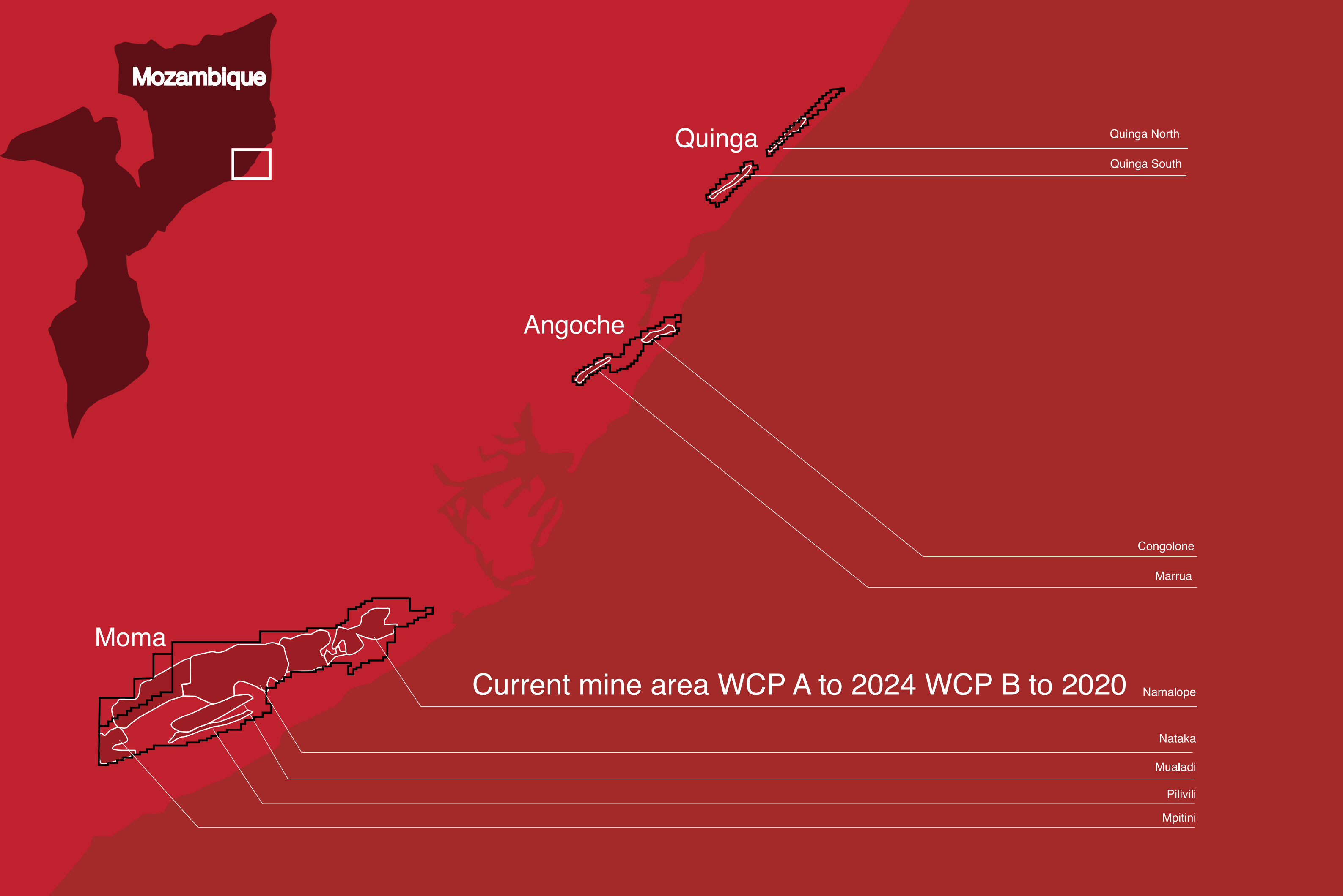
KENMARE

Annual Report and Accounts 2012


Mozambique
Quinga
Quinga North
Quinga South
Angoche
Congolone
Marrua
Moma
Current mine area WCP A to 2024 WCP B to 2020
Namalope
Nataka
Mualadi
Pilivili
Mpitini

KENMARE RESOURCES
WORLD CLASS ASSET

Moma Titanium Minerals Mine in Mozambique is one of the world's largest known titanium minerals deposits with approximately 200 mt of contained ilmenite

CHAIRMAN'S STATEMENT

KENMARE IS NOW EMERGING FROM ITS GENESIS...

Dear Shareholder,

I am pleased to address you for the second time as Chairman after what has proven to be a very eventful twelve months for the Group. Our expansion of production facilities at Moma is now in the commissioning phase. The new wet concentrator plant ("WCP B") and dredge have been floated and, while some further pipework still has to be installed, commissioning of all facilities is well underway. On the production front, our staff on site had to overcome significant challenges which reduced production for the year. Nonetheless revenue, earnings before interest tax, depreciation and amortisation ("EBITDA") and profits are all at record levels for the Company. With the expanded capacity soon to commence ramp-up, Kenmare is now emerging from its genesis, first in exploration and then in development of the mineral resources at Moma, into a company which is focused on the efficient operation of those assets and earning a superior return on the investments that its shareholders have made.

Operations

Total production of heavy mineral concentrate ("HMC") for 2012 was 772,300 tonnes. Finished product volumes for this year were 574,500 tonnes of ilmenite and 46,900 tonnes of zircon (including 20,000 tonnes of a secondary zircon product). 680,800 tonnes of finished products were shipped in 2012, which generated revenues of US$234.6 million, an increase of 40% from US$167.5 million in 2011.

During the second half of 2012, dredge pond A had to make a once in a life-of-mine transition from the Namalope Flats area up to the elevated dunal plateau where it will mine until 2024. This involved raising the dredge pond which contains several million tonnes of water, the concentrator plant and the dredges, up the side of a hill in an area known as the Nick Zone. This area of the orebody has generally lower grade and was found to contain isolated areas of high slimes which also adversely effected mining rates. The early parts of the climb were accomplished without any great difficulty, leading our site team to forecast a continuation of the third quarter's output for the fourth quarter. However, the latter part of the climb proved to be much more technically challenging than expected and required an exceptional commitment of resources by our team on site to accomplish this difficult task. The transition to the dunal plateau will be substantially completed by the end of the first quarter 2013 with a resulting increase in production levels forecast thereafter. The measures we took to ensure the integrity of the downhill side berm (to prevent any risk of collapsing and of the pond washing back onto the Namalope Flats) have been successful, and while there is still a requirement to increase the height of the pond by some metres, this is less challenging compared with the issues faced on the side of the hill. In anticipation of dredge mining difficulties, dry mining operations were commissioned in 2012 to assist with the supply of ore to the concentrator but the space available for tailings created by dry mining was also restricted, which in turn temporarily reduced the benefit of this remedial operation. Mine planning (now with enhanced detail) indicates that commencing from April, dredge pond A will spend the rest of the year in more favourable mining conditions with deep faces of generally moderate slimes and good grade ore.

The rainy season in the first quarter of 2012 had an unusually high level of electrical storm activity. This significantly hampered production, with most of the disruption being caused by short dips in the voltage transmitted caused by lightning strikes on transmission pylons. These dips, even if only for milliseconds, often cause our electric motors to stop. Since we are pumping thousands of tonnes per hour of sand along pipelines, stoppage of pump motors allows this sand to settle and it can then take hours to de-sand and re-start again. Power reliability remains an issue, with a high level of electric storm activity again expected during the current rainy season.

Our response to this issue is two-pronged; first, we are working with the State electricity transmission utility Electricidade de Moçambique ("EdM") to reduce the number of power dips that arrive at our substation, and secondly we are increasing our capacity to absorb the dips that do arrive. EdM has already built and commissioned a new static VAR compensator ("SVC") on the line at Mocuba which, after some initial teething problems during commissioning, is now working and has improved supply reliability. In co-operation with EdM, we are completely refurbishing a second SVC at the Alto Molocue sub-station, where the installation was outdated and extremely unreliable. This upgrade includes the installation of capacitor banks to increase the operating range of the SVC. We are also installing capacitor banks both at the Nampula sub-station and the mine site sub-station to support the network voltage. This work is now underway. As a result, there will be shortly two fully functioning SVCs and two sets of capacitor banks which will help stabilise voltage on the line, which in the future will afford us greater protection than in 2012 when none of these facilities were in place.

We are undertaking a number of additional measures at the mine site sub-station to enhance power reliability. We are installing a synchronous condenser (a voltage stabilisation device referred to as a "Dip Doctor"), which modelling has indicated will reduce in excess of 80% of power dips to harmless levels. We are also working with our equipment suppliers to make our variable speed drives less sensitive to dips and more capable of absorbing them. Finally we have optimised our systems to reduce the recovery time following power stoppages.

Expansion

The expansion of the facilities at Moma, which will increase production capacity by 50%, is now in commissioning phase. Water has been pumped into the new dredge pond and both the new dredge and WCP B are floating. WCP B has been moored at the side of the pond, where it is now lying against a wharf that allows easy access for commissioning and final pipe fitting by crews. The Wet High Intensity Magnetic Separation ("WHIMS") plant is being commissioned concurrently, with the fitting of the final pipes (which were late arriving at site), and the auxiliary ilmenite plant is in commissioning. The main structural, mechanical, plate and piping sub-contractor has de-mobilised from site and final work is being performed by Kentz. The commissioning programme runs through several phases, culminating in hot commissioning when feed is put through the plant. This is scheduled to take place in the second quarter of 2013 and marks the start of the ramp-up of the new facilities. The profile of a ramp-up is by its nature uncertain, so we have made robust preparations for this phase; a very experienced commissioning and ramp-up team is in place and an extensive operator training programme has been on-going for several months. We are targeting to have our new facilities ramped-up by the end of this year.

Markets

The markets for Kenmare's products were strong for much of 2012 and, despite a slowdown in demand towards the end of the year, Kenmare was able to sell more than it produced in 2012 at significantly higher prices than in 2011. Year-end inventories of all products were reduced to low levels as a result.

During the first half of 2012, demand for titanium feedstocks was very strong and prices grew steadily. However, the traditional second quarter northern hemisphere painting season was weaker than expected and pigment inventories accumulated. This caused pigment producers to curtail production commencing in quarter three leading to reduced demand for feedstocks and some downward pressure on feedstock prices. Demand for high grade feedstocks was impacted more acutely as pigments producers re-configured their feedstock mix to utilise higher levels of lower cost feedstocks such as titanium slag and ilmenite. Nonetheless ilmenite demand was also lower towards the end of the year as lower overall pigment plant operating rates prevailed and pigment producers de-stocked.

This de-stocking cycle has intensified in the first quarter of 2013 as pigment producers continue to moderate production and deplete pigment inventories to more normal levels. Underlying demand, which is closely correlated to world GDP growth, is expected to improve as global economic conditions strengthen over the course of the year. Improved new house starts in the US in the past six months coupled with strong automotive sales and a stronger economic growth outlook for China in 2013 should manifest itself in higher underlying demand for pigment as the year progresses. We therefore expect that the de-stocking cycle will end and a return to more normal buying patterns should emerge during quarter two, with the proviso that this could extend into the second half of the year given the extent of the pull back by customers that has been seen. Market conditions presently remain subdued.

THE EXPANSION OF THE FACILITIES AT MOMA, WHICH WILL INCREASE PRODUCTION CAPACITY BY 50%, IS NOW IN COMMISSIONING PHASE.

CHAIRMAN'S STATEMENT
CONTINUED

Longer term, the urbanisation trends in developing economies will support increased consumption of paints, plastics and paper, which should support a good foundation of pigment growth for the remaining part of the decade. Future pigment growth rates are expected to return to the long term rate of around 3% per annum, with perhaps stronger growth in the next few years based on latest world GDP forecasts.

Global zircon market conditions were also challenging during 2012. Consumption was weak due to significantly reduced demand primarily from the ceramics sector resulting from weaker construction activity in China and weak economic conditions in Europe. Zircon consumers were found to be holding excess inventory at the start of 2012, motivated by surging prices during 2011 and expectations of continued supply tightness. However, faced with weaker demand and more cautious buying throughout 2012, zircon prices fell sharply during the fourth quarter. This trend has continued into 2013 but we are now seeing some indications that zircon prices are close to the bottom of the price cycle.

Kenmare, with its relatively small zircon production volumes, was able to sell all of its zircon during 2012 at the prevailing market price, with expectations of continued strong support from our customers in 2013. With stronger Chinese economic conditions expected for 2013, and completion of the de-stocking cycle in Europe, zircon demand growth is expected to resume in 2013. The significant re-adjustment of market prices that has taken place in recent months should help to reverse the downward trend in zircon consumption seen over the course of the past year.

Finance

The Company generated EBITDA of US$98.9 million in 2012 (2011: US$71.7 million), and a profit after tax of US$49.5 million (2011: US$23.7 million). Revenues during the year increased to US$234.6 million from US$167.5 million in 2011, largely resulting from the stronger product prices during 2012.

The complex transition of mining operations up to the dunal plateau and the need for two supplementary dry mining operations contributed to increased operating costs during 2012. However as the mining operation is now approaching the top of the dune and one of the dry mining operations is now no longer required, we anticipate that some of these additional costs will be non-recurring. Cost control continues to be a key priority for management and further cost efficiencies will be sought as production commences from the expanded facilities.

Investment in property, plant and equipment at Moma during 2012 amounted to US$191.9 million, primarily in respect of Phase II expansion works. Given the extension of the time required to complete the expansion and the attendant impact on costs, as previously advised, Kenmare anticipates some further increase in expansion costs and is actively engaging with the remaining contractors in order to manage the close-out of the expansion contracts and related costs.

At 31 December 2012, bank loans amounted to US$324.4 million (2011: US$327.1 million) and cash balances were US$46.1 million (2011: US$77.3 million). In February 2013, Kenmare secured a corporate debt facility with Absa Bank Limited for US$40 million.

Board Structure

Kenmare has three Non-Executive Directors who have provided great service to the Board for more than nine years, and who therefore are no longer considered independent according to the UK Corporate Governance Code. Each one of these Directors has in his own way provided guidance and insight which has been invaluable to the Company. However, recognising Corporate Governance Code compliance requirements, Peter McAleer, Ian Egan, and Simon Farrell have agreed not to put their names forward for re-election at the Annual General Meeting ("AGM"). I would like to extend my thanks and deep appreciation for all that they have done to make Kenmare the company it is today. I know that they will continue to support the company and should we require their advice in the future they have indicated their availability to give us the benefit of their extensive industry experience.

Given the stepping down of Peter McAleer, Ian Egan, and Simon Farrell, the Board requires new independent Non-Executive Directors to take their place. I am delighted to announce that after a long search working with an external search agency, Steven McTiernan and Gabriel Smith have agreed to join the Board with immediate effect. They will be presented to the shareholders for approval at the AGM. Steven McTiernan was a Non-Executive Director of Tullow Oil plc from 2002 to 2012, a company which has grown from a junior to a company with a multi-billion dollar market capitalisation. He is a Non-Executive Director of First Quantum Minerals, a Canadian company engaged principally in copper mining in Zambia and other African countries, and also of Songa Offshore SE, a

THE COMPANY GENERATED EBITDA OF US$98.9 MILLION IN 2012 (2011: US$71.7 MILLION), AND A PROFIT AFTER TAX OF US$49.5 MILLION (2011: US$23.7 MILLION). REVENUES DURING THE YEAR INCREASED TO US$234.6 MILLION FROM US$167.5 MILLION IN 2011.

HEAVY MACHINE OPERATOR IN FRONT OF MSP

Cyprus registered offshore oil & gas drilling contractor with operations globally. He has worked in the natural resources sector and in natural resources investment banking throughout his career, and will add greatly to the Board's collective knowledge. Gabriel Smith is a Norwegian national and was the CEO of the world's only independent titanium smelter for many years. He has an intimate understanding of the complex structure of the titanium feedstock industry along with invaluable experience of running a large industrial complex. Again I believe that his knowledge, experience and wisdom will greatly benefit the Board. I look forward to working with both of them in the future.

Corporate Responsibility
We remain committed to investing in the community in which we operate. In 2012, our KMAD project supported the development of local enterprises. We have also supported developments in education, including the development of adult literacy, IT skills and a scholarship scheme aimed at increasing access to third level education. In the area of health promotion, we supported projects in general healthcare and HIV/AIDS prevention. We completed construction of new nurses' houses at a new health clinic in the region.

Kenmare is committed to providing a safe working environment. I am pleased to report also that despite the intensity of work on construction of the expansion, the Lost Time Injury Frequency Rate per 200,000 man hours worked is 0.33, significantly below our peer group comparison.

Outlook
In my view, 2013 is going to be a watershed year for Kenmare. Until now the Company has been developing and building its assets at Moma. With the 50% expansion coming on stream, we are now at the point where we can concentrate on operating the assets to achieve a sustainable return on the investment which has gone into their development. Shareholders have supported the Company with great patience during the long investment period, and the Board remains focused on getting to a position where our net cash inflows from operations will enable us to start paying dividends to our shareholders at prudent levels. In order to do so, the Company must, in accordance with its financing agreements, meet a number of conditions, which include paying the deferred portion (US$96.5 million at 31 December 2012) of the subordinated debt that helped us with the original financing of Moma, before any dividends can be declared. We are working towards achieving this objective as soon as possible.

The latter part of 2012 saw difficult conditions emerge in the market for our products, as for many mineral commodities. But there are two main reasons for our confidence that the outlook for the Company for 2013 and beyond is very positive. First, the nature of commodity markets such as ours is that re-stocking invariably follows de-stocking (sometimes with relatively rapid upturn in prices). Secondly, Moma is a world-class, developed resource with a very long mine life and intrinsically low operating costs per tonne, two characteristics of enduring success in the global mining industry.

Let me therefore conclude by thanking the Company's executive management and employees, and its shareholders, for their contribution to the successful year that we had in 2012, and by expressing my confidence in the exciting prospects for the Company for 2013 and the years ahead.

Justin Loasby
Chairman

OPERATING & FINANCIAL REVIEW

WORLD CLASS RESOURCE CONTAINING APPROXIMATELY 200 MILLION TONNES OF CONTAINED ILMENITE...

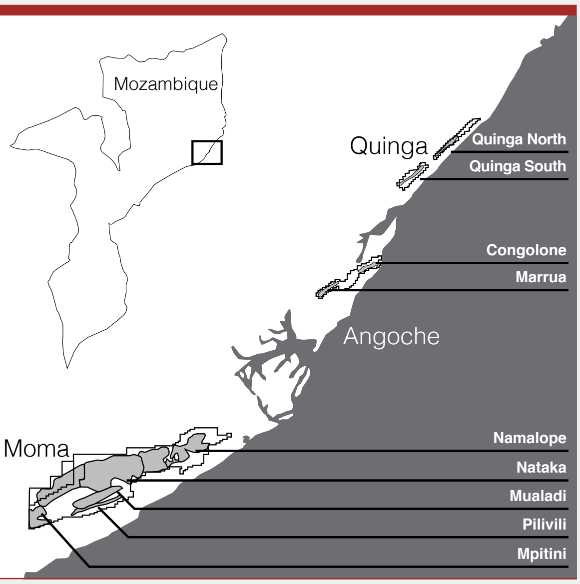
Introduction

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 resource contains approximately 200 million tonnes of contained ilmenite (equivalent to around 140 years production at projected levels following Phase II expansion) 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 deposit, with abundant fresh water, no overburden, a good ore 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 adjacent to the Mineral Separation Plant ("MSP") which allows for the shipment of products to customers at minimum cost. These factors have enabled Kenmare to move quickly from Phase I into a 50% Phase II expansion. When production from Phase II is ramped-up, Kenmare will supply around 10% of the world's titanium feedstock market.

AREAS COVERED BY EXPLORATION LICENCES AND MINING CONCESSIONS HELD BY KENMARE



Summary of Reserves and Resources

The total proven and probable ore reserves in the Namalope and Nataka mining concessions allocated to Kenmare as at 31 December 2012 are estimated at 842 million tonnes, grading 3.0% ilmenite, 0.2% zircon and 0.061% rutile, containing 25 million tonnes of ilmenite, 1.7 million tonnes of zircon and 0.51 million tonnes of rutile. The total resource (excluding reserves) held by Kenmare under a combination of exploration licences and mining concessions as at 31 December 2012 is estimated at 7.3 billion tonnes mineral sand, grading 2.4% ilmenite, 0.17% zircon and 0.055% rutile, containing 170 million tonnes of ilmenite, 12 million tonnes of zircon and 4 million tonnes of rutile. Grades are set out in the Reserve-Resource table below.

An intensive drilling and sampling programme was carried out during 2012 in the Namalope reserve area to improve geological definition and grade control. A total of 71,900 metres of infill drilling was completed on the ore zones to be mined during 2013 to 2018, greatly increasing the knowledge and confidence in the reserves in this part of the orebody. Drilling to improve resource definition in the Nataka deposit continued in 2012, with 12,762 metres drilled on a 200 metre by 400 metre grid. The map above illustrates all areas covered by exploration licences and mining concessions held by Kenmare.

The following table sets out Kenmare's mineral resources and reserves as at 31 December 2012:

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	234	4.4	82	3.6	0.081	0.26	10	8.3	0.19	0.62
Namalope	Probable	163	3.6	82	3.0	0.069	0.22	5.9	4.8	0.11	0.35
Nataka	Probable	445	3.2	84	2.7	0.047	0.16	14	12	0.21	0.73
TOTAL RESERVES	**Proved & Probable**	**842**	**3.6**	**83**	**3.0**	**0.061**	**0.20**	**30**	**25**	**0.51**	**1.7**

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	Measured	103	3.6	80	2.9	0.068	0.22	3.8	3.0	0.1	0.2
Namalope	Indicated	196	2.9	81	2.3	0.057	0.17	5.7	4.6	0.1	0.3
Pilivili	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	0.19	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		**7,300**	**2.9**	**81**	**2.4**	**0.055**	**0.17**	**210**	**170**	**4**	**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). The competent person for the other resources is Dr. Alastair Brown (FIMMM). THM is total heavy minerals of which ilmenite (typically 83 per cent.), rutile (typically 1.7 per cent.) and zircon (typically 5.6 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.

OPERATING & FINANCIAL REVIEW
CONTINUED

AERIAL PHOTO OF MINING POND A, DREDGES & WCP A

Monazite

Ore reserves Zones	Category	Ore (Mt)	% THM	% Monazite in THM	% Monazite in ore	Monazite (Mt)
Namalope	Proved	234	4.4	0.59	0.026	0.060
Namalope	Probable	163	3.6	0.57	0.021	0.034
Nataka	Probable	445	3.2	0.54	0.018	0.078
TOTAL RESERVES	**Proved & Probable**	**842**	**3.6**	**0.56**	**0.020**	**0.17**

The economics of producing a monazite concentrate as by-product from the existing reserves are being assessed. Consequently the monazite mineralisation does not constitute a reserve and the ore categories in this table are for the Mine's existing products, ilmenite, rutile and zircon.

Kenmare has identified the presence of significant rare earth oxides ("REOs") in the tailings of the Mineral Separation Plant ("MSP"). These REOs, including cerium, lanthanum and neodymium, are found in monazite, and are present in the Namalope and Nataka deposits at a grade of 0.02% (0.56% of the total heavy minerals). Monazite concentrate is used as a feed for REO plants internationally. The MSP concentrates monazite in the rejects stream as part of normal operations. A study to evaluate the production of monazite was completed. The project was temporarily put on hold and will be revisited upon completion of the Phase II expansion. The monazite content of the ore reserves is outlined in the table above.

Mining

Kenmare currently undertakes mining and concentrating activities in the Namalope deposit. Ore is mined using dredges, supplemented by dry mining operations. Dredge mining has the lowest cost per tonne of solids handling in the mineral sands industry. At Moma, dredge mining 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 then being rehabilitated, or stockpiled for use in later rehabilitation.

The dredges cut the ore at the base of a prepared ore face, allowing mineral-bearing sands to collapse into the dredge pond from where they are suctioned and pumped by the dredges to the WCP which floats in the pond behind the dredges. The dry mining operations use standard surface mining equipment to mine the ore which is then slurried and pumped to the WCP to supplement the dredge mining 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 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 re-vegetation.

After the tailings have sufficiently dewatered, they are re-contoured. Topsoil containing seeds and organic material is placed onto the re-contoured tailings. Rehabilitation is completed by fertilising and seeding or planting with a variety of native and/or other species of vegetation as well as food crops. When the rehabilitation of an area has been completed to an acceptable standard, the area is transferred back to the government and then to the local communities. The first such transfer is expected to take place in 2013. The rehabilitation process is being optimised with input from local communities, the competent authorities and non-governmental organisations.

AERIAL PHOTO OF MINING POND A, DREDGES & WCP A WITH CONSTRUCTION OF WCP B IN THE BACKGROUND

OPERATING & FINANCIAL REVIEW
CONTINUED

Mineral separation
The MSP uses screening, magnetic, electrostatic and gravity separation circuits to separate valuable minerals from non-valuable minerals, and also to make different ilmenite, rutile and zircon product grades to meet 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 further processed by electrostatic separation in the MSP to produce final ilmenite products. A 50 tonnes per hour ilmenite roaster and downstream magnetic separation plant were built to increase the quality of the ilmenite products when required, but it has not proved necessary to operate the roaster to date. After magnetic separation the non-magnetic fraction passes to the wet gravity separation circuit which removes any remaining silica and trash minerals. Electrostatic separators are then used to separate the conducting mineral, rutile, from the non-conducting mineral, zircon.

The feed preparation system ahead of the MSP will be greatly enhanced with the commissioning of the Wet High Intensity Magnetic Separation ("WHIMS") plant, which is currently underway. The WHIMS plant will improve the thermal efficiency of the MSP by separating the magnetic and non-magnetic fractions prior to the dryer, thereby allowing the non-magnetic fraction to report directly to the wet gravity separation circuit without undergoing unnecessary drying.

Storage and transportation
Final products are stored in the now expanded 220,000 tonne capacity warehouse. Included in this expanded capacity is a separate dedicated 35,000 tonne capacity zircon warehouse currently being completed as part of the expansion. This will reduce the potential for cross-contamination of final product. Both warehouses have facilities for loading of product onto a 2.4 km long overland conveyor, which leads to a 400 m long jetty. The conveyor transports product to the end of the jetty where the product is loaded onto Kenmare's product transshipment vessels, the Bronagh J and the Sofia III and Peg, at a rate of 1,000 tonnes per hour. The vessels then transport the products to a deep water transshipment point 10 km offshore, where it self-discharges into customer vessels. Kenmare's second product transshipment unit, consisting of the barge and tug, Peg and Sofia III, underwent a major upgrade and became operational in 2012. The Bronagh J also underwent an overhaul and class inspection in 2012, with a hull revamp, replacement of propellers, installation of propeller protection and a hydraulics overhaul.

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

OPERATIONAL REVIEW
Output from the mining operation was impacted in 2012 by the challenges associated with a transition of dredge pond A from the Namalope Flats area onto an elevated dunal plateau. Additionally, lower power reliability, the result of electrical transmission upgrades and adverse weather conditions curtailed output.

The transition of dredge pond A onto the elevated dunal plateau where it will mine until 2024 is a one-time event in the life of the Namalope deposit. As the dredges and WCP A advanced through the transition zone, known as the "Nick Zone" the floor of the orebody progressively rose, thereby requiring the mining pond water level to increase from 12 metres to 32 metres above mean sea level. The mining pond, containing several million tonnes of water, the concentrator plant and the dredges had to be contained as it advanced up the side of the hill. The initial stages of the climb were accomplished without any great difficulty, leading our site team to forecast a continuation of the third quarter's output at a similar level in the fourth quarter. However, the latter part of the climb involving the construction of containment berms on the downward hill side (to minimise the risk of the pond walls collapsing and of the pond contents washing back onto the Namalope Flats) proved to be much more technically challenging than had been anticipated. The containment berms required an exceptional commitment of resources but have now successfully reached the final stages of completion, with the dredge pond turning off the side of the hill and onto the dunal plateau. Whilst there is still a requirement to increase the height of the pond, this is less challenging compared with the issues faced on the side of the hill.

The Nick Zone area of the orebody is generally lower grade and contains isolated areas of high slimes which had an adverse effect on mining rates. In anticipation of the resultant temporary reduction in HMC production from dredge mining, two dry mining operations were commissioned

IN 2012, 39 SHIPS WERE LOADED, BRINGING TOTAL SALES FOR THE YEAR TO 680,800 TONNES OF PRODUCT. THIS COMPARES WITH 41 SHIPS AND 730,400 TONNES IN 2011. THE UPGRADED JETTY HAS SIGNIFICANTLY INCREASED AVAILABILITY AND LOADING CAN NOW TAKE PLACE OVER A BROADER RANGE OF WEATHER CONDITIONS.

AERIAL PHOTO OF THE JETTY

to provide supplementary ore to the concentrator. However, since the rate of advance of the dredge pond was restricted due to the climb, the available space to place tailings created by dry mining was also restricted, reducing the benefit from these operations. As the operation advances out of the Nick Zone onto the dunal plateau, mining conditions are set to improve. Our forward planning analysis (now with enhanced detail) suggests that, from April, dredge pond A will spend the remainder of 2013 in more favourable mining conditions with deep faces of generally moderate slimes and good grade ore.

A particularly heavy rainy season prevailed in early 2012 which resulted in frequent power dips and transmission outages that adversely affected production. These dips and outages are mainly caused by lightning strikes on overhead power lines. Voltage dips, even if only for milliseconds, can often cause electric motors to stop. The mining operation involves pumping thousands of tonnes per hour of sand. When pump motors stop, the sand settles, and it can take several hours to de-sand and re-start. Power reliability is currently still an issue with a high level of electric storm activity again during this current rainy season, which runs from December to March.

Kenmare is working with the State power transmission utility, Electricidade de Moçambique ("EdM"), to reduce the number of dips that affect operations. EdM has built and commissioned a new Static VAR Compensator ("SVC") at the Mocuba sub-station which has improved power supply reliability. The commissioning of this SVC caused production interruptions in October 2012, but it is now fully operational and has vastly improved voltage stability. Kenmare, in co-operation with EdM, is completely refurbishing and upgrading the older SVC at the Alto Molocue sub-station. The upgrade includes the installation of capacitor banks to increase the operating range of the SVC. Voltage of power delivered to the mine site will be further stabilised by the installation of additional capacitor banks at the Nampula sub-station and the mine sub-station. The end result will be two fully functioning SVCs and two sets of capacitor banks which will considerably improve voltage stability and accommodate the increased power consumption associated with the Phase II Expansion.

In addition, Kenmare is installing a synchronous condenser (known as a "Dip Doctor") at the mine site sub-station, which is scheduled for completion in April 2013. System modelling has indicated this will reduce in excess of 80% of power dips to harmless levels. In consultation with the equipment suppliers, a number of changes have been made to pump motor variable speed drives, reducing drive sensitivity to voltage dips. Finally, changes in procedures have reduced recovery time following sand-ups caused by voltage dips or power outages.

The Mine produced less HMC in 2012, and in turn less ilmenite, zircon and rutile, than planned as a result of the challenges outlined above. Total HMC production for the year was 772,300 tonnes compared with 842,900 tonnes in 2011. Ilmenite production was 574,500 tonnes compared with 636,800 tonnes in 2011 and zircon production was 46,900 tonnes (including 20,000 tonnes of a secondary zircon product) compared with 43,600 tonnes in 2011. Zircon output was augmented by the reprocessing of high-zircon tailings produced in the early commissioning of the plant, which had been stockpiled for future use. The high-zircon tailings stockpile is expected to be exhausted later this year. The major factor that influenced MSP product output for 2012 was the feed shortage from the Mine due to the difficulties outlined above. The MSP performed well, and it is noteworthy that, despite the difficult operating conditions, the MSP had a record production figure of 73,400 tonnes of ilmenite during August 2012, when production was uninterrupted. Rutile production, while improved, has not reached planned levels and work on these circuits is continuing.

In 2012, 39 ships were loaded, bringing total sales for the year to 680,800 tonnes of product. This compares with 41 ships and 730,400 tonnes in 2011. The upgraded jetty has significantly increased availability and loading can now take place over a broader range of weather conditions. Kenmare's second product transshipment unit, consisting of the barge and tug Peg and Sofia III, underwent an upgrade and became fully operational in 2012. In addition, the Bronagh J also underwent its five-year dry-dock overhaul and inspection in 2012. The two vessels performed very

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AERIAL PHOTO OF WCP B POND AND DREDGE

OPERATING & FINANCIAL REVIEW
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well during the latter part of 2012, greatly enhancing Kenmare's marine loading capacity. The marine operation is now more than capable of dealing with the increased shipments arising from the expansion.

The mine planning team has taken due cognisance of the challenges associated with the ramp-up, as well as adverse weather conditions that are prevalent during this period of the year. Planning indicates that after April, WCP A will spend the remainder of the year in more favourable mining conditions with deeper faces, moderate slimes levels and improved ore grade. With these improved mining conditions, linked to the measures being undertaken to enhance power reliability and reduced recovery time following any power stoppages, Kenmare anticipates improved HMC production from WCP A for the remainder of 2013. In addition, the steady ramp-up of the new WCP B will increase production in the second half of 2013.

Expansion update

A 50% capacity upgrade of the Kenmare Moma operation, increasing ilmenite output from 800,000 tonnes per annum to 1.2 million tonnes per annum, progressed significantly during 2012.

The expansion works, now mainly completed, are being carried out under an engineering, procurement & construction management ("EPCM") contract which, unlike a lump-sum contract, allows Kenmare to remain in control of the project design and implementation. All equipment utilised in the expansion facilities was specified by Kenmare after taking into account lessons learned from Phase I.

Commissioning has been underway in most areas since the end of 2012. Late arrival of piping on site resulted in further delays. However commissioning is now underway concurrently with final piping installation.

A significant milestone with the floating of WCP B and the new dredge, was achieved in February 2013. The plant is now fully afloat and lying against a wharf to facilitate easy access for completion of construction activities and commissioning. The project team is focused on the completion of the WCP B piping installation in order to commence mining operations in the second quarter of 2013. The WHIMS plant is being commissioned concurrently together with the fitting of the final piping. The Auxiliary Ilmenite Plant is completed and being commissioned. The existing MSP non-magnetic circuit upgrade has been incorporated into planned maintenance shuts, with only one further shut for final tie-ins scheduled during the early part of quarter two. The expanded ilmenite storage facility has been commissioned and is now operational.

The commissioning programme consists of several phases, culminating in hot commissioning that entails feeding ore through WCP B and HMC through the WHIMS plant. This is scheduled to take place early in the second quarter of 2013. This marks the start of the ramp-up of the new facilities. A number of steps have been taken to ensure the ramp-up is as smooth as possible, including the appointment of an experienced commissioning and ramp-up team, and an extensive operator training programme that has been on-going for several months. Full production at the expanded capacity production level is scheduled by late 2013.

A 50% CAPACITY UPGRADE OF THE KENMARE MOMA OPERATION, INCREASING ILMENITE OUTPUT FROM 800,000 TONNES PER ANNUM TO 1.2 MILLION TONNES PER ANNUM, PROGRESSED SIGNIFICANTLY DURING 2012.

Preparations for a Phase III Expansion progressed during the year. However, work on the project has been temporarily halted until the completion of Phase II.

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 including some of the world's largest end users of these products. Kenmare's products consist 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, 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 offers ultraviolet protection and opacity when included in final products.

The balance of demand for titanium feedstocks is largely accounted for by titanium metal production and 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 the manufacture of airframes and jet engines for the aerospace industry. 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

NEW DREDGE AND WCP B WERE FLOATED IN FEBRUARY 2013

OPERATING & FINANCIAL REVIEW
CONTINUED

WET SHAKING TABLES IN THE MSP

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, which are in turn consumed in the construction and ship-building industries.

The demand for pigment is estimated to have decreased by around 10% in 2012 as pigment customers de-stocked following a year of excessive buying throughout 2011 on expectations of continued supply shortfall and escalating prices. The impact of the monetary tightening on the real estate market in China, and Eurozone sovereign debt concerns dampened expectations for most of the year. Demand in North America remained reasonably strong in the first half of the year but waned as the year went on as contagion spread. The expected seasonal increase in demand in the early part of the year did not materialise and most pigment producers had to contend with increasing inventory levels by mid-year. Rather than continue to operate in a weak demand and declining price environment, many producers curtailed production starting around August, that resulted in global average pigment industry operating rates dropping to around 70 to 80%. Despite production cuts, year-end inventory levels remained well above normal levels.

Adverse market conditions are expected to continue into 2013. It will only be after the normal northern hemisphere painting season commences that the market direction will become clearer. There are however some positive leading economic indicators that point to improving pigment demand. The number of new housing starts in the US has been growing steadily in the past six months. The housing growth pipeline remains positive for the next several years as the sector catches up on the significant contraction since 2008. Automotive manufacturing and sales in the US are also increasing strongly, while in Europe there is some consensus that a crisis has been averted for now and improving conditions are expected to emerge in the second half of the year. In China where pigment demand growth remained flat in 2012, in contrast to double digit growth in the past, there have been some announcements of stimulus programmes mostly aimed at building infrastructure in the more remote provinces of China. Sales of homes to first time buyers have also improved in recent months and property prices have stabilised in a number of the main cities. Economic commentators expect Chinese GDP growth of above 8.0% in 2013, up from around 7.5% in 2012.

Recent announcements from global pigment producers point to expectations of improving pigment market conditions from the second quarter, which should be assisted by re-stocking of the supply chain as confidence returns to the market.

The fundamentals of pigment supply and demand going forward remain favourable once global economic health is restored. The supply/demand fundamentals for feedstocks and pigment remain favourable in the context of a global GDP growth scenario of 3.0% to 3.5% per annum as many of the leading economists are predicting. It is expected that pigment demand will grow on average above the long term trend of 3% per year to 2020, driven by continued industrialisation and urbanisation within emerging economies. 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 0.1kg. Continued infrastructure development along with increasing per capita income, and ensuing consumer spending in these large population countries, is expected to lead to strong pigment demand in the coming years.

Weak demand in the pigment market led to subdued demand for TiO_2 feedstocks during 2012, although this was much more pronounced in the second half of the year. Strong upward price pressure exerted in the market by the TiO_2 feedstock producers during 2011 softened in the second half of 2012, and more so for higher grade feedstocks. In the face of a weak pigment market, producers re-assessed their feedstock consumption patterns following significant price increases of high grade feedstocks, and where possible, reduced their consumption in favour of using lower cost feedstocks such as ilmenite and slag. Nonetheless, ilmenite demand also slowed by year end as pigment producers continued to curtail production and de-stocked.

Despite the weak pigment market conditions in 2012, demand for Kenmare's ilmenite products was robust for most of 2012 and prices increased strongly over 2011 levels. Kenmare has moved away from the multi-year pricing model for ilmenite to volume based agreements with six-monthly price negotiations to ensure that sales prices more closely align to current market conditions. Going into 2013, Kenmare sees some downward price pressure in the first half of the year but recovering as demand improves over the course of the year.

De-stocking by pigment producers has continued into the first quarter of 2013 as plant production levels and inventories are depleted. However, there is evidence that de-stocking by pigment customers has ended, as recently reported by some of the large pigment producers who are starting to see an improving demand environment. Although there is still some time lag before plant operating rates are ramped back up to more normal operating rates, the improving pigment demand could start to manifest itself in higher feedstock consumption rates by quarter two, but with the possibility that this could slip to quarter three.

Zircon Market Outlook

Zircon, a zirconium mineral typically produced as a co-product of titanium minerals mining, 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 in particular China. India, the Middle East and South America are also fast-growing markets.

Global zircon market conditions were challenging during 2012. Consumption was weak throughout the year due to significantly reduced demand from the ceramics sector, as a function of slower construction activity in China and weak economic conditions in Europe. Zircon customers started 2012 with high levels of inventory as they sought to buy ahead of expectations of tight supply and escalating prices throughout 2011. As end-use market demand stalled the zircon millers cautiously reduced their purchasing in 2012. Zircon prices held up well for a good part of the year but then fell sharply in the last quarter, and this has continued into 2013. Despite the weak market conditions, Kenmare, with its relatively small zircon production volumes, was able to sell all of its zircon during 2012 at the prevailing market price, with expectation of continued strong support from our customers in 2013.

Pricing is now at around half the peak 2011 level but there are some indications that zircon prices are close to the bottom of the price cycle. Some of the larger producers have announced plans to significantly curtail production levels during 2013. These supply cuts, combined with an improving demand outlook in China, should go a long way towards running down the large inventory overhang and may even allow for some price recovery in the second half of the year.

Looking longer term, zircon demand growth will be driven by increasing urbanisation and per capita income growth in emerging economies, where in many of these countries there is also a strong preference for use of tile as floor and wall covering. Other end use sectors, notably zirconium chemicals, are set to grow strongly in the coming years as a diverse range of new end use applications are developed. The more traditional zircon consuming sectors such as refractory and foundry are also holding steady and set to grow modestly in the years ahead as steel and glass production expands.

After a year of very significant demand contraction, industry analysts expect zircon demand to grow by around 10 to 15% in 2013, albeit from a lower base, as the supply chain restocks. This should be followed by a number of years of above average growth rates as stronger demand from emerging economies kicks in.

Beyond the immediate short term, the market outlook for Kenmare's titanium and zircon products remains positive for the medium to long term. Kenmare has a broad range of ilmenite products able to serve a diverse customer base ranging from both sulphate and chloride pigment customers, as well as for upgrading to titanium slag and synthetic rutile. Kenmare's zircon is also in high demand for ceramics and other demanding sectors. 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 Moma Phase II expansion and possible future expansion plans will give Kenmare a competitive edge in supplying the growing demand.

FINANCIAL REVIEW

2012 financial results

Kenmare generated earnings before interest, tax, depreciation and amortization (EBITDA) of US$98.9 million during 2012 (2011: US$71.7 million). This increase was mainly due to an increase in revenues during the year of 40% as a result of higher average product prices. Sales volumes, which decreased by 7% compared with

THE COMPANY GENERATED EBITDA OF US$98.9 MILLION IN 2012 (2011: US$71.7 MILLION), AND A PROFIT AFTER TAX OF US$49.5 MILLION (2011: US$23.7 MILLION). THIS INCREASE WAS MAINLY DUE TO AN INCREASE IN REVENUES DURING THE YEAR OF 40% AS A RESULT OF HIGHER AVERAGE PRODUCT PRICES.

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ENHANCED MINERAL SEPARATION PLANT WITH NEW WHIMS PLANT, NEW AUXILIARY ILMENITE PLANT AND PRODUCT STORAGE

OPERATING & FINANCIAL REVIEW
CONTINUED

THE MINE LABORATORY

the previous year, were constrained by lower production of finished products experienced during the year. Operating costs increased by 35% in 2012 and the operating profit was US$80.4 million (2011: US$52.9 million). Investment in property, plant and equipment amounted to US$191.9 million, primarily in the Phase II expansion works. Bank loans at the end of 2012 amounted to US$324.4 million (2011: US$327.1 million), a reduction of US$2.7 million during the year. Cash balances at the year-end amounted to US$46.1 million (2011: US$77.3 million).

Production and revenue

Revenue for 2012 was US$234.6 million (2011: US$167.5 million), an increase of 40%. 680,800 tonnes (2011: 730,400 tonnes) of finished product were sold in 2012 and the average price for all products sold increased by 50% compared with 2011.

	2012 Tonnes	2011 Tonnes
Heavy mineral concentrate production	772,300	842,900
Ilmenite production	574,500	636,800
Zircon production*	46,900	43,600
Total sales	680,800	730,400

*Included in the zircon production are 20,000 tonnes (2011: 6,200 tonnes) of a secondary zircon product.

Production of HMC at the Mine decreased by 8% compared with 2011 as a result of a combination of electricity supply disruptions and geotechnical challenges associated with elevating the dredge pond from the Namalope Flats zone to a dunal plateau. Once on the dunal plateau, WCP A will operate there for the next 12 years until it moves to the Nataka ore zone. The MSP produced 626,400 tonnes of finished products, a 9% reduction due to lower tonnes of available HMC. Shipments of finished products were 680,800 tonnes, a 7% reduction from 2011 as a result of lower production.

The transition to the dunal plateau will be substantially completed by the end of the first quarter 2013. Kenmare has been working with EdM to improve the stability of the electricity supply and is completely refurbishing a static VAR compensator (a voltage stabilisation system) at EdM's Alto Molocue substation on the national electrical grid. Kenmare is also installing capacitor banks at the Alto Molocue sub-station and at the sub-station in the provincial capital, Nampula. These measures are expected to improve the stability and reliability of EdM's transmission system. In addition to these steps, Kenmare is installing another voltage stabilisation system at the mine site substation, which will reduce the effect of any remaining power surges or dips that get through the other protection devices on EdM's transmission system.

Operating costs

Cost of sales for the year amounted to US$134.5 million (2011: US$97.5 million), including depreciation and amortization of US$18.5 million (2011: US$18.8 million).

Other operating costs amounted to US$19.7 million (2011: US$17.1 million) comprised of: freight costs of US$3.2 million (2011: US$3.6 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$0.7 million (2011: US$2.5 million) for demurrage as a result of bad weather which restricted shipments; distribution costs of US$9.1 million (2011: US$5.7 million); and administration costs of US$6.6 million (2011: US$5.7 million), which includes a charge of US$2.4 million (2011: US$2.2 million) for share-based payments.

The increase in operating costs was principally reflected in higher labour and engineering costs. The complex transition of mining operations up to the dunal plateau and the need for two supplementary dry mining operations also contributed to increased operating costs during 2012. However, as the mining operation is now approaching the plateau and one of the dry mining operations is no longer required, we anticipate that some of these additional costs will be non-recurring. Cost control continues to be a key priority for management and cost efficiencies will be sought as production commences from the expanded facilities.

NEW WHIMS PLANT CONSTRUCTED AS PART OF THE EXPANSION

OPERATING & FINANCIAL REVIEW
CONTINUED

MICHAEL CARVILL (MANAGING DIRECTOR) AND BRIAN FARRELL (EXPANSION ENGINEER) SHOWING PROJECT LENDERS EXPANSION PROGRESS

Operating profit
The operating profit for the year amounted to US$80.4 million (2011: US$52.9 million). The increase in operating profit resulted from higher revenues due principally to an increase in product prices.

Finance costs, interest and exchange movements
Loan interest and finance fees were US$28.7 million (2011: US$31.7 million). In accordance with the terms of the project financing documents, US$7.0 million (2011: US$8.6 million) of senior loan interest was paid and US$19.4 million (2011: US$21.0 million) of subordinated loan interest was accrued. At 31 December 2012, Group total debt was US$324.4 million (2011: US$327.1 million). The debt to equity ratio was 54% (2011: 66%). The weighted average interest rate on debt at year-end was 8.7% (2011: 8.2%).

THE OPERATING PROFIT FOR THE YEAR AMOUNTED TO US$80.4 MILLION (2011: US$52.9 MILLION). THE INCREASE IN OPERATING PROFIT RESULTED FROM HIGHER REVENUES DUE PRINCIPALLY TO AN INCREASE IN PRODUCT PRICES.

Cash and cash equivalents at 31 December 2012 were US$46.1 million (2011: US$77.3 million). Interest earned during 2012 amounted to US$1.7 million (2011: US$3.3 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, credit risk and other contractual considerations. An exchange loss of US$0.6 million (2011: US$6.3 million) arose during the year, mainly due to losses on Euro-denominated loans, partially offset by gains on South African Rand deposits held to fund Rand-denominated expansion capital costs. Euro-denominated loans at 31 December 2012 amounted to US$165.7 million (2011: US$149.1 million) 51% of total debt. Of the US$46.1 million (2011: US$77.3 million) in cash balances at the year-end, US$25.2 million (2011: US$46.9 million) or 55% is denominated in South African Rand.

Deferred tax
A deferred tax asset was recognised in 2011 of US$5.5 million. As a result of higher product prices and higher mining costs in 2012, US$22.4 million losses carried forward were offset against taxable profits. This resulted in a tax charge of US$3.3 million and resulted in profit after tax of US$49.5 million (2011: US$23.7 million) for the year.

Operating cash flow
Net cash flow generated from operations in 2012 was US$98.8 million (2011: US$45.7 million). Investing activities of US$164.3 million (2011: US$169.8 million) in the year represents additions to property, plant and equipment, primarily on capital costs for the Phase II expansion. In July 2012, 120 million shares were issued, resulting in net proceeds of US$56.7 million mainly to fund the remaining Phase II expansion works. Loan repayments during the year amounted to US$25.9 million (2011: US$28.1 million). The decrease in 2012 is largely a result of the repayment in full of the mortgage loan on the transhipment vessels Peg and Sofia III in 2011. There was a decrease in cash and cash equivalents for the year of US$34.7 million (2011: US$150.7 million).

Balance Sheet

Additions to property, plant and equipment during 2012 amounted to US$191.9 million (2011: US$180.1 million). US$154.5 million (2011: US$158.8 million) of capital expenditure related to Phase II expansion, US$36.2 million (2011: US$20.9 million) related to sustaining capital projects. There was US$1.2 million (2011: US$0.4 million) spent on development work on Phase III. As noted above, there is a deferred tax asset of US$2.2 million (2011: US$5.5 million) as at 31 December 2012 as a result of the Group having unused tax losses available for offset against future profits.

Total liabilities at 31 December 2012 amounted to US$388.3 million (2011: US$366.2 million), of which US$324.4 million (2011: US$327.1 million) relates to bank loans, details of which are set out below:

	Loan balance US$ million	Maturity
Senior loans		
AFDB	24.7	2018
Absa (ECIC)	35.9	2015
EAIF	3.1	2018
EIB	12.4	2018
FMO	11.4	2016
KfW IPEX-Bank (Hermes)	10.1	2015
KfW IPEX-Bank (MIGA)	9.3	2018
Total	**106.9**	
Subordinated loans		
EIB	131.0	2019
EAIF	46.9	2019
FMO	39.6	2019
Total	**217.5**	
Total Loans	**324.4**	

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. In December 2012, a further amendment concluded with Project Lenders extended the period to use such amount of operating cashflow to 30 June 2013, and increased maximum permitted indebtedness of Kenmare Resources plc from US$30 million to US$40 million. On 28 February 2013, Kenmare Resources plc and Absa Bank Limited entered into an agreement establishing a corporate facility of US$40 million for the Group, which can be renewed after one year with the agreement of both parties.

In accordance with the Project loan agreements, Non-Technical Completion is to occur by 31 December 2013. The achievement of Non-Technical Completion requires, among other things, that the Project Companies certify that deferred subordinated loans will be repaid by next payment date. At 31 December 2013, the next payment date would be 1 February 2014. Failure to achieve Non-Technical Completion by 31 December 2013 is an event of default unless delayed by force majeure. On 28 February 2013, the Project Companies notified Project Lenders that they had identified events of force majeure during the period from 5 March 2010 to 25 February 2013 which resulted in 53 days of delay. The effect is to extend the date for failure to achieve Non-Technical Completion from 31 December 2013 to 22 February 2014. As a consequence, the latest date that the deferred subordinated loan obligations must be brought current has been extended from 1 February 2014 to 1 August 2014.

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 Irish Companies Acts 1963 to 2012. The Group's significant accounting policies and details of the significant accounting judgments and critical accounting estimates are disclosed in the notes to the financial statements. The Group did not make any material changes to its accounting policies in the year ended 31 December 2012.

Financial outlook

From April 2013, WCP A will have substantially completed the climb up to the dunal plateau and is expected to spend the rest of the year in more favourable mining conditions. A number of capital projects to improve power reliability are well progressed and it is expected that these will be completed in the coming months. The Phase II expansion plant is in the commissioning phase, which will be followed by production ramp-up and this plant is scheduled to reach full production by the end of the year. Market conditions for our products are expected to improve in the coming months as our customers re-stock after a period de-stocking. Cost control continues to be a key priority for management and cost efficiencies will be sought as production commences from the expanded facilities. Having established a US$40 million corporate facility in February 2013, the Group will continue to review its capital structure to ensure it meets the requirements of a growing business.

THE PHASE II EXPANSION PLANT IS IN THE COMMISSIONING PHASE, WHICH WILL BE FOLLOWED BY PRODUCTION RAMP-UP AND THIS PLANT IS SCHEDULED TO REACH FULL PRODUCTION BY THE END OF THE YEAR.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

COMMITTED TO OPERATING IN A SUSTAINABLE AND RESPONSIBLE MANNER...

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 organisation established in 2004 to implement development programmes in these communities.

KMAD developed a strategic plan in 2007 and activities from 2008 to 2012 have been in accordance with this document. The social and economic development of the communities surrounding the Mine has been significant during this period. There have been improvements in infrastructure, with all the villages now electrified, water access improved, and mobile phone coverage throughout. Direct and indirect employment opportunities have been created, training initiatives have been implemented and numerous development activities started by KMAD have now matured. A new plan has been developed for 2013 to 2016. Extensive community and government consultation sessions took place in the latter half of 2012 in developing this new plan. Some of the major projects planned for this period include construction of a vocational training centre, expansion of the newly completed health centre and improving access to water.

Types 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 management 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 businesses can, after initial support, be run independently by the participants.

Social and cultural projects

These include educational programmes, such as HIV/AIDS prevention as well as the establishment of a mobile clinic team which makes regular visits to health posts in villages surrounding the Mine. Practical training is conducted with the health personnel working at these facilities and educational sessions are carried out in schools and other relevant forums on a wide range of topics from HIV/AIDS to malaria prevention and nutritional advice. Community sport 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 ensures that a sustainable programme for maintenance and utilisation of each infrastructure project is established prior to implementation. For example, a health centre has been built in coordination with the Ministry of Health which has provided the staff to operate the clinic.

Over the next three year period the focus will change slightly and intervention will be under three broad categories; Livelihoods and Economic Development, Health Development, and Education Development.

GOVERNANCE

KMAD membership

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

Operation

KMAD activities are supervised by the Kenmare Country Manager in coordination with the full time KMAD Coordinator who is responsible for the day-to-day management of KMAD's activities, supported by five field staff. The Community Liaison Officer (a

THE NEW HEALTH CENTRE OPENED IN MARCH 2013

member of the Mine operations team) helps to monitor activities. Financial information is maintained by the Company's Financial Controller.

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 signed a two year extension to the co-funding of the technical support component of the health project. 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 METHODS

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 construction projects, animal husbandry and the multi-media centre. Direct implementation is generally the most rapid implementation method but is also very time consuming and, given the desire to maintain a lean operational structure, KMAD's capacity to carry out direct implementation projects is limited.

Contracted implementation

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

Collaborative implementation

KMAD increasingly seeks to develop long-term collaborative relationships with partners in the area. Such relationships will be pursued with institutions, both government and non-government organisations ("NGOs"), that have a long-term interest in the region. Collaboration encompasses planning of activities and management of resources. While such arrangements take considerable time to develop, and there are inevitable challenges in coordination, these have long-term benefits to the communities in terms of greater assistance.

ENTERPRISE PROJECTS

In 2012, the income generating projects already supported by KMAD continued their development in becoming more customer oriented. They met more regularly with their customers and improved their planning for production and restocking. The data management of the associations also improved. Small business management training, specifically designed for the local conditions, was developed and introduced by the International Capital Corporation (a Mozambican NGO) and financed by KMAD. The horticulture projects increased their sales to the Mine from 2011 levels. Lack

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.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT
CONTINUED

of water in the dry season continues to be a problem. A borehole with a submersible pump has been installed in one of the locations in order to trial an irrigation system.

Technical assistance continued to be provided to the egg projects in Mtiticoma and Thipane. The egg farmers managed a large number of challenges during the year including theft, supplementing inadequate feed, and replacing ageing hens.

Some of the most successful projects are the small shops that have been set up with KMAD's support. Monthly income for the shops varies depending on the season as apart from the Mine, the main source of income locally is fishing which is seasonal. The majority of projects are running very successfully with limited intervention from KMAD.

There have been a few businesses that have not been successful, namely a petrol station and bakery in Topuito, which failed due to disagreement amongst the individual members and the sale of goods on credit with subsequent bad debts.

The table below summarises the enterprise projects that KMAD were actively providing support to in 2012:

Existing projects

Project description	Communities involved	Number of participants	Gross Revenue US$
Vegetable farming	Nathuco, Nathaca	51	20,040
Fruit farming	Thipane	12	159
Egg farming	Mtiticoma, Thipane	9	55,970
Sewing project – sample bags	Mtiticoma, Thipane, Cabula	18	83,458
General shop	Cabula, Nathuco	12	8,626
Bicycle spares shop	Nathaca	6	1,705
Small petrol station	Topuito	4	200
Building material shop	Thipane	6	2,707
Fishmongers	Thipane, Larde	9	301
Hair Salon	Mtiticoma	4	322
Bakery	Topuito	4	472
Salt production	Mulimune	5	442
Total		**140**	**174,402**

New projects started in 2012

Project description	Communities involved	Number of participants
General shop	Mulimune, Thipane	10
Second hand clothing shop	Nathuco	5
Plastic utensils shop	Nathaca	5
Building material shop	Topuito	4
Small restaurant	Topuito	4
Bakery	Naholoco	6
Poultry farm	Naholoco	3
Small petrol station	Cabula	5
Total		**42**

In addition to the new projects noted in the table a further one hundred goats were brought from the Zambezi valley for the village of Cabula to replicate the existing goat breeding project in Naholoco.

SOCIAL AND CUTURAL PROJECTS

Health

Fortnightly Mobile Clinic Team ("MCT") visits by the Missão Betesda (an NGO specialising in the development and teaching of good healthcare practices) doctor and dentist continued throughout 2012, with the aim of attending to patients in the health posts surrounding the Mine and using the treatment of these cases to provide training for the local health staff. A new doctor (Dr. Hanneke Boersma), a specialist in tropical medicine, was a welcome addition to the team. A summary of patients treated throughout 2012 is provided in the table below:

Village	Doctor Consultations	Dentist Consultations
Thipane	693	113
Pilivili	344	177
Larde	498	149
Guarneia	390	101
Nambelane	118	21
Mekane	449	150
Brigahna	503	162
Topuito	813	80
Total	**3,808**	**953**

The MCT continued working with the existing group of health volunteers, with both refresher training and community awareness sessions, and conducted an on-going training programme for a large number of new female volunteers. Additional training for all the Community Health Volunteers was provided by Population Services International (PSI), a NGO that has initiated a workplace and community HIV & AIDS programme financed by Kenmare. Two Children's Health Educators also held interactive sessions on various health topics with the children of all grade levels in the primary schools in the Topuito locality.

SEWING GROUP SUPPORTED BY KMAD

CORPORATE SOCIAL RESPONSIBILITY STATEMENT
CONTINUED

FRANSISCO LIMA, FÁTIMA ANTÓNIO AND ROSALINA MUSSA, MEMBERS OF THE EGG FARM ASSOCIATION

In August 2012, FMO extended their co-financing of the MCT project by a further two years. The focus of the project has changed slightly with more time spent in the communities immediately round the Mine and on capacity building in the new health centre built by KMAD.

HIV/AIDS PROGRAMME

Kenmare signed a one year contract with PSI in May 2012 to implement a comprehensive HIV/AIDS programme both in the workplace and in the surrounding communities. Once the Community Health Volunteers completed their initial basic training on HIV they began carrying out health awareness sessions in their respective villages. The initial focus was on prevention and treatment drawing attention to the VCT (Voluntary Counselling & Testing) campaign including explaining the process and the benefits of knowing one's HIV status. PSI brought in counsellors from outside the area to ensure professional treatment and confidentiality. The preliminary results showed that of a total of 309 people who took the test (estimated to represent almost 5% of the target population aged 15-49), 25 (or 8%) tested positive, a rate that corresponds to the average prevalence for Nampula province. The counselling included information on how and where to get registered for Anti-Retroviral Treatment ("ART"), so those who were found to be HIV positive can get regular medical assistance. Currently the nearest health centres that provide ART are at Larde and Micane which are 15 and 50 km respectively from Topuito, in addition to the Moma District Centre which is 70 km away. It is anticipated that this treatment will be provided by the new Mtiticoma Health Centre during 2013.

Health Centre

The new health centre, which was built outside Mtiticoma village, was connected to the electricity grid and two houses were built to accommodate District Health medical staff. An incinerator for medical waste was installed as well as a biological septic tank, and KMAD also hired a local contractor to carry out some minor additional works requested by the District Health authorities. The Memorandum of Understanding signed with the Government stipulated that it would be responsible for equipping and staffing the Health Centre. Unfortunately it became evident that the finance for the furniture would not be forthcoming. In an attempt to ensure the facility was opened as soon as possible, KMAD proceeded to procure all the remaining equipment necessary for the health centre in accordance with a comprehensive list provided by the District Health authorities. The Government has contracted the medical staff and the health centre was opened and patients started attending in March 2013.

Malaria

Three indoor spraying campaigns were carried out in the surrounding communities during 2012. Prior to each campaign representatives from Moma District Health Department undertook education and awareness campaigns in each of the seven villages that were sprayed. Details of the number of buildings sprayed during 2012 are provided in the following table.

Campaign	Houses sprayed	Other buildings sprayed
March/April	4,899	472
July/August	6,261	498
November	6,769	678
Total	**17,929**	**1,648**

There has been a large increase in coverage when compared with the first campaign in August 2011 when 4,802 buildings were sprayed. The increase is mainly due to an increased acceptance of the benefits of spraying by the local communities.

Education

At the beginning of the school year, KMAD distributed school materials to all the pupils attending local schools. KMAD also signed a Memorandum of Understanding with the District Education authorities under which KMAD will finance the recruitment of up to seven adult literacy trainers to provide classes in the locality. Six trainers were recruited and are giving lessons to 282 adults. KMAD also finalised a scholarship programme which will allow students from the primary schools to attend a secondary or vocational training school. Ten places annually have been reserved at the Moma secondary school and twelve at the vocational training school in Monapo. The vocational training school is merit-based. Twenty three carpenters from the local area were also sent to the National Institute

REGINA MACUACUA (KENMARE'S COMMUNITY SUPERINTENDENT) SHOWING FREDERIK VAN PALLANDT (FMO) AROUND THE TOPUITO SCHOOL BUILT BY KMAD

for Education and Profession Training's teaching centre in Nampula to develop their professional skills.

Sports

The local soccer tournament has been expanded and now has twelve male teams and ten female teams. Although financed by KMAD, the organisation of the tournament was undertaken by the local football committee. New soccer kits were provided to all the teams.

Population Influx Management

The development of the Mine has led to increased population in the area and significant growth in size of some of the local villages. To address some of the adverse consequences of this growth, Kenmare has agreed with the Government's Department of Urban Planning to finance the development of an integrated urban management plan for the area which will tackle issues such as public service provision, village expansion and waste management. A tender has been launched for this study.

Company-Community Interaction

Kenmare's stakeholder engagement plan is updated annually and takes into account any changing dynamics in the relationship between the Mine and the community.

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.

KMAD ALSO SIGNED A MEMORANDUM OF UNDERSTANDING WITH THE DISTRICT EDUCATION AUTHORITIES UNDER WHICH KMAD WILL FINANCE THE RECRUITMENT OF UP TO SEVEN ADULT LITERACY TRAINERS TO PROVIDE CLASSES IN THE LOCALITY.

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 decision-making processes. Kenmare's approach is therefore to engage frequently and proactively with neighbouring communities.

The key criteria that Kenmare focuses 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 change;
4. Ensuring collaboration and social inclusion;
5. Identifying priorities together with communities; and
6. Creating a balance between the community engagement process and the resulting actions required from both the company and the community.

The Community Liaison Department, staffed by the Community Superintendent and two Community Liaison Officers (CLOs), manages the Mine's stakeholder engagement process. The CLOs are mandated to deal with the issues raised by local communities. Typical issues include crop compensation, grave relocations, employment opportunities, water supply, sanitation issues, and general grievances. These are dealt with

CORPORATE SOCIAL RESPONSIBILITY STATEMENT
CONTINUED

AT THE BEGINNING OF THE SCHOOL YEAR, KMAD DISTRIBUTED SCHOOL MATERIALS TO ALL THE PUPILS ATTENDING THE LOCAL SCHOOLS

CORPORATE SOCIAL RESPONSIBILITY STATEMENT
CONTINUED

individually if applicable, or in the regular community workshop forums facilitated by Kenmare. While specific community relations programmes will change with 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 are held with representatives of local communities to share information. Minutes are prepared for all meetings and are approved by Kenmare and the Community.

The Local Working Group ("LWG") is the primary channel of communication among the Company, Government representatives and representatives from the surrounding communities. The LWG, which has been set up to ensure continuity of issues discussed by a permanent group, is composed of the village secretaries, local government officials, traditional leaders, school directors, a representative of the local women's organisation, a representative of the youth population and elected community leaders. By invitation representatives from District Government also take part.

During the year there were five formal community meetings involving communities, dealing with issues of recruitment, existing operations, water supply, fishing, farmland and influx management. As a result of these meetings further improvements were started on the water supply to Mtiticoma with the drilling of a new borehole and the setting up of standpipes along the main roads. A process of supplying the owners of farmland with legal title to their land was also undertaken together with the District Authorities.

In addition, four community meetings were held with various stakeholders potentially affected by a further mine expansion, should it proceed. This was as part of the scoping study for the Environmental, Social and Health Impact Assessment that will need to be undertaken in the areas of Pilivili and Congolone.

Meetings were also held to deal with specific issues, including a meeting held with all community representatives and chaired by the Human Resources Manager to explain the Company's recruitment procedures, a meeting with Mtiticoma residents to discuss the formation of water committees to maintain water infrastructure, and with Nampeia community to discuss the extraction of sand from a local borrow pit to be used for construction purposes. There is also constant interaction on a daily basis between the community liaison department and the local community.

HEALTH & SAFETY

The 2012 Lost Time Injury Frequency Rate ("LTIFR") of 0.33 was higher than the target (0.24), but was below our peer group (0.45). Five of the nine LTIs were recorded by Kenmare operations employees, while the remainder were a mixture of Kenmare contractors and expansion project contractors.

REGULAR MEETINGS ARE HELD WITH REPRESENTATIVES OF LOCAL COMMUNITIES TO SHARE INFORMATION. MINUTES ARE PREPARED FOR ALL MEETINGS AND ARE APPROVED BY KENMARE AND THE COMMUNITY.

Moma's operations safety statistics are as follows:

	Ceiling 2012	2012	2011
Man-hours worked	-	5,454,545	3,942,924
Man-hours worked since last LTI	-	707,151	916,012
Lost Time Injuries (LTI)	3	9	4
Medical Treatment Injures (MTI)	5	10	12
First Aid Injuries (FAI)	55	94	52
All Injuries (AI)	63	113	68
Days lost (injuries)	23	51	103
LTIFR	0.24	0.33	0.23
Malaria cases	-	1,345	1,187

Malaria

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 1,345 malaria cases recorded amongst operations and construction personnel at the Mine in 2012 as compared with 1,187 cases in 2011, a 13% increase. The increase in staff over the year as a result of the Phase II expansion resulted in part of the increase. With construction activities coming to an end in 2013 and continued spraying, Kenmare is hoping to see an improvement in 2013. Kenmare continued its mine site insecticide spraying and employee malaria awareness programmes throughout 2012. Kenmare also conducted an indoor residential insecticide spraying programme in the surrounding communities, greatly benefiting the local population.

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 holistic approach towards the management of safety, health and environmental processes. Progress on implementation of the NOSA system continued in 2012 with the development of the NOSA five star grading system. Supervisor and employee training was completed during 2012, along with baseline risk assessments for each operational area. A review of task-based risk assessments

THE CAPACITY OF THE NURSERY CONSTRUCTED FOR REHABILITATION OF MINED AREAS WAS INCREASED BY 50% IN 2012

CORPORATE SOCIAL RESPONSIBILITY STATEMENT
CONTINUED

KMAD OPENED A COMMUNITY MULTI-MEDIA CENTRE DURING THE YEAR

was also carried out for critical high risk activities identified during the baseline gap analysis to ensure the effectiveness and adequacy of controls for these high risk activities. It is expected that the site should be ready for an initial grading audit during 2013.

EMEX
EMEX is a risk-based incident management and reporting system that provides the operation with a compliance measurement system for environmental, health and safety functions. Implementation of the EMEX database continued during 2012, with each of the system modules undergoing implementation testing. These modules cover risk, incidents, business intelligence, auditing and inspection. This system caters for the monitoring and analysis of the essential environmental factors through the capture of key indicators.

Phase II Expansion
The Phase II Expansion project continued in 2012 and has significantly increased the size of the workforce on the Mine. At its peak the Mine expansion had over 1,200 construction workers and over 25 cranes working on the two construction sites. By virtue of the hazards that are inherent with any large scale construction project, the Phase II Expansion activities significantly increased the health and safety risk profile of the overall site. Adding to the risk was the fact that a significant number of the project labourers came from local villages and had limited previous experience in an industrial environment. With construction activities coming to an end in 2013 the risk level will reduce.

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 and FMO, as well as its own policies. The Mine is targeting compliance with the International Finance Corporation Performance Standards (2006), as set out in the Environmental Management Plan ("EMP") by the end of 2013. 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.

Greenhouse gas

	2012	2011
Greenhouse gas (tonnes CO_2)	112,244	90,549

In 2012, greenhouse gas emissions increased from an estimated 90,549 tonnes CO_2 equivalent total emission in 2011 to an estimated 112,244 tonnes CO_2 equivalent per year. This was due to the large increase in construction for Phase II Expansion and the acquisition of additional mining equipment for supplementary mining and marine operations.

Water management

	2012	2011
Water extraction (mega-litres)	6,520	5,500

During the year Kenmare extracted 6,520 mega-litres of water compared with 5,500 in 2011. This increase was a result of commissioning both the new group of production boreholes and the new drinking water treatment plant. The amount extracted falls well short of the Government extraction water permit threshold of 14,400 mega-litres per year pre-expansion and 21,600 mega-litres per year post-expansion.

A monitoring programme is in place to evaluate the quality of water in the area of influence of Kenmare's operations at Moma, to minimise threats to human and environmental health, and to comply with legislative requirements. A positive sanitary opinion on the operation and treatment of potable water was given by the Ministry of Health.

Solid waste management

The management of waste at the Mine continued during 2012 with increased focus on recycling projects. Two recycling contractors visited the Mine to access the waste management chain and make recommendation on recycling opportunities. The strategy is to involve the local community in waste recycling initiatives. Kenmare intends to achieve the recycling of 50% of scrap metal, piping, hoses and wood by the middle of 2013.

A total of 75.6 kilo-litres of used oil were sent to Maputo for offsite recycling and 82 tonnes of general waste (mainly plastic and paper) were disposed at the local landfill.

Effluent and surface water management

All three sewerage treatment plants operated during the year and the quality of the effluent discharged from all treatment plants was monitored. A permit for discharging treated sewerage effluent from all sewerage treatment plants was issued by the Mozambique Regional Administration of Water.

During the year there was a controlled discharge of water from mining pond A. This was necessary to ensure that the pond water levels were maintained at a safe level and to avoid a possible breach. Mine management commissioned a report by Coastal Environmental Services on this pond discharge which concluded that the discharge will not result in any long term negative impacts. A notice was submitted to the Ministry of Coordination of Environmental Affairs.

Radiation

As required in the Radiation Management Plan, radiation monitoring in various working areas, stockpiles, product storage areas and in the vicinity of the plant including community areas were carried out during the year. As part of the programme, an independent radiation specialist undertook a radiation survey and assessed the implementation of the site management programme. No deviations were observed.

Rehabilitation

The company engaged Golder Associates and the Institute of Agricultural Investigation of Mozambique to conduct a project land rehabilitation gap assessment. The capacity of the nursery constructed for rehabilitation of mined areas was increased by 50% in 2012 and the type of plants increased from six to eighteen. Twelve hectares of mined land were rehabilitated and prepared for handing back to the local government. Three trial plots were established on the rehabilitation areas to determine the appropriate soil fertility enhancement strategies to be used. These trials are currently underway.

Noise

Kenmare commissioned an independent consultant to conduct an environmental noise survey at selected points along the perimeter of the operation. The survey was conducted to determine the impact of noise created by the operation on the residents within the surrounding communities. A number of measurements were taken and the results were compared with the IFC guidelines. Test results indicated that the ambient noise levels measured at the Naholoco, Topuito (South), Thipane and Mtiticoma communities were within the IFC Performance Standards guideline of 55dBA for daytime activities and 45dBA for night time activities.

Dust

Air quality monitoring is carried out monthly by Kenmare staff and annually by an independent specialist. The 2012 internal and independent specialist monitoring results indicated that the particulate matter with diameter less than 10 microns (PM10), sulphur dioxide and nitrogen dioxide concentrations were within the IFC and AfDB air quality guidelines at all the measuring positions.

BIODIVERSITY

Terrestrial Monitoring Programme

A terrestrial monitoring programme was implemented in 2012. The purpose of the 2012 programme was to establish the initial baseline conditions for the project area. It is intended that in the next two years monitoring will continue to supplement the project area baseline data while implementing the preliminary monitoring programme. This will provide an understanding of the full potential of species diversity within the study site that could not be obtained from a single sampling period. It is likely that the Biodiversity Monitoring Plan ("BMP") will require modification after the first three years have been analysed. A key area of importance will be the determination of suitable indicator species.

Marine Monitoring Programme

The Kenmare Marine Monitoring ("KMM") programme established new Key Performance Indicators ("KPIs") for the long-term marine monitoring programme. The 2012 survey expedition resulted in the completion of three coral reef transects. More than 300 high-resolution photographs were collected and used to extract point data for the assessment of the coral community. Based on the analytical data from 2010 and 2012, there does not appear to be any evidence of a measurable change in the concentration of hydrocarbons in the marine water or sediment in the vicinity of the marine operations.

KENMARE IS COMMITTED TO OPERATING IN AN ENVIRONMENTALLY RESPONSIBLE MANNER AND TO MINIMISE THE IMPACT OF MINING AND PROCESSING OPERATIONS ON THE LOCAL ENVIRONMENT.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT
CONTINUED

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 the 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 and contractors that come to site. However, in compliance with Mozambican law, HIV/AIDS testing does not form part of a pre-employment medical.

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

Employee Demographics

Moma's employee statistics at the year ends are as follows:

	2012	2011
Employees	1,179	960
Mozambican	86%	86%
Expatriates	14%	14%
Women	5%	4%

There were 1,179 Kenmare employees at the Mine as at the end of December 2012. This amounted to an increase of 219 employees when compared December 2011. The majority of the employees (86%) are Mozambicans and 14% of the workforce is expatriates while 5% of the total work force are women.

Corporate Responsibility

Kenmare's Moma Titanium Minerals Mine is a major investment in the north of Mozambique. We believe it will serve as a catalyst for further investment and actively support the Government of Mozambique in 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.

KENMARE RECOGNISES THAT EMPLOYEES ARE THE BACKBONE OF THE BUSINESS AND THAT A PARTNERSHIP WITH THEM IS VITAL TO ACHIEVING ITS BUSINESS OBJECTIVES.

KENMARE'S MOMA TITANIUM MINERALS MINE IS A MAJOR INVESTMENT IN THE NORTH OF MOZAMBIQUE

BOARD OF DIRECTORS




1	2	3	4
	5	6	7



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 has 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 has 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 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 has 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 CPA Australia (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.






8	9	10
11	12	13

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. He holds a BComm degree from the University of Western Australia and an MBA from the Wharton School at the 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 Kenmare 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 2011 and is Chairman of the Remuneration Committee, and a member of the Nomination and Audit Committees.

10. Anthony Lowrie
(Non-Executive Director)
Anthony 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. 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. In September 2012 he was appointed as the Senior Independent Non-Executive Director of Petra Diamonds Limited, a FTSE 250 diamond mining and exploration company. He was elected to the Board as a Non-Executive Director in 2006.

11. Peter McAleer
(Non-Executive Director)
Peter McAleer has over forty 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. He is a Director of Kingsgate Consolidated Limited (Australia). He was appointed to the Board in 2001.

12. Steven McTiernan
(Non-Executive Director)
Steven McTiernan has over forty years of diverse natural resources industry and banking experience with Amoco, BP, and Mesa Petroleum, and with Chase Manhattan Bank, CIBC and NatWest Markets. While at Chase, he structured a broad range of corporate and project financings and managed a number of ground-breaking acquisition and divestiture advisory transactions. He has been a Non-Executive Independent Director at First Quantum Minerals Ltd. since August 14, 2010, and an Independent Director at Songa Offshore SE since January 10, 2013. He served as a Non-Executive Director at Tullow Oil plc from 2002 until December 31, 2012 and as its Senior Independent Director from January 1, 2008 to December 31, 2012. Steve received an MA in Natural Sciences from the University of Cambridge, and is also currently principal of Sandown Energy Consultants Limited. He was co-opted to the Board in March 2013 and is a member of the Remuneration, Nomination and Audit Committees.

13. Gabriel Smith
(Non-Executive Director)
Gabriel Smith is an independent consultant and private investor. He sits on several boards representing companies in different industries. He began his career as a loan officer at Citibank London. He was Managing Director of Ingenior Christen Smith AS, a technical trading company. He then joined Tinfos, a Norwegian silicomanganese, pig iron and titanium dioxide producer as Chief Executive Officer from 1990 to 2007. From 2003 to 2006 he held the position of Chairman of Pan Fish ASA, and from 2007 to 2009 he held the position as Chairman of Lighthouse Caledonia, a public seafood company. He received his undergraduate degree in Economics from Dartmouth College and has an MBA from Amos Tuck School in the US. He was co-opted to the Board in March 2013 and is a member of the Remuneration, Nomination and Audit Committees.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2012

The Directors present their report and the audited financial statements for the year ended 31 December 2012.

Principal Activities

The principal activity of Kenmare Resources plc ("the Company") and its subsidiary undertakings ("the Group" or "Kenmare") is the operation and expansion 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 23.

Risks and Uncertainties

The principal risks and uncertainties facing the Group are detailed on pages 47 to 48.

Key Performance Indicators

The key factors indicating the physical performance of the Group's mining activities are: (i) the output of heavy mineral concentrate ("HMC") from the mining operation; (ii) output of finished products (ilmenite, rutile and zircon) from the Mineral Separation Plant ("MSP"); and (iii) finished product shipments. The performance for the year ended 31 December 2012 for these indicators was as follows:

	H1 2012 Tonnes	H2 2012 Tonnes	Total 2012 Tonnes	H1 2011 Tonnes	H2 2011 Tonnes	Total 2011 Tonnes
Mining - HMC produced	386,200	386,100	772,300	421,600	421,300	842,900
Processing – finished products produced	302,800	323,600	626,400	346,700	340,200	686,900
Marketing – finished product shipments	321,500	359,300	680,800	349,400	381,000	730,400

Production of HMC at the Mine decreased by 8% compared with 2011 principally as a result of a combination of electricity supply disruptions and geotechnical challenges associated with elevating the dredge pond from the Namalope Flats zone to a dunal plateau. Once on the dunal plateau, Wet Concentrator Plant A ("WCP A") will operate there for the next 12 years until it moves to the Nataka ore zone. Supplemental dry mining improved delivery of ore to the WCP A, but electrical supply volatility and geotechnical challenges were such that production was reduced. MSP produced 626,400 tonnes of finished products, a 9% reduction due to lower tonnes of available HMC. Shipments of finished products were 680,800 tonnes, a 7% reduction from 2011 as a result of lower production.

The transition to the dunal plateau will be substantially completed by the end of the first quarter 2013. Kenmare has been working with Electricidade de Moçambique ("EdM") to improve the stability of the electricity supply and is presently completely refurbishing a Static Var Compensator (a voltage stabilisation system) at EdM's Alto Molocue substation on the national electrical grid. Kenmare is also installing capacitor banks at the Alto Molocue sub-station and at the sub-station in the provincial capital, Nampula. These measures will improve the stability and reliability of EdM's transmission system. In addition to these steps, Kenmare is installing another voltage stabilisation system at the Mine site substation, which will reduce the effect of power surges or dips that get through the other protection devices on EdM's transmission system.

Statement of Results

During 2012, the Group sold 680,800 tonnes of ilmenite, zircon and rutile to customers at a sales value of US$234.6 million (2011: US$167.5 million). Cost of sales for the year was US$134.5 million (2011: US$97.5 million) resulting in a gross profit of US$100.2 million (2011: US$70.0 million).

Other operating costs were US$19.7 million (2011: US$17.1 million) comprising distribution and freight costs for the year of US$9.1 million (2011: US$5.7 million) and US$3.2 million (2011: US$3.6 million) respectively. Demurrage costs incurred during the year totalled US$0.7 million (2011: US$2.5 million) as a result of bad weather which restricted shipments. Administration costs were US$6.6 million (2011: US$5.3 million). Total share-based payments for 2012 amounted to US$3.5 million (2011: US$3.5 million) of which US$0.7 million (2011: US$1.1 million) relates to staff at the Mine and are included as a production cost of inventories. US$0.4 million (2011: US$0.1 million) relates to staff working on the expansion project and was capitalised in property, plant and equipment, and the balance of US$2.4 million (2011: US$2.3 million) was expensed in the statement of comprehensive income.

There was a foreign exchange loss for the year of US$0.6 million (2011: US$6.3 million loss) mainly as a result of losses on the retranslation of the Euro denominated loans net of gains on the retranslation of cash deposits.

Loan interest and finance fees were US$28.7 million (2011: US$31.7 million) during the year. Deposit interest earned was US$1.7 million (2011: US$3.3 million). The resultant profit before tax for the year was US$52.8 million (2011: US$18.2 million).

As at the 31 December 2011 statement of financial position date, Kenmare Moma Mining (Mauritius) Limited ("KMML") had unused tax losses of US$42.4 million. In 2011, as a result of higher prices received and forecast to be received, a portion of such carried forward losses was expected not to expire and a deferred tax asset in respect of such losses of US$5.5 million was recognised. The deferred tax asset was reduced by US$3.3 million in 2012 resulting in profit after tax of US$49.5 million (2011: US$23.7 million) for the year which has been carried to retained earnings.

Additions to property, plant and equipment amounted to US$191.9 million (2011: US$180.1 million) consisting of US$154.4 million (2011: US$158.8 million) relating to the expansion works, sustaining capital US$36.3 million (2011: US$20.9 million) and US$1.2 million (2011: US$0.4 million) on development work on a third phase of development at the Mine.

The Group has total debt of US$324.4 million as at 31 December 2012 (2011: US$327.1 million). During the year there were loan interest and principal payments amounting to US$32.9 million (2011: US$36.7 million), interest accrued of US$26.4 million (2011: US$29.6 million), and foreign exchange movements of US$3.8 million (2011: US$4.2 million) resulting in an overall decrease in debt of US$2.7 million (2011: US$11.3 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. In December 2012, a further amendment concluded with Project Lenders extended the period to use such amount of operating cashflow to 30 June 2013, and increased maximum permitted indebtness of Kenmare Resources plc from US$30 million to US$40 million. On the 28 February 2013, Kenmare Resources plc and Absa Bank Limited entered into an agreement establishing a corporate facility of US$40 million for the Group, which can be renewed after one year with the agreement of both parties. Absa Bank Limited, a member of Barclays plc, is an existing lender of the Group.

In accordance with, the Project loan agreements, Non-Technical Completion is to occur by 31 December 2013. The achievement of Non-Technical Completion requires, among other things, that the Project Companies certify that deferred subordinated loans will be repaid by next payment date. At 31 December 2013, the next payment date would be 1 February 2014. Failure to achieve Non-Technical Completion by 31 December 2013 is an event of default unless delayed by Force Majeure. On 28 February 2013, the Project Companies notified Project Lenders that they had identified events of Force Majeure during the period from 5 March 2010 to 25 February 2013 which resulted in 53 days of delay. The effect is to extend the date of default for failure to achieve Non-Technical Completion from 31 December 2013 to 22 February 2014. As a consequence, the latest date that the deferred subordinated loan obligations must be brought current is extended from 1 February 2014 to 1 August 2014.

Directors

The Directors who held office at 31 December 2012 were as follows:

J. Loasby (Chairman)	Non-Executive	*	+	
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	*	+
A. Lowrie	Non-Executive			
P. McAleer	Non-Executive	Δ		
T. McCluskey	Executive			

Δ : Members of the Audit Committee chaired by Mr. P. McAleer during 2012.
+ : Members of the Remuneration Committee chaired by Ms. E. Headon during 2012.
* : Members of the Nomination Committee chaired by Mr. J. Loasby during 2012.

In March 2013, Mr S. McTiernan and Mr G. Smith were co-opted by the Board as Non-Executive Directors. They will offer themselves for election at the 2013 Annual General Meeting.

Mr. I. Egan, Mr. S. Farrell and Mr. P. McAleer, who have all served for over nine years on the Board, will not offer themselves for re-election at the 2013 Annual General Meeting.

DIRECTORS' REPORT CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2012

In March 2013, Mr. P. McAleer and Mr. I. Egan retired from the Audit Committee. In March 2013, Mr. S. McTiernan and Mr. G. Smith were appointed to the Audit, Remuneration and Nomination Committees.

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 annually at the Annual General Meeting and offer themselves for re-election.

Directors' and Secretary's Shareholdings and Share Options

The interests of the Directors and Secretary of the Company, their spouses and minor children, in the Ordinary Share Capital of the Company and details of the share options granted in accordance with the rules of the Share Option Scheme are detailed in the Directors' Remuneration Report on page 58.

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 year period, in equal annual amounts. Options awarded to Executive Directors since 2011 have performance criteria attaching to them. At 31 December 2012, 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 23.9 million shares, exercisable at an average price of US$0.50 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 23. The financial position of the Group, its cashflows, liquidity position and borrowing facilities are also described in the Financial Review on pages 17 to 23. 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 upon which the forecast is based include a mine plan covering production using the Namalope and Nataka proved and probable reserves. The forecast assumes a ramp-up to expanded production levels during 2013. Annual production levels at full capacity pre-expansion are approximately 800,000 tonnes of ilmenite per annum plus co-products, rutile and zircon and 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 Project Lenders' independent marketing consultant. Operating and capital replacement costs are based on approved budget costs for 2013 and escalated by 2% per annum thereafter and reflecting post-expansion costs from 2013 onwards.

On the 28 February 2013, Kenmare Resources plc and Absa Bank Limited entered into agreement establishing a corporate facility of US$40 million for the Group. Absa Bank Limited, a member of Barclays plc, is an existing lender to the Project Companies.

In accordance with the Project loan agreements, Non-Technical Completion is to occur by 31 December 2013. The achievement of Non-Technical Completion requires, among other things, that the Project Companies certify that deferred subordinated loans will be repaid by next payment date. At 31 December 2013, the next payment date would be 1 February 2014. Failure to achieve Non-Technical Completion by 31 December 2013 is an event of default unless delayed by Force Majeure. On 28 February 2013, the Project Companies notified Project Lenders that they had identified events of Force Majeure during the period from 5 March 2010 to 25 February 2013 which resulted in 53 days of delay. The effect is to extend the date of default for failure to achieve Non-Technical Completion from 31 December 2013 to 22 February 2014. As a consequence, the latest date that the deferred subordinated loan obligations must be brought current is extended from 1 February 2014 to 1 August 2014.

Share Capital

As at 31 December 2012, 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 €0.013 per share for all the deferred shares so purchased or may execute a transfer of such shares without making any payment to the holders.

As at 15 April 2013, the Company has been notified of the following shareholdings in excess of 3% of the issued ordinary shares of the Company:

	No. of Ordinary Shares	% of Issued Share Capital
Prudential plc	490,894,335	19%
BlackRock Investment Management (UK) Ltd	202,124,893	8%
Capital Research & Management Company	158,618,932	6%
JP Morgan Asset Management (UK) Ltd	96,371,554	4%

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 ("KMML") and Kenmare Moma Processing (Mauritius) Limited ("KMPL"), subsidiary undertakings of the Company, the Project 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.

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 of the 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 2012 are outlined in Note 14 to the financial statements. The subsidiary undertakings KMML, KMPL and Mozambique Minerals Limited all operate as branches in Mozambique.

DIRECTORS' REPORT CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2012

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 enclosed with the Annual Report and 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 in 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 Annual General Meeting or to table a draft resolution for inclusion in the agenda of a General Meeting, subject to certain timing requirements presented by the Companies Act and any contrary provision of Irish company law.

All business that is transacted at an Extraordinary General Meeting is deemed special. 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 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 they hold. On a poll, every member who is present in person or by proxy has one vote for each share they hold. 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 of the Main Securties Market of the London Stock Exchange and has a secondary listing on the Main Securities Market of the Irish Stock Exchange. For this reason the Company is not subject to the same on-going 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 Listing Rules of the UK Listing Authority.

Corporate Governance
The annual Corporate Governance Statement on pages 49 to 53 forms part of the Directors' Report and is incorporated into this report by reference.

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

Events since the year end
On the 28 February 2013, Kenmare Resources plc and Absa Bank Limited entered into agreement establishing a corporate facility of US$40 million for the Group. Absa Bank Limited, a member of Barclays plc, is an existing lender to the Group.

As noted above on 28 February 2013, the Project Companies notified Project Lenders that they had identified events of Force Majeure during the period from 5 March 2010 to 25 February 2013 which resulted in 53 days of delay. The effect is to extend the date of default for failure to achieve Non-Technical Completion from 31 December 2013 to 22 February 2014. As a consequence, the latest date that the deferred subordinated loan obligations must be brought current is extended from 1 February 2014 to 1 August 2014.

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

15 April 2013

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 2012. 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 2012 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 pages 38 to 39 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 Operating and Financial Review and Principal Risks and Uncertainties, which are 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

15 April 2013

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's business may be affected by risks similar to those faced by many companies in the mining industry. The principal risks and uncertainties applicable to the Group are set out below.

Commercial risks

The Mine's revenue and earnings depend upon prevailing prices for ilmenite, 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

Mining operations are vulnerable to natural events, including drought, floods, fire, storms and the possible effects of climate change. Operating difficulties could be experienced such as a result of unexpected geological variations. Mineral sands dredge mining involves considerable berm construction and geotechnical management. An accident or a breach of operating standards could result in a significant incident which would affect the Group's reputation, and the costs of its operations for indeterminate periods.

The Mine requires reliable roads, ports, power sources and power transmission facilities, and water supplies to access and conduct its business. The availability and cost of infrastructure affects planned capital and operating costs, production and sales.

In particular, the Mine is reliant on the marine terminal for the shipment of products. Adverse weather conditions can limit the amount of shipments. Extreme weather conditions or accident could result in damage to the marine terminal, rendering the Mine unable to ship its products pending repair. In these situations, the Mine may be unable to meet its commitments to customers to a lesser or greater degree, resulting in ocean freight penalties and reduced cashflow, with an attendant adverse effect on the Group'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 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.

The Group's insurance does not cover every potential risk associated with its operations. Adequate cover at reasonable rates is not always obtainable. In addition, the Group's insurance may not fully cover its liability or the consequences of any business interruptions such as weather events, equipment failure or labour dispute. The occurrence of a significant event not fully covered by insurance could have an adverse effect on the Group's business, results of operations and financial condition.

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 depends on the cashflow generated from operations. The Mine's cashflow, in turn, depends primarily on the Mine's ability to achieve production, product pricing and cost targets. 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 2012, the loan balance was US$324.4 million, comprising US$158.7 million denominated in US Dollars and US$165.7 million denominated in Euro. The loans are due to be repaid in installments between 2013 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 of, 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. Fluctuations in these currencies 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 held. During the year, the Group entered into forward US Dollars/South African Rand exchange contracts totalling US$35 million to cover expansion capital payments exposure. The maturity of the contracts ranged from August 2012 to January 2013.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

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. The Group is exposed to movements in interest rates which affect the amount of interest paid on borrowings. As at 31 December 2012, 66% of the Group's debt (US$214.5 million) was at fixed interest rates and 34% (US$109.9 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 this period and the mix of fixed and variable rate debt.

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 programmes, 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 5.5 million hours in 2012 (2011: 4 million hours), with 9 lost-time injuries to employees and contractors (2011: 4 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 effect 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 economic 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 or financial condition of the Group. Political uncertainty, changes to fiscal terms governing the Mine, or changes in generally applicable taxes may reduce future growth opportunities.

Expansion commissioning and ramp-up risk

A failure by the Group to commission the expansion facilities or to achieve post-expansion production targets as planned may have a material adverse effect on the results of operation and the financial condition of the Group.

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. They have applied the principles of the 2010 UK Corporate Governance Code ("the Code") which was issued by the UK's Financial Reporting Council ("FRC") in June 2010, a copy of which can be obtained from the FRC website, www.frc.org.uk. Throughout the year ended 31 December 2012, the Company has been in compliance with the Code provisions except for the independence criteria of some of the Non-Executive Directors and service contracts of some of the Executive Directors. Changes were made in 2013 as detailed below and in the Remuneration Report and the Company is now compliant with the Code provisions.

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 38 and 39. The Board consists of thirteen Directors, of whom four are Executive and nine are Non-Executive. The majority of the Board is made up of Non-Executive Directors. 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 size and composition to be appropriate. The Board requests Non-Executive Directors to step down after nine years and 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 the skills and expertise therefore needed on the Board in the future. The nationalities of both the Executive and Non-Executive Directors reflect the location of operations of the Group, mining and other industry knowledge and experience necessary to lead the Group.

Mr. P. McAleer was the Senior Independent Non-Executive Director during 2012.

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

Diversity

In February 2011, Lord Davies published the report "Women on Boards" and the FRC published its consequent amendments to the UK Corporate Governance Code which came into effect in October 2012. The Davies report provides a number of recommendations to address the balance of women on the boards, including a recommendation for listed companies to set out their targets for the proportion of women who serve on their board. We are supportive of the Davies recommendations and are not in favour of the implementation of quotas. The benefits of greater board diversity, not just gender specific, are clear and this is a positive step forward. It is, therefore, our intention to meet or exceed the Davies Review targets. However all appointments will continue to be made on merit and with the objectives of ensuring the right balance of skills, knowledge and experience is retained on our Board enabling us to maximise our corporate potential. Currently Kenmare's Board comprises 15% women, with women Directors making up 22% of the Non-Executives on the Board.

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, 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.

Since 2010, the Board has adopted the practice that all Directors offer themselves for reappointment at the Company's Annual General Meeting.

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 2012. 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
Non-Executive Directors								
J. Loasby (Chairman)	6	6	-	-	3	3	2	2
C. Carvill (Former Chairman)	1	1	-	-	-	-	-	-
S. Bianchi	6	6	3	3	3	3	2	1
I. Egan	6	6	3	3	-	-	-	-
S. Farrell	6	6	-	-	-	-	-	-
E. Headon	6	6	3	3	3	3	2	2
A. Lowrie	6	6	-	-	-	-	-	-
P. McAleer	6	6	3	3	-	-	-	-
Executive Directors								
M. Carvill	6	6	-	-	-	-	-	-
J. Deysel	6	6	-	-	-	-	-	-
T. Fitzpatrick	6	6	-	-	-	-	-	-
T. McCluskey	6	6	-	-	-	-	-	-
Company Secretary								
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 carried out an evaluation of the independence of its Non-Executive Directors, taking account of the relevant provisions of the Code and whether the Non-Executive Directors discharge their duties in a proper and consistently independent manner and constructively challenge the Executive Directors and the Board. Under the Code Non-Executive Directors who have served for over nine years on the Board are not considered independent. Therefore Mr. P McAleer, Mr. I Egan, and Mr. S Farrell have agreed not to put their names forward for re-election at the Annual General Meeting. Likewise Non-Executive Directors who have been remunerated with share options are not considered independent. Mr. A. Lowrie has relinquished his share options. As a result Ms. S. Bianchi, Ms. E. Headon, Mr S. McTiernan, Mr. A. Lowrie and Mr. G. Smith fulfill the independence requirements of the Code. Mr J. Loasby has been Chairman of the Company since January 2012. On his appointment, Mr. J. Loasby met the independence criteria as set out in the Code.

Performance Appraisal

The Board conducts an annual evaluation of its performance and its Committees. It also conducts an annual performance evaluation of individual Directors. During 2012, the Institute of Directors in Ireland ("IOD") conducted a performance evaluation of the Board. The IOD also acted as recruitment consultant to the Nomination Committee.

The Board performance evaluation enabled the Directors to understand how well the Board is operating in key areas including strategy, business principals, risk management and internal control, performance and measurement, stakeholder management, board composition and boardroom practice. The output from the process has enabled the Board to recognise its strengths and tackle any weaknesses identified.

The process commenced with the IOD briefing the Directors on the objectives, the process and the prospective output of the evaluation. The Directors then had to complete a detailed questionnaire. Based on the results of the questionnaire the IOD prepared a detailed report and this, as well as a debriefing on the report's outcomes, was provided to the Board.

The main conclusions of this report were that the Board performed well in risk management, board discussions and decision making, board papers, Chairman's leadership and performance management. Areas noted for improvement and which have been agreed as next steps by the Board include formal documentation of approval of the division of responsibilities of the Chairman and Managing Director, Directors appointment procedures, succession planning and continuing education, crisis and risk management review.

The Chairman also conducted a performance evaluation of the Directors and Committees. 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 on their objectives during the year.

The Senior Independent Director completed an evaluation of the performance the Chairman, taking into account the views of the Directors. It was concluded that the Chairman continues to contribute effectively and to demonstrate commitment to his role.

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 41. The Committee met during 2012 and 2013 to consider a number of candidates for the position of Non-Executive Director. An external recruitment consultant, the Institute of Directors in Ireland Boardroom Centre ("Boardroom Centre") was engaged to assist with the recruitment process. The result of this process was that in March 2013, the Board co-opted Mr. S. McTiernan and Mr. G. Smith as Non-Executive Directors, who will be presented to the shareholders for election at the Annual General Meeting.

Mr. S. McTiernan has been a Director of Tullow Oil, a company which has grown from a junior oil exploration company to a multi-billion dollar market capitalisation. He has also been a Non-Executive Director of First Quantum Minerals, a Canadian-listed company engaged principally in copper mining in Zambia and other African countries. He has been involved in the natural resources sector all his working life and will add greatly to the Board's collective knowledge.

Mr. G. Smith is a Norwegian national and, amongst other posts, was the CEO of the world's only independent titanium smelter for many years. He has an intimate understanding of the complex structure of the titanium feedstock industry along with invaluable experience of running a large industrial complex. The Board believe that Mr. Smith's knowledge, experience and wisdom will greatly benefit the Board.

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 to 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 Group 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 Annual General Meeting (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 41. During 2012, the Committee determined that Mr. I. Egan, as a Fellow of the CPA Australia (FCPA), was the Committee's financial expert. As outlined in the Directors' biographical details, set out on pages 38 and 39, 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 ethics 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 2012 as follows:

- the Committee reviewed the preliminary and half yearly results issued by the Company in April and August 2012 respectively;
- the Committee reviewed the 2011 Annual Report in April 2012 and the 2012 Interim Report in August 2012. 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 2011 Annual Report and accounts and their review of the 2012 Interim Report;
- the Committee considered the need for a dedicated in-house internal audit function. In light of an external audit and an external review 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 in-house internal audit function. However, the Committee engaged Ernst & Young as contract internal auditors to conduct a review in October 2012 of the internal controls in place at the Mine. The findings from this review were reported to the Committee in December 2012;
- the Committee reviewed the safeguards designed 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 areas of audit risk and focus and on internal control observations in preparation of the Annual and Interim Reports; and
- non-audit services were provided by the Group's external auditors Deloitte & Touche in 2012 in relation to executive pension schemes. 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. KPMG provide the external audit and taxation services to the subsidiary undertakings KMML and KMPL and their respective branches. As noted above, Ernst & Young were engaged in 2012 to provide internal audit services. The Committee closely monitors the level of audit and non-audit services that the audit firms 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-auditor 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 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 on-going 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; and
- 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, including the report from Ernst & Young, 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. During 2012, the Audit Committee reviewed the 2011 Annual Report and the 2012 Interim Report and as part of these reviews the Committee received a report from the external auditors for the audit of the 2011 Annual Report and their review of the 2012 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.

On behalf of the Board:

J. Loasby Chairman

15 April 2013

DIRECTORS' REMUNERATION REPORT

Composition and Role of the Remuneration Committee

The Remuneration Committee comprises two independent Non-Executive Directors, Ms. E. Headon (Chairman) and Ms. S. Bianchi and the Chairman of the Board, Mr. J. Loasby. Ms. E. Headon became Chairman in March 2012, following Ms. S. Bianchi's retirement as Chairman of the Committee. Further details regarding the members of the Remuneration Committee, including their biographies and length of service are set out on pages 38 and 39. The Company Secretary acts as secretary to the Committee. The Managing Director may be invited to attend meetings of the Committee, except when his own remuneration is being discussed. No Director is involved in consideration of their own remuneration.

The role and responsibilities of the Remuneration Committee are set out in its written terms of reference, which are available on request and on the Company's website www.kenmareresources.com.

The Committee is responsible for determining the policy for the remuneration of the Managing Director and the other Executive Directors. In this regard the Committee gives full consideration to legal and regulatory requirements, to the principles and provisions of the UK Corporate Governance Code and to related guidance. The Committee also ensures that risk is properly considered in the setting of remuneration policy, by ensuring that targets are appropriately stretched but do not lead to the taking of excessive risk.

The Committee determines the remuneration packages of the Managing Director and the other Executive Directors, including salary, bonuses, share option awards, pension rights and other benefits.

The Committee seeks independent advice when necessary from external remuneration consultants. During the year, the Committee received independent external advice from MM&K Limited, a remuneration consulting group specialising in the design and implementation of executive remuneration strategies on remuneration matters.

The Committee met three times during the year ended 31 December 2012. The main agenda items included remuneration policy, remuneration trends and benchmarking, the remuneration packages of the Managing Director and the other Executive Directors, grants of share options under the Company's share option scheme and approval of this Report. Individual attendance at these meetings is set out in the Corporate Governance statement on page 50.

Group Remuneration Policy

Principles

Kenmare's remuneration policy is designed to maintain levels of remuneration that attract, motivate and retain Executive Directors and senior executives of the highest calibre who can contribute their experience to the Group's operations. The Board seeks to align the interests of Executive Directors with those of shareholders, within the framework set out in the UK Corporate Governance Code. Central to this policy is the Group's belief in long-term, performance based incentivisation. The Remuneration Committee seeks to ensure:

- that executives are rewarded in a fair and balanced way for their individual and team contribution to the Group's performance;
- that executives receive a level of remuneration that is appropriate to their scale of responsibility and individual performance;
- that the overall approach to remuneration has regard to the sector within which the Group operates and the markets from which it draws its executives; and
- that risk is properly considered in setting remuneration policy and in determining remuneration packages.

Review of Policy and Structures

Following a detailed review in 2012, which was facilitated by external remuneration consultants, MM&K Ltd, the Remuneration Committee established a framework for remuneration policy in respect of the Executive Directors.

The Remuneration Committee uses annual benchmarking to ensure that remuneration structures continue to support the key remuneration policy objectives. The primary comparator group for benchmarking is other UK listed companies of similar market capitalisation and practice in the global mining sector. The Remuneration Committee may modify the composition of these key reference points from time to time with a view to ensuring their relevance.

Shareholder Vote
The Directors' Remuneration Report is put to a shareholder 'advisory' vote at the Annual General Meeting. While there is no legal obligation to put such a resolution to shareholders, Kenmare believes that it is an appropriate acknowledgement of a shareholder's right to have a 'say on pay'.

Shareholders will be asked at the Annual General Meeting to fix the ceiling on Non-Executive Directors' ordinary remuneration in accordance with the Articles of Association of the Company.

Components of Executive Directors' Remuneration
The current remuneration package for Executive Directors consists of base salary, annual bonus, share option awards, pension and other benefits.

Base salary
The salaries of Executive Directors are reviewed annually, with adjustments effective from 1 January and are set by reference to benchmarking data of other UK-listed companies of similar market capitalisation, practice in the global mining sector and Company performance.

A 2.5% increase in the base salaries of Executive Directors for the year 2012 was awarded effective from 1 January 2012. This increase was in line with inflation. Base salaries for the year commencing 1 January 2013 are being maintained at the same level.

Annual bonus
In 2012 annual bonuses were paid to the Executive Directors based on an assessment of Group performance and personal key performance indicators (KPIs) in relation to 2011. 50% of the bonus payment is deferred for three years and is subject to continued employment with the Company.

A thorough review of the annual bonus scheme for Executive Directors was performed in 2012. Following this review new guidelines for the bonus scheme were put in place whereby annual bonus awards are a function of performance against pre-set Key Performance Indicators (KPIs) in the areas of Health and Safety, operational performance (notably production volume and cost control), business development and strategy, and project completion milestones, as well as performance by the Company as a whole. The bonus potential, as a percentage of basic salary, for each Executive Director was set at 25% of basic salary for "threshold" performance, 50% for full achievement of targets, and 75% for exceptional achievement over and above targets set.

Assessment of the performance of each Executive Director against their KPIs is made using a balanced scorecard approach. The weighting of the performance targets varies according to the role of each individual. The Remuneration Committee applies appropriate discretion in respect of determining the bonuses to be awarded, based on actual performance achieved by each Director and by the Company as a whole. In respect of the year ended 31 December 2012, the Remuneration Committee decided that, in spite of the achievement of targets across the range of performance indicators by each Director, the difficult conditions prevailing in the market and the impact of reduced production by the Company made it prudent not to award bonuses to the Executive Directors for the year.

For the year to 31 December 2013, the same general policy and parameters in respect of annual bonuses, as detailed above in respect of the year ended 31 December 2012, will remain in place.

Share option awards
Executive Directors were eligible for grants of options under the Company's Share Option Scheme. Details of the share options granted to the Executive Directors in 2012 are set out on page 58. The options were granted at an exercise price of Stg44.11p. Options awarded in 2012 are exercisable immediately in the event of a change of control of the Company or else in June 2015, subject to the achievement of KPIs relating to Health & Safety, Operations and Financial Performance in each of the three years following award.

In line with the philosophy of emphasising long term incentives, the level of option grant policy offsets a relatively modest level of bonus opportunity as a percentage of salary. 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.

DIRECTORS' REMUNERATION REPORT CONTINUED

Pension and other benefits

Executive Directors receive a payment of 10% of their base salary into the Company's group personal pension plan or his private pension arrangements as detailed in the table below. Executive Directors are 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.

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 below and on page 57.

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 on page 58.

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

Each Executive Director has a service contract with a 12 month rolling notice period. A contract with Vico Properties plc to provide for the services of Mr. M. Carvill was terminated during the year. Mr. M. Carvill serves as a Non-Executive Director for a number of subsidiary undertakings in the Vico Group and Carvill Group Limited; he does not receive a fee for his service. This release to serve as a Non-Executive Director was granted a number of years ago. All other Executive Directors do not serve as Non-Executive Directors elsewhere.

Directors' remuneration

The remuneration of the Directors was as follows:

Executive Directors' Emoluments	Remuneration	Bonus	Share option expense	Other Benefits	Pension	Total
	2012	2012	2012	2012	2012	2012
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
M. Carvill	703	206	837	10	70	1,826
J. Deysel	453	150	458	-	44	1,105
T. Fitzpatrick	302	66	237	-	-	605
T. McCluskey	464	136	568	5	46	1,219
	1,922	558	2,100	15	160	4,755

Non-Executive Directors' Emoluments	Consultancy & Directors' Fee	Bonus	Share option expense	Other Benefits	Pension	Total
	2012	2012	2012	2012	2012	2012
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
C. Carvill	15	-	-	-	-	15
S. Bianchi	91	-	-	-	-	91
I. Egan	201	-	-	-	-	201
S. Farrell	73	-	-	-	-	73
E. Headon	98	-	-	-	-	98
J. Loasby	240	-	-	-	-	240
A. Lowrie	73	-	-	-	-	73
P. McAleer	107	-	-	-	-	107
	898	-	-	-	-	898
Total	2,820	558	2,100	15	160	5,653

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
A. Lowrie	90	-	-	-	-	90
P. McAleer	127	-	-	-	-	127
	969	-	-	-	-	969
Total	2,970	513	1,912	18	171	5,584

Bonus payments to executive Directors for 2012 and 2011 in the table above are in respect of awards for performance in 2011 and 2010 respectively. Bonus awards were determined in each case six months after the applicable year end.

During the year the following deferred bonuses were awarded:

Executive Directors	**Deferred bonus**	**Deferred bonus**
	2012	**2011**
	US$'000	**US$'000**
M. Carvill	206	195
J. Deysel	150	139
T. Fitzpatrick	66	23
T. McCluskey	136	156
	558	513

The deferred bonuses awarded in 2012 and 2011 are payable on 1 June 2015 and 1 June 2014 respectively on the condition of continued employment with the Company.

Executive and Non-Executive Directors' fees for services as Directors provided to the Company and the entities controlled by the Company are US$4.8 million (2011: US$4.6 million) and US$0.5 million (2011: US$0.4 million) respectively. Consultancy fees paid to Non-Executive Directors are for non-executive services as Directors provided to the Group. J. Loasby was appointed to the Board in August 2011 and appointed as Chairman to the Company in January 2012. E. Headon was appointed to the Board in April 2011. C. Carvill retired as Chairman to the Company in January 2012. Their 2012 and 2011 remuneration relates to the period of their directorships.

The underlying currencies of Directors' emoluments are Euro, Sterling and US Dollars.

DIRECTORS' REMUNERATION REPORT CONTINUED

Directors' and Secretary's Shareholdings

The interests of the Secretary and Directors who held office at 31 December 2012, their spouses and minor children, in the Ordinary Share Capital of the Company were as follows:

	Shares Held 15 April 2013	Shares Held 31 Dec. 2012	Shares Held 1 Jan. 2012
J. Loasby (Chairman)	25,000	-	-
S. Bianchi	1,603,600	1,603,600	1,603,600
M. Carvill	4,802,030	4,802,030	4,902,030
J. Deysel	925,716	925,716	520,687
I. Egan	1,330,349	1,330,349	1,330,349
S. Farrell	466,333	466,333	987,590
T. Fitzpatrick	108,807	108,807	108,807
E. Headon	48,773	48,773	-
A. Lowrie	4,870,891	4,870,891	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

750,000 shares held by a Carvill Family 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 2012, granted in accordance with the rules of the Share Option Scheme, are as follows:

	1 Jan 2012	Granted during 2012	Exercised during 2012	31 Dec 2012	Average option price €	Option Price range From €	Option Price range To €
J. Loasby (Chairman)	-	-	-	-	-	-	-
S. Bianchi	-	-	-	-	-	-	-
M. Carvill	16,691,333	4,000,000	-	20,691,333	37c	11c	57c
J. Deysel	1,420,000	3,250,000	-	4,670,000	52c	29c	57c
I. Egan	2,180,000	-	-	2,180,000	28c	11c	49c
S. Farrell	1,180,000	-	-	1,180,000	34c	20c	49c
T. Fitzpatrick	3,900,000	1,500,000	-	5,400,000	33c	11c	57c
E. Headon	-	-	-	-	-	-	-
A. Lowrie	500,000	-		500,000	49c	49c	49c
P. McAleer	1,250,000	-	-	1,250,000	30c	18c	49c
T. McCluskey	11,300,000	3,250,000	-	14,550,000	37c	11c	57c
D. Corcoran (Secretary)	3,825,000	600,000	-	4,425,000	33c	13c	49c

In March 2013, Mr. A. Lowrie transferred his share options to his non-minor son.

During the year, no Directors' and Secretary's share options lapsed. The latest exercise date is August 2019. The share option period may be extended at the discretion of the Board.

The share price at the year-end was £0.31 and the share price range for the year was between £0.30 and £0.62.

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 2012 which comprise the Group Financial Statements: the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity, the Parent Company Financial Statements: the Parent Company Statement of Financial Position, the Parent Company Statement of Cash Flows, the Parent Company Statement of Changes in Equity, the Statement of Accounting Policies and the related notes 1 to 34. The financial reporting framework that has been applied in the preparation of the Group financial statements is Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 auditors' 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

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts 2012 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

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 Group's affairs as at 31 December 2012 and of its profit for the year then ended;
- 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 2012, of the state of the Parent Company's affairs as at 31 December 2012 ; and
- the financial statements have been properly prepared in accordance with the requirements of the Companies Acts 1963 to 2012 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Emphasis of matter – Realisation of Assets

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in notes 11 and 14 of the financial statements concerning the recoverability of property, plant and equipment of US$887.5 million included in the Group's Statement of Financial Position and investments in and amounts due from subsidiary undertakings of US$534.3 million in the Parent Company's Statement of Financial Position which are dependent on 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. The financial statements do not include any adjustments relating to these uncertainties and the ultimate outcome cannot at present be determined.

INDEPENDENT AUDITOR'S REPORT CONTINUED

TO THE MEMBERS OF KENMARE RESOURCES PLC

Deloitte.

Matters on which we are required to report by the Companies Acts 1963 to 2012

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion proper books of accounts have been kept by the Parent Company.
- The Parent Company's Statement of Financial Position 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's Statement of Financial Position are more than half of the amount of its called up share capital and, in our opinion, on that basis there did not exist at 31 December 2012 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Acts 1963 to 2012 we are required to report to you if, in our opinion the disclosures of Directors' remuneration and transactions specified by law are not made.

Under the Listing Rules we are required to review:

- the Directors' statement in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Mary Fulton
For and on behalf of Deloitte & Touche
Chartered Accountants and Statutory Audit Firm
Dublin
15 April 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 US$'000	2011 US$'000
Revenue	1	234,638	167,485
Cost of sales		(134,472)	(97,498)
Gross profit		100,166	69,987
Other operating costs	3	(19,730)	(17,071)
Operating profit		80,436	52,916
Finance income	6	1,706	3,332
Finance costs	7	(28,714)	(31,748)
Foreign exchange loss		(641)	(6,277)
Profit before tax		52,787	18,223
Income tax (charge)/credit	8	(3,301)	5,477
Profit for the year and total comprehensive income for the year		49,486	23,700
Attributable to equity holders		49,486	23,700

		Cent per share	Cent per share
Earnings per share: Basic	9	2.01	0.99
Earnings per share: Diluted	9	2.00	0.98

The accompanying notes form part of these financial statements.

On behalf of the Board:

M. Carvill Director T. McCluskey Director

15 April 2013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	Notes	2012 US$'000	2011 US$'000
Assets			
Non-current assets			
Property, plant and equipment	11	887,513	714,118
Deferred tax asset	12	2,176	5,477
		889,689	719,595
Current assets			
Inventories	13	22,422	25,846
Trade and other receivables	15	35,746	38,831
Cash and cash equivalents	16	46,067	77,256
		104,235	141,933
Total assets		**993,924**	**861,528**
Equity			
Capital and reserves attributable to the Company's equity holders			
Called-up share capital	17	205,168	196,347
Share premium	18	349,780	301,391
Retained earnings/(losses)	19	29,801	(19,994)
Other reserves	20	20,848	17,610
Total equity		605,597	495,354
Liabilities			
Non-current liabilities			
Bank loans	21	177,380	213,523
Obligations under finance lease	22	1,508	1,810
Provisions	23	9,050	7,407
		187,938	222,740
Current liabilities			
Bank loans	21	147,032	113,585
Obligations under finance lease	22	286	221
Provisions	23	276	276
Trade and other payables	24	52,795	29,352
		200,389	143,434
Total liabilities		388,327	366,174
Total equity and liabilities		**993,924**	**861,528**

On behalf of the Board:

M. Carvill Director T. McCluskey Director

15 April 2013

CONSOLIDATED STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 US$'000	2011 US$'000
Cash flows from operating activities			
Profit for the year before tax		52,787	18,223
Adjustment for:			
Foreign exchange movement		641	6,277
Share-based payments	3	3,165	3,368
Finance income	6	(1,706)	(3,332)
Finance costs	7	27,157	30,333
Depreciation	4	18,456	18,801
Increase in provisions		1,236	384
Operating cash flow		101,736	74,054
Decrease/(increase) in inventories	13	3,424	(1,228)
Decrease/(increase) in trade and other receivables	15	3,100	(25,847)
(Decrease)/increase in trade and other payables	24	(4,185)	3,983
Cash from operations		104,075	50,962
Interest received	6	1,706	3,332
Interest paid		(7,014)	(8,595)
Net cash from operating activities		98,767	45,699
Cash flows used in investing activities			
Addition to property, plant and equipment	11	(164,251)	(169,823)
Net cash used in investing activities		(164,251)	(169,823)
Cash flows from/(used in) financing activities			
Proceeds on the issue of shares	17/18	57,210	2,048
Repayment of borrowings	21	(25,875)	(28,093)
Payment of obligations under finance leases	22	(560)	(564)
Net cash from/(used in) financing activities		30,775	(26,609)
Net decrease in cash and cash equivalents		(34,709)	(150,733)
Cash and cash equivalents at beginning of the year		77,256	238,515
Effect of exchange rate changes on cash and cash equivalents		3,520	(10,526)
Cash and cash equivalents at the end of the year	16	**46,067**	**77,256**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

	Called-Up Share Capital US$'000	Share Premium US$'000	Capital Conversion Reserve Fund US$'000	Retained Earnings US$'000	Share Option Reserve US$'000	Total US$'000
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 1 January 2012	196,347	301,391	754	(19,994)	16,856	495,354
Profit for the year	-	-	-	49,486	-	49,486
Share based payments	-	-	-	309	3,238	3,547
Issue of share capital	8,821	48,389	-	-	-	57,210
Balance at 31 December 2012	205,168	349,780	754	29,801	20,094	605,597

Retained Earnings

Retained earnings 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 arose from the re-nominalisation of the Company's share capital from Irish Punts to Euro.

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	Notes	2012 US$'000	2011 US$'000
Assets			
Non-current assets			
Investments in and amounts due from subsidiary undertakings	14	534,332	478,289
Current assets			
Trade and other receivables	15	656	549
Cash and cash equivalents	16	291	88
		947	637
Total assets		535,279	478,926
Equity			
Capital and reserves attributable to the Company's equity holders			
Called-up share capital	17	205,168	196,347
Share premium	18	349,780	301,391
Retained losses	19	(43,390)	(38,534)
Other reserves	20	20,848	17,610
Total equity		532,406	476,814
Liabilities			
Non-Current liabilities			
Provisions	23	2,446	1,444
Current liabilities			
Trade and other payables	24	427	668
Total liabilities		2,873	2,112
Total equity and liabilities		535,279	478,926

The accompanying notes form part of these financial statements.

On behalf of the Board:

M. Carvill Director T. McCluskey Director

15 April 2013

PARENT COMPANY STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 US$'000	2011 US$'000
Cash flows used in operating activities			
Loss for the year before tax	28	(5,164)	(4,924)
Adjustment for:			
Foreign exchange movement		694	(44)
Depreciation	11	3	16
Share-based payments	3	2,471	2,249
Increase in provisions		1,002	118
Operating cash flow		(994)	(2,585)
(Increase)/decrease in receivables	15	(111)	44
Decrease in trade and other payables	24	(241)	(112)
Net cash used in operating activities		(1,346)	(2,653)
Cash flows (used in)/from investing activities			
Investments in and amounts due from subsidiary undertakings	14	(54,966)	450
Net cash from investing activities		(54,966)	450
Cash flows from financing activities			
Proceeds on the issue of shares	17/18	57,210	2,048
Net cash from financing activities		57,210	2,048
Net increase/(decrease) in cash and cash equivalents		898	(155)
Cash and cash equivalents at beginning of the year		88	210
Effect of exchange rate changes on cash and cash equivalents		(695)	33
Cash and cash equivalents at the end of the year	16	291	88

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

	Called-Up Share Capital	Share Premium	Capital Conversion Reserve Fund	Retained Losses	Share Option Reserve	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
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 payments	-	-	-	-	3,507	3,507
Issue of share capital	517	1,531	-	-	-	2,048
Balance at 1 January 2012	196,347	301,391	754	(38,534)	16,856	476,814
Loss for the year	-	-	-	(5,165)	-	(5,165)
Share based payment	-	-	-	309	3,238	3,547
Issue of share capital	8,821	48,389	-	-	-	57,210
Balance at 31 December 2012	205,168	349,780	754	(43,390)	20,094	532,406

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 arose 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 7 (Amendment) Financial Instruments: Disclosures Transfer of Financial Assets (effective for accounting periods beginning on or after 1 July 2011)

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 IFRS 10, IFRS 12 and IAS 27 Investment Entities (effective for accounting periods beginning on or after 1 January 2014)
- Annual Improvements to IFRS: 2009-2011 Cycle (effective for accounting periods beginning on or after 1 January 2013)
- Amendments to IFRS 1 Government Loans (effective for accounting periods beginning on or after 1 January 2013)
- 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 Offsetting Financial Assets and Liabilities (effective for accounting periods beginning on or after 1 January 2013)
- IFRS 9 Financial Instruments (effective for accounting periods beginning on or after 1 January 2015)
- Amendments to IAS 1 Presentation of Items of Other Comprehensive Income (effective for accounting periods beginning on or after 1 July 2012)
- IAS 19 Employee Benefits (effective for accounting periods beginning on or after 1 January 2013)
- IFRS 13 Fair Value Measurement (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)
- 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)
- 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 2013)
- Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for accounting periods beginning on or after 1 January 2013)
- 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 2012.

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 42.

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. Fair value of share options at grant date is recognised over the vesting period.

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 statement of financial position 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.

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.

STATEMENT OF ACCOUNTING POLICIES CONTINUED

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 statement of financial position date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the statement of comprehensive income 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 statement of comprehensive income 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 statement of financial position 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 statement of financial position 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 statement of financial position 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 statement of comprehensive income, 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 statement of comprehensive income 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 statement of comprehensive income.

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 (2005), 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 unit 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 and applied prospectively.

Capital spares consists of critical plant spares with estimated useful lives greater than one year and are included in property, plant and equipment. Capital spares are stated at cost less accumulated depreciation and included in property, plant and equipment.

Residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position 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 a mine during the period before such mine is capable of operating at production levels in the manner intended by management are 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 are 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 mine construction and 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 of such mine on a unit of production basis. Where the mine project is terminated or an impairment in value has occurred, related costs are written off immediately.

Impairment of non-current assets

At each statement of financial position date, the Group reviews the carrying amounts of its non-current assets including construction in progress 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 pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of 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.

Financial assets and financial liabilities
Financial assets and financial liabilities in respect of financial instruments are recognised on the Group's statement of financial position when the Group becomes party to a contract relating to such 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 plus transaction costs directly attributable to the bank borrowings, and are subsequently measured at amortised cost, using the effective interest 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 plus transaction costs directly attributable to the payables, and are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments
Share capital 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.

Derivative financial instruments

Derivative instruments including forward foreign currency contracts are used for statement of financial position risk management. Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets. Where these are not available fair values are obtained from valuation techniques including discounted cashflow and option pricing models. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Derivative are classified as held for trading unless they are designated and effective as hedging instruments.

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 in the statement of comprehensive income 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.

Executive Directors bonus provision

The key features of the Annual Bonus Scheme for the Executive Directors is the payment of a bonus earned for target performance which is deferred for three years.

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 statement of comprehensive income of the subsidiary undertaking and as a capital contribution in the statement of financial position. The share-based payment is capitalised when its costs is 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. The policy described above is applied to all equity-settled share-based payments granted after 7 November 2002 that vested after 1 January 2005.

STATEMENT OF ACCOUNTING POLICIES CONTINUED

PARENT COMPANY

The separate financial statements of the Company are presented as required by the Companies Acts 1963 to 2012. 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 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 and Company'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 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.

The Directors are satisfied that at the statement of financial position 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, 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 statement of financial position 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 statement of financial position 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. Annual production capacity pre-expansion is approximately 800,000 tonnes of ilmenite per annum plus rutile and zircon. 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 2013 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 statement of financial position 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 2012

1. Revenue

	2012 US$'000	2011 US$'000
Sale of mineral products	234,638	167,485

During the year, the Group sold 680,800 tonnes (2011: 730,400) of finished products ilmenite, rutile and zircon to customers at a sales value of US$234.6 million (2011: US$167.5 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

	2012	2011
Moma Titanium Minerals Mine	**US$'000**	**US$'000**
Revenue	234,638	167,485
Cost of sales	(134,472)	(97,498)
Gross profit	100,166	69,987
Other operating costs	(14,032)	(11,931)
Segment operating profit	86,134	58,056
Other corporate operating costs	(5,698)	(5,140)
Group operating profit	80,436	52,916
Finance income	1,706	3,332
Finance expenses	(28,714)	(31,748)
Foreign exchange loss	(641)	(6,277)
Profit before tax	52,787	18,223
Income tax (charge)/ credit	(3,301)	5,477
Profit for the year	49,486	23,700
Segment assets		
Moma Titanium Minerals Mine assets	957,805	783,791
Corporate assets	36,119	77,737
Total assets	993,924	861,528
Segment liabilities		
Moma Titanium Minerals Mine liabilities	383,287	361,989
Corporate liabilities	5,040	4,185
Total liabilities	388,327	366,174
Other segment information		
Depreciation and amortisation		
Moma Titanium Minerals Mine	18,453	18,785
Corporate	3	16
Total	18,456	18,801
Additions to non-current assets		
Moma Titanium Minerals Mine	190,618	178,496
Corporate	1,233	1,637
Total	191,851	180,133

2. Segment reporting continued

Revenue from major products

	2012 US$'000	2011 US$'000
Mineral products (ilmenite, zircon and rutile)	234,638	167,485

Geographical information

	2012	2011
Revenue from external customers	US$'000	US$'000
Asia	105,462	54,681
Europe	93,923	77,771
USA	19,469	15,811
Rest of World	15,784	19,222
Total	234,638	167,485

The Group's revenue from external customers is generated by the Moma Titanium Minerals Mine, the non-current assets of which are US$888.0 million (2011: US$711.5 million).

Information about major customers

Included in revenues are US$71.6 million (2011: US$33 million) from sales to the Group's largest customer, US$33.1 million (2011: US$29.4 million) from sales to the Group's second largest customer, US$31.0 million (2011: US$19.5 million) from sales to the Group's third largest customer and US$28.0 million (2011: US$13.7 million) from the Group's fourth largest customer. All revenues are generated by the Moma Titanium Minerals Mine.

3. Other operating costs

	2012 US$'000	2011 US$'000
Distribution costs	9,140	5,717
Freight costs	3,230	3,561
Demurrage costs	716	2,450
Administration costs	6,644	5,343
	19,730	17,071
Included in administration costs are:		
Share-based payments	2,471	2,249
Litigation costs	-	118

Freight costs of US$3.2 million (2011: US$3.6 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$0.7 million (2011: US$2.5 million) are incurred as a result of bad weather which restricts shipments. Distribution costs of US$9.1 million (2011: US$5.7 million) during the year represents the cost of running the Mine's finished product storage, jetty and marine fleet. Administration costs of US$6.6 million (2011: US$5.3 million) are the group administration costs and include a share based payment expense of US$2.4 million (2011: US$2.2 million).

Total share-based payments for 2012 amounted to US$3.5 million (2011: US$3.5 million) of which US$0.7 million (2011: US$1.1 million) relate to staff at the Mine and is included as a production cost of inventories, US$0.4 million (2011: US$ 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$2.4 million (2011: US$2.3 million) is included in administration costs in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2012

4. Profit for the year

The profit for the year ended 31 December 2012 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 2012.

	2012 US$'000	2011 US$'000
Foreign exchange loss	641	6,277
Depreciation and amortisation of property, plant and equipment	18,456	18,801
Staff costs	42,069	28,780

5. Auditors' remuneration

The analysis of the auditors' remuneration is as follows:

	2012 US$'000	2011 US$'000
GROUP		
Audit	132	125
Other assurance	58	77
Tax advisory	16	25
Other non-audit service	6	-
Total	212	227

Included in the Group auditors' remuneration are US$0.1 million (2011: US$0.1 million) fees relating to KPMG's fee for audit and taxation services provided to the subsidiary undertakings and branches of KMML and KMPL.

	2012 US$'000	2011 US$'000
COMPANY		
Audit	15	15
Other assurance	56	75
Tax advisory	6	19
Other non-audit service	6	-
Total	83	109

6. Finance income

	2012 US$'000	2011 US$'000
Interest on bank deposits	1,706	3,332

7. Finance costs

	2012 US$'000	2011 US$'000
Interest on bank borrowings	26,429	29,542
Other financing fees	1,557	1,415
Finance lease interest	323	419
Mine closure provision unwinding of the discount	405	372
Total	28,714	31,748

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 nil (2011: 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. This loan was fully repaid in 2011. The interest on all other Group borrowings has been expensed in the year.

8. Income tax expense

	2012 US$'000	2012 US$'000
Corporation tax	-	-
Deferred tax	(3,301)	5,477
Total	(3,301)	5,477
Reconciliation of effective tax rate		
Profit before tax	49,468	18,223
Profit before tax multiplied by the applicable notional tax rate (12.5%)	6,183	2,278
Differences in effective tax rates on overseas earnings	(6,183)	(2,278)
Applied losses	(3,301)	-
Recognition of deferred tax asset	-	5,477
Total	(3,301)	5,477

GROUP

No charge to corporation tax arises in the years ended 31 December 2012 or 31 December 2011 as there were no taxable profits in either year.

At the statement of financial position date KMML had unused tax losses of US$12.2 million (2011: US$42.4 million) available for offset against future profits. A deferred tax asset has been recognised of US$2.2 million (2011: US$5.5 million) in respect of US$12.2 million (2011: US$31.2) of such losses.

The fiscal regime applicable to mining activities of KMML allows for a 50% reduction in the corporate tax in the initial ten year period of production following start-up (2007) and charges a royalty of 3% based on heavy mineral concentrate sold to KMPL. 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 statement of financial position 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.

KMPL 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 taxation arises in the years ended 31 December 2012 or 31 December 2011 as there were no taxable profits in either year.

At the statement of financial position 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$1.3 million at 31 December 2012 (2011: US$1.4 million) calculated at a rate of 12.5% for tax losses has not been recognised in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2012

9. Earnings per share

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

	2012 US$'000	2011 US$'000
Profit for the year attributable to equity holders of the parent	49,486	23,700

	2012 Number of shares	2011 Number of shares
Weighted average number of issued ordinary shares for the purpose of basic earnings per share	2,462,602,902	2,404,281,590
Effect of dilutive potential ordinary shares:		
Share options	9,977,123	19,791,664
Weighted average number of ordinary shares for the purposes of diluted earnings per share	2,472,580,025	2,424,073,254

	Cent per share	Cent per share
Earnings per share: basic	2.01	0.99
Earnings per share diluted	2.00	0.98

10. Employee numbers and benefits

The average number of persons employed by the Group (including Executive Directors) was 1,017 (2011: 736) and is analysed below:

	2012	2011
Management and administration	404	206
Operations	613	530
	1,017	736

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

	2012 US$'000	2011 US$'000
Wages and salaries	39,177	25,441
Share-based payments	3,547	3,507
Social welfare	1,111	683
Pension costs	333	198
	44,168	29,829

US$1.7 million (2011: US$1.0 million) of payroll costs and US$0.4 million (2011: 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.

Executive and Non-Executive Emoluments were US$5.7 million (2011: US$5.6 million) and are detailed in the Directors' Remuneration Report on pages 56 and 57.

11. Property, plant and equipment

GROUP

	Plant & Equipment US$'000	Development Expenditure US$'000	Construction In Progress US$'000	Other Assets US$'000	Total US$'000
Cost					
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 1 January 2012	343,451	248,761	181,439	16,500	790,151
Transfer from construction in progress	12,686	-	(26,149)	13,463	-
Additions during the year	170	1,223	190,458	-	191,851
At 31 December 2012	356,307	249,984	345,748	29,963	982,002
Accumulated Depreciation					
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 1 January 2012	45,659	19,455	-	10,919	76,033
Charge for the year	10,468	5,910	-	2,078	18,456
At 31 December 2012	56,127	25,365	-	12,997	94,489
Carrying Amount					
At 31 December 2012	300,180	224,619	345,748	16,966	887,513
At 31 December 2011	297,792	229,306	181,439	5,581	714,118

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. 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 pre-tax 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. Annual production levels at full capacity pre-expansion are approximately 800,000 tonnes of ilmenite per annum plus rutile and zircon. 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 Project Lenders' independent marketing consultant. The average revenue growth rate over the mine plan is 1.5%.
- Operating and capital replacement costs are based on Board approved budget costs for 2013 and escalated by 2% per annum thereafter and reflecting post-expansion costs from 2013 onwards.

The pre-tax discount rate is the significant factor in determining the recoverable amount and a 1% change in the discount rate results in an 8% change in the recoverable amount and this does not result in an impairment to property, plant and equipment.

Included in plant and equipment are capital spares of US$1.0 million (2011: US$0.8 million).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2012

11. Property, plant and equipment continued

During the year borrowing costs of nil (2011: US$0.2 million) were capitalised in the cost of the qualifying asset. Share based payments of US$0.4 million (2011: US$ 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 nil (2011: US$0.1 million) as a result of a revised Mine closure plan. Included in construction in progress is US$27.9 million (2011: US$10.3 million) relating to capital project payables at the year end. During the year the Group entered into forward exchange contracts totalling US$35 million to purchase South African Rand to cover expansion capital payments. At 31 December 2012 the aggregate amount of losses under these contracts of US$0.7 million was recognised in foreign exchange losses in the statement of comprehensive income and construction in progress.

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$1.2 million (2011: 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 development of US$1.2 million (2011: 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 statement of financial position 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.

12. Deferred tax

GROUP

	US$'000
At 1 January 2011	-
Credit to income statement	5,477
At 1 January 20112	5,477
Charge to income statement	(3,301)
At 31 December 2012	2,176

At the statement of financial position date, KMML had unused tax losses of US$12.2 million (2011: US$42.2 million) available for offset against future profits. A deferred tax asset has been recognised of US$2.2 million (2011: US$5.5 million) in respect of US$12.2 million (2011: US$31.2 million) of such losses. Tax losses of US$7.6 million expired in 2012. Tax 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. The significant increases in final product prices achieved by KMPL in 2012 and the increased cost of producing heavy mineral concentrate in KMML and forecast to be achieved and incurred in future have increased taxable profits earned and expected to be earned by KMML. Revenues (and hence taxable profits) in KMML are determined by reference to cost incurred in producing heavy mineral concentrate plus a margin which is related to prices earned by KMPL.

13. Inventories

GROUP

	2012 US$'000	2011 US$'000
Mineral products	6,600	12,510
Consumable spares	15,822	13,336
	22,422	25,846

14. Investments in and amounts due from subsidiary undertakings

COMPANY

	2012 US$'000	2011 US$'000
Opening balance	478,289	477,481
Funding	56,043	808
Closing balance	534,332	478,289

The investments in subsidiary undertakings are US$5.4 million made up of initial investment of less than US$500 and share-based payments of US$5.4 million (2011: US$4.3 million) relating to staff of the subsidiary undertakings KMML and KMPL and the balance of US$528.9 million (2011: US$474.0 million) represents funds transferred to subsidiary undertakings. During the year there were share-based payments of which US$1.1 million (2011: US$1.2 million) relating to the subsidiary undertakings KMML and KMPL with the balance of US$54.9 million (2011: US$0.4 million) relating to funding of subsidiary undertakings.

Credit Risk

The carrying amount of investments in and amounts due to subsidiary undertakings represents the maximum credit exposure. Amounts due from subsidiary undertakings are current (i.e. not overdue). No impairment provision has been recognised in the statement of comprehensive income. The amounts due from subsidiary undertakings are unsecured and interest free.

The subsidiary undertakings of the Company as at 31 December 2012 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 amounts due from subsidiary undertakings is dependent on 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2012

15. Trade and other receivables

	GROUP		COMPANY	
	2012	**2011**	**2012**	**2011**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Trade receivables	29,863	34,682	-	-
Other receivables	1,752	642	586	496
Prepayments	4,131	3,507	70	53
	35,746	38,831	656	549

Credit risk

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.

All trade receivables are current (i.e. not overdue). There has been no impairment in trade receivables during the year and no allowance for impairment has been provided for during the year or at the year end. During the year the Group entered into forward South African Rand exchange contracts totalling US$35 million to cover expansion capital payments. The maturity of the contracts ranged from August 2012 to January 2013. At each month ends these contracts were measured at fair value using forward South African Rand versus US Dollar exchange rates. At 31 December 2012 the aggregate amount of losses under these contracts of US$0.7 million was recognised in foreign exchange losses in the statement of comprehensive income. As at 31 December 2012 there was one contract for US$5 million outstanding which matured on 15 January 2013. The fair value of this contract is US$0.01 million at the statement of financial position date and is included in other receivables.

Currency risk

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

GROUP	**2012**	**2011**
	US$'000	**US$'000**
US Dollars	35,081	36,168
Euro	626	1,000
Sterling	34	76
Mozambican Metical	5	209
South African Rand	-	958
Australian Dollar	-	420
	35,746	38,831

COMPANY	**2012**	**2011**
	US$'000	**US$'000**
Sterling	30	9
Euro	626	540
	656	549

16. Cash and cash equivalents

	GROUP		COMPANY	
	2012	**2011**	**2012**	**2011**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Immediately available without restriction	7,773	7,695	291	88
Contingency Reserve Account	21,408	63,222	-	-
Project Companies' Accounts	16,886	6,339	-	-
	46,067	77,256	291	88

16. Cash and cash equivalents continued

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.

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.

On 7 December 2012, the Project Companies entered into a Deed of Amendment with the Project lenders in relation to an extension of the time period in which internally generated cash could be applied to expansion capital expenditures. Further details of this amendment are set out in Note 21. As required under this amendment the Company deposited US$35 million in various currencies (valued at September 2012 exchange rates) into the CRA by 15 December 2012. Thereafter these funds are to be applied to the Project bank accounts to fund expansion capital costs and other cash requirements of the Project Companies. Also as required under such amendment, the Company deposited the equivalent of US$5 million in South African Rand (valued at September 2012 exchange rates) into the Operating Cost Reserve Account ("OCRA"), an account of the Project Companies.

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.

Interest rate risk

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:

	2012	**2011**
	US$'000	**US$'000**
Cash and cash equivalents at variable interest rate	44,473	75,181
Cash at bank on which no interest is received	1,594	2,075
	46,067	77,256

Currency risk

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

GROUP	**2012**	**2011**
	US$'000	**US$'000**
South African Rand	25,155	46,884
US Dollars	16,061	23,180
Sterling	3,808	3,328
Australian Dollar	50	2,168
Mozambican Metical	652	1,041
Euro	327	646
Singapore Dollars	14	9
	46,067	77,256

COMPANY	**2012**	**2011**
	US$'000	**US$'000**
Euro	166	84
Sterling	125	4
	291	88

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2012

16. Cash and cash equivalents continued

Credit risk

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. For deposits of US$50 million plus the Group requires that the institution have an A (S&P)/ A2 (Moodys) long term rating. For deposits of US$20 million or South African Rand denominated deposits the Group requires that the institution have a BBB+ (S&P)/Baa1 (Moodys) long term rating.

17. Called-up share capital

GROUP & COMPANY

	2012 €'000	2011 €'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

	2012 US$'000	2011 US$'000
Allotted, Called-Up and Fully Paid:		
Ordinary Shares		
Opening Balance		
2,409,730,507 Ordinary Share of €0.06 each	185,765	-
2,403,635,545 Ordinary Shares of €0.06 each	-	185,248
	185,765	185,248
Shares issued during the year		
121,408,330 Ordinary Shares of €0.06 each	8,821	-
6,094,962 Ordinary Shares of €0.06 each	-	517
	8,821	517
Closing Balance		
2,531,138,837 Ordinary Shares of €0.06 each	194,586	-
2,409,730,507 Ordinary Shares of €0.06 each	-	185,765
	194,586	185,765
Deferred Shares		
Opening & Closing Balance		
48,031,467 Deferred Shares of €0.25 each	10,582	10,582
Total Called-Up Share Capital	205,168	196,347

On 25 July 2012, 120,000,000 new ordinary shares were issued by way of a placing which raised US$56.7 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$8.7 million of this issue has been credited to share capital. US$48.0 million of this issue has been credited to share premium. 1,408,330 new ordinary shares were issued during 2012 as a result of share options exercised and resulted in US$0.1 million being credited to share capital and US$0.4 million credited to share premium.

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.

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 €0.013 per share for all the deferred shares so purchased.

18. Share premium

GROUP & COMPANY

	2012 US$'000	2011 US$'000
Opening Balance	301,391	299,860
Premium on shares issued during year	51,225	1,462
Costs associated with shares issued during the year	(2,836)	69
Closing Balance	349,780	301,391

19. Retained earnings/ (losses)

GROUP

	US$'000
Balance at 1 January 2011	(43,694)
Profit for the year attributable to equity holders of the parent	23,700
Balance at 1 January 2012	(19,994)
Profit for the year attributable to equity holders of the parent	49,486
Share options exercised	309
Balance at 31 December 2012	29,801

COMPANY

	US$'000
Balance at 1 January 2011	(33,610)
Loss for the year attributable to equity holders of the parent	(4,924)
Balance at 1 January 2012	(38,534)
Loss for the year attributable to equity holders of the parent	(5,165)
Share options exercised	309
Balance at 31 December 2012	(43,390)

During the year US$0.3 million share options were exercised.

20. Other reserves

GROUP & COMPANY

	Share Option Reserve US$'000	Capital Conversion Reserve Fund US$'000	Total US$'000
Balance at 1 January 2011	13,349	754	14,103
Recognition of share-based payments	3,507	-	3,507
Balance at 1 January 2012	16,856	754	17,610
Recognition of share-based payments	3,238	-	3,238
Balance at 31 December 2012	20,094	754	20,848

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 arises 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 2012

21. Bank loans

GROUP

	2012 US$'000	2011 US$'000
Project Loans		
Senior Loans	106,891	133,054
Subordinated Loans	217,521	194,054
Total Project Loans	324,412	327,108
The borrowings are repayable as follows:		
Within one year	147,032	113,585
In the second year	39,993	39,750
In the third to fifth years inclusive	86,725	103,850
After five years	50,662	69,923
	324,412	327,108
Less: amount due for settlement within 12 months	(147,032)	(113,585)
Amount due for settlement after 12 months	177,380	213,523
Project Loans		
Balance at 1 January	327,108	336,340
Loan interest accrued	26,429	29,542
Loan interest paid	(7,014)	(8,560)
Loan repayment	(25,875)	(26,053)
Foreign exchange movement	3,764	(4,161)
Balance at 31 December	324,412	327,108
Mortgage Loan		
Balance at 1 January	-	2,048
Loan interest accrued	-	27
Loan interest paid	-	(35)
Loan repayment	-	(2,040)
Balance at 31 December	-	-

Project loans

Project loans have been made to the Mozambique branches of KMML and KMPL (the "Project Companies"). The Project loans are secured by substantially all rights and assets of the Project Companies, and, amongst other things, the shares in and intercompany loans to the Project Companies.

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 2.5 years to 5.5 years from 31 December 2012. Three of the Senior Loans bear interest at fixed rates and four bear interest at variable rates.

The original Subordinated Loan credit facilities (made available under documentation entered into in June 2004) with original principal amounts of €47.1 million plus US$10 million (excluding capitalised interest) were fully drawn 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 scheduled 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 scheduled 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$118.6 million (2011: US$84.7 million) in relation to subordinated loans. The final installments are due on 1 August 2019.

21. Bank loans continued

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.

Project Loan Completion

Kenmare Resources plc and Congolone Heavy Minerals Limited have guaranteed the bank loans during the period prior to Completion which occurs upon 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 financial, legal and permitting requirements, including filling of specified reserve accounts to the required levels, and being in a position to repay deferred subordinated loan obligations by the payment date following Completion. Upon Completion, the loan guarantees provided by Kenmare Resources plc and Congolone Heavy Mineral Limited will terminate.

On 28 February 2013, the Project Companies notified Project Lenders that they had identified events of Force Majeure (as defined in the financing documents) during the period from 5 March 2010 to 25 February 2013 which resulted in 53 days of delay. The effect is to extend the date on which failure to achieve Completion becomes an event of default from 31 December 2013 to 22 February 2014. While Force Majeure extends the date by which Non-Technical Completion needs to occur by 53 days, the date by which the deferred subordinated loan obligations need to be brought current is extended from 1 February 2014 to 1 August 2014.

Based on forecast production, taking account of reasonably possible changes in trading performance, the Group currently expects to meet the requirements for Non-Technical Completion (and hence Completion) by 22 February 2014.

Amendments to Project financing documents

On 7 December 2012, Kenmare Resources plc, Congolone Heavy Minerals Limited and the Project Companies entered into an Amendment Agreement with the Project Lenders in relation to funding of the expansion. Under this amendment:

- The Project lenders agreed to extend the final date to apply up to US$65 million of internally generated cash flow to expansion capital costs from 15 December 2012 to 30 June 2013.
- The limit of indebtedness of Kenmare Resources plc was increased from US$10 million (US$30 million if used to fund the Contingency Reserve Account ("CRA"), an account held in the parent company Congolone Heavy Minerals Limited) to US$40 million, subject to up to US$20 million being used to fund the CRA, and up to US$20 million available for general corporate purposes.
- Kenmare Resources plc deposited US$35 million in various currencies (valued at September 2012 exchange rates) into the CRA by 15 December 2012. Thereafter these funds are to be applied to the Project bank accounts to fund expansion capital costs and other cash requirements of the Project Companies. Kenmare Resources plc deposited a further US$5 million in South African Rand (valued at September 2012 exchange rates) into the Operating Cost Reserve Account ("OCRA"), an account of the Project Companies.

On 21 December 2011, the Project Companies entered into a Deed of Amendment with the Project 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 US$45 million in various currencies values at June 2011 exchange rates, into the CRA 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 by 15 December 2012.
- The Project Companies were authorised to advance up to US$3 million to EdM in respect of EdM's share of the cost of upgrades to its transmission system.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2012

21. Bank loans continued

On 18 April 2011, Kenmare Resources plc, Congolone Heavy Minerals Limited and the Project Companies entered into a Deed of Amendment with the Project Lenders. 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 does not result 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.

Other Group bank borrowings

On the 28 February 2013, Kenmare Resources plc and Absa Bank Limited entered into an agreement establishing a one year renewable corporate facility of US$40 million, of which US$20 million may be drawn for deposit to the CRA of Congolone Heavy Minerals Limited for further contribution to the Project Companies, and up to US$20 million may be used for general corporate purposes. Absa Bank Limited, a member of Barclays plc, is an existing lender of the Project Companies.

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, currency and liquidity 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 8.7%. The interest rate profile of the Group's loan balances at 31 December 2012 was as follows:

	2012 US$'000	2011 US$'000
Fixed rate debt	214,513	213,017
Variable rate debt	109,899	114,091
	324,412	327,108

The fair value of the Group borrowings of US$299.0 million (2011: US$284.0 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 (2011: US$1.1 million) change in finance costs for the year.

The currency profile of loans at 31 December 2012 is as follows:

	2012 US$'000	2011 US$'000
Euro	165,709	149,079
US Dollars	158,703	178,029
	324,412	327,108

21. Bank loans continued

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 the Euro against the US Dollar would result in a US$1.7 million (2011: US$1.5 million) change in finance costs and a US$16.6 million (2011: US$14.9 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.

The maturity profile of group borrowing is detailed above. The amounts due within one year are US$147.0 million (2011: US$113.6 million). As noted above on 28 February 2013, the Project Companies notified Project Lenders that they had identified events of Force Majeure which extends the date by which the deferred subordinated loan obligations need to be brought current from 1 February 2014 to 1 August 2014. The Group is actively managing the repayment of these loans from cash flows generated from its mining operation. On the 28 February 2013 Kenmare Resources plc and Absa Bank Limited entered into agreement establishing a corporate facility of US$40 million for the Group.

22. Finance lease

GROUP

	Minimum lease payments		Present value of minimum lease payments	
	2012 US$'000	**2011 US$'000**	**2012 US$'000**	**2011 US$'000**
Amounts payable under finance lease				
Within one year	560	560	286	221
In the second to fifth year	1,960	2,240	1,508	1,530
After five years	-	280	-	280
Less future finance charges	(726)	(1,049)	-	-
Present value of lease payments	1,794	2,031	1,794	2,031
Less amounts due for settlement within 12 months			(286)	(221)
Amounts due for settlement after 12 months			1,508	1,810

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 2012, 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2012

23. Provisions

GROUP & COMPANY

	2012 US$'000	2011 US$'000
Mine closure provision	4,907	4,502
Mine rehabilitation provision	1,973	1,737
Legal provision	1,444	1,444
Executive Directors' bonus provision	1,002	-
	9,326	7,683
Current	276	276
Non-current	9,050	7,407
	9,326	7,683

	Mine Closure Provision US$'000	Mine Rehabilitation Provision US$'000	Legal Provision US$'000	Executive Directors' Bonus Provision US$'000	Total US$'000
At 1 January 2012	4,502	1,737	1,444	-	7,683
Additional provision in the year	-	285	-	1,002	1,287
Provision released in the year	-	(49)	-	-	(49)
Unwinding of the discount	405	-	-	-	405
At 31 December 2012	4,907	1,973	1,444	1,002	9,326

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 estimated 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 2011 there was an additional provision of US$0.1 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 (2011: US$0.4 million) has been recognised in the statement of comprehensive income for the year.

The main assumptions used in the calculation of the mine closure provision include a discount rate of 9% (2011: 9%) based on the average effective borrowing rate for the Moma Titanium Minerals Mine, an inflation rate of 2% (2011: 2%), an estimated life of mine, and the estimated closure cost of US$20.4 million (2011: US$20.4 million) based on the 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$0.05 million (2011: US$0.3 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. This provision will be utilised on commencement of the appeal, when the associated costs are incurred.

The key features of the Annual Bonus Scheme for the Executive Directors is the payment of a bonus earned for target performance which is deferred for three years. During the year a deferred bonus of US$0.5 million (2011: US$0.5 million) was granted to Executive Directors as detailed in the Directors' Remuneration Report on page 57. The deferred bonuses are payable on 1 June 2014 and 1 June 2015 on the condition of continued employment with the Company.

24. Trade and other payables

Amounts payable within one year

	GROUP		COMPANY	
	2012	**2011**	**2012**	**2011**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Trade payables	13,185	10,173	21	21
Accruals	39,610	19,179	406	647
	52,795	29,352	427	668

Included in Group accruals at the year-end is an amount of US$0.8 million (2011: US$0.8 million) and in the Company US$0.2 million (2011: US$0.1 million) for payroll and social welfare taxes. Included in accruals is US$27.9 million (2011: US$10.3 million) relating to capital projects.

Credit risk

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.

Currency risk

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

GROUP	**2012**	**2011**
	US$'000	**US$'000**
South African Rand	32,941	7,454
US Dollars	15,329	14,860
Australian Dollar	2,159	3,668
Mozambican Metical	1,736	2,114
Euro	515	975
Sterling	115	281
	52,795	29,352

COMPANY	**2012**	**2011**
	US$'000	**US$'000**
Euro	388	576
Sterling	39	92
	427	668

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$324.4 million (2011: US$327.1 million). During the year there were loan interest and principal payments amounting to US$32.9 million (2011: US$36.7 million), interest accrued of US$26.4 million (2011: US$29.6 million), and foreign exchange movements of US$3.8 million (2011: US$4.2 million) resulting in an overall decrease in debt of US$2.7 million (2011:US$11.3 million). On the 28 February 2013 Kenmare Resources plc and Absa Bank Limited entered into an agreement establishing a corporate facility of US$40 million for the Group. Absa Bank Limited, a member of Barclays plc, is an existing lender of the Project Companies.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2012

25. Capital and liquidity management continued

During the year 120,000,000 new ordinary shares were issued by way of a placing which raised US$56.7 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. During the year share options were exercised, resulting in receipt funds of US$0.5 million.

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 earnings 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

	2012 US$'000	2011 US$'000
Contracts for future expenditure authorised by the Board but not provided for:		
Contracted for	52,450	111,716
Not contracted for	2,791	997

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.

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$5.2 million (2011: US$4.9 million). The loss is due to share-based payments expensed of US$2.5 million (2011: US$2.2 million) and administration costs US$2.7 million (2011: US$2.7 million).

29. Operating lease arrangements

GROUP & COMPANY

The Group as lessee

	2012 US$'000	2011 US$'000
Minimum lease payments under operating leases recognised as an expense in the year	96	84

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

	2012 US$'000	2011 US$'000
Within one year	109	109
In the second to fifth years inclusive	218	326
	327	435

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 3 years at year end. The underlying currencies of lease payments are Euro.

30. Retirement benefit plans

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

GROUP & COMPANY

	2012 US$'000	2011 US$'000
Contributions	333	125

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 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:

	Number of share options	2012 Weighted average exercise price US$	Number of share options	2011 Weighted average exercise price US$
Outstanding at the beginning of the year	61,434,629	42c	62,803,258	37c
Granted during the year	20,800,000	67c	8,051,333	72c
Exercised during the year	(1,408,330)	33c	(6,094,962)	31c
Expired during the year	(2,108,334)	56c	(3,325,000)	47c
Outstanding at the end of the year	78,717,965	50c	61,434,629	42c
Exercisable at the end of the year	53,567,071		47,649,951	

The weighted average share price at the date of exercise for share options exercised during the year was US$0.68. The options outstanding at the end of the year have exercise prices which range from US$0.15 to US$0.87 and a weighted average remaining contractual life of 3.3 years (2011: 2.8 years).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2012

31. Share-based payments continued

In 2012, options were granted on 30 May, 20 June, and 29 August. The aggregate of the estimated fair values of the options granted on those dates is US$8.7 million.

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.

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

	2012	**2011**
Weighted average share price	US$0.67	US$0.72
Weighted average exercise price	US$0.67	US$0.72
Expected volatility	63%	64%
Expected life (years)	7	7
Risk free rate	1%	4%

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$3.5 million (2011: US$3.4 million) and capitalised share-based payments of US$0.4 million (2011: 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 the Directors' Remuneration Report on pages 56 and 57.

	2012 US$'000	**2011 US$'000**
Short-term employee benefits	3,393	3,501
Long-term employee benefits	558	513
Post-employment benefits	160	171
Compensation on retirement	-	-
Share-based payments	2,100	1,912
Total benefits	6,211	6,097

A contract existed with Vico Properties plc to provide for the services of Mr. M. Carvill. This contracted ended on 30 June 2012. 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 (2011: nil) at the year-end between the Company and Vico Properties plc in relation to this contract.

Other related party transactions

The Company used to perform certain administrative services for Vico Properties plc. The charge for 2012 was nil (2011: US$0.02 million). At the year end the balance outstanding was US$0.07 million (2011: US$0.07 million).

32. Related party transactions continued

COMPANY

KMML and KMPL, the Project Companies, are wholly owned subsidiary undertakings of Congolone Heavy Minerals Limited, which in turn is a subsidiary undertaking of Kenmare Resources plc. During the year funding for the Moma Titanium Minerals Mine was provided to the Project Companies by Congolone Heavy Minerals Limited. At the year end the amount due to Congolone Heavy Minerals Limited from the Project Companies was US$559.6 million (2011: US$457.4 million).

Under the terms of a management services agreement with the Company, Kenmare Resources plc, management services costing US$6.5 million (2011: US$6.0 million) were provided during the year to KMML and KMPL.

33. Events after the balance sheet date

On the 28 February 2013, Kenmare Resources plc and Absa Bank Limited entered into an agreement establishing a corporate facility of US$40 million for the Group. Absa Bank Limited, a member of Barclays plc, is an existing lender to the Project Companies.

In accordance with the Project loan agreements, Non-Technical Completion is to occur by 31 December 2013. The achievement of Non-Technical Completion requires, among other things, that the Project Companies certify that deferred subordinated loans will be repaid by next payment date. At 31 December 2013, the next payment date would be 1 February 2014. Failure to achieve Non-Technical Completion by 31 December 2013 is an event of default unless delayed by Force Majeure. On 28 February 2013, the Project Companies notified Project Lenders that they had identified events of Force Majeure during the period from 5 March 2010 to 25 February 2013 which resulted in 53 days of delay. The effect is to extend the date of default for failure to achieve Non-Technical Completion from 31 December 2013 to 22 February 2014. As a consequence, the latest date that the deferred subordinated loan obligations must be brought current is extended from 1 February 2014 to 1 August 2014.

34. Approval of financial statements

The financial statements were approved by the Board on 15 April 2013.

SHAREHOLDER PROFILE

BASED ON THE REGISTER AS AT 5 APRIL 2013

SIZE OF HOLDINGS	No. of Shareholders	No. of Shares Held
1 - 1,000	1,003	681,572
1,001 - 5,000	2,166	6,188,267
5,001 - 25,000	1,942	23,131,801
25,001 - 100,000	650	32,595,519
100,001 - 250,000	175	28,180,861
250,001 - 500,000	69	25,339,037
500,001 - 750,000	38	22,898,697
over 750,000	230	2,392,339,749
Total	6,273	2,531,355,503

GEOGRAPHIC DISTRIBUTION OF HOLDINGS	No. of Shareholders	No. of Shares Held
Republic of Ireland	2,269	66,231,557
Northern Ireland & Great Britain	3,907	2,430,390,364
Other	97	34,733,582
Total	6,273	2,531,355,503

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

KENMARE

KENMARE RESOURCES PLC
Chatham House,
Chatham Street,
Dublin 2,
Ireland
Tel: +353 1 671 0411
Fax: +353 1 671 0810
Email: info@kenmareresources.com
www.kenmareresources.com

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