

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser (being in the case of Shareholders in Ireland, an organisation or firm authorised or exempted pursuant to the Investment Intermediaries Act 1995 of Ireland or the Stock Exchange Act 1995 of Ireland and, in the case of Shareholders in the United Kingdom, an independent adviser authorised pursuant to the Financial Services & Markets Act 2000 of the United Kingdom (“the FSMA”)).

If you have sold or otherwise transferred all of your Ordinary Shares in Kenmare Resources plc (“Kenmare” or “the Company”), please send this document and the enclosed Form of Proxy and Application Form, as soon as possible, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee. However, save in relation to Shareholders in such jurisdictions receiving this document (for information purposes only) and the Form of Proxy, each in connection with the EGM only, such documents should not be forwarded or transmitted in or into the United States, Canada, Australia or Japan. If you have sold or transferred part of your holding in Kenmare, you are referred to the instructions regarding split applications set out in the accompanying Application Form.

A copy of this document, having attached hereto the consents referred to in section 20 of Part VI hereof and copies of the material contracts referred to in section 14 of Part VI hereof, which comprises Listing Particulars relating to the Company in accordance with European Communities (Stock Exchange) Regulations 1984 (as amended) and in accordance with the European Communities (Transferable Securities and Stock Exchange) Regulations 1992 of Ireland (“the 1992 Regulations”) have been delivered for registration to the Registrar of Companies in Ireland in compliance with Section 47 of the Companies Act 1963 of Ireland and as required by the 1992 Regulations. A copy of this document, which comprises Listing Particulars in accordance with the Listing Rules made under section 79 of FSMA has also been delivered for registration to the Registrar of Companies in England and Wales as required by sections 83 and 86 of FSMA.

The entire text of this document should be read. The exploration and development of natural resources is a speculative activity. It involves substantial financial risk and may not generate any return on investment. Investors should therefore regard an investment in Kenmare as high risk. Your attention is drawn in particular to the section entitled “Risk Factors” in Part III of this document.

Application has been made to the Irish Stock Exchange and to the UK Listing Authority for the New Ordinary Shares to be admitted to the Official List of the Irish Stock Exchange and the Official List of the UK Listing Authority and application has been made to the Irish Stock Exchange and the London Stock Exchange for admission of the New Ordinary Shares to trading on their respective main markets for listed securities. It is expected, subject to the fulfilment of certain conditions as set out in this document, that admission of the New Ordinary Shares to the Official Lists will become effective and that dealings therein will commence on 15 July, 2004 (in the case of the Placing Shares), and on or around 23 July, 2004 (in the case of the Open Offer Shares). Application has been made to the Irish Stock Exchange and the UK Listing Authority to have the New Warrants, which will be issued on the basis of 1 New Warrant for every 4 new Ordinary Shares subscribed for under the Placing or Open Offer, to be admitted to the Official Lists and application has been made to the Irish Stock Exchange and the London Stock Exchange for admission of the New Warrants to trading on their respective main markets for listed securities. Details of the terms of the New Warrants are set out in section B of Part II of this document. It is expected, subject to the fulfilment of certain conditions as set out in this document, that admission of 46,875,000 New Warrants (being the New Warrants issued to subscribers for the Placing Shares) and of 35,992,055 New Warrants (being the New Warrants issued to subscribers for the Open Offer Shares) to the Official Lists will become effective and that dealings therein will commence on 15 July, 2004 and 23 July, 2004 respectively.

In the preparation and distribution of this document and in relation to the arrangements described herein, Davy Corporate Finance Limited and Davy (each of which are regulated in Ireland by the Irish Financial Services Regulatory Authority) and Canaccord Capital (Europe) Limited (which is regulated in the United Kingdom by the Financial Services Authority) are acting exclusively for Kenmare and for no one else (including the recipient of this document) and will not be responsible to any other person for providing the protection afforded to customers of Davy Corporate Finance Limited, Davy or Canaccord Capital (Europe) Limited respectively, nor for providing advice in connection with any transaction or arrangements referred to in this document.

Kenmare Resources plc

(Incorporated and registered in Ireland under the Companies Acts, 1963 to 1986 with registered number 37550)

KENMARE

**Proposed Placing of 187,500,000 new Ordinary Shares at Stg16p per share
and 46,875,000 New Warrants exercisable at Stg19p per share
Proposed 13 for 27 Open Offer of 143,968,222 new Ordinary Shares at Stg16p per share
and 35,992,055 New Warrants exercisable at Stg19p per share**

Notice of Extraordinary General Meeting

Notice of an Extraordinary General Meeting of Kenmare to be held at the Westbury Hotel, Grafton Street, Dublin 2, Ireland at 11.00 a.m. on 14 July, 2004 is set out on page 95 of this document. A Form of Proxy for use at the Extraordinary General Meeting is set out at the end of this document. Forms of Proxy, completed and signed in accordance with the instructions printed thereon, should be returned as soon as possible but in any event so as to be received by the Company's Registrars at the addresses stated below, no later than 11.00 a.m. on 12 July, 2004. Completion and return of a Form of Proxy does not preclude Shareholders from attending and voting at the EGM should they so wish.

The closing time and date for the Open Offer is 3.00 p.m. on 12 July, 2004. Should you wish to participate in the Open Offer, the Application Form enclosed with this document should be completed in accordance with the procedure set out in Part II of this document and on the Application Form and, accompanied by the appropriate remittance, returned to the Company's Registrars, Computershare Investor Services (Ireland) Limited, P.O. Box 954, Dublin 18, Ireland (if delivered by post) or Computershare Investor Services (Ireland) Limited, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland (if delivered by hand) as soon as possible but, in any event, so as to be received no later than 3.00 p.m. on 12 July, 2004. An application may only be made on the enclosed Application Form, which is personal to the Qualifying Shareholder(s) named thereon, and may not be assigned or transferred, except to satisfy *bona fide* market claims.

The New Ordinary Shares and New Warrants have not been, and will not be, registered under the United States Securities Act of 1933, as amended, or under the registered securities legislation of any state of the United States of America. The relevant clearances have not been, and will not be, obtained from the Securities Commission or any province or territory of Canada. No document in relation to the issue of the New Ordinary Shares and New Warrants has been, or will be, lodged with, or registered by, the Australian Securities Commission and no registration statement has been, or will be, filed with the Japanese Ministry of Finance in relation to the issue of the New Ordinary Shares and New Warrants. Accordingly, subject to certain limited exceptions, the New Ordinary Shares and New Warrants may not be directly or indirectly, offered or sold within the United States of America, Canada, Australia or Japan or offered or sold to a person within the United States of America or a resident of Canada, Australia or Japan. Attention is also drawn to sub-section 5 of section A of Part II of this document.

SHARE CAPITAL FOLLOWING THE PLACING AND OPEN OFFER

Authorised			Issued and Fully Paid	
Number	Amount €		Number	Amount €
100,000,000	25,000,000	Deferred Shares of €0.25 each	48,031,467	12,007,866.75
900,000,000	54,000,000	Ordinary Shares of €0.06 each assuming Full Subscription *	642,554,220	38,553,253.20

* Includes an estimated 22,666,875 Lender Shares.

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KEY INFORMATION

- The development of the Moma Titanium Minerals Project in Mozambique (in which Kenmare holds a 100% interest), such that the Mine is funded, constructed, commissioned and brought to full commercial production, has been the key priority of Kenmare's management team for a number of years. With the Placing and Open Offer, Kenmare is seeking to put in place one of the last significant remaining conditions to project implementation. The EPC Contract for the construction of the Mine at Moma has also now been signed with contractors, Multiplex and Bateman in joint venture; the Loan Agreements, providing for the requisite loan facilities, were executed on 18 June, 2004; Offtake Contracts in respect of Mine product have been executed, and the governmental and environmental licences and other approvals necessary to commence the development of the Mine are in place.

Accordingly, Kenmare is now on the threshold of achieving its goal of entering the titanium mining industry.

- The Moma Project, which is located on the coast of north-eastern Mozambique in an area under licence of 43,867 hectares, contains deposits of the titanium minerals, ilmenite and rutile (used in the manufacture of pigment in the paint, plastics and paper industries) and the zirconium mineral, zircon (used in the ceramics industry). The Moma Project will produce, after recovery losses, approximately 615,000 tonnes of ilmenite, 17,000 tonnes of rutile and 60,000 tonnes of zircon per annum. These production levels, with the exception of zircon production which is based on a testwork programme undertaken in 2003, have been independently confirmed by SRK, the Lenders' independent engineer, as being sustainable for at least 20 years. Market analysis conducted by IBMA, the Lender's marketing advisers, has identified market demand for the minerals produced.
- The total capital funding requirement of project implementation is US\$348 million, of which US\$269 million will be provided by way of borrowings (senior (US\$185 million plus €15 million) and subordinated (€55 million) debt), and the balance outstanding will be provided by way of the Placing and Open Offer (and if necessary a Supplemental Placing). Under the Placing, 187,500,000 new Ordinary Shares have been placed firm with investors, at a price of Stg16p, representing a discount of 7.3% to the market price of Stg17.25p at the time of the arrangement of the Placing. The Placing is subject, *inter alia*, to signing of the Loan Agreements (which occurred on 18 June, 2004), Shareholder approval of the relevant Resolutions, not less than in aggregate Stg£53 million (or such lesser amount as provided for in the relevant condition) being raised under the Placing and Open Offer (and/if necessary a Supplemental Placing), and to Admission.
- Shareholders and Warrantholders are being invited to participate in the equity fundraising by way of an Open Offer issue to raise up to Stg£23 million (approximately US\$42 million) through a 13 for 27 Open Offer of up to 143,968,222 new Ordinary Shares at Stg16p per Open Offer Share. Open Offer Application Forms are being posted to Qualifying Shareholders with this document. The latest date for completion and return of such forms is 12 July, 2004. Qualifying Shareholders may apply for any number of Open Offer Shares at the Issue Price and any excess applications will be satisfied or scaled back as detailed in Part II of this document.
- All of the Ordinary Shares proposed to be issued under the Placing and Open Offer (and if necessary a Supplemental Placing) will, on subscription and payment in full, also carry an entitlement to New Warrants on the basis of 1 New Warrant for every 4 new Ordinary Shares subscribed for. Each New Warrant will carry an entitlement, on exercise at a price of Stg19p, to 1 new Ordinary Share and will be exercisable from the date of issue up to 23 July, 2009.
- Completion of the Open Offer is subject, *inter alia*, to signing of the Loan Agreements (which occurred on 18 June, 2004), Shareholder approval of the relevant Resolutions, on not less than in aggregate Stg£53 million (or such lesser amount as provided for in the relevant condition) being raised under the Placing and Open Offer (and if necessary a Supplemental Placing), and on Admission. The Open Offer is expected to complete (i.e. all of its conditions to be fulfilled and all payment cheques cleared) on or around 23 July, 2004. From the Closing Date under the Open Offer until completion of the Open Offer, all of the equity funds received pursuant to the Open Offer will be held in escrow, and allotment of the new Ordinary Shares for which subscriptions have been received will be postponed until such completion occurs. In the event that such completion does not occur on or before 30 September, 2004 (such delay to that date being likely to arise only in the

circumstances where a Supplemental Placing is required and is not completed by the expected date of 15 July, 2004), all of the funds received under the Open Offer will be returned to Qualifying Shareholders and the Open Offer will lapse.

- An Extraordinary General Meeting of Kenmare has been convened for 14 July, 2004 to enable Shareholders to vote on these and related arrangements.

Working Capital

The ability of the Company to successfully implement its development plans for Moma is critically dependent upon the successful completion of all of the Project Financing. The procurement of not less than in aggregate Stg£53 million (or such lesser amount, net of expenses, as may be necessary to meet the Lenders condition precedent for drawdown of the Loans that at least US\$79 million of equity be deposited in special accounts (see section B of Part IV of this document entitled “*Conditions Precedent to Drawdown*”), under the Placing and Open Offer (and if necessary a Supplemental Placing) is an essential component of the Project Financing.

Furthermore, as detailed in the section of Part I of this document entitled “*Working Capital Position of Kenmare*”, failure to complete the Placing and Open Offer by the expected dates of 15 July, 2004 and 23 July, 2004 respectively, or failure to complete the Placing and Open Offer at all will mean, in each case, that the Group will be required, as a matter of urgency, to take certain remedial actions to address its financial position in order to meet its liabilities, including certain Lenders fees and certain advisers fees. While the signing of the Loan Agreements prior to commencement of the timetable for the Placing and Open Offer resulted in incurrance of such fees, the Directors are of the view that such signature was a necessary and appropriate step in order to facilitate advancement towards project implementation. In particular, the fact that the signing of the Loan Agreements has eliminated it as a risk to non-completion of the Placing and Open Offer was an important consideration for the Company, as was the avoidance of a more protracted timetable to project implementation which would have resulted from later signing of the Loan Agreements. Furthermore the signing of the Loan Agreements at this time was in accordance with a timetable agreed with the Lenders over the last number of months and the Directors considered that adherence to the agreed date was important in order to preserve the loan facilities on the terms negotiated and with the specific group of Lenders notwithstanding the impact on working capital.

Risk Factors

Shareholders’ attention is drawn to the section of Part I of this document entitled “*Supplemental Placing*”. Such a placing may be implemented in order to satisfy the condition as to the minimum proceeds from the Equity Funding in the event that aggregate subscriptions under the Placing and Open Offer are not sufficient. A Supplemental Placing may involve the issue of the new Ordinary Shares not taken up under the Open Offer, or of additional new Ordinary Shares (in each case including an entitlement to New Warrants on the same basis as under the Placing and Open Offer), and/or of an instrument such as a convertible loan note. The issue price of any Ordinary Shares which may fall to be issued under this arrangement is expected to be at or around the then prevailing market price for Ordinary Shares, but in any event will not be at more than a 10% discount to the then prevailing market price as provided for in the Listing Rules. The conversion price of any Convertible Loan Notes (being the price at which such notes would be converted into new Ordinary Shares) would not be subject to the same 10% discount limit under the Listing Rules. Accordingly, where a Supplemental Placing is necessary and is implemented by way of the issue of Convertible Loan Notes rather than new Ordinary Shares, and where the Company utilises the available flexibility on pricing, the dilutive effect of any Convertible Loan Note would be greater than an issue of new Ordinary Shares to raise the required amount at a higher price.

Shareholders’ attention is drawn to the section entitled “Risk Factors” in Part III of this document and, having regard to the working capital position and the possibility of a Supplemental Placing referred to above, in particular to the section of Part III entitled “Financing Risks”.

* For the purposes of this document, the total amount to be borrowed under the Debt Financing arrangements is stated in US dollars (i.e. US\$269 million) but is made up of amounts borrowed in a variety of currencies. Such amounts have been converted to US dollars, for illustrative purposes only, at the relevant prevailing reference rates issued by the European Central Bank on 11 June, 2004 (the latest practicable date for this purpose prior to publication of this document).

EXPLANATORY NOTE ON THE OPEN OFFER AND HOW TO PARTICIPATE IN THE OPEN OFFER

EXPLANATORY NOTE ON THE OPEN OFFER

An open offer is an invitation to existing shareholders to subscribe for new shares in the Company in a fixed proportion to their existing holding at a fixed price. Unlike a rights issue an entitlement to participate in an open offer is not renounceable and no arrangements are made for shareholders who do not subscribe for their entitlement under an open offer to realise any value from their entitlement.

Summary Terms of the Open Offer

The Open Offer proposed by Kenmare gives Qualifying Shareholders, that is holders of Existing Ordinary Shares as at the close of business on 16 June, 2004 (other than certain Overseas Shareholders) and Qualifying Warrantholders, the right to subscribe for 13 Open Offer Shares for every 27 Existing Ordinary Shares held or, in the case of Qualifying Warrantholders, deemed to be held, at a price of Stg16p per Open Offer Share. This is the same price at which participants in the Placing are subscribing for new Ordinary Shares, and it represents a discount of 7.3% to the market price of Stg17.25p at the time of the arrangement of the Placing).

Qualifying Shareholders subscribing for Open Offer Shares will also be entitled to 1 New Warrant for every 4 Open Offer Shares subscribed for (the same basis on which New Warrants are being issued under the Placing). Fractions of New Warrants will not be issued. The New Warrants will be exercisable from the date of issue thereof until 23 July, 2009. The New Warrant exercise price is Stg19p and each New Warrant will entitle the holder thereof to subscribe for 1 new Ordinary Share. It is intended that the New Warrants will be admitted to the Official Lists and to trading on the Irish Stock Exchange's and the London Stock Exchange's respective main markets for listed securities. The New Warrants will be freely transferable and will be capable of being held in certificated or uncertificated form.

As detailed in Parts I and II of this document, Ordinary Shares not taken up under the Open Offer (and the associated entitlement to New Warrants) may be taken up under a Supplemental Placing or as a result of excess applications under the Open Offer.

HOW TO PARTICIPATE IN THE OPEN OFFER

Qualifying Shareholders will receive with this document a personalised Application Form showing their existing shareholding at the Record Date, the number of Open Offer Shares for which they are invited to subscribe and the payment due for such subscription.

If you wish to subscribe for more than your minimum entitlement of Open Offer Shares, you should insert the number of Open Offer Shares for which you are applying and the amount of payment enclosed in Box D and Box E respectively on the Application Form, sign the Application Form in accordance with the instructions thereon and return it, together with the required payment, to Computershare Investor Services (Ireland) Limited at the addresses stated on the Application Form, so as to arrive no later than 3.00p.m. on 12 July, 2004. A pre-paid envelope is enclosed for this purpose. Any such excess applications will be satisfied or scaled back as detailed in Part II of this document.

If you wish to subscribe for all of your Open Offer Shares, you should sign the Application Form in accordance with the instructions thereon and return it, together with the required payment shown in Box C of the Application Form, to Computershare Investor Services (Ireland) Limited at the addresses stated on the Application Form, so as to arrive no later than 3.00 p.m. on 12 July, 2004. A pre-paid envelope is enclosed for this purpose.

If you wish to subscribe for some but not all of your Open Offer Shares, you should follow the procedure which applies to splitting, details of which are given in Part II of this document and on the Application Form and you should send the completed Application Form, together with your payment for the amount for which you want to subscribe, to Computershare Investor Services (Ireland) Limited at the addresses stated on the Application Form, so as to arrive no later than 3.00 p.m. on 12 July, 2004. A pre-paid envelope is enclosed for this purpose.

If you do not wish to subscribe for any of your Open Offer Shares, you need taken no action in relation to the Open Offer. We would nevertheless encourage you to vote at the EGM either in person or by proxy.

The Open Offer is expected to complete (i.e. all of its conditions to be fulfilled and all payment cheques cleared) on or around 23 July, 2004. From the Closing Date under the Open Offer until completion of the Open Offer, funds received by Kenmare pursuant to your subscription under the Open Offer will be held in escrow and the Open Offer Shares will not be allotted to you until such completion occurs. If such completion has not occurred by 30 September, 2004, your funds will be returned to you in accordance with the arrangements set out in Part II of this document.

Shareholders and Warrantholders should read the entire document in which this explanatory note is contained and not place reliance on this summary alone. Further details about participating in the Open Offer are set out more fully in Part II of this document.

For the purposes of the Open Offer only, Existing Ordinary Shares means 299,010,923 Ordinary Shares, which includes 10,591,800 Warrants outstanding on the Record Date as if all of those Warrants had been exercised and the new Ordinary Shares due on such exercise had been issued and allotted to the Warrantholders and are held by them on the Record Date.

ISSUE STATISTICS (ASSUMING FULL SUBSCRIPTION)

Issue Price	Stg16p
Number of Existing Ordinary Shares in issue as at 11 June, 2004 ⁽¹⁾	288,419,123
Total number of new Ordinary Shares being issued ⁽²⁾	354,135,097
Number of New Warrants being issued	88,533,773
Exercise price for the New Warrants	Stg19p
Resultant number of Ordinary Shares in issue (undiluted) ⁽³⁾	642,554,220
Number of Ordinary Shares in issue (fully diluted) ⁽⁴⁾	780,877,180
Market capitalisation at the Issue Price upon Admission	Stg£103 million
Percentage of enlarged share capital being issued (undiluted) ⁽³⁾	55.1%
Percentage of enlarged share capital being issued (fully diluted) ⁽⁴⁾	56.6%
Net proceeds of the Placing and Open Offer	approximately Stg£49 million (approximately US\$89 million)

Notes

- (1) 288,419,123 Ordinary Shares excludes 10,591,800 Warrants outstanding on the Record Date and which, pursuant to the terms thereof, are treated, for the purposes of calculating entitlements to participate under the Open Offer, as if exercised and as if the new Ordinary Shares due on such exercise had been issued and allotted to the Warrant holders and are held by them on the Record Date.
- (2) Comprises 187,500,000 Placing Shares, 143,968,222 Open Offer Shares and an estimated 22,666,875 Lender Shares.
- (3) Assuming no new Ordinary Shares are issued pursuant to the exercise of Options, Warrants, September 2003 Warrants or New Warrants.
- (4) Dilution includes 138,322,960 Ordinary Shares, taking into account all Ordinary Shares which may fall to be issued pursuant to Warrants, Options, other subscription rights currently in existence (whether or not subject to Shareholder approval), the September, 2003 Warrants and the New Warrants. It does not include the Conversion Shares, the number of which cannot yet be determined.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

<i>Event</i>	<i>Time and Date</i>
Record Date for the Open Offer	the close of business on 16 June, 2004
Signing by all of the Lenders of the Loan Agreements	18 June, 2004
Date of despatch of this document and of the Application Forms	21 June, 2004
Latest time and date for splitting Application Forms (to satisfy <i>bona fide</i> market claims only)	3.00 p.m. on 8 July, 2004
Latest time and date for receipt of Forms of Proxy for the Extraordinary General Meeting	11.00 a.m. on 12 July, 2004
Latest time and date for receipt of completed Application Forms and payment in full under the Open Offer	3.00 p.m. on 12 July, 2004
Time and date of Extraordinary General Meeting	11.00 a.m. on 14 July, 2004
Admission of the Placing Shares and associated New Warrants to the Official Lists and commencement of dealing therein on the Irish Stock Exchange and the London Stock Exchange ^{(1), (2), (3)}	15 July, 2004
CREST accounts expected to be credited and definitive certificates expected to be despatched in respect of the Placing Shares and associated New Warrants no later than ^{(1), (2), (3)}	15 July, 2004
Admission of the Open Offer Shares and associated New Warrants to the Official Lists and commencement of dealing therein on the Irish Stock Exchange and the London Stock Exchange ^{(1), (2), (3)}	23 July, 2004
CREST accounts expected to be credited and definitive share certificates expected to be despatched in respect of the Open Offer Shares and associated New Warrants no later than ^{(1), (2), (3)}	23 July, 2004

Notes

- (1) This is an expected date only and assumes that in aggregate Stg£53 million (or such lesser amount as provided for in the relevant condition) is raised under the Placing and Open Offer (and if necessary a Supplemental Placing.)
- (2) These dates will be finalised upon fulfilment of the conditions as referred to in note (2).
- (3) Assumes approval of the relevant Resolutions to be proposed and considered at the Extraordinary General Meeting.
- (4) The dates set out in the “*Expected Timetable of Principal Events*” and mentioned throughout this document and in the Application Form may be adjusted by Kenmare, in which event details of new dates will be notified, via Regulatory Information Services, to the Irish Stock Exchange, the UK Listing Authority and the London Stock Exchange and, where appropriate to Qualifying Shareholders.

DIRECTORS, SECRETARY AND ADVISERS

Board of Directors: Charles Joseph Carvill* (Chairman)
Donal Joseph Kinsella* (Deputy Chairman)
Michael Francis Carvill (Managing Director)
Anthony Francis McCluskey (Finance Director)
Dr Alastair Gordon Brown (Exploration Director)(UK)
Ian Roy Egan* (AUS)
Simon James Farrell* (AUS)
Terence Gerard Fitzpatrick*
Peter McAleer*

** denotes non-executive Director*

all of Chatham House, Chatham Street, Dublin 2, Ireland.

Company Secretary and Head and Registered Office: Deirdre Corcoran,
Chatham House,
Chatham Street,
Dublin 2,
Ireland.

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

Stockbrokers: Canaccord Capital (Europe) Limited Davy,
1st Floor, Davy House,
Brook House, 49 Dawson Street,
27 Upper Brook Street, Dublin 2,
London W1K 7QF, Ireland.
United Kingdom.

Financial Advisers: *As to the Debt Financing* *As to the Placing and Open Offer*
N.M. Rothschild & Sons Ltd, Davy Corporate Finance Limited,
New Court, Davy House,
St. Swithin's Lane, 49 Dawson Street,
London EC4P 4DU, Dublin 2,
United Kingdom. Ireland.

Sponsor: Davy,
Davy House,
49 Dawson Street,
Dublin 2,
Ireland.

Solicitors: *As to the Debt Financing* *As to the Placing and Open Offer*
Sullivan & Cromwell LLP, O'Donnell Sweeney,
1 New Fetter Lane, One Earlsfort Centre,
London EC4A 1AN, Earlsfort Terrace,
United Kingdom. Dublin 2,
Ireland.

Registrars and Receiving Agents:	Computershare Investor Services (Ireland) Limited, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland.	Computershare Investor Services plc, 7 th Floor, Jupiter House, Triton Court, 14 Finsbury Square, London EC2A 1BR, United Kingdom.
Bankers:	Allied Irish Banks plc, North Strand Road, Dublin 3, Ireland.	HSBC, 28/34 Hill Street, St. Helier, Jersey, Channel Islands.
	Anglo Irish Bank Corporation (I.O.M.) plc, St. George's Court, Upper Church Street, Douglas Isle of Man.	Irish Nationwide (I.O.M.) Limited, P.O. Box 188, 5 Hill Street, Douglas, Isle of Man.
Lenders:	African Development Bank European Investment Bank Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. ABSA (with export credit insurance provided by Export Credit Insurance Corporation of South Africa Limited) KfW Bankengruppe (with export credit insurance provided by Hermes Kreditversicherungs-AG and political risk insurance provided by Multilateral Investment Guarantee Agency).	

PART I – LETTER FROM THE CHAIRMAN OF KENMARE RESOURCES PLC

Kenmare Resources plc

(Incorporated and registered in Ireland under the Companies Acts, 1963 to 1986 with registered number 37550)

Directors:

Charles Carvill* – *Chairman*
Donal Kinsella* – *Deputy Chairman*
Michael Carvill – *Managing Director*
Tony McCluskey – *Finance Director*
Dr. Alastair Brown — *Exploration Director*
Ian Egan*
Simon Farrell*
Terence Fitzpatrick*
Peter McAleer*

Head and Registered Office:
Chatham House,
Chatham Street,
Dublin 2,
Ireland.

21 June, 2004

* *denotes non-executive Director*

**Proposed Placing of 187,500,000 new Ordinary Shares at Stg16p per share
and 46,875,000 New Warrants exercisable at Stg19p per share
Proposed 13 for 27 Open Offer of 143,968,222 new Ordinary Shares at Stg16p per share
and of 35,992,055 New Warrants exercisable at Stg19p per share**

Notice of Extraordinary General Meeting

To the holders of Existing Shares and to Warrantholders and, for information only, to the holders of Options under the Share Option Scheme

Dear Shareholder or Warrantholder,

INTRODUCTION

On 18 June, 2004, the Board announced a conditional Placing and Open Offer of in aggregate 331,468,222 new Ordinary Shares at Stg16p per share to raise in aggregate up to Stg£53 million (approximately US\$95 million) before expenses. On 18 June, 2004 the Lenders to the Moma Project entered into the Loan Agreements.

The Placing and Open Offer form an integral part of the funding arrangements for Kenmare's Moma Project, advancement of which to the current pre-completion stage has been the priority of the Kenmare Board and senior management for the last number of years. Assuming that all of the conditions of financing are satisfied, and work under the EPC Contract (for the construction and commissioning of the Mine) is conducted on schedule by the EPC Contractor, it is expected that the Mine will be operational during the second half of 2006. Kenmare will then have fulfilled its strategy of entering the titanium mining industry.

The Placing comprises 187,500,000 new Ordinary Shares raising Stg£30 million which have been placed firm with institutional investors, and completion of which is subject to the same conditions as the Open Offer (as further set out in the section of this letter entitled "*Open Offer*"). The Open Offer, is being made to Qualifying Shareholders by way of this document and the accompanying Application Form on the basis of 13 new Ordinary Shares for every 27 Existing Ordinary Shares held (or, in the case of Qualifying Warrantholders, deemed to be held) on 16 June, 2004, at a price of Stg16p per share, to raise up to Stg£23 million. Further details of the Open Offer, the terms and conditions under which it is being made, including the procedure for acceptance and payment are set out in Part II of this document. All of the Ordinary Shares to be issued under the Placing and the Open Offer will also carry an entitlement to New Warrants on the basis of 1 New Warrant for every 4 New Ordinary Shares subscribed for.

This document, comprising a listing particulars, a prospectus and a notice of general meeting, is prepared to provide further information on the Kenmare Group and its development strategy, to facilitate admission of the New Ordinary Shares and of the New Warrants to listing on the Irish Stock Exchange and the London Stock Exchange, to advise Shareholders of the details of, and procedure for, application

under the Open Offer, and to convene an Extraordinary General Meeting at which various Resolutions are to be proposed in order *inter alia* to effect the completion of the Placing, to implement the Open Offer and to approve certain related arrangements.

INFORMATION ON THE KENMARE GROUP

Kenmare's key asset, the development of which is the catalyst for the Placing and Open Offer, is its 100% interest in the Moma Titanium Mineral Sands Project in Mozambique. This interest is held by two wholly owned subsidiaries of Kenmare, KMML and KMPL (together, the "Project Companies"). The mining assets are held by KMML and the processing assets are held by KMPL. This corporate structure has been established in order to optimise the regulatory and tax structure of the Moma Project. The principal economic mineral in the deposit is ilmenite, a titanium mineral used mainly as a feedstock for the titanium pigment industry. The deposit also contains high value co-product minerals rutile (a titanium mineral) and zircon (primarily used in the ceramics industry).

Project implementation at Moma has involved a number of distinct but inter-related components, specifically: putting in place the appropriate regulatory infrastructure (e.g. Power Supply Agreement, environmental licences etc), concluding the contract for the building and commissioning of the Mine itself, procuring commitments from purchasers for the titanium minerals and zircon produced, and arranging the Project Financing. Further detail on each of these components, and on their current status, is set out in Part IV of this document.

Project Resources and Reserves

The total Project resource under licence to Kenmare contains approximately 60.7 million tonnes of ilmenite, 4.6 million tonnes of zircon and 1.6 million tonnes of rutile. It is expected that the size of the resource can be expanded with additional exploration activity which is ongoing. For the purposes of Project Financing, a 21 year mine life has been assumed, which would require only 16.4 million tonnes of ilmenite (before recovery losses) from the total resource; a mine plan for this element of the resource has been developed by Kenmare and these resources accordingly classified as a proven and probable reserve. The following table shows the Moma Project resources and reserves.

Zones	Category	Million tonnes of ore (sand) ⁽¹⁾	% THM ⁽⁵⁾ 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 ^{(4(a))}	287	4.9	81.6	4.0	14.0	11.4 ⁽²⁾	0.3 ⁽²⁾	0.9 ⁽²⁾
Namalope/Tupito	Indicated Resource ^{(4(a))}	858	3.4	81.9	2.8	29.1	23.8 ⁽³⁾	0.6 ⁽³⁾	1.8 ⁽³⁾
Other Zones									
Mualadi	Inferred Resource ^{(4(c))}	359	3.2	81	2.6	11.3	9.1	0.3	0.7
Pilivili	Inferred Resource ^{(4(c))}	236	5.4	81	4.4	12.8	10.4	0.3	0.7
Congolone	Proved Reserve ^{(4(b))}	167	3.3	77	2.5	5.4	4.2	0.09	0.4
Marrua	Inferred Resource ^{(4(c))}	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

Notes

- (1) The assumed annual production of ore (sand) from the Moma Project is approximately 22.0 million tonnes
- (2) Includes a proven reserve of 10.6 Mt, 0.3 Mt and 0.8 Mt respectively of ilmenite, rutile and zircon.
- (3) Includes a probable reserve of 5.8 Mt, 0.2 Mt and 0.5 Mt respectively of ilmenite, rutile and zircon
- (4) (a) Measured and Indicated Resources are sourced from the GRD Minproc Limited Definitive Feasibility Study, 2001(based on 219 power auger and 1169 reverse circulation drill holes);
(b) Proved Reserve is sourced from the Davy McKee Congolone Definitive Feasibility Study, 1989; and
(c) Inferred Resources are compiled by the Company based on drilling and results analysis.
- (5) THM: Total Heavy Minerals

INFORMATION ON THE MOMA PROJECT FINANCING ARRANGEMENTS

Project Financing

Kenmare plans to finance the construction, development and initial operation of the Moma Project with the net proceeds of the Placing and Open Offer (and if necessary a Supplemental Placing) and with borrowings of up to US\$269 million provided for under the Loan Agreements. Pending such use (as more fully set out in the section of Part IV of this document entitled “*Project Financing*”), such net proceeds are expected to be invested by Kenmare in short term investments. While the signing of the Loan Agreements prior to commencement of the timetable for the Placing and Open Offer resulted in incurrance of certain Lenders fees and certain advisers fees as detailed under “*Working Capital Position of Kenmare*”, the Directors are of the view that such signature was a necessary and appropriate step in order to facilitate advancement towards project implementation. In particular, the fact that the signing of the Loan Agreements has eliminated it as a risk to non-completion of the Placing and Open Offer was an important consideration for the Company, as was the avoidance of a more protracted timetable to project implementation which would have resulted from later signing of the Loan Agreements. Furthermore the signing of the Loan Agreements at this time was in accordance with a timetable agreed with the Lenders over the last number of months and the Directors considered that adherence to the agreed date was important in order to preserve the loan facilities on the terms negotiated and with the specific group of Lenders notwithstanding the impact on working capital.

Debt Financing

The Loan Agreements provide for borrowings of up to US\$269 million by the Project Companies to finance in part the Moma Project. Signing of the Loan Agreements occurred on 18 June, 2004. Drawdowns under the loan facilities are subject to a variety of conditions precedent.

One of the conditions precedent under the Loan Agreements that remains to be satisfied is that Kenmare must have deposited funds in special 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). US\$25 million of the funds in the Shareholder Funding Account must have subsequently been spent on developing the Moma Project before the Project Companies can draw down on the Loans. Kenmare intend to raise the equity to satisfy this condition by completing the Placing and Open Offer (and if necessary a Supplemental Placing) and utilising the funds so raised as set out under “*Use of Proceeds of the Placing and Open Offer*” below.

The attention of investors is drawn to the description of outstanding conditions precedent set out in section B of Part IV of this document entitled “*Conditions Precedent to Drawdown*” and to the section of Part III of this document entitled “*Financing Risks*”.

Borrowings from the Lenders will be secured by effectively all of the Project Companies’ assets. Security includes a charge over the Project Companies’ accounts, and a pledge over each of the Contingency Reserve Account and Shareholder Funding Account, and Kenmare has agreed to guarantee until Financial Completion (that is, the completion of the construction of the Moma Project to the point where it is operational in a defined manner, expected to be achieved by the fourth quarter of 2007) all amounts payable by the Project Companies to the Lenders under their loan facilities.

The loan facilities comprise three tranches of senior debt and one tranche of subordinated debt. The provisions of the Loan Agreements, which set out the terms and conditions of these arrangements, and the associated arrangements between Kenmare and the Project Companies, are described in detail in section B of Part IV of this document entitled “*Project Financing*”. In particular, it is a term of the provision of the Subordinated Loans that each of the Subordinated Lenders receive equity in Kenmare at the Issue Price to the value of 10% of the Subordinated Loan amount which they commit to provide. Shareholder approval to the issue, credited as fully paid, of these Lender Shares (and of the related New Warrants which are also agreed to be issued to the Lenders on the same basis as under the Placing and Open Offer), approximately 22,666,875 (5,666,718 New Warrants) of which would be required to be issued based on the amount of the Subordinated Loan of €55,000,000 and currently prevailing exchange rates, is also being sought at the EGM (Resolution 3). The allotment of the Lender Shares and of the related New Warrants is conditional *inter alia* on the signing of the Loan Agreements and on approval of the relevant Resolutions. Following such allotment, the Lender Shares and the New Warrants will be admitted to the Official Lists and to trading on the respective main markets of the Irish Stock Exchange and the London Stock Exchange.

DETAILS OF THE PLACING AND OPEN OFFER

Placing

The Placing is comprised of a total of 187,500,000 new Ordinary Shares and 46,875,000 New Warrants.

The Placing is subject to the same conditions as the Open Offer. These conditions and the expected timetable to completion are as detailed below in the section entitled “*Timing of the Completion of the Placing and Open Offer*”. Subject to fulfilment of the conditions of the Placing, it is expected that Admission will be effective and dealings will commence in the Placing Shares on 15 July, 2004. Details of the New Warrants are summarised below in the section entitled “*Details of the New Warrants.*”

Information on the financial position of the Group where the Placing and Open Offer are delayed or do not complete, is set out in the section below entitled “*Working Capital Position of Kenmare*”.

The attention of investors is also drawn to the section of Part III of this document entitled “*Financing Risks*”.

Open Offer

Under the terms of the Open Offer, Qualifying Shareholders are being given the opportunity to subscribe for the Open Offer Shares at the Issue Price, on the basis of 13 new Ordinary Shares for every 27 Existing Ordinary Shares held (or, in the case of the Qualifying Warrantholders, deemed to be held) on the Record Date. For the purposes of the Open Offer only and in accordance with the terms of the relevant Warrants, Existing Ordinary Shares includes 10,591,800 Warrants outstanding on the Record Date as if all those Warrants had been exercised and the new Ordinary Shares due on such exercise, had been issued and allotted to the Warrantholders and are held by them on the Record Date.

Qualifying Shareholders subscribing for Open Offer Shares will also be entitled to 1 New Warrant for every 4 Open Offer Shares subscribed for (the same basis on which New Warrants are being issued under the Placing). Details of the New Warrants are summarised below in the section entitled “*Details of the New Warrants*”.

Qualifying Shareholders may apply for any number of Open Offer Shares at the Issue Price and, subject to the Open Offer becoming unconditional, shall be entitled to receive at least the lesser of the number of Open Offer Shares for which they apply and their minimum entitlement as shown in Box B on the Application Form. Qualifying Shareholders who apply for more than their minimum entitlement will be allotted Open Offer Shares subject to availability with scaleback of excess applications being applied *pro rata*.

Qualifying Shareholders should be aware that under the Open Offer, unlike a rights issue, the Open Offer Shares not applied for will not be sold in the market for the benefit of Qualifying Shareholders who do not apply under the Open Offer. Such shares (and the associated entitlement to New Warrants) may instead be placed for the benefit of the Company as provided for in the Placing Agreement or may be taken up as a result of excess applications under the Open Offer.

Further details on the Open Offer and the terms under which it is being made, including the procedure for application and payment, are set out in Part II of this document.

The conditions of the Open Offer (which are also the conditions of the Placing) are as follows.

- (i) the passing of all the Resolutions (other than Resolution 4) to be proposed at the EGM;
- (ii) the entry into the Loan Agreements. This condition has already been satisfied;
- (iii) not less than in aggregate Stg£53 million (or such lesser amount, net of expenses, as may be necessary to meet the Lenders condition precedent for drawdown on the Loans that at least US\$79 million of equity be deposited in special accounts (see section B of Part IV of this document entitled “*Conditions Precedent to Drawdown*”)) being raised under the Placing and the Open Offer, or where valid applications under the Open Offer are not sufficient to raise this amount, such amount otherwise being raised by an issue of equity or debt securities in addition to those securities issued under the Placing and Open Offer.
- (iv) the Placing Agreement having otherwise become unconditional in all respects and not having been terminated in accordance with its terms; and
- (v) the Irish Stock Exchange and the UK Listing Authority approving the application for admission of the Placing Shares, the Open Offer Shares and the New Warrants to the Official Lists, and the Irish

Stock Exchange and the London Stock Exchange admitting the Placing Shares, the Open Offer Shares and the New Warrants to trading on their respective main markets for listed securities.

Details of the New Warrants

The New Warrants are being issued under the Placing and the Open Offer (on the basis of 1 New Warrant for every 4 Ordinary Shares subscribed for under the Placing or the Open Offer). Fractions of New Warrants will not be issued. The New Warrants will be exercisable from the date of issue thereof until 23 July, 2009. The New Warrant exercise price is Stg19p and each New Warrant will entitle the holder thereof to subscribe for 1 new Ordinary Share. It is intended that the Warrants will be admitted to the Official Lists and to trading on the Irish Stock Exchange's and the London Stock Exchange's respective main markets for listed securities. The New Warrants will be freely transferable and will be capable of being held in certificated or uncertificated form. New Ordinary Shares to be issued pursuant to the exercise of the New Warrants will (save as detailed in sub-section 1(d) of section B of Part II of this document) on issue rank equally in all respects with the Ordinary Shares in issue at the time of exercise, including the right to all dividends and other distributions thereafter declared, paid or made. The number of New Warrants proposed to be issued under the Placing and Open Offer and to the Lenders is 88,533,773, which on exercise, would result in an increase in the issued share capital of the Company of 88,533,773 Ordinary Shares, representing 13.8% of the Enlarged Issued Ordinary Share Capital of the Company. In the event that all such New Warrants were exercised, approximately Stg£17 million would be yielded to the Company. Such proceeds would, where available, be used to accelerate project implementation.

Further details of the New Warrants, as set out in the New Warrant Instrument, are set out in section B of Part II of this document and details of certain risks relating to the New Warrants are set out in Part III of this document.

Supplemental Placing

Any alternative issue of securities referred to at (iii) above may be a supplemental placing in respect of the new Ordinary Shares not taken up under the Open Offer, or of additional new Ordinary Shares (in each case including an entitlement to New Warrants on the same basis as under the Placing and Open Offer). The Company may otherwise/in addition issue such securities by way of another instrument such as a convertible loan note. Such an arrangement, rather than a further pre-emptive issue, would be necessary in order to adhere to the timetable for project implementation as detailed in this document. The Placing Agreement provides for Canaccord to use its best endeavours to procure subscribers by no later than 15 July, 2004 (or if later, in any event prior to the Long Stop Date) for securities in order to facilitate satisfaction of the above condition (iii). The authorities being sought at the EGM, specifically in Resolutions 1, 2 and 3, provide the Company with the authorities necessary to implement this Supplemental Placing. The issue price of any Ordinary Shares which may fall to be issued under this arrangement is expected to be at or around the then prevailing market price for Ordinary Shares, but in any event will not be at more than a 10% discount to the then prevailing market price as provided for in the Listing Rules. The conversion price of any Convertible Loan Notes (being the price at which such notes would be converted into new Ordinary Shares) would not be subject to the same 10% discount limit under the Listing Rules. Accordingly, where a Supplemental Placing is necessary and is implemented by way of the issue of Convertible Loan Notes rather than new Ordinary Shares, and where the Company utilises the available flexibility on pricing, the dilutive effect of any Convertible Loan Note would be greater than an issue of new Ordinary Shares to raise the required amount at a higher price.

Possible terms of any Convertible Loan Notes which may be issued under these arrangements are as follows, although the actual terms of any such or similar instrument can only be determined based *inter alia* on the amount of funds to be raised therefrom, the requirements of potential purchasers (which may be one or more) and then prevailing market conditions. Any Convertible Loan Notes are expected to be of principal amount of not more than Stg£23 million (such amount being subject to alteration such that the total proceeds of the Placing, the Open Offer and the Supplemental Placing are in aggregate not less than Stg£53 million or such lesser amount as may be necessary as aforesaid), issued for cash, and convertible into new Ordinary Shares in Kenmare at the conversion price and at the holder's option at any time during its term. Interest may accrue on a rolling basis over the term of the instrument and be payable on maturity. The term of any Convertible Loan Notes would be to a date after Financial Completion and possibly on or around the fifth anniversary of the date of issue. It is also expected that any Convertible Loan Notes would include standard anti-dilution provisions for adjustment to its terms for certain issues of new Ordinary Shares, for a change in the nominal value of the Ordinary Shares by way of a consolidation or sub-division, capital distribution or other events affecting the structure, amount or any

such feature of the outstanding share capital of Kenmare. The issue of any instrument such as a Convertible Loan Note would be subject *inter alia* to Shareholder approval to the relevant Resolutions being received at the EGM.

Certain risks relating to the Supplemental Placing are set out in the section of Part III of this document entitled "*Financing Risks*". These include, in particular, the potentially greater dilutive effect on the share capital of the Company, and, in particular in the case of any instrument such as the Convertible Loan Notes, the additional costs of raising the requisite funds under condition (iii) of the Placing and Open Offer under the Supplemental Placing rather than under the Placing and Open Offer.

Timing of Completion of the Placing and Open Offer

The conditions of the Placing and the Open Offer are expected to be satisfied on or around 15 July, 2004 and 23 July, 2004 respectively but must be satisfied not later than 30 September, 2004. The condition as to signing of the Loan Agreements has already been satisfied (on 18 June, 2004). From the Closing Date of the Open Offer until completion, the funds received under the Open Offer will be held in escrow and will not be available to the Kenmare Group. Upon the procurement of subscribers to the extent necessary under condition (iii) above, which is expected to have occurred by 15 July, 2004, and confirmation by Canaccord of satisfaction of condition (iv) above, the Open Offer Shares and the related New Warrants will be allotted, fully paid, and the funds released from escrow. At or around the same time, settlement will also be due from the participants in the Placing. Admission of the respective Ordinary Shares and of the related New Warrants will then occur on or around the first following Business Day. In the event that all conditions of the Open Offer are not satisfied by 30 September, 2004 (such delay to that date being likely to arise only in the circumstances where a Supplemental Placing is required and is not completed by the expected date of 15 July, 2004) all of the funds received under the Open Offer will be returned to Qualifying Shareholders in accordance with arrangements set out in Part II of this document, and the Open Offer will lapse.

It is therefore expected that Admission will be effective and dealings will commence in the Placing Shares and in the Open Offer Shares on or around 15 July, 2004 and 23 July, 2004 respectively.

In the event that the Placing and Open Offer does not complete by the expected dates of 15 July, 2004 and 23 July, 2004 respectively (such delay being likely to arise (assuming the prior approval by Shareholders of the Resolutions) only in the circumstances where a Supplemental Placing is required and is not completed by the expected date of 15 July, 2004), the Group will, as soon as it becomes aware of the likelihood of any such delay, initiate discussions with certain parties involved in project implementation, including the Lenders and the EPC Contractor, with a view to procuring their respective agreement to completion of the Equity Financing at a date later than the expected dates, such revised date being in any event not later than 30 September, 2004. The Directors expect that the outcome of any such discussions would be positive.

Use of Proceeds of the Placing and the Open Offer

As detailed above, the purpose of the Placing and Open Offer (and if necessary a Supplemental Placing) is to raise the funds required for the equity component of Project Financing. Of the total net proceeds of the Placing and Open Offer of up to Stg£49 million (approximately US\$89 million) (assuming Stg£23 million is raised under the Open Offer), Stg£17 million (US\$30 million) and Stg£27 million (US\$49 million) will be used to fund the Contingency Reserve Account and the Shareholder Funding Account respectively, as detailed in section B of Part IV of this document. Of the latter, Stg£14 million (US\$25 million) will be immediately spent on further developing the Moma Project, specifically on initial project construction and project marketing and financing costs, such expenditure being a condition of drawdown under the Loan Agreements. The remaining sum in the Shareholder Funding Account is expected to be invested during Project construction or otherwise used to achieve Financial Completion. Residual funds in the Contingency Reserve Account at Financial Completion may be withdrawn subject to compliance with ongoing maintenance conditions, such as balance sheet ratios. The balance of the net proceeds of approximately Stg£4 million (approximately US\$7 million) will be used to cover exchange rate fluctuations and other preliminary expenses of project implementation, and to supplement the Group's working capital funds.

Working Capital Position of Kenmare

The Directors are of the opinion that having regard to existing cash resources, the Kenmare Group does not have sufficient working capital for its present requirements, that is for at least the 12 month period from the date of this document. Upon signing of the Loan Agreements, certain fees due to the Lenders and certain fees due to advisers, which fees are of the order of in aggregate Stg£5.4 million (US\$9.8 million) became payable. Additionally, a further estimated Stg£2.5 million (US\$4.5 million) in liabilities is payable, absent project implementation, by the Kenmare Group over the forthcoming 12 month period. Existing cash reserves of the Group would be insufficient to cover these amounts. The completion of the

Placing and Open Offer, together with the facilities to be made available under the Loan Agreements, are intended, *inter alia*, to provide the Kenmare Group with sufficient working capital for its present requirements, that is for at least the 12 month period from the date of this document. In the event that the Placing and Open Offer does not complete by the expected dates of 15 July, 2004 and 23 July, 2004 respectively (such delay being likely to arise (assuming the prior approval by Shareholders of the Resolutions) only in the circumstances where a Supplemental Placing is required and is not completed by the expected date of 15 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 30 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. **In the event that the Placing and Open Offer does not complete, not only will the Group's development plans for the Moma Project be seriously jeopardised, but the Group's immediate working capital shortfall referred to above will persist and the Group will be required, as a matter of urgency, to take certain remedial actions to address its financial position in order to meet its liabilities.** Such remedial actions would include a continuation and intensification of the expenditure policy referred to above, curtailing all expenditure and cost incurrence in relation to advancement of the Moma Project, and further negotiating the timing and method of payments to creditors. Further deferral by the Lenders and advisers of the fees due would remain a critical component of these negotiations. The Directors expect that these initial remedial actions could be successfully implemented so as to afford the Group sufficient time to put in place alternative interim funding arrangements. Such alternative interim funding arrangements may include, *inter alia*, bank borrowings, and/or a smaller pre-emptive equity issue or a revised equity issue to new investors. There can however be no certainty on the ability of the Company to successfully curtail expenditure, on the outcome of any negotiations with the Lenders or on the availability, or where available, on the terms and timing of any such alternative interim funding arrangements.

Assuming that this short term funding deficiency could be addressed, the Group would subsequently seek to revisit its plans for the Moma Project and to implement alternative project funding arrangements which may include, *inter alia*, a revised debt funding package, a revised pre-emptive equity issue, and/or any combination thereof, or an equity issue to strategic investor(s) or joint venture partner(s). There can be no certainty on the availability, or where available, on the terms and timing of any such alternative project funding arrangements.

The Directors are of the opinion that having regard to existing cash resources, and the facilities under the Loan Agreements, and taking into account the net proceeds of the Placing and of the Open Offer (and if necessary a Supplemental Placing), the Kenmare Group will have sufficient working capital for its present requirements, that is for at least the 12 month period from the date of this document.

CURRENT TRADING AND PROSPECTS

Kenmare published its preliminary results for the year ended 31 December, 2003 on 19 April, 2004 and these are reproduced in section A of Part V of this document. In 2003 the Group was primarily focused on advancing its Moma Project towards project implementation. It recorded an operating loss of US\$42,877 relative to an operating profit in 2002 of US\$707,037. Fixed assets as at 31 December, 2003 were US\$69,053,603 with the increase from US\$60,249,119 at 31 December, 2002 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 relative to US\$62,674,419 in the prior year.

Current trading in 2004 to date has involved the continued priority of Moma, with significant progress achieved such as the signing of the EPC Contract in April, 2004 and on 18 June, 2004, the signing of the Loan Agreements.

For the remainder of the current financial year, the Group will be engaged in, and its performance will be contingent on, working towards satisfying the conditions to drawdown of the Loans and commencement of work under the EPC Contract, and otherwise facilitating project implementation. Assuming that all of the conditions to loan disbursement are met as scheduled and that the EPC Contractor commences operations at Moma under the EPC Contract at the end of July, 2004 and construction progress is made as planned so that the Mine is operational during the second half of 2006, it is expected that first commercial production will be achieved and revenue generated from the sale of titanium minerals in the fiscal period ending 31 December, 2006. The Group's future performance is contingent on the timing and cost of achieving commercial production at Moma.

RISK FACTORS

Investment in mining involves a high degree of financial risk. Your attention is drawn to the risk factors relevant to Kenmare, the Moma Project and the titanium minerals industry contained in Part III of this document.

OVERSEAS SHAREHOLDERS

The attention of Overseas Shareholders, being Shareholders or Warrantheolders who have registered addresses outside Ireland or the United Kingdom or who are citizens or residents of countries other than Ireland or the United Kingdom, is drawn to sub-section 5 of section A of Part II of this document entitled "*Overseas Shareholders*". This relates only to participation in the Open Offer and does not impact on ability to vote at the EGM.

ADDITIONAL SHARE ISSUES

In addition to the Placing Shares, the Open Offer Shares, the Lender Shares and the new Ordinary Shares which may be issued on exercise of the New Warrants, the Company is, or may be committed to the following share issues:

September, 2003 Warrants

In September, 2003 the Company received Stg£4.0 million by way of the issue of 25,125,000 new Ordinary Shares. It was a term of this placing that participants therein would also be granted warrants over Ordinary Shares, at an exercise price of Stg18p per share, and on the basis of 1 warrant for every 2 Ordinary Shares subscribed for. Following the September 2003 Placing there was insufficient authority to grant these September, 2003 Warrants and accordingly the Company undertook to seek renewed authority for this purpose. Resolution 4 proposes the required authority and on approval thereof, the Company will issue the September, 2003 Warrants. Such September, 2003 Warrants will then be exercisable for a period of two years from the date of issue. A copy of the Warrant Instrument detailing the terms of the September, 2003 Warrants will be available for inspection as set out in section 25 of Part VI of this document.

Conversion Shares

Under the terms of the EPC Contract, the Company may, either at its option, or, in certain circumstances, at the option of the EPC Contractor, be required to issue new Ordinary Shares, at the Issue Price, to the EPC Contractor in satisfaction of liabilities for certain cost overruns under the EPC Contract. Further detail on these Conversion Shares is set out in the section of Part IV of this document entitled "*EPC Contract*". Resolution 5 proposes the required authority to facilitate the issue and allotment of the Conversion Shares.

In addition and as detailed in sub-section (e) of section 14 of Part VI of this document, the Company has agreed to grant Canaccord options to subscribe for new Ordinary Shares representing 5% of the Placing Shares and 5% of any new Ordinary Shares issued under a Supplemental Placing.

Supplemental Placing Ordinary Shares

New Ordinary Shares (including an entitlement to New Warrants on the same basis as under the Placing and Open Offer), in addition to the number of Ordinary Shares the subject of the Open Offer, may be issued under any Supplemental Placing. Any such new Ordinary Shares will on issue, rank *pari passu* in all respects with the then issued Ordinary Shares with regard to dividend entitlements, interest, and all other rights and obligations attaching to the then issued Ordinary Shares. Application will be made to have any such new Ordinary Shares (and, if relevant, any such New Warrants) admitted to the Official Lists and to trading on the respective main markets for listed securities of the Irish Stock Exchange and the London Stock Exchange.

ADDITIONAL INFORMATION

Your attention is drawn to Parts II to VI of this document, which provides additional information on the matters referred to in this letter.

EXTRAORDINARY GENERAL MEETING

An EGM has been convened for 11.00 a.m. on 14 July, 2004 at which Resolutions will be proposed to:

- (1) increase, for the purposes set out in this document and to maintain appropriate share capital headroom following the Placing and the Open Offer, the authorised share capital of the Company from €49,000,000 (divided into 400,000,000 Ordinary Shares of nominal value €0.06 each and 100,000,000 Deferred Shares of nominal value €0.25 each) to €79,000,000 (divided into 900,000,000 Ordinary Shares of nominal value €0.06 each and 100,000,000 Deferred Shares of nominal value €0.25 each) by the creation of 500,000,000 new Ordinary Shares. The proposed increase represents 125% of the existing authorised ordinary share capital of the Company;

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- (2) authorise the Directors specifically and unconditionally, to allot relevant securities pursuant to section 20 of the Companies (Amendment) Act 1983 up to an aggregate nominal amount equal to the authorised ordinary share capital (as enlarged pursuant to Resolution 1) but unissued share capital of the Company. The total number of Ordinary Shares which the Directors will have authority to allot pursuant to this Resolution is 611,580,877, which represents approximately 212% of the Existing Issued Ordinary Share Capital. Save as detailed in this document, the Directors have no present intention of exercising this authority. This authority will expire on the date of the annual general meeting of the Company in 2005, save that the Company may before such expiry make an offer or agreement which would or might require securities to be allotted after such expiry and the Directors may allot such securities as if the authority had not expired.
 - (3) disapply the pre-emption rights conferred by section 23(1) of the Companies (Amendment) Act 1983 for a period of fifteen months from the EGM in respect of the issue by the Company of equity securities (i) pursuant to the Placing; (ii) pursuant to the Open Offer; (iii) comprising the Lender Shares; (iv) pursuant to the Supplemental Placing; (v) comprising the New Warrants associated with each of the Placing, the Open Offer, the Lender Shares, the Supplemental Placing, and the new Ordinary Shares to be issued pursuant to the exercise of the New Warrants; and (vi) in respect of a maximum of 10% of the issued share capital of the Company from time to time;
 - (4) authorise the Directors specifically and unconditionally for a period of twenty-five months from the EGM to allot relevant securities comprising the September, 2003 Warrants and all Ordinary Shares to be issued pursuant to them and to disapply the pre-emption rights conferred by section 23(1) of the Companies (Amendment) Act 1983 in relation to such allotments; and
 - (5) authorise the Directors specifically and unconditionally for a period of five years from the EGM to allot relevant securities comprising the Conversion Shares (which shares may be required to be issued to the EPC Contractor under the EPC Contract in the circumstances detailed in the section of Part IV of this document entitled “*EPC Contract*”) and to disapply the pre-emption rights conferred by section 23(1) of the Companies (Amendment) Act 1983 in relation to such allotment.

Of these Resolutions, 1 and 2 are ordinary resolutions and 3, 4 and 5 are special resolutions. Resolutions 2 and 3 are conditional on Resolution 1. Resolutions 1, 4 and 5 are not conditional on any of the other Resolutions.

ACTION TO BE TAKEN – EXTRAORDINARY GENERAL MEETING

A Form of Proxy for use by Shareholders at the EGM accompanies this document. Whether or not you intend to be present at the EGM, **please complete, sign, detach and return the enclosed Form of Proxy to Computershare Investor Services (Ireland) Limited, PO Box 954, Dublin 18, Ireland (if delivered by post) or Computershare Investor Services (Ireland) Limited, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland (if delivered by hand) in accordance with the instructions printed thereon as soon as possible but, in any event, so as to be received no later than 11.00 a.m. on 12 July, 2004.** Completion and return of the Form of Proxy will not preclude you from attending the meeting and voting in person at the EGM, should you so wish.

ACTION TO BE TAKEN – OPEN OFFER

If you are a Qualifying Shareholder and wish to apply under the Open Offer, you should complete the accompanying Application Form. **The Application Form should be returned in accordance with the instructions set out thereon and in Part II of this document, together with the appropriate remittance to Computershare Investor Services (Ireland) Limited, PO Box 954, Dublin 18, Ireland (if delivered by post) or Computershare Investor Services (Ireland) Limited, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland (if delivered by hand) as soon as possible, but in any event so as to be received no later than 3.00 p.m. on 12 July, 2004.**

A pre-paid envelope is enclosed with this document for the purpose of returning the documentation referred to above to the Registrar.

The passing of all the Resolutions (other than Resolution 4) is a condition of Equity Financing as detailed in this document. This condition cannot be waived. In the event that the relevant Resolutions are not approved, the Placing and Open Offer (and if necessary a Supplemental Placing) will not complete. Shareholders’ attention is drawn to the section of this letter entitled “*Working Capital Position of Kenmare*”, which explains the implications for the Kenmare Group if the Placing and Open Offer (and if necessary a Supplemental Placing) do not complete. Shareholders are also advised that even if the

relevant Resolutions are approved, the Equity Financing may nevertheless fail as a result of non-satisfaction of its other conditions. Details of these conditions are set out in the section of this letter entitled “*Open Offer*”.

In exercising their voting rights on the Resolutions and in deciding whether, or to what extent, to participate in the Open Offer, Shareholders’ attention is drawn in particular to the section of Part III of this document entitled “*Financing Risks*”. This details, *inter alia*, the potentially greater dilutive effect and greater cost to the Company of the Supplemental Placing, such dilution and costs being potentially greatly increased if any Supplemental Placing is done by way of Convertible Loan Note having a conversion price greater than any which could, under the Listing Rules, apply to an issue of new Ordinary Shares under the Supplemental Placing. As stated under “*Supplemental Placing*” above the conversion price of any Convertible Loan Notes would not be subject to the 10% discount limit under the Listing Rules which would apply to the issue of new Ordinary Shares.

RECOMMENDATION

The Directors believe that the increase in the authorised ordinary share capital of the Company (Resolution 1), the grant of general authority to Directors to allot securities (Resolution 2), and the grant of specific authorities to allot securities and dis-apply pre-emption rights in relation to such allotments, each for the purposes specified in this document (Resolution 3, 4 and 5), are in the best interests of the Company and its Shareholders as a whole. Accordingly, your Directors unanimously recommend you to vote in favour of all of the Resolutions to be proposed at the EGM as they intend to do in respect of all the Ordinary Shares owned by themselves or in which they have a beneficial interest, being in aggregate 8,874,203 Ordinary Shares representing approximately 3.08% of the Existing Issued Ordinary Share Capital.

Yours faithfully,

CHARLES CARVILL

Chairman

PART II — (A) DETAILS OF THE OPEN OFFER AND PROCEDURE FOR APPLICATION

(1) TERMS OF THE OPEN OFFER

The Open Offer is made by Kenmare to Qualifying Shareholders to subscribe (on the terms and subject to the conditions set out herein) for **up to a total of 143,968,222 new Ordinary Shares at Stg16 p per share payable in full on application by no later than 3.00 p.m. on 12 July, 2004 on the basis of:**

13 new Ordinary Shares for every 27 Existing Ordinary Shares

on the Record Date and so on in proportion for any greater number of Existing Ordinary Shares. For the purposes of the Open Offer only, Existing Ordinary Shares includes 10,591,800 Warrants outstanding on the Record Date as if all those Warrants had been exercised and the new Ordinary Shares due on such exercise, have been issued and allotted to the Warrantholders and are held by them on the Record Date. Fractions of Open Offer Shares will not be allotted and entitlements will be rounded down to the nearest whole number of Open Offer Shares. Temporary documents of title will not be issued and, pending the issue of definitive certificates, transfers will be certified against the register.

Qualifying Shareholders subscribing for Open Offer Shares will also be entitled to 1 New Warrant for every 4 Open Offer Shares subscribed for (the same basis on which New Warrants are being issued under the Placing). The number of New Warrants related to the Open Offer Shares is 35,992,055. Details of the New Warrants, as set out in the New Warrant Instrument, are set out in section B of Part II of this document.

Qualifying Shareholders may apply for any number of Open Offer Shares at the Issue Price and, subject to the Open Offer becoming unconditional, shall be entitled to receive at least the lesser of the number of Open Offer Shares for which they apply and their minimum entitlement as shown in Box B on the Application Form. Qualifying Shareholders who apply for more than their minimum entitlement will be allotted Open Offer Shares subject to availability with scaleback of excess applications being applied *pro rata*.

To the extent that Qualifying Shareholders do not apply for their full entitlement under the Open Offer, the balance of their entitlements may be placed for the benefit of the Company as provided for in the Placing Agreement. Fractional entitlements of Qualifying Shareholders under the Open Offer will not be allotted.

The Open Offer is conditional upon:

- (i) the passing of all the Resolutions (other than Resolution 4) set out in the notice of the Extraordinary General Meeting at the end of this document;
- (ii) the entry into the Loan Agreements (the principal terms of which are set out in section B of Part IV of this document). This condition has already been satisfied.
- (iii) not less than Stg£53 million (or such lesser amount, net of expenses, as may be necessary to meet the Lenders condition precedent for drawdown on the Loans that at least US\$79 million of equity be deposited in special accounts (see section B of Part IV of this document entitled “*Conditions Precedent to Drawdown*”)) being raised under the Placing, the Open Offer, or where valid applications under the Open Offer are not sufficient to raise this amount, such amount otherwise being raised by an issue of equity or debt securities in addition to those securities issued under the Placing and Open Offer;
- (iv) the Placing Agreement (the principal terms of which are set out in sub-section (e) of section 14 of Part VI of this document) having otherwise become unconditional in all respects and not having been terminated in accordance with its terms; and
- (v) the Irish Stock Exchange and the UK Listing Authority approving the application for admission of the Placing Shares, the Open Offer Shares and the New Warrants to the Official Lists and the Irish Stock Exchange and the London Stock Exchange admitting the Placing Shares, the Open Offer Shares and the New Warrants to trading on their respective main markets for listed securities.

The Open Offer Shares will be issued free of expenses and will, when issued and fully paid, rank equally in all respects with the Placing Shares and with the Existing Ordinary Shares, including the right to all dividends and other distributions thereafter declared, paid or made.

Qualifying Shareholders should be aware that unlike in a rights issue, any Open Offer Shares (and the associated entitlement to New Warrants) not applied for under the Open Offer will not be sold in the market or placed for the benefit of Qualifying Shareholders. They may be taken up under the Supplemental Placing or as a result of excess applications under the Open Offer.

(2) APPLICATION AND PAYMENT

The enclosed Application Form shows the number of Ordinary Shares registered in your name(s) at the close of business on the Record Date and also your relevant *pro rata* minimum entitlement to Open Offer Shares and the amount you should pay if you wish to take up your minimum entitlement in full. You may apply for more or less than your minimum entitlement of Open Offer Shares if you so wish.

Applications for Open Offer Shares may only be made on the enclosed Application Form, which is personal to the Qualifying Shareholder(s) named thereon and may not be assigned, transferred or split except in the circumstances described below. The Application Form represents a right to apply for Open Offer Shares. It is not a document of title and cannot be traded. Qualifying Shareholder(s) who have recently sold all or part of their holdings of Ordinary Shares or Warrants are advised to consult their professional adviser as soon as possible, as the benefits arising under the Open Offer may be claimed from them by the purchaser(s). In order to facilitate such claims, they are asked to follow the instructions printed on the Application Form.

Qualifying Shareholders who wish to subscribe for Open Offer Shares must complete the Application Form in accordance with the instructions printed thereon, and return same, together with a remittance for the amount payable on application, to the Company's Registrars, Computershare Investor Services (Ireland) Limited, PO Box 954, Dublin 18, Ireland (if delivered by post) or Computershare Investor Services (Ireland) Limited, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland (if delivered by hand) as soon as possible, but, in any event, so as to arrive no later than 3.00 p.m. on 12 July, 2004. A pre-paid envelope is enclosed for this purpose.

Payment must be made in **sterling** or **euro** (see below) by cheque or bankers' draft made payable to "Computershare Investor Services (Ireland) Limited – A/C Kenmare Resources plc", crossed "A/C Payee Only". Cheques and bankers' drafts must be drawn on a bank in Ireland or the UK, which in the case of Ireland, is a member of the Dublin Bankers Clearing Committee or has clearing facilities with the Dublin Bankers Clearing Committee and, in the case of the UK, is either a member of the Cheque and Credit Clearing Company Limited or a member of either of the communities of the Scottish or Belfast Clearing Houses or the CHAPS Company Limited. An application may be rejected unless these requirements are fulfilled.

Qualifying Shareholders may, if they wish, make payment for Open Offer Shares in **euro**. If they do so, the Company will convert the euro sum (or treat it as converted) into sterling at the rates made available by its bankers on a daily basis and the net amount following such conversion (or deemed conversion) shall be applied in subscribing for the lower of (i) the whole number of Open Offer Shares which may be acquired with such sterling sum and (ii) the number of Open Offer Shares which would fall to be issued to the applicant taking into account the number of Open Offer Shares for which they have applied and the application of the principles described above. Any excess will be retained by the Company if less than Stg£3.00, but will otherwise be returned in sterling or euro at the discretion of the Company by cheque to the applicant (at the applicant's risk) without interest. All conversion costs will be borne by the applicant.

No interest will be payable to applicants on remittances accompanying the Application Form submitted before they are due. Return by a Qualifying Shareholder of the Application Form with the appropriate remittance will constitute a warranty that all cheques will be honoured on first presentation. The Company may elect not to treat as valid any acceptance in respect of which cheques are notified to it or its agents as not having been so honoured. The Company reserves the right to have cheques presented on receipt and to instruct its Registrars to seek special clearance of cheques to allow the Company to obtain value for remittances at the earliest opportunity.

Once submitted, applications are irrevocable.

The conditions of the Open Offer, which are the same as the conditions of the Placing, are set out on page 21. These conditions are expected to be satisfied on or around 23 July, 2004 but must be satisfied not later than 30 September, 2004. The condition as to signing of the Loan Agreements (condition (ii) above) has already been satisfied (on 18 June, 2004) . From the Closing Date of the Open Offer until completion,

the funds received under the Open Offer will be held in escrow in a separate account and will not be available to the Kenmare Group. Upon, the procurement of subscribers to the extent necessary under condition (iii) above, which is expected to have occurred by 15 July, 2004, but which must in any event occur by the Long Stop Date, and confirmation by Canaccord of satisfaction of condition (iv) above, the Open Offer Shares will be allotted, fully paid, and the funds released from escrow. Admission will then occur on or around the first following Business Day.

In the event that all conditions of the Open Offer are not satisfied by 30 September, 2004, the Open Offer will lapse and all monies will be returned, without interest, by ordinary post to applicants at their own risk within 14 days thereafter. Any interest earned on the monies will be retained for the benefit of the Company.

If you are in any doubt as to the action you should take, you should immediately seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or their independent financial adviser, being in the case of Shareholders in Ireland, an organisation or firm authorised or exempted pursuant to the Investment Intermediaries Act 1995 of Ireland or the Stock Exchange Act 1995 of Ireland and, in the case of Shareholders in the United Kingdom, an independent adviser authorised pursuant to the Financial Services & Markets Act 2000 of the United Kingdom.

It is a term of the Open Offer, to ensure compliance with Part IV of The Criminal Justice Act 1994 (the "1994 Act"), that the Company's Registrars may at their absolute discretion require satisfactory evidence of identity of the applicant including, without prejudice to the generality of the foregoing, any applicant who either (i) tenders payment by way of cheque or bankers' draft drawn on an account in the name of a person or persons other than the applicant or (ii) appears to the Registrar to be acting on behalf of some other person. In the former case, evidence satisfactory to the Company's Registrars of identity of the applicant may be required. In the latter case, evidence satisfactory to the Company's Registrars of the identity of any person on whose behalf the applicant appears to be acting may be required. In either case, in submitting any application, the applicant gives a collateral undertaking to the Company and its registrars that he will procure the provision of such evidence. The obligation of the Company to allot Open Offer Shares is subject to the Company's Registrars having been provided with such evidence within a reasonable period of time after a request therefor. If this condition is not fulfilled or waived, the amount of the applicant's payment will be returned without interest, and at the applicant's risk, to the bank or building society for the credit of the account from which such monies were originally debited, without prejudice to the rights of the Company to set off against such monies, or to take proceedings to recover, the loss suffered by it as a result of any breach of the collateral undertaking set out above. Pending the provision of evidence satisfactory to the Company as to identity, definitive certificates in respect of Open Offer Shares (or crediting to a CREST account) may be retained (refrained from) at the absolute discretion of the Company's Registrars. In order to avoid this, applicants should ideally make payment by means of a cheque drawn by the original allottee named on the Application Form (or Application Forms where appropriate). If this is not practicable and a cheque drawn by a third party, a building society cheque or a banker's draft is to be used, applicants should:

- (a)
 - (i) write their name and address on the back of the bank or building society cheque, banker's draft or other third party cheque and, in the case of individuals, record their date of birth against their name; and
 - (ii) if a building society cheque or banker's draft is used, the building society or bank must stamp and endorse the cheque or draft respectively to show the full name and account number of the person whose building society or bank account is being debited or, if the application is being delivered by hand, the applicant should ensure that he has with him evidence of identity bearing his photograph, for example a full and valid passport; and
- (b) if Applicants are making the application as agent for one or more persons, they should indicate on the Application Form (or Application Forms as appropriate) whether they are a United Kingdom or EU regulated person or institution, or an Irish "Designated Body" under the 1994 Act (for example a bank or stockbroker) and specify their status. If they are not a United Kingdom or EU regulated person or institution, or an Irish "Designated Body" under the 1994 Act, they should contact the Company's Registrars, Computershare Investor Services (Ireland) Limited, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland (Tel: + 353 1 216 3100).

If Applicants are making an application as agent for one or more persons and are not an Irish or EU regulated person or institution, then, irrespective of the value of the application, the Registrars are obliged to take reasonable measures to establish the identity of the person or persons on whose behalf the application is being made.

Certificated/Uncertificated Form

Qualifying Shareholders with Existing Shares currently in certificated form will be allotted Open Offer Shares and New Warrants in certificated form. Warrantholders will be allotted Open Offer Shares in certificated form. Qualifying Shareholders currently holding Existing Shares in uncertificated form will be allotted Open Offer Shares and New Warrants in uncertificated form to the extent that their entitlement to the Open Offer Shares arises as a result of them holding Ordinary Shares in uncertificated form. Notwithstanding any other provision of this document, the Company reserves the right to allot and/or issue any Open Offer Shares and New Warrants in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST), or on the part of the facilities and/or systems operated by the Registrar in connection with CREST. This right may also be exercised if the correct details (such as Member Account ID and Participant ID details) are not provided as requested on the Application Form.

If you do not wish to apply for Open Offer Shares, you should take no action in respect of the Application Form.

All enquiries in connection with the Application Form should be addressed to the Company's Registrars.

(3) SETTLEMENT AND DEALINGS

The Application Forms are not renounceable. The latest time and date for payment in full is 3.00 p.m. on 12 July, 2004

Definitive certificates for the Open Offer Shares and warrant certificates for the related New Warrants are expected (assuming that all of the conditions of the Open Offer are satisfied) to be despatched no later than 23 July, 2004 by ordinary post at the risk of the persons entitled thereto. Alternatively, where Ordinary Shares are held in a CREST account, the Open Offer Shares subscribed for and the related New Warrants are expected (subject to the aforesaid) to be credited to such CREST accounts no later than 23 July, 2004.

Application has been made to the Irish Stock Exchange and to the UK Listing Authority for the Open Offer Shares and the related New Warrants to be admitted to the Official List of the Irish Stock Exchange and the Official List of the UK Listing Authority and to the Irish Stock Exchange and the London Stock Exchange for such Ordinary Shares and New Warrants to be admitted to trading on their respective main markets for listed securities. It is expected (subject as aforesaid) that dealings in the Open Offer Shares and in the related New Warrants will commence on or around 23 July, 2004.

(4) TAXATION

Your attention is drawn to the taxation advice set out in section 13 of Part VI of this document, which is a general guide to the current Irish and UK tax position. Shareholders who are in any doubt as to their tax position, should consult their professional advisers.

(5) OVERSEAS SHAREHOLDERS

General

The making of the Open Offer to persons who are not resident in Ireland or the UK or who are citizens of countries other than Ireland or the UK may be affected by the laws or regulatory requirements of relevant jurisdictions. No persons receiving a copy of this document and/or any Application Form in any territory other than Ireland or the UK may treat the document and/or any Application Form as constituting an invitation or offer to them, nor should he in any event use such Application Form, unless in the relevant territory such invitation or offer could lawfully be made and such Application Form could lawfully be used without compliance with any registration or other legal or regulatory requirements other than any which may have been fulfilled.

It is the responsibility of any person outside Ireland and the UK wishing to apply for Open Offer Shares to satisfy himself as to the full observance of the laws of the relevant territory, including the obtaining of any governmental or other consents which may be required and compliance with other necessary formalities and the payment of issue, transfer or other taxes due in such territory. Persons (including,

without limitation, nominees and trustees) receiving this document and/or an Application Form should not distribute or send it in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If an Application Form is received by any person in any such jurisdiction or by the agent or nominee of such a person, he must not seek to apply for Open Offer Shares except pursuant to an express agreement with the Company. Any person who does forward the Application Form in any such jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this section 5 of Part II of this document.

The Company reserves the right to treat as invalid any application or purported application to subscribe for Open Offer Shares pursuant to the Open Offer comprised in any Application Form which appears to the Company or its agent to have been executed, effected or despatched in a manner which may involve a breach of any securities legislation or regulations of any jurisdiction or which does not include the warranties set out in the Application Form.

In particular, Overseas Shareholders should note the following:

United States and Canada

The Open Offer Shares have not been and will not be registered under the United States Securities Act of 1933, as amended, (the “Securities Act”) and the relevant exemptions are not being obtained from the Securities Commission of any province of Canada. Accordingly, subject to certain exceptions, the Open Offer Shares are not being offered and may not be directly or indirectly, offered, sold, transferred or delivered in or into the United States or Canada or to or for the benefit of any US persons or residents of Canada. Application Forms will therefore not be sent to Shareholders who have registered addresses in the United States or Canada. The Company reserves the right to treat as invalid any Application Form that appears to the Company or its agents to have been executed in or despatched from the United States or Canada, or that provides an address in the United States or Canada for the delivery of definitive certificates for the Open Offer Shares, or which does not make the warranty set out in the Application Form to the effect that the person applying for the Open Offer Shares is not a US person or resident of Canada, does not have a registered address (and is not otherwise located) in the United States or Canada and is not acquiring the Open Offer Shares with a view to the offer, sale, re-sale, transfer, delivery, or distribution, directly or indirectly, of any such Open Offer Shares in the United States or Canada.

For the purposes of this Part II “United States” means the United States of America, each state thereof (including the District of Columbia), its territories, possessions and all areas subject to its jurisdiction; “Canada” means Canada and each province thereof; “US person” has the meaning given in Regulation S promulgated under the Securities Act; and “resident of Canada” means a citizen, national or resident of Canada, the estate of any such person, a partnership, corporation or other entity created or organised in or under the laws of Canada or any estate or trust the income of which is liable to Canadian income tax regardless of its source.

Australia and Japan

The Open Offer is not being made in Australia or Japan, their states, territories or possessions, nor will or may this document, any advertisement or other offering material in relation to the Open Offer Shares be distributed directly or indirectly in or into Australia or Japan. This document has not and will not be lodged with, or registered by, the Australian Securities Commission. No prospectus in relation to the Open Offer Shares has been or will be lodged or registered with the relevant authorities in Japan. The Open Offer Shares have not been and will not be available (except pursuant to an express agreement with the Company) for subscription or purchase by any resident of Australia or Japan (including corporations and other entities organised under the laws of Australia or Japan but not including a permanent establishment of any such corporation or entity located outside Australia or Japan).

Other Overseas Territories

Shareholders resident in other overseas territories should consult their professional advisers as to whether they require any governmental or other consents or need to observe any further formalities to enable them to apply for Open Offer Shares.

PART II — (B) FURTHER INFORMATION RELATING TO THE NEW WARRANTS

PARTICULARS AND CONDITIONS OF THE NEW WARRANTS TO SUBSCRIBE FOR ORDINARY SHARES OF THE COMPANY

The New Warrants will be issued subject to and with the benefit of the following conditions:

(1) Subscription Rights

- (a) A registered holder for the time being of a New Warrant shall have rights (“Subscription Rights”) to subscribe in cash at any time for a period of 5 years from the date of issue up to 23 July, 2009 (“Subscription Period”) for all or any number of Ordinary Shares each in the capital of the Company for which his holding of New Warrants shall entitle him to subscribe at a price of Stg19p per Ordinary Share (“Subscription Price”) payable in full upon subscription. The Subscription Period may be extended by the Company (acting by its Board) in its absolute discretion.
- (b) In order to exercise the Subscription Rights in whole or in part, a registered holder for the time being of a New Warrant must on or before the last day of the Subscription Period, lodge his warrant certificate at the office of the Company’s Registrar having completed the notice of subscription thereon, accompanied by a remittance for the Subscription Price for the Ordinary Shares being subscribed (“Exercise Notice”). Once lodged, the Exercise Notice shall be irrevocable, save with the consent of the Directors. Compliance must also be made with any statutory requirements for the time being applicable and any licence or permission or consent required by any statutory or other body or any regulatory or governmental agency or department. New Warrants in respect of which Subscription Rights have been exercised will be cancelled.
- (c) Ordinary Shares to be issued pursuant to the exercise of Subscription Rights will be allotted and issued not later than 28 days after receipt of an Exercise Notice and certificate in respect of such Ordinary Shares will be despatched (at the risk of persons entitled thereto) or where the New Warrants are held in uncertificated form, CREST accounts will be credited, not later than 28 days thereafter to the person (or first name if more than one) in whose name the New Warrants in respect of which Subscription Rights are exercised are registered and to his registered address or to such other person or persons (not being more than four in number) at such other address as may be named in the form of nomination endorsed on the warrant certificate. In the event of a partial exercise of the Subscription Rights comprised in a warrant certificate, the Company shall at the same time issue for no payment a fresh warrant certificate in the name of the holder for any balance of his Subscription Rights remaining exercisable.
- (d) Ordinary Shares allotted pursuant to the exercise of Subscription Rights will not rank for any dividend or other distribution declared, made or paid for which the record date is a date prior to the date the relevant Ordinary Shares are issued but subject thereto, will rank in full for all dividends and other distributions declared, made or paid thereafter and *pari passu* in all respects with the Ordinary Shares in issue at that date.
- (e) Application will be made for the New Warrants to be admitted to the Official Lists of the Irish Stock Exchange and the UK Listing Authority and to trading on the Irish Stock Exchange and the London Stock Exchange’s respective main markets.
- (f) Application will be made for the new Ordinary Shares allotted and issued pursuant to the exercise of Subscription Rights to be admitted to the Official Lists and to trading on the Irish Stock Exchange and the London Stock Exchange’s respective main markets and the Company will use all reasonable endeavours to obtain admission of such new Ordinary Shares not later than 28 days after their issue.

(2) Other Provisions

- (a) The Company shall keep available for issue sufficient authorised but unissued share capital to satisfy in full all Subscription Rights remaining exercisable.
- (b) Subject to paragraph (2)(c) below, if at any time an offer is made to all holders of equity share capital of the Company (as the same is defined in Section 155(5) of the Companies Act 1963) (or all such holders other than the offeror and/or any company controlled by the offeror and/or any person acting in concert with the offeror) to acquire the whole or any part of such equity share capital and the Company becomes aware that as a result of such an offer the right to cast a majority of the votes

which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or such persons or companies as aforesaid, the Company shall give notice to the holders of outstanding New Warrants of such vesting within 14 days of it becoming so aware; the publication of a scheme under Section 201 of the Companies Act 1963 providing for the acquisition by any person of the whole or any part of such equity share capital shall be deemed to be making of an offer for the purposes of this paragraph (2)(b) and each such registered holder of a New Warrant shall be entitled, at any time within the period of 30 days immediately following the date of such notice, to exercise his Subscription Rights.

- (c) If an offer is made as referred to in paragraph (2)(b) whereunder the consideration consists solely of the issue of ordinary shares of the offeror and the offeror makes available an offer of warrants to subscribe for ordinary shares of the offeror in exchange for the New Warrants which the financial advisers to the Company consider in their opinion (acting as experts and not as arbitrators) is fair and reasonable (having regard to the terms of such offer and any other circumstances which may appear to the financial advisers to be relevant), then any Director of the Company shall be authorised as attorney for each of the registered holders for the time being of a New Warrant (i) to execute a transfer thereof in favour of the offeror in consideration of the issue of warrants to subscribe for ordinary shares of the offeror as aforesaid whereupon all the New Warrants shall lapse; and (ii) to do such acts and things as may be necessary or appropriate in connection therewith subject in both (i) and (ii) aforesaid and in all circumstances to the offer by the offeror as aforesaid becoming or being declared unconditional in all respects and the offeror being in a position compulsorily to acquire the whole of the ordinary share capital of the Company and such warrants being issued;
- (d) If an order is made or an effective resolution is passed for winding up the Company (except for the purpose of reconstruction or amalgamation on terms sanctioned by a Special Resolution of the holders of the New Warrants), each registered holder for the time being of a New Warrant will (if, in such winding up and on the basis that all Subscription Rights then unexercised had been exercised in full and the subscription monies therefore had been received in full by the Company and the relevant Ordinary Shares issued there would be a surplus available for distribution amongst the holders of the Ordinary Shares which, on such basis, would exceed in respect of each Ordinary Share a sum equal to the Subscription Price) be treated as if immediately before the date of such order or resolution his Subscription Rights had been exercised in full, and shall accordingly be entitled to receive out of assets available in the liquidation *pari passu* with the holders of the Ordinary Shares an amount equal to the sum to which he would have become entitled by virtue of such subscription after deducting a sum per Ordinary Share equal to the Subscription Price. Subject to the foregoing all Subscription Rights shall lapse on the liquidation of the Company.
- (e) If at any time an offer or invitation is made by the Company to all holders of its Ordinary Shares for the purchase by the Company of any of its Ordinary Shares, the Company shall simultaneously give notice thereof to the registered holder for the time being of the New Warrants and each such holder shall be entitled, at any time whilst such offer or invitation is open for acceptance, to exercise his Subscription Rights on the basis applicable on the day immediately preceding the Record Date for such offer or invitation as if such day were a Subscription Date on terms that the Ordinary Shares arising on exercise of the Subscription Rights shall be included in the offer by the Company to purchase Ordinary Shares on the same terms and conditions as if the Ordinary Shares arising upon the exercise of Subscription Rights had been in issue on the Record Date for such offer or invitation.

(3) Adjustment

Subscription Rights are subject to adjustment in the event of (i) the allotment or issue of Ordinary Shares by way of capitalisation of the profits or reserves of the Company to holders of the Ordinary Shares other than shares paid up out of distributable reserves and issued in lieu of a cash dividend; (ii) any sub-division or consolidation of the Ordinary Shares. Any such adjustment shall be made in such manner as the auditors of the Company for the time being shall certify to be necessary in the circumstances.

(4) Meeting of New Warranholders and Modification of Rights

The New Warrant Instrument contains provisions for convening meetings of New Warranholders to consider any matter affecting their interest. All the provisions of the Articles of Association for the time being of the Company as to general meetings shall apply *mutatis mutandis* as though the New Warrants were a class of shares forming part of the capital of the Company but so that (a) the necessary quorum

shall be the registered holders of the New Warrants present (in person or by proxy) entitled to subscribe for one-third in the nominal amount of the Ordinary Shares attributable to such outstanding New Warrants, save that if at any meeting a quorum is not present such meeting shall be adjourned to a time and place directed by the Chairman and at such adjourned meeting those registered holders of the New Warrants present (in person or by proxy) (whatever the number of New Warrants held or represented by them) shall constitute a quorum, (b) every registered holders of the New Warrants present in person or by proxy shall be entitled on a poll to one vote for every Ordinary Share for which he is entitled to subscribe pursuant to the New Warrants held by him and (c) any registered holders of the New Warrants present in person or by proxy may demand or join in demanding a poll. All or any of the rights for the time being attached to the New Warrants may from time to time (whether or not the Company is being wound up) be altered or abrogated only with the consent of the Company (acting by its Board) and the sanction of a Special Resolution of the registered holders of the New Warrants.

(5) Purchase

The Company and its subsidiaries have the right to purchase New Warrants by private treaty or otherwise. All New Warrants so purchased will forthwith be cancelled and shall not be available for reissue or resale.

(6) Transfer

Each New Warrant will be registered and will be transferable in whole by instrument of transfer in any usual or common form or in any other form which may be approved by the Directors of the Company. No transfer of a fraction of a New Warrant or of a right to subscribe for a fraction of an Ordinary Share may be effected. The Board may permit the holding of New Warrants in uncertificated form and the transfer of title to New Warrants by means of the CREST system and it is intended that application will be made to have the New Warrants admitted to the CREST system (such admission being effective on or around the time of admission of the New Warrants to the Official Lists and to trading (expected to be on or around 15 July, 2003 and 23 July, 2004 in the case of the New Warrants relating to the Placing Shares and the Open Offer Shares respectively)).

(7) Notices

Notices and other communications to New Warrantheolders may be given by personal delivery or pre-paid letter by post and shall be deemed to have been served at the time of delivery, if delivered personally or if posted at the expiration of 24 hours after the cover containing it was posted.

(8) General

The Company will, concurrently, with the issue of the same to holders of Ordinary Shares send to each registered holder of a New Warrant (or in the case of joint holders to the first named New Warrantheolder) a copy of each published annual report and accounts of the Company together with all documents required by law to be annexed thereto and copies of every statement, notice or circular issued to Shareholders.

For the purposes of this section, "Special Resolution" means a resolution proposed at a meeting of the holders of the New Warrants duly convened and held and passed by a majority consisting of not less than three-fourths of the votes cast, whether on a show of hands or on a poll.

The terms of the New Warrants are governed by the laws of Ireland and the Company and the New Warrantheolders are subject to the jurisdiction of the Courts of Ireland in relation to any dispute concerning the New Warrants.

A copy of the New Warrant Instrument is at all times kept at the Company's head office at Chatham House, Chatham Street, Dublin 2, Ireland and is available for inspection during normal business hours.

PART III – RISK FACTORS

The Directors consider that prospective investors should, in addition to the other information contained in these Listing Particulars, take account of the investment considerations set out below.

Additional investment considerations not presently known to the Company or that the Company currently deems immaterial may also impair the Group's business operations. The business, financial condition or results of operations of the Group could be materially adversely affected by any of these investment considerations. The trading price of Ordinary Shares could decline due to any of these investment considerations and investors could lose part or all of their investment.

General Industry Risks

Kenmare's business may be affected by the general risks associated with all companies in the mineral industry. The risks include geological, geotechnical and seismic factors, industrial and mechanical incidents, labour disputes, environmental hazards including fire, drought, flooding and other acts of God.

The exploration and mining industry is inherently highly speculative and incurs greater risks than many other businesses.

No assurances can be given that funds invested in Kenmare will be recoverable or that any dividends will be paid on Kenmare shares.

Financing Risks

The successful mining and processing of large quantities of titanium minerals by the Group requires very significant investment. In addition, delays in the construction and commissioning of the Moma Project or other technical difficulties or delays in drawdown of the Debt Financing, may result in projected target dates for related production being delayed and/or further capital expenditure being required. In common with all mineral industry operations, there is uncertainty, and therefore risk, associated with operating parameters and costs. As stated in section B of Part IV of this document entitled "*Conditions Precedent to Drawdown*", if projections at any time show that remaining costs to complete the Moma Project (together with a reserve of US\$10 million) exceed cash resources available to the Project Companies, Kenmare will be required to raise additional funds (most probably by way of an equity offering) in order to make good the shortfall, or an event of default will occur.

Upon signing of the Loan Agreements, certain fees due to the Lenders and certain fees due to advisers, which fees are of the order of in aggregate Stg£5.4 million (US\$9.8 million) became payable. Additionally, a further estimated Stg£2.5 million (US\$4.5 million) in liabilities is payable, absent project implementation, by the Kenmare Group over the forthcoming 12 month period. Existing cash reserves of the Group would be insufficient to cover these amounts. In the event that the Placing and Open Offer does not complete by the expected dates of 15 July, 2004 and 23 July, 2004 respectively (such delay being likely to arise (assuming the prior approval by Shareholders of the Resolutions) only in the circumstances where a Supplemental Placing is required and is not completed by the expected date of 15 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 30 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. In the event that the Placing and Open Offer does not complete, not only will the Group's development plans for the Moma Project be seriously jeopardised (the provision and utilisation of equity investments in specified amounts being one of the conditions precedent to drawdown under the Loan Agreements), but the Group's immediate working capital shortfall referred to above will persist and the Group will be required, as a matter of urgency, to take certain remedial actions to address its financial position in order to meet its liabilities. Such remedial actions would include a continuation and intensification of the expenditure policy referred to above, curtailing all expenditure and cost incurrence in relation to advancement of the Moma Project, and further negotiating the timing and method of payments to creditors. Further deferral by the Lenders and advisers of the fees due would remain a critical component of these negotiations. The Directors expect that these initial remedial actions could be successfully implemented so as to afford the Group sufficient time to put in place alternative interim funding arrangements. Such alternative interim funding arrangements which may include, *inter alia*, bank borrowings, and/or a smaller pre-emptive equity issue

or a revised equity issue to new investors. There can however be no certainty on the ability of the Company to successfully curtail expenditure, on the outcome of any negotiations with the Lenders or on the availability, or where available, on the terms and timing on any such alternative interim arrangements.

Assuming that this short term funding deficiency could be addressed, the Group would subsequently seek to revisit its plans for the Moma Project and to implement alternative project funding arrangements which may include, *inter alia*, a revised debt funding package, a revised pre-emptive equity issue, and/or any combination thereof, or an equity issue to strategic investor(s) or joint venture partner(s). There can be no certainty on the availability, or where available, on the terms and timing of any such alternative project funding arrangements.

As referred to in Part I of this document, where the proceeds of the Placing, together with valid applications under the Open Offer are not sufficient to raise the required amount of in aggregate Stg£53 million (or such lesser amount, net of expenses, as may be necessary to meet the Lenders condition precedent for drawdown on the Loans that at least US\$79 million of equity be deposited in special accounts (see section B of Part IV of this document entitled “*Conditions Precedent to Drawdown*”)), the Placing Agreement provides for a Supplemental Placing. The securities to be issued under any such Supplemental Placing may be Ordinary Shares not taken up under the Open Offer, additional new Ordinary Shares (in each case including an entitlement to New Warrants on the same basis as under the Placing and Open Offer), or another instrument such as a convertible loan note or a combination thereof. The issue price of any Ordinary Shares which may fall to be issued under this arrangement is expected to be at or around the then prevailing market price for Ordinary Shares, but in any event will not be at more than a 10% discount to the then prevailing market price as provided for in the Listing Rules. The conversion price of any Convertible Loan Notes (being the price at which such notes would be converted into new Ordinary Shares) would not be subject to the same 10% discount limit under the Listing Rules. Accordingly, where a Supplemental Placing is necessary and is implemented by way of the issue of Convertible Loan Notes rather than new Ordinary Shares, and where the Company utilises the available flexibility on pricing, the dilutive effect of any Convertible Loan Note would be greater than an issue of new Ordinary Shares to raise the required amount at a higher price. Accordingly, the dilutive effect on the share capital of the Company, and, in particular, in the case of the Convertible Loan Notes which may carry a coupon, the additional costs, of raising the requisite funds under condition (iii) of the Placing and Open Offer may be greater under the Supplemental Placing than under the Placing and Open Offer. In addition, as set out in sub-section (e) of section 14 of Part VI of this document, a commission would be payable to Canaccord in connection with any securities issued under the Supplemental Placing.

Shareholders are also advised that the terms of any instrument such as a Convertible Loan Note which may fall to be issued under the Supplemental Placing could only be determined based, *inter alia*, on the amount of funds to be raised therefrom, the requirements of potential purchasers (which may be one or more) and then prevailing market conditions. Possible terms of the Convertible Loan Note are as detailed in the section of Part I of this document entitled “*Supplemental Placing*”.

Operational and Environmental Risks

Exploration, appraisal, construction, development and production activities may involve operational hazards and environmental, technical and logistical difficulties. These include, *inter alia*, the possibility of fires, earthquake activity, extreme weather conditions, coastal erosion, unusual or unexpected geological conditions, unpredictable drilling-related problems, equipment failure and the absence of economical reserves. These hazards may result in cost overruns, substantial losses and/or exposure to substantial environmental and other liabilities.

Uncertainty of Estimates of Resources/Reserves and Future Net Revenues

No assurances can be given that titanium minerals will be mined and processed in economically viable quantities in the areas in which Kenmare is interested.

Measured Mineral Resources are not developed. These resources require further capital expenditure in order to bring them into production. No guarantee can be given as to the success of the Group’s development programme. In addition, development and production may be delayed or adversely effected by factors outside the control of the Company and the companies operating the development programme.

Regulations

The Company's proposed activities will be subject to the relevant legislation and regulations of the legal jurisdiction under which the Company is operating. Such legislation and regulations cover a wide variety of matters, including, without limitation, pollution and protection of the environment, labour regulations and worker safety. The Company may also be subject under such regulations to clean-up costs and liability for toxic or hazardous substances which may exist on or under any of its properties or which may be produced as a result of its operations.

Licences

The Group's activities are dependent upon the grant and maintenance of appropriate licences, concessions, leases, permits and regulatory consents, which may be withdrawn or made subject to limitations. Although the Group believes that the licences, concessions, leases, permits and consents it holds will be renewed, if required, when they expire, according to the current laws applicable in the respective countries, there can be no assurance that they will be renewed or as to the terms of any such renewal.

Reliance on Past Performance

Historical facts, information gained from historic experience, present facts, circumstances and information, and assumptions from all or any of these are not a guide to the future. Aims, targets, plans and intentions referred to herein are no more than that and do not imply forecasts.

Currency

As an international mining company exporting 100% of its production, most of the Company's future sales from the Moma Project are denominated in US dollars and a significant portion of its capital and operating costs are denominated in US dollars, South African Rand and other currencies. Accordingly, the Company is exposed to foreign exchange currency movements, not all of which may be matched, hedged or otherwise covered. Any future Kenmare income from its mineral sales may be subject to exchange rate fluctuations and become subject to exchange control or similar restrictions.

Market and Commodity Prices

The availability of a ready market for minerals to be sold by Kenmare depends upon numerous factors beyond its control, the exact effects of which cannot be accurately predicted. These factors include: general economic activity, world mineral prices, the marketability of the minerals produced, action taken by other producing nations, the availability of transportation capacity, and the extent of governmental regulation and taxation.

The key to the Moma Project is the ability to sell its products at reasonable prices, as confirmed in the financial evaluation. Independent market appraisal has indicated a predicted shortage of ilmenite, when demand for high TiO₂ ilmenite products is expected to be strong. Offtake Contracts (some of which are conditional *inter alia* on completion of Project Financing by 31 August, 2004) have been entered into in respect of certain specified amounts of prospective products from Moma. These contracts are of finite duration and will need to be renegotiated on expiry. Supply side additions and changing economic circumstances will impact on such renegotiations.

Insurance Cover

Kenmare is in the process of procuring project insurances in respect of the construction of the Mine at Moma. While Kenmare believes that the insurance to be put in place will be appropriate with respect to its operations and in accordance with international exploration and mining practice, such insurance will not cover every potential risk associated with its operations and meaningful coverage at reasonable rates is not available for certain types of hazards, for example terrorist attack. Furthermore, in certain circumstances this insurance may not provide adequate cover. The occurrence of an event that is not fully covered by insurance could have a material adverse effect on the operations and financial position of the Kenmare Group. Moreover, there can be no assurance that Kenmare will be able to maintain adequate insurance in the future at rates that it and the Lenders consider reasonable.

Political Risks

In the past, Mozambique has been considered to be highly politically unstable, having endured periods of civil unrest. Kenmare has had considerable experience in operating in Mozambique and is confident that it will be allowed to develop the Moma Project under a stable and predictable fiscal and legal regime. However, changes may occur in the political, fiscal and legal system in Mozambique, which might affect

the ownership or operation of the Group's interests, including, *inter alia*, changes in exchange control regulations, expropriation of mining rights, changes in government, legislation and regulatory regimes.

Moma Project Specific Risks

The DFS concluded that there are no areas of high technical risk associated with the Moma Project. Moderate technical risk is associated with the following:

- (i) *Roaster Process* – The roaster process, in which ilmenite is roasted to facilitate easier separation of high chrome ilmenite, is proposed as a relatively cheap option to upgrade some of the ilmenite product from the Moma Project which would otherwise be unsaleable. It is conceptually simple and makes use of existing technology. However, the process proposed has not been operated on a commercial scale, although a variation of the technology is operated by other companies.
- (ii) *Mine/concentrator waste management* – This is a risk for dredge mineral sand mining operations but is judged to be a moderate risk for the Moma Project, as the slimes levels are moderate. Failure of the slimes to settle to the pond bottom would lead to a slimes build-up in the pond water which would affect the performance of the concentrator, with resultant production shortfalls.
- (iii) *Barging* – Barging of the products from the jetty to ocean-going vessels forms a critical link in the Moma Project, and one that is exposed to potential delays due to weather or mechanical problems.
- (iv) *Key Employees* – The Moma Project will constitute a complex, multi-faceted operation requiring careful planning and sound operating and maintenance practices. As such, it is imperative that Kenmare implements:
 - (a) recruitment of high quality professional and skilled personnel;
 - (b) establishment of detailed operating procedures and monitoring compliance; and
 - (c) all reasonable efforts to limit staff turnover, through provision of good employment and site conditions, and clear management guidelines.

Nevertheless, the management of the Group's operations depend on a relatively small number of key employees. The loss of the services of certain key employees, particularly to competitors, could have a material adverse effect on the results of operations or financial condition of the Group. In addition, as the Moma Project is advanced, the Company believes that the Group's future success will increasingly depend on its ability to attract and retain highly skilled and qualified personnel, which is not guaranteed. It should also be noted that one of the covenants provided for in the Loan Agreements is the contracting of appropriate senior personnel (see the section entitled "*Covenants*" in section B of Part IV of this document) and that one of the events of default provided for in the Loan Agreements is the cessation of Michael Carvill as a senior executive of Kenmare and failure to replace him within a specified time period with a person acceptable to a majority of the Lenders (see the section entitled "*Events of Default*" in section B of Part IV of this document).

EPC Contract

The EPC Contract was signed on 7 April, 2004.

Failure to achieve satisfaction of the conditions necessary for the EPC Contract to become effective (of which Project Financing is the only outstanding condition) by 15 July, 2004, or such later date as may be agreed with the EPC Contractor, may result in the EPC Contract becoming void.

Holding Company Structure; Restrictions on Dividends; Dependence on Subsidiaries

When the Moma Project is operational, the Company's results of operations and financial condition will be entirely dependent on the trading performance of members of the Group. The Company's ability to pay dividends will depend upon the level of distributions, if any, received from the Company's operating subsidiaries and interests, the ability to meet obligations under the Senior and Subordinated Debt and the level of cash balances. Certain of the Company's operating subsidiaries (including the Project Companies) and interests may, from time to time, be subject to restrictions on their ability to make distributions to the Company including as a result of restrictive covenants contained in loan agreements, foreign exchange limitations and other regulatory restrictions and agreements with the other shareholders of such subsidiaries or associated companies. There can be no assurance that such restrictions will not have a material adverse effect on the Group's results of operations or financial condition.

Limitations Imposed by Loan Agreements

In addition to the net proceeds of the Placing and Open Offer, Kenmare intends to finance the construction and development of the Moma Project through borrowings of up to US\$269 million under the Loan Agreements. The Project Companies' ability to borrow under the Loan Agreements is subject to a number of conditions precedent which could prevent loan drawdowns, including conditions precedent relating to political events in Mozambique and the countries bordering Mozambique, anticipated funding shortfalls or completion delays, failure to meet minimum product sales requirements and defaults under the Loan Agreements or related agreements. The Loan Agreements also contain numerous events of default which would entitle the Lenders to prevent future drawdowns, declare all outstanding borrowings under the Loan Agreements to be immediately due and payable and foreclose on the Project Companies' assets and certain funds held by Kenmare which have been pledged or otherwise encumbered to secure such borrowings. See section B of Part IV of this document entitled "*Project Financing*".

Borrowings

With the putting in place of all of the elements of the Moma Project financing, the Group's aggregated borrowing will be approximately US\$269 million (excluding any instrument such as a Convertible Loan Note). The Company will have to allocate significant proportions of cash flow from Moma to meet its obligations under the Loan Agreements, depending on the level of borrowings, prevailing interest rates and, to a lesser extent, exchange rate fluctuations.

Risks Relating to the New Warrants

The exercise price of the New Warrants is Stg19p per new Ordinary Share. This is above the market price of Stg16.75p per Existing Ordinary Share on the London Stock Exchange on 11 June, 2004 (being the latest practicable date prior to publication of this document). The value of the New Warrants will subsist where the market price per Ordinary Share is greater than Stg19p. In the event that the market price remains below Stg19p, the New Warrants will have limited monetary value and it is unlikely that a market will develop therein.

While the New Warrants are intended to be admitted to the Official Lists and to trading on the main markets for listed securities of the Irish Stock Exchange and the London Stock Exchange, there can be no certainty that a liquid market will develop therein.

Timing Risks

The Long Stop Date for completion of the Equity Financing is 30 September, 2004. Information on the financial position of the Group where the Placing and Open Offer does not complete by the expected dates of 15 July, 2004 and 23 July, 2004 respectively (such delay being likely to arise (assuming the prior approval by Shareholders of the Resolutions) only in the circumstances where a Supplemental Placing is required and is not completed by the expected date of 15 July, 2004), is set out in the section of Part I of this document entitled "*Working Capital Position of Kenmare*" and in the section of this Part III entitled "*Financing Risks*". An additional implication of delayed completion of the Placing and Open Offer relates to the resultant need to procure the agreement of certain parties to project implementation to a date later than the expected dates. Further detail in relation to this matter is set out in the section of Part I of this document entitled "*Timing of Completion of the Placing and Open Offer*". Also, from the Closing Date of the Open Offer until completion of the Open Offer, all of the equity funds received pursuant to the Open Offer will be held in escrow, and allotment of the new Ordinary Shares for which subscriptions have been received postponed until such completion occurs. In the event that all conditions of the Open Offer are not satisfied by 30 September, 2004 (such delay to that date being likely to arise only in the circumstances where a Supplemental Placing is required and is not completed by the expected date of 15 July, 2004) all of the funds received under the Open Offer will be returned to Qualifying Shareholders in accordance with the arrangements set out in Part II of this document, and the Open Offer will lapse.

The risks noted above do not necessarily comprise all of those faced by the Kenmare Group and are not intended to be presented in any assumed order of priority.

The investment offered in this document may not be suitable for all of its recipients. Investors are accordingly advised to consult an investment adviser, who in Ireland, is an organisation or firm authorised or exempted pursuant to the Investment Intermediaries Act 1995 or the Stock Exchange Act 1995 and in the UK, is authorised under the Financial Services and Markets Act 2000 of the United Kingdom or who specialises in investments of this kind before making a decision to apply for new Ordinary Shares.

PART IV – INFORMATION ON THE MOMA PROJECT AND ITS FINANCING ARRANGEMENTS

(A) MOMA PROJECT

Background

The Moma Project area covers a total of 43,867 hectares. It includes the deposit Namalope/Tupuito which contains the titanium minerals ilmenite and rutile and the zirconium mineral, zircon and part of which comprises the resource which is the subject of the mine plan. It is located on the coast of north-eastern Mozambique. This deposit is held under licence issued by the Government of Mozambique. KMML and KMPL, each fully owned subsidiaries of Kenmare, hold sole title to the Moma Project mining assets and processing assets, respectively.

Kenmare's involvement in the Moma Project began in the 1980s with a medium-sized deposit at Congolone. Subsequent drilling has greatly expanded the known mineralisation such that it now covers 2 coastal mineralised zones: Moma (comprising the Namalope/Tupuito, Mualadi and Pivilivi deposits), and Congolone (Marrua and Congolone deposits). Kenmare's original exploration drilling was on the Congolone zone and resulted in a Proved Reserve of 167 million tonnes of ore (3.3% heavy minerals) which contains a recoverable 4 million tonnes of ilmenite. From 1996 to 1999, BHP participated in the development of the Moma Project as a joint venture partner, during which period BHP expenditure of approximately US\$10 million and grid drilling of over 25,000 metres identified new deposits of heavy minerals at Moma, 75km to the southwest of Congolone. Following an internal restructuring undertaken by BHP, which included their exit from the titanium minerals industry, the joint venture arrangement was dissolved in April 1999 without any ceding of equity interest to BHP.

From 1999 to date, Kenmare has focused on the advancement of the Moma Project towards project implementation. A Pre-Feasibility Study completed by GRD Minproc Limited in February, 2000 indicated the potential commerciality of the Moma Project and revealed a likelihood of strong economic returns. A Definitive Feasibility Study was completed by GRD Minproc Limited in February, 2001. In January and April, 2000 respectively, the Company entered into an agreement for the acquisition of a Minerals Concentrator Plant and a Minerals Separation Plant for an aggregate consideration of A\$10.5 million, representing a significant discount to the appraised replacement cost of A\$41.6 million attributed to them by GRD Minproc Limited. The Company has since been engaged in procuring purchasing commitments for planned production from Moma and with its Project financial advisers, N.M. Rothschild & Sons Ltd., in eliciting initial interest from development finance institutions and import/export credit agencies for the provision of loans to Moma, facilitating due diligence by the group of Lenders, and negotiating a financing structure. Additionally, following from the issuance of an invitation to bid document in 2002 to potential Project contractors, and the subsequent completion of a definition phase on the Moma Project in 2003 involving the designing of such items as the jetty, concrete works, conveyor systems etc in order to facilitate bidding from sub-contractors, the EPC Contract negotiations commenced, and the Multiplex and Bateman joint venture was agreed as the Project contractor.

On Moma itself, a number of additional reports were prepared (as part of the Lenders' due diligence) during 2002, as a consequence of the recommendations of which regarding the tailings and waste handling systems, further testwork was then performed, in consultation with SRK, the Lenders' independent engineer, in 2002. This testwork resulted in a redesign of the relevant systems reducing both the associated capital and operating costs. Testwork was also conducted in the first half of 2003 by mineral technology specialist, Roche Mining which resulted in an increased estimation of the level of zircon to be produced at Moma. Development and conclusion of various detailed technical agreements relating to Moma such as the Power Supply Agreement (signed in 2003), has also occupied the Kenmare management team over the past number of years.

Summary of Reserves and Resources

The total Project resource under licence to Kenmare contains approximately 60.7 million tonnes of ilmenite, 4.6 million tonnes of zircon and 1.6 million tonnes of rutile. It is expected that the size of the resource can be expanded with additional exploration activity which is ongoing. For the purposes of Project Financing, a 21 year mine life has been assumed, which would require only 16.4 million tonnes of

ilmenite (before recovery losses) from the total resource; a mine plan for this element of the resource has been developed by Kenmare and these resources accordingly classified as a proven and probable reserve. The following table shows the Moma Project resources and reserves.

<i>Zones</i>	<i>Category</i>	<i>Million tonnes of ore (sand)⁽¹⁾</i>	<i>% THM⁽⁵⁾ in ore</i>	<i>% Ilmenite in THM</i>	<i>% Ilmenite in ore</i>	<i>Million tonnes THM</i>	<i>Million tonnes Ilmenite</i>	<i>Million tonnes Rutile</i>	<i>Million tonnes Zircon</i>
Mine Zone									
Namalope/Tupito	Measured Resource ^{(4(a))}	287	4.9	81.6	4.0	14.0	11.4 ⁽²⁾	0.3 ⁽²⁾	0.9 ⁽²⁾
Namalope/Tupito	Indicated Resource ^{(4(a))}	858	3.4	81.9	2.8	29.1	23.8 ⁽³⁾	0.6 ⁽³⁾	1.8 ⁽³⁾
Other Zones									
Mualadi	Inferred Resource ^{(4(c))}	359	3.2	81	2.6	11.3	9.1	0.3	0.7
Pilivili	Inferred Resource ^{(4(c))}	236	5.4	81	4.4	12.8	10.4	0.3	0.7
Congolone	Proved Reserve ^{(4(b))}	167	3.3	77	2.5	5.4	4.2	0.09	0.4
Marrua	Inferred Resource ^{(4(c))}	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

Notes

- (1) The assumed annual production of ore (sand) from the Moma Project is approximately 22.0 million tonnes.
- (2) Includes a proven reserve of 10.6 Mt, 0.3 Mt and 0.8 Mt respectively of ilmenite, rutile and zircon.
- (3) Includes a probable reserve of 5.8 Mt, 0.2 Mt and 0.5 Mt respectively of ilmenite, rutile and zircon.
- (4) (a) Measured and Indicated Resources are sourced from the GRD Minproc Limited Definitive Feasibility Study, 2001 (based on 219 power auger and 1169 reverse circulation drill holes);
(b) Proved Reserve is sourced from the Davy McKee Congolone Definitive Feasibility Study, 1989; and
(c) Inferred Resources are compiled by the Company based on drilling and results analysis.
- (5) THM: Total Heavy Minerals.

Project Implementation

Project implementation entails (together with Project Financing and its conditions (including in relation to the marketing of the product), the development of a mining and processing operations plan for Moma (section (a) below), the entrance into the EPC Contract pursuant to which the EPC Contractor will construct and commission the mine (section (b) below), and the creation of an appropriate regulatory infrastructure (section (c) below).

As detailed below, the EPC Contract has been signed on 7 April, 2004, the Lenders have executed the Loan Agreements on 18 June, 2004, the necessary Offtake Contracts in respect of Mine production have been contracted, and the governmental and environmental licences necessary for the development of the Mine are in place.

(a) Mine and Production Plan

The Moma Project involves the dredge mining of titanium-bearing sands using two cutter suction dredges, the production of Heavy Mineral Concentrate in a floating concentrator plant and the pumping of the Heavy Mineral Concentrate to a mineral separation plant for separation into final products. These products are then stored at the Mine and brought by conveyor to the coast for exportation, via a custom built barge, to offshore bulk carriers.

Mining and Processing Operations

The Minerals Concentrator Plant and Mineral Separation Plant have already been purchased by Kenmare from BHP's Beenup mine in Western Australia. Both items of plant have been dismantled and transported to the port of Bunbury where they are currently in storage awaiting onward transport to Mozambique.

Project infrastructure development will include the construction of a 20 km access road; installation of a 170 km power line and standby diesel power station; construction of a well field to supply water; the building of an administration building and associated offices, warehouses, workshops and storage facilities; establishment of a fully equipped laboratory and village to support staff, and the upgrading of the Project airstrip.

A port unloading facility consisting of a single berth offshore jetty will also be constructed. This jetty will consist of a steel piled, steel framed structure, accessible by barge during all tidal ranges. The barge will

be loaded by the use of conveyors and an off loading arm at the berth. Once loaded, the barge will transit to the transshipment area, some 10 km offshore, where it will transfer its cargo to a moored bulk carrier.

In January, 2003 Kenmare and the Mozambican State-owned utility, Electricidade de Mozambique signed a Power Supply Agreement covering the provision of low cost electrical power to the project. This agreement will enable low cost, hydro-electrically generated power to be available to the Project from the commencement of production. The agreement, covering a 20 year period, sets out the terms and conditions for the provision of this power and ensures that the Project will pay a highly competitive tariff for the power supplied.

(b) EPC Contract

The EPC Contract is a fixed price contract for the engineering, procurement, building, commissioning and transfer of facilities at Moma. The EPC Contractor is a joint venture between Multiplex and Bateman and the terms and conditions of their engagement, and duties and responsibilities to be assumed, as documented in the EPC Contract, will form the basis for their respective funding commitments. The EPC Contract was entered into on 7 April, 2004 between Kenmare, the Project Companies, and Multiplex and Bateman. Multiplex Limited is a large contracting group based in Australia with substantial international operations, and which specialises in large and often complex construction projects. Bateman BV is an international engineering group with specific mineral sands expertise, and experience of working in Mozambique.

The contract base price under the EPC Contract, which includes the full construction and commissioning of the Mine (including infrastructure requirements of approximately US\$35 million such as transmission line, voltage stabilisation equipment etc) and which is denominated in four currencies (in declining order of size, South African Rand, US dollars, euro, and Australian dollars), is equivalent to US\$220 million (based on exchange rates specified in the EPC Contract). Kenmare is nonetheless responsible for the risk of exchange rate movements and has therefore entered into hedging arrangements in relation to approximately 45% of the contract price and the headroom and currency denomination of the Project Financing arrangements as detailed in this document are expected to minimise the impact of any movements in exchange rates in respect of the other cost currencies. Based on the relevant exchange rates prevailing at 11 June, 2004 (the latest practicable date for this purpose prior to publication of this document) and taking account of hedging arrangements in place, the aggregate US dollar equivalent of the four currencies is US\$220.8 million.

While the contract is a fixed price contract, it also provides for the possibility of potential cost increases within a limited number of defined cost categories where it is not practicable to establish the costs in advance. The occurrence of any such “Project Additional Costs”, which are capped at US\$20 million and which exclude Multiplex or Bateman overhead or profit, would result in a proportionate increase in the contract price, such increase then becoming payable by the Project Companies (“Additional Cost”). The basis on which this proportionate increase is calculated is as follows, with the balance of any Project Additional Costs being for the account of Multiplex and Bateman so that they are incentivised to minimise Project Additional Costs:

First US\$5 million of Project Additional Costs 95%
Next US\$5 million of Project Additional Costs 90%
Next US\$5 million of Project Additional Costs 80%
Next US\$5 million of Project Additional Costs 70%

The maximum amount payable by the Project Companies under these arrangements will be US\$16.75 million with any additional amount up to the cap of US\$20 million being for the account of the EPC Contractor.

The EPC Contract regulates the timing and method of payment for the Additional Cost as follows:

- Amounts up to US\$13.25 million will be due and payable by the Project Companies following satisfaction of tests on completion for the Project (which are as specified in the EPC Contract and require the EPC Contractor to demonstrate that the facilities as installed are able to be commissioned for operation), such obligation ranking equally with obligations to make ordinary progress payment under the EPC Contract (that is, failure to pay sums due would represent an event of default);
- Any amounts in excess of US\$13.25 million, being amounts up to but not more than US\$3.5 million, together with interest thereon, will be payable at Financial Completion. In the event that the Project

Companies are unable to make payment of the amount due within three months following Financial Completion, Kenmare will assume the liability and will be obligated to make immediate payment. In the event that Kenmare fails to make such a payment, the EPC Contractor will then have the right to convert, on the conversion date and up until the date falling six months after that conversion date, all or any of the amount due into Ordinary Shares at the Issue Price. The conversion date will be (at the EPC Contractor's option) the date on which Kenmare fails to make payment of the amount due or the fourth anniversary of satisfaction of tests after completion. If Financial Completion does not occur by the fourth anniversary of satisfaction of tests after completion, the debt comprised under these arrangements will be assumed by Kenmare and will be immediately converted into Ordinary Shares on the same terms.

Shareholder approval is being sought by Kenmare at the EGM (Resolution 5) to facilitate the issue of the shares referred to in the second bullet point above (i.e. the Conversion Shares). The maximum potential number of Conversion Shares to be so issued cannot be finally determined at this time due to the numerous uncertainties relating *inter alia* to the magnitude of any Additional Cost, applicable interest rates, and the duration of the period in which interest accrues. Nor can there be certainty that all or any of the Conversion Shares will be required to be issued.

The EPC Contract provides for the provision of certain performance securities by the EPC Contractor, in the amount of a US\$23 million construction bond, a US\$10 million on-demand performance bond, a cash retention of 5% (not exceeding US\$12 million), and a parent company guarantee of the EPC Contractor's obligations. The EPC Contractor's contractual liability is capped at the contract price prior to satisfaction of tests on completion. Liquidated damages, being damages for any delay in satisfying tests on completion by the contractual dates are payable at the rate of US\$400,000 per week (subject to a maximum of US\$20 million). Following satisfaction of tests on completion, the EPC Contractor's liability for defect and performance damages is capped at US\$20 million.

The EPC Contract contains provisions relating to performance liquidated damages being damages, payable for any shortfall of product value. Such damages are payable according to a sliding scale of US\$2 million for the first 1% not recovered and increasing by US\$1 million for each additional percentage integer up to US\$6 million. The maximum performance liquidated damages shall not exceed US\$20 million. Where cashflow levels in the first twelve months exceed the planned levels, a bonus of 50% of excess cashflow may be payable to the EPC Contractor, save that any bonus will only be paid to the extent that funds are available for dividend payments under the Loan Agreements.

Failure to achieve satisfaction of the conditions necessary for the EPC Contract to become effective (of which Project Financing is the only outstanding condition) by 15 July, 2004, or such later date as may be agreed with the EPC Contractor, may result in termination of the EPC Contract. The EPC Contract establishes a time for handover of 27 months from the commencement date. Handover is expected to occur in September, 2006.

(c) *Mining Regime*

There is a single exploration licence (No. 431/L/96) covering the Moma Project mining reserve as used in the Moma mine and production plan. This licence, which is renewable on a two yearly basis, is in good standing and application has been made for its renewal for the period to 28 February, 2006.

Mining at Moma will be governed by the terms of a mineral licensing agreement covering an initial period of 25 years of mining and renewable thereafter.

A further key agreement with the Government of Mozambique in relation to the Moma Project is the Implementation Agreement which will govern the operation of an Industrial Free Zone covering the processing and exporting aspects of the Moma Project and ensuring favourable tax treatment.

The environmental licence for the project, which includes the licence over the power transmission line, was issued by the Department of the Environment in Mozambique after an extensive review process and consultation with the public and stakeholders. No expiration date is specified in the environmental licence. Kenmare announced the issue of this licence on 26 March, 2003.

An environmental management plan for the project has been prepared to World Bank standards and Kenmare is working closely with the Government of Mozambique and the local communities at the Project area to ensure the development of the Moma Mine will meet these high environmental standards.

The Moma Project should benefit the economy of Mozambique through the creation of both direct and indirect employment, by generating significant export revenues for Mozambique, by improving infrastructure, including transportation, electrification and communications and by providing better health and education services to the local community. A development association has been formed as part of the Project. The principal objective of the association is to ensure that the local community benefit, in a self-sustaining manner, from the opportunities created by the project and to prevent and mitigate potentially adverse effects on the local population.

Marketing

The largest demand for titanium minerals, ilmenite and rutile, is in the manufacture of titanium dioxide pigment, which accounts for in excess of 93% of total demand for titaniferous raw materials, either through direct consumption or by consumption of upgraded products such as titanium slag and synthetic rutile. Titanium dioxide pigment is a white, opaque, non-toxic material used in the manufacture of various products including paint, plastics, paper, ceramics and fabrics. The balance of the demand for titanium minerals largely comes from titanium metal producers and welding rod coating manufacturers. Zircon, a zirconium mineral, is primarily used in the ceramics and refractories industries.

The Moma Project will produce, after recovery losses, approximately 615,000 tonnes of ilmenite 17,000 tonnes of rutile and 60,000 tonnes of zircon per annum. These production levels with the exception of zircon production which is based on a test work programme undertaken in 2003 have been independently confirmed by SRK, the Lenders' independent engineer, as being sustainable for at least 20 years. Market analysis, conducted by IBMA, the Lenders' marketing adviser, has identified market demand for the minerals produced from Moma with a shortage in the supply of ilmenite forecast for 2006.

In May, 2002, Kenmare signed a product sales agreement with one of the world's largest consumers of TiO₂ feedstocks, accounting for a significant proportion of the ilmenite to be produced from Moma. Two additional zircon contracts, a rutile contract and an ilmenite and rutile contract followed.

Subsequent testwork conducted in the first half of 2003 indicated that more zircon will be produced than previous smaller scale testwork had indicated. Kenmare agreed Offtake Contracts to place this additional material in July, 2003 with an existing zircon customer and with the largest importer of zircon into the Chinese market. Offtake Contracts in place now relate to in aggregate over 50% of the first 5 years planned production at Moma.

These Offtake Contracts should satisfy the Lenders' proposed marketing requirement for initial drawdown of Debt Financing (i.e. contracts with terms of agreed minimum duration in respect of, in aggregate, an agreed percentage of each of projected costs).

(B) PROJECT FINANCING

The total development costs of the Moma Project, including capital costs, escalation, working capital, initial operating deficit, interest during construction, other financing fees and expenses and funding of the Contingency Reserve Account are budgeted to amount to in aggregate US\$348 million (which includes Additional Costs under the EPC Contract as described in the section entitled "*EPC Contract*" above). The contract base price, as specified in the EPC Contract, is equivalent to approximately US\$220.8 million at the relevant exchange rates prevailing on 11 June, 2004 (the latest practicable date for this purpose prior to publication of this document) and taking account of hedging arrangements in place. In the event of an overrun under the EPC Contract, the financial plan is designed to cover the maximum Additional Costs. Of the balance of the funds, the Moma Project financial plan up to Financial Completion envisages approximately US\$20 million for owners' costs, approximately US\$74 million (net of operating surplus and cash balances at Financial Completion) for operating and financing costs (including from the Shareholder Funding Account), including interest and repayment on Senior Debt, (see sections entitled "*Repayments*" and "*Interest and Fees*" below), ECA premia (see section below entitled "*Political Risk Insurance and Export Credit Guarantees*"), discharge of financing and other fees, and funding of reserve accounts described below, and US\$30 million for the Contingency Reserve Account (see sections entitled "*Conditions Precedent to Drawdowns*" and "*Contingency Reserve Account*" below)

The principal terms of the agreements relating to the provision of Debt Financing (which agreements were entered into on 18 June, 2004) are as set out below; these terms dictate the initial amount of the equity component of Project Financing, the circumstances under which any further equity may have to be

subscribed and also the conditions under which the Debt Financing will be available to the Project, as well as those under which Debt Financing will not be available and events which may give rise to the repayment of Loans being accelerated.

(a) Common Terms Agreement and Senior and Subordinated Loan Agreements

The Project Companies will be funding a portion of the construction of the Moma Project pursuant to the Common Terms Agreement and associated Senior and Subordinated Loan Agreements between the Project Companies and the Lenders named therein. The Lenders are the ADB, ABSA, the EIB, FMO and KfW. The Lenders have approved subordinated debt of up to €55 million (the “Subordinated Loans”), senior debt in three tranches of up to US\$185 million and €15 million in aggregate (the “Senior Loans”) as summarised below:

	<i>Senior Loans</i>	<i>Subordinated Loans</i>	<i>Total</i>
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

Note:

Although Senior Debt approvals relate to in aggregate US\$185 million plus €15 million, Senior Debt is capped at US\$203 million.

Subject to the conditions precedent being met, these Loans may be drawn down in instalments to finance the costs of developing the Moma Project under the EPC Contract, ECA guarantee premia, and other permitted capital costs and, in the case of the Subordinated Loan, initial working capital and operating costs and certain other expenses including interest on the Senior Loans, certain insurance premia and certain financing costs.

The Common Terms Agreement was entered into among the Project Companies, the Senior Lenders, the Subordinated Lenders, and other administrative parties such as the security trustee, agent and account bank. This agreement incorporates the provisions common to all of the Senior Loans and the Subordinated Loan (including conditions precedent, representations and warranties, covenants, events of default and all common terms in respect of enforcement and preservation of security and other remedies). The Senior Loan Agreements were entered into between each Senior Lender or Senior Lender group and the Project Companies and contain pricing terms, loan maturity/repayment provisions and loan-specific provisions and covenants (e.g. relating to export financing). The Subordinated Loan Agreements were entered into between each Subordinated Lender and the Project Companies and contain loan-specific provisions and covenants.

Conditions Precedent to Drawdowns

The Project Companies’ drawdowns on the Subordinated Loan and the Senior Loans are subject to a variety of conditions precedent, which include the following.

One condition precedent that remains to be satisfied is that Kenmare must have raised equity of at least US\$79 million (net of costs), which must have been deposited in special accounts established by Congolone Heavy Minerals Ltd., an indirect wholly owned subsidiary of Kenmare and the sole shareholder in the Project Companies (the “Shareholder”), of which US\$30 million must be deposited in the “Contingency Reserve Account” and US\$49 million must be deposited in the “Shareholder Funding Account”. Of the funds in the Shareholder Funding Account, US\$25 million must have subsequently been spent on developing the Moma Project before the Project Companies can draw on the Loans. Kenmare intends to satisfy this condition by completing the Placing and Open Offer (and if necessary a Supplemental Placing) and utilising the funds so raised.

Certain other conditions precedent to the initial drawdown of the Loans include *inter alia* the entrance by KMPL into Offtake Contracts in relation to specific quantities of product and that the Lenders have been granted a security interest over substantially all of the Moma Project assets. A number of the conditions precedent remain to be fulfilled, although it is expected that all conditions precedent will be met in order to allow loan drawdown to occur as envisaged in the financing plan.

Initial and subsequent drawdowns will be subject to the further condition that either (a) the calculation of the Required Amount in accordance with the Cash Collateral and Shareholder Funding Deed (see sub-section (c) below) demonstrates that no additional contribution of equity funds is required to be made into the Contingency Reserve Account or (b) such calculation does show that an additional payment is required to be made into the Contingency Reserve Account and such payment has in fact been made.

Initial and subsequent drawdowns are also subject to customary additional conditions, including the following: the market for the Moma Project's products must not have deteriorated to the extent that the average for forecast of ilmenite prices as determined by the Lenders' marketing adviser, IBMA for the ensuing five years, falls by more than 25% below the levels forecast by IBMA prior to loan signing; the Lenders must not have determined that a 'Political Risk Event' (as defined in the Loan Agreements) has occurred, this covers circumstances including civil war, insurrection or terrorism which renders the construction of the project impractical; the expropriation or nationalisation of the Project Companies' assets by the Government of Mozambique; suspension, termination, breach or adverse material change to the rights of the Project Companies or Lenders under the MLC or IA; the Lenders should not have determined (in their reasonable judgement) that a material adverse change in Mozambique or in a country bordering Mozambique has occurred in the period following signing of the Loan Agreements which would render it likely that the Project Companies will be unable to meet their debt obligations as they fall due (which change shall exclude changes in product prices and occurrence of a Political Risk Event); and no event of default must have occurred under the Common Terms Agreement, Senior and Subordinated Loan Agreements or the Completion Agreement.

Covenants

The Common Terms Agreement contains various covenants, customary to an agreement of this nature, relating *inter alia* to limitations on indebtedness, disposal of assets, operation of the Project, sales of products, adherence to environmental guidelines, provision of information, requirements to enter into specified levels of contracted product offtake and personnel.

The covenant relating to personnel requires the contracting of senior personnel consistent with internationally accepted industry practices for a mining project such as Moma constructed under an EPC contract, and taking account of the status of the Project at the relevant time, to supervise development, commissioning and operation of the Project and product marketing.

Financing plan and order of debt drawdown

The first US\$25 million of all Moma Project expenses, whether under the EPC contract, financing and marketing fees or other costs, will be financed from the Shareholder Funding Account. Thereafter, the next €55 million of Project expenses will be met from Subordinated Debt and following drawdown of this amount, further Project expenses of up to US\$203 million during the drawdown period will be met from Senior Debt. Following exhaustion of the Senior Debt, and the end of the drawdown period following EPC Acceptance, expenses will be met by remaining funds in the Shareholder Funding Account and (in the event of a cost overrun or shortfall in revenues) from monies in the Contingency Reserve Account (in each case contributed to the Project Companies in the form of equity or deeply subordinated debt). In addition, the EPC Contractor is making available a loan facility to cover US\$3.5 million of EPC cost overruns (subordinated to Senior and Subordinated Debt, but with conversion rights to equity in Kenmare in certain non-payment circumstances), and this facility is required to be used if these cost overruns occur (see section entitled "EPC Contract" above).

The drawdown period for Senior and Subordinated Debt will end at the earlier of (a) disbursement in full of the Senior or Subordinated Debt commitments (as applicable); (b) the date on which EPC acceptance occurs; and (c) 40 months after the execution of the Common Terms Agreement.

Reserve Accounts

The Common Terms Agreement contains provisions relating to the creation and funding of certain reserve accounts, as summarised below.

A segregated dollar-denominated offshore reserve account (the "*Operating Cost Reserve Account*") will be established in the name of the Project Companies on or prior to EPC Acceptance and requires, as a condition of Financial Completion, to be funded in an amount equal to the estimated amount of Operating Costs (as defined in the Common Terms Agreement) for the next four months. Post-Financial Completion, and as a condition to the Project Companies making distributions to Kenmare, the Project

Companies will deposit funds in the Operating Cost Reserve Account until the balance in such account at least equals six months' Operating Costs (as that term is defined in the Common Terms Agreement).

A segregated dollar-denominated offshore sinking fund account (the "Sinking Fund Account") is to be established prior to EPC Acceptance and to be credited at EPC Acceptance with an amount equal to the product of (i) one sixth of months from the most recent Payment Date in respect of the Senior and Subordinated Debt and (ii) the then current payment obligations in respect of that debt, and to be maintained in funds equal to that amount.

A segregated dollar-denominated offshore reserve account (the "*Senior Debt Reserve Account*") is required to be established by the Project Companies prior to Financial Completion and, as a condition of and at all times subsequent to Financial Completion, is required to remain funded in an amount equal to the amount of scheduled Senior Debt Obligations falling due during the succeeding six months.

A segregated dollar-denominated offshore reserve account (the "*Price Drop Reserve Account*") shall be established prior to commercial production and, as a condition of Financial Completion and of the Project Companies making distributions to Kenmare, is required to contain cash in an amount equal to a proportion of the greater of (i) US\$10 million and (ii) the difference (if positive) between the next twelve month projected revenues and the revenues projected in May, 2004.

Repayments

Senior Loans will be repaid in pre-agreed equal semi-annual instalments, in each case (with the exception of the FMO senior loan) commencing on the earliest of (a) the first payment date occurring at least six months after the date on which EPC Acceptance occurs, and (b) February, 2008. The FMO senior loan will be repaid in equal semi-annual instalments with repayment commencing on the first payment date following the earlier of (a) Financial Completion and (b) the final completion date (as defined in the Common Terms Agreement).

For the Subordinated Loan, repayments of principal commence on the first payment date falling at least 6 months following the earlier of (a) Financial Completion; and (b) 60 months following signing of the Loan Agreements. The Subordinated Loan will be repayable in semi-annual instalments with the last instalment being due in the quarter falling directly before the 15th anniversary of the signing of the Loan Agreements.

The Project Companies are obliged to offer to make prepayments on the Senior Loans by the application of 25% of all cash available after meeting Senior Loan obligations and ensuring that all reserve accounts are funded in the required amounts, provided that interest and principal payments on the Subordinated Loan are current. Voluntary prepayments of the Senior Loans will incur a penalty.

Interest and Fees

The Senior Loans will bear interest, payable semi annually thereafter calculated on principal outstanding and based (in the case of floating rate debt) on the US dollar LIBOR rates or € EURIBOR rates for the corresponding interest period and a margin and (in the case of the EIB Senior Loan) on a CIB fixed rate and margin. The margins payable are in the range of 350 and 530 basis points. The fixed rate debt provided under ECA policies bears interest at the CIRR + 1% (in the case of ECIC) and a fixed rate equivalent to the CIRR at the Closing Date + 60 basis points (in the case of Hermes/KfW). In addition the Project Companies must pay quarterly a commitment fee on the available but undrawn amount of the Senior Loans during the availability period. The Project Companies are also obliged to pay the Lenders' one-off fees associated with loan arrangement, underwriting, and participation.

The Subordinated Loan will bear interest, at a rate of 10% per annum. Interest accruing prior to the earlier of (a) Financial Completion; and (b) 60 months following signing of the Loan Agreements, will be capitalised and repaid in accordance with the agreed principal repayment schedule. Interest accruing following such date is to be payable commencing on the first payment date falling at least 6 months following the earlier of (a) and (b) above and to be brought current as a condition of dividends; however, failure to pay interest will not constitute an Event of Default (as defined below). In addition the Project Companies must pay quarterly a 1% commitment fee on the available but undrawn amount of the Subordinated Loan during the availability period. The Project Companies are also obliged to pay the Lenders providing the Subordinated Loan one-off fees equivalent to 2% of the Subordinated Loan amount and in addition each Subordinated Lender will receive equity in Kenmare to the value of 10% of the Subordinated Loan amount which they have committed to provide.

The Project Companies are also obliged to pay the Lenders providing certain of the Senior Loans an amount equal to the premia and other amounts payable in respect of the political risk insurance and export guarantee policies.

Political Risk Insurance and Export Credit Guarantees

The loans advanced by KfW fall into two tranches of senior debt. One loan, for US\$30 million, is guaranteed by Hermes and is an ECA loan for which the Project Companies are responsible for paying an up-front guarantee premium of 15.24%. The other, for US\$20 million, is covered by MIGA political risk insurance and the Project Companies are responsible for paying a premium as an uplift on the interest rate on the loan. The ECIC-guaranteed ECA loan for up to US\$80 million attracts a guarantee premium of the sum of (a) 1.6% x 85% x the South African Rand component of the EPC Contract, (b) 14.74% of the ECIC guaranteed ECA loan, and (c) 3.23% of the total interest paid. The Project Companies are responsible for paying these premia.

Change of Control

In the event of a “Change in Control” of Kenmare or the Project Companies (as that term is defined in the Common Terms Agreement), the Subordinated Lenders may elect to require all outstanding Subordinated Debt to be prepaid in full together with a prepayment fee calculated as 30% of the outstanding principal amount under the Subordinated Loans. In the event of either (i) prior to Financial Completion a Change in Control in respect of Kenmare in which more than 90% of Kenmare’s outstanding voting and capital stock is acquired by a third party or (ii) following Financial Completion, any Change in Control in respect of Kenmare, the Subordinated Lenders may elect, as an alternative to the prepayment right described above, to transfer all of the outstanding Subordinated Debt obligations to Kenmare, and Kenmare would then be required to repay all outstanding Subordinated Debt together with a prepayment fee calculated as 30% of the outstanding principal amount under the Subordinated Loans. In the event of a sale by Kenmare of part of the Moma Project or equity in the Project Companies, the Subordinated Lenders will be entitled to a *pro rata* repayment (plus a prepayment fee calculated on the basis of the principal amount being repaid).

If a Change in Control occurs in respect of either of the Project Companies and the Senior Lenders, acting reasonably, determine that immediately after the occurrence of such Change in Control: (a) the consolidated net worth of the entity acquiring Control (directly or indirectly) (the “Ultimate Parent”) of the Borrowers is less than US\$200 million; or (b) the jurisdiction of organisation or the principal place of business of the Ultimate Parent is any of (i) Andorra, Liberia, Liechtenstein, Marshall Islands, Monaco, Nauru and Vanuatu or (ii) a jurisdiction then subject to United Nations sanctions; or (c) the Ultimate Parent does not have access (directly and/or through its affiliates) to sufficient relevant mining experience to manage the Project, then the Lenders may elect to require all outstanding Senior Debt obligations and Subordinated Debt obligations to be prepaid in full within six months of the date of the Change in Control.

Events of Default

The principal events of default specified under the Common Terms Agreement, which are customary to an agreement of this nature (“Events of Default”), include the following:

- failure to pay interest or principal amounts when due on Senior Loans or the Subordinated Loan;
- material inaccuracy of representations and warranties when made;
- breach of covenants;
- insolvency;
- cross default in an amount above a threshold to be agreed;
- abandonment of the Project;
- Material Project Agreement (as that term is defined in the Common Terms Agreement) becomes unenforceable or is terminated and is not replaced with agreements reasonably acceptable to Majority Lenders (as that term is defined in the Common Terms Agreement);
- breach of covenants relating to eligible Offtake Contracts, such breach not being remedied within a 30 day cure period;
- breach of six month historic senior debt cover ratio of 1.25x following Financial Completion for three consecutive periods;
- part of collateral package no longer valid first or second priority security interest in favour of the Senior and Subordinated Lenders, respectively;

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- occurrence and continuation of a Political Risk Event (as that term is defined in the Loan Agreements);
 - failure to maintain the Senior Debt or Operating Cost Reserve Accounts, which failure is not remedied within the 90-day period for replenishment;
 - failure to achieve Financial Completion by the final completion date; however, should delays occur during the construction period due to *force majeure*, this deadline will be extended by a period equivalent to the delay involved (not to exceed, in the aggregate, 365 days);
 - event of default under the Completion Agreement or termination of the Completion Agreement prior to Financial Completion date;
 - prior to Financial Completion, Michael Carvill ceases to be a senior executive of Kenmare due to his resignation or dismissal, unless within 120 days of such cessation he has been replaced at Kenmare by one or more suitably experienced executives acceptable to a majority of the Lenders, acting reasonably;
 - receipt by the Borrowers of notice from a supermajority (as defined in the Loan Agreements) of the Lenders, that they have determined in the exercise of their reasonable judgement that a material adverse change in Mozambique or in a country bordering Mozambique, in each case not constituting a Political Risk Event, has occurred since the date of the Common Terms Agreement which in such Lenders' reasonable judgement has rendered it unlikely that the Borrowers will be able to meet their Senior and/or Subordinated Debt obligations as they fall due or that Financial Completion will be achieved by the final completion date, *provided that* any change in the price of ilmenite, rutile or zircon, or the adverse effects or prospective adverse effects thereof on the Borrowers shall not be considered a material adverse change for the purposes of this Event of Default;
 - failure to replenish the Contingency Reserve Account when required to do so pursuant to the terms of the "Cash Collateral and Shareholder Funding Deed" as detailed under "(c) Ancillary Agreements" below.

(b) Completion Agreement

The Completion Agreement was entered into between Kenmare, the security trustee, and the Senior and Subordinated Lenders and will provide that Kenmare will guarantee the Senior and Subordinated Debt until Financial Completion, subject to agreed exceptions related to Political Risk Events (as defined in the Common Terms Agreement).

As defined in the Completion Agreement, Financial Completion will not occur until the Lenders receive certain certifications:

- (i) from the Project Companies and SRK, as the Lenders' independent engineer, as to the satisfactory completion of the physical construction of the physical facilities for the Moma Project;
- (ii) from the Project Companies and SRK as to the commencement and continued operation of the Mine and processing plants for a period of 90 working days during which certain defined operating requirements have been satisfied (the "Completion Test Period"), including requirements as to production, processing rates, recovery rates and product quality;
- (iii) from the Project Companies as to the efficiency of the operations in terms of operating costs and levels;
- (iv) from the Project Companies as to the shipment of certain defined quantities of saleable product; and
- (v) from the Project Companies as to the absence of certain adverse events and the amount of funds in reserve accounts.

It will be a default under the Completion Agreement (subject to certain grace periods) if, among other things, Kenmare fails to pay any amounts due under its Completion Guarantee. Any event of default under the Completion Agreement will immediately constitute an event of default under the Senior and Subordinated Loan Agreements.

(c) Ancillary Agreements

A number of other ancillary agreements entered into in relation to Project Financing include:

Transfer Restrictions Agreement:

entered into between Kenmare, the security trustee and the Senior and Subordinated Lenders containing restrictions on the transfer by Kenmare of its interests in the Project Companies. The Transfer Restrictions Agreement will set out Kenmare's agreement with the Lenders to the following restrictions on transfers of its ownership interests and any shareholder loans held directly or indirectly by it or its affiliates, provided that such restrictions contain customary exceptions, including transfers to affiliates:

- Pre-Financial Completion, without supermajority Lender consent Kenmare shall not reduce, directly or indirectly, its ownership interest in the Borrowers.
- Following Financial Completion, without majority Lender consent Kenmare shall not reduce, directly or indirectly, its ownership interest in the Borrowers by an amount equal to or exceeding 50% of the amount held by it as of the date of the initial disbursement or in contravention of any applicable law, including laws implemented pursuant to Directive 1001/97/EC of the European Parliament and the Council and equivalent South African money laundering legislation.

Security Agreements:

offshore and onshore debentures and other security documents relating to substantially all rights and assets of the Project Companies and security agreements over certain rights and assets of the Shareholder (as defined on page 39) (relating to shares in Project Companies, the Contingency Reserve Account and the Shareholder Funding Account).

Cash Collateral and Shareholder Funding Deed:

entered into among Kenmare, Congolone Heavy Minerals Ltd and the security trustee, which governs the terms of funding, withdrawals from and eventual release of moneys in, the Contingency Reserve Account and the Shareholder Funding Account. An amount equal to the greater of US\$30 million or the Required Amount, as at initial drawdown of the Loans (calculated as described below), will be deposited into the Contingency Reserve Account as a condition to initial drawdown of the Loans. This amount will be made available to the Project Companies and, if necessary, supplemented or replenished by Kenmare so as to maintain a balance in the Contingency Reserve Account at least equal to the Required Amount from time to time. The "Required Amount" is calculated, in summary, as a reserve of US\$10 million plus the difference between (a) remaining project outflows (sum of project costs to Financial Completion, pre-Financial Completion Senior Debt obligations, and reserve account payment obligations) and (b) available cash resources (sum of undisbursed Senior and Subordinated Loans, the balance in any escrow account, pre-Financial Completion projected Project revenues, the Project Companies' aggregate credit balance and the balance in the Shareholder Funding Account).

A calculation of whether equity funds are required to be deposited in the Contingency Reserve Account will be carried out at each month-end prior to Financial Completion (with project costs remaining until Financial Completion being approved by the Lenders' independent engineer, SRK). If, at any month-end, this calculation demonstrates that the amount on deposit in the Contingency Reserve Account is less than the then Required Amount, the Shareholder must immediately provide notice to the Lenders and, within 15 days following such notice, provide evidence that it will have funds available to replenish the Contingency Reserve Account to the Required Amount. Within 60 days following the provision of such evidence, the Contingency Reserve Account must be funded in an amount at least equal to the Required Amount.

The contents of the Contingency Reserve Account shall be pledged as collateral security for obligations under the Completion Guarantee. The requirement to maintain funds in the Contingency Reserve Account will fall away at Financial Completion.

Subordination Deed:

entered into among the Lenders and the Project Companies setting out subordination arrangements.

Subordinated Lenders Option Agreement:

entered into between each Subordinated Lender, Kenmare and the Project Companies setting out the terms for the prepayment of the Subordinated Loan upon a Change in Control (see section entitled "*Change in Control*" above).

Inter-Company Agreement:

notwithstanding the joint and several nature of the Project Companies' obligations to the Lenders, this is an agreement entered into between the Project Companies pursuant to which each party undertakes to the other to repay its *pro rata* share of any Senior and Subordinated Debt obligations and to reimburse the other party in the event such other party pays any Senior or Subordinated Debt obligations in excess of its *pro rata* share. The obligations of the Project Companies under the Inter-Company Agreement will be subordinate to the obligations in respect of Senior and Subordinated Debt obligations.

PART V – FINANCIAL INFORMATION ON THE KENMARE GROUP

A: UNAUDITED PRELIMINARY RESULTS OF THE KENMARE GROUP FOR THE YEAR ENDED 31 DECEMBER, 2003

The following is the full text of the unaudited preliminary results statement of Kenmare for the year ended 31 December, 2003 as announced on 19 April, 2004:

Chairman's Statement

Dear Shareholder,

The key objective we have been pursuing over the last 9 months has been the signing of a Fixed Price Contract to develop the Moma project. I was very pleased to announce on the 8th of April that we had entered into such a contract 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 an 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 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 JV 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. From commencement of the work programme under the contract it will take two years to complete the construction of the Moma project.

The contract is subject to a number of conditions precedent before it becomes effective. The most significant of the conditions precedent is the making available of debt financing, which is itself conditional on the availability of an equity financing component. Hence the next step is to complete the funding process.

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) lending under an ECIC (Export Credit Insurance Agency of South Africa) export guarantee. The EIB, and the ADB have received board approvals for their loans to the project. The remaining lenders required the signing of the construction contract before they could take it to their boards. They are expected to do so in the coming weeks. Political risk guarantees are being provided to the project by MIGA, an arm of the World Bank, and are expecting to be supplemented by Hermes, an arm of the German Government.

It is intended that a placing to institutional investors will be performed to cover the required equity component of the financing. All shareholders will also be given an opportunity to participate in the equity financing component by way of partial claw back of this placing.

Kenmare accounts for the year ended 31 December 2003 show a profit of US\$120,551 arising mainly from deposit interest income net of an operating loss of US\$42,877.

Charles Carvill
Chairman

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER, 2003**

	2003	2002
	US\$	US\$
Turnover	<u>—</u>	<u>—</u>
Operating (Loss)/Income	<u>(42,877)</u>	<u>707,037</u>
Operating (Loss)/Profit	<u>(42,877)</u>	<u>707,037</u>
Interest Receivable	<u>163,428</u>	<u>261,483</u>
Profit On Ordinary Activities Before Taxation	<u>120,551</u>	<u>968,520</u>
Taxation	<u>—</u>	<u>—</u>
Profit On Ordinary Activities After Taxation	<u>120,551</u>	<u>968,520</u>
Earnings per share: Basic	<u>0.05c</u>	<u>0.41c</u>
Earnings per share: Diluted	<u>0.04c</u>	<u>0.36c</u>

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER, 2003**

	2003	2002
	US\$	US\$
Fixed Assets		
Mineral Interests	27,431,163	18,618,309
Tangible Assets	<u>41,622,440</u>	<u>41,630,810</u>
	<u>69,053,603</u>	<u>60,249,119</u>
Current Assets		
Debtors	90,322	95,473
Cash at Bank and In Hand	<u>4,574,490</u>	<u>8,040,751</u>
	4,664,812	8,136,224
Creditors:		
Amounts falling due within one year	<u>(3,224,907)</u>	<u>(1,453,021)</u>
Net Current Assets	<u>1,439,905</u>	<u>6,683,203</u>
Total Assets Less Current Liabilities	<u>70,493,508</u>	<u>66,932,322</u>
Creditors:		
Amounts falling due after one year	<u>(1,730,161)</u>	<u>(1,431,903)</u>
Provision For Liabilities and Charges	<u>—</u>	<u>(2,826,000)</u>
	<u>68,763,347</u>	<u>62,674,419</u>
Capital and Reserves		
Called Up Share Capital — (Equity & Non-Equity)	26,269,539	24,556,528
Share Premium Account	29,848,262	25,592,896
Profit and Loss Account — (Deficit)	<u>(21,891,727)</u>	<u>(22,012,278)</u>
Revaluation Reserve	30,141,002	30,141,002
Other Reserve	3,642,080	3,642,080
Capital Conversion Reserve Fund	<u>754,191</u>	<u>754,191</u>
Shareholders' Funds	<u>68,763,347</u>	<u>62,674,419</u>

**GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER, 2003**

	<i>2003</i>	<i>2002</i>
	<i>US\$</i>	<i>US\$</i>
Net cash (outflow)/inflow from operating activities	<u>(1,092,221)</u>	<u>1,948,541</u>
Returns on Investments & Servicing of Finance		
Interest received	163,428	261,483
Net cash inflow from Returns on Investment & Servicing of Finance	<u>163,428</u>	<u>261,483</u>
Capital expenditure & financial investment		
Addition of Mineral Interests	<u>(8,812,854)</u>	<u>(7,583,927)</u>
Net cash outflow from capital expenditure & financial investment	<u>(8,812,854)</u>	<u>(7,583,927)</u>
Net cash outflow before use of liquid resources & financing	<u>(9,741,647)</u>	<u>(5,373,903)</u>
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 a year	<u>298,258</u>	<u>57,461</u>
Net cash inflow from financing	<u>6,275,386</u>	<u>12,175,124</u>
(Decrease)/Increase in cash	<u>(3,466,261)</u>	<u>6,801,221</u>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER, 2003**

	<i>2003</i>	<i>2002</i>
	<i>US\$</i>	<i>US\$</i>
Income attributable to Group shareholders	120,551	968,520
Movement in Revaluation Reserve	<u>—</u>	<u>(1,408,750)</u>
Total Recognised Gains/(Losses) for the year	<u>120,551</u>	<u>(440,230)</u>

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 DECEMBER, 2003**

	<i>2003</i>	<i>2002</i>
	<i>US\$</i>	<i>US\$</i>
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	<u>4,255,366</u>	<u>9,289,274</u>
Net change in Shareholders' funds	6,088,928	12,721,068
Opening Shareholders' funds	<u>62,674,419</u>	<u>49,953,351</u>
Closing Shareholders' funds	<u>68,763,347</u>	<u>62,674,419</u>

NOTES TO THE PRELIMINARY RESULTS

Note 1 Basis of Accounting

The preliminary results have been prepared in US Dollar under the historical cost convention, as modified by the revaluation of certain fixed assets, and in accordance with the accounting policies set out on page 23 of the 2002 Annual Report and Accounts.

Note 2 Basis of Preparation

The financial information presented above does not constitute statutory accounts within the meaning of the Companies Acts, 1963 to 2001. An audit report has not yet been issued on the accounts for the year ended 31 December 2003, nor have they been delivered to the Registrar of Companies. The comparative financial information for the year ended 31 December, 2002 has been derived from the statutory accounts for the year. Those statutory accounts, upon which the auditors have issued an unqualified opinion, have been filed with the Registrar of Companies.

Note 3 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.

Note 4 Mineral Interests

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

Note 5 Tangible Assets

Tangible Assets are stated at cost or valuation less accumulated depreciation. 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 30 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 31 December, 2003 is US\$11,473,067. The surplus arising on revaluation amounts to US\$30,141,002.

Note 6 Reconciliation of Operating Loss to Net Cash flow from Operating Activities

	2003	2002
	US\$	US\$
Operating (Loss)/Income	(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
Decrease in Revaluation Reserve	—	(1,408,750)
Net Cash Flow from Operating Activities	<u>(1,092,221)</u>	<u>1,948,541</u>

Note 7 Analysis of Net Debt

	At 1 Jan 2003	Cash Flow	At 31 Dec 2003
	US\$	US\$	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)
	<u>6,510,231</u>	<u>(3,775,524)</u>	<u>2,734,707</u>

Note 8 Reconciliation of Net Cash flow to Movement in Net Debt

	2003	2002
	US\$	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	<u>2,734,707</u>	<u>6,510,231</u>

Note 9 2003 Annual Report and Accounts

The Annual Report and Accounts will be posted to shareholders in due course.”

B: COMPARATIVE TABLE OF FINANCIAL INFORMATION FOR THE THREE YEARS ENDED 31 DECEMBER, 2000, 2001 AND 2002

Note: In this section, all terms defined in the Listing Particulars have the same meaning herein, except where specifically set out otherwise.

The financial information relating to the Company in this Section B of Part V does not constitute full accounts within the meaning of Section 4 of the Companies (Amendment) Act, 1986. Full accounts relating to each financial period to which financial information relates have been delivered to the Registrar of Companies in Ireland. The information has been extracted without material adjustment from the consolidated audited financial statements of Kenmare for the three periods ended 31 December, 2000, 31 December, 2001 and 31 December, 2002. The auditors have reported without qualification on the full accounts in respect of each financial period under Section 193 of the Companies Act, 1990.

Financial Information contained herein is, where relevant presented in US dollars in respect of the years ended 31 December, 2002 and 2001. The financial year ended 31 December, 2002 was the first complete fiscal year in which the Company reported in US dollars and accordingly, only comparative financial information for the year ended 31 December, 2001 has been published in US dollars. In order to facilitate assessment of the financial performance of the Group over the three year period from 2000 to 2002, results for 2001 are presented both in euro and US dollars.

Mineral Interests, Tangible Assets and Investments in Subsidiaries:

In forming their opinion for the purposes of the audit reports for each of the periods ended 31 December, 2002, 31 December, 2001 and 31 December, 2000, Deloitte & Touche, Chartered Accountants and Registered Auditors, considered the adequacy of the disclosure made in the financial statements concerning the valuation of mineral interests, tangible assets and investments in subsidiaries. In each year the auditors stated that the realisation of the respective amounts of mineral interests and tangible assets identified in the relevant consolidated balance sheet and the realisation of investments in subsidiaries identified in the relevant Company balance sheet, was dependent on the successful development of economic ore reserves. Further details in relation to this matter are set out in Notes 8, 9, and 10 of this Section B of Part V. The opinion of the auditors was not qualified in this respect.

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

	Notes	2002 US\$	2001 US\$	2001 €	2000 €
Turnover		—	—	—	—
Operating Income (Expenses)	2	<u>707,037</u>	<u>(983,638)</u>	<u>(1,116,142)</u>	<u>(973,004)</u>
Operating Profit/(Loss)		707,037	(983,638)	(1,116,142)	(973,004)
Interest Receivable		<u>261,483</u>	<u>110,806</u>	<u>125,732</u>	<u>104,785</u>
Interest Payable		—	—	—	—
Profit/(Loss) On Ordinary Activities Before Taxation		968,520	(872,832)	(990,410)	(868,219)
Taxation	3	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Profit/(Loss) On Ordinary Activities After Taxation		968,520	(872,832)	(990,410)	(868,219)
Opening Balance – Profit and Loss Account (deficit)		<u>(22,980,798)</u>	<u>(22,107,966)</u>	<u>(25,086,081)</u>	<u>(24,217,862)</u>
Closing Balance – Profit and Loss Account (deficit)		<u>(22,012,278)</u>	<u>(22,980,798)</u>	<u>(26,076,491)</u>	<u>(25,086,081)</u>
Basic Earnings/(Loss) per Share		<u>0.41c</u>	<u>(0.47c)</u>	<u>(0.53c)</u>	<u>(0.58c)</u>
Earnings/(Loss) and Fully Diluted Earnings/(Loss) Per Share	5	<u>0.36c</u>	<u>(0.47c)</u>	<u>(0.53c)</u>	<u>(0.58c)</u>

CONSOLIDATED BALANCE SHEETS

	<i>Notes</i>	<i>2002</i>	<i>2001</i>	<i>2001</i>	<i>2000</i>
		<i>US\$</i>	<i>US\$</i>	<i>€</i>	<i>€</i>
Fixed Assets					
Mineral Interests	8	18,618,309	11,137,129	12,637,388	9,095,938
Tangible Assets	9	41,630,810	41,639,177	47,248,301	44,764,682
		<u>60,249,119</u>	<u>52,776,306</u>	<u>59,885,689</u>	<u>53,860,620</u>
Current Assets					
Debtors	11	95,473	76,826	87,175	63,435
Cash at Bank and In Hand		8,040,751	1,239,530	1,406,505	1,584,177
		<u>8,136,224</u>	<u>1,316,356</u>	<u>1,493,680</u>	<u>1,647,612</u>
Creditors:					
Amounts falling due within one year	12	(1,453,021)	(1,484,230)	(1,684,168)	(4,124,286)
Net Current (Liabilities)/Assets		<u>6,683,203</u>	<u>(167,874)</u>	<u>(190,488)</u>	<u>(2,476,674)</u>
Total Assets Less Current Liabilities					
		66,932,322	52,608,432	59,695,201	51,383,946
Creditors:					
Amounts falling due after one year	13	(1,431,903)	(1,379,571)	(1,565,411)	(1,215,011)
Provisions for Liabilities and Charges	14	(2,826,000)	(1,275,510)	(1,447,331)	(1,489,215)
		<u>62,674,419</u>	<u>49,953,351</u>	<u>56,682,459</u>	<u>48,679,720</u>
Capital and Reserves					
Called Up Share Capital	16	24,556,528	20,684,504	23,470,869	23,025,358
Share Premium Account	17	25,592,896	16,303,622	18,499,848	14,113,837
Profit and Loss Account — (Deficit)		(22,012,278)	(22,980,798)	(26,076,491)	(25,086,081)
Revaluation Reserve	18	30,141,002	31,549,752	35,799,751	34,905,209
Other Reserve	19	3,642,080	3,642,080	4,132,696	1,721,397
Capital Conversion Reserve Fund	20	754,191	754,191	855,786	—
Shareholders' Funds		<u>62,674,419</u>	<u>49,953,351</u>	<u>56,682,459</u>	<u>48,679,720</u>

CONSOLIDATED CASH FLOW STATEMENTS

	<i>Notes</i>	<i>2002</i> <i>US\$</i>	<i>2001</i> <i>US\$</i>	<i>2001</i> <i>€</i>	<i>2000</i> <i>€</i>
Net cash Inflow/(Outflow) from Operating Activities	23	<u>3,357,291</u>	<u>(63,175)</u>	<u>(71,685)</u>	<u>1,360,651</u>
Returns on Investments & Servicing of Finance					
Interest Received		261,483	110,806	125,732	104,785
Interest Payable		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net Cash Inflow/(Outflow) from Returns on Investment and Servicing of Finance		<u>261,483</u>	<u>110,806</u>	<u>125,732</u>	<u>104,785</u>
Capital Expenditure & Financial Investment (Addition)/Disposal of Mineral Interests		(7,583,927)	(3,502,168)	(3,973,937)	(3,983,834)
Fixed Assets of Excluded Subsidiary					—
Disposal of Tangible Fixed Assets					—
Purchase of Tangible Fixed Assets		<u>(1,408,750)</u>	<u>—</u>	<u>—</u>	<u>(9,259,278)</u>
Net Cash (Outflow)/Inflow from Capital Expenditure & Financial Investment		<u>(8,992,677)</u>	<u>(3,502,168)</u>	<u>(3,973,937)</u>	<u>(12,272,085)</u>
Net Cash (Outflow)/Inflow before use of Liquid Resources & Financing		<u>(5,373,903)</u>	<u>(3,454,537)</u>	<u>(3,919,890)</u>	<u>(11,777,676)</u>
Financing					
Issue of Ordinary Share Capital		14,530,686	5,409,437	6,138,132	9,107,024
Cost of Share Issues		(1,369,388)	(397,304)	(450,824)	(826,480)
Finance Lease		(15,690)	(15,405)	(17,481)	37,842
Debt due within one year		(1,027,945)	(2,022,213)	(2,294,621)	3,572,940
Debt due beyond a year		<u>57,461</u>	<u>323,441</u>	<u>367,012</u>	<u>1,192,579</u>
Net cash Inflow/(Outflow) from Financing		<u>12,175,124</u>	<u>3,297,956</u>	<u>3,742,218</u>	<u>13,083,905</u>
Increase/(Decrease) in cash	26	<u><u>6,801,221</u></u>	<u><u>(156,581)</u></u>	<u><u>(177,672)</u></u>	<u><u>1,306,229</u></u>

STATEMENTS OF TOTAL RECOGNISED GAINS AND LOSSES

	<i>Notes</i>	<i>2002</i> <i>US\$</i>	<i>2001</i> <i>US\$</i>	<i>2001</i> <i>€</i>	<i>2000</i> <i>€</i>
Loss attributable to Group Shareholders		968,520	(872,832)	(990,410)	(868,219)
Revaluation of Tangible Fixed Assets	18	(1,408,750)	—	—	34,905,209
Currency Translation Movement		<u>—</u>	<u>2,913,385</u>	<u>3,305,841</u>	<u>471,392</u>
Total Recognised Gains and Losses for the year		<u><u>(440,230)</u></u>	<u><u>2,040,553</u></u>	<u><u>2,315,431</u></u>	<u><u>34,508,382</u></u>

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

Reconciliations of Movement in Shareholders' Funds

	2002	2001	2001	2000
	US\$	US\$	€	€
Total Recognised Gains and Losses for the year	(440,230)	2,040,553	2,315,431	34,508,382
Issue of Shares — at par	3,872,024	1,146,812	1,301,297	3,172,627
Share premium, net of costs	<u>9,289,274</u>	<u>3,865,322</u>	<u>4,386,011</u>	<u>5,107,916</u>
Net change in Shareholders' funds	12,721,068	7,052,687	8,002,739	42,788,925
Opening Shareholders' funds	<u>49,953,351</u>	<u>42,900,664</u>	<u>48,679,720</u>	<u>5,890,795</u>
Closing Shareholders' funds	<u><u>62,674,419</u></u>	<u><u>49,953,351</u></u>	<u><u>56,682,459</u></u>	<u><u>48,679,720</u></u>

Accounting Policies

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

(a) Accounting Convention and Reporting Currency

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain fixed assets. The 2000 financial statements and the 1999 comparative figures are presented in euro.

(b) Basis of Preparation

The financial statements have been prepared in accordance with accounting standards generally accepted in Ireland and Irish statute comprising the Companies Acts, 1963 to 2001 and 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 UK in preparing financial statements giving a true and fair view, are those issued by the Accounting Standards Board.

(c) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries where the Directors are of the opinion that the Group exercises dominant influence over the financial and operating policies of that undertaking.

(d) Turnover

Turnover represents the sale of graphite to third parties. All sales are stated net of sales commission and inclusive of sales incentive bonuses.

(e) Mineral Interests — Deferred Development Expenditure

Mineral exploration costs and project development costs including finance costs 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, then 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, the related costs are written off immediately.

(f) 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

(g) *Foreign Currency*

Monetary assets and liabilities denominated in foreign currencies are translated into dollar/euro 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.

(h) *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 31 December, 2002

1. Segmental Reporting

	2002 Net Assets	2001 Net Assets	2001 Net Assets	2000 Net Assets
	US\$	US\$	€	€
Europe	(804,032)	(124,954)	(141,787)	111,182
Africa & Rest of World	55,437,700	48,838,775	55,417,742	46,984,361
	54,633,668	48,713,821	55,275,955	47,095,543
Plus cash & bank deposits	8,040,751	1,239,530	1,406,504	1,584,177
Total Net Assets	<u>62,674,419</u>	<u>49,953,351</u>	<u>56,682,459</u>	<u>48,679,720</u>

2. Operating Income/(Expenses)

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

	2002 US\$	2001 US\$	2001 €	2000 €
Corporate and Exploration				
Income/(Expenses)	844,559	(808,620)	(917,547)	(631,700)
General and Administrative Expenses	<u>(137,522)</u>	<u>(175,018)</u>	<u>(198,595)</u>	<u>(341,304)</u>
	<u>707,037</u>	<u>(983,638)</u>	<u>(1,116,142)</u>	<u>(973,004)</u>

3. Taxation

No charge to taxation arises in the years ended 31 December, 2002, 31 December, 2001 or 31 December, 2000 as there were no taxable profits in these years. The profit / (loss) arose in subsidiaries operating in jurisdictions where there was no charge to taxation on the results for the year.

4. Statutory and Other Information

	2002 US\$	2001 US\$	2001 €	2000 €
Auditors' Remuneration	34,980	22,380	25,395	25,395
Depreciation	8,367	11,508	13,058	40,707
Executive Directors'				
Emoluments				
Remuneration	427,901	369,270	419,014	302,918
Benefits in kind	22,725	10,023	11,373	14,080
Pension contributions	<u>7,556</u>	<u>6,714</u>	<u>7,618</u>	<u>7,618</u>
	458,182	386,007	438,005	324,616
Non-Executive Directors'				
Emoluments Remuneration	<u>64,060</u>	<u>44,760</u>	<u>50,790</u>	<u>37,975</u>

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 Report of the Directors. 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.

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\$968,520 (2001: Loss US\$872,832, €990,410; 2000: €868,219) and the weighted average number of shares in issue during 2002 of 238,468,595 (2001 – 187,405,370 shares; 2000 – 149,961,746 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 267,046,911. For the 2001 comparatives, the fully diluted earnings per share and the basic earnings per share figures are the same as a loss was made during each of those periods.

6. Staff Costs

The average number of persons employed by the Group (including Executive Directors) was 55 and is analysed below:

	2002	2001	2000
Management/Administration	6	6	6
Development and Mining	49	43	38
	<u>55</u>	<u>49</u>	<u>44</u>

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

	2002	2001	2001	2000
	US\$	US\$	€	€
Wages and Salaries	832,412	709,688	805,288	777,526
Social Welfare	37,656	28,040	31,817	23,670
Pension Costs	7,556	6,714	7,618	7,618
	<u>877,624</u>	<u>744,442</u>	<u>844,723</u>	<u>803,814</u>

Directors' Emoluments

	Basic Salary	Taxable Benefits	Pension	Total 2002	Total 2001
	US\$	US\$	US\$	US\$	US\$
<i>Executive</i>					
A. Brown	106,109	—	7,556	113,665	95,115
M. Carvill	195,531	22,725	—	218,256	177,873
T. McCluskey	126,261	—	—	126,261	106,305
	<u>427,901</u>	<u>22,725</u>	<u>7,556</u>	<u>458,182</u>	<u>379,293</u>
<i>Non-Executive</i>					
I. Egan	49,898	—	—	49,898	44,760
P. McAleer	14,162	—	—	14,162	—
S. Farrell	—	—	—	19,909	—
	<u>64,060</u>	<u>—</u>	<u>—</u>	<u>64,060</u>	<u>64,669</u>

Directors' Emoluments	<i>Basic Salary</i>	<i>Taxable Benefits</i>	<i>Pension</i>	<i>Total 2001</i>
	€	€	€	€
<i>Executive</i>				
A. Brown	100,309	—	7,618	107,927
M. Carvill	190,461	11,373	—	201,834
T. McCluskey	<u>120,625</u>	<u>—</u>	<u>—</u>	<u>120,625</u>
	<u>411,395</u>	<u>11,373</u>	<u>7,618</u>	<u>430,386</u>
<i>Non-Executive</i>				
S. Farrell	22,951	—	—	22,951
I. Egan	<u>50,790</u>	<u>—</u>	<u>—</u>	<u>50,790</u>
	<u>73,741</u>	<u>—</u>	<u>—</u>	<u>73,741</u>
Directors' Emoluments				
	<i>Basic Salary</i>	<i>Taxable Benefits</i>	<i>Pension</i>	<i>Total 2000</i>
	€	€	€	€
<i>Executive</i>				
A. Brown	79,020	—	7,618	86,638
M. Carvill	135,439	14,080	—	149,519
T. McCluskey	<u>88,459</u>	<u>—</u>	<u>—</u>	<u>88,459</u>
	<u>302,918</u>	<u>14,080</u>	<u>7,618</u>	<u>324,616</u>
<i>Non-Executive</i>				
I. Egan	<u>37,975</u>	<u>—</u>	<u>—</u>	<u>37,975</u>

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 2002

	<i>Mozambique Moma Titanium Mineral Sands</i>	<i>Ireland</i>	<i>Total</i>
	US\$	US\$	US\$
Opening Balance	11,001,219	135,910	11,137,129
Additions	7,582,842	1,085	7,583,927
Impairment Provision	—	(102,747)	(102,747)
Closing Balance	<u>18,584,061</u>	<u>34,248</u>	<u>18,618,309</u>

GROUP 2001

	<i>Mozambique Niassa Gold</i>	<i>Mozambique Moma Titanium Mineral Sands</i>	<i>Ireland</i>	<i>Total</i>
	€	€	€	€
Opening Balance	1,328,570	7,618,864	148,504	9,095,938
Additions	—	3,968,224	5,713	3,973,937
Impairment Provision	(1,328,570)	—	—	(1,328,570)
Exchange Movement	—	896,083	—	896,083
Closing Balance	<u>—</u>	<u>12,483,171</u>	<u>154,217</u>	<u>12,637,388</u>

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 from a joint venture party or other source. 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.

9. Tangible Fixed Assets

2002	<i>Processing Plant</i>	<i>Mining Plant</i>	<i>Plant & Equipment</i>	<i>Vehicles</i>	<i>Office Equip & Fixtures</i>	<i>Total</i>
	US\$	US\$	US\$	US\$	US\$	US\$
Cost or Valuation						
Opening and Closing Balance	<u>20,738,363</u>	<u>20,875,706</u>	<u>117,861</u>	<u>50,548</u>	<u>118,598</u>	<u>41,901,076</u>
Accumulated Depreciation						
Opening Balance	—	—	117,861	25,440	118,598	261,899
Charge for the year	—	—	—	8,367	—	8,367
Closing Balance	—	—	117,861	33,807	118,598	270,266
Net Book Value						
31 December, 2002	<u>20,738,363</u>	<u>20,875,706</u>	<u>—</u>	<u>16,741</u>	<u>—</u>	<u>41,630,810</u>
Net Book Value						
31 December, 2001	<u>20,738,363</u>	<u>20,875,706</u>	<u>—</u>	<u>25,108</u>	<u>—</u>	<u>41,639,177</u>
2001	<i>Processing Plant</i>	<i>Mining Plant</i>	<i>Plant & Equipment</i>	<i>Vehicles</i>	<i>Office Equip & Fixtures</i>	<i>Total</i>
	€	€	€	€	€	€
Cost or Valuation						
Opening Balance	22,287,766	22,435,368	133,738	57,358	134,574	45,048,804
Exchange Adjustment	<u>1,244,218</u>	<u>1,252,459</u>	—	—	—	<u>2,496,677</u>
Closing Balance	<u>23,931,534</u>	<u>23,687,827</u>	<u>133,738</u>	<u>57,358</u>	<u>134,574</u>	<u>47,545,481</u>
Accumulated Depreciation						
Opening Balance	—	—	133,738	19,370	131,014	284,122
Charge for the year	—	—	—	9,498	3,560	13,058
Closing Balance	—	—	<u>133,738</u>	<u>28,868</u>	<u>134,574</u>	<u>297,180</u>
Net Book Value						
31 December, 2001	<u>23,531,984</u>	<u>23,687,827</u>	<u>—</u>	<u>28,490</u>	<u>—</u>	<u>47,248,301</u>
Net Book Value						
31 December, 2000	<u>22,287,766</u>	<u>22,435,368</u>	<u>—</u>	<u>37,988</u>	<u>3,560</u>	<u>44,764,682</u>

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 30 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 Aker Kvaerner, 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 31 December, 2002 is US\$11,473,067. The surplus arising on revaluation amounts to US\$30,141,002. US\$1,408,750 of the increase in the dismantling provision has been capitalised during the year resulting in a corresponding decrease in the revaluation reserve. Leased tangible assets amount to US\$16,741 (2001: US\$25,108) of the above net book value for the Group.

10. Investment in Subsidiaries

	2002	2001
	US\$	US\$
Shares at cost	115	115
Amounts due by Group Companies (net of provisions)	31,435,915	17,694,557
	<u>31,436,030</u>	<u>17,694,672</u>

The subsidiaries of the Company as at 31 December, 2002 are as follows:-

	<i>Place of Incorporation</i>	<i>Place of Operation</i>	<i>Percentage Ownership</i>
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 Av. 24 de Julho 1662, Maputo, Mozambique. The registered office of the Mauritius companies is 2nd Floor Cerne House, La Chaussee, 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

	2002	2001
	US\$	US\$
Sundry Debtors	<u>95,473</u>	<u>76,826</u>

Amounts included in debtors are due within one year.

12. Creditors: Amounts falling due within one year

	2002	2001
	US\$	US\$
Other Creditors (note 13)	98,617	1,126,562
Accruals	1,352,150	344,853
Lease Obligation	<u>2,254</u>	<u>12,815</u>
	<u>1,453,021</u>	<u>1,484,230</u>

13. Creditors: Amounts falling due after more than one year

	2002	2001
	US\$	US\$
Lease Obligations	—	5,129
Other Creditors	<u>1,431,903</u>	<u>1,374,442</u>
Long term loans	<u>1,431,903</u>	<u>1,379,571</u>

Other creditors 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 2001. 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. This amount is included in Amounts falling due after more than one year.

14. Provision for Liabilities and Charges

	2002	2001
	US\$	US\$
Dismantling Provision	<u>2,826,000</u>	<u>1,275,510</u>

Dismantling provision relates to the estimated cost of dismantling the Minerals Separation Plant, purchased in May, 2000 from BHP and currently located at Beenup in Western Australia. Subsequent to the year end, Kenmare Resources plc and Kenmare C.I. Ltd entered into an agreement with BHP Titanium Minerals Pty Limited regarding the dismantling and removal of the Mineral Separation Plant.

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\$273,714 (2001 – US\$1,266,889) has been dealt with in the financial statements of the holding company.

16. Called Up Share Capital

	2002	2001
	US\$	US\$
Authorised: Equity Share Capital		
400,000,000 Ordinary Shares of 0.06 each	21,151,200	—
300,000,000 Ordinary Shares of 0.06 each	—	15,863,114
<i>Non-Equity Share Capital</i>		
100,000,000 Deferred Shares of 0.25 each	<u>22,032,103</u>	<u>22,032,103</u>
	<u>43,183,303</u>	<u>37,895,217</u>
Allotted, Called Up and Fully Paid:		
<i>Equity Share Capital</i>		
Opening Balance		
191,050,040 Ordinary Share of 0.06 each	10,102,161	—
170,552,958 Ordinary Shares of 0.06 each	—	9,542,440
	<u>10,102,161</u>	<u>9,542,440</u>
Shares issued during the period		
71,159,803 Ordinary Shares of €0.06 each	3,872,024	—
20,497,082 Ordinary Shares of €0.06 each	—	1,146,812
	<u>3,872,024</u>	<u>1,146,812</u>
Transfer to Capital Conversion Fund	—	(587,091)
Closing Balance		
262,209,123 Ordinary Shares of €0.06 each	13,974,185	—
191,050,040 Ordinary Shares of €0.06 each	—	10,102,161
	<u>13,974,185</u>	<u>10,102,161</u>

Non-Equity Share Capital

Opening Balance		
48,031,467 Deferred Shares of 0.25 each	10,582,343	10,749,443
Transfer to Capital Conversion Reserve Fund	—	(167,100)
Closing Balance		
48,031,467 Deferred Shares of 0.25 each	<u>10,582,343</u>	<u>10,582,343</u>
Total Called Up Share Capital	<u>24,556,528</u>	<u>20,684,504</u>

Share options granted but not exercised are noted in the Directors' Report. Funds received from shares issued during the period 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 31 December, 2002 warrants over 11,806,800 Ordinary €0.06 Shares were in issue. The latest exercise date for these warrants is 31 December, 2004 and the average exercise price is €0.17 per share.

At 31 December, 2001 warrants over 11,946,000 Ordinary €0.06 Shares were in issue. The latest exercise date for the warrants was 8 December, 2003 and the average price is €0.18 per share.

17. Share Premium Account

	<i>2002</i>	<i>2001</i>
	<i>US\$</i>	<i>US\$</i>
Opening Balance	16,303,622	12,438,301
Premium on shares issued during year	10,658,662	4,262,625
Costs associated with shares issued during year	<u>(1,369,388)</u>	<u>(397,304)</u>
Closing Balance	<u>25,592,896</u>	<u>16,303,622</u>

18. Revaluation Reserve

	<i>2002</i>	<i>2001</i>
	<i>US\$</i>	<i>US\$</i>
Opening Balance	31,549,752	30,761,406
Movement for year	<u>(1,408,750)</u>	<u>788,346</u>
Closing Balance	<u>30,141,002</u>	<u>31,549,752</u>

19. Other Reserve

Currency Translation Movement

	<i>2002</i>	<i>2001</i>
	<i>US\$</i>	<i>US\$</i>
Opening Balance	3,642,080	1,517,041
Movement for year	<u>—</u>	<u>2,125,039</u>
Closing Balance	<u>3,642,080</u>	<u>3,642,080</u>

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

20. Capital Conversion Reserve Fund

	<i>2002</i>	<i>2001</i>
	<i>US\$</i>	<i>US\$</i>
Capital Conversion Reserve Fund	<u>754,191</u>	<u>754,191</u>

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 31 December, 2002 are US\$74,462 (2001 – US\$62,575) 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.

	2002	2001	2001	2000
	US\$	US\$	€	€
Contributions	<u>7,556</u>	<u>6,714</u>	<u>7,618</u>	<u>7,618</u>

23. Reconciliation of Operating Loss to Net Cashflow from Operating Activities

	2002	2001	2001	2000
	US\$	US\$	€	€
OPERATING ACTIVITIES				
Operating Income (Loss)	707,037	(983,638)	(1,116,142)	(973,004)
Depreciation	8,367	11,508	13,058	40,707
Increase in Debtors	(18,647)	(20,922)	(23,740)	1,552
Increase/(Decrease) in operating creditors	1,007,297	(127,459)	(144,628)	(47,942)
Increase/(Decrease) in Provision for Liabilities & Charges	1,550,490	(36,911)	(41,884)	1,489,215
Impairment/Write off of Minerals Interests	102,747	1,170,848	1,328,570	971,027
Exchange (Gain) on translation of Fixed Assets	—	(2,989,986)	(3,392,760)	(592,295)
Exchange Loss on translation of Revaluation Reserve	—	788,346	894,542	—
Exchange Loss on translation of Subsidiaries	—	2,125,039	2,411,299	471,391
Net Cash Flow from Operating Activities	<u>3,357,291</u>	<u>(63,175)</u>	<u>(71,685)</u>	<u>1,360,651</u>

24. Analysis of Net Debt

	At 1 Jan 2002	Cash Flow	At 31 Dec 2002
	US\$	US\$	US\$
Cash at Bank and in hand	1,239,530	6,801,221	8,040,751
Debt due after 1 year	(1,374,442)	(57,461)	(1,431,903)
Debt due within 1 year	<u>(1,126,562)</u>	<u>1,027,945</u>	<u>(98,617)</u>
	<u>(1,261,474)</u>	<u>7,771,705</u>	<u>6,510,231</u>
	At 1 Jan 2001	Cash Flow	At 31 Dec 2001
	€	€	€
Cash at Bank and in hand	1,584,177	(177,672)	1,406,505
Debt due after 1 year	(1,192,579)	(367,011)	(1,559,590)
Debt due within 1 year	<u>(3,572,940)</u>	<u>2,294,621</u>	<u>(1,278,319)</u>
	<u>(3,181,342)</u>	<u>1,749,938</u>	<u>(1,431,404)</u>
	At 1 Jan 2000	Cash Flow	At 31 Dec 2000
	€	€	€
Cash at Bank and in hand	277,948	1,306,229	1,584,177
Debt due after 1 year	—	(1,192,579)	(1,192,579)
Debt due within 1 year	—	<u>(3,572,940)</u>	<u>(3,572,940)</u>
	<u>277,948</u>	<u>(3,459,290)</u>	<u>(3,181,342)</u>

25. Reconciliation of Net Cash Flow to Movement in Net Debt

	2002	2001	2001	2000
	US\$	US\$	€	€
Increase/(Decrease) in cash during the year	6,801,221	(156,581)	(177,672)	1,306,229
Outflow from movements in debt & lease financing	<u>970,484</u>	<u>1,698,772</u>	<u>1,927,610</u>	<u>(4,765,519)</u>
Movement in net cash in the year	7,771,705	1,542,191	1,749,938	(3,459,290)
Net debt at start of year	<u>(1,261,474)</u>	<u>(2,803,665)</u>	<u>(3,181,342)</u>	<u>277,948</u>
Net cash/(debt) at end of year	<u><u>6,510,231</u></u>	<u><u>(1,261,474)</u></u>	<u><u>(1,431,404)</u></u>	<u><u>(3,181,342)</u></u>

26. Analysis of the Balance of Cash Equivalents as shown in the Consolidated Balance Sheet

	Change inYear 2002	2002	2001	Change inYear 2001	2001	2000
	US\$	US\$	US\$	€	€	€
Cash at Bank and in hand	<u>6,801,221</u>	<u>8,040,751</u>	<u>1,239,530</u>	<u>(177,672)</u>	<u>1,406,505</u>	<u>1,584,177</u>

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 Project in Mozambique.

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

Reporting in US Dollars has reduced 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 comparative figures are presented in US Dollars using the exchange rate at 1 January, 2002 in the annual report for the year ended 31 December, 2002. The Group's policy for dealing with exchange differences is outlined in Accounting Policies on pages 54 and 55. Details of liabilities, denominated in Australian dollars, relating to plant purchased in 2000 are set out in notes 12, 13 and 14.

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 31 December were as follows:

	2002	2001
	US\$	US\$
Cash at Bank		
Currency		
Euro	6,927,876	20,599
Sterling	1,000,462	631,482
Australian Dollar	5,982	512,907
Mozambican Metical	<u>1,723</u>	<u>6,824</u>
	<u><u>7,936,043</u></u>	<u><u>1,171,812</u></u>
Debtors		
Currency		
Euro	46,862	—
Sterling	<u>11,594</u>	—
	<u><u>58,456</u></u>	<u><u>—</u></u>

Creditors		
Currency		
Australian Dollar	1,199,775	2,047,353
Sterling	681,370	442,981
Euro	232,107	240,031
South African Rand	58,433	—
	<u>2,171,685</u>	<u>2,730,365</u>
Provision for liabilities and charges		
Currency		
Australian Dollar	<u>2,826,000</u>	<u>1,275,510</u>

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 31 December, 2002 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\$1,431,903 and a fair value of approximately US\$1,249,923. The fair value has been calculated by discounting cash flows at prevailing rates.

PART VI – ADDITIONAL INFORMATION

1. Responsibility

The Directors of Kenmare, whose names are set out on page 9 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Company

The Company was incorporated in Ireland on 7 July, 1972 pursuant to the Companies Act 1963 under the name Kenmare Oil Exploration Limited (registered number 37550). On 5 June, 1985 the Company re-registered as a public limited company under the name Kenmare Oil Exploration Plc. On 12 June, 1987 the Company changed its name to Kenmare Resources plc. The legislation under which the Company operates is the Acts.

3. Principal Activities

The principal activity of the Group is the exploration for commercial deposits of natural resources, together with the development and operation of mines. The Company is currently focused on the development of the Moma Project in Mozambique. This Project will produce ilmenite, rutile and zircon, which will be sold under contract.

4. Directors

The Directors, all of Chatham House, Chatham Street, Dublin 2, Ireland, their executive functions and the companies and partnerships of which each such person has been a director or partner at any time in the past five years, and where indicated of which each is currently a director or partner are set out below:

Charles Carvill (Chairman)(aged 75) 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. He was appointed to the Board of Kenmare in 1986.

<i>Directorship/Partnerships:</i>	<i>Current</i>	<i>Previous</i>
	Carvill Group Limited	—
	Vico Properties plc	

Michael Carvill (Managing Director)(aged 44) is a chartered member of the Institute of Engineers of 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.

<i>Directorship/Partnerships:</i>	<i>Current</i>	<i>Previous</i>
	Carvill Group Limited	—
	Vico Properties plc	

Tony McCluskey (Finance Director)(aged 39) worked with Kenmare since 1991 as Company Secretary and Financial Controller, before being appointed Finance Director in 1999. He holds a Bachelor of Commerce degree from University College Cork and is a Fellow of the Institute of Chartered Accountants in Ireland. Before joining Kenmare he worked as a manager with Deloitte in Dublin and has also spent time working overseas.

<i>Directorship/Partnerships:</i>	<i>Current</i>	<i>Previous</i>
	—	—

Dr. Alastair Brown (Director of Exploration)(aged 65) has more than forty 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

<i>Directorship/Partnerships:</i>	<i>Current</i>	<i>Previous</i>
	Cherek Pty Limited	Valiant Consolidated Limited
	Karratta Pty Limited	
	Wunda-Y Partnership	
	Wunda-Y Unit Trust	
	Golden Valley Mines NL	
	SA Mineral Resources Corporation Ltd	
	GMA Resources plc	
	NiMag Limited	
	Petroasia P/L	
	Greenstone Gold Mines P/L	
	Cove Mining P/L	
	Evoc Mining P/L	

Terence Fitzpatrick (Non-executive Director)(aged 43) is a graduate of the University of Ulster (Mech. Eng.). He has extensive experience in mechanical engineering systems, having worked for Jacuzzi Pumps Limited in the United States as project engineer and PWS (Ireland) Limited in Northern Ireland as mechanical systems project manager. He worked as a 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 is now executive director and owner of an engineering company which manufactures equipment for mines and quarries and for original equipment manufacturers.

<i>Directorship/Partnerships:</i>	<i>Current</i>	<i>Previous</i>
	Kara Engineering Limited	—

Peter McAleer (Non-executive Director)(aged 61) has over 35 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 an honours degree in Commerce and is a Barrister at Law. He has been involved in the management of mining operations in Australia, Chile, Europe and North America. More recently as a director of Equatorial Mining Limited, Peter McAleer participated in the funding of the Minera El Tesoro copper project in Chile which involved raising US\$296 million. He was appointed to the Board of Kenmare in 2001.

<i>Directorship/Partnerships:</i>	<i>Current</i>	<i>Previous</i>
	Equatorial Mining North America Inc	—
	Equatorial Resources Limited	
	Kalahari Diamonds Limited	
	Westmag Limited	
	Kingsgate Consolidated Limited	

Other Matters

Save as disclosed below, none of the Directors identified above has:

- (a) any unspent convictions in relation to indictable offences;
- (b) been the subject of bankruptcy proceedings or an individual voluntary arrangement;
- (c) been a director of any company at the time of or within 12 months preceding its receivership, compulsory liquidation, creditors' voluntary liquidation, administration, entry into company voluntary arrangements or entry into any composition or arrangement with its creditors generally or any class of its creditors, except for:
 - (i) Charles Carvill – managing director of P. Carvill & Sons Limited, which went into receivership in July, 1963. All creditors were paid in full, the receiver was discharged and the company continued to trade successfully;
 - (ii) Donal Kinsella – deputy chairman and non-executive director of Dublin Gas Co. Limited, which went into receivership in April, 1986. While all creditors have been paid in full, the company remains in receivership and no further information thereon is available to Mr. Kinsella; and

- (iii) Simon Farrell – chief executive officer of Valiant Consolidated Limited which was placed in voluntary administration in 1987 with total secured and unsecured debt outstanding of A\$25.19 million. It was subsequently released from voluntary administration after a successful capital raising;
- (d) been a partner in a partnership which, whilst he was a partner of or within 12 months after his ceasing to be a partner, was put into compulsory liquidation, or had an administrator or other receiver appointed or entered into any voluntary arrangement;
- (e) had an administrator or other receiver appointed in respect of any asset belonging to him or to a partnership of which he was a partner at the time of such appointment or within the 12 months preceding such appointment; or
- (f) been the subject of a public criticism by any statutory or regulatory authorities (including designated professional bodies) nor have such Directors ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

5. Directors' and Other Interests

- (a) As at 11 June, 2004, (being the latest practicable date prior to the publication of this document), the interests of each Director and of the Secretary (all of which are beneficial) (including any interests of their spouses or minor children) or any connected person, the existence of which is known to, or could with reasonable diligence be ascertained by that Director or Secretary, whether or not held through another party, in the share capital of the Company together with any options in respect of such capital (at section (b) below), as required to be disclosed pursuant to Sections 53 and 64 of the Companies Act, 1990 or as required to be shown in the register referred to in Section 59 of the Companies Act, 1990 and, as far as the Company and the Directors are aware, having made due and proper enquiry, the interests of any persons connected (within the meaning of Section 26 of the Companies Act, 1990) with a Director, were as set out below. The percentages of the Enlarged Issued Ordinary Share Capital represented by the Directors' and the Secretary's interests, subject to the stated assumptions are also set out below:

<i>Name of Director</i>	<i>Number of Ordinary Shares</i>	<i>% of Existing Issued Ordinary Share Capital</i>	<i>Entitlement to Open Offer Shares*</i>	<i>% of Enlarged Issued Ordinary Share Capital**</i>	<i>Number of New Warrants**</i>
C. Carvill	5,715,657	1.98	2,751,983	1.32	687,995
D. Kinsella	741,938	0.26	357,229	0.17	89,307
A. Brown	99,270	0.04	47,796	0.02	11,949
M. Carvill	1,577,714	0.55	759,640	0.36	189,910
I. Egan	225,000	0.08	108,333	0.05	27,083
S. Farrell	466,333	0.16	224,530	0.11	56,132
T. Fitzpatrick	25,613	0.01	12,332	0.006	3,083
T. McCluskey	22,680	0.01	10,920	0.005	2,730
P. McAleer	—	—	—	—	—
D. Corcoran (Secretary)	—	—	—	—	—

* being the maximum entitlement of each of the Directors and the Secretary to subscribe for Open Offer Shares. As at 11 June, 2004 the Directors having an interest in the capital of the Company, had not finally determined whether or to what extent they would participate in the Open Offer;

** assumes Directors subscribe for their maximum entitlements under the Open Offer.

(b) Share Options and Warrants (other than New Warrants)

- (i) Options over new Ordinary Shares, granted for a nominal consideration of €6.35 and in accordance with the rules of the Share Option Scheme, are held as follows:

<i>Name of Director</i>	<i>Number of Share Options</i>	<i>Average Option Exercise Price</i>	<i>Price Range</i>	
			<i>from</i>	<i>to</i>
C. Carvill	2,196,629	20c	6c	32c
D. Kinsella	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.

In addition, C. Carvill holds Warrants over 800,000 Ordinary Shares at an average exercise price of 17c per share; M. Carvill holds Warrants over 160,000 Ordinary Shares at an average exercise price of 21c per share and A. Brown holds Warrants over 40,000 Ordinary Shares at an average exercise price of 21c per share.

Save as set out in this section 5, no Director has any interests whether beneficial or non-beneficial in the share capital of the Company or any of its subsidiaries.

6. Directors' Interests in Transactions

No Director has or had any interest in any transaction, which is or was unusual in its nature or conditions or significant to the business of the Company and its subsidiaries and which:

- (a) was effected by the Company during the current or immediately preceding financial year; or
- (b) was effected by the Company during an earlier financial year and remains in any respect outstanding or unperformed.

As at the date of this document, there are no outstanding loans granted by any member of the Group to any of the Directors, nor are there any guarantees provided by any member of the Group for their benefit.

7. Directors' Service Contracts

There are no existing or proposed Directors' Service Contracts (as that term is defined in the Listing Rules) between a member of the Group and any Director. The following terms and conditions of employment of each of the following Directors are contained in memoranda agreed between the Company and each such Director.

- (a) With effect from 1 September, 2002 Mr Michael Carvill, Managing Director, receives a total benefits package of €210,461 per annum from the Company. The notice period in respect of his employment by the Company is two years. Part of Mr Carvill's remuneration is paid on a consultancy basis to a Northern Irish based company, namely Vico Development Limited. The consultancy fee payable under the consultancy agreement in place is €5,262 per month. This consultancy fee is included in, and is part of the €210,461 paid to Mr Carvill per annum. Mr Carvill has also received Share Options from time to time.
- (b) With effect from 1 September, 2002 Mr Tony McCluskey, Finance Director, receives a total benefits package of €140,625 per annum from the Company. The notice period in respect of Mr McCluskey's employment by the Company is two years. Mr McCluskey has also received Share Options from time to time.
- (c) With effect from 1 September, 2002 Dr Alastair Brown, Exploration Director, receives a total benefits package of €127,928 per annum from the Company. The notice period in respect of Dr. Brown's employment by the Company is two years. Dr. Brown has also received Share Options from time to time.

Non-Executive Directors

Mr Ian Egan, a non-executive Director, is employed by Kenmare on a consultancy basis in relation to certain marketing work performed by him for the Company. The consultancy fee payable to him is in the amount of €50,790 per annum.

Mr Peter McAleer, a non-executive Director, receives payment for consultancy services provided to the Company from time to time.

None of Messrs. Charles Carvill, Simon Farrell, Terence Fitzpatrick or Donal Kinsella, each of whom is a non-executive Director of the Company, receives a salary or other benefit, save for their receipt of Options from time to time. Messrs. Ian Egan and Peter McAleer may also receive Options from time to time. Save as set out herein, the non-executive Directors do not receive any remuneration or other benefit.

8. Share Capital

(a) *Authorised and Issued Share Capital*

The following table shows the authorised, issued and fully paid share capital of the Company as at the date of this document and as it will be subject to the stated assumptions:

	<i>Authorised</i>		<i>Issued and Fully Paid</i>	
	<i>€</i>	<i>Number</i>	<i>€</i>	<i>Number</i>
As at the date of this document				
Ordinary Shares of €0.06 each	24,000,000	400,000,000	17,305,147.38	288,419,123
Deferred Shares of €0.25 each	25,000,000	100,000,000	12,007,866.75	48,031,467
Following completion*				
Ordinary Shares of €0.06 each	48,000,000	800,000,000	38,553,253.20	642,554,220
Deferred Shares of €0.25 each	25,000,000	100,000,000	12,007,866.75	48,031,467

* assumes the approval of all of the Resolutions at the EGM and that, the Lender Shares are duly issued (estimated 22,666,875 Lender Shares), the Placing is completed and the Open Offer Shares are either fully subscribed for, or where less than fully subscribed for, that the remaining new Ordinary Shares are placed pursuant to the terms of the Placing Agreement.

The Deferred Shares were created in 1991 by subdividing each existing ordinary share of IR25p into one Deferred Share of IR20p and one new ordinary share of IR20p. The Deferred Shares, which were subsequently redenominated and renominialised from IR20p to €0.25, are non-voting and carry no dividend rights. The Company may purchase any or all of these shares at a price not exceeding 1c for all the Deferred Shares so purchased.

- (b) The Ordinary Shares are listed on the main markets of the Irish Stock Exchange and the London Stock Exchange. Application has been made to the Irish Stock Exchange and the UK Listing Authority for the New Ordinary Shares to be admitted to the Official Lists and application has been made to the Irish Stock Exchange and the London Stock Exchange for the New Ordinary Shares to be admitted to their respective main markets for listed securities.
- (c) In the three years preceding the date of this document Kenmare issued the following share capital:
- (i) On 5 April, 2001 the Company issued 40,000 Ordinary Shares pursuant to the exercise of Warrants at a subscription price of Stg13.5p;
 - (ii) On 18 April, 2001 the Company issued 80,000 Ordinary Shares pursuant to the exercise of Share Options at a subscription price of €0.07 each;
 - (iii) On 3 May, 2001 the Company issued 75,000 Ordinary Shares pursuant to the exercise of Warrants at a subscription price of Stg13.5p;
 - (iv) On 6 July, 2001 the Company issued 480,000 Ordinary Shares pursuant to the exercise of Warrants at a subscription price of Stg13.5p;
 - (v) On 18 July, 2001 the Company issued 88,850 Ordinary Shares pursuant to the exercise of Warrants at a subscription price of Stg13.5p;
 - (vi) On 6 August, 2001 the Company issued 149,962 Ordinary Shares pursuant to the exercise of Share Options of which 41,629 shares were issued at a subscription price of €0.064; 100,000 shares at a price of €0.067 per share and 8,333 shares at a price of €0.076 per share;
 - (vii) On 3 May, 2002, the Company issued 70,769,083 Ordinary Shares pursuant to a placing and open offer. Of these, 56,950,000 Ordinary Shares were placed at a subscription price of Stg14p per share, 6,169,083 Ordinary Shares were issued at a subscription price of Stg14p per share and 7,650,000 Ordinary Shares were placed at a subscription price of Stg15.6p per share;
 - (viii) On 20 May, 2002, the Company issued 140,000 Ordinary Shares pursuant to the exercise of Warrants at a subscription price of Stg9p;
 - (ix) On 14 June, 2002, the Company issued 250,000 Ordinary Shares pursuant to the exercise of Warrants at a subscription price of Stg9p;

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- (x) On 12 September, 2003, the Company issued 25,125,000 Ordinary Shares pursuant to a placing at a subscription price of Stg16p per share. As part of the placing, the Company also agreed to grant warrants to the placees on the basis of 1 warrant for every 2 Ordinary Shares subscribed for in the placing (i.e. 12,562,500 September, 2003 Warrants). Authority to facilitate the granting of these September, 2003 Warrants is being sought at the EGM;
 - (xi) On 30 September, 2003, the Company issued 150,000 Ordinary Shares pursuant to the exercise of Warrants at a subscription price of Stg9p and 120,000 Ordinary Shares pursuant to the exercise of Options at an exercise price of €0.0667 per share;
 - (xii) On 8 October, 2003, the Company issued 40,000 Ordinary Shares pursuant to the exercise of Warrants at a subscription price of Stg13.5p.
 - (xiii) On 15 April, 2004 the Company issued 150,000 Ordinary Shares pursuant to the exercise of Warrants at a subscription price of Stg9p.
- (d) At the Annual General Meeting of Kenmare, held on 23 May, 2001, the Company's Irish pound denominated share capital was re-denominated and re-nominalised into euro. The authorised and issued ordinary shares of nominal value IR5p each were re-denominated and re-nominalised to Ordinary Shares of nominal value €0.06 each. The authorised and issued Deferred Shares of nominal value IR20p each were re-denominated and re-nominalised to Deferred Shares of nominal value €0.25 each.
 - (e) At a general meeting, held on 7 December, 2001, of the holders of Warrants over Ordinary Shares issued in accordance with the Warrant Instrument dated 8 December, 1997, the period within which these Warrants could be exercised was extended from 8 December, 2001 to 8 December, 2003. At the date of this meeting there was a total of 1,788,000 such Warrants outstanding. At a further general meeting of these Warranholders, held on 3 December, 2003, the period within which these Warrants could be exercised was again extended from 8 December, 2003 to 8 December, 2005. At the date of this meeting there was a total of 1,748,000 such Warrants outstanding.
 - (f) At a general meeting held on 30 October, 2002, of the holders of outstanding Warrants over Ordinary Shares issued in accordance with the Warrant Instrument dated December 1999/January 2000, the period within which these Warrants could be exercised was extended from 31 December, 2002 to 31 December, 2004. At the date of the meeting there was a total of 10,018,000 such Warrants outstanding.
 - (g) At the Extraordinary General Meeting of Kenmare, convened for 14 July, 2004, Resolutions will be proposed, *inter alia* to grant authority to the Directors to issue and allot new Ordinary Shares, pursuant to the Placing, the Open Offer, the Supplemental Placing, to facilitate the issue and allotment of the Lender Shares and the Conversion Shares, to facilitate the grant of the September, 2003 Warrants and of the New Warrants and the issue and allotment of new Ordinary Shares pursuant to the exercise thereof, and up to a maximum aggregate nominal value of 10% of the issued share capital of the Company from time to time, as if section 23 of the Companies (Amendment) Act 1983 of Ireland did not apply, such authorities to be exercisable for the periods set out in the Resolutions.
 - (h) Save as disclosed in this section 8 and in sections 14(e), 14(f) and 14(g) of this Part VI, no share or loan capital of the Company or its subsidiaries have, within the three years preceding the date of this document, been issued or are proposed to be issued for cash or other consideration and, no commissions, discounts, brokerage or other special terms have been granted by the Company or any of its subsidiaries in connection with any such issue or sale.
 - (i) The Company does not hold any treasury shares.

9. Substantial Shareholders

As at 11 June, 2004, (being the latest practicable date prior to the publication of this document), the names of persons, other than Directors who, directly or indirectly were interested in 3% or more of the Existing Issued Ordinary Share Capital, of which the Directors are aware are as set out below. The percentage of the Enlarged Issued Ordinary Share Capital in which these persons will, subject to the assumptions stated below, be interested following the completion of the Placing and Open Offer and the issue of the Lender Shares is also set out below:

	<i>Number of Ordinary Shares</i>	<i>% of Existing Issued Ordinary Share Capital</i>	<i>Entitlement to Open Offer Shares*</i>	<i>% of Enlarged Issued Ordinary Share Capital**</i>	<i>Number of New Warrants**</i>
Clydesdale Bank	28,750,000	9.98	13,842,592	6.63	3,460,648
State Street Nominees Limited	22,800,000	7.90	10,977,777	5.26	2,744,444
Morstan Nominees Limited	12,490,000	4.33	6,013,703	2.88	1,503,425
HSBC Global Custody Nominee (UK) Limited	10,886,775	3.78	5,241,780	2.51	1,310,445
BNY (OCS) Nominees Limited	10,521,625	3.65	5,065,967	2.43	1,266,491

* the maximum entitlement of each of the Shareholders for Open Offer Shares assuming that all such Shareholders are also Qualifying Shareholders;

** assumes these Shareholders subscribe for their maximum entitlements under the Open Offer.

Save as disclosed in this section 9, the Company is not aware of any persons who directly or indirectly, are, or will be, interested in 3% or more of the Existing Issued Ordinary Share Capital or of the Enlarged Issued Ordinary Share Capital, and is not aware of any person or persons who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

10. Share Option Scheme

Kenmare established a share option scheme by a resolution of the Directors and by a special resolution of the members of the Company both of which resolutions were passed on 12 June, 1987. The purpose of the Share Option Scheme is to provide for the granting of Share Options to key personnel and Directors of the Company and its subsidiaries and associated companies as those terms are defined in the rules of the Scheme.

- (a) The Scheme is administered by the Board who are empowered to grant Share Options in accordance with the rules of the Scheme. The Scheme is available to Directors or members of management of the Company or any subsidiary or associated company (as defined) whether officers or employees, or other person who play significant part in the management or development of the Company and such person shall be nominated by the Board. For this purpose the Board shall have absolute discretion as to eligibility for participation in the Share Option Scheme.
- (b) The exercise price of options is under no circumstances to be less than the nominal value of the shares over which the Option is granted. If the Option is granted at market value the market value is the market value of the shares on the day prior to the date of grant of the Option. Upon the exercise of an Option the participant pays the option price to the Company and the appropriate shares are then issued to the participant.
- (c) Unless otherwise determined by the Board an Option shall not be capable of being exercised later than 7 years after the granting of the Option. No Option shall be exercisable after the participant shall cease to hold the office or employment by virtue of which he or she is eligible to participate in the Scheme.
- (d) Options in respect of Ordinary Shares only are granted under the Scheme. The aggregate nominal value of Ordinary Shares issued under the Scheme shall not exceed 10% of the aggregate nominal value of the total issued share capital of the Company from time to time.

At 11 June, 2004 (being the latest practicable date prior to the publication of this document), there were unexercised Options in issue that had been granted under the Share Option Scheme to persons (other than Directors) to subscribe for a total of 4,955,000 Ordinary Shares, exercisable at an average price of €0.22 per Ordinary Share. The earliest and latest exercise dates of these Options is September, 2004 and November, 2010 respectively.

11. Warrant Instrument

Set out below is a summary of the principal terms of the Warrant Instruments and details of the Warrants in issue. This does not include the New Warrants, details of which are set out in section (B) of Part II of this document.

As at 11 June, 2004 (the latest practicable date prior to the publication of this document), there were 10,591,800 Warrants outstanding, of which 1,748,000 carry subscription rights for Ordinary Shares at Stg13.5p per share and were issued in accordance with the terms of the Warrant Instrument dated 8 December, 1997. These Warrants had an exercise period between 8 December, 1997 and 8 December, 2001. At a general meeting held on 7 December, 2001, this exercise period was extended to 8 December, 2003. At a further general meeting held on 3 December, 2003, this exercise period was extended to 8 December, 2005. The remaining 8,843,800 Warrants carry subscription rights for Ordinary Shares at Stg9p per share issued in accordance with the terms of the Warrant Instrument dated 31 December, 2000. These Warrants had an exercise period between 31 December, 2000 and 31 December, 2002. At a general meeting held on 30 October, 2002, the exercise period was extended to 31 December, 2004.

12,562,500 September, 2003 Warrants are agreed to be issued to participants in the September, 2003 Placing. These September, 2003 Warrants (issue of which is conditional on the approval of Resolution 4) will have an exercise period of two years from the date of issue and will carry subscription rights for Ordinary Shares at Stg18p per share.

Ordinary Shares to be issued pursuant to the exercise of the subscription rights shall be allotted not less than ten business days after such exercise and certificates in respect of such shares shall be despatched not less than ten days after such exercise. Such shares shall rank *pari passu* with the Ordinary Shares in issue at that time save in respect of dividends on other distributions for which the record date is a date prior to the exercise of the subscription rights. The Warrants are freely transferable and have no rights on liquidation. If on a date (or by reference to a record date) on or before the expiry of the Warrant option period, the Company shall effect any capitalisation issue (other than shares paid up out of distributable reserves and issued in lieu of a cash dividend) or any sub-division, consolidation or reduction of its capital, the number and/or nominal value of option shares which remain the subject of the option and/or the subscription price shall be adjusted in such manner as the auditors of the Company (acting as experts not arbitrators) shall determine at the expense of the Company so as to maintain the same relative rights as regards the exercise of the option by the Warrantholder. Any such adjustment shall become effective as at the record date of any such event. The Company shall give notice to the Warrantholder within 30 days of any adjustment made pursuant to this paragraph and, if appropriate, dispatch a new Warrant certificate to the Warrantholder. If, on a date (or by reference to a record date) on or before the expiry of the option period, an offer is made to all holders of shares in the Company (or all such Shareholders other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with the offeror) to acquire the whole or any part of the issued ordinary share capital of the Company, the Company shall use all reasonable endeavours to procure that the offeror and/or persons aforesaid shall offer to acquire the option on terms equivalent to the offer taking account of the aggregate subscription price payable upon exercise of the option or the unexercised part of the option (as the case may be). If, on a date (or by reference to a record date) on or before the expiry of the option period, the Company or any person acting on its behalf makes an offer or invitation (whether by rights issue or otherwise) to the holders of the Ordinary Shares of the Company, regarding the subscription of share subscription monies to the Company, then the Company shall procure that at the same time the same offer or invitation is made to the Warrantholder as if the option had been exercised in full on the day immediately preceding the date, or, as the case may be, the record date of such offer or invitation.

All or any of the rights for the time being attached to the option may from time to time (whether or not the Company is being wound up) be altered or abrogated with the consent of the Company (acting by its Board) and the sanction of any special resolution passed at a separate meeting of the Warrantholders. To any such separate meeting all the provisions of the Articles of Association for the time being of the Company as to general meetings of the Company shall *mutatis mutandis* apply as though the option was a class of shares forming part of the capital of the Company but so that (a) the necessary quorum shall be the holders (present in person or by proxy) entitled to acquire one-third of the Ordinary Shares attributable to all the wholly or partly unexercised Warrants, (b) every Warrantholder present in person at any such meeting shall be entitled on a show of hands to one vote and every such holder present in person or by proxy at any such meeting shall be entitled on a poll to one vote for every ordinary share for which such holder is then entitled to subscribe, (c) any Warrantholder present in person or by proxy

may demand or join in demanding a poll, and (d) if at any meeting of the Warrantholders a quorum is not present, the meeting shall stand adjourned to the same location at the same time seven days later and at any such adjourned separate meeting of such Warrantholders a quorum as above defined is not present, those Warrantholders who are present in person or by proxy shall be a quorum.

Under the terms of the Warrant Instruments, a copy thereof is kept at all times at the offices of the Company and is available for inspection by any Warrantholder or any person authorised in writing by a Warrantholder.

12. Memorandum and Articles of Association

The principal object of the Company as set out in clause 3(i) of its Memorandum is “to prospect, explore and further the search for development, production, transport, refining, acquisition and sale in Ireland or elsewhere and whether on land or sea of solid, liquid and gaseous hydrocarbons and other minerals and their products and by-products”. A full description of the objects of the Company is set out in clause 3 of the Memorandum which is available for inspection as provided in section 25 of this Part VI.

The Articles, contain *inter alia*, provisions to the following effect;

(i) Votes of Members

Subject to any rights or any restrictions for the time being attached to any class or classes of shares, on a show of hands every member present in person shall have one vote, but so that no one member shall on a show of hands have more than one vote in respect of the aggregate number of shares of which he is the holder, and on a poll every member who is present in person or by proxy shall have one vote for each share of which he is the holder.

(aa) No member shall be entitled to vote at any general meeting unless all calls or other sums immediately payable by him in respect of shares in the Company have been paid.

(bb) Votes can be given either personally by members or by proxy.

The holders of Deferred Shares shall not have the right to attend, speak or vote at general meetings of the Company.

(ii) Variation of Rights

(aa) Any share in the Company may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise, as the Company may from time to time by ordinary resolution determine.

(bb) If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided in the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied or abrogated with the consent and writing of the holders of three-fourths of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles of Association relating to general meetings shall apply but so that the necessary quorum shall be 2 persons at least holding or representing by proxy one-third of the issued shares of the class. If at any adjourned meeting of such holders a quorum as above defined is not present, those members who are present in person or by proxy shall be deemed to be a quorum. Any holder of shares of the class present in person or by proxy may demand a poll.

(cc) The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Dividends

(aa) The Company in general meeting may declare dividends, but no dividends shall exceed the amount recommended by the Directors. The Directors may from time to time pay to the members such interim dividends as appear to the Directors to be justified by the profits of the Company. No dividends shall be paid otherwise than out of profits. No dividends shall bear interest against the Company.

The holders of Deferred Shares shall not have the right to receive any dividend or distribution in respect thereof.

- (bb) The Directors may deduct from any dividend payable to any member all sums of money (if any) immediately payable by such member to the Company on account of calls or otherwise in relation to the shares of the Company.
- (cc) Subject to the rights of persons, if any, entitled to shares with special rights as to dividend, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect whereof the dividend is paid, but no amount paid or credited as paid on a share in advance of calls shall be treated as paid on the share. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date, such share shall rank for dividend accordingly.

(iv) *Transfer of Shares*

Any member may transfer all or any of his shares by instrument in writing in any usual or common form or any other form which the Directors may approve from time to time. The instrument of the transfer must be:

- (aa) Signed by or on behalf of the transferor, fully paid, and, if partly paid, also by or on behalf of the transferee.
- (bb) Accompanied by the certificate of the shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer.
- (cc) In respect of one class of share only.

The registration of transfers may be suspended at such times and for such periods, not exceeding in the whole 30 days in each year, as the Directors may from time to time determine. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. If the Directors refuse to register a transfer they shall, within two months after the date on which the transfer was lodged with the Company, send to the transferee notice of the refusal.

(v) *Winding Up*

If the Company is wound up the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Companies Acts 1963 to 1999, divide among the members in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any shares or other securities whereon there is any liability.

The Deferred Shares shall on a return of assets in a winding-up entitle the holder only to the repayment on the amounts paid on such shares after repayment of the capital paid up on the Ordinary Shares plus the payment of €12,697 per Ordinary Share.

(vi) *Alteration of Share Capital*

- (aa) The Company may from time to time by ordinary resolution increase the share capital by such sum, to be divided into shares of such amount, as the resolution shall prescribe.
- (bb) The Company may by ordinary resolution:
 - (i) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
 - (ii) sub-divide its existing shares, or any of them, into shares of smaller amount than is fixed by the Memorandum of Association subject, nevertheless, to Section 68(1)(d) of the Companies Act 1963; and

(iii) cancel any shares which, at the date of passing of the resolution, have not been taken or agreed to be taken by any person.

(cc) The Company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account in any manner and with and subject to any consent required by law, and the further consent set out in the Articles.

(vii) *Unclaimed Dividends*

All dividends unclaimed for a period of 12 years after having been declared shall be forfeited and shall revert to the Company.

(viii) *Directors*

The number of Directors shall be not less than two. There is no share qualification for Directors however the Company in general meeting may fix such a qualification from time to time. Directors who are not members of the Company are entitled to attend at and speak at general meetings. The Directors are entitled to be remunerated and such remuneration shall be determined from time to time by an ordinary resolution of the Company. The Directors are entitled to appoint attorneys to do any acts on their behalf. The Directors are also entitled to appoint alternates in their place, where such alternates are approved by a majority of the other Directors. The Articles contain a list of events which may lead to the disqualification of a Director. One-third of the Directors (not including the managing Director or a Director holding an executive office in the Company) must retire from office at each annual general meeting. The Director(s) to retire at each annual general meeting will be the Directors who have been longest in office. Retiring Directors are eligible for re-appointment immediately after they have resigned. The Company may at a meeting at which a Director retires fill the vacated office by appointing a person thereto, and in default the retiring Director (if he is willing) is deemed to have been re-appointed. Unless recommended by the Board no person other than a Director retiring at the meeting shall be eligible for appointment to the office of Director at a general meeting unless within seven days (and not more than forty two) before the day of the meeting, notice in writing signed by the person to be appointed is given to the Company.

(ix) *Borrowing Powers*

Subject to Part III of the Companies (Amendment) Act, 1983 the Directors may exercise all the powers of the Company to borrow money, and to mortgage or charge its undertaking, property, assets and uncalled capital or any part thereof and to issue debentures, debenture stock and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(x) *Indemnity of Officers*

Every Director, managing director, agent, auditor, Secretary and other officer for the time being of the Company shall be indemnified out of the assets of the Company against any liability incurred by him in defending any proceedings, whether civil or criminal, in relation to his acts while acting in such office, in which judgement is given in his favour or in which he is acquitted or in connection with any application under section 391 of the Act in which relief is granted to him by the court.

(xi) *Disclosure of Interests*

A Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company shall declare the nature of his interest at a meeting of the Directors in accordance with Section 194 of the Act.

Save as provided in the Articles, a Director shall not vote in respect of any contract or arrangement or any other proposal whatsoever in which he has an interest which is a material interest otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

A Director shall (in the absence of some other material interest than is indicated in the Articles and reproduced below) be entitled to vote (and be counted in the quorum) in respect of any resolutions concerning any of the following matters, namely:

(aa) The giving of any security or indemnity to him in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries.

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- (bb) The giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security.
- (cc) Any proposal concerning an offer of the shares or debentures or other securities of or by the Company for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting thereof.
- (dd) Any proposal concerning any other company in which he is interested, directly or indirectly and whether as an officer or shareholder or otherwise howsoever, provided that he is not the holder of or beneficially interested in 1 per cent or more of the issued shares of any class of the equity share capital of such company (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant companies (any such interest being deemed for the purpose of the Articles to be a material interest in all circumstances).
- (ee) Any proposal concerning the adoption, modification or operation of a superannuation fund or retirement benefits scheme under which he may benefit and which has been approved by or is subject to and conditional upon approval by the Revenue Commissioners for taxation purposes.

13. Taxation

The following summary, which is intended as a general guide only, outlines certain aspects of legislation and Revenue practice in Ireland and the United Kingdom regarding the ownership and disposition of Ordinary Shares. It relates only to the position of Shareholders who are resident or ordinarily resident in Ireland or the United Kingdom for tax purposes and who hold Ordinary Shares as capital assets and not for the purpose of a trade. This summary does not address the position of certain classes of Shareholders such as dealers in securities, to whom special rules apply. This summary is not exhaustive and Shareholders are advised to consult their own tax advisers as to the taxation consequences of their purchase, ownership and disposition of Ordinary Shares. The summary is based on current Irish and United Kingdom tax legislation and on the current Double Taxation Agreement between Ireland and the United Kingdom. Shareholders should be aware that future legislative, administrative and judicial changes could affect the taxation consequences described below.

Shareholders who are not resident in Ireland or the United Kingdom should consult their own tax advisers concerning the tax liabilities in their own jurisdiction.

(a) Irish Withholding Tax

Dividends paid by the Company will generally be subject to Irish withholding tax at the standard rate of income tax (currently 20%). Withholding tax may not apply where an exemption is permitted by legislation and where the Company has received all necessary documentation prior to the payment of the dividend. Where applicable, Irish withholding tax will be withheld by the Company. Withholding tax may not apply on dividend payments to:

- a pension scheme, as defined, approved by the Irish Revenue Commissioners; a collective investment undertaking, as defined, a charity approved by the Irish Revenue Commissioners; a company resident for tax purposes in the Republic of Ireland; or a qualifying share ownership trust;
- an individual who is not resident or ordinarily resident in the Republic of Ireland and who is resident in another EU Member State or in a territory with which the Republic of Ireland has a double taxation treaty (“a treaty country”);
- a company resident in another EU Member State, or a country with which Ireland has concluded a double taxation treaty (“a treaty country”), which is not under the control of Irish residents;
- a company not resident in Ireland which is under the control of persons who are resident in another EU Member State, or a treaty country, and who are not under the control of Irish residents; and
- a company not resident in Ireland, the principal class of the shares of which is substantially and regularly traded on a recognised stock exchange in another EU Member State or a treaty country, or, where the company is a 75% or greater subsidiary of another company or is wholly owned by two or more companies, the principal class of the shares of each of those other companies is so traded.

In these cases, declarations in the prescribed form and other evidence required by the legislation must be provided to establish entitlement to the exemption.

(b) Taxation of Dividends

(i) Taxation of Irish Resident Shareholders

Irish resident Shareholders who are individuals will be subject to income tax and levies on the aggregate of the net dividend received and the withholding tax deducted. The withholding tax deducted will be available for offset against the individual's income tax liability. A Shareholder may claim to have the withholding tax refunded to him to the extent it exceeds his income tax liability.

An Irish resident Shareholder which is a company will not be subject to Irish corporation tax on dividends received from the Company and tax will not be withheld at source by the Company provided the appropriate declaration is made. A company which is a close company, as defined under Irish legislation, may be subject to a corporation tax surcharge on such dividend income to the extent that it is not distributed.

Shareholders who are Irish approved pension funds or Irish approved charities will not have tax withheld at source by the Company from dividends received provided the appropriate declaration is made.

(ii) Taxation of United Kingdom Resident Shareholders

United Kingdom resident Shareholders who are individuals or which are companies controlling (either alone or together with one or more associated companies) directly or indirectly less than 10% of the voting power of the Company, will be subject to income tax and corporation tax respectively in the United Kingdom on dividends received from the company. United Kingdom resident Shareholders who suffer Irish withholding tax may be able to claim relief in the United Kingdom for double taxation under the terms of the Double Taxation Agreement.

A United Kingdom resident Shareholder which is a company controlling (either alone or together with one or more associated companies) directly or indirectly 10% or more of the voting power of the Company will be liable to United Kingdom corporation tax on the aggregate of the dividend and the underlying Irish corporation tax. The underlying Irish corporation tax may be available for set off against the United Kingdom corporation tax liability on the aggregate amount.

A United Kingdom resident Shareholder which is not subject to tax in the United Kingdom by reason of the United Kingdom law affording relief to charities and certain superannuation schemes or to insurance companies in respect of their pension business should not be subject to tax in the United Kingdom on a dividend received from the Company.

(c) Capital Gains Tax

The Company's Ordinary Shares constitute chargeable assets for Irish capital gains tax purposes and, accordingly, Shareholders who are resident or ordinarily resident in Ireland, depending on their circumstances, may be liable to Irish tax on capital gains on a disposal of Ordinary Shares. A Shareholder who is neither resident nor ordinarily resident in Ireland should not be liable to Irish capital gains tax on a disposal of Ordinary Shares. Anti-avoidance legislation may apply in the case of temporary non-residents.

A disposal of Ordinary Shares by a Shareholder who is resident or ordinarily resident in the United Kingdom will constitute a disposal for the purposes of United Kingdom tax on capital gains and, accordingly, may give rise to a liability depending on the Shareholder's circumstances.

(d) Stamp Duty

Irish stamp duty will be charged at the rate of 1 for every 100 (or part thereof) of the amount or value of the consideration on any conveyance or transfer on sale or voluntary disposition of Ordinary Shares. In relation to a conveyance or transfer on sale or voluntary disposition of Ordinary Shares under the CREST System, Irish stamp duty at the rate of 1% will be payable on the amount or value of the consideration.

United Kingdom stamp duty should be payable by a transferee at a rate of Stg£0.50 per Stg£100 (or part thereof) of the amount or value of the consideration paid on a transfer of Ordinary Shares executed within the United Kingdom with the balance of duty due under Irish stamp duty legislation being payable

to the Irish Revenue Commissioners. This reflects an arrangement in force between the Irish and United Kingdom authorities whereby each recognises and gives credit for stamp duty paid in the other jurisdiction.

(e) Close Company Status

The Company is not a close company for the purposes of Part 13 of the Taxes Consolidation Act 1997

14. Material Contracts

The following is a summary of all the material contracts (not being contracts entered into in the ordinary course of business), which have been entered into by members of the Group within the three years immediately preceding the publication of this document, or contracts (not being contracts entered into in the ordinary course of business) entered into by members of the Group which contain any provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document:

- (a) the Common Terms Agreement, details of which are set out in sub-section (a) of section B of Part IV of this document;
- (b) the Senior and Subordinated Loan Agreements, details of which are set out in sub-section (a) of section B of Part IV of this document;
- (c) the Completion Agreement, details of which are set out in sub-section (b) of section B of Part IV of this document;
- (d) the EPC Contract, details of which are set out in sub-section (b) of section A of Part IV of this document;
- (e) on 17 June, 2004, Kenmare entered into a placing agreement with Canaccord in respect of the remainder of the Placing and the Open Offer pursuant to which Canaccord agreed to use its reasonable endeavours to procure subscribers for approximately 331,468,222 Ordinary Shares at a price of Stg16p per share (every 4 of such Ordinary Shares carrying an entitlement on subscription to 1 New Warrant), 187,500,000 Ordinary Shares would be placed firm and the balance would be such number of securities as would, together with the Placing and, the Open Offer, raise in aggregate Stg£53 million (or such lesser amount, net of expenses, as may be necessary to meet the Lenders condition precedent for drawdown on the Loans that at least US\$79 million of equity be deposited in special accounts) (and in the case of this Supplemental Placing, the timing within which such subscribers would be procured would be no later than 15 July, 2004 or if later in any event prior to the Long Stop Date, and the basis on which Canaccord has agreed to seek to procure subscribers is best endeavours). The agreement is conditional, *inter alia*, upon the relevant Resolutions being passed at the EGM, the Loan Agreements being entered into (which has already occurred), not less than in aggregate Stg£53 million (or such lesser amount, net of expenses, as may be necessary to meet the Lenders condition precedent for drawdown on the Loans that at least US\$79 million of equity be deposited in special accounts) and the Irish Stock Exchange and the UK Listing Authority admitting the Placing Shares, the Open Offer Shares, and in each case the related New Warrants, to the Official Lists and the Irish Stock Exchange and the London Stock Exchange admitting the Placing Shares, the Open Offer Shares, and in each case the related New Warrants, to trading on their respective main markets and such admission becoming effective on or prior to 15 July, 2004 and 23 July, 2004 respectively, or such later date as may be agreed between the parties being not later than 9.30 a.m. on 1 October, 2004. The Company has given certain customary warranties and indemnities in favour of Canaccord including warranties in relation to accounts, working capital, tax and litigation. The Executive Directors are party to the agreement, at the request of Canaccord, primarily to ensure compliance by the Company with its obligations. Canaccord has the right up until the time of the Admission to terminate the agreement, in its absolute discretion, in certain circumstances, including in the event of a breach of warranties under the agreement. The Company has agreed to pay all of the costs, charges and expenses of or incidental to the Placing, including the commissions of 6.25% on the value of the Placing Shares at the Issue Price and on the value of any securities issued pursuant to the Supplemental Placing at the relevant issue price to Canaccord and a corporate finance fee to Canaccord of Stg£100,000 together with VAT, if applicable. In addition the Company has agreed to grant Canaccord an option to subscribe for such number of Ordinary Shares as is equal to, in aggregate 5% of the Placing Shares at an exercise price equal to the Issue Price and an option to subscribe for such number of Ordinary Shares as is equal to in aggregate 5% of the

value of the securities placed under the Supplemental Placing at an exercise price equal to the issue price of such securities. The options will be exercisable, at any time, in whole or in part, during the period from the latest date of Admission of the Placing Shares to the first anniversary of admission of the Placing Shares to the Official Lists and to trading on the Irish Stock Exchange's and the London Stock Exchange's respective main markets for listed securities. All Ordinary Shares allotted pursuant to the exercise of these options will, on issue, rank *pari passu* in all respects with the then issued Ordinary Shares with regard to dividend entitlements, interests and all other rights and obligations attaching to the then issued Ordinary Shares. It is a term of the Placing Agreement that the Company will at all times keep available sufficient authorised and unissued ordinary share capital, and ensure that all necessary authorities and powers are and remain in place to satisfy the exercise in full of these options, taking account of any other obligations of the Company to issue Ordinary Shares.

- (f) on 12 September, 2003, Kenmare entered into a placing agreement with Canaccord pursuant to which Canaccord agreed to use its reasonable endeavours to procure subscribers for up to 25,125,000 Ordinary Shares ("September Shares") at a price of Stg16p per share ("the Price"). The agreement was conditional, *inter alia*, upon the Irish Stock Exchange and the UK Listing Authority admitting the September Shares to the Official Lists and the Irish Stock Exchange and the London Stock Exchange admitting the September Shares to trading on their respective main markets ("September Admission") and such September Admission becoming effective on or prior to 9.30 a.m. 17 September, 2003, or such later date as was agreed between the parties being not later than 9.30 a.m. on 30 September, 2003. The Company gave certain customary warranties and indemnities in favour of Canaccord including warranties in relation to accounts, working capital, tax and litigation. Canaccord had the right up until the time of the September Admission to terminate the agreement, in its absolute discretion, in certain circumstances, including in the event of a breach of warranties under the agreement. The Company agreed to pay all of the costs, charges and expenses of or incidental to the placing under this agreement, including the following fees and commissions to Canaccord together with VAT, if applicable:
- (i) a corporate advisory fee of Stg£25,000; and
 - (ii) a commission of 6.25% on the value of the September Shares placed at the Price.
- (g) On 11 April, 2002, Kenmare entered into a placing agreement with Canaccord, Michael Carvill, Alastair Brown and Tony McCluskey ("the Executive Directors") pursuant to which Canaccord agreed to use its reasonable endeavours to procure subscribers for up to 56,950,000 Ordinary Shares ("April Shares") at a price of Stg14p per share. The agreement was conditional, *inter alia*, upon the passing of certain resolutions at a general meeting of the Company, and upon the Irish Stock Exchange and the UK Listing Authority admitting the April Shares to the Official Lists and the Irish Stock Exchange and the London Stock Exchange admitting the April Shares to trading on their respective main markets ("April Admission") and such April Admission becoming effective on or prior to 7 May, 2002 or such later date as was agreed between the parties being not later than 22 May, 2002. The Company gave certain customary warranties and indemnities in favour of Canaccord including warranties in relation to accounts, working capital, tax and litigation. Canaccord had the right up until the time of the April Admission to terminate the agreement, in its absolute discretion, in certain circumstances, including in the event of a breach of warranties under the agreement. The Company agreed to pay all of the costs, charges and expenses of or incidental to the placing under this agreement, including the following fees and commissions to Canaccord together with VAT, if applicable:
- (i) a fee of Stg£50,000;
 - (ii) a commission of 6.25% on the value of the April Shares placed at the issue price;
 - (iii) a commission of 2% on the value of shares issued pursuant to an open offer conducted at or around the same time as the placing of the April Shares.
- (h) on 21 January, 2002 Kenmare Moma Mining Ltd., a wholly owned subsidiary of the Company, signed a mineral licensing agreement with the Government of Mozambique ("Mineral Licensing Agreement"). This Mineral Licensing Agreement covers an initial period of twenty-five years of mining and is renewable thereafter. It grants Kenmare Moma Mining Ltd. rights over a total area of 43,867 hectares and provides rights which will facilitate the operation of the Mine and protect the

capital investment necessary to create it, including security of tenure, land access, water use rights, employment of personnel and stability provisions for Lenders. The royalty payable under the Mineral Licensing Agreement is 3% of Heavy Mineral Concentrate value. Idemnities provided for under this agreement are customary for an agreement of this nature. The Mineral Licensing Agreement relates to mining in the area covered by the Licence. On 11 December, 2002, this agreement was novated by Kenmare Moma Mining Ltd to KMML.

- (i) on 21 January, 2002 Kenmare Moma Processing Limited, a wholly owned subsidiary of the Company, signed an Implementation Agreement with the Government of Mozambique. This Implementation Agreement governs the operation of an Industrial Free Zone which covers the processing and exporting aspects of the Moma Project. On 11 March, 2003, this agreement was novated from Kenmare Moma Processing Limited to KMPL.

For tax purposes the Moma Project is covered by a mining regime and a processing regime. Both regimes exempt all activities from import duties, export duties and value added tax. Under the Industrial Free Zone regime, no corporation tax is payable and a 1% turnover tax is payable after year six of production. Under the mining regime, a royalty of 3% is payable on the transfer value of the production of Heavy Mineral concentrate from the Moma mining operation to the processing facility. The combined effect of these regimes will result in an extremely low effective rate of tax for the Moma Project.

15. Principal Establishments

The Company's principal establishments are as follows:

<i>Location</i>	<i>Tenure</i>	<i>Approximate Area</i>
Chatham House, Chatham Street, Dublin 2, Ireland.	25 year lease dating from 1990	2,800 sq. feet

16. Subsidiaries

The Company is the ultimate holding company of the following subsidiaries, which are or may be significant to the the Group as a whole:

<i>Subsidiary</i>	<i>Country of Incorporation & Registered Office</i>	<i>Percentage Held</i>
Kenmare UK Company Limited*	Northern Ireland	100%
Kenmare Minerals Company Limited	Republic of Ireland	100%
Kenmare C.I. Limited	Jersey	100%
Congolone Heavy Minerals Limited	Jersey	100%
Grafites de Ancuabe S.A.R.L.	Mozambique	84%
Kenmare Graphite Company Limited	Jersey	100%
Kenmare Moma Mining Limited	Jersey	100%
Kenmare Moma Processing Limited	Jersey	100%
Kenmare Moma Mining (Mauritius) Limited	Mauritius	100%
Kenmare Moma Processing (Mauritius) Limited	Mauritius	100%

The activities of the above subsidiaries, with the exception of those which are dormant (marked with *), are mineral exploration and development

17. Litigation

No member of the Group is or has been engaged in or so far as the Company is aware has pending or threatened by or against it, any legal or arbitration proceedings which may have, or have had during the 12 months immediately preceding the date of this document a significant effect on the Group's financial position.

18. Significant Change

Save for the entrance into the EPC Contract on 7 April, 2004, pursuant to which a conditional contingent obligation to pay the EPC Contract base price was incurred by the Group (such obligation being conditional upon the EPC contract becoming effective, which is itself subject to certain conditions (in

particular completion of Project Financing)), details of which are contained in sub-section (b) of section A of Part IV of this document entitled “*EPC Contract*”, and save for the entrance into the Loan Agreements on 18 June 2004 pursuant to which certain fees became payable to the Lenders and to certain advisers, details of which are contained in the section of Part I of this document entitled “*Working Capital Position of Kenmare*” (and repeated below), there has been no significant change in the financial or trading position of the Group since 31 December, 2003, being the date to which the Group’s preliminary financial statements were prepared and published.

19. Working Capital

The Directors are of the opinion that having regard to existing cash resources, the Kenmare Group does not have sufficient working capital for its present requirements, that is for at least the 12 month period from the date of this document.

Upon signing of the Loan Agreements, certain fees due to the Lenders and certain fees due to advisers, which fees are of the order of in aggregate Stg£5.4 million (US\$9.8 million) became payable. Additionally, a further estimated Stg£2.5 million (US\$4.5 million) in liabilities is payable, absent project implementation, by the Kenmare Group over the forthcoming 12 month period. Existing cash reserves of the Group would be insufficient to cover these amounts.

The completion of the Placing and Open Offer, together with the facilities to be made available under the Loan Agreements, are intended, *inter alia*, to provide the Kenmare Group with sufficient working capital for its present requirements, that is for at least the 12 month period from the date of this document.

In the event that the Placing and Open Offer does not complete by the expected dates of 15 July, 2004 and 23 July, 2004 respectively (such delay being likely to arise (assuming the prior approval by Shareholders of the Resolutions) only in the circumstances where a Supplemental Placing is required and is not completed by the expected date of 15 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 30 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.

In the event that the Placing and Open Offer does not complete, not only will the Group’s development plans for the Moma Project be seriously jeopardised, but the Group’s immediate working capital shortfall referred to above will persist and the Group will be required, as a matter of urgency, to take certain remedial actions to address its financial position in order to meet its liabilities. Such remedial actions would include a continuation and intensification of the expenditure policy referred to above, curtailing all expenditure and cost incurrence in relation to advancement of the Moma Project, and further negotiating the timing and method of payments to creditors. Further deferral by the Lenders and advisers of the fees due would remain a critical component of these negotiations. The Directors expect that these initial remedial actions could be successfully implemented so as to afford the Group sufficient time to put in place alternative interim funding arrangements. Such alternative interim funding arrangements may include, *inter alia*, bank borrowings, and/or a smaller pre-emptive equity issue or a revised equity issue to new investors. There can however be no certainty on the ability of the Company to successfully curtail expenditure, on the outcome of any negotiations with the Lenders or on the availability, or where available, on the terms and timing of any such alternative interim funding arrangements.

Assuming that this short term funding deficiency could be addressed, the Group would subsequently seek to revisit its plans for the Moma Project and to implement alternative project funding arrangements which may include, *inter alia*, a revised debt funding package, a revised pre-emptive equity issue, and/or any combination thereof, or an equity issue to strategic investor(s) or joint venture partner(s). There can be no certainty on the availability, or where available, on the terms and timing of any such alternative project funding arrangements.

The Directors are of the opinion that having regard to existing cash resources, and the facilities under the Loan Agreements, and taking into account the net proceeds of the Placing and of the Open Offer (and if necessary a Supplemental Placing), the Kenmare Group will have sufficient working capital for its present requirements, that is for at least the 12 month period from the date of this document.

20. Consents

- (a) Deloitte & Touche, Chartered Accountants and Registered Auditors, has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of its name and references thereto in the form and context in which it appears.
- (b) Canaccord, which is regulated in the United Kingdom by the Financial Services Authority, has given and not withdrawn its written consent to the issue of this document with the inclusion herein of its name, and references thereto in the form and context in which it appears.
- (c) Davy, which is regulated in Ireland by the Irish Financial Services Regulatory Authority, has given and not withdrawn its written consent to the issue of this document with the inclusion herein of its name, and references thereto in the form and context in which it appears.
- (d) SRK has given and not withdrawn its written consent to the issue of this document with the inclusion herein of its name, and references thereto in the form and context in which it appears.

21. Table of Market Values

The closing price per Ordinary Share trading on the Irish Stock Exchange, as derived from the Daily Official List of the Irish Stock Exchange, and the closing mid-market price per Ordinary Share trading on the London Stock Exchange, as derived from Bloomberg, for the first dealing day in each of the last six months prior to the announcement of the Open Offer, for the latest practicable date prior to publication of this document and for the last dealing day before the announcement of the Placing and Open Offer, were as follows:

<i>Date</i>	<i>Irish Stock Exchange Price (c)</i>	<i>London Stock Exchange Price (Stgp)</i>
2 January, 2004	22	15.25
2 February, 2004	21	15.13
1 March, 2004	28	19
1 April, 2004	28	18.25
4 May, 2004	27	18.5
1 June, 2004	26	16.25
15 June, 2004	26	17.5
17 June, 2004	28	19.25

22. General

- (a) The annual accounts of the Company for each of the three financial years ended 31 December, 2000, 31 December, 2001 and 31 December, 2002, upon which unqualified reports have been given, have been audited by Deloitte, Chartered Accountants and Registered Auditors, of Deloitte House, Earlsfort Terrace, Dublin 2, Ireland.
- (b) There were no interruptions in the Group's business in the last twelve months which may have or have had a significant effect on the Group's financial position.
- (c) Other than the financial information on Kenmare set out in Part V of this document, there is no other audited information in this document.
- (d) The New Ordinary Shares and the New Warrants to be admitted to the Official Lists are in registered form. The Ordinary Shares of the Company were previously admitted to the CREST system and, consequently, there is an uncertificated form facility in relation thereto.
- (e) The Company has no convertible debt securities, exchangeable debt securities or debt securities with warrants in issue.
- (f) For the purposes of section 24(5) of the Companies (Amendment) Act 1983, the Directors state that:
 - (i) the reasons for recommending that they be authorised to issue the New Ordinary Shares, the Lender Shares, the Conversion Shares, the New Warrants and the New Ordinary Shares to be issued pursuant to the exercise of the New Warrants in accordance with the Resolutions to be proposed at the EGM are as set out in this document; and
 - (ii) the amounts to be paid to the Company in respect of the equity securities to be allotted pursuant to the Resolutions are as set out in this document.
- (g) The total costs and expenses relating to the Placing and Open Offer and admission to dealing of the New Ordinary Shares and the New Warrants are estimated to amount to approximately Stg£4 million (exclusive of VAT) and are payable by Kenmare. This includes a fee of Stg£100,000 and a cash commission of 6.25% on the value of the Placing Shares at the Issue Price, payable to Canaccord and a fee of US\$450,000 and a cash commission of 0.8% on the value of the New

Ordinary Shares at the Issue Price payable to Davy. It does not include a possible cash commission of 6.25% of any securities issued pursuant to the Supplemental Placing at the relevant issue price payable to Canaccord.

- (h) The total amount of remuneration paid and benefits in kind granted to the Directors by any member of the Group during the last completed financial year was approximately €656,117.
- (i) There are no arrangements in place under which future dividends are waived or agreed to be waived.
- (j) The average number of people employed by Kenmare in each of the three financial years ended 31 December, 2003, 31 December, 2002 and 31 December, 2001 was 55, 55 and 49 respectively.
- (k) In the period from 1 January, 2003 to 21 June, 2004 (being the period covered by the last financial year and the current financial year to date), there has not been any public takeover by a third party in respect of the Company's shares or any public takeover bid by the Company in respect of another company's shares.
- (l) The Open Offer will be open for acceptances from 9.00 a.m. on 22 June, 2004 and will close at 3.00 p.m. on 12 July, 2004 or may be closed by the Company at any time thereafter.
- (m) As at 11 June, 2004 (the latest practicable date for this purpose prior to the publication of this document), Davy Corporate Finance Limited, being the company directly involved in the sponsorship activities of Davy in relation to the Placing and Open Offer, and directors and employees of Davy directly involved in such sponsorship activities, were interested in 42,750 Existing Ordinary Shares in aggregate, representing 0.01% of the Existing Issued Ordinary Share Capital.
- (n) The issue price of Stg16p (24.3c, based on the prevailing exchange rate) per share represents a premium of 18.3c per share over the nominal value of the Ordinary Shares.
- (o) Notices of meetings and other notices may be given to Shareholders by post at their registered address, which may be in Ireland or elsewhere.
- (p) The following source documents have been used in the preparation of this document: the Definitive Feasibility Study; and the Davy McKee Congolone Definitive Feasibility Study, 1989.

25. Documents Available for Inspection

Copies of the documents referred to below will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the Company's registered office at Chatham House, Chatham Street, Dublin 2, Ireland and at Canaccord Capital (Europe) Limited, 1st Floor, Brook House, Brook Street, London W1Y 1PD, United Kingdom from the date of this document up to and including 14 July, 2004, being the date of the EGM.

- (a) the Memorandum and Articles of Association of the Company;
- (b) the audited consolidated financial statements of the Company for the three years ended 31 December, 2002, 31 December, 2001 and 31 December, 2000;
- (c) the interim results of the Company for the six months ended 30 June, 2003;
- (d) the unaudited preliminary results of the Company for the twelve months ended 31 December, 2003;
- (e) a draft of the New Warrant Instrument referred to in section B of Part II of this document;
- (f) the memoranda summarising the terms and conditions of employment of each of the Directors referred to in section 7 of this Part VI;
- (g) the rules of the Share Option Scheme referred to in section 10 of this Part VI;
- (h) the Warrant Instruments referred to in section 11 of this Part VI;
- (i) the material contracts referred to in section 14 of this Part VI;
- (j) the written consents referred to in section 20 of this Part VI;
- (j) the Application Form;
- (k) the Form of Proxy; and
- (l) this document.

Dated: 21 June, 2004

DEFINITIONS

The following definitions apply throughout this document unless the context otherwise requires or unless it is otherwise specifically provided:

“ABSA”	a South African commercial bank;
“Act”	the Companies Act 1963 of Ireland;
“Acts”	the Companies Acts 1963 to 2003 of Ireland;
“ADB”	African Development Bank;
“Admission” or “Listing”	admission, where the context requires, of either the Placing Shares, the Open Offer Shares, the New Warrants or the Lender Shares, to the Official Lists and to trading on the London Stock Exchange’s and the Irish Stock Exchange’s respective main markets for listed securities which, in the case of the Placing Shares and the related New Warrants is expected to be effective on 15 July, 2004, in the case of the Open Offer Shares and the related New Warrants is expected to be effective on 23 July, 2004, and in the case of the Lender Shares and the related New Warrants is expected to be effective in the second half of 2004;
“Applicants”	applicants for Open Offer Shares;
“Application Form”	the application forms relating to the Open Offer being sent to Qualifying Shareholder(s) with this document;
“Articles” or “Articles of Association”	the Articles of Association of the Company;
“Australia”	the Commonwealth of Australia, its states, territories and possessions;
“Bateman”	Bateman, a wholly owned Mauritian subsidiary of Bateman BV, and, with Multiplex, the contractor under the EPC Contract;
“BHP”	BHP Billiton Limited;
“Board” or “Directors”	the board of directors of the Company whose names are set out in the section of this document entitled “Directors, Secretary and Advisers”;
“Borrowers”	the borrowers under the Loan Agreements, being KMML (MB) and KMPL (MB);
“Business Day”	any day (other than a Saturday or Sunday) on which lending banks in Dublin and London are generally open for the transaction of normal business;
“Canada”	Canada, its provinces and territories and all areas subject to its jurisdiction and any political subdivision thereof;
“Canaccord”	Canaccord Capital (Europe) Limited;
“Cash Collateral and Shareholder Funding Deed”	the agreement entered into between Kenmare, Congolone Heavy Minerals Ltd. and the security trustee relating to funding, withdrawals and release of moneys in the Contingency Reserve Account, as described in sub-section (c) of section B of Part IV of this document;
“certificated” or “in certificated form”	a share or security, not in uncertificated form;
“CIRR”	Commercial Interest Reference Rates;
“Closing Date”	the latest date for payment under the Open Offer, being 3.00 p.m. on 12 July, 2004;

“Common Terms Agreement”	the agreement entered into between the Project Companies and the Lenders relating to the funding of a portion of the Moma Project, as described in sub-section (a) of section B of Part IV of this document;
“Completion”	completion of project implementation which shall occur on the first date on which the security trustee has received certificates (verified and/or backed up by other parties as required) confirming that all elements of the completion test (as defined in the EPC Contract) have been passed and which is forecast to occur during the second half of 2006;
“Completion Agreement”	the agreement entered into between Kenmare, the security trustee, and the Lenders relating to the funding of a portion of the Moma Project, as described in sub-section (b) of section B of Part IV of this document;
“Completion Guarantee”	the guarantee by Kenmare of all Senior and Subordinated Debt obligations that are or become due and payable before Financial Completion;
“Contingency Reserve Account”	the account into which cash collateral of US\$30 million will be pledged as collateral security for Kenmare’s obligation under the Completion Guarantee, as further described in sub-section (a) of section B of Part IV of this document;
“Conversion Shares”	such number of new Ordinary Shares as may result from the conversion, of certain amounts (plus interest) owed to the EPC Contractor by the Company in respect of the Additional Cost (as referred to on page 37 of this document);
“Convertible Loan Notes”	an instrument which may be issued under a Supplemental Placing pursuant to condition (iii) of the Placing and Open Offer, as further described in the section of Part I of this document entitled “ <i>Supplemental Placing</i> ”;
“CREST”	the relevant system in respect of which CRESTCo is the operator (as defined in the Regulations);
“CRESTCo”	CRESTCo Limited;
“CREST Courier and Sorting Service” or “CCCS”	the CREST Courier and Sorting Service established by CRESTCO to facilitate, <i>inter alia</i> , the deposit and withdrawal of securities;
“CREST Member”	a person who has been admitted by CRESTCo as a system member (as defined in the Regulations);
“CREST Participant”	a person who is, in relation to CREST, a system participant (as defined in the Regulations);
“Davy Corporate Finance” or “DCF”	Davy Corporate Finance Limited;
“Davy”	J&E Davy, trading as Davy;
“Debt Financing”	provision of the Senior Loans and the Subordinated Loans;
“Deferred Shares”	deferred shares of €0.25 each in the capital of the Company which are non-voting, carry no dividend rights and may be repurchased by the Company at a price not exceeding 1c for all such Deferred Shares so purchased;
“ECAs”	export credit agencies;
“ECIC”	Export Credit Insurance Corporation, a corporation organised under the laws of the Republic of South Africa;
“EIB”	European Investment Bank;

“EIS”	Environmental Impact Study, a study to identify and assess the potential environmental impacts of a proposed project, evaluate alternatives and design appropriate mitigation, management and monitoring measures;
“Enlarged Authorised Ordinary Share Capital”	the total authorised ordinary share capital of the Company following the approval of Resolution 1;
“Enlarged Issued Ordinary Share Capital”	the Existing Issued Share Capital together with the New Ordinary Shares and the Lender Shares;
“EPC”	means Engineering, Procurement and Construction;
“EPC Acceptance”	the date of the final payment to the EPC Contractor under the EPC Contract;
“EPC Contract”	the contract for the building, and transfer of facilities at Moma, principal terms of which are described in sub-section (b) of section A of Part IV of this document entitled “ <i>EPC Contract</i> ”;
“EPC Contractor”	Multiplex and Bateman as joint venture partners;
“Equity Financing” or “Equity Funding”	the Placing and Open Offer (and if necessary, a Supplemental Placing);
“EU”	European Union;
“EURIBOR”	Euro Interbank Offered Rate, being the rate at which euro interbank term deposits within the euro zone are offered by one price bank to another;
“Existing Issued Ordinary Share Capital” or “Existing Shares” or “Existing Ordinary Shares”	the 288,419,123 Ordinary Shares of €0.06 each in the capital of the Company in issue as of 11 June, 2004 (being the latest practicable date prior to publication of this document). For the purposes of the Open Offer only, Existing Ordinary Shares means 299,010,923 Ordinary Shares, which includes 10,591,800 Warrants outstanding on the day before the Record Date as if all of those Warrants had been exercised and the new Ordinary Shares due on such exercise had been issued and allotted to the Warrantholders and are held by them on the Record Date;
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company to be held at the Westbury Hotel, Grafton Street, Dublin 2, Ireland at 11.00 a.m. on 14 July, 2004, including any adjournment thereof, notice of which is set out on pages 95 and 96 of this document;
“Financial Completion”	as defined in the Completion Agreement, being in summary the completion of the construction of the Moma Project to the point where it is operational in a defined manner, which is forecast to occur by the fourth quarter of 2007;
“FMO”	Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.;
“Form of Proxy”	the form of proxy for use by Kenmare Shareholders at the EGM;
“FSMA”	the United Kingdom Financial Services and Markets Act 2000;
“Full Subscription”	full subscription for all of the new Ordinary Shares under the Open Offer, and also assuming issue and allotment of the Placing Shares and of the Lender Shares, such that the total number of new Ordinary Shares issued is 354,135,097, being all of the New Ordinary Shares and the Lender Shares proposed to be issued;
“GDAS”	Grafites de Ancuabe, S.A.R.L., previously the operator of the Ancuabe Graphite Mine and a company in which Kenmare has an 84% interest;

“GRD Minproc”	GRD Minproc Limited of Australia, engineering consultants with experience in mine development and mineral sands;
“Hermes”	Hermes Kreditversicherungs-AG;
“IBMA”	International Business Management Associates Inc;
“Implementation Agreement” or “IA”	the agreement for the Moma Heavy Mineral Sands Industrial Free Zone Project between Kenmare Moma Processing Limited (a company incorporated in Jersey whose rights and interests were transferred to KMPL in November, 2002), a wholly owned subsidiary of Kenmare, and Mozambique dated 21 January, 2002, as described in sub-section (i) of section 14 of Part VI of this document;
“Ireland”	the island of Ireland, excluding Northern Ireland, and the word “Irish” shall be construed accordingly;
“Issue Price”	Stg16p per new Ordinary Share, being the price at which the New Ordinary Shares and the Lender Shares are agreed to be issued;
“Irish Stock Exchange”	The Irish Stock Exchange Limited;
“Japan”	Japan, its possessions and territories and all areas subject to its jurisdiction or any political subdivision thereof;
“Kenmare” or “the Company”	Kenmare Resources plc;
“Kenmare Group” or “the Group”	Kenmare and its subsidiary undertakings;
“KfW”	KfW Bankengruppe, a German development financing institution;
“KMML”	Kenmare Moma Mining (Mauritius) Limited, a wholly owned indirect subsidiary of Kenmare which is incorporated in Mauritius;
“KMPL”	Kenmare Moma Processing (Mauritius) Limited, a wholly owned indirect subsidiary of Kenmare, which is incorporated in Mauritius;
“Lenders”	the prospective Senior Lenders and the Subordinated Lenders;
“Lender Approvals”	the formal and final approval by all of the Lenders of the terms of their commitment;
“Lender Shares”	the new Ordinary Shares, credited as fully paid, agreed to be issued to the Subordinated Lenders at the Issue Price in partial discharge of their fees for providing the Subordinated Debt, which will, on issue, rank <i>pari passu</i> in all respects with the Existing Ordinary Shares with regard to dividend entitlements, interests and all other rights and obligations attaching to the Existing Ordinary Shares. For the purposes of this document the number of Lender Shares proposed to be issued is 22,666,875, which is an estimate only based on prevailing exchange rates;
“LIBOR”	London Interbank Offered Rate;
“Listing Particulars”	this document which comprises listing particulars and a prospectus;
“Listing Rules”	the listing rules of the Irish Stock Exchange and/or where appropriate the Listing Rules of the UK Listing Authority;
“Loan Agreements”	the agreements relating to the provision of Debt Financing, the principal terms of which are set out in section B of Part IV of this document;
“Loans”	the Subordinated Loans and the Senior Loans;
“London Stock Exchange”	London Stock Exchange plc;

“Long Stop Date”	30 September, 2004 being the date by which all of the conditions of the Placing and Open Offer, other than Admission, must be satisfied or failing which, the Placing and the Open Offer will lapse;
“Memorandum”	the current Memorandum of Association of the Company;
“MIGA”	Multilateral Investment Guarantee Agency (part of the World Bank);
“Mine”	the Moma Project mine, processing facility and associated infrastructure;
“Minerals Concentrator Plant” or “MCP”	the minerals concentrator plant which was purchased from BHP Titanium Minerals Pty Limited, a subsidiary of BHP in January, 2000;
“Mineral Licensing Contract” or “MLC”	the contract for the exploration, development and production of heavy minerals in areas of Moma, Congolone and Quinga between Kenmare Moma Mining Limited, a wholly owned subsidiary of Kenmare incorporated in Jersey, whose rights and interests were transferred to KMML in November 2002, and Mozambique dated 21 January, 2002, as described in sub-section (h) of section 14 of Part VI of this document;
“Minerals Separation Plant” or “MSP”	the minerals separation plant of the Beenup Mine, located in Western Australia and which was purchased from BHP Titanium Minerals Pty Limited, a subsidiary of BHP in May 2000;
“Moma Titanium Mineral Sands Project” or “the Moma Project” or “the Project” or “Moma”	the heavy mineral sands project which is located in the north of Mozambique under licence to KMML;
“Mozambique”	the Republic of Mozambique;
“Multiplex”	Multiplex Engineering (Mauritius) Limited, a company incorporated in Mauritius, a subsidiary of Multiplex Limited and, with Bateman, the contractor under the EPC Contract;
“Multiplex/Bateman”	EPC Contractor;
“New Ordinary Shares”	together: (a) the Placing Shares; and (b) the Open Offer Shares, which will, on issue, rank <i>pari passu</i> in all respects with the Existing Ordinary Shares with regard to dividend entitlements, interest and all other rights and obligations attaching to the Existing Ordinary Shares;
“New Warrant(s)”	82,867,055 (88,533,773 including entitlement associated with the Lender Shares) New Warrants proposed to be issued pursuant to the Placing and Open Offer on the basis of 1 New Warrant for every 4 Ordinary Shares subscribed for under the Placing or Open Offer, each such New Warrant carrying an entitlement on exercise at a price of Stg19p, to 1 new Ordinary Share and being exercisable from the date of issue until the 23 July, 2009. The term New Warrants is also used in relation to the entitlement associated with the Lender Shares, save for in condition (v) of the Placing and Open Offer and in sub-section (e) of section 14 of Part VI of this document, where New Warrants means those related to the New Ordinary Shares only;
“New Warrant(s) Instrument”	the instrument which sets out the terms and conditions of the New Warrants, which instrument is summarised in section B of Part II of this document;
“New Warrantholders”	a holder or holders of the New Warrants;

“Notice”	the notice of Extraordinary General Meeting set out on pages 95 and 96 of this document;
“Official Lists”	the official list of the Irish Stock Exchange and/or, as appropriate, the official list maintained by the UK Listing Authority;
“Offtake Contracts”	the agreements providing for the sale of products produced at Moma;
“Open Offer”	the conditional offer to Qualifying Shareholders to subscribe for the Open Offer Shares at the Issue Price and on the terms and conditions described in Part II of this document;
“Open Offer Shares”	113,908,923 new Ordinary Shares, which are being made available to Qualifying Shareholders pursuant to the Open Offer;
“Ordinary Shares”	ordinary shares of nominal value €0.06 each in the capital of the Company;
“Overseas Shareholders”	persons who are resident, or citizens of, countries other than Ireland or the UK;
“Placing Agreement”	the conditional agreement between Kenmare and Canaccord relating to the Placing dated 17 June, 2004, as described in sub-section (e) of section 14 of Part VI of this document;
“Placing” or “Proposed Placing”	the placing of up to 187,500,000 new Ordinary Shares and of 46,875,000 New Warrants, which have been placed firm, conditional upon the same conditions to which the Open Offer is subject, as detailed in section 1 of Part II of this document;
“Placing Shares”	the 187,500,000 new Ordinary Shares to be issued pursuant to the Placing;
“POS Regulations”	the Public Offer of Securities Regulations 1995 of the United Kingdom;
“Power Supply Agreement”	the agreement relating to the provision of power in sufficient quantity and quality for the operation of the Moma Project entered into by Kenmare, the Project Companies and Electricidade de Mocambique E.P.;
“Preliminary Results”	the unaudited preliminary results of the Group in respect of the year ended 31 December, 2003, as published on 19 April, 2004 and as reproduced in section A of Part V of this document;
“Project Companies”	KMML and KMPL;
“Project Financing” or “Project Funding”	Debt Financing and the Placing and Open Offer (and if necessary, a Supplemental Placing);
“Proposals”	the granting of allotment authorities for the purposes of the completion of the Placing, the Open Offer, the increase in the authorised share capital and the further granting of additional allotment authorities to Directors, as described in this document;
“Qualifying Shareholder(s)”	holder(s) of Existing Shares on the register of members of the Company at the close of business on the Record Date, other than those persons with addresses in Australia, Canada, United States or Japan and any other country where it is not lawful to offer for subscription or to subscribe for the Open Offer Shares (save in circumstances where it is in the Company’s opinion lawful to do so), and Qualifying Warrantholder(s);

“Qualifying Warrantholder(s)”	holder(s) of Warrants at the close of business on the Record Date, other than those persons with addresses in Australia, Canada, United States or Japan and any other country where it is not lawful to offer for subscription or to subscribe for the Open Offer Shares;
“Record Date”	the close of business on 16 June, 2004;
“Registrars”	Computershare Investor Services (Ireland) Limited;
“Regulations”	the Companies Act, 1990 (Uncertificated Securities) Regulations 1996 (S.I. No. 68 of 1996);
“Required Amount”	as defined in the Cash Collateral and Shareholder Funding Deed, and as described in sub-section (c) of section B of Part IV of this document;
“Resolution(s)”	a resolution or the resolutions to be proposed at the EGM, as set out in the Notice;
“Senior Debt” or “Senior Loans”	the senior debt of up to US\$185 million plus €15 million to be advanced by the Senior Lenders to the Borrowers pursuant to the Senior Loan Agreement;
“Senior Lenders”	the providers of Senior Debt, as detailed in section B of Part IV of this document;
“Senior Loan Agreement”	the agreements entered into between the Project Companies and each of the Senior Lenders, as described in section B of Part IV of this document;
“September 2003 Placing”	the placing of 25,125,000 new Ordinary Shares at a price of Stg16p per share announced on 12 September, 2003;
“September 2003 Warrants”	12,562,500 warrants, each carrying an entitlement (exercisable until the two year anniversary of the date of issue) to subscribe for 1 Ordinary Share at a price of Stg18p, being the warrants agreed to be issued in the September, 2003 Placing on receipt of the required authorities.
“Shareholder(s)”	a holder or holders of Existing Shares;
“Shareholder Funding Account”	the account required to be funded in the amount of US\$49 million under the Common Terms Agreement, as further, described in sub-section (a) of section B of Part IV of this document;
“Share Options” or “Options”	options granted pursuant to the terms of the Share Option Scheme;
“Share Option Scheme” or “Scheme”	the Kenmare share option scheme adopted on 12 June 1987;
“SRK”	SRK (UK) Limited;
“Stock Exchanges”	the Irish Stock Exchange and the London Stock Exchange;
“subsidiary”	shall be construed in accordance with the Act;
“subsidiary undertaking”	shall have the meaning given by the European Communities (Companies: Group Accounts) Regulations 1992;
“Subordinated Debt” or “Subordinated Loan(s)”	the subordinated debt of up to €55 million to be advanced through third party subordinated loans to the Borrowers, each of which will be guaranteed by Kenmare;
“Subordinated Lenders”	the providers of Subordinated Debt, as detailed in section B of Part IV of this document;

“Subordinated Loan Agreement”	the agreements entered into between the Project Companies and each of the Subordinated Lenders, as described in section B of Part IV of this document;
“Supplemental Placing”	the possible placing of such number of equity or debt securities as would raise, together with the Placing and the Open Offer, in aggregate Stg£53 million (or such lesser amount, net of expenses, as may be necessary to meet the Lenders condition precedent for drawdown on the Loans that at least US\$79 million of equity be deposited in special accounts (see section B of Part IV of this document entitled “ <i>Conditions Precedent to Drawdown</i> ”), whether being Ordinary Shares not taken up under the Open Offer, additional new Ordinary Shares or another instrument such as the Convertible Loan Note or a combination thereof;
“uncertificated” or in “uncertificated form”	an ordinary share recorded on a company’s share register as being held in uncertificated form in CREST, and title to which, by virtue of the Regulations, may be transferred by means of CREST;
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland;
“UK Listing Authority” or “UKLA”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services & Markets Act 2000 of the United Kingdom;
“Warrants”	10,591,800 warrants over Ordinary Shares outstanding as of 11 June, 2004 (being the latest practicable date prior to the publication of this document);
“Warrantholders”	a holder or holders of Warrants;
“Warrant Instruments”	the two instruments which set out the terms and conditions under which warrants may be exercised, a summary of which is set out at section 11 of Part VI of this document;
“US” or “United States”	the United States of America, its territories and possessions, any state of the United States of America, the District of Columbia and all other areas subject to the jurisdiction of the United States of America;
“US Holders”	Shareholders with US registered addresses; and
“World Bank”	The World Bank Group, a development bank which provides loans, policy advice, technical assistance and knowledge sharing services to low and middle income countries throughout the world.

Notes:

- (i) Unless otherwise stated in this document, all references to statutes or other forms of legislation shall refer to statutes or forms of legislation of Ireland. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof.
- (ii) Words importing the singular shall include the plural and vice versa and words importing the masculine gender shall include the feminine or neutral gender.
- (iii) The symbols “Stg£”, “US\$” and “A\$” refer to pounds sterling, United States dollars and Australian dollars respectively. The symbol IR refers to Irish pounds, the lawful currency of Ireland prior to the euro. The symbols “€” and “c” refer to euro and euro cent respectively, the lawful currency of Ireland pursuant to the provisions of the Economic and Monetary Union Act, 1998. Unless otherwise stated, all euro translations are at the following exchange rates, being the reference rates issued by the European Central Bank on 11 June, 2004 (the latest practicable date for this purpose prior to the publication of this document): €1:Stg£0.6594 and; €1:US\$1.2006. Unless otherwise stated, Sterling has been converted to United States dollars at the rate of Stg£1:US\$1.8209.
- (iv) For the purposes of this document, the total amount to be borrowed under the Debt Financing arrangements is stated in US dollars (i.e. US\$269 million) but is made up of amounts borrowed in a variety of currencies. Such amounts have been converted to US dollars, for illustrative purposes only, at the relevant prevailing reference rate issued by the European Central Bank on 11 June, 2004 (the latest practicable date for this purpose prior to publication of this document).
- (v) Where information is stated in this document as at 11 June, 2004, that date is the latest practicable date for the purposes of such information prior to publication of this document.
- (vi) Where this document is received by Shareholders resident outside Ireland or the United Kingdom, such Shareholders are advised that it is being sent to them for information purposes only in connection with the EGM only.

GLOSSARY OF TECHNICAL TERMS

<i>Definitive Feasibility Study or DFS</i>	the definitive feasibility study over the Moma Titanium Mineral Sands Project which was completed by GRD Minproc Limited on 28 February 2001;
<i>Heavy Mineral Concentrate or HMC</i>	means heavy mineral concentrate extracted from mineral sand deposits and which include ilmenite, zircon, rutile and other heavy minerals;
<i>Heavy Minerals</i>	means economic minerals with a specific gravity of greater than 2.85;
<i>HiTi Products</i>	a rutile product containing at least 91% TiO ₂ ;
<i>IFZ</i>	means Industrial Free Zone;
<i>ilmenite</i>	means titanium-iron oxide (FeTiO ₃), a naturally occurring mineral with a TiO ₂ content ranging from 35% to 65%;
<i>Pre-Feasibility Study or PFS</i>	the pre-feasibility study over the Moma Titanium Mineral Sands Project which was completed by GRD Minproc Limited in February, 2000;
<i>rutile</i>	is crystalline titanium dioxide which, in its pure state, contains close to 100% TiO ₂ . Natural concentrates typically contain 94% to 96% TiO ₂ ;
<i>THM</i>	total heavy minerals including non-valuable heavy minerals;
<i>TiO₂</i>	means titanium dioxide, which occurs in a number of naturally occurring minerals including ilmenite and rutile as well as in beneficiated products such as titanium slag and synthetic rutile;
<i>titanium slag</i>	means a beneficiated titanium product (typically 75% – 86% TiO ₂) produced by smelting ilmenite;
<i>zircon</i>	is zirconium silicate (ZrSiO ₄), a zircon product containing at least 65.0% ZrO ₂ and HfO ₂ (Hafnium dioxide) less than 1000 ppm combined U+Th used in the ceramics industry for the production of opacifiers for surface and pigments, refractories, foundry clays, and in the production of zirconia, zirconium metal, and zirconium chemicals.

Reserves and Resources

Mineral resources and reserves are defined by “*The Australian Code for the Reporting of Mineral Resources and Ore Reserves – 1999*”. This code was first released by the joint ore reserves committee of the Australian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia in 1989 and revised in 1996 and 1999.

The Code provides for a direct relationship between Indicated Minerals Resources and Probable Ore Reserves and between Measured Mineral Resources and Proved Ore Reserves. In other words, the level of geoscientific confidence for Probable Reserves is the same as that required for the in situ determination of Indicated Mineral Resources and for Proved Ore Reserves is the same as that required for the in situ determination of Measured Mineral Resources. In each case the Ore Reserve is that part of the Mineral Resource which, after the application of all mining factors, results in an estimated tonnage and grade which, in the opinion of the competent person or persons making the estimates, can be the basis of a viable project after taking account of all relevant metallurgical, economic, marketing, environmental, legal, social and governmental factors.

<i>Mineral Resource</i>	the concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resources are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories;
<i>Inferred Mineral Resource</i>	that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability;
<i>Indicated Mineral Resources</i>	that part of a Mineral Resources for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed;
<i>Measured Mineral Resource</i>	that part of a Mineral Resources for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and/or grade continuity;
<i>Ore Reserve</i>	the economically mineable part of a Measured or Indicated Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore Reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proved Ore Reserves;
<i>Probable Ore Reserve</i>	the economically mineable part of an Indicated, and in some circumstances Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified; and
<i>Proved Ore Reserve</i>	the economically mineable part of a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Kenmare Resources plc

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at 11.00 a.m. on 14 July, 2004 at the Westbury Hotel, Grafton Street, Dublin 2, Ireland for the purpose of considering and, if appropriate, passing the following resolutions, of which Resolutions 2 and 3 are conditional on Resolution 1, and of which Resolutions 1 and 2 will be proposed as ordinary resolutions and Resolutions 3, 4 and 5 will be proposed as special resolutions:

Ordinary resolution

- (1) That the authorised share capital of the Company be and is hereby increased from €49,000,000 to €79,000,000 by the creation of 500,000,000 new Ordinary Shares of €0.06 each, ranking equally in all respects with the existing Ordinary Shares of €0.06 each in the capital of the Company and that the Memorandum and Articles of Association of the Company be and are hereby amended accordingly.

Ordinary resolution

- (2) Subject to the passing of resolution number 1, that the Directors be and they are hereby generally and unconditionally authorised, in substitution for all existing such authorities, to exercise all powers of the Company to allot relevant securities (within the meaning of Section 20 of the Companies (Amendment) Act 1983) up to an aggregate nominal amount equal to the authorised (as increased pursuant to Resolution 1) but unissued share capital of the Company for the time being during the period from and including the date of passing of this Resolution up to and including the date of the annual general meeting of the Company in 2005 on which date such authority shall expire (unless previously renewed, varied or revoked by the Company in general meeting), provided that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority hereby conferred had not expired.

Special resolutions

- (3) Subject to the passing of resolution number 1 and resolution number 2, that in addition to all existing authorities, for a period of 15 months from the date hereof following the passing of this resolution (unless previously renewed, varied or revoked by the Company in General Meeting), Section 23(1) of the Companies (Amendment) Act 1983 is hereby excluded in its application in relation to all allotments by the Company of equity securities (as defined for the purposes of that section)
 - (i) pursuant to the Placing (as such terms are defined in the document to Shareholders dated 21 June, 2004);
 - (ii) pursuant to the Open Offer (as such term is defined in the document to Shareholders dated 21 June, 2004);
 - (iii) comprising the Lender Shares (as such term is defined in the document to Shareholders dated 21 June, 2004);
 - (iv) pursuant to the Supplemental Placing (as such term is defined in the document to Shareholders dated 21 June, 2004);
 - (v) comprising the New Warrants associated with each of the Placing, the Open Offer, the Lender Shares and the Supplemental Placing, and the new Ordinary Shares to be issued pursuant to the exercise of the New Warrants;
 - (vi) in respect of a maximum of 10% of the issued share capital of the Company from time to time; provided that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the authority hereby conferred had not expired.
- (4) That in addition to all existing authorities, for a period of 25 months from the date hereof following the passing of this resolution (unless previously renewed, varied or revoked by the Company in general meeting),

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- (a) the Directors be and they are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of section 20 of the Companies (Amendment) Act, 1983) comprising the September, 2003 Warrants (as such term is defined in the document to Shareholders dated 21 June, 2004) and all Ordinary Shares of €0.06 each in the capital of the Company to be issued pursuant to the September, 2003 Warrants (as such term is defined in the document to Shareholders dated 21 June 2004); and
- (b) Section 23(1) of the Companies (Amendment) Act, 1983 is hereby excluded in its application in relation to all allotments by the Company of equity securities comprising the September, 2003 Warrants (as such term is defined in the document to Shareholders dated 21 June, 2004) and all Ordinary Shares of €0.06 each in the capital of the Company to be issued pursuant to the September 2003 Warrants.
- (5) That in addition to all existing authorities, for a period of 5 years from the date hereof following the passing of this resolution (unless previously renewed, varied or revoked by the Company in general meeting)
- (a) the Directors be and they are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of section 20 of the Companies (Amendment) Act, 1983) comprising the Conversion Shares (as such term is defined in the document to Shareholders dated 21 June, 2004); and
- (b) Section 23(1) of the Companies (Amendment) Act, 1983 is hereby excluded in its application in relation to all allotments by the Company of equity securities comprising the Conversion Shares (as such term is defined in the document to Shareholders dated 21 June, 2004).

Dated: 21 June, 2004

By Order of the Board
DEIRDRE CORCORAN
Secretary

Registered Office:
Chatham House,
Chatham Street,
Dublin 2.

NOTES:

1. Any member entitled to attend, speak and vote at the above meeting is entitled to appoint a proxy to attend, speak and vote on his/her behalf. A proxy need not be a member of the Company.
2. The Form of Proxy must be delivered to the Company's Registrar, Computershare Investor Services (Ireland) Limited PO Box 454, Dublin 18 Ireland (if delivered by post) or Computershare Investor Services (Ireland) Limited, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland (if delivered by hand) not less than forty-eight hours before the time for the holding of the meeting, or any adjournment thereof.
3. In the case of a corporation, this instrument may be either under the common seal or under the hand of an officer or attorney authorised in that behalf.
4. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other registered holder(s) and for this purpose, seniority will be determined by the order in which the names stand in the Register of Members in respect of a joint holding.
5. If a proxy is executed under a power of attorney, such power of attorney must be deposited with the Company with the Instrument of Proxy.
6. Completing and returning the Form of Proxy does not preclude a member from attending and voting at the meeting should he/she so wish

**KENMARE RESOURCES PLC
FORM OF PROXY**

**for use at the Extraordinary General Meeting to be held at 11.00 a.m. on 14 July, 2004
and at any adjournment thereof**

I/We (see note (a) below)
of
being a member(s) of the above named Company hereby appoint the Chairman of the Meeting or (see note (d) below)

..... OR

of
as my/our proxy to vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company to be held at 11.00 a.m. on 14 July, 2004 at the Westbury Hotel, Grafton Street, Dublin 2, Ireland and at any adjournment thereof.

Please indicate with an X in the box below how you wish your vote to be cast in respect of each resolution, the details of which are set out in the Notice convening the meeting.

Ordinary Resolutions	For	Against
(1) To increase the authorised share capital of the Company	<input type="checkbox"/>	<input type="checkbox"/>
(2) To authorise the Directors to allot relevant securities within the meaning of section 20 of the Companies (Amendment) Act 1983	<input type="checkbox"/>	<input type="checkbox"/>

Special Resolutions

(3) To exclude the application of Section 23(1) of the Companies (Amendment) Act 1983 in relation to allotments by the Company of equity securities pursuant to the Placing and Open Offer, comprising the Lender Shares, pursuant to the Supplemental Placing comprising the New Warrants and all Ordinary Shares issued pursuant to them, and in respect of a maximum of 10% of the issued share capital of the Company from time to time	<input type="checkbox"/>	<input type="checkbox"/>
(4) To authorise the Directors to allot relevant securities comprising the September, 2003 Warrants and all Ordinary Shares issued pursuant to them and to disapply the relevant pre-emption rights conferred by Section 23(1) of the Companies (Amendment) Act 1983	<input type="checkbox"/>	<input type="checkbox"/>
(5) To authorise the Directors to allot relevant securities comprising the Conversion Shares and to disapply the relevant pre-emption rights conferred by Section 23(1) of the Companies (Amendment) 1983	<input type="checkbox"/>	<input type="checkbox"/>

If no specific direction as to voting is given the proxy will vote or abstain at his/her discretion.

Dated this day of 2004

Signatures:

NOTES:

- (a) To be effective, the Form of Proxy, together with any Power of Attorney or other authority under which it is executed, or a notarially certified copy thereof, must be completed and reach the Company's Registrars, Computershare Investor Services (Ireland) Limited PO Box 954, Dublin 18, Ireland (if delivered by post) or Computershare Investor Services (Ireland) Limited, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland (if delivered by hand) not less than forty-eight hours before the time for the holding of the meeting.
- (b) This Proxy Form must (i) in the case of an individual member be signed by the member or his/her attorney; or (ii) in the case of a body corporate be given either under its common seal or be signed on its behalf by its duly authorised officer or attorney.
- (c) In the case of joint holders, the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
- (d) If you desire to appoint a proxy other than the chairman of the meeting, please insert the proxy's name in block letters in the space provided and delete the words "the chairman of the meeting or".
- (e) A proxy need not be a member of the Company but must attend the meeting in person to represent you.
- (f) If no specific directions are given, the proxy will vote or abstain from voting at his/her discretion.
- (g) The completion and return of this Form of Proxy will not preclude a member from attending and voting in person.

