2003

Annual Report & Accounts

KENMARE

Kenmare Resources plc

Annual Report and Accounts 2003

Highlights

- Fixed Price Contract signed with Multiplex and Bateman for Moma mine construction
- Moma Project loan agreements signed for US$269 million
- Placing (US$55 million) and open offer (US$42 million) announced
- Mineral Separation Plant dismantled
- Further sales agreements signed

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Chairman's Statement

Charles Carvill *Chairman*

We are very nearly there! The financing of the Moma Titanium Minerals Project is virtually complete. Sufficient marketing contracts have been signed to provide the lenders with the comfort they require, an EPC contract has been signed with an excellent contractor, the lenders have signed loan agreements covering US$269 million of debt, we have announced a placing for US$55 million of equity and the necessary governmental and environmental licences are in place. The final hurdle is the completion of an open offer to shareholders to raise funds for a US$30 million Contingency Reserve Account. This will satisfy a pre-condition to disbursement of loan finance that Kenmare raise US$79 million net of expenses.

We have concluded marketing agreements covering more than 50% of the first five years revenues from the mine. Our customers are some of the largest and best counterparties in the industry. All contracts are fixed volume, based on either fixed or market prices. This pricing mix provides the combination of security that lenders are seeking and market upside for Kenmare. There are strong indications within the industry of potential shortages of supply, pointing to an upward movement in prices.

I was very pleased to announce on 8 April that we had entered into a fixed price contract to build the mine with a Joint Venture formed between Multiplex Ltd and Bateman BV. I cannot think of a more suitable combination of key skills to implement the project. Multiplex is a large contracting group with operations stretching around the globe and which specialises in large complex construction projects. Bateman is a large South African based international engineering group with specific mineral sands expertise and experience of working in Mozambique. These best-in-class companies are bringing their expertise together to deliver the project for Kenmare under the agreed terms of the contract.

The contract, which is denominated in a number of currencies, is established on a base price of US$220 million, at a set of specified exchange rates, with provisions for cost overruns up to US$240 million at which point it becomes totally fixed. Between US$220 and US$240 million the Joint Venture shoulders a progressively greater proportion of the costs. Hence there is a great incentive for it to ensure overruns above US$220 million are minimal. Any such overrun, should it occur, can be accommodated within the project financing plan. From commencement of the work programme under the contract it will take two years to complete the construction of the Moma project.

H.E. Castigo Langa, Charles Carvill and Minister Ivor Callely at the signing of loan agreements in Iveagh House.

The contract is effective subject to the making available of debt financing, which is now signed, and the availability of the equity financing component. Hence the last step is to complete the open offer process.

On the 18 June in Iveagh House in Dublin, in the presence of the Minister of Mineral Resources and Energy of Mozambique, H. E. Castigo Langa, Kenmare and the lenders signed the loan agreements. This represented the conclusion of more that two years of negotiations with the lenders and was a fundamental event. We understand that it is the largest ever project financing for a mine in Africa. The loan agreements cover US$269 million of senior and subordinated debt.

The placing of US$55 million was well supported by our institutional shareholders, several of whom have increased their percentage holding in the Company. We are very grateful to them for their support. I encourage shareholders to take up their allocation of shares in the open offer. I believe the inclusion of a quarter warrant per share provides an attractive incentive. To the extent that shareholders don't utilise their right to acquire shares in the open offer, the Company plans to place the remaining issue. Kenmare's funding position is based on the project funding of Moma. If for some reason, currently unforseen, the placing of this remaining issue with institutions is unsuccessful, Kenmare would find itself in a difficult funding position and would have to take immediate steps to redress this.

I would like to congratulate the staff of Kenmare for the enormous effort there has been in getting to this highly positive position. Every step has presented its own challenges, from the signing of the marketing agreements, to the EPC contract, to the signing of the debt agreements. We look forward to completing the remaining step and commencing to build the Moma mine.

Charles Carvill
Chairman

Review of Operations

In the last year the Group has made significant advances in progressing its Moma Project towards project implementation. These primarily include the signing of a fixed price contract for the engineering, procurement, building, commissioning and transfer of facilities at Moma with Multiplex and Bateman in joint venture and also the signing of loan agreements to provide for borrowings of up to US$269 million to finance in part the Moma project. With the completion of the placing and open offer announced on 18 June, Kenmare will have put in place the last significant remaining condition to project implementation.

Project Reserves and Resources

The Moma Project is located on the coast of north-eastern Mozambique in an area under licence of 43,867 hectares. It contains deposits of the titanium minerals, ilmenite and rutile which are used in the manufacture of pigment in the paint, plastics and paper industries and the zirconium mineral, zircon used in the ceramics industry. The reserve at Moma is capable of sustaining a planned production rate, after recovery losses, of 615,000 tonnes of ilmenite, 17,000 tonnes of rutile and 60,000 tonnes of zircon per annum for at least 20 years.

The total project resource under licence to Kenmare contains approximately 61 million tonnes of ilmenite, 4 million tonnes of zircon and 2 million tonnes of rutile. It is expected that the size of the resource can be expanded with additional exploration activity. Project financing has been based on a 20 year mine plan with Reserves of 16.4 million tonnes of ilmenite, 0.5 million tonnes rutile and 1.3 million tonnes zircon.

The Moma Project is 100% owned by Kenmare and the Project interest is held by two wholly owned subsidiaries of Kenmare, namely Kenmare Moma Mining (Mauritius) Limited which covers the mining operation, and Kenmare Moma Processing (Mauritius) Limited which covers the processing and export activities.

The following table shows the Moma Project resources and reserves.

Zones	Category	Million tonnes of ore (sand)	% THM* in ore	% Ilmenite in THM	% Ilmenite in ore	Million tonnes THM	Million tonnes Ilmenite	Million tonnes Rutile	Million tonnes Zircon
Mine Zone									
Namalope/ Tupito	Measured Resource	287	4.9	81.6	4.0	14.0	11.4	0.3	0.9
Namalope/ Tupito	Indicated Resource	858	3.4	81.9	2.8	29.1	23.8	0.6	1.8
Other Zones									
Mualadi	Inferred Resource	359	3.2	81	2.6	11.3	9.1	0.3	0.7
Pilivili	Inferred Resource	236	5.4	81	4.4	12.8	10.4	0.3	0.7
Congolone	Proved Reserve	167	3.3	77	2.5	5.4	4.2	0.09	0.4
Marrura	Inferred Resource	54	4.1	81	3.3	2.2	1.8	0.05	0.1
Sub-Total		**816**				**31.7**	**25.5**	**0.74**	**1.9**
Grand Total		**1,961**				**74.8**	**60.7**	**1.64**	**4.6**

** THM: Total Heavy Minerals.*

Project Construction Contract

Since the last annual report, a project definition phase, which included development of project designs to a level where sub-contractors could bid for elements of the overall project, was completed. Kenmare then entered into negotiations with Multiplex Limited, a large contracting group with substantial world-wide operations, and subsequently with Bateman B.V., an international engineering group based in South Africa, with experience of mine construction, mineral sands experience and extensive knowledge of operating in Mozambique. These companies have formed a joint venture for the purposes of the project.

The contract is established on a base price of US$220 million, at a set of specified exchange rates, with provisions for cost overruns up to US$240 million at which point it becomes totally fixed. Any such overrun, should it occur, can be accommodated within the project financing plan. From commencement of the work programme under the contract it will take approximately two years to complete the construction of the Moma project. The project construction will be monitored by Kenmare's Implementation Director, Ron Williams, who has many years experience in the engineering and construction industry managing large fixed price contracts in remote locations.

Project Financing and Financial Review

Lender Board approvals were obtained during the year culminating in the signing of loan agreements in Dublin on 18 June 2004, attended by senior representatives from each lending institution as well as by Ministers from Mozambique and Ireland.

The loan agreements provide for borrowings of up to US$269 million. A debt funding package has been negotiated with a lender group comprising the European Investment Bank (EIB), The African Development Bank (ADB), FMO (a Dutch development finance institution), KfW (a German development finance institution) and ABSA (a South African Commercial Bank). Political risk guarantees are being provided to the project by MIGA, an arm of the World Bank. Export credit guarantees are being provided by Hermes, an arm of the German Government and by the Export Credit Insurance Agency of South Africa.

The Lenders have approved subordinated debt of up to a value equivalent to €55 million (the "Subordinated Loan"), senior debt in three tranches of up to US$185 million and €15 million in aggregate ("Senior Loans") as summarised below:

	Senior Loans	Subordinated Loan	Total
ADB	US$40 million	–	US$40 million
ABSA – ECIC guaranteed	US$80 million	–	US$80 million
EIB	€15 million	€40 million	€55 million
FMO	US$15 million	€15 million	US$15 million + €15 million
KfW – Hermes guaranteed	US$30 million	–	US$30 million
– MIGA insured	US$20 million	–	US$20 million
	US$185 million + €15 million	**€55 million**	**US$185 million + €70 million**

The last significant condition precedent under the loan agreements that remains to be satisfied is that Kenmare must have deposited funds in specified accounts established by Kenmare (US$30 million in the "Contingency Reserve Account" and US$49 million in the "Shareholder Funding Account") which are required to be funded by equity of at least US$79 million (net of costs). Kenmare is in the process of raising the equity to satisfy this condition by completing the placing and open offer as announced on 18 June.

On signing the Loan Agreements certain fees due to Lenders and advisers became payable. Existing cash reserves of the Group are insufficient to cover these amounts. In the event that the placing and open offer does not complete the Group will have a working capital shortfall and will need to take remedial actions to address its financial position.

Kenmare accounts for 2003 show a profit of US$120,551, arising mainly from deposit interest income net of an operating loss of US$42,877. Fixed assets as at 31 December, 2003 were US$69,053,603, including an increase of US$8,804,484 incurred during 2003 arising primarily as a result of an increase in mineral interests following the capitalisation of Moma project development costs. Net assets as at 31 December, 2003 were US$68,763,347, compared with US$62,674,419 in the prior year.

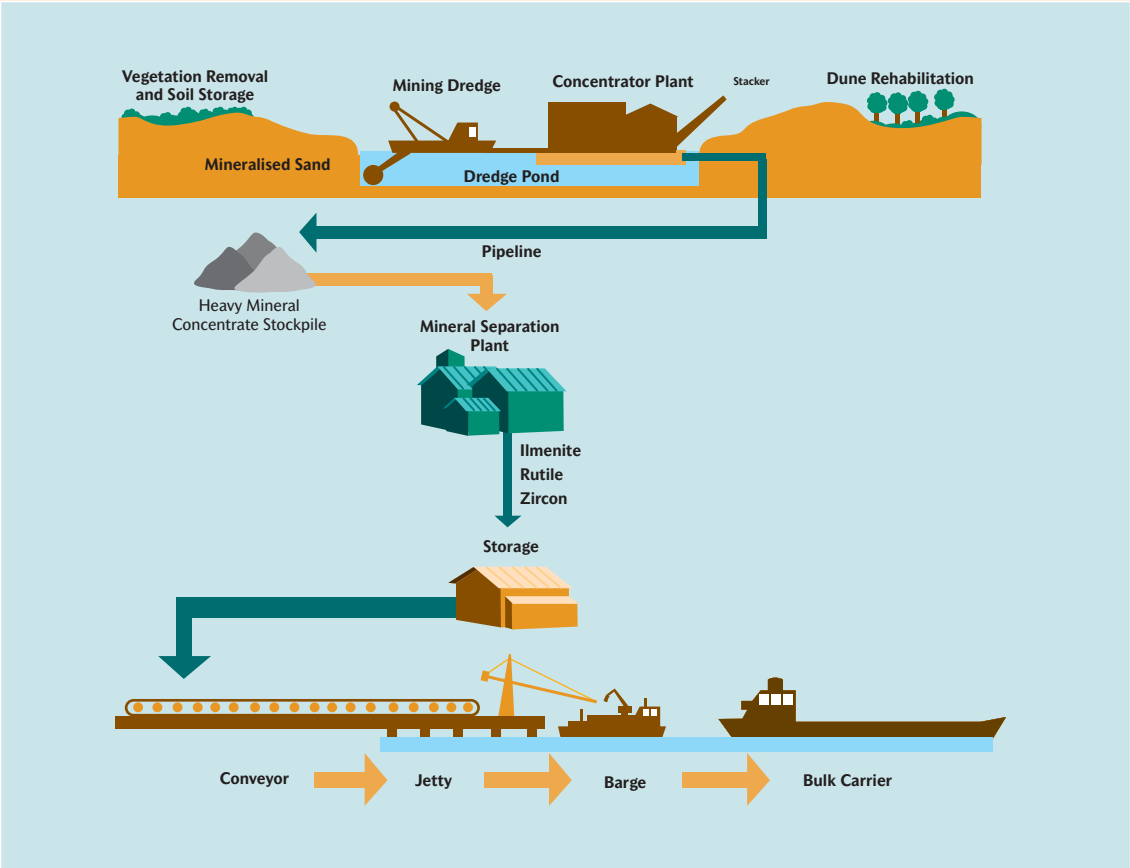
Technical Project Activities

During the year the mineral separation plant, already purchased by Kenmare, was dismantled and transported to Bunbury docks in Western Australia, where it is awaiting shipment to Mozambique.

Following refining of the process flowsheets for the project, the dredge path was redesigned to maximise mineral recovery. In addition, improved efficiency in the mining resulted in the choice of two dredges instead of one which will work in parallel during mining. This will result in higher security of production and better mineral recovery, as one dredge can also sweep up any mineral dropped during mining. The deeper dredge path will allow access to an additional 2 million tonnes of ilmenite.

During the year a detailed test work program was conducted by mineral technology specialist, Roche Mining with the non-magnetic circuits to optimise the flowsheet and improve recoveries. This has resulted in an enhanced zircon circuit with significantly higher recoveries of zircon and a marginal improvement in rutile.

Mining and Processing Operations



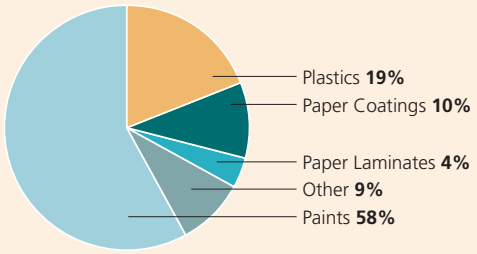
Marketing

The main demand for the titanium minerals ilmenite and rutile is in the manufacture of titanium dioxide pigment, used in paints, paper and plastic production. This accounts for over 90% of total demand for titaniferous raw materials, either through direct consumption or by consumption of upgraded products such as titanium slag and synthetic rutile. The balance of the demand for titanium minerals comes from titanium metal producers and welding rod coating manufacturers.

In steady state, the Moma Mine will produce circa 615,000 tonnes of ilmenite each year. This ilmenite is divided into three products comprising a high TiO_2 ilmenite (circa 60% TiO_2), suitable for the chloride pigment process and as a feedstock for synthetic rutile, and two medium TiO_2 ilmenites (circa 52% and 54% TiO_2), suitable for the sulphate pigment process. Both chloride and sulphate grade ilmenites are also suitable as feedstocks for titanium slag production.

In addition, 60,000 tonnes of zircon and 17,000 tonnes of rutile will be produced per annum as co-products. The value per tonne of these minerals is considerably more than ilmenite and are expected to contribute up to one third of total project revenues.

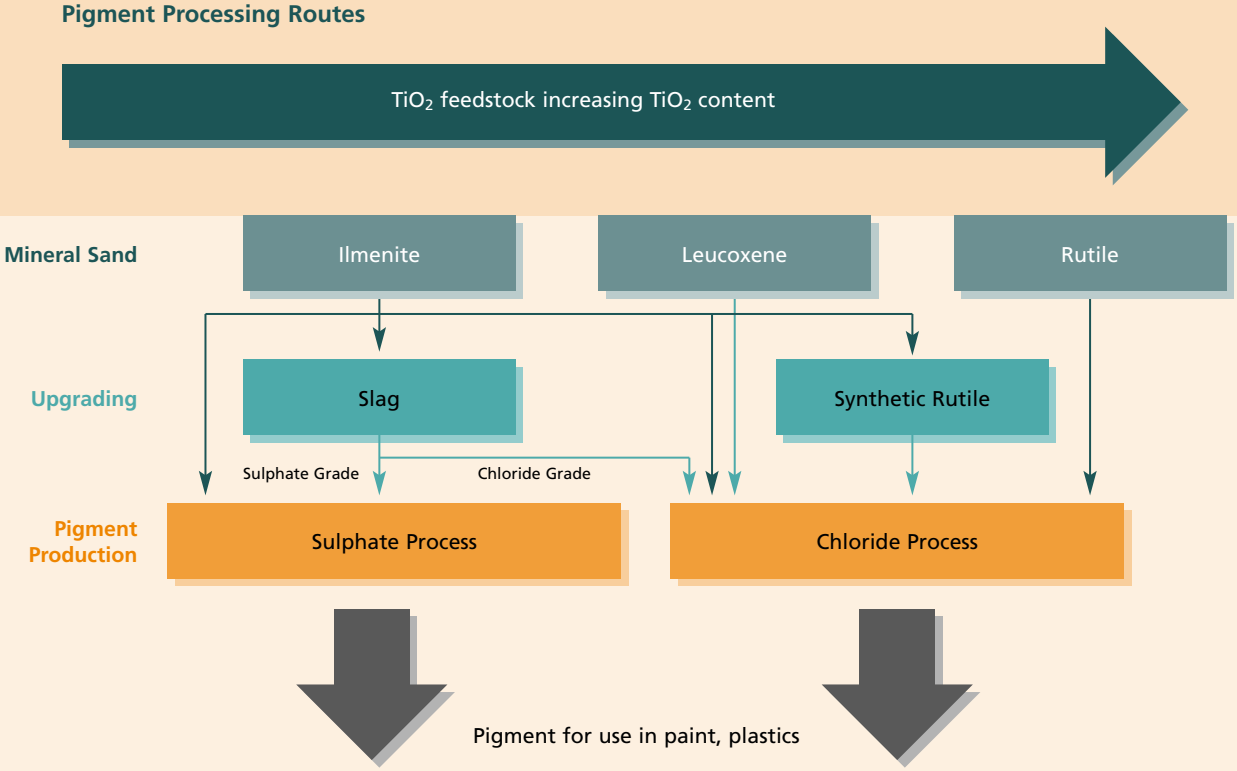
Pigment Consumption by End Use



The primary applications for zircon are in the manufacture of ceramics opacifiers for ceramic tile production and refractory products used in the steel and foundry industries.

Pilot plant testwork conducted in the first half of 2003 indicated that more zircon will be produced than previous smaller scale testwork had indicated. Kenmare agreed off-take contracts to place this additional material in July 2003 with an existing zircon customer and with another large industry consumer. Marketing contracts in place now cover over 50% of the first 5 years planned production at Moma. These offtake contracts satisfy the lenders' proposed marketing requirement for initial drawdown of debt financing.

Pigment Processing Routes



Environmental and Social Responsibilities

An Environmental Licence for the project, which includes the licence over the power transmission line, was issued on 19 March 2003 by MICOA, the environmental Ministry in Mozambique. The Licence approval came after an extensive consultation process with the local community and stakeholders, and the completion of an Environmental Impact Assessment Report and Environmental Management Plan prepared to World Bank standards. Enhancements to design aspects of the project set out during the definition phase work have also been approved by MICOA.

During the year Kenmare established the Kenmare Moma Development Association which will be responsible for ensuring that the local population receive the maximum benefit from the development of the project. Discussions with non-governmental organisations (NGOs) and other funding sources have indicated the possibility of utilising funding sources in addition to the funds which will be provided by the project. The initial priority areas which the Association will focus on have been identified following discussions with NGOs working in areas surrounding the project area and feedback from the local community. These are HIV/AIDS awareness, agricultural support to small farmers to enable them to benefit from the commercial opportunities that will arise from the project and skills training for entrepreneurs/small businesses with ventures that can benefit from servicing the project.

The project is of major importance to the Republic of Mozambique, and is expected to have substantial positive effects on the balance of payments, economic development and the reputation of the country. The provision of employment opportunities and the introduction of grid power, improved roads and additional services will develop and enhance the living standards of the people who reside in the region.

Other Exploration and Mining Interests

Kenmare continues to seek investors interested in investing in the Ancuabe Graphite Mine in Mozambique, which remains on care and maintenance. Kenmare holds two mineral exploration licences in County Carlow, Ireland, which cover an area with indicated tantalum mineralisation.

Senior Personnel

Chairman

Charles Carvill has been involved in the Irish mining industry for over 30 years. He served as a Director of Tara Exploration and Development Limited, the parent company of Tara Mines, for over 20 years and was a founding member and subsequently director of Minquest plc. He is founder and Chairman of Carvill Group Limited and Vico Properties plc., a Belfast based construction and development group with activities in Ireland, Northern Ireland, Scotland, England and Germany.

Managing Director

Michael Carvill is a chartered Member of the Institution of Engineers in Ireland (MIEI). He holds a BSc in Mechanical Engineering (Queen's University, Belfast) and an MBA (Wharton School, University of Pennsylvania). After working as a contracts engineer in Algeria and as a project engineer at Tara Mines, Ireland, he joined Vico Development Limited. He has been the Managing Director of Kenmare since 1986.

Financial Director

Tony McCluskey has worked with Kenmare since 1991 as Company Secretary and Financial Controller, before being appointed 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 manager in Dublin and has also spent a period of time working overseas.

Director of Exploration

Dr. Alastair Brown has over 30 years experience in geology and mineral exploration. He has worked extensively on metallic and industrial mineral exploration in Zambia where he discovered the Maamba coal field, Australia and in Ireland where he discovered the Westport talc deposit and was responsible for the discovery of significant gold mineralisation in County Mayo. Alastair Brown was responsible for the orebody development at Ancuabe and Moma, Kenmare's two proven reserves. He holds a BSc in Geology (University of Edinburgh), an MSc in Mineral Exploration (University of Leicester) and a DIC and PhD in Applied Geochemistry (Imperial College, University of London). He is a Fellow of the Institute of Materials, Minerals and Mining. He joined Kenmare in 1987.

Moma Project Implementation Director

Ron Williams has 38 years experience in the Engineering and Construction industry including participation in the management of lump sum turn key projects with current values of over US$200 million in remote areas of Northern Canada, Siberia, Kazakstan, Kyrghyzstan and Turkmenistan. He specialises in fixed priced remote projects requiring infrastructure development and management.

Financial Controller & Company Secretary

Deirdre Corcoran graduated from University College Dublin with a Bachelor of Commerce degree and a Masters in Accounting. She qualified as a Chartered Accountant with Deloitte & Touche in 1995. She then worked as a Finance Manager with Concern Worldwide, based in Ethiopia, for a number of years before joining Kenmare Resources in 1999 as Financial Controller. She was appointed Company Secretary in March 2000.

Marketing Manager

Eamonn Keenan holds a Bachelor of Commerce degree from University College Dublin and is a Fellow of the Institute of Chartered Accountants. He joined Kenmare in 1994 as accountant for the Ancuabe Graphite Mine in Mozambique. He returned to Ireland in late 1996 and became the Graphite Marketing and Logistics Manager. In 1999 he was appointed Project Development Manager for the Moma Titanium Minerals Project and was responsible for co-ordinating the completion of the Definitive Feasibility Study on the project. He now holds the position of Marketing Manager for the Moma Project.

Area Manager (Mozambique)

Gareth Clifton holds a BA Economics degree from University of Exeter and a MSC African Studies from University of Edinburgh. He has worked in Mozambique for the last 9 years. He joined Kenmare from Union Transport Lda where he held the position of General Manager for 2 years. Prior to that he worked as branch manager for a Mozambican shipping agent, as logistics manager for Kenmare and as field co-ordinator for the UNDP.

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

O'Donnell Sweeney,
One Earlsfort Centre,
Earlsfort Terrace,
Dublin 2.

BANKERS

Anglo Irish Bank Corporation (I.O.M.) plc,
St. George's Court,
Upper Church Street,
Douglas,
Isle of Man.

AIB Bank plc,
North Strand Road,
Dublin 3.

HSBC,
28/34 Hill Street,
St. Helier,
Jersey,
Channel Islands.

Irish Nationwide (I.O.M.) Limited,
P.O. Box 188,
5 Hill Street,
Douglas,
Isle of Man.

FINANCIAL ADVISOR

N.M. Rothschild & Sons Limited,
New Court,
St. Swithin's Lane,
London EC4P 4DU.

STOCKBROKERS

Davy Stockbrokers,
Davy House,
49 Dawson Street,
Dublin 2.

Canaccord Capital (Europe) Limited,
1st Floor, Brook House,
27 Upper Brook Street,
London W1K 7QF.

REGISTRAR

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

WEBSITE

www.kenmareresources.com

DIRECTORS' REPORT

for the year ended 31st December 2003

The Directors present their report and the audited financial statements for the year ended 31st December 2003.

STATEMENT OF RESULTS

The profit after tax for the year ended 31st December 2003 amounts to US$120,551 (2002: Profit US$968,520). No dividends or transfers to reserves are proposed.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Company and its subsidiaries are the exploration for commercial deposits of natural resources and the development and operation of mines. A Review of Operations, including future developments, is given on pages 4 to 8.

DIRECTORS

The Directors who held office at 31st December 2003 were as follows:

C. Carvill	Non-Executive (Chairman)		•
D. Kinsella	Non-Executive (Deputy Chairman)	Δ	•
A. Brown	Executive		
M. Carvill	Executive		
T. McCluskey	Executive		
I. Egan	Non-Executive	Δ	•
S. Farrell	Non-Executive		
T. Fitzpatrick	Non-Executive	Δ	•
P. McAleer	Non-Executive	Δ	•

Δ: Members of the Audit Committee
•: Members of the Remuneration Committee

Under Articles 94 to 102 of the Company Articles of Association, Mr. C. Carvill, Mr. I. Egan and Mr. T. McCluskey retire from the Board and being eligible offer themselves for re-election.

DIRECTORS' AND SECRETARY'S SHAREHOLDINGS

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

	Shares Held 31st Dec. 2003	Shares Held 1st Jan. 2003
C. Carvill (Chairman)	5,715,657	5,715,657
D. Kinsella (Deputy Chairman)	741,937	741,937
A. Brown	99,270	99,270
M. Carvill	1,577,714	1,577,714
I. Egan	225,000	225,000
S. Farrell	466,333	466,333
T. Fitzpatrick	25,613	25,613
P. McAleer	–	–
T. McCluskey	22,680	22,680
D. Corcoran (Secretary)	–	–

DIRECTORS' REPORT

for the year ended 31st December 2003

No purchase or sale of shares in Kenmare Resources plc by any Director, the Secretary or their spouses and minor children took place subsequent to the year end.

At 31st December 2003, C. Carvill held warrants over 800,000 Ordinary €0.06 Shares at an average exercise price of €0.16 per share; M. Carvill held warrants over 160,000 Ordinary €0.06 Shares at an average exercise price of €0.19 per share and A. Brown held warrants over 40,000 Ordinary €0.06 Shares at an average exercise price of €0.19 per share.

DIRECTORS' AND SECRETARY'S SHARE OPTIONS

Details of the share options of the Secretary and Directors who held office at 31st December 2003, granted in accordance with the rules of the Share Option Scheme, are as follows:

	1 Jan and 31 Dec. 2003	Average option price €	Option price range from €	to €
C. Carvill (Chairman)	2,196,629	20c	6c	32c
D. Kinsella (Deputy Chairman)	360,000	17c	6c	32c
A. Brown	1,621,629	19c	6c	32c
M. Carvill	3,346,629	21c	6c	32c
I. Egan	1,180,000	18c	11c	25c
S. Farrell	680,000	22c	20c	25c
T. Fitzpatrick	760,000	13c	6c	32c
P. McAleer	750,000	23c	23c	23c
T. McCluskey	1,410,000	18c	6c	25c
D. Corcoran (Secretary)	325,000	20c	13c	25c

The latest exercise date of the above options is October 2008. No options were granted to the Secretary or Directors during 2003.

SHARE OPTION SCHEME

It is the policy of the Company, in common with other companies operating in the industry, to award share options to Directors, management and employees. The Board makes awards at such time or times as it may determine, subject to the conditions of the Model Code for Directors' dealings. Any offer to grant options shall specify the consideration payable on acceptance (which shall be €6.35), the number of shares comprised in the option, the mode of acceptance together with the latest date for acceptance and for payment of the said consideration. Upon receipt by the Board of such acceptance and consideration, the option will be granted and the Option Certificate delivered. The options generally vest over a three to five year period, in equal annual amounts. At 31st December 2003, there were options in issue that had been granted under the share option scheme dated 15th May 1987 to persons (other than Directors and the Secretary) to subscribe for a total of 4,630,000 shares, exercisable at an average price of €0.22 per share.

GOING CONCERN

The Directors' review of the accounts, budgets and future plans, including receipt of net proceeds from the placing and open offer and facilities under the loan agreements referred to in note 28, together with the internal financial control system, lead them to believe that the Group has adequate resources to continue for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

DIRECTORS' REPORT

for the year ended 31st December 2003

REMUNERATION COMMITTEE

The Company has fully complied with the Irish Stock Exchange's requirement in relation to the disclosure of Directors' remuneration and its Best Practice provisions as contained in Section A of the Listing Rules. Emoluments of Executive Directors are determined by the Remuneration Committee which comprises the Non-Executive Chairman and Non-Executive Directors as set out on page 11. The philosophy of the Remuneration Committee in determining Executive Directors' remuneration is to ensure that individuals are appropriately rewarded relative to their responsibility, experience and value to the Group.

In framing Remuneration Policy the Remuneration Committee has had regard to Section B of the provisions of the Code of Best Practice, published in December 1992 by the Cadbury Committee on the Financial Aspects of Corporate Governance, annexed to the Listing Rules.

Except for a contract with Vico Properties plc to provide the services of M. Carvill and contracts with A. Brown, I. Egan and T. McCluskey for their services, none of the Directors had a beneficial interest in any contract in which the Company was a party during the financial year. Notice period on rolling service contracts with Executive Directors is two years.

DIRECTORS' RESPONSIBILITIES

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 Company and the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 accounting standards generally accepted in Ireland and comply with Irish statute comprising the Companies Acts, 1963 to 2003 and the European Communities (Companies: Group Accounts) Regulations, 1992 and the Listing Rules of the Irish and London Stock Exchanges. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INTERNAL CONTROL

The Board of Directors has responsibility for the Group's system of internal control. This involves an ongoing process for identifying, evaluating and managing the significant risks faced by the Group and reviewing the effectiveness of the resultant system of internal control that has been in place throughout the year and up to the date of approval of the Annual Report and Accounts. The Board has delegated to management the planning and implementation of the systems of internal control throughout the Group. The system of internal control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and accords with the guidance in Internal Control: Guidance for Directors on the Combined Code (Turnbull). The key procedures 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;
- An Audit Committee is in operation, whose function includes a review of the financial statements and meeting with the external auditors;
- Capital expenditure is controlled centrally and, subject to predefined levels, approved by the Board.

Steps are being taken to embed internal control and risk management further into the operations of the Group and to deal with areas of improvement which come to management's and the Board's attention. Having made appropriate enquiries, the Directors consider that the systems of internal control operated effectively during the year under review.

CORPORATE GOVERNANCE

The Directors recognise the importance of good corporate governance and have ensured that appropriate corporate governance procedures are in place. In the financial year under review they have applied the provisions of the Combined Code on Corporate Governance (the Code), save that certain share option arrangements are in place between the Company and the Non-Executive Directors.

The roles of the Chairman and Chief Executive are separate. The Board includes a Non-Executive Chairman and a number of independent Non-Executive Directors. All Non-Executive Directors are members of the Nomination Committee which is responsible for the selection and appointment of Directors. All Directors are subject to retirement by rotation and may 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 and all significant matters are reserved for decision by the Board.

For the year under review the Audit Committee and Remuneration Committee was composed of the Chairman and the Non-Executive Directors as set out on page 11.

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, released through the London and Irish Stock Exchanges and on the Company's website *www.kenmareresources.com*

SUBSTANTIAL INTERESTS

The Company is aware that on 21st June 2004 the following held in excess of 3% of the issued ordinary shares of the Company:

	No. of Ordinary Shares	% of Issued Share Capital
Clydesdale Bank	28,750,000	9.98
State Street Nominees Limited	22,800,000	7.90
Morstan Nominees Limited	10,990,000	3.81
HSBC Global Custody Nominee (UK) Limited	10,886,775	3.78
BNY (OCS) Nominees Limited	10,521,625	3.65

DIRECTORS' REPORT

for the year ended 31st December 2003

As far as the Directors are aware, the Company is not a close company for the purposes of the Corporation Tax Act 1976.

BOOKS OF ACCOUNT

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

SUBSIDIARY COMPANIES

The subsidiaries of the Company at 31st December 2003 are outlined in note 10 to the financial statements.

ANNUAL GENERAL MEETING

Mr. C. Carvill, Mr. I. Egan and Mr. T. McCluskey will be proposed for re-appointment at the Annual General Meeting.

Mr. I. Egan has worked in the mining, manufacturing and technology industries since 1967 including holding of management positions at Mineral Deposits Limited (CEO), Umal Consolidated Limited and BHP (Group General Manager). He is a Fellow of the Australian Institute of Mining and Metallurgy and of the Society of Certified Practising Accountants. He has been awarded a BEc in Accounting and Law from the University of Sydney and an MEc in Industry Economics from the University of Sydney. He is currently a director of and consultant to Soria Moria Pty Limited. He was appointed to the Board of Kenmare in 1998.

Details on Mr. C. Carvill and Mr. T. McCluskey are set out in Senior Personnel on page 9.

The Directors recommend that shareholders vote in favour of all resolutions, as set out in the Notice of Annual General Meeting.

HEALTH & SAFETY

The Directors are conscious of the requirements and obligations towards the health and safety of their employees under the provisions of the Safety, Health and Welfare at Work Act 1989.

POLITICAL DONATIONS

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

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*

28th June 2004

INDEPENDENT AUDITORS' REPORT

to the members of Kenmare Resources plc

Deloitte.

We have audited the financial statements of Kenmare Resources plc for the year ended 31st December 2003 which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Company Balance Sheet, the Group Cash Flow Statement, the Statement Of Total Recognised Gains and Losses, the Statement of Accounting Policies and the related notes 1 to 29. These financial statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the Company's members, as a body, in accordance with Section 193 of the Companies Act 1990. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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

The Directors are responsible for preparing the Annual Report including, as set out in the Statement of Directors' Responsibilities, the preparation of the financial statements in accordance with applicable Irish law and accounting standards. Our responsibilities, as independent auditors, are established in Ireland by statute, the Listing Rules of the Irish and London Stock Exchanges, the auditing standards as promulgated by the Auditing Practices Board in Ireland and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2003, and the European Communities (Companies: Group Accounts) Regulations, 1992. We also report to you whether in our opinion: proper books of account have been kept by the Company; whether, at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the Company; and whether the information given in the Directors' report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purpose of our audit and whether the Company's Balance Sheet is in agreement with the books of account.

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

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Irish Stock Exchange and we report if it does not. We are not required to form an opinion on the effectiveness of the Group's corporate governance procedures or its internal controls.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's Statement, the Review of Operations and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the financial statements. Our responsibilities do not extend to other information.

INDEPENDENT AUDITORS' REPORT

to the members of Kenmare Resources plc

Deloitte.

BASIS OF AUDIT OPINION

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

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

WORKING CAPITAL, MINERAL INTERESTS, TANGIBLE ASSETS AND INVESTMENT IN SUBSIDIARIES

In forming our opinion we have considered the adequacy of the disclosures made in the financial statements concerning the preparation of the financial statements on a going concern basis. We draw your attention to details of the uncertainty which is set out in paragraph (a) of the Statement of Accounting Policies and in note 28. We have also considered the disclosures concerning the valuation of Mineral Interests, Tangible Assets and Investment in Subsidiaries. The realisation of Mineral Interests of US$27,431,163 and of Tangible Assets of US$41,614,069 included in the Consolidated Balance Sheet and Investment in Subsidiaries of US$36,988,405 in the Company Balance Sheet is dependent on the successful development of economic ore reserves. We draw attention to further details given in notes 8, 9 and 10. Our opinion is not qualified in these respects.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st December 2003 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 2003 and the European Communities (Companies: Group Accounts) Regulations, 1992.

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

In our opinion the information given in the Directors' Report is consistent with the financial statements. The net assets of the Company, as stated in the Balance Sheet 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 31st December 2003 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 Company.

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

28th June 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31st December 2003

	Notes	2003 US$	2002 US$
Turnover	*1*	–	–
Operating (Expenses)/Gains	*2*	(42,877)	707,037
Operating (Loss)/Profit		(42,877)	707,037
Interest Receivable		163,428	261,483
Profit On Ordinary Activities Before Taxation		120,551	968,520
Taxation	*3*	–	–
Profit On Ordinary Activities After Taxation		120,551	968,520
Opening Balance – Profit and Loss Account (deficit)		(22,012,278)	(22,980,798)
Closing Balance – Profit and Loss Account (deficit)		(21,891,727)	(22,012,278)
Earnings per share: Basic	*5*	0.05c	0.41c
Earnings per share: Diluted	*5*	0.04c	0.36c

All amounts dealt with above relate to continuing operations.

On behalf of the Board:

M. Carvill *Director*

T. McCluskey *Director*

The accompanying notes form part of the financial statements.

CONSOLIDATED BALANCE SHEET

as at 31st December 2003

	Notes	2003 US$	2002 US$
FIXED ASSETS			
Mineral Interests	*8*	27,431,163	18,618,309
Tangible Assets	*9*	41,622,440	41,630,810
		69,053,603	60,249,119
CURRENT ASSETS			
Debtors	*11*	90,322	95,473
Cash at Bank and In Hand		4,574,490	8,040,751
		4,664,812	8,136,224
CREDITORS			
Amounts falling due within one year	*12*	(3,224,907)	(1,453,021)
NET CURRENT ASSETS		1,439,905	6,683,203
TOTAL ASSETS LESS CURRENT LIABILITIES		70,493,508	66,932,322
CREDITORS			
Amounts Falling Due After One Year	*13*	(1,730,161)	(1,431,903)
PROVISION FOR LIABILITIES AND CHARGES	*14*	–	(2,826,000)
		68,763,347	62,674,419
CAPITAL AND RESERVES			
Called Up Share Capital – (Equity & Non-Equity)	*16*	26,269,539	24,556,528
Share Premium Account	*17*	29,848,262	25,592,896
Profit and Loss Account – (Deficit)		(21,891,727)	(22,012,278)
Revaluation Reserve	*18*	30,141,002	30,141,002
Other Reserve	*19*	3,642,080	3,642,080
Capital Conversion Reserve Fund	*20*	754,191	754,191
Shareholders' Funds		68,763,347	62,674,419

On behalf of the Board:

M. Carvill *Director*

T. McCluskey *Director*

The accompanying notes form part of these financial statements.

COMPANY BALANCE SHEET

as at 31st December 2003

	Notes	2003 US$	2002 US$
FIXED ASSETS			
Tangible Assets	*9*	8,371	16,741
Investment in Subsidiaries	*10*	36,988,405	31,436,030
		36,996,776	31,452,771
CURRENT ASSETS			
Debtors	*11*	50,223	83,002
Cash at Bank and In Hand		96,753	13,320
		146,976	96,322
CREDITORS			
Amounts falling due within one year	*12*	(904,121)	(1,175,800)
NET CURRENT LIABILITIES		(757,145)	(1,079,478)
TOTAL ASSETS LESS CURRENT LIABILITIES		36,239,631	30,373,293
CAPITAL AND RESERVES			
Called Up Share Capital – (Equity & Non-Equity)	*16*	26,269,539	24,556,528
Share Premium Account	*17*	29,848,262	25,592,896
Profit and Loss Account – (Deficit)		(20,632,361)	(20,530,322)
Capital Conversion Reserve Fund	*20*	754,191	754,191
Shareholders' Funds		36,239,631	30,373,293

On behalf of the Board:

M. Carvill *Director*

T. McCluskey *Director*

The accompanying notes form part of these financial statements.

GROUP CASH FLOW STATEMENT

for the year ended 31st December 2003

	Notes	2003 US$	2002 US$
Net cash (outflow)/inflow from operating activities	*23*	(1,092,221)	3,357,291
Returns on Investments & Servicing of Finance Interest received		163,428	261,483
Net cash inflow from Returns on Investment & Servicing of Finance		163,428	261,483
Capital expenditure & financial investment			
Addition of Mineral Interests		(8,812,854)	(7,583,927)
Addition of Tangible Assets		–	(1,408,750)
Net cash outflow from capital expenditure & financial investment		(8,812,854)	(8,992,677)
Net cash outflow before use of liquid resources & financing		(9,741,647)	(5,373,903)
Financing			
Issue of Ordinary Share Capital		6,513,083	14,530,686
Cost of share issues		(544,706)	(1,369,388)
Finance Lease		(2,254)	(15,690)
Debt due within one year		11,005	(1,027,945)
Debt due beyond one year		298,258	57,461
Net cash inflow from financing		6,275,386	12,175,124
(Decrease)/Increase in cash	*26*	(3,466,261)	6,801,221

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31st December 2003

	Notes	2003 US$	2002 US$
Income attributable to Group shareholders		120,551	968,520
Movement in Revaluation Reserve	*18*	–	(1,408,750)
Total Recognised Gains/(Losses) for the year		120,551	(440,230)

NOTE OF HISTORICAL COST PROFITS AND LOSSES

for the year ended 31st December 2003

There is no material difference between the profit on ordinary activities before taxation and the profit retained for the year on an historical cost basis and the amounts shown in the Consolidated Profit and Loss Account on page 18.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the year ended 31st December 2003

	2003 US$	2002 US$
Total Recognised Gains/(Losses) for the year	120,551	(440,230)
Issue of Shares – at par	1,713,011	3,872,024
Share premium, net of costs	4,255,366	9,289,274
Net change in Shareholders' funds	6,088,928	12,721,068
Opening Shareholders' funds	62,674,419	49,953,351
Closing Shareholders' funds	68,763,347	62,674,419

STATEMENT OF ACCOUNTING POLICIES

The significant accounting policies adopted by the Group are as follows:

A BASIS OF PREPARATION AND GOING CONCERN

The financial statements have been prepared in accordance with accounting standards generally accepted in Ireland and the United Kingdom and with Irish statute comprising the Companies Acts, 1963 to 2003, the European Communities (Companies: Group Accounts) Regulations, 1992 and the Listing Rules of the Irish and London Stock Exchanges. Accounting standards, generally accepted in Ireland and the United Kingdom in preparing financial statements giving a true and fair view, are those issued by the Accounting Standards Board.

The financial statements have been prepared on a going concern basis, which is dependent on the raising of future funds. The Company is awaiting the completion of a placing and open offer which, together with facilities available under loan agreements, are intended inter alia to provide the Kenmare Group with sufficient working capital for its present requirements. Further details of the financing arrangements are set out in note 28.

B BASIS OF ACCOUNTING

The financial statements are prepared in US Dollars under the historical cost convention, as modified by the revaluation of certain fixed assets.

C MINERAL INTERESTS – DEFERRED DEVELOPMENT EXPENDITURE

Mineral exploration and project development costs including costs of raising finance are capitalised until the results of the projects, which are based on geographic areas, are known. These costs include an allocation of administration and salary costs as determined by management and incurred by Group companies. If the project is successful, the related costs are written off over the life of the estimated ore reserve on a unit of production basis. Where a project is terminated or an impairment in value has occurred, related costs are written off immediately.

D TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost or valuation less accumulated depreciation. Depreciation is calculated by equal annual instalments so as to provide for their cost or valuation over the period of their expected useful lives at the following annual rates:

Plant & Equipment	5%-25%
Buildings	5%
Motor Vehicles	20%
Office Equipment and Fixtures	10%-33.3%
Mining & Processing Plant	Unit of production basis

E FOREIGN CURRENCY

Monetary assets and liabilities denominated in foreign currencies are translated into US Dollars at the rate of exchange prevailing at the balance sheet date. Transactions in foreign currencies are recorded at the rate of exchange prevailing at the date of the transactions.

For the purposes of consolidation, foreign subsidiaries are translated using the closing rate method and any translation gain or loss is transferred directly to reserves.

F LEASES

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases) they are recorded as tangible assets and the corresponding liability is included in creditors. Depreciation on such leased assets is charged to the profit and loss account on the same basis as other tangible assets. The interest portion of the payments made under such leasing agreements is also charged to the profit and loss account so as to produce a constant periodic rate of charge on the balance of the obligation under each lease.

All other leases are operating leases and the lease rentals are charged to the profit and loss account in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 2003

1 SEGMENTAL REPORTING

	2003 Net Assets US$	2002 Net Assets US$
Europe	(711,194)	(804,032)
Africa & Rest of World	64,900,051	55,437,700
	64,188,857	54,633,668
Plus cash & bank deposits	4,574,490	8,040,751
Total Net Assets	68,763,347	62,674,419

2 OPERATING (EXPENSES)/GAINS

Operating (expenses)/gains, excluding those capitalised as Mineral Interests in note 8, comprise:

	2003 US$	2002 US$
Corporate and Exploration	115,681	844,559
General and Administrative	(158,558)	(137,522)
	(42,877)	707,037

3 TAXATION

No charge to taxation arises in the years ended 31st December 2003 or 31st December 2002 as there were no taxable profits in either year. The profit arose in subsidiaries operating in jurisdictions where there was no charge to taxation on the results for the year.

4 STATUTORY AND OTHER INFORMATION

	2003 US$	2002 US$
Auditors' Remuneration	44,205	34,980
Depreciation	8,371	8,367
Executive Directors' Emoluments		
Remuneration	536,415	427,901
Benefits in kind	11,509	22,725
Pension contributions	17,760	7,556
	565,684	458,182
Non-Executive Directors' Emoluments		
Remuneration	90,433	64,060

Executive Director's emoluments shown comprise all salaries, pension contributions and other benefits in respect of the Directors. Details of the Directors' share options are set out in the Directors' Report. A portion of Directors' emoluments is paid to companies in respect of management services provided by Directors. No Directors' fees were paid by the Company during the year.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 2003

5 EARNINGS AND FULLY DILUTED EARNINGS PER SHARE

The calculation of the earnings and fully diluted earnings per share is based on the profit after taxation of US$120,551 (2002: Profit US$968,520) and the weighted average number of shares in issue during 2003 of 270,684,123 (2002 – 238,468,595 shares).

The calculation of fully diluted earnings per share is based on the profit for the period after taxation as for basic earnings per share. The number of shares is adjusted to show the potential dilution if share options and share warrants are converted into ordinary shares. The weighted average number of shares in issue is increased to 299,560,810.

6 STAFF COSTS

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

	2003	2002
Management/Administration	7	6
Development and Mining	48	49
	55	55

The aggregate payroll costs, including costs capitalised in Mineral Interests, incurred in respect of these employees comprised:

	2003 US$	2002 US$
Wages and Salaries	989,856	832,412
Social Welfare	51,626	37,656
Pension Costs	17,760	7,556
	1,059,242	877,624

Directors' Emoluments	Basic Salary US$	Taxable Benefits US$	Pension US$	Total 2003 US$	Total 2002 US$
EXECUTIVE					
A. Brown	130,241	–	17,760	148,001	113,665
M. Carvill	243,484	11,509	–	254,993	218,256
T. McCluskey	162,690	–	–	162,690	126,261
	536,415	11,509	17,760	565,684	458,182
NON-EXECUTIVE					
I. Egan	59,863	–	–	59,863	49,898
P. McAleer	30,570	–	–	30,570	14,162
	90,433	–	–	90,433	64,060

The underlying currency of Directors' Emoluments is Euro and there were no changes in Executive Directors' salaries during 2003 in Euro terms. Conversion to US Dollars results in exchange fluctuations from year to year. Further information on the remuneration policy for Directors is set out in the Directors' Report.

7 NON-CONSOLIDATION OF SUBSIDIARY UNDERTAKING

The principal activity of Grafites de Ancuabe, S.A.R.L. (GDAS) is the development and operation of the Ancuabe Graphite Mine. This 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 towards the end of 1999 and remain in place. In accordance with Financial Reporting Standard 2 the undertaking 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.

8 MINERAL INTERESTS

Deferred Development Expenditure Analysed by Geographical Area

GROUP

	Mozambique Moma Titanium Mineral Sands US$	Ireland US$	Total US$
Opening Balance	18,584,061	34,248	18,618,309
Additions	8,812,854	–	8,812,854
Closing Balance	27,396,915	34,248	27,431,163

Expenditures incurred by third parties, under joint venture or other agreement, on the exploration licences held by Kenmare are not included in the deferred development expenditures, set out above.

The recovery of deferred development expenditure is dependent upon the successful development of economic ore reserves, which in turn depends on the availability of adequate funding being made available. The Directors are satisfied that deferred expenditure is worth not less than cost less any amounts written off and that the exploration projects have the potential to achieve mine production and positive cash flows. Further information on the projects for which development expenditure has been deferred is given in the Review of Operations.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 2003

9 TANGIBLE FIXED ASSETS

(A) GROUP	Processing Plant US$	Mining Plant US$	Plant & Equipment US$	Vehicles US$	Office Equip & Fixtures US$	Total US$
COST OR VALUATION						
Opening and Closing Balance	20,738,363	20,875,706	117,861	50,548	118,598	41,901,076
ACCUMULATED DEPRECIATION						
Opening Balance	–	–	117,861	33,807	118,598	270,266
Charge for the year	–	–	–	8,370	–	8,370
Closing Balance	–	–	117,861	42,177	118,598	278,636
NET BOOK VALUE						
31st December 2003	20,738,363	20,875,706	–	8,371	–	41,622,440
NET BOOK VALUE						
31st December 2002	20,738,363	20,875,706	–	16,741	–	41,630,810

Processing and Mining Plant are held at valuation. GRD Minproc Limited, an independent Australian engineering group, has appraised the Mining and Processing Plant on a depreciated replacement cost basis of valuation as at 30th June 2000. An inspection of the Mining and Processing Plant was carried out by GRD Minproc Limited in March 2002 concluding that no material alteration to the plants had taken place. Confirmation of the existence of the Processing Plant and the Mining Plant at the year end has been provided by Bateman Engineering, an international engineering group.

The recovery of the plant valuation is dependent upon the successful development of the Moma Titanium Minerals Project, which in turn depends on the availability of adequate funding being made available.

The historical cost net book value of these assets at 31st December 2003 is US$11,473,067. The surplus arising on revaluation amounts to US$30,141,002. Leased tangible assets amount to US$8,371 (2002: US$16,741) of the above net book value for the Group.

(B) COMPANY	Plant & Equipment US$	Vehicles US$	Office Equip & Fixtures US$	Total US$
COST				
Opening and Closing Balance	117,861	50,548	118,598	287,007
ACCUMULATED DEPRECIATION				
Opening Balance	117,861	33,807	118,598	270,266
Charge for year	–	8,370	–	8,370
Closing Balance	117,861	42,177	118,598	278,636
NET BOOK VALUE				
31st December 2003	–	8,371	–	8,371
NET BOOK VALUE				
31st December 2002	–	16,741	–	16,741

10 INVESTMENT IN SUBSIDIARIES

	2003 US$	2002 US$
Shares at cost	115	115
Amounts due by Group Companies (net of provisions)	36,988,290	31,435,915
	36,988,405	31,436,030

The subsidiaries of the Company as at 31st December 2003 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%
Grafites de Ancuabe, S.A.R.L.	Mozambique	Mozambique	84%
Kenmare Graphite Company Limited	Jersey	Jersey	100%
Kenmare Moma Mining Limited	Jersey	Mozambique	100%
Kenmare Moma Processing Limited	Jersey	Mozambique	100%
Kenmare Moma Mining (Mauritius) Limited	Mauritius	Mozambique	100%
Kenmare Moma Processing (Mauritius) Limited	Mauritius	Mozambique	100%

Each of the subsidiary companies has issued ordinary shares only. A number of the subsidiary companies are indirectly owned by Kenmare Resources plc. The activities of the above companies, with the exception of those which are dormant, are mineral exploration, management and development.

The registered office of the Northern Ireland company is Vico House, Derriaghy Industrial Park, Dunmurry Industrial Estate, Belfast. 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 Lord Coutanche House, 66-68 Esplanade, St. Helier, Jersey. The registered office of Grafites de Ancuabe, S.A.R.L. is Rua de Chuindi No. 67, Maputo, Mozambique. The registered office of the Mauritius companies is 2nd Floor Cerné House, La Chaussée, Port Louis, Mauritius

The recovery of amounts due by Group Companies is dependent on the successful development of economic ore reserves by the subsidiary companies.

11 DEBTORS

	Group 2003 US$	Group 2002 US$	Company 2003 US$	Company 2002 US$
Sundry Debtors	90,322	95,473	50,223	83,002

Amounts included in debtors are due within one year.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 2003

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2003 US$	Group 2002 US$	Company 2003 US$	Company 2002 US$
Other Creditors	109,622	98,617	–	–
Accruals	3,115,285	1,352,150	904,121	1,173,546
Lease Obligation	–	2,254	–	2,254
	3,224,907	1,453,021	904,121	1,175,800

13 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2003 US$	Group 2002 US$	Company 2003 US$	Company 2002 US$
Long term loans	1,730,161	1,431,903	–	–

Long term loans comprise amounts owing to BHP Titanium Minerals Pty Limited, a subsidiary of BHP, in relation to the purchase of the Concentrator Plant and Minerals Separation Plant in 2000. The consideration for the acquisitions is subject to a phased payment procedure, that expired in June 2002 with the exception of A$2 million which is due and payable when the installation of the Minerals Separation Plant has been effected and production of mineral product at Moma has reached 250,000 tonnes.

14 PROVISION FOR LIABILITIES AND CHARGES

	Group 2003 US$	Group 2002 US$	Company 2003 US$	Company 2002 US$
Dismantling Provision	–	2,826,000	–	–

During 2003 dismantling of the Minerals Separation Plant, purchased in May 2000 from BHP, was undertaken. The Plant is currently in storage in Bunbury, Western Australia awaiting transportation to the project site in Mozambique.

15 PROFIT/LOSS ATTRIBUTABLE TO KENMARE RESOURCES plc

As permitted by Section 3(2) of the Companies Amendment Act 1986, the profit and loss account of the holding company is not presented as part of these financial statements. A loss of US$102,037 (2002 – US$273,714) has been dealt with in the financial statements of the holding company.

16 CALLED UP SHARE CAPITAL

	2003 US$	2002 US$
AUTHORISED:		
Equity Share Capital		
400,000,000 Ordinary Shares of €0.06 each	21,151,200	21,151,200
Non-Equity Share Capital		
100,000,000 Deferred Shares of €0.25 each	22,032,103	22,032,103
	43,183,303	43,183,303
ALLOTTED, CALLED UP AND FULLY PAID:		
Equity Share Capital		
Opening Balance		
262,209,123 Ordinary Share of €0.06 each	13,974,185	–
191,050,040 Ordinary Shares of €0.06 each	–	10,102,161
	13,974,185	10,102,161
Shares issued during the year		
25,435,000 Ordinary Shares of €0.06 each	1,713,011	–
71,159,803 Ordinary Shares of €0.06 each	–	3,872,024
	1,713,011	3,872,024
Closing Balance		
287,644,123 Ordinary Shares of €0.06 each	15,687,196	–
262,209,123 Ordinary Shares of €0.06 each	–	13,974,185
	15,687,196	13,974,185
Non-Equity Share Capital		
Opening & Closing Balance		
48,031,467 Deferred Shares of €0.25 each	10,582,343	10,582,343
Total Called Up Share Capital	26,269,539	24,556,528

Share options granted but not exercised are noted in the Directors' Report. Funds received from shares issued during the year were used for the development of the business.

The Non-Equity 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 for all the deferred shares so purchased.

At 31st December 2003 warrants over 11,616,800 Ordinary €0.06 Shares were in issue. The latest exercise date for these warrants is 31st December 2005 and the average exercise price is €0.16 per share.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 2003

17 SHARE PREMIUM ACCOUNT

	2003 US$	2002 US$
Opening Balance	25,592,896	16,303,622
Premium on shares issued during year	4,800,072	10,658,662
Costs associated with shares issued during year	(544,706)	(1,369,388)
Closing Balance	29,848,262	25,592,896

18 REVALUATION RESERVE

	2003 US$	2002 US$
Opening Balance	30,141,002	31,549,752
Movement for year	–	(1,408,750)
Closing Balance	30,141,002	30,141,002

19 OTHER RESERVE

	2003 US$	2002 US$
Currency Translation Movement	3,642,080	3,642,080

The translation movement arises on the historical translation of overseas subsidiaries using the closing rate method.

20 CAPITAL CONVERSION RESERVE FUND

	Group & Company 2003 US$	Group & Company 2002 US$
Capital Conversion Reserve Fund	754,191	754,191

The capital reserve arises from the re-nominalisation of the Company's share capital.

21 LEASE OBLIGATIONS

OPERATING LEASE COMMITMENTS

Annual commitments, which are in respect of Office Buildings, under operating leases as at 31st December 2003 are US$89,678 (2002 – US$74,462) expiring after more than five years.

22 PENSIONS

The Group operates an externally funded defined contribution pension scheme for certain employees. The assets of the scheme are held in a fund administered by an insurance company. Contributions to the scheme are charged in the period in which they are payable to the scheme.

	Group & Company 2003 US$	Group & Company 2002 US$
Contributions	17,760	7,556

23 RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASHFLOW FROM OPERATING ACTIVITIES

	2003 US$	2002 US$
OPERATING ACTIVITIES		
Operating (Loss)/Profit	(42,877)	707,037
Depreciation	8,370	8,367
Decrease/(Increase) in Debtors	5,151	(18,647)
Increase in operating creditors	1,763,135	1,007,297
(Decrease)/Increase in Provision for Liabilities & Charges	(2,826,000)	1,550,490
Impairment/Write off of Minerals Interests	–	102,747
Net Cash Flow from Operating Activities	(1,092,221)	3,357,291

24 ANALYSIS OF NET DEBT

	At 1 Jan 2003 US$	Cash Flow US$	At 31 Dec 2003 US$
Cash at Bank and in hand	8,040,751	(3,466,261)	4,574,490
Debt due after 1 year	(1,431,903)	(298,258)	(1,730,161)
Debt due within 1 year	(98,617)	(11,005)	(109,622)
	6,510,231	(3,775,524)	2,734,707

25 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2003 US$	2002 US$
(Decrease)/Increase in cash during the year	(3,466,261)	6,801,221
(Inflow)/Outflow from movements in debt & lease financing	(309,263)	970,484
Movement in net cash in the year	(3,775,524)	7,771,705
Net cash/(debt) at start of year	6,510,231	(1,261,474)
Net cash at end of year	2,734,707	6,510,231

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 2003

26 ANALYSIS OF THE BALANCE OF CASH EQUIVALENTS AS SHOWN IN THE CONSOLIDATED BALANCE SHEET

	Change in Year US$	2003 US$	2002 US$
Cash at Bank and in hand	(3,466,261)	4,574,490	8,040,751

27 RISK MANAGEMENT

The Group's financial instruments comprise of cash balances, sundry debtors and liabilities in relation to the development of the Moma Titanium Minerals Sands Project in Mozambique.

The Group did not enter into any derivative transactions during the year.

Reporting in US Dollars reduces the foreign currency reporting risk.

The main financial risk arising from the Group's financial instruments is foreign currency risk. The Board reviews and agrees policies for managing this risk as summarised below.

FOREIGN CURRENCY RISK

The Directors view the US Dollar as being the functional currency of the Group. The Group's policy for dealing with exchange differences is outlined in Accounting Policies on page 23. Details of liabilities denominated in Australian dollars, relating to plant purchased in 2000, are referred to in note 13.

The Group does not currently utilise swaps or forward contracts to manage its currency exposures, although such facilities are considered and will be used where appropriate in the future.

The Group seeks to minimise its exposure to currency risk by closely monitoring exchange rates.

The net foreign currency monetary assets/liabilities at 31st December were as follows:

	2003 US$	2002 US$
CASH AT BANK		
Currency		
Euro	1,122,854	6,927,876
Sterling	2,547,537	1,000,462
Australian Dollar	826,497	5,982
Mozambican Metical	8,484	1,723
	4,505,372	7,936,043
DEBTORS		
Currency		
Euro	46,136	46,862
Sterling	10,198	11,594
	56,334	58,456

27 RISK MANAGEMENT *continued*

FOREIGN CURRENCY RISK *continued*

	2003 US$	2002 US$
CREDITORS		
Currency		
Australian Dollar	3,441,374	1,199,775
Sterling	602,230	681,370
Euro	207,917	232,107
South African Rand	30,420	58,433
	4,281,941	2,171,685
PROVISION FOR LIABILITIES AND CHARGES		
Currency		
Australian Dollar	–	2,826,000

INTEREST RATE RISK

The Group's exposure to interest rate risk is not considered to be significant. The financial asset, cash deposits, comprise deposits placed with financial institutions at call, 7-day and monthly rates. At 31st December 2003 the financial liabilities are non-interest bearing.

LIQUIDITY RISK

As regards liquidity, the Group's policy has been to ensure continuity of funding mainly through the issue of shares. Further information regarding issues during the year is set out in note 16. Short term funding is achieved by utilising existing cash balances.

FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The fair value of the financial assets is equal to the book value. The fair value of financial liabilities is equal to book value except other creditors falling due after more than one year. These creditors had a book value of US$1,730,161 and a fair value of approximately US$1,509,019. The fair value has been calculated by discounting cash flows at prevailing rates.

28 SUBSEQUENT EVENTS

On 7th April 2004 Kenmare signed a fixed price contract to build the Moma Titanium Minerals Mine in Mozambique with a Joint Venture (JV), formed for this project, between Multiplex Ltd and Bateman BV. The contract is established on a base price of US$220 million at specified exchange rates, with provisions for cost overruns up to US$240 million at which point it becomes totally fixed. Between $220 and $240 million the JV shoulders a progressively greater proportion of the costs.

On 18th June 2004 the Company announced that it had arranged an equity funding, comprising a Placing of US$55 million, which covers Kenmare's equity requirement of US$49 million for the Moma Titanium Mineral Sands Project plus expenses. Kenmare also announced an Open Offer, on the same terms, of up to US$42 million, which would cover a US$30 million contingency fund which is required for the overall Project financing. The completion of the equity funding will represent the last major step in the financing of project implementation at the Moma Titanium Mineral Sands Project in Mozambique.

On the same day Kenmare announced the signing of loan agreements with a group of banks, which will, when effective, provide the Group with the debt finance required for project implementation at its Moma Titanium Mineral Sands Project in Mozambique. The lenders are the African Development Bank, ABSA (a South African commercial bank), the European Investment Bank, FMO (a Dutch development finance institution), and KfW Bankengruppe (a German Development finance institution).

28 SUBSEQUENT EVENTS *continued*

On signing the loan agreements certain fees due to the Lenders and certain fees due to advisers became payable. These fees are of the order of in aggregate US$9.8 million. Existing cash reserves of the Group are insufficient to cover these amounts. In the event that the Placing and Open Offer does not complete by the respective expected dates of mid to end July 2004 (such delay only being likely to arise in the circumstances where a Supplemental Placing is required and is not completed by the expected date in mid July 2004), the Group will have an immediate working capital shortfall and will be required, as a matter of urgency to take certain remedial actions to address its financial position pending subsequent completion of the Placing and Open Offer (which must in any event, in accordance with its conditions, occur by 30th September, 2004). Such actions, which would be implemented by the Group as soon as it becomes aware of the likelihood of any delay, would include limiting discretionary expenditure and negotiating the timing and method of payments to creditors, including the Lenders and advisers. The Directors are confident that the Lender and adviser fees would, where required, be deferred. Notwithstanding the working capital implications of signing the loan agreements, the Directors are of the view that such signature was a necessary and appropriate step in order to advance project implementation.

29 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board on 28th June 2004.

SHAREHOLDER PROFILE BASED ON THE REGISTER

as at 21st June 2004

SIZE OF HOLDINGS	No. of Shareholders	No. of Shares Held
1-1,000	962	673,191
1,001-5,000	2,075	5,919,375
5,001-25,000	1,707	19,425,482
25,001-100,000	495	24,274,234
100,001-250,000	108	17.491,869
250,001-500,000	49	17,654,721
500,001-750,000	16	9,412,250
over 750,000	51	193,568,001
Total	5,463	288,419,123

GEOGRAPHIC DISTRIBUTION OF HOLDINGS

	No. of Shareholders	No. of Shares Held
Republic of Ireland	2,074	43,305,132
United Kingdom	3,291	240,870,306
Other	98	4,243,685
Total	5,463	288,419,123

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Kenmare Resources plc will be held at the Westbury Hotel, Grafton Street, Dublin 2 on Tuesday 27th July 2004 at 12.00 noon for the following purposes:

ORDINARY BUSINESS

1. To receive and consider the Directors' Report, the Financial Statements and the Independent Auditors' Report thereon for the year ended 31st December 2003.
2. To re-elect as a Director Mr. C. Carvill who retires by rotation in accordance with the Company's Articles of Association.
3. To re-elect as a Director Mr. I. Egan who retires by rotation in accordance with the Company's Articles of Association.
4. To re-elect as a Director Mr. T. McCluskey who retires by rotation in accordance with the Company's Articles of Association.
5. To authorise the Directors to fix the remuneration of the Auditors.

By order of the Board:

Deirdre Corcoran *Company Secretary*

28th June 2004

NOTES

1. A member who is unable to attend and vote at the above Annual General Meeting is entitled to appoint a Proxy to attend, speak and vote in his or her stead. A proxy need not be a member of the Company.
2. In accordance with the requirements of The Stock Exchange, details of the Directors' service contracts will be available for inspection by members at the registered office of the Company during normal business hours from the date of this notice and at the place of the Annual General Meeting for a period of fifteen minutes prior to the said meeting until the conclusion of the meeting.

ZAMBIA
MALAWI
ZIMBABWE
SOUTH AFRICA
NIASSA
CABO DELGADO
NAMPULA
TETE
ZAMBEZIA
MANICA
SOFALA
INHAMBANE
GAZA
MAPUTO
Lago Niassa
Maputo
0 50 100 150 200
KILOMETRES

KENMARE

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