and environmental risk management system. The system is aligned with international standards (OHSAS 18001, ISO 14001) and assists companies to implement a systematic approach towards the management of safety, health and environmental processes.

Kenmare started the NOSA system implementation in August 2011, and is scheduled for the first official grading audit in 2012. To ensure continual improvement, NOSA has developed a five star grading system which is used annually to grade the implemented programme.

EMEX

EMEX is an integrated, risk-based, modular incident management and reporting system. Implementation of EMEX delivers several benefits to Kenmare, including accurate, prompt and efficient management of incidents, improved incident response times, and empowerment of personnel to foster a culture of safety. The system provides specific compliance measurement tools for the environment, health and safety functions and will enable quicker decision making. The system facilitates data capturing of environmental indicators for monitoring and analysis. Other key functionalities include physical compliance measurements (audits and inspections) and action and corrective action tracking.

ENVIRONMENTAL

Kenmare is committed to operating in an environmentally responsible manner and to minimise the impact of mining and processing operations on the local environment. The Mine is subject to the environmental laws and standards in force in Mozambique, together with international standards and guidelines of the World Bank, African Development Bank ("AfDB") and FMO, as well as its own policies, and commencing with the expansion, International Finance Corporation ("IFC") Performance Standards (2006). The Mine consistently seeks to apply best practice in all of its activities. The above standards relate to emissions, effluent treatment, noise, radiation, water quality, rehabilitation, management of social impacts, among others. Where standards differ, Kenmare has committed to meeting the most stringent standard applicable.

The environmental management system involves monitoring to determine whether applicable standards are being observed, and if not, promptly reports incidents so that appropriate corrective action can be taken. The system is modelled after ISO 14001 which requires that environmental objectives and targets be set annually and regularly reviewed throughout the year, with performance tracked and checked through scheduled audits and inspections. The objective of this system is to achieve and facilitate compliance with the commitments in the EMP, and to ensure that non-compliance incidents are promptly addressed, through continual improvement of environmental performance.

Greenhouse gas

In 2011, total emissions increased to an estimated 90,549 tonnes CO_2 equivalent per year, compared to 76,288 tonnes CO_2 equivalent per year for 2010, primarily as a result of expansion construction activities which commenced at the beginning of the year. This range falls below the IFC

Salt production

During 2011, Kenmare extracted 5,500 mega litres of water from its bore-field,

a 10% decrease mainly due to efficient use of water

Performance Standards threshold of 100,000 tonnes CO_2 equivalent per year for the aggregate emissions of direct sources and indirect sources associated with purchased electricity for own consumption. The annual CO_2 emissions estimate will be updated to take into account the greenhouse gas contribution from the expansion facilities in 2013.

Water management

Water management is an area of on-going focus at the Mine. During 2011, Kenmare extracted 5,500 mega litres of water (2010: 6,090 mega litres) from its bore-field, a 10% decrease mainly due to efficient use of water by repairing leaks promptly. As part of the expansion, nineteen new boreholes are being drilled, bringing the total to thirty. The Water Concession issued by the Government of Mozambique permits extraction of 14,400 mega litres per year pre-expansion and 21,600 mega litres per year post-expansion.

Management also regularly monitors surface water and groundwater quality to ensure that there is no contamination. Although there is some degree of variability in the mean results from the nine different surface water monitoring points, there is not any indication that the operations are having a significant negative impact on the quality of water in the area. Sampling data is comparable with pre-mining baseline data.

Solid waste management

The Mine continues to manage solid waste according to a comprehensive waste management procedure, which is aligned with best practices. During the year, the Mine was granted a licence to transport hazardous waste from site to licensed recycling waste contractors in Maputo and contracted with the Mavalane government hospital for the incineration of medical waste from the site clinic. A total of 100 mega litres of used oil were sent to Maputo for offsite recycling and 75 tonnes of general waste (mainly plastic and paper) were disposed at the local landfill. During the year, polystyrene lunch packs were replaced by lunch packs made of biodegradable material. However a challenge still remains on how to recycle paper and plastic as the Mine is located about 2,200 km from the nearest recycling centres and the high volume of paper and plastic make it currently uneconomical to transport. Kenmare will continue to explore other avenues of either recycling or reuse of its waste in order to reduce the total volume sent to the landfill for disposal.

Effluent management

The quality of treated effluent from the three sewerage treatment plants at the Mine is regularly monitored. Modifications were carried out during the year to bring the operation of these plants into compliance with the effluent discharge standards specified in the EMP. As part of the modifications, arrangements were made to dispose of the effluent from all the treatment plants in the Mine rehabilitation area. These arrangements include a pipeline from the camp sewerage treatment plant to the tailings sump at the MSP. MICOA approved a modification to the EMP to permit the disposal of treated effluent in the Mine rehabilitation area because the effluent contains phosphorus and nitrogen which improve soil fertility.

Radiation

Radioactive elements are present in minute quantities in most heavy mineral sands deposits. The Radiation Management Plan ("RMP") continues to be implemented at the Mine. The purpose of the RMP is to ensure that the radiation hazards, impacts and risks for the operation are identified and appropriately managed. The RMP


Sale of salt in the local market

Kenmare is committed to conducting its business without risk to the health and safety of its employees, contractors and the general public

includes all the potential impacts to the public resulting from effluents, spillages, accidental releases, transport of material, etc. All persons who work at or visit the Mine are subject to the provisions of the RMP.

The RMP includes the monitoring of areas for surface contamination and personal radiation dose exposure, personal monitoring of workers for dose exposure, monitoring radioactivity of radiation sources, air quality in and outside processing areas, natural background radiation, radioactivity of products and mineral sources and monitoring of water sources both pre- and post-use. In line with the International Commission on Radiation Protection ("ICRP") recommendations, as published in ICRP 60 and again in ICRP 103, the occupational exposure of any worker will be controlled so that relevant dose limits will not be exceeded. Training modules for existing and new employees cover aspects of radiation awareness and precaution. Monitoring of personal exposure to radiation in different work areas is conducted on a monthly basis and no abnormalities have been reported to date.

Air emissions & dust control

The mining and extraction of heavy mineral products at the Mine does not involve the use of any chemicals or smelting. Emissions of nitrous oxides are low as are sulphur dioxides from the diesel dryer as well as particulate matter from the bag houses and the dirt roads. The dust generated from the dirt roads and product conveyance is a potential pollutant; however the concentration is kept low by ensuring that all the overland conveyors are covered as well as regularly spraying the roads with water. A Standard Operating Procedure for monitoring these emissions in the vicinity of the operation is in place. This procedure sets out the frequency and parameters to be monitored, the type of equipment to be used and the location of monitoring points. Results from all monitoring locations confirm that the Mine is in compliance with the applicable ambient air quality standards.

Noise

Kenmare is committed to ensure that nuisance noise from the Mine does not affect the neighbouring community. IFC Performance Standards recommend that ambient noise levels for residential, institutional and educational receptors are 55dBA during the day and 45dBA at night.

Kenmare engages a specialist consultant to conduct an annual environmental noise survey for all equipment and activities close to the neighbouring communities to ensure that the noise generated is within the recommended guidelines.

The 2011 survey found one of the production water booster pumps adjacent to Topuito village to produce noise levels above the guidelines. A non-conformance was reported through the internal reporting system and repairs were made, following which the pump was re-tested and was found to be within acceptable limits.

Rehabilitation

A rehabilitation plan is in place for the Mine and is currently being implemented. This plan, developed in 2010, was created in consultation with the local community and their contributions incorporated accordingly. By the end of 2011, a total of 47.7 hectares had been spread with topsoil and was ready for germination during the rainy season at the beginning of 2012. This compares with an annual target of 72 hectares.

Kenmare engaged the Institute of Agricultural Investigation of Mozambique ("IAIM") under the supervision of Golder Associates to conduct land rehabilitation research. It is anticipated that this partnership will help in research and identification of required crops, as well


KMAD sponsored vegetable garden

There were 960 Kenmare employees at the Mine as at the end of December 2011. This amounted to an **increase of 317** employees when compared with January 2011

as skill transfer to the local community in agricultural and sustainable use of the land after rehabilitation.

BIODIVERSITY

Terrestrial

Kenmare recognises the importance of minimising the threat of the spread of alien invasive species as a result of mining. During the year, the rehabilitation program was audited against the performance indicators outlined in the Alien Species Management Plan. No invasive species were identified or new alien species introduced into the area as a result of the Mine's activities.

Marine

No marine monitoring work was undertaken during the year because the jetty was being upgraded. A survey is due to take place in 2012.

EMPLOYEES

Kenmare recognises that employees are the backbone of the business and that a partnership with them is vital to achieving its business objectives.

Pre-employment, annual and exit medicals are performed at Kenmare site clinic with regular inspections on hygiene at the camp, kitchen and site ablutions. HIV/AIDS training forms part of Kenmare's induction training to all employees, contractors and visitors that come to site. However, in compliance with Mozambican law, HIV/AIDS testing does not form part of pre-employment testing.

Kenmare is committed to conducting its business without risk to the health and safety of its employees, contractors and the general public. Kenmare applies a strategy of zero tolerance in order to achieve zero fatalities or major injuries.

Senior managers are responsible for ensuring that appropriate organisational arrangements and resources are made available for the fulfilment of this policy and for monitoring its implementation and effectiveness.

Kenmare's Conditions of Employment Policy is compliant with the Mozambican Labour Law, the International Labour Organisation Labour Convention and FMO Core Labour Standards. These cover hours of work, meal breaks, transport, shift hours, overtime, standby, call outs and payment on Sundays and holidays, amongst others. Employee benefits are also included, with focus on retirement benefits, health, personal accidents and medical benefits. Kenmare does not employ child labour or commit any forced labour practices.

Various agreements to improve the employment conditions and benefits were reached with the union. There was an illegal strike which lasted for three days in April 2011. The main issue raised by the union was dissatisfaction that the Company did not have a transparent salary table and system of job grading. The introduction of the Paterson job grading system had already been initiated prior to the strike and this was subsequently completed. A new salary table was introduced which included aligning the base salaries for all employees in various levels. As part of the wage negotiations, it was agreed that new benefits would be introduced such as a length of service allowance and a stand-by allowance.

Employee Demographics

There were 960 Kenmare employees at the Mine as at the end of December 2011. This amounted to an increase of 317 employees when compared with January 2011. The vast majority of the employees (86%) are Mozambicans. Women make up 4% of the total workforce. Temporary employees increased from 31 in January 2011 to 174 in December. Most of these temporary employees will be considered when post-expansion positions are filled.

CORPORATE RESPONSIBILITY

Kenmare's Moma Titanium Minerals Mine is a major investment in the north of Mozambique. Kenmare believes it will serve as a catalyst for further investment and actively supports the Government of Mozambique when promoting investment in the country.

Kenmare does not give donations or contributions to any political party and does not tolerate bribery in any shape or form.

Board of Directors











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1. Justin Loasby
Chairman
Justin Loasby has extensive experience of international corporate finance. A graduate of Oxford University and the London Business School (M.A. and M.Sc. Econ), his early career was at Morgan Grenfell & Co. Ltd and at 3i plc. He held senior management positions at the European Investment Bank, Luxembourg, notably from 1994 to 2005 heading up the EIB's financing operations in Southern Africa and the Indian Ocean. He represented the EIB as shareholder/director in a number of companies, including the African Lion Mining Fund. He retired from EIB in 2007, and continues to work in a private capacity, including currently on the Investment Committee of the AIC Caribbean Fund. He was appointed to the Board in August 2011 and appointed Chairman of the Company in January 2012. He is Chairman of the Nomination Committee and a member of the Remuneration Committee.

2. Michael Carvill
Managing Director
Michael Carvill is a Fellow of the Institute of Engineers of Ireland (FIEI). He holds a BSc in Mechanical Engineering (Queen's University, Belfast) and an MBA (Wharton School, University of Pennsylvania). He worked as a contracts engineer in Algeria and as a project engineer at Tara Mines, Ireland. He has been the Managing Director of Kenmare since 1986.

3. Jacob Deysel
Operations Director
Jacob Deysel holds a BSc in Mine Engineering and a Masters in Business Administration, both from the University of Witwatersrand in South Africa. He has worked in the titanium dioxide feedstock industry since 2003. Previously he worked with Richards Bay Minerals, the world's largest single producer of titanium dioxide feedstocks. At Richards Bay Minerals, he had responsibility for the mine's five plants in addition to geology, mine planning and maintenance. Before that he was with Gold Fields Limited at Driefontein Mine where he was Operations Manager for the West Complex consisting of seven operating shafts. He was elected to the Board in May 2010.

4. Terence Fitzpatrick
Technical Director
Terence Fitzpatrick is a graduate of University of Ulster (Mech. Eng.). He worked as Project Manager and then Technical Director of Kenmare from 1990 to 1999. He was responsible for the development of the Ancuabe Graphite Mine, which achieved completion on schedule and budget in 1994. He was appointed to the Board of Kenmare in 1994. He served as a Non-Executive Director from 2000 to 2008. He was appointed as Technical Director in February 2009.

5. Tony McCluskey
Financial Director
Tony McCluskey has worked with Kenmare since 1991. He was originally appointed as Company Secretary and Financial Controller, before becoming Financial Director in 1999. He holds a Bachelor of Commerce degree from University College Cork and is a Fellow of the Institute of Chartered Accountants. Before joining Kenmare, he worked for a number of years with Deloitte & Touche as a senior manager in Dublin and also worked overseas.

6. Sofia Bianchi
Non-Executive Director
Sofia Bianchi has extensive experience in banking, fund management and mergers & acquisitions (M&A). She is currently Portfolio Manager with BlueCrest Capital Management. She held the position of Deputy Managing Director of the Emerging Africa Infrastructure Fund with Standard Bank London from 2002 to 2007. She previously held a senior position with European Bank for Reconstruction & Development. From 1987 to 1992 she was a member of a global M&A advisory team, Prudential Bache Capital Funding, where she initiated, structured and executed cross-border M&A transactions. She holds a BA in Economics from George Washington University, Washington, DC and an MBA from Wharton School, University of Pennsylvania. She was appointed to the Board as a Non-Executive Director in May 2008 and is a member of the Audit, Nomination and Remuneration Committees.

7. Ian Egan
Non-Executive Director
Ian Egan has over 30 years experience in the mining industry including holding senior management positions at BHP, Utah Mining Australia, Mineral Deposits Limited and N L Industries Inc. He is currently a director of Canadian listed Galane Gold Limited. Mr. Egan is a Fellow of the Australian Institute of Mining and Metallurgy (FAusIMM) and a Fellow of the Australian Institute of CPAs (FCPA). He has been awarded a BEc in Accounting and Law and MEc in Industry Economics from the University of Sydney. Ian was appointed to the Board as a Non-Executive Director in 1998 and is a member of the Audit Committee.

8. Simon Farrell
Non-Executive Director
Simon Farrell has over 30 years experience in the mining industry at senior management and board level, principally in the areas of finance, marketing and general management and is Deputy Chairman of Coal of Africa Ltd. He holds a BComm degree from the University of Western Australia and an MBA from Wharton School, University of Pennsylvania. He is a Fellow of both the Australian Society of Accountants and the Australian Institute of Company Directors. He was appointed to the Board as a Non-Executive Director in January 2000.

9. Elizabeth Headon
Non-Executive Director
Elizabeth Headon has over 15 years experience in corporate communications, advising and representing numerous publicly quoted companies, government departments and agencies, with a specialism in issue and crisis management. She was a Director of Ireland's leading communications consultancy. She worked with the Kenmare Moma Development Association on its community development activities and now focuses on community relations and development. She has been working in Haiti since 2009 and is Chief Executive and Director of the country's largest corporate foundation, based in Port au Prince. She has an MBA from the Smurfit Business School, University College Dublin, and a BA and MA from the National University of Ireland, Galway. She was elected to the Board as a Non-Executive Director in May 2010. She is a member of the Audit and Nomination Committees and Chairman of the Remuneration Committee.

10. Tony Lowrie
Non-Executive Director
Tony Lowrie has over 35 years association with the equities business. He was a partner with Hoare Govett, London from 1976 until 1986 when it was sold to Security Pacific. He then became a member of the main Board of Security Pacific Hoare Govett for a period from 1986 to 1991. He led a management buyout of Asian Equities in 1991 and became Chairman of HG Asia Securities in 1991. He held this position until HG Asia Securities was sold to ABN AMRO Bank in 1996 at which point he assumed the role of Chairman for ABN AMRO Asia Securities until 2004. He was formerly also a Managing Director of ABN AMRO Bank. He has been a Non-Executive Director in several quoted Asian closed end funds. He is a Director of the Edinburgh Dragon Fund and Allied Gold Limited. He has been a Non-Executive Director of Dragon Oil plc, and had, for 18 years, been a Non-Executive Director of J. D. Wetherspoon plc. He was elected to the Board as a Non-Executive Director in 2006.

11. Peter McAleer
Non-Executive Director
Peter McAleer has over 40 years international experience at board and senior management level in the natural resources sector. He has been involved in the discovery and/or successful development of more than 10 base and precious metal deposits and has extensive experience in project development and financing. He holds a Bachelor of Commerce and is qualified as a Barrister at Law. He has been involved in the management of mining operations in Australia, Chile, Europe and North America. In the late 1990's as a Director of Equatorial Mining Limited and President of Equatorial Latin America he was Equatorial's representative on the owner's team which arranged the financing of the Minera El Tesoro copper project in Chile which involved raising project financing of US$296 million. He is a Director of Kingsgate Consolidated Limited (Australia). He was appointed to the Board in 2001 and is Chairman of the Audit Committee.

Directors' Report

For the year ended 31 December 2011

The Directors present their report and the audited financial statements for the year ended 31 December 2011.

Principal Activities

The principal activity of Kenmare Resources plc ("the Company") and its subsidiary undertakings ("the Group") is the operation of the Moma Titanium Minerals Mine (the "Mine" or "Project") in Mozambique.

Business Review and Future Developments

An Operating and Financial Review, including future developments of the Group, is given on pages 6 to 18.

Risks and Uncertainties

The principal risks and uncertainties facing the Group are detailed on pages 39 to 40.

Key Performance Indicators

The key factors indicating the physical performance of the Group's mining activities are: (i) the output of heavy mineral concentrate from the mining operation; (ii) output of finished products (ilmenite, rutile and zircon) from the MSP; and (iii) finished product shipments. The performance for the year ended 31 December 2011 for these indicators was as follows:

	H1 2011 Tonnes	H2 2011 Tonnes	Total 2011 Tonnes	H1 2010 Tonnes	H2 2010 Tonnes	Total 2010 Tonnes
Mining - heavy mineral concentrate produced	421,600	421,300	842,900	460,700	496,200	956,900
Processing – finished products produced	346,700	340,200	686,900	338,100	382,100	720,200
Marketing – finished product shipments	349,400	381,000	730,400	366,600	346,300	712,900

Production of heavy mineral concentrate at the Mine decreased by 12% compared with 2010. At the start of 2011, operation of the Mine tailing ponds was restricted by a decision not to have an operating pond in the vicinity of Topuito village following a pond breach in October 2010. This hampered mining activities during the early part of the year, but the tailing ponds were fully operational by the end of the first quarter. Production was further impacted by an unofficial strike for three days in April and more difficult than anticipated mining conditions which were encountered during the second quarter of the year. There is a clay-rich band in part of the Moma deposit known as Unit 81, which is generally avoided by the mine path. However, in order to access a pod of high grade ore, it was necessary to mine a section of Unit 81, resulting in a reduced mining rate during the second and third quarters of the year. While the presence of a clay band was anticipated prior to mining in this area, the characteristics were different than clays previously mined. Partly in response to this development, a 500 tonne per hour ("tph") supplementary dry-mining operation was commissioned and is being ramped-up to 1,000 tph. All the components to complete this process are on site and ramp-up will continue during March 2012. Principally to ensure the optimal product mix, a further supplementary dry-mining operation will be established for an additional 1,000 tph during 2012. By varying production rates, these systems will serve to enable the mining operation to keep the WCP fully supplied with a constant amount of ore over a range of orebody conditions.

As a result of the mining problems detailed above, MSP production of finished products was down by 5% on 2010 production. Finished products sold totalled 730,400 tonnes compared to 712,900 tonnes for 2010, an increase of 2%.

Statement of Results

During 2011, the Group sold 730,400 tonnes of ilmenite, zircon and rutile to customers at a sales value of US$167.5 million (2010: US$91.6 million). Cost of sales for the year was US$97.5 million (2010: US$77.7 million) resulting in a gross profit of US$70.0 million (2010: US$13.8 million).

Other operating costs are US$17.1 million (2010: US$17.4 million) comprising distribution and freight costs for the year of US$5.7 million (2010: US$3.8 million) and US$3.6 million (2010: US$4.1 million) respectively. Demurrage costs incurred during the year totalled US$2.5 million (2010: nil) as a result of unseasonably bad weather in the middle of the year which restricted shipments. Administration costs were US$5.3 million (2010: US$7.7 million). 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. US$0.1 million (2010: US$0.1 million) relate to staff working on the expansion project and was capitalised in property, plant and equipment, and the balance of US$2.3 million (2010: US$2.1 million) was included in administration costs in the income statement.

There was a foreign exchange loss for the year of US$6.3 million (2010: US$16.7 million gain) mainly as a result of a loss on the retranslation of South African Rand bank and cash balances net of gains on the retranslation of the Euro denominated loans.

Loan interest and finance fees were US$31.7 million (2010: US$31.0 million) during the year. Deposit interest earned was US$3.3 million (2010: US$1.5 million). The resultant profit before tax for the year was US$18.2 million (2010: US$16.3 million loss).

An income tax credit was not recognised in previous years because of the likelihood that the losses carried forward would expire before being used. In 2011, as a result of higher prices earned and forecast to be earned, a portion of such losses is now expected not to expire and a tax credit in respect of such losses of US$5.5 million was recognised. This results in profit after tax of US$23.7 million (2010: loss US$16.3 million) for the year which Directors propose to carry to retained earnings.

Additions to property, plant and equipment amounted to US$180.1 million (2010: US$35.9 million). The upgrade of the jetty, allowing transhipment vessels to berth on both sides thereby enhancing the export facility's flexibility and availability, was completed in October 2011 at a cost of US$11.2 million (US$2.2 million incurred in 2010). MSP capital projects with a cost of US$4.1 million were completed during the year and additions for other sustaining capital projects totalled US$7.8 million. The upgrade of the capacity of the WCP to increase spiral feed capacity from 3,000 tph to 3,500 tph was completed in September 2011 at a cost of US$6.8 million. The remaining additions of US$152.0 million relate to the remaining expansion works. US$0.4 million was spent on development work on a third phase of expansion at the Mine.

The Group has total debt of US$327.1 million (2010: US$338.4 million) as at 31 December 2011. During the year there were loan interest and principal payments amounting to US$36.7 million (2010: US$36.6 million), interest accrued of US$29.6 million (2010: US$29.2 million), and foreign exchange movements of US$4.2 million (2010: US$10.3 million) resulting in an overall decrease in debt of US$11.3 million (2010: US$17.7 million).

In December 2011, to address projected expansion capital cost increases, Kenmare concluded an agreement with Project Lenders which provided that up to US$65 million of operating cashflow from the Project may be applied to expansion costs.

Directors

The Directors who held office at 31 December 2011 were as follows:

C. Carvill	Non-Executive (former Chairman)			
S. Bianchi	Non-Executive	Δ	*	+
M. Carvill	Executive			
J. Deysel	Executive			
I. Egan	Non-Executive	Δ		
S. Farrell	Non-Executive			
T. Fitzpatrick	Executive			
E. Headon	Non-Executive	Δ	*	+
J. Loasby	Non-Executive (current Chairman)	Δ	*	+
T. Lowrie	Non-Executive			
P. McAleer	Non-Executive	Δ		
T. McCluskey	Executive			

Δ : *Members of the Audit Committee currently chaired by Mr. P. McAleer*
+ : *Members of the Remuneration Committee currently chaired by Ms. E. Headon*
* : *Members of the Nomination Committee currently chaired by Mr. J. Loasby*

In January 2012, Mr. C. Carvill retired as Director and Chairman of the Company. Mr. J. Loasby was appointed as Chairman of the Company and the Nomination Committee and resigned as a member of the Audit Committee.

In December 2011, Mr. C. Carvill and Mr. S. Farrell resigned from the Audit, Remuneration and Nomination Committees and Mr. I. Egan and Mr. T. Lowrie resigned from the Remuneration and Nomination Committees. Mr. I. Egan has remained a member of the Audit Committee in order to facilitate a hand over to a new financial expert planned to occur in 2012. In December 2011, Mr. P. McAleer resigned from the Remuneration and Nomination Committees but has remained Chairman of the Audit Committee in order to facilitate a hand over to a new Chairman, planned to occur in 2012.

In March 2012, Ms. S. Bianchi resigned as Chairman of the Remuneration Committee and Ms. E. Headon was appointed in her place.

Directors' Report continued

For the year ended 31 December 2011

The Articles of Association empower the Board to appoint Directors but also require Directors to retire and submit themselves for re-election at the first Annual General Meeting following their appointment. Under the Articles of Association, a third of the Board must retire annually but may offer themselves for re-election. However, in accordance with the provisions contained in the UK Corporate Governance Code, the Board has decided that all Directors should retire at the Annual General Meeting and offer themselves for re-election.

Directors' and Secretary's Shareholdings

The interests of the Directors and Secretary of the Company, their spouses and minor children, in the Ordinary Share Capital of the Company were as follows:

	Shares Held 20 April, 2012	Shares Held 31 Dec, 2011	Shares Held 1 Jan, 2011
C. Carvill (former Chairman)	7,625,449	7,625,449	7,605,449
S. Bianchi	1,603,600	1,603,600	1,603,600
M. Carvill	4,802,030	4,902,030	4,902,030
J. Deysel	925,716	520,687	520,687
I. Egan	1,330,349	1,330,349	1,330,349
S. Farrell	466,333	987,590	987,590
T. Fitzpatrick	108,807	108,807	108,807
E. Headon	48,773	-	-
J. Loasby (current Chairman)	-	-	-
T. Lowrie	4,870,891	5,870,891	5,870,891
P. McAleer	527,221	527,221	527,221
T. McCluskey	606,250	606,250	606,250
D. Corcoran (Secretary)	56,378	56,378	56,378

3,000,000 shares are held by a Carvill Family Trust, of which 750,000 shares held in trust for the children of Mr. M. Carvill are included in his holding above.

Directors' and Secretary's Share Options

Details of the share options of the Secretary and Directors who held office at 31 December 2011, granted in accordance with the rules of the Share Option Scheme, are as follows:

	1 Jan 2011	Granted during 2011	Exercised during 2011	31 Dec 2011	Average option price €	Option Price range From €	Option Price range To €
C. Carvill (former Chairman)	2,496,629	-	500,000	1,996,629	30c	14c	49c
S. Bianchi	-	-	-	-	-	-	-
M. Carvill	15,030,000	1,661,333	-	16,691,333	32c	11c	56c
J. Deysel	1,500,000	920,000	1,000,000	1,420,000	46c	28c	56c
I. Egan	2,180,000	-	-	2,180,000	27c	11c	49c
S. Farrell	1,180,000	-	-	1,180,000	33c	20c	49c
T. Fitzpatrick	3,400,000	500,000	-	3,900,000	24c	14c	56c
E. Headon	-	-	-	-	-	-	-
J. Loasby (current Chairman)	-	-	-	-	-	-	-
T. Lowrie	500,000	-		500,000	49c	49c	49c
P. McAleer	1,250,000	-	-	1,250,000	30c	17c	49c
T. McCluskey	10,380,000	920,000	-	11,300,000	32c	11c	56c
D. Corcoran (Secretary)	3,825,000	-	-	3,825,000	30c	13c	49c

During the year, no Directors' and Secretary's share options lapsed. The latest exercise date is June 2018. The share option period may be extended at the decision of the Board.

The share price at the year end was £0.46 and the share price range for the year was between £0.29 and £0.60.

Share Option Scheme

It is the policy of the Company to award share options to certain Directors, employees and consultants. The Board makes awards at such time or times as it may determine, subject to the conditions of the Model Code on Directors' Dealings. Any offer to grant options shall specify the consideration payable on acceptance, the number of shares comprised in the option, the mode of acceptance together with the latest date for acceptance and for payment of the said consideration. Upon receipt by the Board of such acceptance and consideration, the option will be granted and the Option Certificate delivered. The options generally vest over a three to five year period, in equal annual amounts. At 31 December 2011, there were options in issue that had been granted under the share option scheme dated 15 May 1987 to persons (other than Directors and the Secretary) to subscribe for a total of 17.2 million shares, exercisable at an average price of €0.37 per share.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Operating and Financial Review on pages 6 to 18. The financial position of the Group, its cashflows, liquidity position and borrowing facilities are also described in the Financial Review on pages 15 to 18. In addition, Note 25 to the financial statements includes the Group's policy for managing its capital.

Based on the Group's forecasts and projections, 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. Key assumptions included in the forecast include following a mine plan covering production based on the Namalope and Nataka proved and probable reserves. The forecast assumes a ramp-up to expanded production levels during 2013. Expected annual production levels at full capacity pre-expansion are approximately 800,000 tonnes of ilmenite per annum plus co-products, rutile and zircon. Expected annual production levels at full capacity post-expansion are approximately 1.2 million 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 as forecast by the lenders' independent marketing consultant. Operating and capital replacement costs are based on approved budget costs for 2012 and escalated by 2% per annum there after and reflecting post expansion costs from 2013 onwards.

Share Capital

As at 31 December 2011, Ordinary Shares account for 95% and Deferred Shares account for 5% of the total Share Capital.

The Ordinary Shares of €0.06 rank equally in all respects and carry no special rights. They carry voting and dividend rights. There are no restrictions on the transfer or voting rights of Ordinary Shares of the Company.

The Deferred Shares of €0.25 were created in 1991 by subdividing each existing Ordinary Share of IR25p into one Deferred Share of IR20p and one new Ordinary Share of IR5p. The Deferred Shares are non-voting, carry no dividend rights and the Company may purchase any or all of these shares at a price not exceeding €0.01 for all the deferred shares so purchased or may execute a transfer of such shares without making any payment to the holders.

As at 12 April 2012, the Company has been notified of the following shareholdings in excess of 3% of the issued ordinary shares of the Company:

Holding over 3%	No. of Ordinary Shares	% of Issued Share Capital
M&G Group Limited	480,655,197	19.94%
BlackRock Investment Management (UK) Ltd	192,979,582	8.01%
Capital Research & Management Company	158,618,932	6.58%
JP Morgan Asset Management Holdings Inc	96,371,554	4.00%
Legal & General Investment Management Limited	76,969,600	3.19%

Directors are appointed by the shareholders at the Annual General Meeting of the Company, and may be co-opted by the Board.

The shareholders must approve any resolution to amend the Company's Articles of Association.

In the event of a change in control, directly or indirectly, in Kenmare Moma Mining (Mauritius) Limited and Kenmare Moma Processing (Mauritius) Limited, subsidiary undertakings of the Company, their senior and subordinated lenders may require payment in full of debt obligations subject to conditions set out in the financing documents. There are no agreements between the Company and its Directors or employees providing for pre-determined compensation for loss of office or employment that would occur in the event of a bid for the Company.

Directors' Report continued

For the year ended 31 December 2011

The Directors have been given the authority by shareholders to allot shares up to an amount equal to the authorised but unissued share capital of the Company.

The Company may purchase all or any of the Deferred Shares in issue in accordance with the Companies Acts and the Company's Articles of Association.

Books of Account

The Directors have employed appropriately qualified accounting personnel and have maintained appropriate accounting systems, to ensure that proper books and accounting records are kept in accordance with Section 202 Companies Act, 1990. The books of account are kept at the Company's office at Chatham House, Chatham Street, Dublin 2.

Powers of the Directors

Under the Articles of Association of the Company, the business of the Company is to be managed by the Directors who may exercise all the powers of the Company subject to the provisions of the Companies Acts, the Memorandum and Articles of Association of the Company and to any directions given by resolution of a General Meeting not being inconsistent with the Companies Acts and the Articles of Association. The Articles further provide that the Directors may make such arrangement as may be thought fit for the management of the Company's affairs including the appointment of such attorneys as they may think fit with such powers, authorities and discretions (not to exceed those vested in or exercisable by the Directors under the Articles) and for such period and subject to such conditions as they may think fit.

Subsidiary Undertakings

The subsidiary undertakings of the Company at 31 December 2011 are outlined in Note 14 to the financial statements. The subsidiary undertakings Kenmare Moma Mining (Mauritius) Limited, Kenmare Moma Processing (Mauritius) Limited and Mozambique Minerals Limited all operate as branches in Mozambique.

Notice of Annual General Meeting and Special Business

Notice of the Annual General Meeting together with details of special business to be considered at the meeting, is set out in a separate circular which is enclosed with the Annual Report and is also available on the Company website www.kenmareresources.com.

General Meetings and Shareholders Rights

Under the Articles of Association, the power to manage the business of the Company is generally delegated to the Directors. However, the shareholders retain the power to pass resolutions at a General Meeting of the Company which may give directions not being inconsistent with the Companies Acts and the Articles of Association to the Directors as to the management of the Company.

The Company must hold a General Meeting in each year as its Annual General Meeting in addition to any other meetings in that year. The Annual General Meeting will be held at such time and place as the Directors determine. All General Meetings, other than Annual General Meetings, are called Extraordinary General Meetings. The Directors may at any time call an Extraordinary General Meeting. Extraordinary General Meetings shall also be convened by the Directors on the requisition of members holding, at the date of the requisition, not less than 5% of the paid up capital carrying the right to vote at General Meetings.

No business may be transacted at any General Meeting unless a quorum is present at the time when the meeting proceeds to business. Three members present in person or by proxy and entitled to vote at such meeting constitutes a quorum.

The shareholders have the right to receive notice of a General Meeting. In the case of an Annual General Meeting or of a meeting for the passing of a Special Resolution, twenty-one clear days' notice at the least, and any other case fourteen clear days' notice at the least, needs to be given in writing in the manner provided for in the Articles to all the members (other than those who, under the provisions of the Articles or the conditions of issue of the shares held by them, are not entitled to receive the notice) and to the Auditors for the time being of the Company.

The Shareholders also have the right to attend, speak, vote and ask questions at a General Meetings. In accordance with Irish company law, the Company specifies record dates for general meetings, by which date shareholders must be registered in the Register of Members of the Company to be entitled to attend. Record dates are specified in the notes to the Notice of a General Meeting. Shareholders may exercise their right to vote by appointing a proxy/proxies, by electronic means or in writing, to vote some or all of their shares. The requirements for the receipt of valid proxy forms are set out in the notes to the Notice convening the meeting. A shareholder, or a group of shareholders, holding at least 3% of the issued share capital of the Company, has the right to put an item on the agenda of the AGM or to table a draft resolution for inclusion in the agenda of a General Meeting, subject to certain timing requirements presented by the Companies Acts and any contrary provision of Irish company law.

All business is deemed special that is transacted at an Extraordinary General Meeting. All business that is transacted at an Annual General Meeting is also deemed special with the exception of declaring a dividend, considering the accounts, balance sheets and reports of the Directors and Auditors, electing Directors in the place of those retiring, re-appointing retiring Auditors and fixing of the remuneration of the Auditors.

Voting at any General Meeting is by a show of hands unless a poll is properly demanded. On a show of hands, every member who is present in person or by proxy has one vote regardless of the number of shares held by him. On a poll, every member who is present in person or by proxy has one vote for each share of which he is the holder. A poll may be demanded by the Chairman of the meeting or by at least three members having the right to vote at the meeting or by a member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting or by a member or members holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one tenth of the total sum paid up on all shares conferring that right.

Deadlines for Exercising Voting Rights

Voting rights at General Meetings of the Company are exercised when the Chairman puts the resolution at issue to the vote of the meeting. Where a person is appointed to vote for a shareholder as proxy, the instrument of appointment must be received by the Company not less than forty-eight hours before the time appointed for holding the meeting or adjourned meeting at which the appointed proxy proposes to vote, or, in the case of a poll, not less than forty-eight hours before the time appointed for taking the poll.

Secondary Listing

Kenmare Resources plc has a premium listing on the Main Market of the London Stock Exchange and a secondary listing on the Main Securities Market of the Irish Stock Exchange. For this reason the Company is not subject to the same ongoing listing requirements as those which would apply to an Irish company with a primary listing on the Irish Stock Exchange including the requirement that certain transactions require the approval of shareholders. The Company is subject to the equivalent Listing Rules of the UK Listing Authority.

Corporate Governance

The annual Corporate Governance Statement on pages 41 to 45 forms part of the Directors' Report and is incorporated into this report by cross reference.

Political Donations

There were no political contributions which require disclosure under the Electoral Act 1997.

Events since the year end

There have been no events since the year end which have a material effect on the financial statements.

Auditors

The Auditors, Deloitte & Touche, Chartered Accountants, continue in office in accordance with Section 160 (2) of the Companies Act 1963.

On behalf of the Board:

M. Carvill Director T. McCluskey Director

20 April 2012

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report together with the financial statements in accordance with applicable laws and regulations.

Irish company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the profit or loss of the Company and the Group for that period. Under that law the Directors are required to prepare Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have elected to prepare the Parent Company financial statements under IFRSs as adopted by the European Union as applied in accordance with the Companies Acts, 1963 to 2009. In preparing the financial statements, the Directors are required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements that are reasonable and prudent;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance;
- state that the financial statements have been prepared in accordance with IFRSs as issued by the IASB and as adopted by the European Union; and
- prepare financial statements on a going concern basis unless it is inappropriate to presume the Company and Group will continue in business.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the preparation and presentation of financial statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs.

The Directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements are prepared in accordance with IFRSs as adopted by the European Union and comply with the Companies Acts, 1963 to 2009 and as regards the consolidated financial statements, article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

Each of the Directors whose names and functions appear on page 31 of the Annual Report confirm to the best of each person's knowledge and belief:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Management Report consisting of the Operating and Financial Review and Principal Risks and Uncertainties, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board:

M. Carvill Director T. McCluskey Director

20 April 2012

Principal Risks and Uncertainties

The Group's business may be affected by risks similar to those faced by many companies in the mining industry. These include geological, political, operational and environmental risks and changes in the macroeconomic environment. The main risks applicable to the Group are set out below.

Commercial risks
The Mine's revenue and earnings depend upon prevailing prices for ilmenite and zircon, and to a lesser extent, rutile. If market prices were to fall or the Mine was unable to negotiate satisfactory pricing terms, this would have an adverse impact on the Mine's revenue generation, results of operations and financial condition. Senior management closely monitor customer sales contracts and adjusts the contracting strategy to capitalise on expected market conditions.

Operational risks
The Mine is reliant on the continued successful operation of the marine terminal for the shipment of products. Limitations caused by weather conditions or if the marine terminal was damaged by extreme weather conditions or accident such that it became unusable for any significant period pending repair, the Mine would be unable to ship its products or would limit the amount which it could ship. In this case, the Mine would be unable to meet its commitments to customers which could result in ocean freight penalties and a reduced level of cashflow which would have an adverse effect on the Mine's results of operations and financial condition.

In addition, the Group's customers depend upon ocean freight to transport products purchased from the Group. Disruption of ocean freight as a result of any impact of piracy or other events could temporarily impair the Group's ability to supply its products to its customers and thus could adversely affect the Group's results of operations and financial condition. The Group has developed a policy to manage the threat of piracy near the marine terminal.

Financing risks
The development of the Mine has been partly financed by the project loans. The Group's ability to meet its debt service obligations will depend on the cashflow generated from operations. The Mine's cashflow, in turn, depends primarily on the Mine's ability to achieve production targets, product pricing and cost efficiencies. Failure to achieve these targets could result in insufficient funds to meet scheduled interest and principal repayments which would result in an event of default. Senior management monitors achievement of targets and cashflow to ensure sufficient funds are available to meet scheduled repayments.

Currency risks
The Group's loans are denominated in US Dollars and Euro. At 31 December 2011, the loan balance was US$327.1 million, comprising US$178.0 million denominated in US Dollars and US$149.1 million denominated in Euro. The loans are due to be repaid in installments between 2012 and 2019. All the Group's sales are denominated in US Dollars. Euro-denominated loans expose the Group to currency fluctuations which are realised on payment of interest and principal on Euro-denominated loans.

Senior management regularly monitors and reports to the Board on these currency risks. The Board has determined that the Group's current policy of not entering into derivative financial instruments to manage the loan-related currency risks continues to be appropriate in light of the length and payment profile over the loan repayment period.

Group operating and capital costs are denominated in US Dollars, South African Rand, Mozambican Metical, Euro, Sterling, Australian Dollars and Singapore Dollars. Currency fluctuations in these currencies other than US Dollars will impact on the Group's financial results.

The operating and expansion capital currency exposure is managed by adjusting the currencies in which the cash used to fund such expenditure is deposited.

Interest rate risk
Interest rates on the project loans are both fixed and variable. The variable rate basis is six month US Dollar LIBOR. All the Euro loans are fixed rate loans. The Group is exposed to movements in interest rates which affect the amount of interest paid on borrowings. As at 31 December 2011, 65% of the Group's debt (US$213.0 million) was at fixed interest rates and 35% (US$114.1 million) was at variable interest rates. Any increase in six month US Dollar LIBOR would increase finance costs and therefore have a negative impact on the Group's profitability. Senior management regularly monitors and reports to the Board on these interest rate risks. The Board has determined that the Group's current policy of not entering into derivative financial instruments to manage such risks continues to be appropriate in light of the length of the loan repayment period, the payment profile over the loan period and the mix of fixed and variable rate debt.

Principal Risks and Uncertainties continued

Environmental risks

The Group is committed to managing its operations in accordance with applicable guidelines issued by the World Bank, MIGA, the African Development Bank and FMO, the environmental laws and standards in force in Mozambique, as well as its own policies. The Group also plans to apply IFC Performance Standards to the Mine. The Environmental Management Plan (EMP) for the Mine sets out the monitoring activities, management and training programs, reporting activities, auditing and mitigation measures that are required in order to identify and reduce any negative impacts of the Mine and to comply with applicable environmental laws and guidelines.

Health and safety risks

The Group is committed to conducting its business in a manner that minimises the exposure of its employees, contractors and the general public to health and safety risks arising from its operations. An accident or a breach of operating standards could result in a significant incident which would affect the Group's reputation, and the costs and viability of its operations for indeterminate periods. The Group's operations worked 4 million hours in 2011 (2010: 2.6 million hours), with 4 lost-time injuries to employees and contractors (2010: 3 lost-time injuries). Malaria is a key risk at the Mine and the Group continues to develop and implement programmes to minimise its impact on all personnel at the Mine. The Group will also continue to ensure that appropriate health and safety standards are maintained across all its activities.

Human Resources risks

The Group's success depends upon the expertise and continued service of certain key executives and technical personnel, including the Executive Directors. The loss of the services of certain key employees, including to competitors, could have a material adverse effect on the results of operations and financial condition of the Group. In addition, as the Group's business develops and expands, the Group's future success will depend on its ability to attract and retain highly skilled and qualified personnel, which is not guaranteed. Should key personnel leave or should the Group be unable to attract and retain qualified personnel, the Group's business, its results of operations and financial condition may be adversely affected. Certain Mine employees are represented by a union under a collective agreement. The Mine may not be able to satisfactorily renegotiate agreements when they expire and may face higher wage demands. In addition, existing labour agreements may not prevent a strike or work stoppage, which could have an adverse effect on the Group's earnings, financial condition and reputation.

Litigation risks

The Group may from time to time face the risk of litigation in connection with its business and/or other activities. Recovery may be sought against the Group for large and/or indeterminate amounts and the existence and scope of liabilities may remain unknown for substantial periods of time. A substantial legal liability and/or an adverse ruling could have a material adverse affect on the Group's business, results of operation and/or financial condition. See Note 27 to the Financial Statements for a discussion of material litigation.

Political risk

The Mine is located in Mozambique, which has been politically stable for over a decade. The Group has operated in Mozambique since 1987, and has executed a Mineral Licensing Contract and an Implementation Agreement which each contain provisions that provide certain protections to the Group against adverse changes in Mozambican law. Mozambique may, however, become subject to similar risks which are prevalent in many developing countries, including extensive political or economical instability, changes in fiscal policy (including increased taxes or royalty rates), nationalisation, inflation, currency restrictions and increased governmental regulations and approval requirements. The occurrence of these events could adversely affect the economics of the Mine and could have a material adverse effect on the results of operations and financial condition of the Group. Political uncertainty or government changes to fiscal terms covering the Mine's operations may discourage future investments which may impact the Group's ability to access new assets, potentially reducing future growth opportunities.

Delay or failure by the Group in implementing the expansion

Delay by the Group in implementing, or failure to complete, the expansion or an inability by the Group to achieve post-expansion production targets could have a material adverse effect on the Group's growth prospects. Successful implementation of the expansion is subject to various factors, many of which are not within the Group's control including the availability, terms, conditions and timing of the delivery of plant, equipment and other materials necessary for the construction and/or operation of the relevant facility, the performance of the EPCM Contractor, suppliers and consultants and adverse weather conditions affecting access to the Mine. In December 2011, Kenmare concluded an agreement with lenders which provided that, in addition to cash already available in the Group, up to US$65 million of operating cashflow may be applied to expansion costs. Any failure by the Group to implement the expansion as planned may have a material adverse effect on the results of operations and financial condition of the Group and the Group may be unable to capitalise on the increase in demand and the increase in prices anticipated by the Directors and may be unable to meet its commitments under the Project financing agreements.

Corporate Governance Statement

Corporate Governance

The Directors recognise the importance of good corporate governance and have ensured that appropriate corporate governance procedures are in place. In the financial year under review they have applied the principles and complied with the provisions of the UK Corporate Governance Code except for the following matters:

- Prior to 2006, Non-Executive Directors were granted share options under the Company Share Option Scheme. At the time, share options were deemed by the Board the most appropriate means to recognise the significant contribution Non-Executive Directors made to the development of the Group. Details of Non-Executive Directors' share options are set out in the Directors' Report on page 34. As a result of the non-compliance with the above provision Mr. I. Egan, Mr. S. Farrell, Mr. T. Lowrie and Mr. P. McAleer resigned from the respective Audit, Remuneration and Nomination Committees in December 2011 with exception of Mr. P. McAleer and Mr. I. Egan who have remained members of the Audit Committee. Mr. P. McAleer has remained Chairman of the Audit Committee and Mr. I. Egan has remained the financial expert of the Audit Committee in order to facilitate the handover of these roles to new members in 2012. The Directors intend that in future, all Committee members will be independent Non-Executive Directors who do not hold share options.

- Notice period on rolling service contracts with two Executive Directors is up to two years as provided for in the terms and conditions of employment, which were agreed a number of years ago. These terms were determined appropriate by the Remuneration Committee in order to retain key personnel and expertise within the Company. The Remuneration Committee has commenced a thorough review of the Executive Directors remuneration package and this matter will be considered as part of that review.

The Board of Directors

Kenmare Resources plc is led by a strong and effective Board of Directors. Directors' biographical details, including each Director's date of appointment, are set out on pages 31. The Board consist of eleven Directors, of which four are Executive and seven are Non-Executive. The majority of the Board is made up on Non-Executive Directors, considered by the Board to be independent. The Chairperson is required to be a Non-Executive. The Nomination Committee is responsible for reviewing the structure, size and composition of the Board and considers the current size and composition to be appropriate. The Board does not request Directors to step down after specified periods of membership but has delegated to the Nomination Committee the responsibility to identify when the Board requires renewal taking into account the challenges and opportunities facing the Company and what skills and expertise are therefore needed on the Board in the future. The nationalities of both the Executive and Non-Executive Directors reflects the location of operations of the Group, mining and other industry knowledge and experience necessary to lead the Group. Mr. P. McAleer is the Senior Independent Non-Executive Director.

The roles of the Non-Executive Chairman (Mr. J. Loasby) and Chief Executive (Mr. M. Carvill) are separate.

Operation of the Board

The Board has reserved certain items for its consideration and decision. These include approval of the strategic plans of the Group, financial statements, the annual budget, major acquisitions, significant contracts, major investments, interim and preliminary results announcements, and circulars to shareholders, review of the Group's system of internal control, and appointment of Directors and the Company Secretary.

The Board has delegated responsibility for the management of the Group through the Chief Executive to executive management.

Directors may take independent advice in the furtherance of their duties at the Company's expense.

Corporate Governance Statement continued

Meetings

The Board and its Committees met regularly throughout 2011. Details of Directors' and Secretary's attendance at Board and Committee meetings are set out below. Additional meetings, to consider specific issues, were held as and when required.

	Full Board Meeting		Audit Committee		Remuneration Committee		Nomination Committee	
	A	B	A	B	A	B	A	B
C. Carvill (former Chairman)	6	5	2	2	2	1	2	2
S. Bianchi	6	6	3	3	3	3	2	2
M. Carvill	6	6	-	-	-	-	-	-
J. Deysel	6	6	-	-	-	-	-	-
I. Egan	6	6	2	2	2	2	2	2
S. Farrell	6	6	2	2	2	2	2	2
T. Fitzpatrick	6	6	-	-	-	-	-	-
E. Headon	4	4	1	1	1	1	-	-
J. Loasby (present Chairman)	2	2	1	1	1	1	-	-
T. Lowrie	6	6	-	-	2	1	2	2
P. McAleer	6	6	3	3	2	2	2	2
T. McCluskey	6	6	-	-	-	-	-	-
D. Corcoran*	6	6	3	3	3	3	2	2

*In attendance only

Column A – indicates the number of meetings held during the period the Director was a member of the Board and/or Committee.
Column B – indicates the number of meetings attended during the period the Director was a member of the Board and/or Committee.

In addition to formal meetings, the Executive Directors have regular contact with the Non-Executive Directors regarding developments within the Group. The Board and its Committees are circulated with Board papers in advance of meetings.

Independence of Non-Executive Directors

The Board has determined that each of the Non-Executive Directors is independent. In reaching that conclusion, the Board took into account a number of factors that might appear to affect the independence of some of the Non-Executive Directors, including whether the Non-Executive Director has been an employee of the Group within the last three years; has or had within the last three years, a material business relationship with the Group; receives remuneration from the Group other than a Director's fee; has close family ties with any of the Group's advisers, Directors or senior employees; holds cross-directorships or has significant links with other Directors through involvement in other companies or bodies; represents a significant shareholder or has served on the Board for more than nine years from the date of their first election.

The Non-Executive Directors are remunerated by way of consultancy fees set out in agreements between each of them and Congolone Heavy Minerals Limited, a subsidiary undertaking of Kenmare Resources plc. They also receive Director's fees for services provided to Kenmare Resources plc. Details of the Non-Executive Directors' consultancy and Director's fees are set out in Note 10 on pages 71 and 72. In the past Non-Executive Directors have been granted share options under the Company Share Option Scheme. Share options were deemed by the Board the most appropriate means to recognise the significant contribution Non-Executive Directors made to the development of the Group. Details of Non-Executive Directors' share options are set out in the Directors' Report on page 34. The Non-Executive Directors hold shares in the Group as set out in the Directors' Report on page 34. Mr. I. Egan, Mr. S. Farrell and Mr. P McAleer have served on the Board for more than nine years from the date of their first election.

In each of the cases detailed above, the Board considered the independence of the relevant Non-Executive Director and concluded that independence was not compromised as they discharged their duties in a proper and consistently independent manner and constructively challenge the Executive Directors and the Board.

Performance Appraisal

The former Chairman, Mr. C. Carvill, conducted a review of the operation and performance of the Board and its Committees during 2011. This was achieved through discussions with each Director and the Company Secretary. The Chairman also conducted a performance evaluation of individual Directors. The Senior Independent Director completed an evaluation of the performance of the Chairman, taking into account the views of the Directors. It was concluded that all Directors continue to contribute effectively and to demonstrate commitment to their roles and that the Committees have functioned effectively in delivering their objectives during the year. The board plans to conduct an external evaluation of its and the Committees' performance during 2012.

Committees

The Board has established Audit, Remuneration and Nomination Committees. All Committees of the Board have written terms of reference setting out their authorities and duties. These terms of reference are available for review at the Company's registered office and are available on the Company's website; www.kenmareresources.com.

Nomination Committee

The Nomination Committee consists of the Non-Executive Chairman and Non-Executive Directors as detailed on page 33.

The Committee met to consider the appointment of Mr. J. Loasby to the Board in August 2011. The Committee approached Mr. J. Loasby directly as they were aware of his experience in mining financing and development in Africa. As a result, neither an external search consultant nor open advertising was needed.

The Committee met during 2011 to consider a number of candidates for the position of Company Chairperson. During this process the Nomination Committee has been chaired by Ms. S Bianchi. An external recruitment consultant provided advice to the Committee regarding candidates for the position of Chairperson. In January 2012, Mr. J. Loasby was appointed Company Chairman. Mr. J. Loasby's current commitments include working in a private capacity on the Investment Committee of the AIC Caribbean Fund.

The Committee met to consider the appointment of Ms. E. Headon to the Board in April 2011. Ms. E. Headon was approached directly due to her extensive community relations and public relations experience. As a result, neither an external search consultant nor open advertising was needed.

On appointment the Company Secretary provides an induction to Directors on their roles and responsibilities on the Board and relevant committees. Directors are provided with the opportunity to visit the Mine and meet with operations staff and also meet with shareholders.

The main responsibilities of the Committee include:

- identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise;
- before making an appointment, evaluating the balance of skills, knowledge and experience on the Board and, in light of this evaluation, preparing a description of the role and capabilities required for a particular appointment;
- reviewing periodically the time required from a Non-Executive Director. Performance evaluation is used to assess whether the Non-Executive Director is spending enough time to fulfil their duties;
- giving full consideration to succession planning in the course of its work, taking into account the challenges and opportunities facing the Company and what skills and expertise are therefore needed on the Board in the future;
- regularly reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and making recommendations to the Board with regard to changes considered advisable; and
- keeping under review the leadership needs of the organisation, both Executive and Non-Executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace.

The standard terms of contract with the Directors are available on request from the Company Secretary, at the Company's registered office during normal business hours, and at the AGM (for 15 minutes prior to the meeting and during the meeting).

Corporate Governance Statement continued

Audit Committee

The Audit Committee consists of the Non-Executive Directors as detailed on page 33. The Committee has determined that Mr. I. Egan, as a Fellow of the Australian Society of Certified Practicing Accountants (CPA Australia), is the Committee's financial expert. As outlined in the Directors' biographical details, set out on page 31, members bring considerable financial and accounting experience to the work of the Committee. The main responsibilities of the Committee include:

- monitoring the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance, reviewing significant financial reporting judgements contained in them;
- reviewing the Group's internal financial controls and internal control and risk management systems;
- making recommendations to the Board for it to put to the shareholders for their approval in general meeting, in relation to the appointment of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements;
- developing and implementing policy on the engagement of external auditors to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by an external audit firm; and
- reporting to the Board, identifying any matters in respect of which it considers that action or improvement is needed, and making recommendations as to the steps to be taken.

These responsibilities were discharged during 2011 as follows:

- the Committee reviewed the preliminary and half yearly results issued by the Company in April and August 2011 respectively;
- the Committee reviewed the 2010 Annual Report in April 2011 and the 2011 Interim Report in August 2011. As part of these reviews the Committee received a report from the external auditors on their audit of the Annual Report and their review of the Interim Report;
- the Committee agreed the fees to be paid to the external auditors for their audit of the 2010 Annual Report and accounts and their review of the 2011 Interim Report;
- the Committee considered the need for a dedicated internal audit function. In light of the two external audits of the Mine and Group during the year as part of the half and full year financial reporting process the Committee concluded that there is not a need for a dedicated internal audit function. However, the Committee plans to conduct specific audit work on compliance and reporting in 2012.
- the Committee reviewed the safeguards to avoid the possibility that the auditors' objectivity and independence could be compromised. The Committee is satisfied that the appropriate policy is in place in respect of services provided by external auditors;
- the Committee reviewed the reports from the external auditors on their review of the effectiveness of the Group's internal controls and disclosures made in the Annual Report on internal controls; and
- no non-audit services were provided in 2011. In 2010 Deloitte were engaged as reporting accountant for the firm placing and placing and open offer. The Committee reviewed this engagement to ensure that the provision of this non-audit service did not compromise the audit objectivity and that independence was safeguarded.

The Group's external auditors are Deloitte & Touche. KPMG provide the external audit and taxation services to the subsidiary undertakings and branches of Kenmare Moma Mining (Mauritius) Limited and Kenmare Moma Processing (Mauritius) Limited. The Committee closely monitors the level of audit and non-audit services they provide to the Group. The Committee has adopted a policy on the provision of non-audit services by the external auditors that the engagement will not compromise their audit objectivity and independence, that they have the understanding of the Group necessary to provide the service and that they are considered to be the most appropriate to carry out the work. All non-audit services must be approved by the Committee.

The Company Secretary, the external audit lead partner and from time to time the Finance Director attend meetings at the invitation of the Committee. During these meetings, the Committee and the external auditor discuss, without management present, matters relating to its remit and any issues arising from the audit. The external auditors have unrestricted access to the Chairman of the Audit Committee.

The Audit Committee Chairman, Mr. P. McAleer, can receive in confidence complaints in writing on accounting, risk issues, internal controls, auditing issues and related matters for reporting to the Audit Committee.

Internal Control

The Board of Directors has responsibility for the Group's system of internal control. This involves an ongoing process for identifying, evaluating and managing the significant risks faced by the Group and reviewing the effectiveness of the resultant system of internal control that has been in place throughout the year and up to the date of approval of the Annual Report and Accounts. The Board has delegated to management the planning and implementation of the systems of internal control throughout the Group. The system of internal control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and accords with the guidance in Internal Control: Guidance for Directors on the Combined Code (Turnbull October 2005). The key elements of the system include:

- The Board, in conjunction with management, identifies the major risks faced by the Group and determines the appropriate course of action to manage these risks;
- Risk assessment and evaluation is an integral part of the management process throughout the Group. Risks are identified, evaluated and appropriate risk management strategies implemented;
- The Board maintains control and direction over appropriate strategic, financial, organisational and compliance issues, and has put in place an organisational structure with defined lines of responsibility and authority;
- Capital expenditures are controlled centrally and, if in excess of predefined levels, are subject to approval by the Board.

During the course of its review of the system of internal control, the Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant.

Financial reporting

The Directors are responsible for preparing the Annual Report and the financial statements. The Directors have delegated to management the planning and implementation of the system of internal control over financial reporting. Internal control over financial reporting is a process designed by management to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of the Group's published financial statements for external reporting purposes in accordance with IFRS. The Group's internal control over financial reporting includes policies and procedures that pertain to the maintenance of records, in reasonable detail, accurately and fairly reflect transactions, provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures are being made only in accordance with authorisation of management.

The Audit Committee monitors the integrity of the financial statements of the Group and any formal announcement relating to the Group's financial performance, reviewing significant financial reporting judgements contained in them. The Audit Committee reviewed the 2010 Annual Report and the 2011 Interim Report and as part of these reviews the Committee received a report from the external auditors for the audit of the 2010 Annual Report and their review of the 2011 Interim Report. The Board reviews and approves the financial statements of the Company and the consolidated financial statements of the Group.

Communication with Shareholders

Communications with shareholders are given high priority and regular meetings take place between institutional shareholders and senior management. The Company's Annual General Meeting affords individual shareholders the opportunity to question the Chairman and the Board. Result announcements are sent to shareholders, and are released through the London and Irish Stock Exchanges and on the Company's website; www.kenmareresources.com.

Directors' Remuneration Report

Introduction

Responsibility for determining the level of remuneration of the Executive Directors has been delegated by the Board to the Remuneration Committee. In late 2011 the Remuneration Committee commenced a thorough review of the Executive remuneration package to help ensure that it (i) aligns the interests of the Executives and shareholders, (ii) supports delivery of the business strategy, and (iii) is competitive. As at the date of this report the review had not been fully completed: consequently, full disclosure of the revisions will be made available in the 2012 Directors' Remuneration Report.

Committee members

E. Headon (Current Chairman)
S. Bianchi (Former Chairman)
J. Loasby

In December 2011, Mr. C. Carvill, Mr. I. Egan, Mr. S. Farrell, Mr. T. Lowrie and Mr P. McAleer resigned from the Remuneration Committee to facilitate a committee composition of Directors not currently holding share options. In March 2012, Ms. S. Bianchi resigned as Chairman of the Remuneration Committee and was replaced by Ms. E. Headon.

Main responsibilities

- Determining and agreeing with the Board the remuneration policy for the Chairman, Executive Directors and senior executives;
- Approving the design of, and determining targets for, an annual performance-related pay scheme for the Executive Directors and senior executives;
- Reviewing the design of share incentive plans for approval by the Board and shareholders and determining the annual award policy to Executive Directors and senior executives under existing plans;
- Within the terms of the agreed policy, determining the remainder of the remuneration packages (principally comprising salary and pension) for each Executive Director and senior executive;
- Reviewing and noting the remuneration trends across the Group; and
- Establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee;

The Committee met three times during the year. The attendance of members at Committee meetings held in 2011 was as follows:

	Remuneration Committee	
	A	**B**
C. Carvill	2	1
S. Bianchi (Former Chairman)	3	3
I. Egan	2	2
S. Farrell	2	2
E. Headon (Current Chairman)	1	1
J. Loasby	1	1
T. Lowrie	2	1
P. McAleer	2	2
D. Corcoran*	3	3

*In attendance only

Column A – indicates the number of meetings held during the period the Director was a member of the Board and/or Committee.
Column B – indicates the number of meetings attended during the period the Director was a member of the Board and/or Committee.

Committee's advisers

The Committee invites individuals to attend meetings to provide advice so as to ensure that the Committee's decisions are well informed. No Director takes part in any decision directly affecting his/her own remuneration. The Company Chairman also absents himself during discussion relating to his own fees. During the year under review, the Committee sought independent advice from MM&K Limited, in relation to executive remuneration and technical advice in connection with the operation of the Company's share incentive arrangements. MM&K Limited is a remuneration consulting group specialising in the design and implementation of executive remuneration strategies and does not provide any other services to the Company.

Remuneration policy

The Group's policy is to maintain levels of remuneration so as to attract, motivate and retain Executive Directors and senior executives of the highest calibre who can contribute their experience to the Group's operations. Kenmare is fortunate to have deeply committed and highly experienced management, who have displayed extraordinary ability in bringing the Company's activities from exploration to production and to further expansion. The Committee has therefore decided to place particular emphasis on long-term incentives.

The elements of the remuneration package for Executive Directors and senior management are base salary, annual bonus, taxable benefits, pension payments and participation in the Group's share option scheme. A significant proportion (c.57% by fair value in 2011) of the Executive Director remuneration package is performance-linked.

When determining the total remuneration of the Executive Directors and senior management, the Committee takes into account the remuneration practices adopted by UK listed companies of a similar market capitalisation to Kenmare, remuneration practice within mining companies of a similar size and complexity and the financial and operational performance of the Company.

The key elements of the remuneration packages for the Executive Directors for the year under review and the following year are set out below. As noted above, the Committee is undertaking a review of the Company's remuneration arrangements for 2012, and on completion of the review the Committee will be in a position to approve Executive Directors 2012 remuneration. Full disclosure will be provided in the 2012 Directors' Remuneration Report.

Executive Directors' remuneration

Details of Executive Directors' Remuneration are set out in Note 10 on pages 71 and 72. Details of Executive Directors' shareholdings and share options are set out in the Directors' Report on page 34.

Base salary

Base salaries are reviewed annually with effect from 1 January, and are set by reference to a combination of external benchmarking data for other UK listed companies of similar market capitalisation and practice in the global mining sector.

Annual bonus scheme

Each Executive Director is entitled to participate in the Executive Annual Bonus Scheme in respect of each financial year of the Company.

Bonuses awarded in 2011 were based on an assessment of Group performance and personal key performance indicators (KPIs) comprising Health & Safety, Operational & Financial and project-specific targets. 50% of the bonus awarded was payable immediately and the balance deferred for three years, payable based on continued employment with the Group.

The key features of the Annual Bonus Scheme for the Executive Directors from 2012 onwards will be based on the following principles, with the quantification of percentages to be determined as part of the completion of the review referred to above:

Quantum of the bonus

- The maximum annual bonus potential for each Executive Director to be fixed as a percentage of salary. This percentage is to be set as part of the current review;
- For meeting target performance, a bonus of a percentage of salary to be payable (a lower percentage than the maximum also to be set as part of the review); and
- Payment of any bonus earned in excess of the percentage of salary for target performance is to be deferred for three years.

A majority part of bonus awarded is to be a function of achievement of Key Performance Indicators ("KPIs") in the management of the Company, in the areas of production volume and cost control, achievement of strategic milestones, and specific individual performance objectives.

Directors' Remuneration Report continued

The Committee also has broad discretion before finalising any award level on the above parameters to take into account other factors and circumstances reflecting the general financial condition and the performance of the Group, including environmental, health and safety issues, as it considers appropriate.

Pension and other benefits
Each Executive Director is entitled to receive a payment of 10% of his base salary into the Company's group personal pension plan or his private pension arrangements. Each Executive Director is entitled to 25 days' annual leave and permanent health insurance. The Managing Director has a Company car. The Group also reimburses the Executive Directors in respect of all expenses reasonably incurred by them in the proper performance of their duties.

Share Options arrangements
Executive Directors were eligible for grants of options under the Company's Share Option Scheme (SOS). Details of the share options granted to the Executive Directors in 2011 are set out on page 34 of the Directors Report. The options were granted at an exercise price of Stg46.5p vesting over three years from the date of the award.

In 2012, Executive Directors will be eligible for grants of options under the Company's SOS up to a specified number of shares. Options awarded will not be exercisable prior to three years after 1 January of the year in respect of which the options are awarded.

In line with the philosophy of emphasising long term incentives, the level of option grant policy to be set will offset a relatively modest level of bonus opportunity as a percentage of salary. The vesting of SOS awards will be subject to a performance criterion measured principally in the areas of production volume and cost-competitiveness.

This approach will encourage the Executive Directors to generate returns to shareholders in excess of the market generally, and is designed to be a robust reflection of management's success in achieving the strategic targets required to ensure the Company's continued growth.

Non-Executive Directors' remuneration
Executive Directors set the remuneration of Non-Executive Directors. The fees paid are set at a level to attract individuals with the necessary experience and ability to make a significant contribution to the Group's activities, while also reflecting the time commitment and responsibility of the role.

Non-Executive Directors are remunerated by way of Director's fees and consultancy fees set out in agreements between them and Congolone Heavy Minerals Limited, a subsidiary of Kenmare Resources plc. Details of fees paid to Non-Executive Directors are set out in Note 10 on page 71.

Non-Executive Directors do not participate in any annual bonus scheme. No share options have been awarded to Non-Executive Directors since 2006. Details of existing share options held by Non-Executive Directors are set out in the Director's Report on page 34.

None of the Non-Executive Directors had a beneficial interest in any contract to which the Company or any of its subsidiary undertakings was a party during the financial year except the consultancy agreements referred to above.

Service agreements
A contract exists with Vico Properties plc to provide for the services of Mr. M. Carvill. Service contracts exist with Mr. J. Deysel, Mr. T. Fitzpatrick and Mr. T. McCluskey. Notice period on rolling service contracts with Mr. M. Carvill and Mr. T. McCluskey is up to two years as provided for in the terms and conditions of employment, which were agreed a number of years ago. These terms were determined appropriate by the Remuneration Committee in order to retain key personnel and expertise within the Company.

The Company released Mr. M. Carvill to serve as a Non-Executive Director for a number of subsidiary undertakings in the Carvill Group Limited; he does not receive a fee for his service. This release was granted a number of years ago.

Independent Auditor's Report

To the members of Kenmare Resources plc

Deloitte.

We have audited the financial statements of Kenmare Resources Plc for the year ended 31 December 2011 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, the Parent Company Balance Sheet, the Parent Cash Flow Statement, the Parent Company Statement of Changes in Equity, the Statement of Accounting Policies and the related notes 1 to 34. These financial statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the Company's members, as a body, in accordance with Section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors are responsible, as set out in the Statement of Directors' Responsibilities, for preparing the Annual Report, including the preparation of the Group Financial Statements and the Parent Company Financial Statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Our responsibility, as independent auditor, is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group Financial Statements and the Parent Company Financial Statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2009, and as regards the Group Article 4 of the IAS Regulation. We also report to you whether in our opinion: proper books of account have been kept by the Company; whether, at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the Company; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purpose of our audit and whether the Parent Company balance sheet is in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law or the Listing Rules regarding Directors' remuneration and Directors' transactions is not disclosed and, where practicable, include such information in our report.

We are required by law to report to you our opinion as to whether the description in the corporate governance statement set out in the Directors' report of the main features of the internal control and risk management systems in relation to the process for preparing the Group Financial Statements is consistent with the Group Financial Statements. In addition, we review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review by the Listing Rules and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its internal controls.

We read the other information contained in the Annual Report as described in the contents section and consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's and the Group's circumstances consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we evaluated the overall adequacy of the presentation of information in the financial statements.

Independent Auditor's Report continued

To the members of Kenmare Resources plc

Deloitte.

Opinion

In our opinion:

- the Group Financial Statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the affairs of the Group as at 31 December 2011 and of its profit for the year then ended;

- the Group Financial Statements have been properly prepared in accordance with the Companies Acts, 1963 to 2009 and Article 4 of the IAS Regulations;

- the Parent Company Financial Statements give a true and fair view, in accordance with IFRSs, as adopted by the European Union as applied in accordance with the provisions of the Companies Acts 1963 to 2009, of the state of the Parent Company affairs as at 31 December 2011; and

- the Parent Company Financial Statements have been properly prepared in accordance with the Companies Acts, 1963 to 2009.

Emphasis of matter – Realisation of Assets

Without qualifying our opinion we draw your attention to the disclosure made in notes 11 and 14 of the financial statements concerning the recoverability of property, plant and equipment of US$714.1 million included in the Group's Balance Sheet and investments in and amounts due from subsidiary undertakings of US$478.3 million in the Parent Company Balance Sheet which are dependent on the successful development of economic ore reserves, successful operation of the Moma Titanium Minerals Mine ("Mine") including the expansion project and continued availability of adequate funding for the Mine. The financial statements do not include any adjustments relating to these uncertainties and the ultimate outcome cannot at present be determined.

We have obtained all the information and explanations we considered necessary for the purpose of our audit. In our opinion proper books of account have been kept by the Parent Company. The Parent Company balance sheet is in agreement with the books of account.

In our opinion the information given in the Directors' Report is consistent with the financial statements and the description in the Corporate Governance Statement of the main features of the internal control and risk management systems in relation to the process for preparing the Group Financial Statements is consistent with the Group Financial Statements.

The net assets of the Parent Company, as stated in the Parent Company balance sheet are more than half the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2011 a financial situation which, under Section 40(1) of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the Parent Company.

Mary Fulton
For and on behalf of Deloitte & Touche
Chartered Accountants and Registered Auditors
Dublin

20 April 2012

Consolidated Income Statement

For the year ended 31 December 2011

	Notes	2011 US$'000	2010 US$'000
Revenue	1	167,485	91,587
Cost of sales		(97,498)	(77,741)
Gross profit		69,987	13,846
Other operating costs	3	(17,071)	(17,369)
Operating profit/(loss)		52,916	(3,523)
Finance income	6	3,332	1,522
Finance costs	7	(31,748)	(31,024)
Foreign exchange (loss)/gain		(6,277)	16,691
Profit/(loss) before tax		18,223	(16,334)
Income tax credit	8	5,477	-
Profit/(loss) for the year and total comprehensive income for the year		23,700	(16,334)
Attributable to equity holders		23,700	(16,334)
		Cent per share	**Cent per share**
Earnings/(loss) per share: Basic	9	0.99	(0.80)
Earning/(loss) per share: Diluted	9	0.98	(0.80)

The accompanying notes form part of these financial statements.

On behalf of the Board:

M. Carvill Director T. McCluskey Director

20 April 2012

Consolidated Balance Sheet

As at 31 December 2011

	Notes	2011 US$'000	2010 US$'000
Assets			
Non-current assets			
Property, plant and equipment	11	714,118	552,786
Deferred tax asset	12	5,477	-
		719,595	552,786
Current assets			
Inventories	13	25,846	24,618
Trade and other receivables	15	38,831	12,974
Cash and cash equivalents	16	77,256	238,515
		141,933	276,107
Total assets		**861,528**	**828,893**
Equity			
Capital and reserves attributable to the Company's equity holders			
Called-up share capital	17	196,347	195,830
Share premium	18	301,391	299,860
Retained losses	19	(19,994)	(43,694)
Other reserves	20	17,610	14,103
Total equity		495,354	466,099
Liabilities			
Non-current liabilities			
Bank loans	21	213,523	252,814
Obligations under finance lease	22	1,810	2,015
Provisions	23	7,407	6,750
		222,740	261,579
Current liabilities			
Bank loans	21	113,585	85,574
Obligations under finance lease	22	221	157
Provisions	23	276	279
Trade and other payables	24	29,352	15,205
		143,434	101,215
Total liabilities		366,174	362,794
Total equity and liabilities		**861,528**	**828,893**

The accompanying notes form part of these financial statements.

On behalf of the Board:

M. Carvill Director T. McCluskey Director

20 April 2012

Consolidated Cash Flow Statement

For the year ended 31 December 2011

	Notes	2011 US$'000	2010 US$'000
Cash flows from operating activities			
Profit/(loss) for the year before taxation		18,223	(16,334)
Adjustment for:			
Foreign exchange movement		6,277	(16,691)
Share-based payments	31	3,368	2,374
Finance income	6	(3,332)	(1,522)
Finance costs	7	30,333	29,852
Depreciation	4	18,801	20,955
Impairment of property, plant and equipment	4	-	3,066
Increase in provisions		384	845
Operating cash flow		74,054	22,545
Increase in inventories	13	(1,228)	(2,667)
(Increase)/decrease in trade and other receivables	15	(25,847)	319
Increase in trade and other payables	24	3,983	6,851
Cash from operations		50,962	27,048
Interest received	6	3,332	1,522
Interest paid		(8,595)	(10,191)
Net cash from operating activities		45,699	18,379
Cash flows used in investing activities			
Addition to property, plant and equipment	11	(169,823)	(34,790)
Net cash used in investing activities		(169,823)	(34,790)
Cash flows (used in)/from financing activities			
Proceeds on the issue of shares	17/18	2,048	257,873
Repayment of borrowings	21	(28,093)	(26,374)
Payment of obligations under finance leases	22	(564)	(588)
Net cash (used in)/from financing activities		(26,609)	230,911
Net (decrease)/increase in cash and cash equivalents		(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		(10,526)	6,607
Cash and cash equivalents at the end of the year	**16**	**77,256**	**238,515**

Consolidated Statement Of Changes In Equity

For the year ended 31 December 2011

	Called-Up Share Capital US$'000	Share Premium US$'000	Capital Conversion Reserve Fund US$'000	Retained Losses US$'000	Share Option Reserve US$'000	Revaluation Reserve US$'000	Total US$'000
Balance at 1 January 2010	74,670	163,147	754	(57,501)	10,900	30,141	222,111
Transfer	-	-	-	30,141	-	(30,141)	-
Loss for the year	-	-	-	(16,334)	-	-	(16,334)
Share based payments	-	-	-	-	2,449	-	2,449
Issue of share capital	121,160	136,713	-	-	-	-	257,873
Balance at 1 January 2011	195,830	299,860	754	(43,694)	13,349	-	466,099
Profit for the year	-	-	-	23,700	-	-	23,700
Share based payments	-	-	-	-	3,507	-	3,507
Issue of share capital	517	1,531	-	-	-	-	2,048
Balance at 31 December 2011	196,347	301,391	754	(19,994)	16,856	-	495,354

Retained Losses

Retained losses comprise accumulated profit and losses in the current and prior years.

Share Option Reserve

The share option reserve arises on the grant of share options to certain Directors, employees and consultants under the share option scheme.

Capital Conversion Reserve Fund

The capital conversion reserve fund arises from the re-nominalisation of the Company's share capital from Irish Punts to Euro.

Parent Company Balance Sheet

As at 31 December 2011

	Notes	2011 US$'000	2010 US$'000
Assets			
Non-current assets			
Investments in and amounts due from subsidiary undertakings	14	478,289	477,481
Property, plant and equipment	11	-	16
		478,289	477,497
Current assets			
Trade and other receivables	15	549	582
Cash and cash equivalents	16	88	210
		637	792
Total assets		478,926	478,289
Equity			
Capital and reserves attributable to the Company's equity holders			
Called-up share capital	17	196,347	195,830
Share premium	18	301,391	299,860
Capital conversion reserve fund	20	754	754
Retained losses	19	(38,534)	(33,610)
Share option reserve	18	16,856	13,349
Total equity		476,814	476,183
Liabilities			
Non-Current liabilities			
Provisions	23	1,444	1,326
Current liabilities			
Trade and other payables	24	668	780
Total liabilities		2,112	2,106
Total equity and liabilities		478,926	478,289

The accompanying notes form part of these financial statements.

On behalf of the Board:

M. Carvill Director T. McCluskey Director

20 April 2012

Parent Company Cash Flow Statement

For the year ended 31 December 2011

	Notes	2011 US$'000	2010 US$'000
Cash flows used in operating activities			
Loss for the year	28	(4,924)	(6,993)
Adjustment for:			
Foreign exchange movement		(44)	3
Depreciation	11	16	41
Share-based payments expense	31	2,249	2,063
Increase in provision of amounts due from subsidiary undertakings		-	5
Increase in litigation provision		118	1,326
Operating cash flow		(2,585)	(3,555)
Decrease in receivables	15	44	7,172
(Decrease)/increase in trade and other payables	24	(112)	94
Net cash (used in)/from operating activities		(2,653)	3,711
Cash flows from/(used in) investing activities			
Investments in and amounts due from subsidiary undertakings	14	450	(261,764)
Net cash from investing activities		450	(261,764)
Cash flows from financing activities			
Proceeds on the issue of shares	17/18	2,048	257,873
Net cash from financing activities		2,048	257,873
Net decrease in cash and cash equivalents		(155)	(180)
Cash and cash equivalents at beginning of the year		210	375
Effect of exchange rate changes on cash and cash equivalents		33	15
Cash and cash equivalents at the end of the year	16	**88**	**210**

Parent Company Statement of Changes in Equity

For the year ended 31 December 2011

	Called-Up Share Capital US$'000	Share Premium US$'000	Capital Conversion Reserve Fund US$'000	Retained Losses US$'000	Share Option Reserve US$'000	Total US$'000
Balance at 1 January 2010	74,670	163,147	754	(26,617)	10,900	222,854
Loss for the year	-	-	-	(6,993)	-	(6,993)
Share based payments	-	-	-	-	2,449	2,449
Issue of share capital	121,160	136,713	-	-	-	257,873
Balance at 1 January 2011	195,830	299,860	754	(33,610)	13,349	476,183
Loss for the year	-	-	-	(4,924)	-	(4,924)
Share based payment	-	-	-	-	3,507	3,507
Issue of share capital	517	1,531	-	-	-	2,048
Balance at 31 December 2011	196,347	301,391	754	(38,534)	16,856	476,814

Retained Losses

Retained losses comprise accumulated profit and losses in the current and prior years.

Share Option Reserve

The share option reserve arises on the grant of share options to certain Directors, employees and consultants under the share option scheme.

Capital Conversion Reserve Fund

The capital conversion reserve fund arises from the re-nominalisation of the Company's share capital from Irish Punts to Euro.

Statement of Accounting Policies

GROUP
The significant accounting policies adopted by the Group are set out below.

ADOPTION OF NEW AND REVISED STANDARDS
The following new and revised Standards and Interpretations have been adopted in the current year. 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:

- IFRS 1 (Amendment) First-time Adoption of International Financial Reporting Standards (effective for accounting periods beginning on or after 1 July 2010, 1 January 2011 and 1 July 2011)
- IFRS 3 (Amendment) Business Combinations (effective for accounting periods beginning on or after 1 July 2010)
- IFRS 7 (Amendment) Financial Instruments: Disclosures (effective for accounting periods beginning on or after 1 January 2011 and 1 July 2011)
- IAS 1(Amendment) Presentation of Financial Statements (effective for accounting periods beginning on or after 1 January 2011)
- IAS 24 (Revised) Related Party Disclosures (effective for accounting periods beginning on or after 1 January 2011)
- IAS 27 (Amendment) Consolidated and Separate Financial Statements (effective for accounting periods beginning on or after 1 July 2010)
- IAS 32 (Amendment) Financial Instruments: Presentation (effective for accounting periods beginning on or after 1 February 2010)
- IAS 34 (Amendment) Interim Financial Reporting (effective for accounting periods beginning on or after 1 January 2011)
- IFRIC 13 (Amendment) Customer Loyalty Programmes (effective for accounting periods beginning on or after 1 January 2011)
- IFRIC 14 (Amendment) Prepayments of a Minimum Funding Requirement (effective for accounting periods beginning on or after 1 January 2011)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for accounting periods beginning on or after 1 July 2010).

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities (effective for accounting periods beginning on or after 1 January 2014)
- Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Liabilities (effective for accounting periods beginning on or after 1 January 2013)
- Amendments to IAS 1 Presentation of Items of Other Comprehensive Income (effective for accounting periods beginning on or after 1 July 2012)
- IAS 12 (Amendment) Income Taxes (effective for accounting periods beginning on or after 1 January 2012)
- IAS19 Employee Benefits (effective for accounting periods beginning on or after 1 January 2013)
- IFRS 13 Disclosure of Interest on Other Entities (effective for accounting periods beginning on or after 1 January 2013)
- IFRS 9 Financial Instruments; Classification and Measurement (effective for accounting periods beginning on or after 1 January 2015)
- IFRS 11 Joint Arrangements (effective for accounting periods beginning on or after 1 January 2013)
- IFRS 10 Consolidated Financial Statements (effective for accounting periods beginning on or after 1 January 2013
- IFRS 12 Disclosure of Interest in Other Entities (effective for accounting periods beginning on or after 1 January 2013)
- IAS 28 Investments in Associates and Joint Ventures (effective for accounting periods beginning on or after 1 January 2013)
- IAS 27 Separate Financial Statements (effective for accounting periods beginning on or after 1 January 2013)
- Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets (effective for accounting periods beginning on or after 1 January 2012)
- Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for accounting periods beginning on or after 1 July 2011)
- Amendments to IFRS 1 Government Loans (effective for accounting periods beginning on or after 1 January 2013)
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (effective for accounting periods beginning on or after 1 January 2013)

The adoption of IFRS 9, which the Group plans to adopt for the year beginning on 1 January 2015, will impact both the measurement and disclosures of Financial Instruments. The adoption of IFRIC 20, which the Group plans to adopt for the year beginning on 1 January 2013, will not impact the stripping costs of operations as this stripping activity is realised in the form of inventory produced and is accounted for in accordance with the principles of IAS 2 Inventories.

Basis of preparation
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the IAS Regulation. The financial statements have been prepared in accordance with Companies Acts 1963 to 2009.

Going Concern
The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Therefore they continue to adopt the going concern basis of accounting in preparing the financial statements. Further details are contained in the Directors' Report page 35.

Basis of accounting
The financial statements are prepared in US Dollars under the historical cost convention except for share-based payments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. Share options are recognised at fair value at the date of grant.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company 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 entity so as to obtain benefits from its activities.

All intra Group transactions, balances, income and expenses are eliminated on consolidation.

Determination of ore reserve estimates
The Group estimates its ore reserves and mineral resources based on information compiled by Competent Persons as defined in accordance with the Australasian Code for Reporting of Ore Reserves and Mineral Reserves of December 2004 (the JORC Code). Reserves determined in this way are used in the calculation of depreciation, amortisation and impairment charges, the assessment of life of mine and for forecasting the timing of the payment of close-down, restoration costs and clean-up costs. In assessing the life of a mine for accounting purposes, mineral resources are only taken into account where there is a high degree of confidence of economic extraction. There are numerous uncertainties inherent in estimating ore reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of final products, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated.

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for mineral products provided in the normal course of business, net of discounts and related sales taxes. Sales of mineral products are recognised when mineral products have been delivered. Typically, delivery takes place when product is loaded on the customer's vessel with most sales being priced free on board or cost, insurance and freight. Amounts billed to customers in respect of shipping and handling are classed as sales revenue where the Group is responsible for shipping and handling. All shipping and handling costs incurred by the Group are recognised as operating costs. If the Group is acting solely as an agent, amounts billed to customers are offset against the relevant costs.

Finance income represents deposit interest earned. It is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Leases
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases.

Finance leases
Assets held under finance lease are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to directly achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs.

Statement of Accounting Policies continued

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Retirement benefit costs

Payments to defined contribution retirement schemes are charged as an expense as they fall due.

Foreign currency

The individual financial statements of each Group entity are prepared in their functional currency which in each case is US Dollars. US Dollars is also the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each date, monetary items denominated in foreign currencies are retranslated at rates prevailing on the balance sheet date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement for the year.

Borrowing costs

All 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, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expenses 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 the tax rates that have been enacted or substantively enacted by the balance sheet date.

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 is probable that taxable profits will be available against deductible temporary differences which can be utilised. Such assets and liabilities are not recognised if the temporary differences arise 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 tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiary undertakings, 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 profit 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 released. Deferred tax is charged or credited in the income statement, 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 tax liabilities on a net basis.

Operating Profit/Loss
Operating profit or loss is stated after charging all costs arising from continuing operations, other than those permitted to be capitalised but before finance income, finance costs, foreign exchange gain or loss and taxation.

Exploration and evaluation expenditure
Exploration and evaluation expenditure activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration and evaluation expenditure is charged to the income statement as incurred except where the existence of a commercially viable mineral deposit has been established. Capitalised exploration and evaluation expenditure considered to be tangible is recognised as a component of property, plant and equipment at cost less impairment charges. As the asset is not available for use, it is not depreciated. All capitalised exploration evaluation expenditure is monitored for indications of impairment. To the extent that capitalised expenditure is not expected to be recovered it is charged to the income statement.

Property, plant and equipment
The cost of property, plant and equipment comprises its purchase price except for plant that was revalued prior to the date of transition to IFRS (1 January 2004), any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the estimated closure costs associated with the asset.

Construction in progress expenditures for the construction and commissioning of property, plant and equipment are deferred until the facilities are operational, at which point the costs are transferred to property, plant and equipment and depreciated at the applicable rates.

Property, plant and equipment is depreciated over its useful life on a straight line basis, or over the remaining life of the Mine if shorter, or on a units of production basis. The major categories of property, plant and equipment are depreciated as follows:

Plant & Equipment	Units of production basis
Development Expenditure	Units of production basis
Other Assets	
Buildings & Airstrip	20 years
Mobile Equipment	3 to 5 years
Fixtures & Equipment	3 to 10 years

Units of production depreciation is calculated using the quantity of heavy mineral concentrate extracted from the Mine for processing or sterilised in the period as a percentage of the total quantity of heavy mineral concentrate planned to be extracted in current and future periods based on the mining reserve. The mining reserve is updated on an annual basis for results of drilling programmes carried out, mining activity during the year, and other relevant considerations. The unit of production depreciation rate is adjusted as a result of this update. Capital spares are stated at the cost less accumulated depreciation and included in property, plant and equipment.

Residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Changes to the estimated residual values or useful lives are accounted for prospectively.

Development expenditure
Mineral exploration and project development costs, including finance costs and lender and advisor fees for the Moma Titanium Minerals Mine during the period before the Mine was capable of operating at production levels in the manner intended by management were deferred and included in property, plant and equipment. In addition, expenses including depreciation net of revenue earned during commissioning the Mine in the period before it was capable of operating in the manner intended by management were deferred. These costs include an allocation of costs, including share-based payments, as determined by management and incurred by Group companies. Interest on borrowings relating to the construction and Mine development projects are capitalised until the point when the activities that enable the Mine to operate in its intended manner are complete. Once the Mine is operating in the manner intended by management, the related costs are written off over the life of the estimated ore reserve on a unit of production basis. Where the project is terminated or an impairment in value has occurred, related costs are written off immediately.

Impairment of non-current assets
At each balance sheet date, the Group reviews the carrying amounts of its non-current 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.

Statement of Accounting Policies continued

The 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 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 the asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Product inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour costs and overheads, including depreciation incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Quantities are assessed primarily through surveys and assays.

Consumable spares are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method and comprises the purchase price and related costs incurred in bringing the inventories to their present location and condition. Capital spares are included in property, plant and equipment.

Financial assets and financial liabilities

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

Trade receivables

Trade receivables are initially recognised at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective rate method. Any difference between the proceeds and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Share capital issued and committed to be issued by the Company is recorded at the value of proceeds received, net of direct issue costs. The only equity instruments of the Group are ordinary share capital.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Mine closure provision

The mine closure provision represents the Directors' best estimate of the Group's liability for close-down, dismantling and restoration of the mining and processing site, but excluding reclamation of areas disturbed by mining activities, which is covered under the mine rehabilitation provision. A corresponding amount equal to the provision is recognised as part of property, plant and equipment and depreciated over its estimated useful life. The costs are estimated on the basis of a formal closure plan and are subject to regular review. The mine closure provision is determined as the net present value of such estimated costs. Changes in the estimated timing or costs are recorded by an adjustment to the provision and corresponding adjustment to property, plant and equipment. The unwinding of the discount on the mine closure provision is recognised as a finance cost and capitalised if eligible.

Mine rehabilitation provision

The mine rehabilitation provision represents the Directors' best estimate of the Company's liability for reclaiming areas disturbed by mining activities. Reclamation costs are recognised in each period based on the area disturbed in such period.

Legal provision

The legal provision represents the Directors' best estimate of the Company's liability for costs associated with a defamation case and further actions taken by a former Director.

Share-based payments

The Group issues share options to certain Directors, employees and consultants. Share options are measured at fair value at the date of grant. The fair value determined at the grant date of the share options is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non-market based vesting conditions. Fair value is measured using a Black-Scholes pricing model. Share options granted to employees of subsidiary undertakings of the Company are recognised as an expense in the income statement of the subsidiary undertaking and as a capital contribution in the balance sheet. The share-based payment is capitalised if eligible. The policy described above is applied to all equity-settled share-based payments granted after 7 November 2002 that vested after 1 January 2005.

PARENT COMPANY

The separate financial statements of the Company are presented as required by the Companies Acts 1963 to 2009. As permitted by the Acts, the separate financial statements have been prepared in accordance with International Financial Reporting Standards.

The principal accounting policies adopted are the same as those set out above to the Group financial statements except as noted below.

Investments in subsidiaries are recognised at cost. Amounts due from subsidiary undertakings are initially recognised at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is determined based on the net asset position of the subsidiary undertaking.

The Company is party to cross guarantees on Group borrowings. These are treated as insurance contracts and accounted for as such.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described above, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

Property, plant and equipment

The recovery of property, plant and equipment of the Mine is dependent upon the successful development of economic ore reserves, successful operation of the Mine including the expansion project and continued availability of adequate funding for the Mine.

Statement of Accounting Policies continued

The Directors are satisfied that at the balance sheet date the recoverable amount of property, plant and equipment exceeds its carrying amount and that based on planned mine production levels, the Mine will continue to achieve positive cash flows. No impairment provision has been made in respect of property, plant and equipment as a result.

The assessment of impairment involves judgement over the likely future cash flows based on future revenues, capital and operating costs, and the discount rate to be applied to such cash flows.

Investments in and amounts due from subsidiary undertakings
The recovery of investments in and amounts due from subsidiary undertakings is dependent upon the successful development of economic ore reserves of the Mine, successful operations of the Mine including the expansion project and continued availability of adequate funding for the Mine.

The Directors are satisfied that at the balance sheet date the recoverable amount of investments in and amounts due from subsidiary undertakings exceeds its carrying amount and that based on planned mine production levels, the Mine will continue to achieve positive cash flows. No impairment provision has been made in respect of investments in and amounts due from subsidiary undertakings as a result.

The assessment of impairment involves judgement over the likely future cash flows based on future revenues, capital and operating costs, and the discount rate to be applied to such cash flows.

Key sources of estimation uncertainty
The preparation of financial statements requires Directors to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date. The nature of estimation means the actual outcomes could differ from those estimates. The main areas subject to estimation uncertainty are detailed below.

Provisions
The mine closure provision represents the Directors' best estimate of the Group's liability for closedown, dismantling and restoration of the mining and processing site but excluding reclamation of areas disturbed by mining activities, which is covered under the mine rehabilitation provision. The costs are estimated on the basis of a formal closure plan and are subject to regular review. The mine closure provision is estimated based on the net present value of estimated future mine closure costs. Mine closure costs are a normal consequence of mining, and the majority of close-down and restoration expenditure is incurred at the end of the life of mine.

The mine rehabilitation provision represents the Directors' best estimate of the Group's liability for reclaiming areas disturbed by mining activities. Reclamation costs are recognised in each period based on the area disturbed in the period and an estimated cost of rehabilitation per hectare which is reviewed regularly against actual rehabilitation cost per hectare. Actual rehabilitation expenditure is incurred approximately twelve months after the area has been disturbed.

The legal provision represents the Directors' best estimate of the Company's liability for costs associated with a defamation case and further legal actions taken by a former Director. In estimating the provision the Directors have sought legal advice on costs.

Unit of production depreciation and amortisation
Unit of production depreciation is calculated using the quantity of heavy minerals extracted from the Mine for processing or sterilised in the period as a percentage of the total quantity of heavy minerals planned to be extracted in current and future periods based on the mining reserve.

The Group estimates its ore reserves and mineral resources based on information compiled by Competent Persons as defined in accordance with the Australasian Code for Reporting of Ore Reserves and Mineral Reserves of December 2004 (the JORC Code). There are numerous uncertainties inherent in estimating ore reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of final products, production costs or recovery rates may change the economic status of reserves and may ultimately result in the reserves being restated.

Share-based payments

The Group issues share options to certain Directors, employees and consultants. Share options are measured at fair value at the date of grant. Fair value is measured using a Black-Scholes pricing model. Assumptions included in this model include: expected volatility, as determined by calculating the historical volatility of the Company's share price over the previous year, as this is deemed the most reliable indicator of the Company's share price volatility; a risk-free rate; and expected life of seven years.

Deferred Tax

A deferred tax asset has been recognised considering previous tax losses which can be utilised to reduce taxes on future taxable profits, as it is considered probable that a portion of such losses can be applied before expiry. Future taxable profits are based on cash flow projections using a life of mine financial model for the Mine. Key assumptions in the cash flow projections include a mine production schedule based on the Namalope and Nataka proved and probable reserves. The projections assume ramp-up to expanded production levels during 2013. Expected annual production levels at full capacity pre-expansion are approximately 800,000 tonnes of ilmenite per annum plus rutile and zircon. Expected annual production levels at full capacity post-expansion are approximately 1.2 million tonnes of ilmenite per annum plus 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 as forecast by the lenders' independent marketing consultant. Operating and capital replacement costs are based on approved budget costs for 2012 and escalated by 2% per annum thereafter and reflecting post expansion costs from 2013 onwards. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced if and to the extent that it is no longer probable that sufficient taxable profit will be available to allow the asset to be recovered.

Notes to the Financial Statements

For the year ended 31 December 2011

1. Revenue

	2011 US$'000	2010 US$'000
Sale of mineral products	167,485	91,587

During the year, the Group sold 730,400 tonnes (2010: 712,900) of finished products ilmenite, rutile and zircon to customers at a sales value of US$167.5 million (2010: US$91.6 million).

2. Segment reporting

Information on the operations of the 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
Moma Titanium Minerals Mine	US$'000	US$'000
Revenue	167,485	91,587
Cost of sales	(97,498)	(77,741)
Gross profit	69,987	13,846
Other operating costs	(11,931)	(10,363)
Segment operating profit	58,056	3,483
Other corporate operating costs	(5,140)	(7,006)
Group operating profit/(loss)	52,916	(3,523)
Finance income	3,332	1,522
Finance expenses	(31,748)	(31,024)
Foreign exchange (loss)/gain	(6,277)	16,691
Profit/(loss) before tax	18,223	(16,334)
Income tax credit	5,477	-
Profit/(loss) for the year	23,700	(16,334)
Segment assets		
Moma Titanium Minerals Mine assets	783,791	593,305
Corporate assets	77,737	235,588
Total assets	861,528	828,893
Segment liabilities		
Moma Titanium Minerals Mine liabilities	361,989	356,504
Corporate liabilities	4,185	6,290
Total liabilities	366,174	362,794
Other segment information		
Depreciation and amortisation		
Moma Titanium Minerals Mine	18,785	20,912
Corporate	16	43
Total	18,801	20,955
Additions to non-current assets		
Moma Titanium Minerals Mine	178,496	32,647
Corporate	1,637	3,236
Total	180,133	35,883

2. Segment reporting continued

Revenue from major products

	2011 US$'000	2010 US$'000
Mineral products (ilmenite, zircon and rutile)	167,485	91,587

Geographical information

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

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, 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.

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
	17,071	17,369
Included in administration costs are:		
Share-based payments	2,249	2,063
Litigation costs	118	1,839

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. Demurrage costs of US$2.5 million (2010: nil) were incurred 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 is included as a production cost, US$0.1 million (2010: US$ 0.1 million) relate to staff working on the expansion project and has been capitalised in property, plant and equipment, and the balance of US$2.3 million (2010: US$2.1 million) is included in administration costs in the income statement.

Notes to the Financial Statements continued

For the year ended 31 December 2011

4. Profit for the year

The profit for the year ended 31 December 2011 has been arrived at after charging/(crediting) items detailed below. Depreciation and amortisation and staff costs noted below have been included in cost of sales for the year or inventory at 31 December 2011.

	2011 US$'000	2010 US$'000
Foreign exchange loss/(gain)	6,277	(16,691)
Depreciation and amortisation of property, plant and equipment	18,801	20,955
Insurance credit	-	(3,500)
Impairment of property, plant and equipment	-	3,066
Cost of inventories recognised as an expense	97,498	77,741
Staff costs	28,780	22,646

5. Auditors' remuneration

The analysis of the auditors' remuneration is as follows:

	2011 US$'000	2010 US$'000
Group		
Audit	125	112
Other assurance	77	734
Tax advisory	25	10
Other non-audit service	-	-
Total	227	856

Included in the Group audit fees are US$0.1 million (2010: US$0.07 million) fees relating to KPMG's fee for audit and taxation services provided to the subsidiary undertakings and branches of Kenmare Moma Mining (Mauritius) Limited and Kenmare Moma Processing (Mauritius) Limited.

	2011 US$'000	2010 US$'000
Parent Company		
Audit	15	15
Other assurance	75	699
Tax advisory	19	5
Other non-audit service	-	-
Total	109	719

US$0.7 million included in the 2010 Parent Company other assurance fees relate to Deloitte & Touche's fee for reporting accountant services provided in connection with the firms placing and placing and open offer as detailed in Note 17.

6. Finance income

	2011 US$'000	2010 US$'000
Interest on bank deposits	3,332	1,522

7. Finance costs

	2011 US$'000	2010 US$'000
Interest on bank borrowings	29,542	29,024
Other financing fees	1,415	1,172
Finance lease interest	419	495
Mine closure provision unwinding of the discount	372	333
Total	31,748	31,024

7. Finance costs continued

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 transhipment barge, Peg, and a tug/work boat, Sofia III in 2009. During the year borrowing cost of US$0.02 million (2010: US$0.2 million) relating to this loan were included in the cost of the qualifying assets. In this instance as the borrowing costs were specific to the transhipment vessel a capitalisation rate was not required. The interest on all other Group borrowings has been expensed in the year.

8. Income tax expense

	2011 US$'000	2010 US$'000
Corporation tax	-	-
Deferred tax	5,477	-
Total	5,477	-
Reconciliation of effective tax rate		
Profit/(loss) before tax	18,223	(16,334)
Profit/(loss) before tax multiplied by the applicable notional tax rate (12.5%)	2,278	(2,041)
Differences in effective tax rates on overseas earnings	(2,278)	-
Recognition of deferred tax asset	5,477	-
Unrecognised deferred tax assessed losses	-	2,041
Total	5,477	-

Group

No charge to corporation taxation arises in the years ended 31 December 2011 or 31 December 2010 as there were no taxable profits in either year.

At the balance sheet date Kenmare Moma Mining (Mauritius) Limited had unused tax losses of US$42.4 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.

The fiscal regime applicable to mining activities of Kenmare Moma Mining (Mauritius) Limited allows for a 50% reduction in the corporate tax in the initial ten year period of production following start up (2008) and charges a royalty of 3% based on heavy mineral concentrate sold to Kenmare Moma Processing (Mauritius) Limited. Import and export taxes and VAT are exempted, and accelerated depreciation is permitted. Whilst withholding tax is levied on certain payments to non-residents, mining companies are exempt from withholding tax on dividends for the first ten years or until their investment is recovered whichever is earlier.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount 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. The fiscal regime applicable to mining allows for the option to use accumulation of exploration and development expense and optional depreciation at 25% per annum with tax losses allowed to be carried forward for three years.

Kenmare Moma Processing (Mauritius) Limited has Industrial Free Zone (IFZ) status. As an IFZ company, it is exempted from import and export taxes, VAT and other corporation taxes. A revenue tax of 1% is charged after six years of operation. There is no dividend withholding tax under the IFZ regime.

Company

No charge to corporation taxation arises in the years ended 31 December 2011 or 31 December 2010 as there were no taxable profits in either year.

At the balance sheet date, the Parent Company has unused tax losses. Due to the uncertainty over the existence of future taxable profits, a deferred tax asset of US$1.4 million at 31 December 2011 (2010: US$0.9 million) calculated at a rate of 12.5% for tax losses has not been recognised in the balance sheet.

Notes to the Financial Statements continued

For the year ended 31 December 2011

9. Earnings/(loss) per share

The calculation of the basic and diluted earnings/(loss) per share attributable to the ordinary equity holders of the parent is based on the following data:

	2011 US$'000	2010 US$'000
Profit/(loss) for the year attributable to equity holders of the parent	23,700	(16,334)

	2011 Number of shares	2010 Number of shares
Weighted average number of issued ordinary shares for the purpose of basic earnings/(loss) per share	2,404,281,590	2,029,895,059
Effect of dilutive potential ordinary shares:		
Share options	19,791,664	-
Weighted average number of ordinary shares for the purposes of diluted earnings/(loss) per share	2,424,073,254	2,029,895,059

	Cent per share	Cent per share
Earnings/(loss) per share: basic	0.99	(0.80)
Earnings/(loss) per share diluted	0.98	(0.80)

In the 2010 Annual Report and Accounts the basic and diluted loss per share were incorrectly stated on the face of the Consolidated Income Statement as 0.01 cent. The correct basic and diluted loss per share for 2010 was 0.80 cent as noted above.

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.

10. Employee numbers and benefits

The average number of persons employed by the Group (including Executive Directors) was 736 (2010: 563) and is analysed below:

	2011	2010
Management and administration	206	117
Operations	530	446
	736	563

The aggregate payroll costs incurred in respect of these employees comprised:

	2011 US$'000	2010 US$'000
Wages and salaries	25,441	19,512
Share-based payments	3,507	2,449
Social welfare	683	575
Pension costs	198	110
	29,829	22,646

US$1.0 million (2010: US$0.3 million) of payroll costs and US$0.1 million (2010: US$0.1 million) of the share-based payments relating to share options granted to employees working on the expansion project have been capitalised in property, plant and equipment during the year.

10. Employee numbers and benefits continued

Executive and Non-Executive Emoluments comprised:

Executive Directors' Emoluments	Remuneration	Bonus	Share option expense	Other Benefits	Pension	Total
	2011	2011	2011	2011	2011	2011
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
M. Carvill	742	195	943	13	74	1,967
J. Deysel	474	139	212	-	48	873
T. Fitzpatrick	295	23	142	-	-	460
T. McCluskey	490	156	615	5	49	1,315
	2,001	513	1,912	18	171	4,615

Non-Executive Directors' Emoluments	Consultancy & Directors' Fee	Bonus	Share option expense	Other Benefits	Pension	Total
	2011	2011	2011	2011	2011	2011
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
C. Carvill	238	-	-	-	-	238
S. Bianchi	106	-	-	-	-	106
I. Egan	219	-	-	-	-	219
S. Farrell	99	-	-	-	-	99
E. Headon	59	-	-	-	-	59
J. Loasby	31	-	-	-	-	31
T. Lowrie	90	-	-	-	-	90
P. McAleer	127	-	-	-	-	127
	969	-	-	-	-	969
Total	2,970	513	1,912	18	171	5,584

Executive Directors' Emoluments	Remuneration	Bonus	Share option expense	Other Benefits	Pension	Total
	2010	2010	2010	2010	2010	2010
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
M. Carvill	539	331	845	10	40	1,765
J. Deysel	431	146	78	-	-	655
T. Fitzpatrick	250	66	53	-	-	369
T. McCluskey	466	265	590	4	35	1,360
	1,686	808	1,566	14	75	4,149

Non-Executive Directors' Emoluments	Consultancy Fee	Bonus	Share option expense	Other Benefits	Pension	Total
	2010	2010	2010	2010	2010	2010
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
C. Carvill	131	-	-	-	-	131
S. Bianchi	39	-	-	-	-	39
I. Egan	160	-	-	-	-	160
S. Farrell	39	-	-	-	-	39
T. Lowrie	39	-	-	-	-	39
P. McAleer	71	-	-	-	-	71
	479	-	-	-	-	479
Total	2,165	808	1,566	14	75	4,628

Notes to the Financial Statements continued

For the year ended 31 December 2011

10. Employee numbers and benefits continued

During the year the following deferred bonuses were awarded:

Executive Director	Deferred bonus 2011 US$'000
M. Carvill	195
J. Deysel	139
T. Fitzpatrick	23
T. McCluskey	156
Total	513

The deferred bonuses are payable in June 2014 on the condition of continued employment with the Company.

Non-Executive Directors' fees for services as Directors provided to the Company and the entities controlled by the Company are US$0.4 million (2010: nil). Consultancy fees paid to Non-Executive Directors are for non-executive services as Directors provided to the Group. E. Headon was appointed to the Board in April 2011 and J. Loasby was appointed in August 2011. Their 2011 remuneration relates to the period of their directorships.

The underlying currency of Directors' emoluments is Euro and US Dollars.

11. Property, plant and equipment

GROUP & COMPANY

	Plant & Equipment US$'000	Development Expenditure US$'000	Construction In Progress US$'000	Other Assets US$'000	Total US$'000
Cost					
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	4,510	4,169	27,180	24	35,883
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	668	418	179,027	20	180,133
At 31 December 2011	343,451	248,761	181,439	16,500	790,151
Accumulated Depreciation					
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	3,066	-	-	-	3,066
At 1 January 2011	35,277	12,706	-	9,249	57,232
Charge for the year	10,382	6,749	-	1,670	18,801
At 31 December 2011	45,659	19,455	-	10,919	76,033
Carrying Amount					
At 31 December 2011	297,792	229,306	181,439	5,581	714,118
At 31 December 2010	284,890	235,637	25,375	6,884	552,786

As at 30 June 2010, the Group published the first reserve estimate for the Nataka deposit resulting in an increase in the total reserves from 620 million tonnes grading 4.0% total heavy minerals (25 million tonnes of contained total heavy minerals) at 31 December 2009 to 859 million tonnes grading 3.8% total heavy minerals (33 million tonnes of contained total heavy minerals). 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.

As at 31 December 2010, the Group increased proven and probable reserves at Nataka and Namalope from 859 million tonnes grading 3.8% total heavy minerals (33 million tonnes of contained total heavy minerals) to 925 million tonnes grading 3.7% total heavy minerals (34 million tonnes of contained total heavy minerals) resulting in a change in the depreciation rate for plant and equipment and development expenditure which are depreciated on a unit of production basis.

11. Property, plant and equipment continued

The jetty was 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 upgrade work on the jetty in October 2011 which both strengthened the current structure and increased its operational capacity by allowing the transhipment 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 was recognised in the income statement in that year.

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 operating 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 cashflow 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 finance cash flows discounted at an average effective borrowing rate of the Moma Titanium Mineral Mine of 9%. Due to the specific nature of project borrowings, the borrowing rate is used as a proxy for the market rate.

Key assumptions include the following:

- A mine plan covering production based on the Namalope and Nataka proved and probable reserves.
- The cash flows assume ramp-up to target expanded production levels during 2013. Expected annual production levels at full capacity pre-expansion are approximately 800,000 tonnes of ilmenite per annum plus rutile and zircon. Expected annual production levels at full capacity post-expansion are approximately 1.2 million tonnes of ilmenite per annum plus 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 as forecast by the lenders' independent marketing consultant.
- Operating and capital replacement costs are based on approved budget costs for 2012 and escalated by 2% per annum thereafter and reflecting post-expansion costs from 2013 onwards.

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

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

During the year borrowing cost of US$0.02 million (2010: US$0.2 million) were capitalised in the cost of the qualifying asset. Share based payments of US$0.1 million (2010: US$ 0.1 million) relating to staff working on the expansion project have been capitalised in property, plant and equipment. During the year, there was an additional provision of US$0.1 million (2010: US$0.9 million) as a result of a revised Mine closure plan.

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 as detailed in Note 21.

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, detailed in Note 22.

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.

The recovery of property, plant and equipment is dependent upon the successful development of economic ore reserves, successful operation of the Moma Titanium Minerals Mine including the expansion project 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 continue to achieve positive cash flows.

Included in the carrying amount of the Group's mobile equipment is an amount of nil (2010: US$ 0.02 million) owned by the Company.

Notes to the Financial Statements continued

For the year ended 31 December 2011

12. Deferred tax

GROUP

	2011
	US$'000
At 1 January 2010	-
(Charge)/credit to income statement	-
At 1 January 2011	-
Credit to income statement	5,477
At 31 December 2011	5,477

At the balance sheet date, Kenmare Moma Mining (Mauritius) Limited 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 then probable that future taxable profits would be available against which Kenmare Moma Mining (Mauritius) Limited could utilise the tax losses before they expired. The significant increases in final product prices achieved by Kenmare Moma Processing (Mauritius) Limited in 2011 and forecast to be achieved in future have increased taxable profits earned and expected to be earned by Kenmare Moma Mining (Mauritius) Limited. Revenues (and hence taxable profits) in Kenmare Moma Mining (Mauritius) Limited are determined by reference to cost incurred in producing heavy mineral concentrate plus a margin which is related to prices earned by Kenmare Moma Processing (Mauritius) Limited.

13. Inventories

GROUP

	2011	2010
	US$'000	US$'000
Mineral products	12,510	13,431
Consumable spares	13,336	11,187
	25,846	24,618

14. Investments in and amounts due from subsidiary undertakings

COMPANY	2011	2010
	US$'000	US$'000
Opening balance	477,481	215,337
Funding	808	262,149
Impairment provision	-	(5)
Closing balance	478,289	477,481

The investments in subsidiary undertakings are US$4.3 million made up of initial investment of less than US$500 and capital contributions relating to share-based payments of US$4.3 million (2010: US$3.1 million) granted to staff of the subsidiary undertakings Kenmare Moma Mining (Mauritius) Limited and Kenmare Moma Processing (Mauritius) Limited and the balance of US$474.0 million (2010: US$474.4 million) represents funds transferred to subsidiary undertakings. An impairment provision of nil (2010: US$0.005 million) has been recognised in the income statement during the year. The impairment in 2010 was based on the net asset position of the subsidiary undertaking. The amounts due from subsidiary undertakings are unsecured and interest free.

14. Investments in and amounts due from subsidiary undertakings continued

The subsidiary undertakings of the Company as at 31 December 2011 are as follows:-

	Place of Incorporation	Place of Operation	Percentage Ownership
Kenmare UK Company Limited	Northern Ireland	Northern Ireland	100%
Kenmare Minerals Company Limited	Republic of Ireland	Republic of Ireland	100%
Kenmare C.I. Limited	Jersey	Jersey	100%
Congolone Heavy Minerals Limited	Jersey	Mozambique	100%
Kenmare Graphite Company Limited	Jersey	Jersey	100%
Kenmare Moma Mining (Mauritius) Limited	Mauritius	Mozambique	100%
Kenmare Moma Processing (Mauritius) Limited	Mauritius	Mozambique	100%
Mozambique Minerals Limited	Jersey	Mozambique	100%

Each of the subsidiary undertakings has issued ordinary shares only. A number of the subsidiary undertakings are indirectly owned by Kenmare Resources plc. The activities of the above undertakings are mining, mineral exploration, management and development.

The principal activity of Grafites de Ancuabe, S.A.R.L (GDAS) was the development and operation of the Ancuabe Graphite Mine. The mine has been on care and maintenance since 1999. Certain restrictions, arising out of agreements undertaken by GDAS, on the Group's influence over the financial and operating activities of GDAS became effective in 1999 and remain in place. The Group therefore does not control the Ancuabe Graphite Mine. In accordance with International Accounting Standard 27, GDAS is excluded from consolidation. Full provision has been made in the Group Financial Statements for the investment in and debt due by GDAS to other Group Companies.

The registered office of the Northern Ireland company is Terence McCourt Solicitors, 19 Bachelors Walk, Lisburn BT28 1XJ. The registered office of the Republic of Ireland company is Chatham House, Chatham Street, Dublin 2. The registered office of the Channel Island companies is Barclays Wealth, 39 - 41 Broad Street, St. Helier, Jersey. The registered office of GDAS is Rua de Chuindi No. 67, Maputo, Mozambique. The registered office of the Mauritius companies is 10th Floor Raffles Tower, 19 Cybercity, Ebene, Mauritius.

The recovery of investments in and amounts due from subsidiary undertakings is dependent on the successful development of economic ore reserves of the Mine, successful operation of the Mine including the expansion project and continued availability of adequate funding for the Mine.

Notes to the Financial Statements continued

For the year ended 31 December 2011

15. Trade and other receivables

	GROUP		COMPANY	
	2011	2010	2011	2010
	US$'000	US$'000	US'000	US$'000
Trade receivables	34,682	8,800	-	-
Other receivables	642	2,154	496	543
Prepayments	3,507	2,020	53	39
	38,831	12,974	549	582

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. The Group has a trade finance facility with Absa Corporate and Business Bank.

Of the US$34.7 million outstanding from trade receivables above, US$34.6 million was current (i.e. not overdue). There has been no impairment in trade receivables during the year and no allowance for impairment have been necessary during the year or at the year end.

The currency profile of trade and other receivables at the year end is as follows:

GROUP	2011	2010
	US$'000	US$'000
US Dollars	36,168	12,177
Euro	1,000	582
South African Rand	958	151
Australian Dollar	420	-
Mozambican Metical	209	42
Sterling	76	22
	38,831	12,974

COMPANY	2011	2010
	US$'000	US$'000
Sterling	9	22
Euro	540	560
	549	582

16. Cash and cash equivalents

	GROUP		COMPANY	
	2011	2010	2011	2010
	US$'000	US$'000	US'000	US$'000
Immediately available without restriction	7,695	55,892	88	210
Contingency Reserve Account	63,222	172,753	-	-
Project Companies' Accounts	6,339	9,870	-	-
	77,256	238,515	88	210

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.

16. Cash and cash equivalents continued

Cash at bank earns interest at variable rates based on daily bank deposit rates, which may be zero. 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 interest rate profile of the Group's cash balances at the year-end was as follows:

	2011	2010
	US$'000	US$'000
Cash and cash equivalents at variable interest rate	75,181	237,738
Cash at bank on which no interest is received	2,075	777
	77,256	238,515

The currency profile of cash and cash equivalents at the year end is as follows:

GROUP	2011	2010
	US$'000	US$'000
South African Rand	46,884	35,212
US Dollars	23,180	136,402
Sterling	3,328	66,393
Australian Dollar	2,168	166
Mozambican Metical	1,041	157
Euro	646	185
Singapore Dollars	9	-
	77,256	238,515

COMPANY	2011	2010
	US$'000	US$'000
Euro	84	137
Sterling	4	73
	88	210

The credit risk on cash and cash equivalents is limited because funds available to the Group are deposited with banks with high credit ratings assigned by international credit rating agencies.

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 as detailed in Note 21.

On 21 December 2011, 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 21. 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 costs.

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") with the Project lenders and the lenders' agents. As part of this deed, US$200 million was deposited to the CRA. These funds could 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, such funds were 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 could in the absence of an event of default be spent on, amongst other things, the expansion. Funds deposited into the CRA could not be transferred other than to the Project Accounts. It is a Completion requirement that all the funds initially deposited to the CRA as a condition to the effectiveness of the Expansion Funding Deed be transferred to Project bank accounts. There are no continuing funding requirements in relation to the CRA, and no minimum balance is required to be maintained in the CRA.

Notes to the Financial Statements continued

For the year ended 31 December 2011

17. Called-up share capital

GROUP & COMPANY

	2011 €'000	2010 €'000
Authorised:		
Share Capital		
3,000,000,000 Ordinary Shares of €0.06 each	180,000	180,000
100,000,000 Deferred Shares of €0.25 each	25,000	25,000
	205,000	205,000

	2011 US$'000	2010 US$'000
Allotted, Called-Up and Fully Paid:		
Ordinary Shares		
Opening Balance		
2,403,635,545 Ordinary Share of €0.06 each	185,248	-
906,097,146 Ordinary Shares of €0.06 each	-	64,088
	185,248	64,088
Shares issued during the year		
6,094,962 Ordinary Shares of €0.06 each	517	-
1,497,538,399 Ordinary Shares of €0.06 each	-	121,160
	517	121,160
Closing Balance		
2,409,730,507 Ordinary Shares of €0.06 each	185,765	-
2,403,635,545 Ordinary Shares of €0.06 each	-	185,248
	185,765	185,248
Deferred Shares		
Opening & Closing Balance		
48,031,467 Deferred Shares of €0.25 each	10,582	10,582
Total Called-Up Share Capital	196,347	195,830

6,094,962 new ordinary shares were issued during 2011 as a result of share options exercised and resulted 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. 508,333 new ordinary shares were issued during 2010 as a result of share options exercised and resulted in US$0.039 million being credited to share capital and US$0.032 million credited to share premium.

The Deferred Shares of €0.25 per share were created in 1991 by subdividing each existing Ordinary Share of IR25p into one Deferred Share of IR20p and one new Ordinary Share of IR5p. The Deferred Shares are non-voting, carry no dividend rights and the Company may purchase any or all of these shares at a price not exceeding €0.01 for all the deferred shares so purchased or may execute a transfer of such shares without making any payment to the holders.

18. Share premium

GROUP & COMPANY

	2011	2010
	US$'000	US$'000
Opening Balance	299,860	163,147
Premium on shares issued during year	1,462	151,018
Costs associated with shares issued during the year	69	(14,305)
Closing Balance	301,391	299,860

19. Retained losses

GROUP

	US$'000
Balance at 1 January 2010	(57,501)
Transfer from revaluation reserve	30,141
Loss for the year attributable to equity holders of the parent	(16,334)
Balance at 1 January 2011	(43,694)
Profit for the year attributable to equity holders of the parent	23,700
Balance at 31 December 2011	(19,994)

COMPANY

	US$'000
Balance at 1 January 2010	(26,617)
Loss for the year attributable to equity holders of the parent	(6,993)
Balance at 1 January 2011	(33,610)
Loss for the year attributable to equity holders of the parent	(4,924)
Balance at 31 December 2011	(38,534)

20. Other reserves

GROUP

	Share Option Reserve	Capital Conversion Reserve Fund	Revaluation Reserve	Total
	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2010	10,900	754	30,141	41,795
Transfer to retained losses	-	-	(30,141)	(30,141)
Recognition of share-based payments	2,449	-	-	2,449
Balance at 1 January 2011	13,349	754	-	14,103
Recognition of share-based payments	3,507	-	-	3,507
Balance at 31 December 2011	16,856	754	-	17,610

COMPANY

	Share Option Reserve	Capital Conversion Reserve Fund	Total
	US$'000	US$'000	US$'000
Balance at 1 January 2010	10,900	754	11,654
Recognition of share-based payments	2,449	-	2,449
Balance at 1 January 2011	13,349	754	14,103
Recognition of share-based payments	3,507	-	3,507
Balance at 31 December 2011	16,856	754	17,610

The share option reserve arises on the grant of share options to certain Directors, employees and consultants under the share option scheme. Details of share-based payments are given in Note 31.

The capital conversion reserve fund arose from the re-nominalisation of the Company's share capital from Irish Punts to Euro.

Notes to the Financial Statements continued

For the year ended 31 December 2011

20. Other reserves continued

The revaluation reserve related to a surplus on revaluation of plant acquired in 2000 on a depreciated replacement cost basis. On transition to IFRS in 2005, and in accordance with the transitional arrangements for conversion to IFRS, it was elected to use the depreciated replacement cost valuation of the plant as the deemed cost of the plant and the cost model as the accounting policy for property, plant and equipment was adopted. As the cost model was adopted for property, plant and equipment continuing to carry a separate reserve relating to the plant was not considered appropriate and this reserve was transferred to retained losses.

21. Bank loans

GROUP	2011 US$'000	2010 US$'000
Project Loans		
Senior Loans	133,054	159,968
Subordinated Loans	194,054	176,372
Total Project Loans	327,108	336,340
Mortgage Loan	-	2,048
Total Loans	327,108	338,388
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	69,923	91,580
	327,108	338,388
Less: amount due for settlement within 12 months	(113,585)	(85,574)
Amount due for settlement after 12 months	213,523	252,814
Project Loans		
Balance at 1 January	336,340	353,604
Loan interest accrued	29,542	29,024
Loan interest paid	(8,560)	(10,026)
Loan repayment	(26,053)	(25,911)
Foreign exchange movement	(4,161)	(10,351)
Balance at 31 December	327,108	336,340
Mortgage Loan		
Balance at 1 January	2,048	2,513
Loan interest accrued	27	163
Loan interest paid	(35)	(165)
Loan repayment	(2,040)	(463)
Balance at 31 December	-	2,048

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 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 Company'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.

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 which were fully drawn in 2008. The Senior Loan tenors range from 3.5 years to 6.5 years from 31 December 2011. Three of the Senior Loans bear interest at fixed rates and four bear interest at variable rates.

21. Bank loans continued

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 in 2005. 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 in 2007. 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 in 2008. The Additional Standby Subordinated Loans bear interest at 6 month LIBOR plus 5%.

Interest and principal on the subordinated loans is due to be paid each year in February and August, but if cash is insufficient in the Project Companies on the scheduled payment dates, interest is capitalised and both interest and principal becomes payable on the next semi-annual payment date thereafter on which sufficient cash is available, in whole or in part, to the extent of available cash. Included in loan amounts due within one year is US$84.7 million (2010: US$55.4 million) in relation to subordinated loans. The final installments are due on 1 August 2019.

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

Under a Deed of Waiver and Amendment entered into in 2009, interest margins on subordinated loans were increased by 3% per annum until Technical Completion (achieved on 5 September 2011) 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 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 one 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 a Deed of Amendment with the lenders in relation to funding of the expansion as a result of projected capital cost increases. Under this amendment:

- The Company deposited the equivalent of a further US$45 million in various currencies values at June 2011 exchange rates, into the Contingency Reserve Account ("CRA"), an account held in the parent company Congolone Heavy Minerals Ltd by the 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.

Notes to the Financial Statements continued

For the year ended 31 December 2011

21. Bank loans continued

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 transhipment 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 installments 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.

Group borrowings interest and currency risk

Loan facilities arranged at fixed interest rates expose the Group to fair value interest rate risk. Loan facilities arranged at variable rates expose the Group to cash flow interest rate risk. Variable rates are based on six month LIBOR. The average effective borrowing rate at year end was 8.2%. The interest rate profile of the Group's loan balances at 31 December 2011 was as follows:

	2011 US$'000	2010 US$'000
Fixed rate debt	213,017	218,079
Variable rate debt	114,091	120,309
Total debt	327,108	338,388

The fair value of the Group borrowings are US$284.0 million (2010: US$307.8 million) have been calculated by discounting the expected future cash flows at prevailing interest rates and by applying year end exchange rates.

Under that assumption that all other variables remain constant and using the most relevant 6 month LIBOR rates a 1% change in the LIBOR rate will result in a US$1.1 million (2010: US$1.2 million) change in finance costs for the year.

The currency profile of loans at 31 December 2011 is as follows:

	2011 US$'000	2010 US$'000
Euro	149,079	139,029
US Dollars	178,029	199,359
	327,108	338,388

The Euro denominated loans expose the Group to currency fluctuations. These currency fluctuations are realised on payment of Euro denominated debt principal and interest. Under the assumption that all other variables remain constant, a 10% strengthening or weakening of Euro against the US Dollar would result in a US$1.5 million (2010: US$1.6 million) change in finance costs and a US$14.9 million (2010: US$13.9 million) change in foreign exchange gain or loss for the year.

The above sensitivity analyses are estimates of the impact of market risks assuming the specified change occurs. Actual results in the future may differ materially from these results due to developments in the global financial markets which may cause fluctuations in interest and exchange rates to vary from the assumptions made above and therefore should not be considered a projection of likely future events.

22. Finance lease

GROUP

	Minimum lease payments		Present value of minimum lease payments	
	2011	2010	2011	2010
	US$'000	US$'000	US$'000	US$'000
Amounts payable under finance lease				
Within one year	560	560	221	156
In the second to fifth year	2,240	2,240	1,530	1,272
After five years	280	840	280	744
Less future finance charges	(1,049)	(1,468)	-	-
Present value of lease payments	2,031	2,172	2,031	2,172
Less amounts due for settlement within 12 months			(221)	(157)
Amounts due for settlement after 12 months			1,810	2,015

The Group has leased equipment for the receipt, storage and dispensing of diesel fuel under a finance lease. The lease term is ten years from the commencement date (2007) with an option to purchase the assets after one year from the commencement date of the lease. For the year ended 31 December 2011, the average effective borrowing rate was 9%. The lease is on a fixed repayment basis and the lease obligation is denominated in US Dollars. The fair value of the Group's lease obligation is equal to its carrying amount. The Group's obligations under the finance lease are effectively secured with the lessor retaining title to the leased assets.

23. Provisions

GROUP & COMPANY

	2011	2010
	US$'000	US$'000
Mine closure provision	4,502	4,028
Mine rehabilitation provision	1,737	1,675
Legal provision	1,444	1,326
	7,683	7,029
Current	276	279
Non-current	7,407	6,750
	7,683	7,029

	Mine Closure Provision	Mine Rehabilitation Provision	Legal Provision	Total
	US$'000	US$'000	US$'000	US$'000
At 1 January 2011	4,028	1,675	1,326	7,029
Additional provision in the year	102	367	381	850
Provision released in the year	-	(305)	(263)	(568)
Unwinding of the discount	372	-	-	372
At 31 December 2011	4,502	1,737	1,444	7,683

The mine closure provision represents the Directors' best estimate of the Group's liability for close-down, dismantling and restoration of the mining and processing site. A corresponding amount equal to the provision is recognised as part of property, plant and equipment. The costs are estimated on the basis of a formal closure plan, are subject to regular review and are based on the net present value of estimated future cost. Mine closure costs are a normal consequence of mining, and the majority of close-down and restoration expenditure is incurred at the end of the life of the mine. During the year there was an additional provision of US$0.1 million (2010: US$0.9 million) as a result of a revised closure plan. The unwinding of the discount is recognised as a finance cost and US$0.4 million (2010: US$0.3 million) has been recognised in the income statement for the year.

Notes to the Financial Statements continued

For the year ended 31 December 2011

23. Provisions continued

The main assumptions used in the calculation of the mine closure provision include a discount rate of 9% (2010: 9%) based on the average effective borrowing rate for the Moma Titanium Minerals Mine, an inflation rate of 2% (2010: 2%), an estimated life of mine, and the estimated closure cost of US$20.4 million (2010: US$14.5 million) based on a revised closure plan. A significant factor in determining the mine closure provision is the discount rate. A 1% change in the discount rate results in a 21% change in the mine closure provision.

The mine rehabilitation provision represents the Directors' best estimate of the Company's liability for reclaiming areas disturbed by mining activities. Reclamation costs are recognised based on the area disturbed and estimated cost of rehabilitation per hectare which is reviewed regularly against actual rehabilitation cost per hectare. Actual rehabilitation expenditure is incurred approximately twelve months after the area has been disturbed. During the year there was a release of US$0.3 million (2010: US$0.8 million) to reflect the actual mine rehabilitation costs being incurred.

On 17 November 2010, a High Court jury delivered a verdict of damages of €10 million in a defamation case taken by a former Company Director. The Company has submitted an appeal to the Supreme Court with a view to setting aside both the verdict and the amount, with the intention of securing a retrial. The High Court granted a stay on the award subject to the payment of €0.5 million until the hearing of the Supreme Court appeal. The Company's legal team strongly advise that the award will be set aside on appeal. The same former Director has also served notice that he intends to pursue a number of non-defamation actions against the Company. The Company has provided for the costs associated with the defamation case appeal and retrial and further actions taken by the former Director.

24. Trade and other payables

Amounts payable within one year

	GROUP		COMPANY	
	2011	2010	2011	2010
	US$'000	US$'000	US$'000	US$'000
Trade payables	10,173	4,335	21	20
Accruals	19,179	10,870	647	760
	29,352	15,205	668	780

Included in Group accruals at the year end is an amount of US$0.8 million (Company: US$0.1 million) for payroll and social welfare taxes and US$10.3 million (2010: US$3.5 million) relating to capital projects.

The average credit period on the purchase of goods and services is 30 days from the date of the invoice. The Group has financial risk management policies in place to ensure that all payables are paid within credit timeframes.

The currency profile of trade and other payables at the year end is as follows:

GROUP	2011	2010
	US$'000	US$'000
US Dollars	14,860	9,182
Australian Dollar	3,668	2,174
South African Rand	7,454	2,167
Mozambican Metical	2,114	662
Euro	975	383
Sterling	281	637
	29,352	15,205

COMPANY	2011	2010
	US$'000	US$'000
Euro	576	321
Sterling	92	461
	668	782

25. Capital and liquidity management

The Group's capital management objective is to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances.

The principal activity of the Group is the operation and expansion of the Mine. The Group therefore manages its capital to ensure existing operations and the expansion are adequately funded and, based on planned mine production levels that the Mine will continue to achieve positive cash flows allowing returns to shareholders.

Project loans as detailed in Note 21 have been made to the Group to develop the Mine. These are all fully drawn and the Group is actively managing the repayment of these loans from cash flows generated from the existing mining operation. The Group has total debt of US$327.1 million (2010: US$338.4 million). During the year there were loan interest and principal payments amounting to US$36.7 million (2010: US$36.6 million), interest accrued of US$29.6 million (2010: US$29.2 million), and foreign exchange movements of US$4.2 million (2010: US$10.4 million) resulting in an overall decrease in debt of US$11.3 million (2010: US$17.7 million).

During the year share options were exercised, resulting in receipt funds of US$2.0 million to finance corporate/head office activities. During 2010, equity was issued to fund an expansion to the existing Mine operation to increase production capacity and for general corporate purposes as detailed in Note 17.

The Board periodically reviews the capital structure of the Group, including the cost of capital and the risks associated with each class of capital. The Group manages and, if necessary, adjusts its capital structure taking account of the underlying economic conditions. Any material adjustments to the Group's capital structure in terms of the relative proportions of debt and equity are approved by the Board. The Group is not subject to any externally imposed capital requirements.

The definition of capital/capital structure of the Group consists of debt, which includes bank borrowings disclosed in Note 21, finance lease disclosed in Note 22, and equity attributable to equity holders of the parent, comprising issued capital, reserves, retained losses and other reserves as disclosed in Note 17 to 20.

The Group's policy with respect to liquidity and cash flow risk is to ensure continuity of funding through continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities.

26. Capital commitments

GROUP

	2011 US$'000	2010 US$'000
Contracts for future expenditure authorised by the Board but not provided for:		
Contracted for	111,716	45,082
Not contracted for	997	169,309

Capital authorised and contracted represents the amount contracted to be spent on expansion and operations approved capital projects at 31 December.

Capital authorised not contracted represents the amount not contracted but authorised to be spent on expansion and operations approved capital projects at 31 December.

Notes to the Financial Statements continued

For the year ended 31 December 2011

27. Contingent liabilities

On 17 November 2010, a High Court jury delivered a verdict of damages of €10 million in a defamation case taken by a former Company Director. The Company has submitted an appeal to the Supreme Court with a view to setting aside both the verdict and the amount, with the intention of securing a retrial. The High Court granted a stay on the award subject to the payment of €0.5 million until the hearing of the Supreme Court appeal. The Company's legal team strongly advise that the award will be set aside on appeal and therefore no provision has been made in these financial statements for the award as the Company do not consider that there is any future probable loss. The Company has provided US$1.4 million for the costs associated with the defamation case appeal and retrial and further actions taken by the former Director as detailed in Note 23 Provisions.

28. Parent Company, Kenmare Resources plc income statement

In accordance with section 148(8) of the Companies Act, 1963 and section 7(1A) of the Companies (Amendment) Act, 1986, the Company is availing of the exemption from presenting its individual Income Statement to the Annual General Meeting and from filing it with the Registrar of Companies. The Company's loss for the financial year determined in accordance with IFRS is US$4.9 million (2010: US$7.0 million).

29. Operating lease arrangements

GROUP & COMPANY

The Group as lessee

	2011 US$'000	2010 US$'000
Minimum lease payments under operating leases recognised as an expense in the year	84	110

At the balance sheet date, the Group has outstanding commitments under a non-cancellable operating lease which fall due as follows:

	2011 US$'000	2010 US$'000
Within one year	109	111
In the second to fifth years inclusive	326	445
	435	556

Operating lease payments represent rentals payable by the Group for its office buildings. The lease has an original term of 25 years and rentals are fixed for an average of 5 years. The unexpired term of the lease is 4 years at year end.

30. Retirement benefit plans

The Company contributes to Company executive pension schemes or private pension arrangements on behalf of certain employees. Contributions to the schemes are charged in the period in which they are payable to the scheme.

GROUP & COMPANY

	2011 US$'000	2010 US$'000
Contributions	125	110

31. Share-based payments

The Company has a share option scheme for certain Directors, employees and consultants. Options are exercisable at a price equal to the quoted market price of the Company's shares on the date of grant. The options generally vest over a three to five year period, in equal annual amounts. If options remain unexercised after a period of 7 years from the date of grant, the options expire. Option expiry periods may be extended at the decision of the Board of Directors.

Details of the share options outstanding during the year are as follows:

		2011		2010
	Number of share options	Weighted average exercise price US$	Number of share options	Weighted average exercise price US$
Outstanding at the beginning of the year	62,803,258	37c	46,228,258	47c
Granted during the year	8,051,333	72c	18,800,000	33c
Exercised during the year	(6,094,962)	31c	(508,333)	14c
Expired during the year	(3,325,000)	47c	(1,716,667)	51c
Outstanding at the end of the year	61,434,629	42c	62,803,258	37c
Exercisable at the end of the year	47,649,951		54,086,591	

The weighted average share price at the date of exercise for share options exercised during the year was US$0.85. The options outstanding at the end of the year have exercise prices which range from US$0.14 to US$0.83 and a weighted average remaining contractual life of 2.8 years (2010: 3.5 years).

In 2011, options were granted on 11 May, 6 June, and 10 June. The aggregate of the estimated fair values of the options granted on those dates is US$3.9 million.

In 2010, options were granted on 30 March, 20 October, 9 November and 22 November. The aggregate of the estimated fair values of the options granted on those dates is US$4.4 million.

Notes to the Financial Statements continued

For the year ended 31 December 2011

31. Share-based payments continued

The fair values were calculated using a Black-Scholes option pricing model. The inputs into the calculation were as follows:

	2011	2010
Weighted average share price	US$0.72	US$0.33
Weighted average exercise price	US$0.72	US$0.33
Expected volatility	64%	72%
Expected life (years)	7	7
Risk free rate	4%	3%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous year as this is deemed the most reliable indicator of the volatility of the Company's share price. Due to the significant equity fund raising in the past to develop the Mine, extending the historical volatility over periods greater than one year results in high volatility factors which are not appropriate as an estimation of expected volatility.

During the year the Group recognised a share-based payment expense of US$3.4 million (2010: US$2.4 million) and capitalised share-based payments of US$0.1 million (2010: US$0.1 million).

32. Related party transactions

GROUP

Transactions between the Company and its subsidiary undertakings, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual Directors is provided in Note 10.

	2011 US$'000	2010 US$'000
Short-term employee benefits	3,501	2,987
Post-employment benefits	171	75
Compensation on retirement	-	-
Share-based payments	1,912	1,566
Total benefits	5,584	4,628

A contract exists with Vico Properties plc to provide for the services of Mr. M. Carvill. Vico Properties plc is a related party of the Company as Mr. M. Carvill is a Director of both the Company and Vico Properties plc. There was a balance outstanding of nil (2010: US$0.02 million) at the year end between the Company and Vico Properties plc.

Other related party transactions

The Company performed certain administrative services for Vico Properties plc. The charge for the year was US$0.02 million (2010: US$0.03 million). At the year end the balance outstanding was US$0.07 million (2010: US$0.05 million).

COMPANY

Under the terms of a management services agreement with the Company, Kenmare Resources plc, management services costing US$6.0 million (2010: US$3.8 million) were provided during the year to Kenmare Moma Mining (Mauritius) Limited and Kenmare Moma Processing (Mauritius) Limited.

Capital contributions relating to share based payments of US$1.2 million (2010: US$0.4 million) granted to staff of the subsidiary undertakings Kenmare Moma (Mining) Mauritius Limited and Kenmare Moma (Processing) Mauritius Limited were incurred during the year. During the year costs net of funding of US$6.4 million (2010: funding net of costs US$257.9 million) were incurred by subsidiary undertakings on behalf of the Company.

33. Events after the balance sheet date

There have been no events since the year end which have a material effect on the financial statements.

34. Approval of financial statements

The financial statements were approved by the Board on 20 April 2012.

Shareholder Profile

Based on the register as at 12 April 2012

SIZE OF HOLDINGS	No. of Shareholders	No. of Shares Held
1 - 1,000	999	675,901
1,001 - 5,000	2,169	6,235,969
5,001 - 25,000	1,927	22,992,877
25,001 - 100,000	622	30,814,254
100,001 - 250,000	189	30,600,621
250,001 - 500,000	92	32,663,839
500,001 - 750,000	49	30,149,928
over 750,000	241	2,256,113,782
Total	6,288	2,410,247,171

GEOGRAPHIC DISTRIBUTION OF HOLDINGS

	No. of Shareholders	No. of Shares Held
Republic of Ireland	2,229	62,577,573
Northern Ireland & Great Britain	3,946	2,312,859,890
Other	113	34,809,708
Total	6,288	2,410,247,171

General Information

Group secretary and registered office
Deirdre Corcoran
Chatham House,
Chatham Street,
Dublin 2.

Auditors
Deloitte & Touche
Chartered Accountants and Registered Auditors,
Deloitte & Touche House,
Earlsfort Terrace,
Dublin 2.

Solicitors
McCann Fitzgerald
Riverside One,
Sir John Rogerson's Quay,
Dublin 2.

Bankers
Absa Capital affiliated with
Barclays Capital
1 Churchill Place,
London E14 5HP.

AIB Bank plc
87 North Strand,
Dublin 3.

HSBC
Jersey Regional & Commercial Centre,
Green Street,
St Helier,
Jersey.

Stockbrokers
Canaccord Genuity Ltd.
88 Wood Street
London EC2V 7QR.

Davy
Davy House,
49 Dawson Street,
Dublin 2.

RBC Capital Markets
Thames Court,
One Queenhithe,
London EC4V 4DE.

Mirabaud Securities
33 Grosvenor Place,
London SW1X 7HY.

Registrar
Computershare Services (Ireland) Limited
Heron House,
Corrig Road,
Sandyford Industrial Estate,
Dublin 18.

Website
www.kenmareresources.com

Notes


TANZANIA
Mbeya
Kasama
Mansa
Lubumbashi
Ndola
ZAMBIA
Kabwe
Lusaka
Chipata
MALAWI
Lilongwe
Mzuzu
Songea
Lindi
Mtwara
Lichinga
Pemba
Nacala
Nampula
Blantyre
Tete
Moma
Quelimane
Chinhoyi
Mazowe
Harare
Marondera
ZIMBABWE
Mutare
Chimoio
Gweru
Bulawayo
Masvingo
Gwanda
Beira
INDIAN
OCEAN
Pietersburg
SOUTH AFRICA
Inhambane
Xai-Xai
Nelspruit
Maputo
Mbabane
SWAZILAND
MOZAMBIQUE
0 km
100
200
300
400 km

KENMARE

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