KENMARE

ANNUAL REPORT & ACCOUNTS 2014

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Kenmare would like to thank Nuno De Santos, Superintendent in the Mine Geology Department, for his photographs which have been used throughout the Annual Report.

Financial and Operational Overview

KENMARE'S STRATEGY IS TO CREATE LONG-TERM SHAREHOLDER VALUE THROUGH THE PRODUCTION AND MARKETING OF PRODUCTS DERIVED FROM ITS EXTENSIVE TITANIUM MINERALS RESOURCES. TO DATE, THE STRATEGY HAS BEEN IMPLEMENTED BY THE DEVELOPMENT AND EXPANSION OF THE MOMA TITANIUM MINERALS MINE.

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

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

Debt restructuring completed in April 2015

Ore mined in 2014 increased 42% to 34,120,000 tonnes (2013: 23,950,000 tonnes)

Heavy Mineral Concentrate ("HMC") production increased 13% to 1,287,300 tonnes (2013: 1,137,200 tonnes)

Ilmenite production increased 19% to 854,600 tonnes (2013: 720,100 tonnes), in addition 60,600 tonnes of magnetic concentrate was produced for later processing into ilmenite, to align production with demand

Zircon production increased 62% to 50,800 tonnes (2013: 31,400 tonnes), including primary zircon up 107% to 43,600 tonnes (2013: 21,100 tonnes)

Total shipments of finished products increased 18% to 800,000 tonnes (2013: 677,900 tonnes)

Revenue increased 8% to US$174.3 million (2013: US$161.5 million including capitalised revenues of US$23.6 million)

EBITDA of US$9.4 million (2013: US$29.0 million)

BUSINESS & STRATEGY REVIEW

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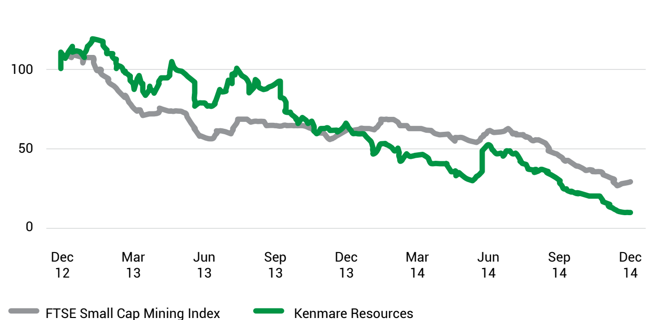
Chairman's Statement

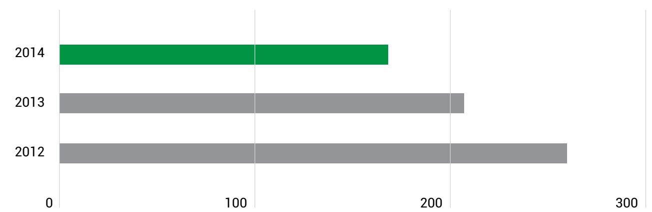
Kenmare continued to grow its market share and sales volumes increased by 18% in 2014 to 800,000 tonnes.

KENMARE HAS DEVELOPED WORLD-CLASS DREDGE MINING, PROCESSING AND EXPORT FACILITIES TO EXPLOIT LARGE-SCALE LONG-LIFE MINERAL SANDS ORE BODIES AT THE MOMA TITANIUM MINERALS MINE IN NORTHERN MOZAMBIQUE. THE MINE IS NOW ESTABLISHED AS ONE OF THE WORLD'S LARGEST PRODUCERS OF TITANIUM DIOXIDE FEEDSTOCKS AND ZIRCON, WITH CAPACITY TO MEET 8% OF GLOBAL TITANIUM FEEDSTOCK DEMAND AND 6% OF GLOBAL ZIRCON DEMAND. KENMARE IS THE LARGEST PRODUCER OF TRADED ILMENITE GLOBALLY.

2014 was a very challenging year for the mining industry as a whole and also for Kenmare. The effects of significant product market declines are reflected in our financial results and a disappointing share price performance. Kenmare has responded with operating cost reductions and market stabilisation measures.



Kenmare Resources share price and FTSE Small Cap Mining Index rebased to 100 from 31 December 2012.



Average ilmenite price received by Kenmare Resources in US$/tonne.

Dear Shareholder,

Mining Industry Backdrop

The mining industry is facing many challenges after an extended period of investment to increase supply. Across a range of commodities, including Kenmare's, 2014 was a year of supply growth outstripping demand growth, exacerbating declines in commodity prices and further compressing operating margins for producers.

Titanium Dioxide (TiO_2) Feedstock Markets

Kenmare has inevitably been impacted by these general mining industry trends, in addition to specific issues affecting the titanium feedstock sector. The pigment industry is the main consumer of titanium feedstocks. While pigment demand grew in 2014 this was not fully reflected in demand for feedstock as pigment producers reduced inventory levels. This situation was compounded by additional ilmenite supply from new mineral sands projects, and unexpectedly strong growth in supply in China driven by an expansion of a type of iron ore production that yields ilmenite as a by-product.

Kenmare, as a result, experienced further declines in realised product prices during 2014, from already depressed levels in 2013. The weighted average price of ilmenite products sold by Kenmare declined by 19% year-on-year. Furthermore, for sulphate ilmenite, Kenmare took steps to reduce sales volumes to help stabilise the market, instead building inventory to higher than normal levels by year-end.

Despite these constraints, Kenmare continued to grow its market share and sales volumes increased by 18% in 2014 to 800,000 tonnes.

Operations

Kenmare mined over 34 million tonnes of ore and produced 1.3 million tonnes of heavy mineral concentrate ("HMC") during 2014, increases of 42% and 13% respectively on the prior year. Some 854,600 tonnes of ilmenite were produced along with 50,800 tonnes of zircon, increases of 19% and 62% respectively on the prior year.

Following an extended period of capital investment and construction, and recognising the decline in commodity prices, an operations review was instigated by management and carried out with external specialist support. The changes implemented following the review have resulted in improved efficiencies and a platform for further cost reductions in 2015. The Mine should benefit considerably from increased production levels as fixed costs are spread over larger volumes, helping to reduce unit costs.

The health and safety record at the Mine improved substantially in 2014, with 300 fewer days lost to injury, a reduction of 45%. High environmental standards were maintained, effective community and educational programmes continued in the local area, and the process of further localisation of the workforce moved forward.

Chairman's Statement
CONTINUED

Power Supply
Power stability in the northern transmission system of the Mozambique state electrical utility, Electricidade de Moçambique ("EdM") remains a point of focus for your Board and management team. Kenmare has worked diligently with EdM to implement a range of measures in the short, medium and long term to increase power stability, for example, with independent generation capacity.

Unfortunately however, in the first quarter of 2015 northern Mozambique experienced exceptional heavy rains and unprecedented flooding. Our deepest sympathies go out to the friends and family of Mr Rafael Agy, an employee of Kenmare, whose life was tragically lost while off duty during the flooding.

The unprecedented flooding resulted in sections of the transmission line being brought down, cutting power to the Mine for extended periods. Physical loss of power lines has not been experienced before in Kenmare's operations. The Company continues to assess potential means to ensure the continuity, quality and quantity of electricity supply required to run operations at the Mine.

Financial Results
A loss after tax of US$100.8 million was incurred in 2014 (2013: US$44.1 million), inclusive of an impairment loss of US$64.8 million, while EBITDA was US$9.4 million (2013: US$29.0 million). These disappointing results are a direct result of reduced product prices and constrained demand for sulphate ilmenite, combined with unit costs that have yet to reflect the full production potential of the Mine.

Financing
Amendments to the project financing terms for the Mine, and an extension to the corporate loan provided by Absa Bank Limited ("Absa") were agreed in February and July 2014. These financing terms will be superseded by new arrangements agreed since the reporting date that, upon effectiveness, will provide for increased availability of debt, a cash sweep mechanism for repayments (dependent on the level of cash generation at the Mine, rather than fixed amortisation) and extended maturity dates. In return, Kenmare has agreed to a number of amendments to the loan agreements, including increased reporting and oversight, targets for future deleveraging, and the appointment of a lender-approved Director to the Board.

Ongoing demand growth and supply side developments should have a positive impact on ilmenite markets in 2015 and beyond.

Approach by Iluka Resources Limited
Kenmare was approached in June 2014 by Iluka Resources Limited ("Iluka") with a preliminary, conditional proposal to acquire the entire share capital of Kenmare by a scheme of arrangement. Following an unauthorised press report which contained market sensitive and inside information on 26 June 2014, Kenmare and Iluka both issued public statements.

Since then, as market conditions have continued to deteriorate, Kenmare has engaged with Iluka, with a view to progressing a possible offer by Iluka. Notwithstanding significant progress, there can be no assurance that an offer from Iluka will be forthcoming.

Board & Corporate Governance
As announced on 24 June 2014, our previous Chairman, Justin Loasby, retired for health reasons. I became Chairman from that date, and Gabriel Smith kindly agreed to take over as Chairman of the Audit Committee. No other Board changes took place during the year.

The year 2014 was the first year that the shareholder-approved Kenmare Incentive Plan (KIP) applied to executive remuneration. Key performance indicators used to determine awards under the KIP include focus on factors within management control, and because the Company achieved growth in operational results despite the difficulties mentioned above, some incentive awards are to be made in line with the mechanisms of the KIP, but discounted to reflect the constrained financial circumstances of the Company.

Outlook

Ongoing demand-growth and supply-side developments should have a positive impact on ilmenite markets in 2015 and beyond. Higher pigment plant operating rates and significantly increased demand for ilmenite from new slag producers in China and the Middle East are expected to have a positive impact on ilmenite demand, especially for sulphate ilmenite. Additionally, some existing slag producers outside of China have entered the market to buy significant volumes of ilmenite. On the supply side, Chinese ilmenite produced as a by-product of iron ore mining appears to be impacted by depressed iron ore prices, with mounting evidence that a number of producers have either reduced or suspended production.

We continue to be well supported by our zircon customer base and expect further sales volume growth in 2015.

We believe that the mineral sands business has reached its cyclical low and is now poised to rebound. We cannot be sure exactly when the rebound will take place, but Kenmare is highly geared for any upturn, and has the benefit of long life reserves and resources to exploit over many years.

On behalf of the Board, I would like to express appreciation of the hard work and dedication of Kenmare's staff during a difficult year. They have improved efficiencies and adapted to changing circumstances with continuing enthusiasm and commitment, and we are grateful for their exceptional efforts. Finally, as Chairman, I would like to thank personally the rest of the Board for their dedication and their substantially increased commitments to your Company during this challenging year.

Steven McTiernan
Chairman

Managing Director's Review

Kenmare has been implementing measures to reduce unit costs and increase production.

SUMMARY

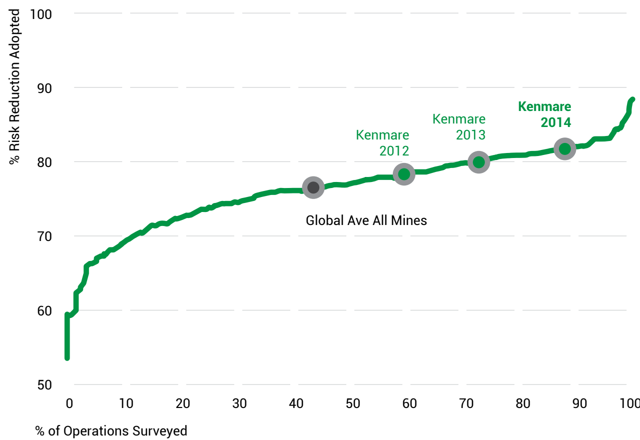
THE SINGLE ISSUE WHICH DOMINATED KENMARE'S PERFORMANCE DURING THE PERIOD UNDER REVIEW AND FURTHER INTO EARLY 2015 HAS BEEN THE DRAMATIC FALL IN ILMENITE PRICES. SPOT PRICES FOR SULPHATE ILMENITE HAVE DROPPED FROM THE MID US$300'S PER TONNE IN 2012 TO BETWEEN US$100 AND US$150 PER TONNE AT PRESENT. THIS PRICE DROP STARTED IN THE SECOND HALF OF 2012, CONTINUED IN 2013, AND WHILE THERE WAS A GENERAL CONSENSUS THAT IT WOULD REVERSE IN 2014, THE DECLINE IN PRICES CONTINUED. CONSEQUENTLY AND UNFORTUNATELY, KENMARE INCURRED A LOSS IN 2014.

In our view the price drop was caused partly by a rebalancing of pigment inventories and partly by an increase in Chinese ilmenite production over the last few years, driven by high iron ore prices. China produces ~3.5 million tonnes of ilmenite per annum, primarily as a by-product of iron ore mining. Hence the more iron ore mined in China, the more ilmenite produced. However since mid-2014, significant global growth in the supply of traded seaborne iron ore has resulted in a major drop in iron ore prices and the outlook is for structural oversupply in the next few years. We are now beginning to see this result in a significant reduction of iron ore mining and hence of ilmenite production in China.

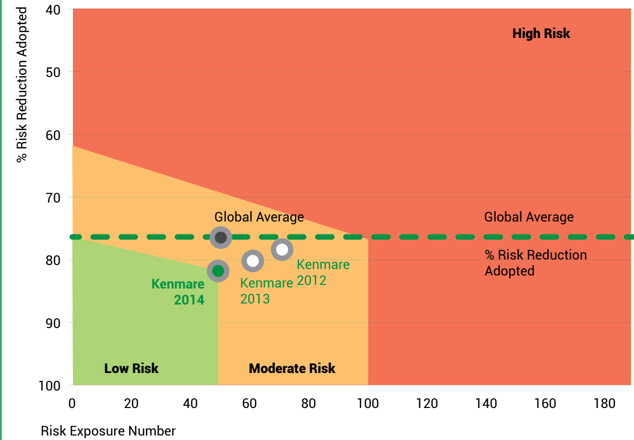
The situation in 2014 was compounded by the ramp up of new projects which had been conceived and financed during a period of much higher prices. These projects were unfortunately then obliged to establish their position in the market at an inopportune time and they aggressively pushed product into the market, exacerbating the downward move in prices.

In the meantime, Kenmare has been implementing measures to reduce unit costs and increase production, including in relation to procurement, hiring, energy efficiency, revised management practices and reduction in capital spend which will produce a significant ongoing saving.

Increasing Rank of Excellence



IMIU Insurability Rating Matrix



Operations

Safety and Risk

We are very pleased with the improvement in safety performance of the Mine. After the expansion, with many new staff joining, we experienced a deterioration in our safety statistics. The 12 month Lost Time Injury Frequency Rate (LTIFR) reached 0.9 per 200,000 man hours worked in May and June 2014. In response there was a focused campaign to reinforce the Company's values on safety, to bring it to the forefront of everyone's thinking in how they approach every task, and to ensure protocols for recognising and dealing with unsafe work were being rigorously implemented. This has resulted in the December 2014 LTIFR dropping to 0.37, which compares favourably with South African mineral sands peers and is ahead of our target. At the end of the year, the Mine had achieved seven consecutive months without a Lost Time Injury.

The Mine is subject to an annual risk assessment conducted by IMIU, an insurance underwriter whose risk assessments are relied on by other underwriters in the market. Of 61 risk reduction recommendations made by IMIU from 2008 to 2013, only two remain outstanding and will be closed out in the near future. As a result, the Mine scored 81.7% for the adoption of risk reduction measures in 2014, better than 85% of other operations surveyed by IMIU to date in terms of risk reduction.

Continued risk reduction activities by the management and team at the Mine are improving the insurability of the operation as can be seen from the chart above.

Mining

For the full year, ore mined was up by 42% year-on-year to 34 million tonnes but, due to a drop in grade, Heavy Mineral Concentrate ("HMC") production was only up 13% to 1,287,300 tonnes. Utilisation rates for the year were 70.4%, compared with the forecast of 76%. Hence our objective for 2015 is to work on increasing these utilisation rates. A focused programme of organisational and management improvements has been put in place with the aim of reducing downtime and ensuring steady production.

Mineral processing

The Mineral Separation Plant ("MSP") processes HMC produced by the two mining operations. It performed well through 2014. The ilmenite circuits were constrained by the availability of HMC in the first half of the year and in the last quarter of the year by a decision to align the production of final products with shipments, instead producing an intermediate product for processing at a later stage.

Despite the decision to restrict the output of ilmenite, production was up 19% year on year. Total ilmenite production at 854,600 tonnes in 2014 was lower than the anticipated range of 900,000 to 1,000,000 tonnes. However, if it had not been for market conditions which led to our decision to produce the intermediate product in the MSP, the outcome would have been within the lower end of the target range.

Zircon production for the full year was 50,800 tonnes, which represented a 62% increase on 2013. In addition there was an improvement in quality with a higher proportion being primary zircon. Recovery rates finished the year at 63% against a forecast of 71%. Several projects have been scheduled for 2015 to improve zircon and rutile recovery.

Managing Director's Review
CONTINUED

Operating cost
Management have been focusing on operating costs, with particular emphasis on labour costs which in 2014 represented 31% of cash operating costs. In 2015, the Company initiated a process for retrenchment. After tripartite discussions with the Ministry of Labour, the Union, and management, agreement was reached for reductions in shift allowances and we were able to reduce retrenchments from a target of 350 people to 162 people while saving US$12.5 million per annum compared with forecast. This was an excellent example of the Company, the Union and Government working together to get the optimum outcome in a very difficult situation.

Every aspect of the business was examined to reduce costs. This, together with increased volumes, has contributed to a reduction of unit cash costs in 2014 and allows us to expect significant further unit cost reductions in the coming years.

Electricity supply
Last year we reported several issues relating to our electricity supply experienced in the southern hemisphere summer months. These revolved around frequent dips in voltage caused by lightning from electric storms earthing through the transmission pylons, and network capacity constraints during this period of peak demand.

Kenmare has responded to the voltage fluctuation issues by installing a set of diesel-powered generators that provides sufficient power to operate the MSP independently of grid power. The MSP is more sensitive to power fluctuations and takes longer to re-establish stable operations after a dip-induced stoppage. This is especially true of the zircon circuits, which operate at high temperature and require several hours to recover their temperature after an outage. The operating plan was therefore to operate these generators from mid-December and run the MSP on stable power during the summer months, relying on the mining plants' better ability to recover from interruptions and a HMC stockpile established in front of the MSP to ensure continuous running.

Production in December 2014 was a record for that month with 85,000 tonnes of ilmenite produced.

Separately, EdM has installed temporary diesel-powered generators to inject additional supply into the grid for the peak summer months. Hence we approached this summer with much more confidence that we would be able to produce steadily through it than we had been for several years. Indeed, production in December 2014 was a record for that month with 85,000 tonnes of ilmenite produced.

However, in early 2015 there was a major storm which cut the electrical supply to the north of the country from 12 January to 7 February. This transmission line has never previously incurred a significant outage due to a weather related event in the 35 years of its operation. Immediately after the transmission line had been repaired, the line from Nampula to the Mine was put out of commission by another major storm; this line has only once experienced a three day outage since it was built in 2004.

We re-established the line with a temporary repair on 14 February, but since then there has been a third major storm knocking out the Nampula to Moma line again. This line has been repaired and was re-commissioned on 28 March. The effect of these outages was initially mitigated by shipping inventory, bringing forward maintenance and using the diesel generators to continue operating the MSP to process stockpiled HMC and accumulated intermediate magnetic concentrate. However, by the time the second and then third outages occurred, we had lower stockpiles available and have been less successful in mitigating their effects.

Despite the fact that these events were unprecedented, management is now considering what prudent actions it can take to prepare if such events should recur. Potential solutions include building a larger stockpile of HMC and increasing the capacity of our diesel generators, to be able to operate the Mine and the MSP. In the meantime, Kenmare continues to engage with senior EdM personnel on a regular basis. EdM is progressing with the development of a second major transmission line to the north and is on site with projects to enhance the capacity of the network to satisfy the growing demand from the north of the country.

Finance

A consequence of the low ilmenite prices being experienced is that the Company has needed to engage with its lenders to further restructure its debt obligations. Since the February 2014 Amendment described in the 2013 Annual Report, there have been further discussions since mid-2014 aimed at providing the Company with a stable platform both during this period of market weakness and for the future. Despite good intent on all parts, the complicated nature of the present debt structure has made progress slow. Nonetheless, I am pleased to say that we have agreed a debt restructuring.

The key terms of the debt restructuring include:

- The provision by the lenders of US$50 million in additional standby funding.
- Extension of debt maturities.
- Removal of most fixed amortisation requirements to be replaced with a cash sweep leaving a minimum balance of US$30 million in the Group.
- A requirement for deleveraging in the medium term.
- A lender-approved Non-Executive Director appointed to Kenmare's Board.

Market

The titanium feedstock and pigment industry went through another challenging year in 2014. Moderate growth in global pigment demand, estimated at around 3 to 4%, failed to translate into improved earnings performance for most pigment and feedstock producers. By mid-2014 there were some positive signs of improvement in market conditions with feedstock offtake stability returning as excess inventories were drawn down and pigment plant operating rates improved. However, feedstock buying behaviour remained cautious as higher pigment production and sales volumes were largely offset by deterioration in pigment prices in the second half of the year due to strong competition from emerging Chinese producers who aggressively grew their global market share in 2014.

Managing Director's Review
CONTINUED

The year was also characterised by new ilmenite supply entrants to the industry that added to the significant increase in Chinese domestic supply. This created a very competitive pricing environment for ilmenite resulting in progressive downward pressure throughout 2014. China remains the main driver of the ilmenite market given its import dependence and strong ilmenite consumption growth in the past five years as pigment production rates expanded rapidly. While pigment production in China was reported to have grown by an estimated 15% in 2014, the growth in demand for feedstock was captured mostly by increased domestic supply, generated as a by-product of iron ore mining, which further displaced imported ilmenite volumes.

However Chinese ilmenite supply is under pressure due to the impact on declining iron ore production as cheaper, better quality, imported material displaces domestic production. Iron ore prices are down by over 50% in the past 12 months and the outlook is for further price erosion as steel demand in China is slowing and significant new iron ore supply outside of China enters the market. Chinese ilmenite is produced principally as a by-product of iron ore mining and from the reprocessing of tailings produced from these operations. Since early February 2015, there has been evidence that a number of producers have either reduced or suspended production, which would be expected to materially reduce supply in 2015. Kenmare expects further Chinese ilmenite supply to come out of the market in the coming months as the market environment continues to deteriorate for these iron ore producers. This has yet to impact on the market supply/demand dynamics as pigment plants operated at low rates over the winter and the Lunar New Year period and inventories need to be worked down, but this supply reduction should become evident in the coming months. Meanwhile supply of ilmenite, and of concentrates for reprocessing, from other regions, notably Vietnam, is also expected to decline further in 2015 due to poor mining economics.

On the demand side, higher pigment plant operating rates and significantly increased demand for ilmenite from new slag producers in China and the Middle East will also have a major impact on the ilmenite supply/demand balance in 2015. Furthermore, some existing slag producers outside of China have entered the market to buy ilmenite, which will absorb significant additional volumes from the market.

Kenmare is now the largest supplier of internationally traded ilmenite in the world and as production levels continue to increase the Mine will return to a lower cost position on the cost curve.

Kenmare continued to grow ilmenite sales, with ilmenite sales volumes increasing by 16% in 2014. We expect further sales volume growth in 2015. Kenmare is now well positioned as a premium supplier to the global pigment industry as well as a key supplier to producers involved in beneficiating ilmenite to higher grade feedstock. As the chloride pigment production sector in China emerges and grows in the coming years, Kenmare is in a strong position to capture this growth through sales of ilmenite to Chinese titanium slag producers. In the main, Chinese ilmenite is not suitable for upgrading to chloride slag and therefore the Chinese titanium slagging industry is dependent on imports to support production. Kenmare ilmenite has been approved as the preferred feed for some of these plants.

Zircon market conditions were stable in 2014 with some modest growth. However, demand conditions continued to vary regionally, with strong first half conditions in China, North America and parts of South America, while demand in Europe showed little improvement throughout 2014 as construction activity and tile production in the large zircon consuming markets of Spain and Italy remained depressed. There was some modest weakening of zircon prices earlier in the year but this was followed by stability as the supply/demand balance became more evident.

Kenmare was well supported by an established zircon customer base in 2014 and sold all its zircon volumes. Our expectation is for further modest global demand growth and for tightening market conditions to emerge as the year progresses.

Outlook

Kenmare is now the largest supplier of internationally traded ilmenite in the world; and as production levels continue to increase the Mine will return to a lower cost position on the cost curve. We are confident unit costs can be reduced further as we continue to deliver cost savings. Our expansion has now bedded in and, despite being hampered with electricity supply issues in the early part of the year and having to reduce output for market related issues in the latter part of 2014, ilmenite output was up 19% and zircon output up 62% in 2014.

This has all been done against a backdrop of falling product prices for more than two years. However, demand for titanium pigment continues to grow while the large drop in iron ore prices endangers a substantial proportion of global ilmenite supply, as most of the ~3.5 million tonnes produced in China is a by-product of mining high cost iron ore.

Iluka Resources Limited has expressed an interest in acquiring Kenmare and our management teams have been working together to complete a due diligence process. However, there can be no certainty that a transaction will be completed.

Kenmare is strongly leveraged to a recovery in the ilmenite price, which we expect to begin in the near future as a result of the Chinese iron ore phenomenon and increased demand from titanium slagging plants in the Middle East, China and elsewhere.

Finally, I would like to express my thanks and appreciation to all the staff at Kenmare, who have shown great commitment and tenacity in assisting the Company through what has been a challenging year. I look forward to continuing to improve our safety and operations performance in 2015.

Michael Carvill
Managing Director

Business Review

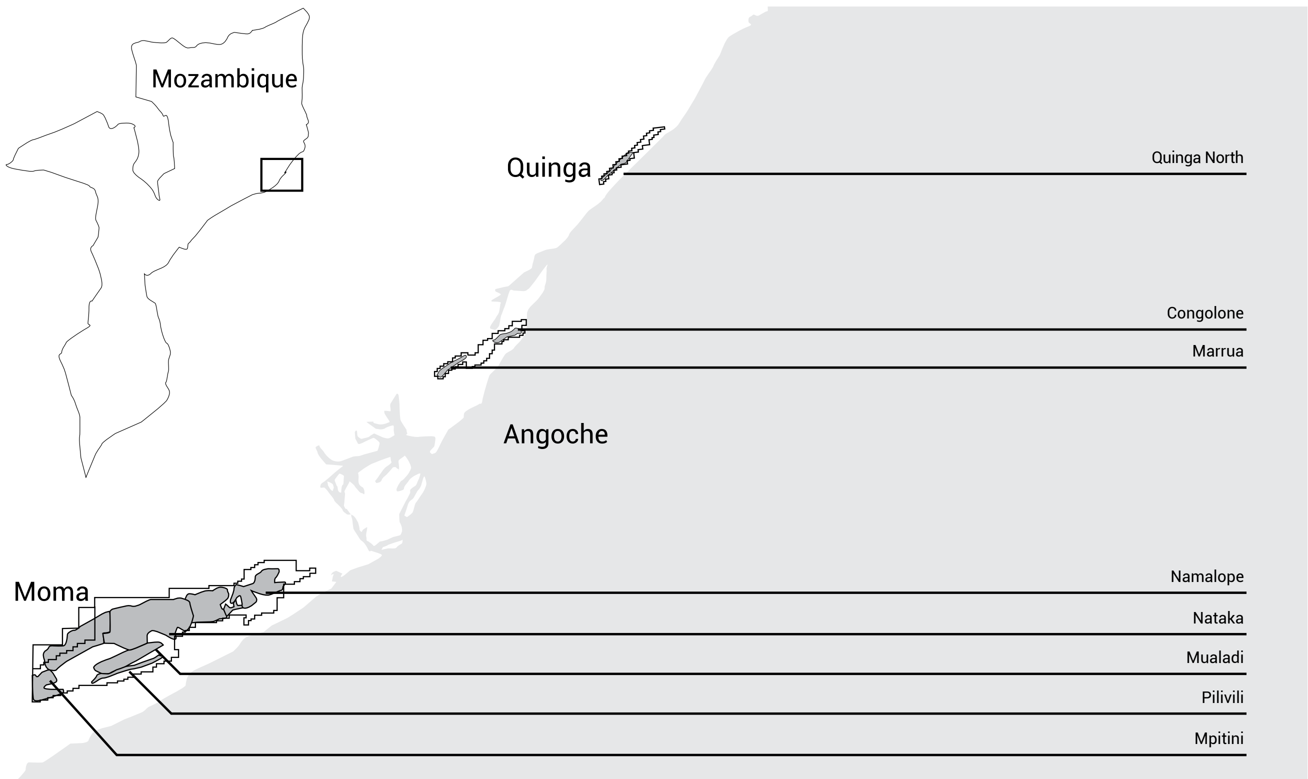
INTRODUCTION

THE GROUP'S WORLD-CLASS RESOURCE IS ESTIMATED TO CONTAIN APPROXIMATELY 200 MILLION TONNES OF ILMENITE (EQUIVALENT TO AROUND 140 YEARS PRODUCTION FROM THE CURRENT PLANT) AND ASSOCIATED CO-PRODUCTS RUTILE AND ZIRCON.

ILMENITE AND RUTILE ARE TITANIUM MINERALS USED AS FEEDSTOCKS TO PRODUCE TITANIUM DIOXIDE (TIO_2) PIGMENT, TITANIUM METAL AND WELDING ELECTRODES. ZIRCON, A HIGH VALUE ZIRCONIUM SILICATE MINERAL, IS AN IMPORTANT RAW MATERIAL FOR THE CERAMICS INDUSTRY, WHERE IT IS USED AS AN OPACIFIER AND FRIT COMPOUND FOR DECORATIVE WALL AND FLOOR TILES AND SANITARY WARE. ZIRCON IS ALSO USED IN THE REFRACTORY AND FOUNDRY INDUSTRIES AND TO PRODUCE ZIRCONIA AND ZIRCONIUM CHEMICALS FOR A VARIETY OF APPLICATIONS.

THE NATURE OF KENMARE'S DEPOSIT, WITH ABUNDANT FRESH WATER, NO OVERBURDEN, A GOOD ORE GRADE AND ATTRACTIVE PRODUCTS WHICH DO NOT HAVE TO BE UPGRADED BEFORE BEING USED, GIVES KENMARE THE ABILITY TO MINE, CONCENTRATE AND SEPARATE ITS PRODUCTS WITH RELATIVELY LOW CAPITAL AND OPERATING COSTS.

KENMARE OPERATES A DEDICATED PORT FACILITY ADJACENT TO THE MINERAL SEPARATION PLANT ("MSP") WHICH ALLOWS FOR THE SHIPMENT OF PRODUCTS TO CUSTOMERS AT MINIMUM COST.



Summary of Reserves and Resources

The total proven and probable ore reserves in the Namalope and Nataka mining concession allocated to Kenmare as at 31 December 2014 is estimated at 815 million tonnes, grading 2.7% ilmenite, 0.18% zircon and 0.064% rutile, containing 22 million tonnes of ilmenite, 1.5 million tonnes of zircon and 0.52 million tonnes of rutile. The total ore resource (excluding reserves) held by Kenmare under a combination of exploration licences and mining concessions as at 31 December 2014 is estimated at 7.2 billion tonnes, grading 2.5% ilmenite, 0.17% zircon and 0.055% rutile, containing 180 million tonnes of ilmenite, 12 million tonnes of zircon and 3.9 million tonnes of rutile. Details are set out in the Reserve-Resource table on page 16.

The Namalope and Nataka drilling and sampling programme to improve geological definition and grade control continued in 2014 with a total of 27,200 metres of infill drilling completed. This drilling was primarily within the areas to be mined during 2017 to 2020 at Namalope, greatly increasing the knowledge and confidence in the reserves in this part of the deposit. 603 metres of exploration drilling was completed in licence L1462 and 270 metres of hydrogeological drilling was completed. The map above shows exploration licences and mining concessions held by Kenmare.

Business Review
CONTINUED

The following table sets out Kenmare's mineral resources and reserves as at 31 December 2014:

Reserve-Resource Table

Zones	Category	Ore (Mt)	% THM*	% Ilmenite in THM	% Ilmenite in ore	% Rutile in ore	% Zircon in ore	% Slime in ore	THM (Mt)	Ilmenite (Mt)	Rutile (Mt)	Zircon (Mt)
Reserves												
Namalope	Proved	246	4.1	82	3.3	0.077	0.24	8.05	10	8.2	0.19	0.58
Namalope	Probable	97	3.3	81	2.7	0.103	0.21	8.25	3.2	2.6	0.10	0.20
Nataka	Probable	472	2.8	82	2.3	0.049	0.15	13.08	13	11	0.23	0.71
TOTAL RESERVES	Proved & Probable	815	3.3	82	2.7	0.064	0.18	10.98	27	22	0.52	1.5

Resources	Category	Sand (Mt)	% THM*	% Ilmenite in THM	% Ilmenite in sand	% Rutile in sand	% Zircon in sand	% Slime in sand	THM (Mt)	Ilmenite (Mt)	Rutile (Mt)	Zircon (Mt)
Congolone	Measured	167	3.3	77	2.5	0.060	0.24		5.4	4.2	0.1	0.4
Namalope	Measured	92	3.6	81	2.9	0.066	0.21	8.87	3.3	2.7	0.1	0.2
Namalope	Indicated	134	2.9	81	2.3	0.055	0.17	6.85	3.8	3.1	0.1	0.2
Nataka	Indicated	1064	3.3	81	2.7	0.059	0.18	17.69	34.9	28.4	0.6	1.9
Pilivili	Inferred	227	5.4	80	4.3	0.13	0.35		12	9.8	0.3	0.8
Mualadi	Inferred	327	3.2	80	2.6	0.061	0.21		10	8.4	0.2	0.7
Nataka	Inferred	4,800	2.7	83	2.2	0.046	0.14	13.95	130	110	2.2	6.8
Mpitini	Inferred	287	3.6	80	2.9	0.070	0.24		10	8.3	0.2	0.7
Marrua	Inferred	54	4.1	80	3.3	0.19	0.19		2.2	1.8	0.1	0.1
Quinga North	Inferred	71	3.5	80	2.8	0.14	0.28		2.5	2.0	0.1	0.2
TOTAL RESOURCES		7,200	3.0	83	2.5	0.055	0.17	12.06	210	180	3.9	12

Resources are additional to Reserves. Estimates for Namalope Proved Reserve and the Namalope Measured and Indicated Resources comply with the JORC Code 2012 (Australasian Code for Reporting Ore Reserves and Mineral Resources). Table 1 documentation for the Namalope Reserves and Resources can be found at www.kenmareresources.com. Estimates for all Resources and Reserves except Namalope and Nataka were prepared and first disclosed under the JORC Code 2004. They have not been updated to comply with the JORC Code 2012 on the basis that the information has not materially changed since they were last reported.

The competent person for the Namalope and Nataka reserves and resources is Mr Paul Leandri (MAusIMM and MAIG). Mr Leandri is a current employee of Kenmare and does not hold any shares in the Company. The competent person for the other resources is Dr Alastair Brown (FIMMM). Dr Brown is an independent consultant who is a shareholder in and former employee of Kenmare. Mr Leandri and Dr Brown have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the JORC Code 2012. Mr Leandri and Dr Brown consent to the inclusion in this report of the matters based on their information in the form and context in which it appears.

THM is total heavy minerals of which ilmenite (typically 82 per cent.), rutile (typically 2.0 per cent.) and zircon (typically 5.6 per cent.) total approximately 90 per cent. Tonnes and grades have been rounded and hence small differences may appear in totals. Mt represents million tonnes.

Mining

The Group undertakes mining and concentrating activities in two separate dredge mining operations in the Namalope deposit. Dredge mining has the lowest cost per tonne of solids handling in the mineral sands industry. At the Mine, dredging takes place in two artificial freshwater dredge ponds by three dredgers feeding two separate floating wet concentrator plants ("WCP A" and "WCP B"). Before mining begins, the area ahead of the dredge path must be prepared by clearing the vegetation and removing topsoil. The topsoil is either applied directly to an area then being rehabilitated, or stockpiled for use in later rehabilitation.

The dredgers cut the ore at the base of a prepared ore face, causing mineral-bearing sands to slump into the dredge pond from where they are suctioned and pumped by the dredgers to the respective floating wet concentrator plant. Feed to WCP A is supplemented by a dry mining operation. The dry mining operation uses standard surface mining equipment to mine the ore which is then slurried and pumped to WCP A to supplement the dredge mining feed.

The first processing stage consists of rejecting oversize material through trommels in the case of WCP A and vibrating screens in the case of WCP B. The undersize material in WCP A then passes into a surge bin as plant feed, while the undersize material in WCP B is passed through a de-sliming process prior to entering the surge bin. The respective feeds are passed over progressive stages of spiral gravity separators which separate heavy minerals from silica sand and clay tailings. The products from the wet concentrator plants are heavy mineral concentrate ("HMC") and tailings.

HMC consists of the valuable heavy minerals ilmenite, rutile and zircon, some non-valuable heavy minerals, and a small amount of light minerals, the bulk of which is silica. HMC, representing approximately 5% by weight of the total sand mined, is pumped to the Mineral Separation Plant ("MSP') where it is stockpiled prior to further processing.

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

After the tailings have sufficiently dewatered, they are re-contoured. Topsoil containing seeds and organic material is placed onto the re-contoured tailings. Rehabilitation is completed by fertilising and seeding or planting with a variety of native and/or other species of vegetation as well as food crops.

When the rehabilitation of an area has been completed to an acceptable standard, the area is transferred to the government and thence to the local communities. The first such transfer took place in 2013. The rehabilitation process continues to be optimised with input from local communities, the competent authorities and non-governmental organisations.

Mineral separation

The MSP uses screening, magnetic, electrostatic and gravity separation circuits to separate valuable minerals from non-valuable minerals, and also to make different ilmenite, rutile and zircon product grades to meet specific customer requirements.

HMC is transferred from stockpiles by front-end loaders and fed to the WHIMS ("Wet High Intensity Magnetic Separation") plant, a feed preparation section of the MSP added during the Phase II expansion. The WHIMS plant improves the thermal efficiency of the MSP by separating the magnetic and non-magnetic fractions in wet form, thereby allowing the non-magnetic fraction to be fed directly into the wet gravity separation circuit without undergoing unnecessary drying. The magnetic fraction is dried and processed by electrostatic separation in either of two ilmenite plants to produce final ilmenite products. The non-magnetic fraction of the WHIMS output passes to the wet gravity separation circuit which removes any remaining silica and trash minerals. Electrostatic separators are then used to separate the conducting mineral rutile from the non-conducting mineral zircon.

Storage and transportation

Final products are stored in a 220,000 tonne capacity warehouse, including a separate dedicated 35,000 tonne capacity zircon warehouse, which was commissioned as part of the expanded plant. This has reduced the potential for cross-contamination of final product. Both warehouses have facilities for loading of product onto a 2.4 km long overland conveyor, which leads to a 400 metre long jetty. The conveyor transports product to the end of the jetty where the product is loaded onto Kenmare's transhipment vessels, the Bronagh J and the Peg, at a rate of 1,000 tonnes per hour. The vessels then transport the products to a deep water transhipment point 10 km offshore, where they self-discharge into customer vessels.

Other infrastructure

The Mine has other supporting infrastructure including a 170 km 110 kV power transmission line, a sub-station, a leased 7.5 MW diesel generator plant, an additional 6 MW of standby diesel power generation capacity, an accommodation village, offices, laboratory, a jet-capable airstrip, water supply and sewage treatment plants.

Business Strategy & Key Performance Indicators

BUSINESS STRATEGY

Kenmare's strategy is to create long-term shareholder value through the production and marketing of products derived from its extensive titanium minerals resources. To date, the strategy has been implemented by the development and expansion of the Moma Titanium Minerals Mine.

The Mine has a number of advantages which make it a leading titanium feedstock producer including:

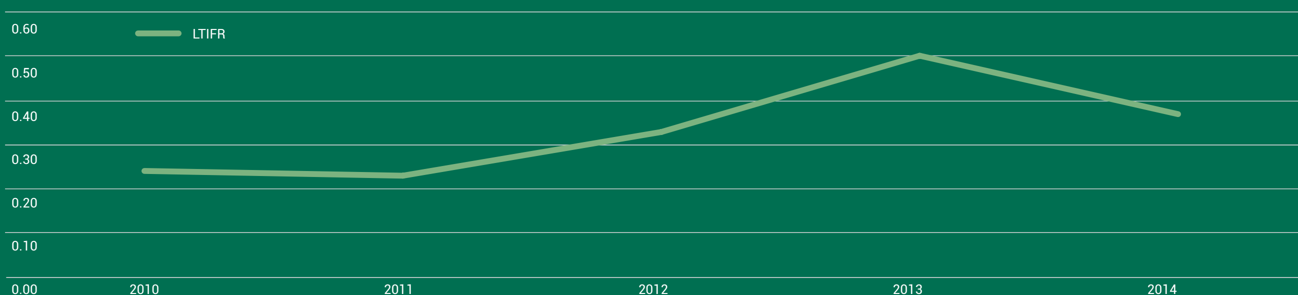
A RESOURCE LARGE ENOUGH TO SUPPORT VERY LONG MINE LIFE, OVER ONE HUNDRED YEARS	LOW MINING OPERATING COST WITH SURFACE MINERALISATION (NO OVERBURDEN) WHICH CAN BE DREDGE MINED	RELATIVELY LOW COST HYDRO POWER
COASTAL LOCATION REQUIRING VERY LIMITED OVERLAND TRANSPORT BY CONVEYOR AND THE ABILITY TO MINE AND EXPORT DIRECTLY FROM THE MINE USING A DEDICATED SHIPPING TERMINAL	DIVERSIFIED WORLDWIDE CUSTOMER BASE AND SIGNIFICANT CO-PRODUCT REVENUE STREAM	ILMENITE PRODUCTS SUITABLE FOR BOTH SULPHATE AND CHLORIDE PIGMENT PROCESSES WITHOUT FURTHER BENEFICIATION

2014 was characterised by improving capability to deliver in a cost effective manner. Improvements such as mitigating poor power reliability issues, improving the reliability of the WCP B plant and dredger, the sustainable management of slimes disposal, and increasing the effectiveness of rutile and zircon circuits have been key focus areas. In 2015, we will continue to focus on improving rutile and zircon production tonnages and quality, and operating time at the Mine and MSP, whilst continuing to produce high quality ilmenite, zircon and rutile products.

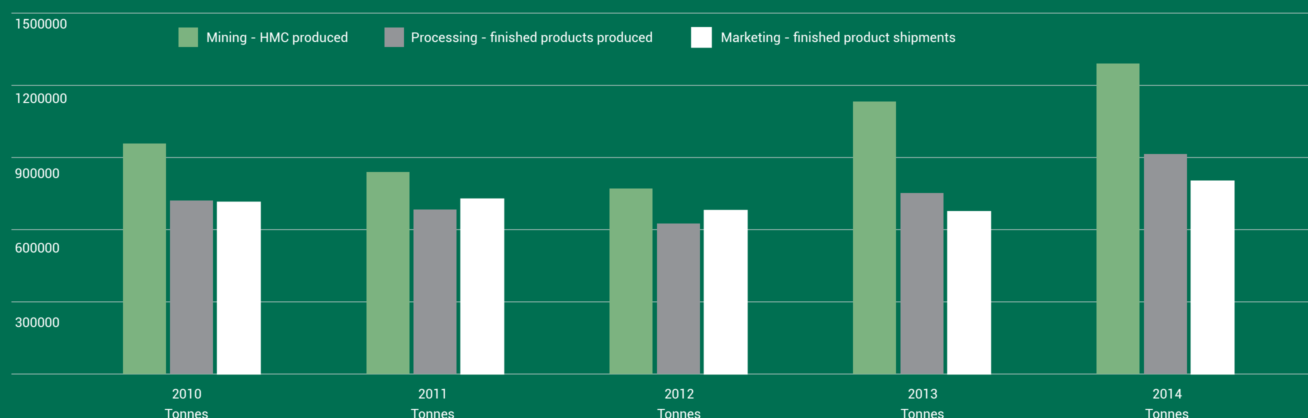
KEY PERFORMANCE INDICATORS

The key performance indicators of the Group are:

(i) LTIFR;
(ii) output of HMC from the mining operations;
(iii) output of finished products (ilmenite, rutile and zircon) from the MSP;
(iv) finished product shipments;
(v) EBITDA;
(vi) capital costs;
(vii) cash operating costs; and
(viii) cash operating cost per tonne of finished product produced

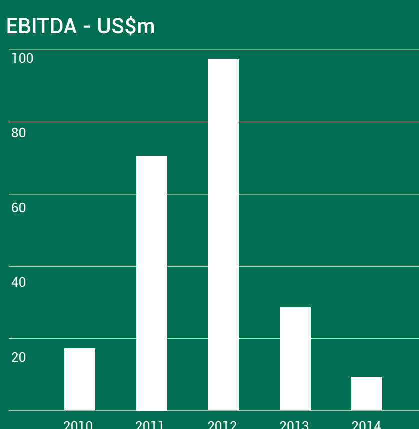


	2010	2011	2012	2013	2014
LTIFR	0.24	0.23	0.33	0.50	0.37

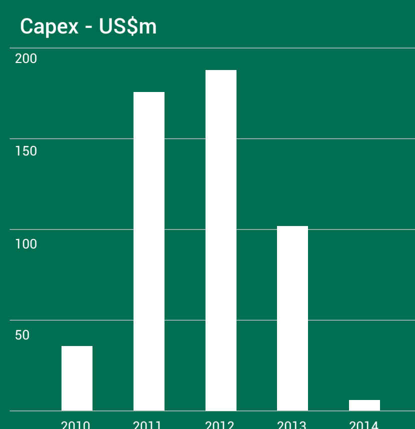


	2010	2011	2012	2013	2014
	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes
Mining - HMC produced	956,900	842,900	772,300	1,137,200	1,287,300
Processing - finished products produced	720,200	686,900	626,400	755,500	911,500
Marketing - finished product shipments	712,900	730,400	680,800	677,900	800,000

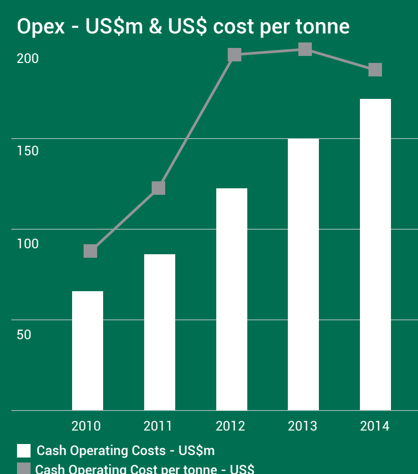
EBITDA - US$m



Capex - US$m



Opex - US$m & US$ cost per tonne



	2010	2011	2012	2013	2014
	US$m	US$m	US$m	US$m	US$m
EBITDA	17.4	71.7	98.9	29.0	9.4
CAPEX	35.9	180.1	191.9	103.9	5.2
Cash operating costs	63.9	84.8	123.4	150.4	173.0
	US$	US$	US$	US$	US$
Cash operating cost per tonne of finished product produced	88.7	123.5	197.0	199.1	189.8

Operational Review

DURING 2014 ALL PLANTS DEMONSTRATED AN ABILITY TO OPERATE AT REQUIRED LEVELS. THE FOCUS NOW IS TO INCREASE UTILISATION RATES AND EFFICIENCIES TO IMPROVE PRODUCTION LEVELS AND REDUCE UNIT OPERATING COSTS, WHILST CONTINUING TO IMPROVE OUR SAFETY PERFORMANCE.

TERENCE FITZPATRICK
TECHNICAL DIRECTOR

BEN BAXTER
CHIEF OPERATING OFFICER

KOOS GROVE
MINE GENERAL MANAGER

PRODUCTION

A total of 35.8 million tonnes of reserves were mined at an average heavy mineral grade of 4.53% total heavy minerals in 2014. After mining losses, 29.9 million tonnes of ore were processed over the spirals at an average heavy mineral grade of 4.44%, resulting in HMC production of 1.29 million tonnes.

Mining is performed in two ponds; WCP A is supplied by two dredges while WCP B is fed by one larger dredge. The production of HMC from WCP A was 701,400 tonnes for 2014 compared to 934,100 tonnes produced in 2013. For the first four months of the year WCP A operated at below planned levels due to electrical supply issues and grades were lower than in 2013. WCP B contributed 585,900 tonnes of HMC versus 203,100 tonnes produced in 2013. WCP B struggled with the same electrical supply issues as WCP A in the first quarter while plant utilisation was also impacted by a challenging ramp up to capacity as work was required to improve dredge reliability. Following modification, WCP B was operating ahead of forecast levels by the end of the year.

The MSP improved performance producing 854,600 tonnes of ilmenite products versus 2013 performance of 720,100 tonnes. Production was below expectations largely due to a marketing decision to reduce the volume of sulphate ilmenite sold in response to reduced market demand. As a result stockpiles of intermediate magnetic concentrate increased in the fourth quarter. Ilmenite recoveries and throughput rates have been demonstrated above the long-term planned levels. Initiatives to improve plant recoveries, reliability and utilisations continue, particularly focusing on bucket elevators and the ilmenite dryer.

Zircon production continued to improve in 2014. 50,800 tonnes of zircon products were produced compared to 2013 production of 31,400 tonnes, an improvement of 62%. Product quality also improved in 2014, yielding a higher value mix of zircon products.

Rutile production was 6,100 tonnes versus 2013 production of 4,000 tonnes. Significant efforts were made in the first half of the year to successfully raise recoveries and increase production of rutile product. Further work is now underway to improve the rutile quality.

POWER SUPPLY

Power reliability was a major consideration to the whole operation during 2014, with grid power remaining unreliable. Frequent voltage dips and power outages caused serious disruption to mining and processing operations. In response to this a "Dip Doctor" synchronous condenser was successfully commissioned to smooth power to the Mine, which has resulted in an 80% reduction in power dips experienced at the Mine.

In addition, to counter the large number of outages in the wet season (due to increased base load, thunder storm activity and flooding events), an Aggreko diesel generator plant was successfully commissioned and ran during the wet season (from 10 December 2014), providing quality power to the MSP and improving reliability. Separately, the national power utility continues to progress projects to improve the reliability and capacity of the power network in northern Mozambique.

SHIPMENTS

In 2014, 40 ships were loaded, bringing total sales for the year to 800,000 tonnes of finished products, comprised of 742,400 tonnes of ilmenite, 50,000 tonnes of zircon (including 22,500 tonnes of secondary grade zircon) and 7,600 tonnes of rutile. Cumulative product exports since operations began reached 4.3 million tonnes by the end of 2014.

HEALTH & SAFETY

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

Significant improvements were made in health and safety in 2014 with 300 fewer days lost due to injury. The operation was fatality free and the lost time injury frequency rate (LTIFR) was reduced from 0.50 in 2013 to 0.37 by December 2014. By the end of the year, the operation had run seven months without a lost time injury. Implementation of the NOSA system was completed and a 4 star rating was achieved on the first external audit in the fourth quarter of 2014.

Operational Review
CONTINUED

The Mine's safety statistics are as follows:

	2014	2013
Man-hours worked	4,302,702	5,918,960
Man-hours worked since last LTI	2,651,978	150,685
Lost Time Injuries ("LTI")	8	17
Fatalities (included in LTIs)	-	1
Medical Treatment Injuries ("MTI")	8	13
First Aid Injuries ("FAI")	36	85
All Injuries ("AI")	52	115
Days lost to injuries	361	661
LTI Frequency Rate ("LTIFR")	0.37	0.50
Malaria cases	1,870	1,721
Days lost to malaria	7,480	6,884

Note: The higher hours worked in the prior year were as a result of the construction contractors at the Mine.

The operation was fatality free and LTIFR was reduced from 0.50 in 2013 to 0.37 by December 2014.

Malaria
Malaria remains a significant challenge to the health and the productivity of the workforce. Malaria cases increased in 2014 (1,870) compared to 2013 (1,721), with an abnormally high peak in June 2014. The malaria management programme continues. 87% of cases emanate from local employees who do not live in the Mine accommodation. Programmes employed in the Mine accommodation, including; education campaigns, issuing bed nets, indoor residual spraying of offices and accommodation and area fogging have been highly effective. Pesticide spraying of individual houses and buildings within the local communities, financed by Kenmare and managed by the Ministry of Health, takes place three times a year. Developing a malaria-conscious culture where remedial methods are accepted in the workforce and communities will be a focus area in the future.

NOSA Safety System
NOSA is an internationally recognised safety, health and environmental risk management system. The system is aligned with international standards (OHSAS 18001, ISO 14001) and assists companies to implement a holistic approach towards the management of safety, health and environmental processes. Kenmare achieved a 4 star rating in its inaugural NOSA external audit in November 2014.

INX
INX is a risk-based incident management and reporting system that provides the operation with a compliance measurement system for safety, health and environment functions. Implementation of the INX database was completed in 2014 and is now used to capture and manage risk assessments, incidents, business intelligence, audits and inspections. This system monitors and allows analysis of essential environmental factors through the capture of key indicators such as water contaminants and dust levels.

ENVIRONMENT
Kenmare is committed to operating in an environmentally responsible manner and to minimising the impact of mining and processing operations on the local environment. The Mine is subject to the environmental laws and standards in force in Mozambique, together with international standards and guidelines of the World Bank, African Development Bank and FMO, as well as its own policies. The Mine applies the International Finance Corporation ("IFC") Performance Standards (2006), as set out in the Environmental Management Plan ("EMP") and is targeting compliance with the IFC Performance Standards 2012. The Mine consistently seeks to apply best practice in all of its activities. The above standards relate to emissions, effluent treatment, noise, radiation, water quality, rehabilitation, management of social impacts, amongst others. Where standards differ, Kenmare has committed to meeting the most stringent standard applicable.

The environmental management system involves monitoring to ensure applicable standards are being observed, and where deviations are encountered, reporting and mitigation occur promptly. The system is modelled in accordance with ISO 14001 which requires that environmental objectives and targets be set annually and regularly reviewed throughout the year, with performance tracked and checked through scheduled audits and inspections. The objective of this system is to facilitate and achieve compliance with the commitments in the EMP as well as continual improvement of environmental performance.

Greenhouse gas

	2014	2013	2012
Greenhouse gas (tonnes CO_2)	52,669	43,144	112,244

In 2014 the greenhouse gas emissions were 52,669 tonnes, this was an increase of 9,525 tonnes from the prior year based on expanded operations. The 2012 figures were materially higher due to the completion of the expansion project with all the associated mobile vehicles required for that work.

Water management

	2014	2013	2012
Water extraction (million cubic metres)	19.68	17.88	6.52

During the year Kenmare extracted 19.68 million m^3 of water against the permitted volume of 32.4 million m^3 per annum. Groundwater monitoring throughout the site continued as per the water monitoring programme. The increased water extraction is due to the operation of a second mining pond.

Solid waste management

Kenmare continues to manage solid waste according to Company procedures which are aligned to the Waste Management Plan submitted and approved by the Ministry for the Coordination of Environmental Action ("MICOA").

A total of 206.3 m^3 of used oil were sent to a supplier in Beira for offsite recycling and 16,200 tonnes of hazardous waste were sent for disposal at a licensed industrial landfill site in Maputo.

Metal scrap was originally sent to Nacala for offsite recycling; however, the process was interrupted by a falling scrap iron price, which made the project uneconomical for the contractor. A new tender process in this area will be undertaken in 2015.

The waste segregation campaign is in place on site to increase awareness and improve the waste segregation process. This involves training and awareness of employees and contractors. Additionally Kenmare is focussing on maximising the opportunities for recycling.

Effluent management

Kenmare operates four sewerage treatment plants at the Mine and the quality of the effluent is regularly monitored. There were no major non-conformances in the year. The plants operated in a closed cycle, where the treated effluents are used as process water at rehabilitation areas for which Kenmare obtained a licence from MICOA. During 2014, the major plant for the Mine accommodation village was upgraded and the treated effluents were discharged to the environment from June to November. In December it was returned to a closed cycle.

Radiation

During the year the radiation monitoring programme continued as planned in the current radiation management plan, submitted to ANEA in 2013. Radiation monitoring included workplace and dose monitoring. All measurements were within the required limits.

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

Rehabilitation
During the year Kenmare continued to follow the programme approved by MICOA in the Management Plan and Rehabilitation Strategy, aiming to restore mined areas to be handed over to local communities.

In 2014, a total area of 39.11 hectares was rehabilitated. An external tails area has been 80% re-covered through re-vegetation activities with the planting of casuarinas, an acacia species tree, and seven hectares of crops. Already the rehabilitation of this area is encouraging the appearance of wildlife, mainly reptiles.

Noise
Kenmare requested an independent Occupational Health and Environmental Consultant to conduct an annual noise survey in October 2014 at selected points throughout the Kenmare land concession area, focusing on the boundary with the community. The survey was to determine noise disturbance from operations. The results indicated that the noise levels measured at two villages were above the MICOA guidelines. The predominating noises were non-mining related being loud music and motorbikes, although some noise originated from mining vehicles and reversing warning alarms from mine trucks.

Ambient Air Quality
Kenmare's air monitoring programme follows site operational procedures with measurements conducted on a monthly basis, these measurements were compared to MICOA, AfDB, and IFC standards.

The results of the PM10 and PM2.5 tests indicate that the measured concentrations at the locations surrounding the mining activities are within applicable guidelines.

Biodiversity
The terrestrial monitoring programme that was commissioned in 2012 continued with a third assessment made at the end of 2014, with no major findings reported. The objective of the monitoring programme is to assess the effectiveness of mitigation measures contained within the EMP, where necessary, to introduce additional measures to ensure that any negative impacts of the Mine on terrestrial environmental health are minimised. These efforts are in line with the best practice requirements of the IFC Performance Standards. Kenmare is continuing to work to meet the points raised in the assessments.

Marine Monitoring Programme
In line with Kenmare's commitment to manage the environmental and social impacts of it's marine activities and to comply with the requirements of the IFC Performance Standards, a long-term marine monitoring programme was initiated in 2010.

The third survey of the monitoring programme was conducted in November 2014 by independent consultants. The 2014 report provides a comparison between the findings from previous studies of 2010 and 2012. The results of this survey indicated that Kenmare's operations have had no direct negative impact on the local marine ecosystem. The coral reefs around the islands of Caldeira and Njovo are in relatively good condition and the comparative information does not indicate major negative changes since 2010. If anything, in the opinion of the authors, the reefs are still improving and recovering from the 1998 El Nino bleaching event that decimated coral communities.
There is no evidence of hydrocarbon contamination in either the local waters or sediments and the data did not indicate any significant change in local fish population status since the 2012 survey.

Audits
The annual audit conducted by the MICOA, accompanied by the Health, Marine and Mining Ministries had no major findings. Any minor issues raised were addressed or mitigation is underway. The Project Companies were fined for the alleged late reporting of a reportable incident when 1,600 litres of hydraulic oil was spilled into a mining pond. The fine is under appeal.

Kenmare subscribes to the NOSA Occupational Health, Safety and Environmental Management System. The first NOSA grading audit was conducted in November 2014 and Kenmare achieved a 4 Star rating out of a possible 5 Stars.

EMPLOYEES

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

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

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

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

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

During 2014, Kenmare embarked on a management development programme named Project Avante. The scope of this programme is to develop business maturity through the implementation of management systems and behaviours. The programme continues to deliver improvements in operational organisation and control, standardising operating methods, and improving management techniques.

Employee Demographics

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

	2014	2013
Number of Employees	1,565	1,529
% Mozambican	90%	89%
% Expatriates	10%	11%

There were 1,565 employees at the Mine as at the end of December 2014, an increase of 36 employees when compared to December 2013. The vast majority of the employees (90%) are Mozambican, and 5% are women.

Kenmare has actively reviewed employment during 2014 with a view to building competencies whilst reducing costs. Further to the cost reductions made, a retrenchment programme was implemented in the first quarter of 2015 seeking to further rationalise and improve operating efficiency throughout the organisation in light of poor market conditions.

Training

Kenmare's plans to promote Mozambicans to senior positions within the Mine are underpinned by its training programme.

The Company training programme in combination with Project Avante continues to develop and empower the workforce from within, with a view to building skills and competencies for the benefit of employees and the Company. The external training programmes include:

- Pre-employment programme
- Apprenticeship programme
- Assistants training programme
- Internships
- Graduate development programme
- Bursary and educational assistance
- Supervisory training programme
- Coaching and mentoring courses
- Heavy mobile vehicle operator programme
- Plant operator programme
- Technical development programme

The Company continues to encourage expatriate employees to take an active part in the development of Mozambicans through mentorship and coaching.

Ben Baxter
Chief Operating Officer

Marketing Review

KENMARE IS A RECOGNISED AS A MAJOR SUPPLIER OF TITANIUM MINERAL SAND PRODUCTS TO A GLOBAL CUSTOMER BASE OPERATING IN OVER 15 COUNTRIES AND INCLUDING SOME OF THE LARGEST END USERS OF THESE PRODUCTS. THE OUTPUT FROM THE MINE OPERATION CONSISTS OF SEVERAL GRADES OF THE TITANIUM DIOXIDE (TIO_2) MINERALS, ILMENITE AND RUTILE, AS WELL AS THE ZIRCONIUM MINERAL, ZIRCON. KENMARE'S PRODUCTS ARE KEY RAW MATERIALS PROCESSED INTO INTERMEDIATE PRODUCTS AND ULTIMATELY CONSUMED IN EVERYDAY 'QUALITY-OF-LIFE' PRODUCTS SUCH AS PAINTS, PLASTICS AND CERAMIC TILES.

EAMONN KEENAN
GROUP GENERAL MANAGER, SALES & MARKETING

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

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

Global pigment demand grew by an estimated 3-4% in 2014 but did not translate into any significant earnings improvement for either the pigment or the feedstock producers as pigment prices weakened due to strong competition from an expanded Chinese pigment production base. Global average pigment industry operating rates moved above 80% mark for most of the year, with some of the larger Chinese and global producers reporting rates above 90% as the year progressed. Chinese pigment production expanded by an estimated 15% in 2014, supported by solid domestic consumption growth and an estimated 40% increase in exports. Chinese producers did well in finding export markets for their products with aggressive pricing strategies, which disturbed regional balances and led to continued downward pressure on pigment prices throughout 2014.

2014 was a challenging year for titanium feedstock producers despite the improved demand from the pigment sector. By mid-year there were some positive signs of improvement in market conditions as feedstock offtake stability returned as excess inventories were drawn down and pigment plant operating rates increased. However, feedstock buying behaviour remained cautious and the pigment sector, despite enjoying higher sales volumes, continued to exert pricing pressure on feedstock producers to offset the impact of lower pigment prices inflicted by Chinese producers.

Marketing Review
CONTINUED

Prices of high grade feedstocks stabilised by mid-year as production was aligned to meet demand. As for ilmenite pricing, increased supply from the start-up of new mines in Africa, combined with a significant increase in Chinese domestic supply over the past few years, created a very competitive global pricing environment resulting in progressive downward pressure throughout 2014. China remains the main driver of the global ilmenite market given its huge import dependence and offtake growth in the past five years as pigment production rates expanded rapidly. Despite the increased consumption of ilmenite for the large expansion of Chinese pigment production during 2014, the expanded domestic ilmenite supply captured this growth and led to further displacement of imported ilmenite volumes.

Chinese ilmenite is typically low-grade and produced principally as a by-product of iron ore mining. China's ilmenite production expanded rapidly since 2010 fuelled by the increased demand for iron ore to feed the expanding steel industry. High ilmenite prices in 2011 and 2012 also incentivised the reprocessing of ilmenite-rich tailings that added to the supply. Iron ore prices have come under significant pressure in the past 12 months, falling by over 50%, and the outlook is for further price erosion as steel demand is slowing and significant new iron ore supply outside of China enters the market. Industry analysts expect a structural oversupply of iron ore to persist for the next few years, which is expected to lead to a further reduction in Chinese iron ore production, thereby also impacting the ilmenite supply.

Since early February 2015, in response to downward pressure on iron ore prices, there has been evidence that a number of Chinese mines have either reduced or suspended production, which is expected to materially impact on ilmenite supply in 2015. Kenmare expects further Chinese ilmenite supply to come out of the market in the coming months as the market environment continues to deteriorate for these iron ore producers. This has yet to impact on the supply/demand pricing dynamics as pigment plant operating rates have remained low over the winter months and Lunar New Year period, and inventories need to be worked down, but this supply reduction should become evident in the coming months. Meanwhile supply of ilmenite and of concentrates for reprocessing from other regions, notably Vietnam, continues to decline in 2015 due to poor mining economics.

Despite challenging market conditions in 2014, Kenmare continued to grow its position in the market and ilmenite sales volumes increased by 16%.

On the demand side, higher pigment plant operating rates and materially increased demand for ilmenite from new slag producers in China and the Middle East will also have a major impact on the ilmenite supply/demand balance in 2015. Additionally, some existing slag producers outside of China have entered the market to buy ilmenite, which will absorb additional significant volumes of merchant ilmenite.

Although softer market conditions have persisted into Q1 2015, positive macroeconomic trends indicate that demand should improve over the course of 2015. Leading economists forecast improved global GDP growth in 2015 driven by stronger growth in developed economies. The big drop in oil prices since June 2014 has provided a boost to import-dependent developed economies and should assist to boost consumer spending and improve industry competitiveness. As pigment demand has historically correlated well with economic growth, the improving economic outlook is expected to support above trend line growth rates in pigment demand in the next few years. On the supply side, the current ilmenite over-supply situation is fragile with the likelihood of further reduction in Chinese production in 2015 and from other regions due to mine depletions and poor economics, which should lead to tighter market conditions emerging in the coming months.

Despite challenging market conditions in 2014, Kenmare continued to grow its position in the market and ilmenite sales volumes increased by 16%. We established a Representative Office in Beijing and hired an experienced industry professional to expand our presence and improve market intelligence in the Chinese market, while also providing additional support to our marketing team in Dublin and Singapore. Kenmare expects further strong sales volume growth in 2015. As the largest global producer of traded ilmenite, Kenmare is well established as a premium supplier to the global pigment industry as well as a key supplier to producers that beneficiate ilmenite to higher grade feedstock. As the chloride pigment sector in China emerges and grows in the coming years, Kenmare is in a strong position to capture additional ilmenite sales volume growth to Chinese titanium slag plants that are being built in response to the increased demand for chloride feedstocks. In the main, Chinese ilmenite is not suitable for upgrading to chloride slag and slag producers are dependent on imported ilmenite to support production. Kenmare ilmenite has been approved as the preferred feed for some of the slag plants and we expect offtake to grow strongly as the chloride pigment sector develops in the coming years.

Zircon market conditions were stable in 2014 with some modest growth. Notwithstanding the apparent stability, demand conditions continued to vary regionally with strong first half conditions in China, North America and parts of South America, while demand in Europe showed little improvement as construction activity and tile production in the large zircon consuming markets in Spain and Italy remained depressed. There was some modest weakening of zircon prices earlier in the year but was followed by some stability as the supply/demand balance became more evident. There is renewed confidence in the major European markets of a stronger 2015 supported by reduction in energy costs and the weakening euro which is helping boost exports. Expectations are for continued moderate demand growth of around 3% in 2015.

Kenmare was well supported by its established zircon customer base in 2014 and sold all it's zircon volume, and we expect this support to continue in 2015.

Eamonn Keenan
Group General Manager, Sales & Marketing

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Finance Review

OVERVIEW

KENMARE SOLD 800,000 TONNES OF FINISHED PRODUCTS DURING THE YEAR, AN 18% INCREASE ON 2013 (677,900 TONNES), DESPITE THE CONTINUING WEAK MARKET CONDITIONS, KENMARE GENERATED AN EBITDA OF US$9.4 MILLION IN 2014 (2013: US$29.0 MILLION). IN APRIL 2015, KENMARE REACHED AGREEMENT WITH LENDERS WHICH WILL PROVIDE ADDITIONAL LIQUIDITY AND CREATE A STABLE FINANCIAL PLATFORM FOR THE GROUP.

TONY MCCLUSKEY
FINANCIAL DIRECTOR

Revenue for the year was US$174.3 million, an increase of 8% on the 2013 revenue of US$161.5 million. Reported revenue for 2013 was US$137.9 million after the capitalisation of US$23.6 million of revenue relating to product produced during the commissioning and ramp-up phase of the expansion plant. The expansion facilities, which first began operation in July 2013, continued to ramp-up production over the second half of 2013 to the level of commercial scale production capacity which was achieved by the close of 2013. During this period, the revenue generated from this production, amounting to US$23.6 million, had been offset against the related production costs and capitalised in property, plant and equipment.

Operating costs increased by 27% in 2014 to US$205.8 million from US$162.2 million in 2013. Reported operating costs of US$133.2 million for 2013 were after the capitalisation of US$29.0 million of operating costs relating to product produced during the commissioning and ramp-up phase of the expansion plant.

The Group conducted an impairment review of property, plant and equipment and an impairment loss of US$64.8 million was recognised. The Directors consider that the main cause of the impairment is the continued low product sales price. After a period of significant investment in property, plant and equipment over the prior three years, the Group invested US$5.2 million (2013: US$103.9 million) in capital in 2014. Bank loans at the end of 2014 amounted to US$337.7 million (2013: US$355.2 million), a decrease of US$17.5 million during the year. This decrease principally relates to exchange movements on the Euro denominated loans of US$23.2 million (2013: US$7.5 million increase) and additional loan amendment fees net of fees amortised of US$5.6 million (2013: US$6.8 million). Cash balances at the year-end amounted to US$21.8 million (2013: US$67.5 million).

Kenmare generated earnings before interest, tax, depreciation and amortisation (EBITDA) of US$9.4 million in 2014 (2013: US$29.0 million).

Production and revenue

Production and shipments for the years ended 31 December 2014 and 2013 were as follows:

	2014 Tonnes	2013 Tonnes
Heavy mineral concentrate production	1,287,300	1,137,200
Ilmenite production	854,600	720,100
Zircon production*	50,800	31,400
Rutile production	6,100	4,000
Total final products production	911,500	755,500
Total sales	800,000	677,900

*Included in zircon production is 7,200 tonnes (2013: 10,300 tonnes) of a secondary zircon product.

Production of HMC increased by 13% compared with 2013 as a result of the ramp-up of the new dredge and wet concentrator plant in a second mine pond as part of the expansion.

Ilmenite production for the year was 854,600 tonnes (2013: 720,100 tonnes). In response to market conditions, ilmenite production was curtailed in the second half of 2014 by temporarily modifying production strategy and limiting the output of sulphate grade ilmenite while maximising the volume of zircon and rutile produced. As a result, the intermediate magnetic concentrate stockpile was increased to 60,600 tonnes (2013: nil). This stockpile is more suitable for outside storage than final product and is available for future processing into ilmenite.

Total zircon production for the year increased by 62% to 50,800 tonnes (2013: 31,400 tonnes). Importantly, there was an increase in average zircon quality and consequently average revenue per tonne across zircon products: primary zircon increased by 107% to 43,600 tonnes (2013: 21,100 tonnes), while secondary zircon decreased by 30% to 7,200 tonnes (2013: 10,300 tonnes).

Rutile production for the year was 6,100 tonnes (2013: 4,000 tonnes), an increase of 56%. Further improvements in rutile quality are expected in 2015.

Finance Review
CONTINUED

During 2014, Kenmare shipped 800,000 tonnes of finished products, up 18% (2013: 677,900 tonnes), comprised of 742,400 tonnes of ilmenite, 50,000 tonnes of zircon (including 7,800 tonnes of secondary grade zircon) and 7,600 tonnes of rutile. Revenue for 2014 was US$174.3 million (2013: US$161.5 million), an increase of 8%. The reported figure for 2013 of US$137.9 million is after capitalisation of US$23.6 million of revenue generated from the expansion facilities.

Closing stock of HMC at the end of 2014 was 29,600 tonnes, compared with 72,500 tonnes at the start of the year. Closing stock of intermediate magnetic concentrate at the end of 2014 was 60,600 tonnes (2013: nil). Closing stock of finished products at the end of 2014 was 219,500 tonnes (2013: 107,100 tonnes), of which 70,300 tonnes are stored outside under cover; some of these stocks may require reprocessing prior to sale.

Operating costs

Cost of sales for the year amounted to US$173.4 million (2013: US$136.4 million), including depreciation and amortisation of US$36.0 million (2013: US$21.3 million). The reported cost of sales for 2013 was US$113.7 million excluding US$22.7 million of costs which were capitalised.

Other operating costs amounted to US$32.4 million (2013: US$19.5 million) comprised of: freight costs of US$8.2 million (2013: US$3.4 million), which are either reimbursable by customers or factored into the sales price for product delivered to customers on a CIF (cost, insurance and freight) basis; a credit of US$0.1 million (2013: US$0.4 million cost) as a result of reduced demurrage costs and dispatch credits for timely shipments; distribution costs of US$14.3 million (2013: US$11.0 million) inclusive of depreciation of US$4.9 million (2013: US$3.0 million); and administration costs of US$6.9 million (2013: US$3.4 million), including a charge of US$0.4 million (2013: nil) for share-based payments. During the year, there were arbitration costs of US$3.1 million in relation to a dispute with a construction contractor.

Impairment loss

During the year, the Group carried out an impairment review of property, plant and equipment. The cash generating unit for the purpose of impairment testing is the Moma Titanium Minerals Mine. The basis on which the recoverable amount of the Moma Titanium Minerals Mine is assessed is its value-in-use. The cash flow forecast employed for the value-in-use computation is a life-of-mine financial model. The recoverable amount obtained from the financial model represents the present value of the future pre-tax and finance cash flows discounted at 10%. Key assumptions include: a mine plan based on the Namalope and Nataka proved and probable reserves; average annual production of approximately 1.0 million tonnes of ilmenite plus co-products, zircon and rutile over the life of the mine; product sales prices based either on contract prices as stipulated in marketing agreements with customers, or where contracts are based on market prices or production is not presently contracted, prices as forecast, taking into account the views of independent titanium mineral sands experts and management expectations including general inflation of 2% per annum. Average forecast product sales prices have been reduced over the life of mine, taking into account current market conditions and outlook. Operating costs are based on approved budget costs for 2015 and escalated by 2% per annum thereafter and capital replacement costs are based on a life of mine capital plan considering inflation at 2% per annum from 2015.

As a result of this review, an impairment provision of US$64.8 million was recognised in the statement of comprehensive income. The operating loss for the year amounted to US$96.2 million (2013: US$4.7 million profit). The decrease in operating profit resulted from lower revenues due principally to a decrease in product prices, higher operating costs and the impairment loss.

Finance income

Outstanding warrants are re-measured at each reporting date and the increase or decrease in the fair value is recognised as a finance cost or income in the statement of comprehensive income. The fair value of warrants at the statement of financial position date resulted in finance income of US$5.5 million (2013: US$5.9 finance costs) being recognised in the statement of comprehensive income.

On 31 July 2014, the Group agreed with corporate bank loan provider, Absa, an extension of the maturity date of the US$20 million corporate loan (the "Absa facility"), from 31 March 2015 to 31 March 2016. An extension fee of US$0.8 million was settled in 7,257,850 warrants for Kenmare Resources plc shares on 1 September 2014 with an exercise price of Stg11p. The fair value of these warrants at the statement of financial position date resulted in finance income of US$0.6 million (2013: nil) being recognised in the statement of comprehensive income. Other finance income of US$0.2 million (2013: US$0.3 million) consisted of interest on bank deposits.

The carrying amount of Property, Plant and Equipment amounted to US$865.2 million at 31 December 2014.

Finance costs

Loan interest and finance fees were US$34.9 million (2013: US$40.5 million). In accordance with the terms of the project financing documents, US$4.7 million (2013: US$5.6 million) of senior loan interest was paid and US$24.3 million (2013: US$22.4 million) of subordinated loan interest was accrued and capitalised. US$2.3 million (2013: US$2.0 million) of interest on the Absa corporate facility was paid during the year.

Other financing fees of US$2.7 million (2013: US$3.9 million) consist of US$2.6 million (2013: US$1.5 million) loan fees amortised and other fees of US$0.1 million (2013: US$2.4 million).

At 31 December 2014, Group total debt was US$337.7 million (2013: US$355.2 million). The weighted average interest rate on debt at year-end was 9.2% (2013: 8.8%), principally as a result of the increased quantum of subordinated debt relative to lower cost senior debt.

Exchange movements

An exchange gain of US$24.2 million (2013: US$5.5 million loss) arose during the year, mainly due to retranslation of Euro-denominated loans. Euro-denominated loans at 31 December 2014 amounted to US$184.2 million (2013: US$186.1 million), 55% of total debt.

Deferred tax

At the statement of financial position date Kenmare Moma Mining (Mauritius) Limited had unused tax losses of nil (2013: nil) available for offset against future profits.

This resulted in a tax charge of US$0.1 million (2013: US$2.0 million) and resulted in loss after tax of US$100.8 million (2013: US$44.1 million) for the year.

Operating cash flow

Net cash flow used in operations in 2014 was US$11.9 million (2013: US$8.6 million cash flow generated). Investing activities of US$5.2 million (2013: US$82.7 million) in the year represents additions to property, plant and equipment. Loan repayments during the year amounted to US$13.0 million (2013: US$32.4 million) to senior project lenders. The decrease from 2013 was a result of the repayment of US$20 million of the Absa corporate facility in November 2013. There was a decrease in cash and cash equivalents for the year of US$45.8 million (2013: US$20.4 million increase).

Balance Sheet

Following three years of significant investment in property, plant and equipment, 2014 additions amounted to US$5.2 million (2013: US$103.9 million). Depreciation for the year was US$40.9 million (2013: US$24.3 million) and an impairment loss of US$64.8 million. Kenmare Moma Processing (Mauritius) Limited and Electricidade de Mocambique ("EdM") amended the power supply agreement in 2013 to cater for the increased power requirement of the mine as result of the expansion. As part of this amendment, EdM agreed to reimburse part of the capital costs incurred to upgrade the power supply network to accommodate the new power requirements. These costs were finalised in 2014 with EdM's share being US$1.4 million and therefore there was an adjustment to property, plant and equipment to reflect this receivable. This resulted in a net movement of US$101.8 million in property, plant and equipment in the year.

Closing stock of mineral products was US$42.3 million compared to US$24.6 million at the end of 2013. HMC at end of 2014 was 29,600 tonnes (2013: 72,500 tonnes). In response to market conditions, ilmenite production was curtailed in the second half of 2014 by temporarily modifying the production strategy by limiting the output of sulphate grade ilmenite. As a result there was a closing stock of intermediate magnetic concentrate of 60,600 tonnes (2013: nil). Finished product inventory at the end of 2014 was 219,500 tonnes (2013: 107,100 tonnes), of which 70,300 tonnes are stored outside under cover; some of these stocks may require reprocessing prior to sale. The increase in finished products was mainly in sulphate grade ilmenite stocks.

Cash and cash equivalents at 31 December 2014 were US$21.8 million (2013: US$67.5 million).

Finance Review
CONTINUED

Total liabilities at 31 December 2014 amounted to US$412.8 million (2013: US$434.0 million), of which US$337.7 million (2013: US$355.2 million) relates to bank loans, details of which are set out below:

	Loan balance US$ million	Maturity
Project Loans		
Senior Loans		
AfDB	21.2	2018
Absa (ECIC)	23.9	2015
EAIF	2.6	2018
EIB	9.5	2018
FMO	8.6	2016
KfW IPEX-Bank (Hermes)	6.6	2015
KfW IPEX-Bank (MIGA)	7.7	2018
Total Senior Loans	**80.1**	
Subordinated Loans		
EIB	149.2	2019
EAIF	55.2	2019
FMO	45.6	2019
Total Subordinated Loans	**250.0**	
Total	**330.1**	
Project loan amendment fees	**(11.8)**	Amortised over life of loans
Total Project Loans	**318.3**	
Absa corporate facility	20.0	2016
Absa corporate facility arrangement fees	(0.6)	Amortised over life of loan
Total Absa corporate facility	**19.4**	
Total Group Loans	**337.7**	

An amendment to the terms of the Project Loans was entered into with Project Lenders on 14 February 2014. This amendment removed the requirement to repay all deferred subordinated debt by 1 August 2015, and rescheduled all deferred subordinated debt that is unpaid as of 31 July 2015 so that 50% is repaid in one instalment on 1 August 2019 and the other 50% is repaid in nine equal semi-annual instalments commencing on 1 August 2015 and ending on 1 August 2019.

A further amendment to the terms of the Project Loans was entered into with Project Lenders on 31 July 2014. This amendment removes the requirement to make scheduled principal payments of Senior Debt and payments of interest and principal of Subordinated Debt falling due on the 1 August 2014, 1 February 2015 and 1 August 2015 payment dates. Instead, Project Lenders will receive payments under a cash sweep dependent on the Group's consolidated cash position on each of the foregoing payment dates; any amounts not paid under this mechanism (and not rescheduled pursuant to the February 2014 amendment) will be due and payable on 31 December 2015.

In addition, lenders and their advisors will receive information on a more frequent and detailed basis. The Project Companies were also required to deliver a budget for 2015 by 31 January, which was subsequently extended to 30 April, and was required to show no cash shortfalls and to be approved by the lenders, acting reasonably, failing which an Event of Default would ensue. This requirement was waived by the April 2015 Amendment.

Events since year-end

A further amendment to the terms of the Project Loans was agreed with Project Lenders on 29 April 2015 which, upon satisfaction of certain conditions precedent, will provide: a new money commitment (the "Super Senior Facility") of up to US$50 million (US$30 million for working capital purposes and US$20 million available to fund certain disputed liabilities subject to arbitration); extension of the final maturity of existing facilities; reduction in scheduled principal payments on the Senior Debt; elimination of scheduled interest and principal on Subordinated Debt; novating and restating the Absa corporate facility as a Subordinated Debt obligation of the Project Companies and extending the final maturity from 31 March 2016 to 1 August

2021; repayment of Super Senior Facility principal, Senior Debt principal and Subordinated Debt interest and principal, (including interest and principal on the novated Absa facility) by means of a cash sweep dependent on the Group's consolidated cash position on each Payment Date commencing 1 August 2016. In certain circumstances and unless a deleveraging event has taken place in 2015, the Group is required to present for Project Lender approval a budget for 2016 by 31 January 2016 that includes a plan and timetable for a material deleveraging satisfactory to Project Lenders. The Directors are satisfied that such a plan can be agreed with Project Leaders.

Details of the above-referenced amendments are set out in Note 21.

Accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") adopted by the European Union; therefore the Group financial statements comply with Article 4 of the IAS Regulation. The financial statements have been prepared in compliance with Irish Companies Acts 1963 to 2013. The Group's significant accounting policies and details of the significant accounting judgements and critical accounting estimates are disclosed in the notes to the financial statements. The Group did not make any material changes to its accounting policies in the year ended 31 December 2014.

Financial outlook

Unit of production cost savings were achieved in 2014. Further significant savings, including the retrenchment programme, will be realised in 2015. We will build upon this progress and implement further savings in a manner that will support increasing production towards capacity levels. We will also continue to work closely with our lender group and advisors to explore options to deleverage the balance sheet in order to achieve an appropriate and flexible financing structure. We are encouraged by the growing demand for titanium pigment and believe this, combined with reducing Chinese ilmenite supply and increased demand for ilmenite from new slag producers, should result in a repositioning of the ilmenite price and growth in operating margins in the near future.

Tony McCluskey
Financial Director

Principal Risks and Uncertainties

THE GROUP'S BUSINESS MAY BE AFFECTED BY RISKS SIMILAR TO THOSE FACED BY MANY COMPANIES IN THE MINING INDUSTRY. THERE ARE A NUMBER OF POTENTIAL RISKS AND UNCERTAINTIES THAT COULD HAVE A MATERIAL IMPACT ON THE GROUP'S PERFORMANCE AND COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM EXPECTED RESULTS.

Market risks

The Group's revenue and earnings depend upon the demand for and prevailing prices of ilmenite, zircon and rutile. Such prices are based on world supply and demand and are subject to large fluctuations in response to changes in the demand for such products, whether as a result of uncertainty or a variety of additional factors also beyond the Group's control, as well as changes in supply, including as a result of new heavy mineral sands projects commencing production or closure of existing operations. Demand for our products may be reduced by thrifting or substitution by users of our products. The Group's revenue generation, results of operations and financial condition may be significantly and adversely affected by declines in the demand for and prices of ilmenite, zircon and rutile.

Concentration and counterparty risk

A small number of customers account for a significant proportion of the Group's revenue. If any of its major customers ceased dealing with the Group and the Group was unable to sell the product in the market on comparable or superior terms, this would have an adverse effect on the Group's financial condition and results of operations.

Under a number of the Group's contracts, customers take delivery of product prior to the due date for payment. If any of the customers under such contracts failed to pay for such products, this would have an adverse effect on the Group's revenue generation, result of operations and financial condition.

Competition risk

The Group faces strong competition from other mining companies presently active in the production and sale of titanium minerals and zircon. In addition, a number of new heavy mineral sands projects have commenced production, which have added to competitive pressures. There can be no assurance that the Group could be able to successfully respond to such competitive pressure or the competitive activities of other producers.

Operational risks

The Group's financial condition and results of operations are dependent on the success of our operation of the Mine. Any event that materially interferes with our ability to conduct operations at the Mine could have a materially adverse effect on the Group's financial condition and results of operations.

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

The Mine requires reliable roads, marine infrastructure, power sources and power transmission facilities, and water supplies to conduct its business. The availability and cost of infrastructure affects capital and operating costs, production and sales. In particular, the Mine is dependent on the electricity generation and transmission system in northern Mozambique, and a single 170 km transmission line to the Mine from the Nampula substation. The Mine has experienced episodes of power outages and instability, partly as a result of an increase in the load on the transmission system that had not been anticipated by the state power transmission utility, EdM and partly as a result of storm damage to the electrical transmission system and the 170km transmission line. Although the Group has taken a number of initiatives to minimise interruptions to operations caused by power interruptions and has been working with EdM to improve the stability of the electricity supply to the Mine, there can be no assurance that the Group will succeed in minimising or eliminating power outages and instability, which could adversely affect production. If either the power station at Cahora Basa or the power transmission line to the Mine were to experience prolonged or repeated disruptions or instability, production of heavy mineral concentrate as an intermediate product and of ilmenite, rutile and zircon end-products would be reduced (although the electricity generating plant installed in 2014 should ensure continuous operation of the MSP so long as the HMC stockpile is not exhausted). Loss of production could reduce cash flow, may affect customer relationships, and have an adverse effect on the Group's results of operations and trading and financial position.

Furthermore, the Mine is reliant on the marine terminal for the shipment of products. Adverse weather conditions can limit the ability to make shipments. Extreme weather conditions or accident could result in damage to the marine terminal, rendering the Mine unable to ship its products pending repair. In these situations, the Mine may be unable to meet its commitments to customers to a lesser or greater degree, resulting in reduced revenues, ocean freight penalties and reduced cash flow, with an adverse effect on customer relationships, results of operations and trading and financial condition.

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

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

Principal Risks and Uncertainties
CONTINUED

Ore reserve and mineral resources risk

The Group's estimates of ore reserves and mineral resources are subject to a number of assumptions that may be incorrect and may be materially different from mineral quantities that may ultimately be recovered. Actual ore reserves may not conform to geological or other expectations and the volume and grade of ore recovered may be below the estimated level. Changes in the forecast prices of the Group's products, exchange rates, production costs or recovery rates may result in reserves ceasing to be economically viable and needing to be downgraded or reduced. Moreover, short-term operating factors relating to the reserves, such as the need for sequential development of ore bodies and variations in ore grades, may adversely affect the Group's production and profitability in any particular accounting period.

Financing

The development of the Mine has been partly financed by the Project Loans. The Group's ability to meet its debt service obligations under these loans depends on the cash flow generated from operations. Details of loan amendments during the period and after the statement of financial position date are set out in Note 21. The Mine's cash flow, in turn, depends primarily on the Mine's ability to achieve production, product sales volumes and pricing and cost targets. Failure to achieve these targets could result in insufficient funds to meet scheduled interest and principal repayments which could result in the application of default interest rates, as well as event of default. Furthermore, the terms of the Group's loans include a number of covenants (including operational, organisational, environmental, insurance and financial covenants) applicable to the Group, as well as a number of events of default. For example, upon the effectiveness of the amendments agreed with the Group's lenders in April 2015, the Group may in certain circumstances be required under its loan agreements to materially reduce the amount of its existing debt, obtain the approval of its lenders for a plan to materially reduce its existing debt or report on progress in relation to such reduction, in each case in a manner satisfactory to lenders. Any failure to comply with any of the foregoing provisions could result in an event of default arising.

Should an event of default arise under the terms of the Project Loans, whether through failure to make a scheduled payment or to comply with one or more covenants or otherwise, then, following notice and, in certain circumstances the passage of time, the Project Lenders may be able to accelerate the payment of all sums arising under the facilities (including accrued interest), enforce the security and guarantees granted by the Group, and/or take any other action permitted to be taken. Any such action could be detrimental to the Group's financial condition and may result in the insolvency of the Company and other members of the Group.

Furthermore, the restrictions placed on the Group under the terms of the Project Loans prohibit payment of dividends, and may impair its operating and financial flexibility, which could adversely affect the business and financial position of the Group.

Currency risks

The Group's corporate and Project loans are denominated in US Dollars and Euro. At 31 December 2014, the loan balance comprised US$153.4 million denominated in US Dollars and US$189.2 million denominated in Euro. Upon effectiveness of the amendments agreed in April 2015 the outstanding loans will be due to be repaid in instalments between 2016 and 2021. All the Group's sales are denominated in US Dollars. Euro-denominated loans expose the Group to currency fluctuations which are realised on payment of interest and principal on Euro-denominated loans.

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

Group operating and capital costs are denominated in US Dollars, South African Rand, Mozambican Metical, Euro, Sterling, and to a lesser extent in Australian Dollars, Singapore Dollars and Chinese Renminbi. Fluctuations in these currencies will affect the Group's financial results.

Interest rate risk

Interest rates on the Group's bank loans are both fixed and variable. The variable rates are based on one month and six month US Dollar LIBOR. All the Euro loans are fixed rate. The Group is exposed to movements in interest rates which affect the amount of interest paid on borrowings. As at 31 December 2014, 62% of the Group's debt (US$210.5 million) was at fixed interest rates and 38% (US$127.2 million) was at variable interest rates. Any increase in the one month and six month US Dollar LIBOR would increase finance costs and therefore have a negative effect on the Group's profitability. Senior management regularly monitors and reports to the Board on these interest rate risks. The Board has determined that the Group's current policy of not entering into derivative financial instruments to manage such risks continues to be appropriate in light of the length of the loan repayment period, the payment profile over this period and the mix of fixed and variable rate debt.

Commodity risk

Certain of the Group's operations and facilities at the Mine are intensive users of diesel fuel and, to the extent that diesel-powered generators are used to replace or supplement power supplied by EdM, the Group's consumption of diesel fuel will increase. Factors beyond the Group's control may put upward pressure on the price paid by the Group for diesel fuel.

Health and safety risks

The Group is committed to conducting its business in a manner that minimises the exposure of its employees, contractors and the general public to health and safety risks arising from its operations. An accident or a breach of operating standards could result in a significant incident which could affect the Group's reputation,

and the costs and viability of its operations for an indeterminate period. The Group's operations worked 4.3 million hours in 2014 (2013: 5.9 million hours), with 8 lost-time injuries to employees and contractors (2013: 17 lost-time injuries). The higher hours worked in the prior year were as a result of the construction contractors at the Mine. Malaria is a key risk at the Mine and the Group continues to develop and implement programmes to minimise its effect on all personnel at the Mine. The Group ensures that appropriate health and safety standards are maintained across all its activities.

Human resources risks

The Group's success depends upon the expertise and continued service of certain key executives and technical personnel, including the Executive Directors. The loss of the services of certain key employees, including to competitors, could have a material adverse effect on the results of operations and financial condition of the Group. In addition, as the Group's business develops and expands, the Group's future success will depend on its ability to attract and retain highly skilled and qualified personnel, which is not guaranteed. Due to the increased mining activity in Mozambique and new projects in the heavy mineral sands industry in recent years, the Group has encountered increasing competition in attracting and retaining experienced mining professionals. Should key personnel leave or should the Group be unable to attract and retain qualified personnel, the Group's business, its results of operations and financial condition may be adversely affected.

Certain employees are represented by a union under a collective agreement. The Group may not be able to satisfactorily renegotiate labour agreements when they expire and may face higher wage demands. In addition, existing labour agreements may not prevent a strike or work stoppage, which could have an adverse effect on the Group's results of operations, financial condition and reputation.

In addition, the Mine employs a number of non-Mozambicans, including in senior management and technical positions. Although the Mine enjoys very good relations with the local communities, local resentment against certain expatriate communities in Mozambique (for example as a result of violence against Mozambicans in neighbouring countries) may require the Group to evacuate some or all of its expatriate staff to ensure their safety. Should expatriate personnel be unable to work at the Mine for prolonged periods of time, this could have an adverse effect on the Group's results of operations and financial condition.

Litigation risks

The Group is a party to a number of disputes that are subject to resolution through court or arbitral proceedings and may from time to time face the risk of other litigation in connection with its business and/or other activities. Recovery may be sought against the Group for significant but indeterminate amounts and the existence and scope of liabilities may remain unknown for substantial periods of time. Of the two current material claims against the Group, the estimated defence costs of one have been provided for under legal provisions, and the value of the other is included in the Group's current liabilities although the Group is disputing the claim in full and has raised a substantial counter-claim. A substantial legal liability and/or an adverse ruling could have a material adverse effect on the Group's business, results of operations and financial condition.

Political risk

The Mine is located in Mozambique, which has been politically stable for almost two decades. The Group has operated in Mozambique since 1987, and has executed a Mineral Licensing Contract and an Implementation Agreement which each contain certain protections against adverse changes in Mozambican law. The Group's operations in Mozambique may, however, become subject to risks similar to those which are prevalent in many developing countries, including extensive political or economic instability, changes in fiscal policy (including increased taxes or royalty rates), nationalisation, inflation, and currency restrictions, as well as renegotiation, nullification, termination or rescission of existing concessions or of licenses, permits, approvals and contracts. In addition, there may be an increase in, and tightening of, the regulatory requirements (including, for example, in relation to employee health and safety, permitting and licensing, planning and development and environmental compliance). The occurrence of these events could adversely affect the economics of the Mine and could have a material adverse effect on the results of operations and financial condition of the Group.

Regulatory risk

The Group's operations are extensively regulated by national authorities in Mozambique. Regulations govern matters including, but not limited to, employee health and safety, permitting and licensing requirements, planning and development and environmental compliance. Although the Mineral Licensing Contract and Implementation Contract contain certain protections against adverse changes in Mozambican law, non-compliance with current or future regulations may result in financial penalties, the curtailment or cessation of operations, orders to pay compensation, orders to remedy the effects of non-compliance and orders to take preventative steps against possible future non-compliance. In addition, a violation of environmental or health and safety laws or permits or a failure to comply with the instructions of the relevant environmental or health and safety authorities could lead to, among other things, a temporary shutdown of all or a portion of the Mine, a loss of the right to mine or to continue with production or the imposition of costly compliance procedures, fines and penalties, liability for clean-up costs or damages. Any such measures could have a material adverse effect on the Group's results of operations and financial condition.

CORPORATE GOVERNANCE REPORT

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Board of Directors

Sofia Bianchi (Non-Executive Director)

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

Michael Carvill (Managing Director)

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

Terence Fitzpatrick (Technical Director)

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

Elizabeth Headon (Non-Executive Director)

Elizabeth Headon has over 15 years experience in issue management, corporate affairs and social responsibility. Based in Dublin, she sits on boards of a number of non-listed companies and advises on corporate affairs. She was Chief Executive of the Digicel Foundation Haiti from 2009 to 2012 and an advisor to the Prime Minister of Haiti. Previously she was a Director of Ireland's leading communications consultancy and worked in Mozambique on the Kenmare-Moma Development Association. She has an MBA from University College Dublin, and a BA and MA from the National University of Ireland, Galway. She was elected to the Board as a Non-Executive Director in May 2011 and is Chairman of the Remuneration Committee and a member of the Nomination and Audit Committees.

Anthony Lowrie (Non-Executive Director)

Anthony Lowrie has over 40 years association with the equities business. He was a partner with Hoare Govett, London from 1976 until 1986 when it was sold to Security Pacific. He then became a member of the main Board of Security Pacific Hoare Govett for a period from 1986 to 1991. He led a management buyout of Asian Equities in 1991 and became Chairman of HG Asia Securities in 1991. He held this position until HG Asia Securities was sold to ABN Amro Bank in 1996 at which point he assumed the role of Chairman for ABN Amro Asia Securities until 2004. He was formerly also a Managing Director of ABN Amro Bank. He has been a Non-Executive Director in several quoted Asian closed-end funds. He is a Director of the Edinburgh Dragon Fund. He has been a Non-Executive Director of Dragon Oil plc, and had, for 18 years, been a Non-Executive Director of J D Wetherspoon plc. In September 2012, he was appointed as the Senior Independent Non-Executive Director of Petra Diamonds Limited, a FTSE 250 diamond mining and exploration company. He was elected to the Board as a Non-Executive Director in 2006.

Tony McCluskey (Financial Director)

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

Steven McTiernan (Chairman and Non-Executive Director)

Steven McTiernan has over 40 years of diverse natural resources industry and investment banking experience with Amoco, BP, NatWest Markets, CIBC and the Chase Manhattan Bank where he was Senior Vice President. He served as Senior Independent Director at Tullow Oil plc for 11 years until January 2013, was an Independent Director at First Quantum Minerals Ltd. until June 2012, and an Independent Director at Songa Offshore SE until January 2014. He received an MA in Natural Sciences from the University of Cambridge. He was appointed to the Board in March 2013. He is Chairman of the Nomination Committee and a member of the Remuneration Committee.

Gabriel Smith (Non-Executive Director)

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

Chairman's Introduction to Corporate Governance

Corporate Governance

The Directors recognise the importance of good corporate governance and have ensured that appropriate corporate governance procedures are in place. In the financial year under review, they have applied the principles of the UK Corporate Governance Code (the "Code") issued by the UK's Financial Reporting Council ("FRC") in September 2012 and September 2014, copies of which can be obtained from the FRC website, www.frc.org.uk. The Directors have applied all the provisions of the Code.

The Board of Directors

Kenmare Resources plc is led by a strong and effective Board of Directors. Directors' biographical details, including each Director's date of appointment, are set out on pages 44 and 45. The Board consists of eight Directors, of which three are Executive and five are Non-Executive. The majority of the Board is made up of Non-Executive Directors. The Chairperson is required to be a Non-Executive. The Nomination Committee is responsible for reviewing the structure, size and composition of the Board and considers the size and composition to be appropriate. The Board recognises that Non-Executive Directors will be deemed non-independent and may be requested to step down after nine years and has delegated to the Nomination Committee the responsibility to identify any need to renew the Board, taking into account the challenges and opportunities facing the Company and the skills and expertise therefore needed on the Board in the future.

Ms S. Bianchi is the Senior Independent Non-Executive Director.

In June 2014 Mr J. Loasby retired as Chairman and was replaced by Mr S. McTiernan. The roles of the Non-Executive Chairman (Mr S. McTiernan) and the Chief Executive (Mr M. Carvill) are separate.

Diversity

In February 2011, Lord Davies published the report "Women on Boards" and the FRC published its consequent amendments to the UK Corporate Governance Code which came into effect in October 2012. The Davies report provides a number of recommendations to address the balance of women on boards, including a recommendation for listed companies to set out their targets for the proportion of women who serve on their board. Kenmare is supportive of the Davies recommendations and is not in favour of the implementation of quotas. The benefits of greater board diversity, not just gender specific, are clear and this is a positive step forward. All appointments will continue to be made on merit and with the objectives of ensuring the right balance of skills, knowledge and experience is retained on our Board enabling us to maximise our corporate potential. Currently Kenmare's Board comprises 25% women, with women Directors making up 40% of the Non-Executives on the Board.

Operation of the Board

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

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

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

Meetings

The Board and its Committees met regularly throughout 2014. More meetings were held than in 2013 largely because of consideration of a possible business combination with Iluka Resources. Details of Directors' and Secretary's attendance at Board and Committee meetings are set out below. Additional non-formal Board meetings, to consider specific issues, were held as and when required.

	Full Board		Audit Committee		Remuneration Committee		Nomination Committee	
	A	B	A	B	A	B	A	B
Non-Executive Directors								
S. McTiernan(Chairman)	18	18	2	2	8	8	1	1
S. Bianchi	18	17	4	4	8	7	1	1
E. Headon	18	17	4	2	8	8	1	1
J. Loasby	9	9			4	3	1	1
T. Lowrie	18	17						
G. Smith	18	17	4	4	8	8	1	1
Executive Directors								
M. Carvill	18	18						
T. Fitzpatrick	18	17						
T. McCluskey	18	18						
Company Secretary								
D. Corcoran*	18	18	4	4	8	8	1	1

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

During 2014 a subcommittee of the Board was established in response to the approach from Iluka Resources Limited. The Committee consists of Mr S. McTiernan, Ms S. Bianchi, Mr M. Carvill and Mr T. McCluskey and met 10 times during the year.

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

Independence of Non-Executive Directors

The Board has carried out an evaluation of the independence of its Non-Executive Directors, taking account of the relevant provisions of the Code and whether the Non-Executive Directors discharge their duties in a proper and consistently independent manner and constructively challenge the Executive Directors and the Board. All the Non-Executive Directors fulfil the independence requirements of the Code. Mr S. McTiernan has been Chairman of the Company since June 2014. On his appointment, Mr S. McTiernan met the independence criteria as set out in the Code.

Performance Appraisal

The Board conducts an annual evaluation of its performance and that of its Committees. It also conducts an annual performance evaluation of individual Directors. The Chairman, Mr S. McTiernan, conducted a performance review of the Directors, and in consultation with the Directors, an evaluation of the Board and its Committees. This was achieved through questionnaires followed by discussions with each Director and the Company Secretary. It was concluded that all Directors continue to contribute effectively and to demonstrate commitment to their roles and that the Committees have functioned effectively in delivering their objectives during the year.

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

Committees

The Board has established Audit, Remuneration and Nomination Committees. Each committee of the Board has written terms of reference that set out its authorities and responsibilities. These terms of reference are available for review at the Company's registered office and summaries are available on the Company's website, www.kenmareresources.com.

Communication with Shareholders

Communications with shareholders are given high priority and regular meetings take place with institutional shareholders. The Company's Annual General Meeting affords individual shareholders the opportunity to question the Chairman and the Board. Annual Reports and Accounts announcements are sent to shareholders, and other announcements are released through a regulatory information service and on the Company's website, www.kenmareresources.com.

S. McTiernan
Chairman
29 April 2015

Audit Committee Report

Composition of the Audit Committee

The Audit Committee consists of the Non-Executive Directors Ms S. Bianchi, Ms E. Headon and Mr G. Smith. During 2014, the Committee determined that Ms S. Bianchi is the Committee's financial expert. As outlined in the Directors' biographical details, set out on pages 44 and 45, members bring considerable financial and accounting experience to the work of the Committee. Mr G. Smith was appointed Chair of the Audit Committee in June 2014 as Mr S. McTiernan stepped down to take the position of Company Chairman.

Summary of role of the Audit Committee

The main responsibilities of the Committee include:

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

Meetings

The meetings of the Audit Committee in 2014 are set out on page 47 and generally coincide with the release of the Group's preliminary results, AGM and half yearly results.

Significant issues related to the financial statements

The Committee reviewed the 2014 Annual Report in April 2015. The significant issues identified were:

- Cash flow forecasts and going concern. The Committee considered the Group's cash flow forecast and the assumptions on which it was based. It reviewed the relevant disclosures in the financial statements regarding going concern, including the post-balance sheet event being an amendment entered into with Project Lenders and Absa in April 2015. The amendments require, in certain circumstances, the Group to present for Project Lender approval a budget for 2016 by 31 January 2016 which includes a plan and timetable for a material deleveraging satisfactory to Project Lenders. The Directors are satisfied that such a plan can be agreed with Project Lenders. Based on this review, the Committee was satisfied that it was appropriate to continue to adopt the going concern basis of accounting in preparing the annual financial statements. The auditors noted that they would include an Emphasis of Matter paragraph in their audit report drawing the reader's attention to this issue.
- Impairment of assets. The Committee reviewed the realisation of property, plant and equipment taking account of the cash flow forecast noted above. Based on this review, at the statement of financial position date, the recoverable amount of property, plant and equipment did not exceed its carrying amount and as a result an impairment provision of US$64.8 million has been recognised in the statement of comprehensive income. The auditors noted that they would include an Emphasis of Matter paragraph in their audit report drawing the reader's attention to this issue.

As part of the review of the 2014 Annual Report, the Committee has received a report from the external auditors on their audit of the financial statements. This report includes the auditor's review of the areas of audit risk and focus in relation to the financial statements.

The Committee reviewed the 2014 Half Yearly Financial Report issued by the Company in August 2014. The significant issues identified were:

- Cash flow forecasts and going concern. The Committee considered the Group's forecast and the assumptions it was based on. It reviewed the relevant disclosures in the financial statements regarding going concern, including the post-balance sheet event being the deed of amendment entered into with the Project Lenders in July 2014. This amendment removed the requirement to make scheduled principal payments of Senior Debt and payments of interest and principal of Subordinated Debt falling due on the 1 August 2014, 1 February 2015 and 1 August 2015 payment dates. Instead, Project Lenders would receive payments under a cash sweep dependent on the Group's consolidated cash position on each of the foregoing payment dates; any amounts not paid under this mechanism (and not rescheduled pursuant to the February 2014 Amendment) would be due and payable on 31 December 2015. Based on this review the Committee was satisfied that it was appropriate to continue to adopt the going concern basis of accounting in preparing the financial statements. The auditors noted that they would include an Emphasis of Matter paragraph in their review report drawing the reader's attention to this issue.

As part of this review the Committee received a report from the external auditors on their review of the Half Yearly Financial Report. This report included the auditor's key areas of review.

External audit

The Company's external auditors are Deloitte & Touche. They have been the external auditors for over 25 years and during this time there has been no tender. The engagement partner, Mary Fulton, rotated from this engagement in 2014 and was replaced by Kevin Sheehan. KPMG provide the external audit and taxation services to the subsidiary undertakings Kenmare Moma Mining (Mauritius) Limited and Kenmare Moma Processing (Mauritius) Limited and their respective branches.

The Committee notes the provisions of the Code, the recent findings of the UK Competition Commission and the Guidance for Audit Committees issued by the Financial Reporting Council, each in the context of tendering for the external audit contract at least every ten years. The Committee will continue to give consideration to the timing of a formal tender in light of the regulatory requirements, the transitional arrangements and any further changes in the regulatory framework. There are no contractual obligations that restrict the choice of external auditor.

The Committee closely monitors the level of audit and non-audit services that the audit firms provide to the Group. The Committee has adopted a policy on the provision of non-audit services by the external auditors that the engagement will not compromise their audit objectivity and independence, that they have the understanding of the Group necessary to provide the service and that they are considered to be the most appropriate to carry out the work. All non-audit services provided by audit firms must be approved by the Committee.

The Committee agreed the fees and audit plan of the external auditors for their audit of the 2014 Annual Report and Accounts and their review of the 2014 Half Yearly Financial Report. The Committee reviewed the safeguards designed to avoid the possibility that the auditors' objectivity and independence could be compromised. The Committee is satisfied that the appropriate policy is in place in respect of services provided by external auditors.

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

Risk management

A detailed risk assessment exercise was undertaken by the Group during 2013 to identify and document critical risks to the business, including key operational risks and related controls. During 2014, the Mine General Manager, Koos Grove, led a number of risk review workshops at the Mine where operational risks to the business were reviewed and updated and the Group's risk register amended. A number of additional workshops were held in the head office in Dublin to review and update the corporate and business risks developed in 2013. The critical/high risks identified as a result of this process were reviewed by the Audit Committee. These risks are included in the Principal Risks and Uncertainties facing the Group as set out on pages 38 to 41. The risk register and risk management policy will be reviewed and updated at least six-monthly. As part of the internal audit function, controls identified in the risk register will be tested to ensure they are operating effectively.

The Company's whistle-blowing policy was developed during 2013 and approved by the Audit Committee. It was translated into Portuguese and circulated in English and Portuguese to all employees. In December 2013, an external company was engaged to provide a confidential 24/7 whistle-blowing service allowing all company employees to contact them and report any wrongdoing in the workplace. Two reports were received in 2014 and these were dealt with by the Internal Auditor. The service does not replace the internal processes within an organisation,

Audit Committee Report
CONTINUED

but seeks to provide a final alternative for those employees who for any reason do not wish to use the internal processes.

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

During the year the Audit Committee reviewed a summary of the key insurance policies covering Property Damage and Business Interruption, Marine Hull and Machinery, Marine War, Marine Protection and Indemnity, Marine Cargo, Charterers Liability, Port and Terminal Operators, Mobile Equipment, General Liability, Aviation, Personal Accident, and Directors and Officers Liability. The Group's insurance does not cover every potential risk associated with its operations. Adequate cover at reasonable rates is not always obtainable. In addition, the Group's insurance may not fully cover its liability or the consequences of business interruption due to risks such as weather events, equipment failure or labour dispute. Taking into account the above factors, the Audit Committee was satisfied there is adequate cover in place to mitigate the Group's exposure to insurable risks.

Internal audit

In February and July 2014, an internal audit of the controls in place at the Mine was conducted. The key findings from these reviews were reported to the Audit Committee in March and August 2014.

Internal control

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

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

The Board conducted a review of the effectiveness of the Group's risk management and internal controls systems, including financial, operational and compliance controls, as part of which it obtained a report from the internal auditor. In the course of this review the Board did not identify nor was it advised of any failings or weaknesses which it determined to be significant.

Financial reporting

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

The Audit Committee monitors the integrity of the financial statements of the Group and any formal announcement relating to the Group's financial performance, reviewing significant financial reporting judgements contained in them. The Audit Committee reviewed the 2014 Annual Report and the 2014 Half Yearly Financial Report and as part of these reviews the Committee received a report from the external auditors for the audit of the 2014 Annual Report and their review of the 2014 Half Yearly Financial Report. The Board reviews and approves the financial statements of the Company and the consolidated financial statements of the Group.

G. Smith
Chairman of the Audit Committee
29 April 2015

Directors' Remuneration Report

Dear Shareholder,
I am pleased to present the Directors' Remuneration Report for 2014, the first under the new policy on which you voted, and which gained shareholder support at the AGM on 28 May 2014. The report is split into two parts: the annual report on remuneration for 2014 and a summary of the Directors' Remuneration Policy. The full policy that applies for 2014 – 2017 can be found in the 2013 Annual Report on our website.

The annual report on remuneration for the 2014 financial year, together with this statement, will be subject to an advisory shareholder vote at the AGM on 28 May 2015.

Remuneration for 2014

The Executive Directors participated in a single incentive plan for the year, the Kenmare Incentive Plan (the "KIP"). The KIP was introduced to ensure that incentive payments and vesting of shares is linked to both short term performance metrics which support the business strategy and shareholder returns over the longer term.

The KIP award for a particular year and an individual executive is therefore determined with reference to a balanced scorecard of performance measures which support corporate goals over the short and longer term, and recognise individual contributions.

The measures for 2014 included:
- Operational targets focusing on production and cost;
- Financial performance targets;
- Strategic and personal objectives; and
- HSE targets.

2014 was a difficult year for all stakeholders in Kenmare because of an exceptionally tough market environment. Financial performance was negatively impacted by the falling market price of, and constrained demand for, our finished products, and therefore financial performance targets were not met.

However, management focus on cost reduction and improving operational efficiency, priorities for the Company during 2014, led to generally good outcomes against targets. The Company achieved the threshold production target for ilmenite - though not for zircon - and exceeded our target for operating costs, almost meeting the stretch target. There was also a much stronger performance in relation to Health, Safety & Environment. The Committee considered carefully the performance and contribution of individual directors in what has been a difficult year for the Company. Full details of the outcome of the 2014 balanced scorecard are set out on page 54.

Overall, the outcome of the scorecard for the individual directors ranged from 30% to 36% of the maximum. Consistent with its record in using discretion conservatively, the Remuneration Committee then considered carefully whether this outcome fairly reflected both the contribution of the management team and the experience of shareholders. In light of the financial pressures and the decline of the share price over the year, the Committee decided that it would be appropriate to reduce the formulaic outcome of the balanced scorecard by 15% and this was agreed by the Executive Directors. This results in the actual awards ranging from 26% to 30% of the maximum.

Reflecting a strong focus on long term shareholder value, awards under the KIP are delivered 30% in cash, with the balance in shares, of which 75% are subject to further Total Shareholder Return performance conditions. The share element of the award is determined with reference to an average share price over the relevant financial year, in this case, €0.16, scaling the share element of the awards back further.

The application of the KIP for performance in 2014 therefore will result in the Managing Director being awarded cash and shares, including performance and time based shares totaling 32% of base salary, or 13% of total bonus opportunity, of which cash amounted to 20% of base salary. The Finance Director will be awarded 37% of base salary, or 15% of total opportunity, of which cash amounted to 23% of base salary. The Technical Director will be awarded 20% of base salary and 13% of total opportunity, of which cash amounted to 12% of base salary. The share element of these awards will be made when the Company is not subject to dealing restrictions.

In the Remuneration Report for 2013, we set out the grant of the Initial KIP Awards that were separately voted on and approved by shareholders to bridge the gap caused by the transition to the ongoing KIP awards. This award of shares contains performance conditions and was made in October 2014 and no further Initial KIP Awards will be made to current Executive Directors.

Directors' Remuneration Report
CONTINUED

Remuneration for 2015

We have reviewed our remuneration structure and policy against the ever-changing backdrop of remuneration policy and practice and believe that it remains appropriate. Our arrangements for 2015 will be in line with those operated for 2014.

As per the policy, base salaries for 2015 will increase in line with Irish inflation (0.2%), and on-target awards under the KIP for 2015 will remain at the 2014 levels of 125% of salary for Managing Director and Finance Director and 75% of salary for the Technical Director.

The Remuneration Committee will continue to use the KIP to align performance with business strategy and, as such, the balanced scorecard measures for 2015 performance under the KIP will be largely consistent with those used in 2014. The 2015 targets will be disclosed in the 2015 remuneration report.

Conclusion

I would sincerely like to thank investors for their input into and support for our remuneration report, policy and introduction of the KIP at the AGM in 2014.

The current offer period applicable to the Company and the related Takeover Panel oversight through much of 2014 restricted our ability to conclude some important planned actions including new service contracts for executives, though considerable progress was made in other areas.

I thank my fellow members of the Remuneration Committee for their work and appreciate the very positive inputs and cooperation of our Executive Directors and also recognise the support provided to the Committee by Deirdre Corcoran.

We firmly believe that the KIP provides a robust framework for incentivising and rewarding management, and that the outcomes for 2014 fairly reflect the contribution of management during what has been an extremely challenging year. I hope that you will vote in support of the annual report on remuneration for 2014.

E. Headon
Chairman of the Remuneration Committee
29 April 2015

ANNUAL REPORT ON REMUNERATION 2014

Composition and Role of the Remuneration Committee

The Remuneration Committee comprises four independent Non-Executive Directors, Ms E. Headon (Chairman), Ms S. Bianchi, Mr S. McTiernan and Mr G. Smith. Further details regarding the members of the Remuneration Committee, including their biographies and length of service are set out on pages 44 and 45. The Company Secretary acts as secretary to the Committee. The Managing Director may be invited to attend meetings of the Committee, except when his own remuneration is being discussed. No Director is involved in consideration of their own remuneration.

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

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

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

The Remuneration Committee seeks independent advice when necessary from external remuneration consultants. During the year, the Committee received independent external advice from PricewaterhouseCoopers (PwC).

The Committee met eight times during the year ended 31 December 2014. Details of Directors' and Secretary's attendance at Remuneration Committee meetings are set out on page 53. Individual attendance at all Board and Committee meetings is set out on page 47.

Remuneration Committee meetings during the period the Director was a member of the Committee	Number of meetings held	Number of meetings attended
E. Headon (Chairman of Remuneration Committee)	8	8
S. Bianchi	8	7
J. Loasby (to June 2014)	4	3
S. McTiernan (Chairman)	8	8
G. Smith	8	8
Company Secretary		
D. Corcoran*	8	8

*In attendance only

The main agenda items included remuneration policy, remuneration trends and benchmarking, performance metrics, Initial KIP Awards, and the service contracts and remuneration packages of the Executive Directors.

Directors' remuneration (Audited)

The following table sets out the total remuneration for Directors for the year ended 31 December 2014 and the prior year. Executive Directors received a 0.5% increase in base salary during 2014 (minor differences in figures in the table reflect movements in conversion rates between Euros and US Dollars at the relevant dates). There was no increase in Non-Executive Directors' fees in 2014.

	Salary and fees		All taxable benefits		KIP (Cash & Deferred Shares) (ii)		KIP (Performance Shares) (iii)		Pension		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
M. Carvill	730	726	13	10	151	-	-	-	73	73	967	809
T. Fitzpatrick	304	302	5	-	46	-	-	-	30	0	385	302
T. McCluskey	481	479	14	5	117	-	-	-	48	48	660	532
	1,515	1,507	32	15	314	-	-	-	151	121	2,012	1,643
S. Bianchi	106	101									106	101
E. Headon	102	102									102	102
J. Loasby (i)	124	248									124	248
A. Lowrie	76	76									76	76
S. McTiernan (i)	179	93									179	93
G. Smith	101	76									101	76
	688	696	-	-	-	-	-	-	-	-	688	696
Total	2,203	2,203	32	15	314	-	-	-	151	121	2,700	2,339

(i) On 24 June 2014, Mr J. Loasby retired from the Board and Mr S. McTiernan was appointed Chairman. The 2014 remuneration for Mr J. Loasby relates to the period of his directorship.

(ii) KIP cash and deferred shares refers to incentives earned in the year. The cash component for Mr M. Carvill, Mr T. Fitzpatrick and Mr T. McCluskey is US$131,000, US$40,000 and US$100,000 respectively. The number of deferred shares are determined using the average share price for the year and are valued based on the share price at the year end.

(iii) Awards under the KIP are delivered 30% in cash, and the balance in shares, with 75% of those shares being performance shares subject to further TSR performance conditions. Performance shares awarded in 2014 will be disclosed in the year of vesting.

(iv) The underlying currencies of Directors' emoluments are Euro and US Dollars.

Executive and Non-Executive Directors' fees for services as Directors provided to the Company and the entities controlled by the Company are US$2.0 million (2013: US$1.7 million) and US$0.7 million (2013: US$0.7 million) respectively. These figures have been calculated based on the requirements of the Regulations. Consultancy fees paid to Ms S. Bianchi and Mr A. Lowrie are for non-executive services as Directors provided to the Group.

2014 KIP Award

The performance metrics of the 2014 KIP award seek to deliver ongoing performance in relation to operational performance, cost efficiency and capital expenditure management, health and safety initiatives, and corporate and personal development objectives. Different performance targets for corporate and personal development are set for each Executive Director according to the role of each individual and the remaining targets are in alignment for all Executives.

The maximum opportunity under the KIP for 2014 was 250% of salary for the Managing Director and Financial Director and 150% of salary for the Technical Director.

Performance targets and outcomes for the 2014 financial year were as follows:

			Performance relative to target set							
2014 KIP outcome		Weighting	Below threshold 0% of maximum	Threshold 25% of maximum	Target 50% of maximum	Stretch 100% of maximum	Performance target	Performance achieved	Proportion of element vesting	Formulaic level of award % maximum
Operational	Ilmenite production	15%		●			1,000,000 tonnes	906,000 tonnes(i)	26.5%	4.0%
	Zircon production	15%	●				59,000 tonnes	50,800 tonnes	0.0%	0.0%
	Direct Production costs	15%				●	$174m	$157m	98.9%	14.8%
Financial	2014 EBITDA	10%	●				$40m	$9m	0.0%	0.0%
	Free cash flow	10%	●				$7m	-	0.0%	0.0%
HSE	LTIFR	5%			●		0.40 per 200,000 manhours	0.37per 200,000 manhours	87.5%	4.4%
	Environmental breaches	5%			●		Qualitative assessment	On target performance	50.0%	2.5%
Personal and Strategic	M. Carvill	25%		●			On target performance against improvement of business processes and strategy for industry downturn measures. Operational rate targets and sustainability improvement targets were not met.		20.0%	5.0%
	T. McCluskey			●			On target performance against lender relationship, investor relations, risk management and strategy for industry downturn measures. Sustainability improvement targets were not met.		40.0%	10.0%
	T. Fitzpatrick			●			Threshold performance against consistency of supply of power to the Mine operation and operational improvements.		25.0%	6.3%

(i) Actual ilmenite production for 2014 was 854,600 tonnes. In assessing performance the Committee took into account the ilmenite content of the magnetic stockpile existing at the year end and which was save for marketing and storage considerations would otherwise have been processed.

Overall, the outcome of the scorecard for the individual directors was between 30% and 36% of the maximum. The Committee then considered carefully whether this outcome fairly reflected both the contribution of the management team and the experience of shareholders. In light of the financial difficulties and the decline of the share price over the year, the Committee agreed with the Executive Directors that it would be appropriate to reduce the formulaic outcome of the balanced scorecard by 15%.

2014 KIP outcome	Formulaic level of award % maximum	Discretionary reduction	2014 KIP outcome % maximum
M. Carvill	30.7%	15%	26.1%
T. McCluskey	35.7%	15%	30.3%
T. Fitzpatrick	32.0%	15%	27.1%

Awards under the KIP will be delivered 30% in cash, with the balance delivered in shares, subject to dealing restrictions, with 75% of those shares subject to further Total Shareholder Return performance conditions.

Payments to Past Directors (Audited)

Former Directors, Mr S. Farrell and Mr P. McAleer each received US$39,814, and Mr I. Egan received US$69,814 during 2014 for their services as members of Kenmare's Special Advisory Panel and for advice on special projects. The Special Advisory Panel was stood down effective from 31 December 2014.

Former Director Mr J. Deysel received US$1,314,530 during 2014 for his services as Chief Operating Officer. In December 2013, Mr J. Deysel resigned from the Board of Kenmare Resources plc and special measures were put in place to retain his services in order to bring the Phase 2 expansion fully into production, among other operational projects. He left employment on 31 December 2014 and his services remain available to Kenmare on a consulting basis.

Former Director Mr A. Brown received US$7,632 during 2014 for exploration services for the Company's Irish licences.

Directors' and Secretary's Shareholdings (Audited)

The interests of the Secretary and Directors who held office at 31 December 2014, their spouses and minor children, in the Ordinary Share Capital of the Company were as follows:

	Shares Held 29 April 2015	Shares Held 31 Dec. 2014	Shares Held 1 Jan. 2014
S. Bianchi	1,603,600	1,603,600	1,603,600
M. Carvill (i)	4,902,030	4,902,030	4,802,030
T. Fitzpatrick	108,807	108,807	108,807
E. Headon	48,773	48,773	48,773
A. Lowrie	5,370,891	5,370,891	4,870,891
T. McCluskey	681,250	681,250	606,250
S. McTiernan	228,990	228,990	19,990
G. Smith	100,000	100,000	-
D. Corcoran (Secretary)	56,378	56,378	56,378

(i) 750,000 shares held by a Carvill Family Trust for the children of Mr M. Carvill are included in his holding above.

A shareholding requirement of 100% of salary was introduced for Executive Directors in 2014. This shareholding can be built up over 5 years and as at 31 December 2014 had not yet been reached.

Directors' Remuneration Report
CONTINUED

Directors' and Secretary's Share Options (Audited)

Details of the share options of the Secretary and Executive Directors who held office at 31 December 2014, granted in accordance with the rules of the Share Option Scheme, are as follows:

	1 Jan 2014	Granted during 2014	Exercised or transferred during 2014	Lapsed during 2014	31 Dec 2014	Average option price	Option Price range From	Option Price range To
						€	€	€
M. Carvill	19,358,000	-	-	6,530,000	12,828,000	33c	25c	55c
T. Fitzpatrick	4,900,000	-	-	900,000	4,000,000	25c	11c	55c
T. McCluskey	13,466,667	-	-	4,430,000	9,036,667	33c	25c	55c
D. Corcoran (Secretary)	5,175,000	-	-	1,825,000	3,350,000	29c	23c	45c

None of the Non-Executive Directors held share options during the period.

In April 2015, 2,916,666 Directors' share options lapsed by agreement between the Remuneration Committee and the Executive Directors, having considered the performance criteria attached to the vesting of the final tranches of the 2012 share options awarded. On 31 December 2014, 21,785,000 options held by Directors and the Company Secretary expired. The latest exercise date for the share options shown in the table above is September 2020. The share option period may be extended at the discretion of the Board.

The share price at the year-end was £0.03 and the share price range for the year was between £0.03 and £0.21.

Total pension entitlements (Audited)

Pension provision was made in 2014 in line with the Remuneration Policy. Mr M. Carvill received a payment of 10% of his base salary into his private pension plan during 2014. Mr T. McCluskey received a payment of 10% of his base salary into an Executive Pension Plan during 2014. Mr T. Fitzpatrick is entitled to a payment of 10% of his base salary into an Executive Pension Plan in relation to 2014. Fees paid to Non-Executive Directors are not pensionable.

Scheme interests awarded during the year (Audited)

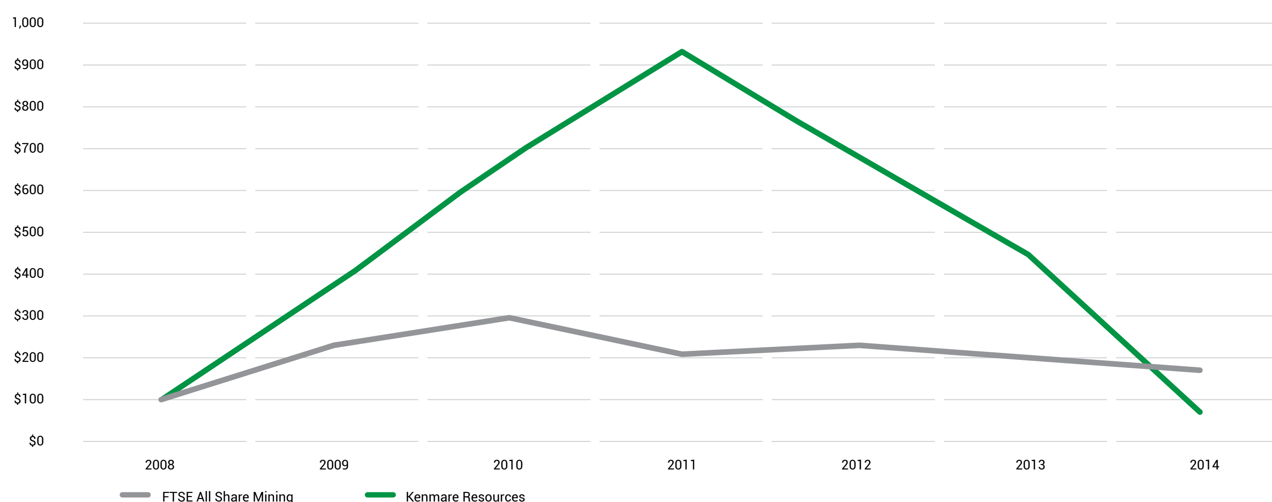
	Award	Date of grant	Number of shares	Share price at grant (EUR)	Face value of award (EUR)	Exercise price	Date to which performance is measured	Performance condition	Percentage of interests receivable if minimum performance achieved
M. Carvill	Initial KIP Award	21-Oct-14	3,285,963	0.094	308,881	nil	3 years to 21-Oct-17	TSR	25%
T. Fitzpatrick	Initial KIP Award	21-Oct-14	1,421,044	0.094	133,578	nil	3 years to 21-Oct-17	TSR	25%
T. McCluskey	Initial KIP Award	21-Oct-14	2,168,615	0.094	203,850	nil	3 years to 21-Oct-17	TSR	25%

Payments for loss of office (Audited)

No payments for loss of office were made during the year.

Performance graph and table

The value at 31 December 2014 of US$100 invested in 2008 compared with the value of US$100 invested in the FTSE All Share Mining Index is shown in the graph below.



The remuneration paid to the Managing Director in the past six years is set out below.

Year	Name	Single figure of total remuneration US$000	Bonus pay-out (as % maximum opportunity)	Long term incentive vesting rates (as % maximum opportunity)
2014	M. Carvill	967	26%(i)	N/A
2013	M. Carvill	809	0%	0%
2012	M. Carvill	783	0%	N/A
2011	M. Carvill	1,035	37%	N/A
2010	M. Carvill	784	48%	N/A
2009	M. Carvill	896	86%	N/A

(i) Amount shown reflects the cash and deferred share award under the KIP, part of which is conditional on long term performance.

In line with UK Department for Business, Innovation and Skills Regulations (the "Regulations") figures shown in the table above relate to remuneration for performance each year.

For 2012 and 2013 a maximum bonus limit of 75% is applied in the table above for bonus pay-out percentage awards.

Directors' Remuneration Report
CONTINUED

Percentage change in Managing Director remuneration

The table below compares the percentage change in the Managing Director's salary, taxable benefits and annual bonus with the wider employee population comparing 2014 with 2013.

	Salary % change	Taxable Benefits % change	Bonus % change
Managing Director	0.5	30	N/A
Average Employee pay	4.6	-	-

The underlying currency of the Managing Director's salary is Euro. The increase of 30% in the Managing Director's taxable benefits corresponds to an increase in the underlying cost of health insurance.

Relative importance of spend on pay

Significant distributions	Disbursements from profit 2014 US$000	2013 US$000	Change
Overall spend on pay including Directors	57,461	52,940	4,521
Profit distributed by way of dividend or share buyback	-	-	-
Group cash operating costs	173,000	150,400	22,600

Employee numbers throughout the Group increased from 1,554 in 2013 to 1,592 in 2014.

Group cash operating costs have been included in the table in order give a context to spend on pay relative to the overall cash operating costs.

Statement of implementation of policy in 2014

Base salary

The salaries for the forthcoming year are set out below:

Executive Director	2015 US$000	2014 US$000	% change
M. Carvill	731.1	729.6	0.2
T. Fitzpatrick	304.1	303.5	0.2
T. McCluskey	482.4	481.4	0.2

The underlying currency of Mr M. Carvill and Mr T. McCluskey's base salaries are Euro. The US Dollar figures shown above for 2015 have been calculated using the average 2014 Euro to US Dollar exchange rate. The final US Dollar figure for 2015 will vary depending on exchange rate movements.

KIP

The incentive opportunity for the Executive Directors under the KIP for 2015 will be as follows:

Executive Director	On-target incentive (% of salary)	Maximum incentive (% of salary)
M. Carvill	125%	250%
T. Fitzpatrick	75%	150%
T. McCluskey	125%	250%

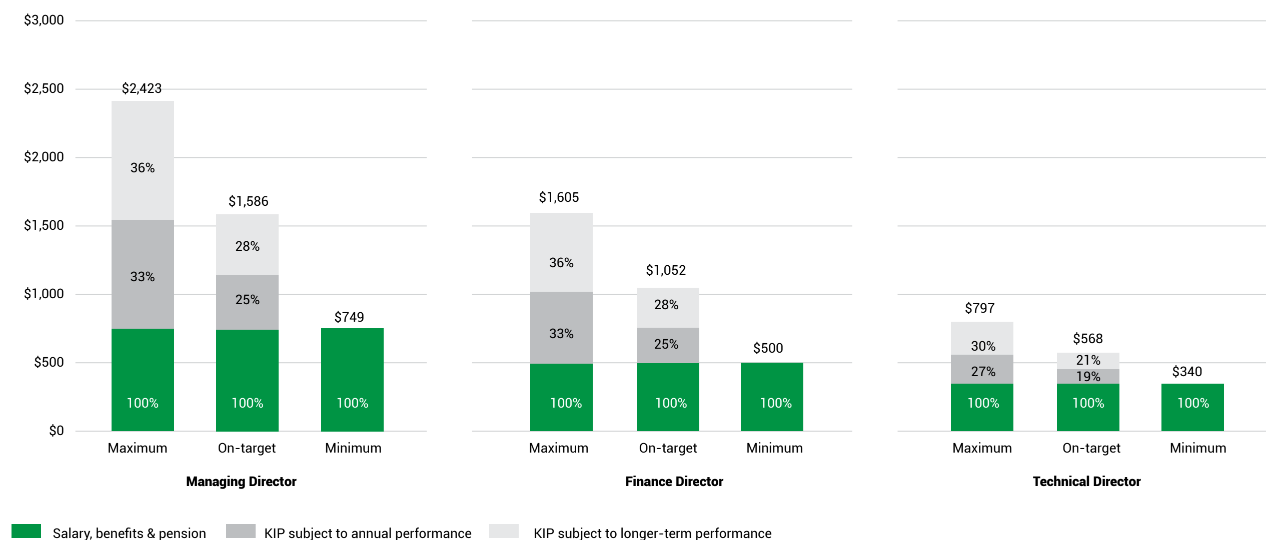
The performance metrics for 2015 and their associated weightings are as follows:

Area	Measure	Weight
Operational	Ilmenite and zircon production volume	25%
	Operating costs	20%
Financial	EBITDA	10%
	Free cash flow	10%
Strategic/Personal	Each Director will have key objectives set by the Committee appropriate to his/her operational responsibilities and assessed at the end of the year on a qualitative basis	25%
HSE	Lost-Time Injury Frequency Rate (LTIFR)	5%
	No material environmental breaches	5%

The performance metrics as set seek to deliver ongoing progress in relation to operational performance, cost efficiency and capital expenditure management, health and safety initiatives, and corporate and personal development objectives. Full details of the performance targets associated with these measures are considered by the Directors to be commercially sensitive and are not disclosed in advance. Target levels of performance and actual outcomes relative to the targets are disclosed retrospectively in the next year's Directors' Remuneration Report. The ability of the Remuneration Committee to make awards under the KIP for 2015 is subject to the Company not being in a prohibitive period and therefore the above reflects the intention of the Remuneration Committee to make awards in due course.

Illustrations of application of remuneration policy

The total remuneration opportunity in 2015 for each of the Executive Directors at three different levels of performance is shown below.



Notes:
Base salary is based on 2015 figures and benefits are based upon 2014 figures. Pension is taken as 10% of salary. The benefits value reflects 25 days' annual leave and health insurance.
Target KIP award is 50% of the maximum opportunity available.
Maximum KIP award represents 250%, 250%, 150% of salary for the Managing Director, Financial Director and Technical Director respectively for 2015 awards under the KIP.

Directors' Remuneration Report
CONTINUED

Consideration by Directors of matters relating to Directors' remuneration

The Committee seeks and considers advice from independent remuneration advisors where appropriate. During 2014 PwC provided the Committee with advice on compensation and remuneration matters including advice on best practice market developments. During the year ended 31 December 2014, fees payable to PwC in respect of these services amounted to Stg£122,012. PwC is a member of the Remuneration Consultants Group and has signed the Code of Practice for remuneration consultants. The Committee is satisfied that the advice it receives from PwC is independent and objective.

Statement of voting at general meeting

The table below shows the outcome of the advisory vote on the Directors' Remuneration Report and Directors' Remuneration Policy Report at the 2014 AGM.

Item	Votes for	%	Votes Against	%	Votes withheld
Advisory vote on 2013 DRR	1,965,626,173	99.7	6,563,060	0.3	5,289,901
Advisory vote on Directors' Remuneration Policy	1,896,915,196	97.3	51,639,025	2.7	28,924,913

This report was approved by the Board of Directors and signed on its behalf by:

E. Headon
Chairman of the Remuneration Committee
29 April 2015

SUMMARY OF DIRECTORS' REMUNERATION POLICY REPORT

Introduction

Shareholders approved the Directors' remuneration policy at the 2014 Annual General Meeting (AGM). The policy applies from the date of approval to the 2017 AGM. For clarity, a summary of the policy is included in this report. The full policy that applies for 2014 – 2017 can be found in the 2013 Annual Report on our website www.kenmareresources.com.

Principles

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

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

Remuneration Policy for 2014 onwards

Since 2014, the Executive Directors' remuneration package is made up of the following components:

The main components of the remuneration policy and how they are linked to and support the Company's business strategy are summarised in the table below.

Component	Purpose and link to strategy	Operation and performance measures	Payment levels, maxima and at threshold
Base Salary	To attract and retain the talent needed to lead our business.	Reviewed annually with adjustments effective from 1 January. In reviewing base salary, reference is made to benchmarking data of other UK- and Irish-listed companies of similar market capitalisation, practice in the global mining sector, Company performance and • the performance of the Executive over the previous twelve months; • the salary review budget for all employees for the coming year; and • retention risk and the ability to replace higher value skills if needed in the market.	Base salaries for Executive Directors are generally increased for cost of living and with consideration to general Company increases. The only exceptions to this rule are where: • There is a significant movement in the benchmarking data for that role; or • An individual is brought in below market level and there is a requirement to increase base pay to reflect proven competence in role; or • There is a material increase in scope or responsibility of the Executive Director's role.

Directors' Remuneration Report
CONTINUED

Component	Purpose and link to strategy	Operation and performance measures	Payment levels, maxima and at threshold
Kenmare Incentive Plan	Rewards achievement of in-year performance targets aligned to the needs of the business. Ensures reward only for sustained performance via significant deferred share component with subsequent performance thresholds. Aligns the interests of shareholders and Executive Directors more closely over the longer term by providing a greater exposure to share price movements.	Annual awards under the KIP will have a cash element (30% of the overall award for 2014 and 2015) and a separate share element (70% of the overall award for 2014 and 2015). Both the cash element and the share element will be based on a number of in-year performance targets. Based on the level of achievement against these targets, the cash element will be paid shortly after the end of the relevant financial year. The share element will vest after a further three years with part of the shares subject to a further two year holding period. The share element will be subject to vesting conditions as follows: • Continuation of employment: 25% • Median relative total shareholder return ("TSR"): 25% (equal weighting against FTSE 250 and FTSE/MSCI Mining Index) • Absolute TSR exceeding a future target: 50% Unvested shares are subject to cancellation in circumstances such as a material misstatement of accounts, or an event causing serious harm to the Company's reputation. Operational, financial, strategic/personal and HSE in-year performance conditions are used to determine the initial grant of awards. The targets and actual levels of performance will be disclosed retrospectively within the implementation section of the Company's Directors' Remuneration Report.	Awards for on-target performance in 2014 and 2015 (as a percentage of salary): • Managing Director: 125% • Financial Director: 125% • Technical Director: 75% Maximum awards are 250%, 250% and 150% of salary respectively for above-target performance. Each quantitative performance condition will have threshold, on-target and maximum targets set at the beginning of each year, with threshold and above-target performance in each area rated at respectively half or double performance at on-target level.

Component	Purpose and link to strategy	Operation and performance measures	Payment levels, maxima and at threshold
Initial KIP Award	To be used as an initial award in 2014, on recruitment and otherwise in truly exceptional circumstances. To align shareholder and Executive interests by bridging the gap caused by a transition to the new KIP.	The 2014 award for M. Carvill, T. McCluksey and T. Fitzpatrick was the equivalent of 200% of base salary with the number of shares awarded being determined using a share price of Stg26.5p, the price at which equity was issued in October 2013. These awards will vest after 3 years against TSR performance as follows (as a percentage of award): • Against FTSE 250: 50% • Against FTSE/MSCI Mining Index: 50% TSR will be measured from the date of grant to the third anniversary of the date of grant. Subject to performance conditions being met, the shares will be released as follows (as a percentage of vesting): • After 3 years: 60% • After 4 years: 20% • After 5 years: 20% No further Initial KIP Awards will be granted to existing Executive Directors.	Award in shares of up to the equivalent of 200% of salary for Executive Directors. Vesting against achievement against each metric will be (as a percentage of award): • Nil below median • 25% for median performance • 100% for upper quartile or better performance Percentage of vesting will rise on a straight-line basis between points.
Pension	To ensure Executive Directors' total remuneration remains attractive and competitive.	Each Executive Director is entitled to receive a payment of 10% of their base salary into the Company's group personal pension plan or their private pension arrangements.	Maximum pension contribution is 10% of salary.
Other benefits	To ensure Executive Directors' total remuneration remains attractive and competitive.	Each Executive Director is entitled to 25 days annual leave and family health insurance, permanent health insurance, life assurance and an annual health check. The Managing Director has a company car. The Group also reimburses the Executive Directors in respect of all expenses reasonably incurred by them in the proper performance of their duties.	The maximum opportunity for the benefits is defined by the nature of the benefit itself and the cost of providing it. As the cost of providing such insurance benefits varies according to premium rates and the cost of other benefits is dependent on market rates and other factors, there is no formal maximum monetary value.
Shareholding requirement	Introduction of a shareholding requirement of 100% of salary for all Executive Directors, to be built up over a five year period. All beneficially held shares will count towards the requirement.		

Directors' Remuneration Report
CONTINUED

Approach to recruitment remuneration

The Committee's approach to recruitment remuneration is to pay competitively to attract the appropriate high calibre candidate to the role. Our principle is that the pay of any new recruit would be assessed following the same principles as for the Executive Directors.

Service contracts

The Company's policy is that Executive Directors should have a notice period of no more than 12 months. The notice periods are, in the case of Mr M. Carvill and Mr T. McCluskey, 12 months' notice from the Company and 3 months' notice from the Executive Director and in the case of Mr T. Fitzpatrick 6 months' notice from the Company and 3 months' notice from the Executive Director.

In the event of termination, the Remuneration Committee will agree an appropriate termination payment for the relevant individual reflecting the circumstances, service and existing contractual terms and conditions.

Kenmare has the right, or maybe required in certain circumstances, to make a payment in lieu of notice of termination, the amount of that payment being base salary and benefits that would have accrued to the Executive Director during the contractual notice period. In addition, the Remuneration Committee reserves the right to allow continued participation in the KIP during the notice period.

Mr M. Carvill serves as Non-Executive Director for a number of subsidiary undertakings in the Vico Group and Carvill Group Limited; he does not receive a fee for his services. This release to serve as a Non-Executive Director was granted a number of years ago. No other Executive Director serves as Non-Executive Directors elsewhere.

Policy on payment for loss of office and change of control

When determining any loss of office payment or change of control payment for a departing individual, the Committee will protect the Company's interests and reflect the circumstances in place at the time.

Base salary, benefits and pension will be paid for the applicable notice period.

Payments under the Kenmare Incentive Plan will usually be prorated for time and performance, but the Remuneration Committee will have the discretion not to apply this pro-rating.

In the event of a compromise or settlement agreement, the Committee may make payments it considers reasonable in settlement of potential legal claims. The Committee may also include in such payments reasonable reimbursement of professional fees in connection with such agreements.

The reimbursement of repatriation costs or fees for professional or outplacement advice may also be included in the termination package, as deemed reasonable by the Committee, as may the continuation of benefits for a limited period.

The company's full approach can be found in the 2013 Annual Report.

Non-Executive Directors' remuneration

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

Non-Executive Directors are remunerated by way of Director's fees. In addition, Ms S. Bianchi and Mr A. Lowrie receive consultancy fees set out in agreements between them and Congolone Heavy Minerals Limited, a subsidiary of Kenmare Resources plc.

Non-Executive Directors do not participate in any annual bonus scheme nor do they hold share options.

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

Non-Executive Directors are not entitled to any compensation on the termination of their appointment. All Directors are subject to annual re-election. No compensation is payable to Non-Executive Directors if they are not re-elected.

Nomination Committee Report

Composition of the Nomination Committee

The Nomination Committee consists of the Non-Executive Chairman, Mr S. McTiernan and Non-Executive Directors, Ms S. Bianchi, Ms E. Headon and Mr G. Smith.

Summary of role of the Nomination Committee

The main responsibilities of the Committee include:

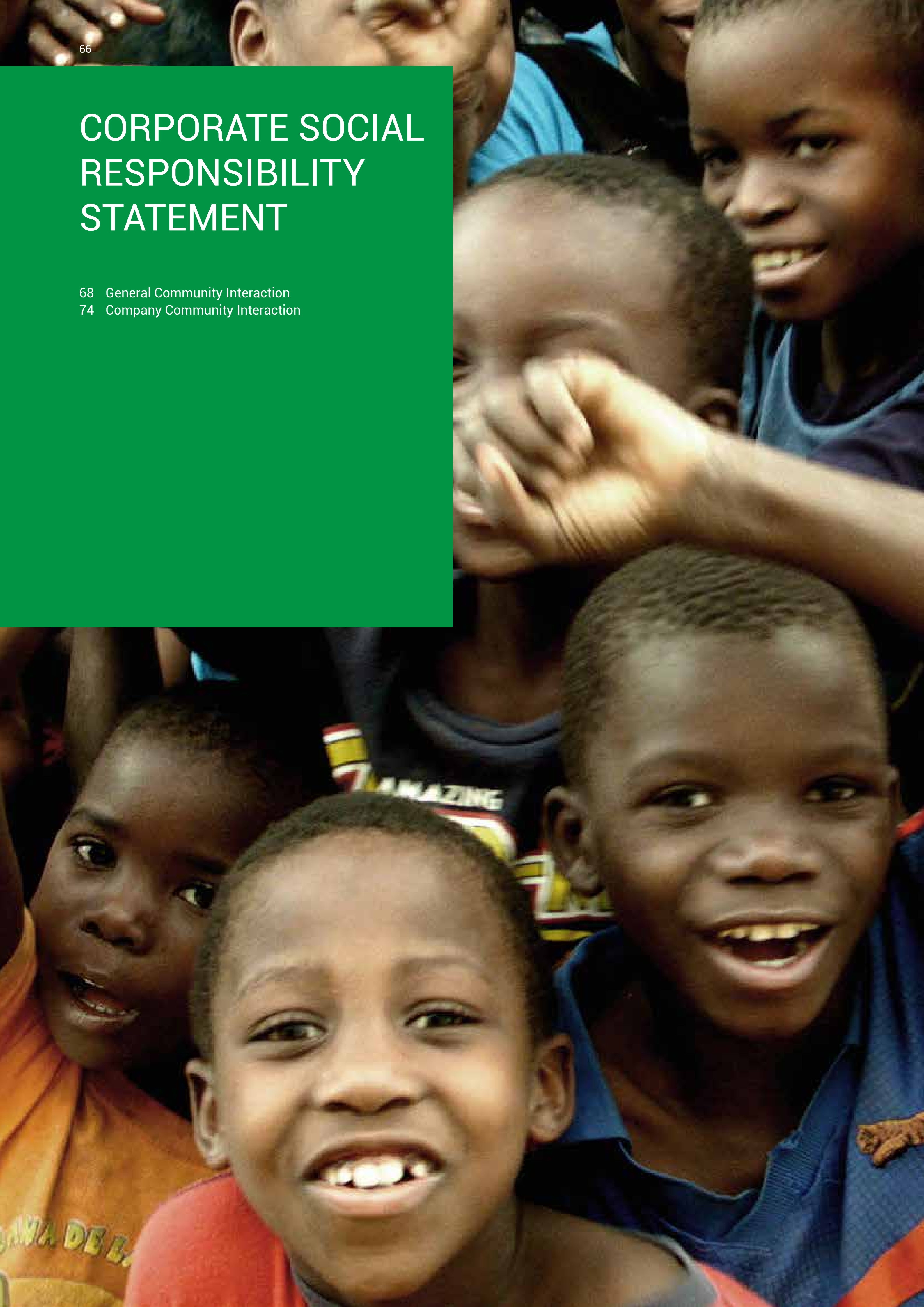
- identifying and nominating for the approval of the Board candidates to fill Board vacancies as and when they arise;
- before making an appointment, evaluating the balance of skills, knowledge and experience on the Board and, in light of this evaluation, preparing a description of the role and capabilities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

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

Meetings

The Committee met during 2014 to consider the appointment of Mr S. McTiernan as the Chairman of the Company as a result of Mr J. Loasby's retirement.

S. McTiernan
Chairman of the Nomination Committee
29 April 2015



CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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Corporate Social Responsibility Statement

GENERAL COMMUNITY INTERACTION

Introduction

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

GARETH CLIFTON
MOZAMBIQUE COUNTRY MANAGER

REGINAH MACUACUA
MINE CORPORATE AFFAIRS MANAGER

The community and its needs are at the centre of KMAD's programmes, rather than a conventional corporate social responsibility ("CSR") programme which takes the business's responsibilities as its starting point.

KMAD's vision is to achieve a community of:
- Healthy people living in safe and dignified conditions, free of disease and hazards;
- An informed and independent population with access to education and opportunity for individuals to fulfil their potential;
- Many cohesive social groups and networks contributing to sustainable development.

Since KMAD's first activities were started in 2004 there have been significant improvements in infrastructure, with all the villages now electrified, water access improved and mobile phone coverage throughout the community. Direct and indirect employment opportunities have been created, training initiatives have been implemented and numerous development activities started by KMAD have now matured. KMAD is currently implementing the 2013-2015 work plan, the details of which were finalised through extensive community consultations and the goals of which have formed the basis of a Community Agreement which was signed by the local leaders, the District Government and Kenmare in 2013. Over the three year period of its current strategy, KMAD's goal is to work to:
- Facilitate the economic development and income generation capacity of the local community. This includes maximising the benefits of the mine by creating secondary economic opportunities in the community and generating long-term sustainable economic opportunities independent of the mine, as well as supporting facilitating mechanisms such as education, adult literacy and vocational training.
- Improve the wellbeing of the local population. This includes supporting social development in health, with special focus on community health awareness, sports, and the construction of appropriate social infrastructure such as water pumps (accompanied by building the capacity of local water management committees) and educational facilities (including investing in vocational training).

KMAD's core values are:
- Participation: priorities for activities are based on local needs as identified by community members, and only those development initiatives with active local participation are supported by KMAD.
- Sustainability: investment in the building of skills and capacity will accompany any projects supported by KMAD to ensure their viability and only those initiatives with strong potential are supported.
- Equality: all people and communities have the same rights and are to be treated equally. KMAD particularly promotes the involvement of women in all its activities to achieve this aim.
- Efficiency: maximising local benefits of resources and leveraging off the mine infrastructure rather than setting up parallel systems and evaluating activities to look for improvement and effectiveness.
- Integrity, Honesty and Transparency: KMAD is open about its allocation and use of resources and in its dealings with all its partners and stakeholders

KMAD operates in three main areas:

Livelihoods & economic development

This includes capacity development and financial support to income generating initiatives such as agriculture and food security, livestock support and economic infrastructures.

Health development

This includes broad support to the health sector including capacity development of health staff, equipment and materials, infrastructure improvements, the Mobile Clinic Team visits, community health and HIV awareness, water and sanitation.

Education development

This includes broad support to the education sector including support for capacity development of teachers, educational materials and equipment, school infrastructures and furniture, vocational training, community environmental awareness and sports initiatives.

Organisational Development

Operation

KMAD activities are supervised by the Kenmare Country Manager in coordination with the Corporate Affairs Manager and KMAD Coordinator who is responsible for the day-to-day management of the portfolio of activities together with a total of five field staff. The Community Liaison Officer (a member of the Mine operations team) helps to monitor activities. Financial information is maintained by the Company's Financial Controller.

Sources of funding

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

Implementation Strategies

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

Direct implementation

KMAD has in some instances directly managed activities, such as construction projects and the promotion of small scale business opportunities. Direct implementation is generally the most rapid implementation method but is also very time consuming and, given the lean operational structure, KMADs capacity to carry out direct implementation projects is limited.

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

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

Enterprise Projects

In 2014, KMAD received 18 business proposals from the community. This was down on previous years as a result of an agreement reached with the local community leaders whereby villages with two or more failed projects due to mismanagement would not be eligible for new small scale business project support until the underlying problems related to these issues with existing businesses were addressed. Of the proposal received, a number were for economic activities that were already being undertaken by other groups and it was not felt the market was sufficiently robust to support additional businesses. Two new projects were considered to be economically viable businesses (a cell phone recharger shop in Nathaca and a kiosk at the health centre). Each new business received training on business and management skills.

During 2014, four of the businesses started in previous years were closed down as they were not being operated profitably. At the year end there were 29 economic development projects supported by KMAD benefiting a total of 187 individuals (and by extension their families) of which 41% are women. The projects all together yielded total revenues of US$172,605 and profit of US$72,528.

KMAD continued to support the farmers associations at Nathaca, Nathuco and Mpago that produce vegetables for sale to both the mine's catering company and the local market. In 2014 the farmers supplied the mine's catering company with a total of 14,868 kilograms of vegetables and 10,546 kilograms of fruits, generating a total revenue of US$34,092 and profits of US$6,808.

KMAD continued to support the farmers associations at Nathaca, Nathuco and Mpago that produce vegetables for sale to both the mine's catering company and the local market.

In 2013, KMAD had agreed to work with the Centre for the Promotion of Investment (CPI) in partnership with the United Nations Conference on Trade and Development (UNCTAD) to train the groups in agro-business. In January 2014, 75 people received training under this scheme in business management and agribusiness.

Promoting drip irrigation schemes has proved challenging. KMAD agreed with the farmers that a generator would be replaced if they were to build a secure building in which to house it. As the farmers failed to provide this the irrigation project has not been progressed. Instead, KMAD contracted Kurima Povo Cubatsirana (KPC) to implement a conservation agriculture project with the objective of transferring skills to the local farmers that will enable the farmers to reduce bush fires, improve the productivity of the fields and also reduce crop diseases. The project started in July and will initially run for 12 months. By the end of the year 108 farmers were participating and the target is to have 200 farmers involved in the programme by July 2015. The farmers were trained on producing composts, reducing soil erosion and crop rotation.

In 2013, KMAD invested in the training of one of its employees in the production and processing of Orange Flashed Sweet Potatoes (OFSP). This crop is high in nutrients and highly recommended for the reduction of malnutrition and for the strengthening of the immune system of children as it is high in vitamin A. In 2014, KMAD initiated the cultivation of this crop in the villages surrounding the mine. A group of nine farmers were trained by KMAD to be the multipliers of the OFSP, and through these multipliers KMAD supported 58 families who produced, sold and consumed the OFSP. The beneficiaries produced a total of 3,858 kilograms of sweet potatoes, out of which 1,149 kilograms was sold to the mine catering company and the local markets, generating a total revenue of US$3,555. A group of 16 women were trained on different recipes using the sweet

potato. After the training they carried out cooking sessions in their communities to teach mothers how to prepare enriched porridge, biscuits, juice and other dishes with the sweet potato.

KMAD continued to support the two egg farms in Mtiticoma and Thipane. The shortage of chicken feed reported last year continued into the first quarter of 2014 when heavy rains made transport from Nampula very difficult. Production of eggs did start to improve from May onwards. The Naholoco broiler project was also restarted in 2014.

The sewing groups producing sample storage bags for the mine laboratory continued during the year producing a total of 72,824 calico bags generating an income of US$75,546 and profit of US$44,773.

The table below summarises the enterprise projects that KMAD are actively providing support to:

Project description	Communities involved	Number of participants	Gross revenue (US$)	Profit* (US$)
Existing projects				
Vegetable and fruit farming	Mtiticoma, Nathuco, Nathaca, Cabula and Mpago	109	47,860	8,971
Egg farming and broilers	Mititicoma, Thipane, Naholoco	8	15,052	6,611
Sewing project – sample bags	Mititicoma, Thipane, Cabula	18	75,546	44,773
Others	All	52	34,147	13,173
Total		187	172,605	73,528

*Note the profit is before payment of salaries to members.

Social and Cultural Projects

Health

The five year health project implemented by KMAD in partnership with Missão Betesda came to an end in August 2014, transferring to the local medical clinic. The medical team paid special attention to ensuring the sustainable legacy of the project and therefore more time was spent in the Topuito area with a focus on reinforcing training of health personnel at the health clinic and the local health volunteers. The team also gradually transferred the chronic patients under their care to the care of the medical staff at Moma hospital for continuity of treatment. From January to August the team undertook 17 consultation visits in the different clinics of Moma District visiting a total of 2,339 patients and 889 dental consultations. 43% of the consultations were held in the Topuito health clinic. In addition, 17 patients were evacuated to Nampula city hospital by aeroplane and four to Moma hospital for surgery. The table below summaries the patient consultations in the clinic from January to August 2014

	2014		2013	
Village	Doctor Consultations	Dentist Consultations	Doctor Consultations	Dentist Consultations
Topuito	1,003	267	1,509	272
Pilivili	219	151	321	115
Larde	353	177	504	151
Guarneia	372	128	311	91
Micane	206	100	303	46
Brigahna	186	66	400	137
Total	2,339	889	3,348	812

Corporate Social Responsibility Statement
CONTINUED

HIV/AIDS Programme
The contract with Population Services International ("PSI") to implement a very comprehensive HIV/AIDS programme both in the workplace and in the surrounding communities came to an end in March 2014 and management of the programme moved to KMAD. The number of community activists was increased from 26 at the end of 2013 to 35 in 2014 to take into account of the increasing local population.

During the year there were a total of 1,138 group discussions covering 25,220 individuals (11,068 women). The volunteers visited 2,262 households and 22,859 individuals (2,312 women) in door-to-door visits. Fifty theatre presentations were conducted attended by 12,019 (4,910 women) and video sessions were held in all the villages. 91 individuals were referred to the health clinic with malaria and STD symptoms.

Health Clinic
The prenatal accommodation unit was completed and delivered to the authorities at the start of 2014. Pregnant women living in villages far from the clinic can now arrive at the maternity unit some days before the delivery date and be accommodated, thus reducing the number of births in the community and possible complications during labour that can increase child and mother mortality. During the year the maternity ward registered 855 pre-natal consultations and performed a total of 535 births, an average of 45 births per month. Nineteen babies were born at home and transferred to the clinic immediately after birth.

The outpatient ward registered a total of 9,850 consultations, an average of 820 patients per month. The majority of the consultations were for malaria, a total of 6,484 cases (3,253 in adults and 3,231 in children) representing 66% of the clinic consultations. No cases of cholera were registered and 610 cases of diarrhoea were treated. In addition to these consultations the ambulance continued to play a very important role with evacuations to Moma hospital, mainly with maternity cases where there was a need for surgery. The ambulance transferred 313 patients out of which 34 patients were from Topuito health clinic and the rest from other clinics in the Moma district.

HIV voluntary counselling and testing in Topuito health clinic started during the year, which means that the local population does not have to travel 75 kilometres to access HIV medication, as these are now available locally.

Malaria
Three indoor spraying campaigns were carried out in the surrounding communities during 2014. Houses, bars, discos, mosques and churches were sprayed. Prior to each campaign, representatives from Moma District Health Department undertook education and awareness campaigns in each of the seven villages that were sprayed. Details of the number of buildings sprayed during these campaigns are detailed below:

Campaign	Houses sprayed	Other buildings
February/March	7,236	237
June/July	7,284	239
October/November	7,488	239
Total	22,008	715

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

The first Topuito cultural festival was held in November. The festival was organised by the Community Relations Department with the support of KMAD. All the villages from the Topuito locality participated by performing traditional dances, serving local dishes and displaying local hand crafts. It is hoped this will become an annual event.

Water and Sanitation

This year two more water and sanitation committees were trained, one from Mulimune and the other from Thipane village. Additionally KMAD facilitated additional training for the existing seven water committees. In May, KMAD signed a contract with a service provider from Nampula to set up a water system in Thipane. The objective was to install a water system similar to that in Mtiticoma village in order to overcome the increasing demand for water boreholes due to the population growth. The water boreholes have been drilled and tested but the reticulation system is still to be constructed. This should be concluded in 2015.

As part of the sanitation campaigns being implemented KMAD increased the number of latrines in all the schools in the Topuito locality and the two new schools built in the Nampeia and Matalahe villages. The new latrines allowed the separation of boys, girls and teachers.

Education

As in prior years, at the beginning of the school year KMAD distributed school material to all the pupils attending school in the locality. KMAD concluded the construction of schools in Nampeia and Matalahe as well as a crèche in Cabula in 2014. Maintenance work in the form of painting, plastering and replacing damaged benches was undertaken in all the schools in the locality. Students from the local communities continue to benefit from scholarships to technical and secondary schools.

Technical school

A Memorandum of Understanding for the construction of the technical training school has been finalised with the Department of Education during the year. A tender for the construction was also launched and a contractor provisionally identified. It is hoped that construction will start in 2015.

Sports

The local soccer tournament had nine teams this year. Unfortunately the female tournament did not take place due to low levels of registration. Although financed by KMAD, the organisation of the tournament is undertaken by the local football committee.

Culture

The first Topuito cultural festival was held in November. The festival was organised by the Community Relations Department with the support of KMAD. All the villages from the Topuito locality participated by performing traditional dances, serving local dishes and displaying local hand crafts. It is hoped this will become an annual event.

Population Influx Management

The development of the Mine has led to increased population in the area and significant growth in size of some of the local villages. As a result of this Kenmare had agreed with the Government's Department of Urban Planning to finance the development of an integrated urban management plan for the area which will tackle issues such as public service provision, village expansion and waste management. This plan was completed and provisionally approved by the government. Final approval is expected at the beginning of 2015 and it is hoped that key aspects of the plan can start to be implemented during the course of the year.

Corporate Social Responsibility Statement
CONTINUED

COMPANY COMMUNITY INTERACTION

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

The Company recognises that its license to operate requires a good relationship with the local community. Kenmare's stakeholder engagement plan is updated annually and takes into account any changing dynamics in the relationship between the Mine and the community.

Kenmare recognises that the benefits of community engagement include:
- A strengthened sense of community.
- The development of a co-operative working environment.
- Communities that take a greater responsibility for what is happening in their areas.
- Increased conflict management capacities.
- Informed policy-making with local government.

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

The key criteria on which Kenmare focuses on to ensure successful engagement are:
- Ensuring that a broad range of people and sectors participate in the process.
- Striving to resolve complex issues.
- Creating a vision that achieves results and creates change.
- Ensuring collaboration and social inclusion.
- Identifying local priorities together with communities.
- Creating a balance between the community engagement process and the resulting actions required from both the Company and the community.

Community members need to be at the centre of the engagement process to ensure that they are empowered and have control over their decision-making processes.

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

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

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

During the year there were five formal community meetings dealing with issues of recruitment, communication between the villages, water supply, farm land and influx management. There were also six specific meetings held mainly to discuss the procedures to be followed when mining a certain area, known as Monte Filipe, that has a cultural significance. There is constant interaction on a daily basis between the community liaison department and the local community.

Payments to Governments

The revised EU Accounting Directive will require all companies in the extractive sectors to disclose tax payments to governments at a project or Company level as appropriate by 2015. EU member states, including Ireland, are in the process of developing legislation in response.

Below we have disclosed our payments to governments. All of the payments disclosed have been made to national governments, either directly or through a ministry or department of the national government on a cash basis. Payroll taxes consist of income tax withheld at source and employer and employee social security tax.

	2014 US$'000	2013 US$'000	2012 US$'000
Mozambique			
Mining royalty	3,563	3,860	2,931
IFZ royalty	1,868		
Payroll taxes	10,564	9,499	5,842
Withholding taxes	422	459	768
Licenses	215	77	178
Total	16,632	13,895	9,719
Ireland			
Payroll taxes	2,463	1,966	1,846
Corporation taxes	2	9	5
Total	2,465	1,975	1,851
UK			
Payroll taxes	162	119	-
Total	162	119	-
Total payments to governments	19,259	15,989	11,570

The Mine is a major investment in the north of Mozambique. We believe it is already serving as a catalyst for further investment and actively support the Government of Mozambique in promoting investment in the country.

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

DIRECTORS' REPORT & FINANCIAL STATEMENTS

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Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2014.

Principal Activities

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

Business and Strategy Review and Future Developments

A Business and Strategy Review, including likely future developments of the Group, set out on pages 14 to 19, forms part of the Directors' Report and is incorporated by reference. Details regarding the approach by Iluka Resources Limited are set out in the Chairman's Statement on page 6 and the Managing Director's Review on page 13.

Finance Review and Risks and Uncertainties

A Finance Review, including a description of the principal risks and uncertainties facing the Group, set out on pages 32 to 41, forms part of the Directors' Report and is incorporated by reference.

Risk Exposure

The exposure of the Group to price and credit risk is detailed in the trade and other receivables (Note 15), cash and cash equivalents (Note 16), bank loans (Note 21), and trade and other payables (Note 25) notes to the financial statements. The exposure of the Group to liquidity risk and cash flow risk is detailed in the capital and liquidity management note (Note 26).

Key Performance Indicators

The Group's key performance indicators are detailed on pages 18 and 19.

Statement of Results

During 2014, the Group sold 800,000 tonnes of ilmenite, zircon and rutile to customers at a sales value of US$174.3 million (2013: US$137.9 million). Cost of sales for the year was US$173.4 million (2013: US$113.7 million), resulting in a gross profit of US$1.0 million (2013: US$24.1 million).

Other operating costs were US$32.4 million (2013: US$19.5 million) comprising distribution costs for the year of US$14.3 million (2013: US$11.0 million) and freight and demurrage costs of US$8.1 million (2013: US$3.8 million). Administration costs were US$6.9 million (2013: US$3.4 million). Total share-based payments for 2014 amounted to US$1.3 million (2013: US$0.8 million) of which US$0.9 million (2013: US$0.6 million) relate to staff at the Mine and are included as a production cost of inventories with the balance of US$0.4 million (2013: nil) being expensed in the statement of comprehensive income. There were arbitration costs of US$3.1 million (2013: nil) during the year.

During the year, the Group carried out an impairment review of property, plant and equipment and capitalised mine development costs. The cash generating unit for the purpose of impairment testing is the Moma Titanium Minerals Mine. The basis on which the recoverable amount of the Moma Titanium Minerals Mine is assessed is its value-in-use. The cash flow forecast employed for the value-in-use computation is a life of mine financial model. The recoverable amount obtained from the financial model represents the present value of the future pre-tax and finance cash flows discounted at 10%. Key assumptions include: a mine plan based on the Namalope and Nataka proved and probable reserves; average annual production of approximately 1.0 million tonnes of ilmenite plus co-products, zircon and rutile, over the life of the mine; product sales prices are based on contract prices as stipulated in marketing agreements with customers, or where contracts are based on market prices or production is not presently contracted, prices as forecast, taking into account independent titanium mineral sands expertise and management expectations. Average forecast product sales prices have been reduced over the life of mine, taking into account current market conditions and outlook. Operating costs are based on approved budget costs for 2015 and escalated by 2% per annum thereafter and capital replacement costs are based on a life of mine capital plan, considering inflation at 2% per annum from 2015. As a result of this review an impairment loss of US$64.8 million was recognised in the statement of comprehensive income. The Directors consider that the main cause of the impairment is the continued low product sales prices.

There was a foreign exchange gain for the year of US$24.1 million (2013: US$6.5 million loss) mainly as a result of gains on the retranslation of the Euro denominated loans and gains on the retranslation of cash deposits.

There was finance income of US$6.3 million (2013: US$0.3 million) mainly resulting from a fair value adjustment of warrants at the statement of financial position date. Loan interest and finance fees were US$34.9 million (2013: US$40.5 million) during the year. The resultant loss before tax for the year was US$100.7 million (2013: US$42.1 million).

As at December 31, 2014, the statement of financial position date, Kenmare Moma Mining (Mauritius) Limited had unused tax losses of nil (2013: nil). The deferred tax asset was reduced by US$0.1 million in 2014 as it is anticipated that no losses will be carried forward for offset against future profits. The tax charge for the year was US$0.1 million (2013: US$2.0 million) resulting in a loss after tax for the year of US$100.8 million (2013: US$44.1 million) which has been carried to retained earnings.

Additions to property, plant and equipment amounted to US$5.2 million (2013: US$103.9 million).

The Group had total debt of US$337.7 million as at 31 December 2014 (2013: US$355.2 million). This was made up of project loans of US$318.3 million (2013: US$335.8 million) and the Absa corporate loan of US$19.4 million (2013: US$19.4 million). During the year there were project loan interest and principal payments amounting to US$17.7 million (2013: US$18.0 million), interest accrued of US$29.1 million (2013: US$28.0 million), additional loan amendment fees of US$7.4 million (2013: US$6.6 million), loan amendment fees amortised of US$1.8 million (2013: US$0.5 million) and foreign exchange movements of US$23.2 million (2013: US$7.5 million). During the year there were Absa loan interest payments amounting to US$2.3 million (2013: US$2.0 million), interest accrued of US$2.3 million (2013: US$2.0 million), arrangement fees and other costs of US$0.9 million (2013: US$1.7 million) and fees amortised of US$0.9 million (2013: US$1.1 million). This resulted in an overall decrease in Group debt of US$17.5 million (2013: US$30.8 million increase).

An amendment to the terms of the Project Loans was entered into with Project Lenders on 14 February 2014 (the "February 2014 Amendment"). This amendment removed the requirement to repay all deferred Subordinated Debt by 1 August 2015, and rescheduled all deferred Subordinated Debt unpaid as of 31 July 2015 so that 50% would be repaid in one instalment on 1 August 2019, and the other 50% repaid in nine equal semi-annual instalments commencing on 1 August 2015 and ending on 1 August 2019.

A further amendment to the terms of the Project Loans was entered into with Project Lenders on 31 July 2014 (the "July 2014 Amendment"). This amendment removed the requirement to make scheduled principal payments of Senior Debt and payments of interest and principal of Subordinated Debt falling due on the 1 August 2014, 1 February 2015 and 1 August 2015 payment dates. Instead, Project Lenders would receive payments under a cash sweep dependent on the Group's consolidated cash position on each of the foregoing payment dates; any amounts not paid under this mechanism (and not rescheduled pursuant to the February 2014 Amendment) would be due and payable on 31 December 2015. In addition, Project Lenders and their advisors would receive information on a more frequent and detailed basis. The Project Companies were required to deliver a budget for 2015 by 31 January that was required to show no cash shortfalls and to be approved by the lenders, acting reasonably, failing which an Event of Default would ensue. The date for delivery of such budget for 2015 was extended by way of a series of amendments to 30 April 2015 and the requirement was waived by the April 2015 Amendment.

Pursuant to the July 2014 Amendment to the Absa corporate loan, the maturity of Absa's US$20 million corporate loan was extended to mature on 31 March 2016. This will be superseded upon the effectiveness of the amendment detailed below.

A further amendment to the terms of the Project Loans was agreed with Project Lenders on 29 April 2015 (the "April 2015 Amendment") which upon satisfaction of certain conditions precedent will provide: a new money commitment (the "Super Senior Facility") of up to US$50 million (US$30 million for working capital purposes and US$20 million to fund, if required, certain disputed liabilities subject to arbitration); extension of the final maturity of existing facilities; reduction in scheduled principal payments on the Senior Debt; elimination of scheduled interest and principal payments on Subordinated Debt; novating and restating the Absa Corporate Facility as a Subordinated Debt obligation of the Project Companies and extending the final maturity from 31 March 2016 to 1 August 2021; repayment of Super Senior Facility principal, Senior Debt principal and Subordinated Debt interest and principal, (including interest and principal on the novated Absa facility) by means of a cash sweep dependent on the Group's consolidated cash position on each Payment Date commencing 1 August 2016. In certain circumstances, the Group is required to have completed a deleveraging in an amount acceptable to Project Lenders by 30 September 2015, and in certain other circumstances, the Group is required to file for Project Lender approval a budget for 2016 by 31 January 2016 which includes a plan and timetable for a material deleveraging satisfactory to Project Lenders. The Directors are satisfied that such a plan can be agreed with Project Lenders.

Details of the above-referenced amendments are set out in Note 21.

Directors' Report
CONTINUED

Directors

The Directors who held office at 31 December 2014 were as follows:

S. McTiernan (Chairman)	Non-Executive		*	+
S. Bianchi	Non-Executive	Δ	*	+
M. Carvill	Executive			
T. Fitzpatrick	Executive			
E. Headon	Non-Executive	Δ	*	+
T. Lowrie	Non-Executive			
T. McCluskey	Executive			
G. Smith	Non-Executive	Δ	*	+

Δ: Member of the Audit Committee chaired by Mr G. Smith
+: Member of the Remuneration Committee chaired by Ms E. Headon
*: Member of the Nomination Committee chaired by Mr S. McTiernan

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

In June 2014, Mr J. Loasby retired from the Board and Mr S. McTiernan was appointed as Chairman.

Directors are appointed and removed by the shareholders in General Meeting of the Company and may be co-opted by the Board.

Directors' and Secretary's Shareholdings and Share Options

The interests of the Directors and Secretary of the Company, their spouses and minor children, in the ordinary share capital of the Company and details of the share options granted in accordance with the rules of the Share Option Scheme are detailed in the Directors' Remuneration Report on pages 55 and 56.

Share Option Scheme and Kenmare Incentive Plan

It is the policy of the Company to award share options to certain employees and consultants. In the past share options were awarded to Executive Directors but this practice ceased with the introduction of the Kenmare Incentive Plan ("KIP") in 2014. The Board makes awards at such time or times as it may determine, subject to the conditions of the Model Code on Directors' Dealings. Any offer to grant options will specify the consideration payable on acceptance, the number of shares comprised in the option, the mode of acceptance together with the latest date for acceptance and for payment of the said consideration. Upon receipt by the Board of such acceptance and consideration, the option will be granted and the option certificate delivered. The options generally vest over a three year period, in equal annual amounts. At 31 December 2014, there were options in issue that had been granted under the share option scheme dated 15 May 1987 to persons (other than Directors and the Secretary) to subscribe for a total of 24,291,667 million shares, exercisable at an average price of US$0.46 per share.

In 2014, the KIP was adopted and an Initial KIP Award was made to the Executive Directors resulting in a total of 6,875,622 performance based shares being awarded as at 31 December 2014.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business and Strategy Review on pages 14 to 19. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are also described in the Finance Review on pages 32 to 37. In addition, Note 26 to the financial statements includes the Group's policy for managing its capital.

Based on the Group's forecasts and projections and taking into account the April 2015 Amendment as set out in Note 21, the Directors believe that the Group has adequate resources for the foreseeable future and continue to adopt the going concern basis of accounting in preparing the annual financial statements. The April 2015 Amendment provides for loan facility extensions and a revised repayment schedule, subject to a number of conditions precedent which the Directors are satisfied will be met in due course. In certain circumstances, as outlined in Note 21, the Group is required to present for Project Lender approval a budget for 2016 by 31 January 2016 which includes a plan and timetable for a material deleveraging satisfactory to Project Lenders. The Directors are satisfied that such a plan can be agreed with Project Lenders.

Key assumptions upon which the forecast is based include a mine plan covering production using the Namalope and Nataka proved and probable reserves, forecast sales and a revised debt repayment profile for the project loans. Average annual production levels over the life of the mine for the purpose of the forecast are approximately 1.0 million tonnes of ilmenite plus co-products, zircon and rutile. Assumptions of product sales prices are based on contract prices as stipulated in marketing agreements with customers, or where contracts are based on market prices or production is not presently contracted, prices as forecast taking into account independent titanium mineral sands expertise and management expectations including inflation of 2% per annum. Average forecast product prices have been reduced over the life of mine, taking into account current market conditions and outlook. Operating costs are based on approved budget costs for 2015 and escalated by 2% per annum thereafter. Capital costs are based on a life of mine capital plan, considering inflation at 2% per annum from 2015.

Share Capital

As at 31 December 2014, Ordinary Shares accounted for 95% and Deferred Shares accounted for 5% of the total share capital.

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

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

Authority to Allot

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

Purchase of own shares

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

Substantial Interests

As at 22 April 2015, the Company has been notified of the following shareholdings in excess of 3% of the issued ordinary shares of the Company:

	No. of Ordinary Shares	% of Issued Share Capital
Prudential plc	556,000,189	20%
BlackRock Investment Management (UK) Limited	172,054,040	6%
The Capital Group Companies Inc.	164,678,932	6%
Norges Bank (The Central Bank of Norway)	104,566,574	4%
Sanlam FOUR Investments UK Limited	94,107,336	3%
Legal and General investment Management Limited	93,558,860	3%
Majedie Asset Management Limited	90,689,251	3%

Directors' Report
CONTINUED

Takeover Directive
In the event of a change in control, directly or indirectly, of Kenmare Moma Mining (Mauritius) Limited and Kenmare Moma Processing (Mauritius) Limited, subsidiary undertakings of the Company, the Project Lenders may require payment in full of debt obligations, in addition to certain prepayment fees, subject to conditions set out in the financing documents and as outlined in Note 21 to the financial statements. As outlined in Note 21 to the financial statements, the financing documents also contain provisions that would become effective on a change of control of the Company. The Company's Share Option Scheme and KIP each contain change of control provisions that allow for acceleration of the exercise of options and awards in the event of a change of control of the Company.

Other than as described in the Directors' Remuneration Report on pages 51 to 64, there are no agreements between the Company and its Directors or employees providing for pre-determined compensation for loss of office or employment that would occur in the event of a bid for the Company save that certain executives, not being directors, of the Company have service contracts that either provide for extended notice periods or fixed payments on termination following a change of control of the Company.

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

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

Subsidiary Undertakings
The subsidiary undertakings of the Company at 31 December 2014 are outlined in Note 14 to the financial statements. Each of the subsidiary undertakings Kenmare Moma Mining (Mauritius) Limited, Kenmare Moma Processing (Mauritius) Limited and Mozambique Minerals Limited operate branches in Mozambique.

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

Memorandum and Articles of Association
The Company's Memorandum and Articles of Association set out the objects and powers of the Company and may be amended by shareholders at a General Meeting of the Company.

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

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

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

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

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

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

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

Deadlines for Exercising Voting Rights

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

Secondary Listing

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

Corporate Governance

The annual Corporate Governance Statement on pages 46 to 65 forms part of the Directors' Report and is incorporated by reference.

Political Donations

There were no political donations which require disclosure under the Electoral Act 1997 (as amended).

Branches

The Company established and maintains a branch in the United Kingdom. This was registered with the UK Companies House with registration number FC031738.

Directors' Report
CONTINUED

Environmental and Employee Matters
Information in relation to environmental and employee matters set forth on pages 22 to 25 forms part of the Directors' Report and is incorporated by reference.

Events since the year end
On 29 January 2015, the Company, Congolone Heavy Minerals Limited, Kenmare Moma Mining (Mauritius) Limited (Mozambique Branch) and Kenmare Moma Processing (Mauritius) Limited (Mozambique Branch) entered into a deed of amendment with Project Lenders. This amendment extended the date for delivery of a budget for 2015 as set out in the July 2014 amendment by one month to 28 February 2015. This was extended by a month to 31 March 2015 by Project Lenders at the end of February 2015 and by a further month to 30 April 2015 at the end of March 2015. The requirement was waived by the April 2015 Amendment.

On 29 April, 2015, the Company, Congolone Heavy Minerals Limited, Kenmare Moma Mining (Mauritius) Limited (Mozambique Branch) and Kenmare Moma Processing (Mauritius) Limited (Mozambique Branch) entered into an amendment with Project Lenders which will provide: a new money commitment (the "Super Senior Facility") of up to US$50 million (US$30 million for working capital purposes and US$20 million to fund, if required, certain disputed liabilities subject to arbitration); extension of the final maturity of existing facilities; reduction in scheduled principal payments on the Senior Debt; elimination of scheduled interest and principal payments on Subordinated Debt; novating and restating the Absa Corporate Facility as a Subordinated Debt obligation of the Project Companies and extending the final maturity from 31 March 2016 to 1 August 2021; repayment of Super Senior Facility principal, Senior Debt principal and Subordinated Debt interest and principal (including interest and principal on the novated Absa facility) by means of a cash sweep dependent on the Group's consolidated cash position on each Payment Date commencing 1 August 2016. The effectiveness of this amendment is subject to a number of conditions precedent which the Directors are satisfied will be met in due course. As a result, in certain circumstances, the Group is required to have completed a deleveraging in an amount acceptable to Project Lenders by 30 September 2015, and in certain other circumstances as set out in Note 21, the Group is required to file for Project Lender approval a budget for 2016 by 31 January 2016 which includes a plan and timetable for a material deleveraging satisfactory to Project Lenders. The Directors are satisfied that such a plan can be agreed with Project Lenders.

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

On behalf of the Board:

M. Carvill, Director T. McCluskey, Director
29 April 2015

Statement of Directors' Responsibilities

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

Irish company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the profit or loss of the Company and the Group for that period. Under that law the Directors are required to prepare Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have elected to prepare the Parent Company financial statements under IFRSs as adopted by the European Union as applied in accordance with the Companies Acts, 1963 to 2013. In preparing the financial statements, the Directors are required to:

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

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

The Directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements are prepared in accordance with IFRSs as adopted by the European Union and comply with the Companies Acts 1963 to 2013 and as regards the consolidated financial statements, article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Responsibility statement

Each of the Directors whose names and functions appear on pages 44 and 45 of the Annual Report confirms to the best of such person's knowledge and belief:

- the financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Business and Strategy Review and Principal Risks and Uncertainties, which are incorporated into the Directors' Report, include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

On behalf of the Board:

M. Carvill, Director T. McCluskey, Director
29 April 2015

Independent Auditor's Report

TO THE MEMBERS OF KENMARE RESOURCES PLC

Deloitte.

Opinion on Consolidated Financial Statements of Kenmare Resources plc

In our opinion:

- the Group Financial Statements give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, of the state of the Group's affairs as at 31 December 2014 and of its loss for the year then ended;
- the Parent Company Statement of Financial Position gives a true and fair view in accordance with IFRSs, as adopted by the European Union, as applied in accordance with the provisions of the Companies Acts 1963 to 2013, of the state of the Parent Company's affairs as at 31 December 2014; and
- the financial statements have been prepared in accordance with the requirements of the Companies Acts 1963 to 2013 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

The financial statements comprise the Group Financial Statements: Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity and the Parent Company Financial Statements: Parent Company Statement of Financial Position, Parent Company Statement of Cash Flows, Parent Company Statement of Changes in Equity and the related Notes 1 to 35. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Acts 1963 to 2013.

Emphasis of matter - Going Concern

Without modifying our opinion on the financial statements, we draw your attention to the Directors' Statement contained within the Directors' Report on page 81 which states that in the view of the Directors the Group is a going concern and also to the disclosures in Note 21 in relation to Group Banking facilities. As set out in Note 21, since the year end the Group has agreed amended loan facilities with its lenders which provide for loan facility extensions and a revised repayment schedule, subject to a number of conditions precedent which the Directors are satisfied will be met in due course. The ability of the Group to continue as a going concern is dependent on its ability to generate sufficient operating cash flows, as disclosed in Note 11, and the continuing availability of sufficient financing resources either from existing bank loan facilities or from new alternative resources. In certain circumstances, as outlined in Note 21, the Group is required to present for Project Lender approval a budget for 2016 by 31 January 2016 which includes a plan and timetable for a material deleveraging satisfactory to Project Lenders. The Directors are satisfied that such a plan can be agreed with Project Lenders in due course if required. Accordingly, the financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Company was unable to continue as a going concern.

Emphasis of matter - Realisation of Assets

Without modifying our opinion on the financial statements we have considered the adequacy of the disclosures made in Notes 11 and 14 of the financial statements concerning the realisation of property, plant and equipment of US$865.2m included in the Consolidated Statement of Financial Position and investments in and amounts due from subsidiary undertakings of US$643.8m in the Parent Company's Statement of Financial Position all of which are dependent on the successful operation of the Mine and the realisation of the cash flow forecast assumptions as set out in Note 11. During the year the Directors carried out an impairment review of the Group's property, plant and equipment which resulted in the recognition of an impairment loss of US$64.8m which has been included in the Consolidated Statement of Comprehensive Income. The financial statements do not include any further adjustments relating to the uncertainties concerning the realisation of assets, the ultimate outcome of which cannot at present be determined.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk of material misstatement	Our audit response to the risk
Financing and Going Concern Due to the continued weakness in sales prices and the maturity profile of the existing banking facilities financing and going concern was an area of focus. Refer also to Note 21 to the financial statements.	We reviewed board minutes, post year end results, loan amendment agreements post year end, cash flow forecasts and budgets and discussed banking facilities and arrangements with management. We focused on the key assumptions in the cash flow forecasts and budgets in relation to sales quantities and pricing together with management forecasts regarding scheduled debt repayments. Our consideration included a review of the terms and conditions of the project loan amendment concluded on 29 April 2015 which encompasses a new money facility of up to US$50 million (US$30 million for working capital purposes and US$20 million for dispute resolution) and extension of the final maturity of existing facilities and of related disclosures.

Deloitte.

Risk of material misstatement	Our audit response to the risk
Impairment of property, plant and equipment The Group has recognised property, plant and equipment assets of US$865.2 million at 31 December 2014 after recording an impairment of US$64.8 million. Management undertake an annual impairment review to support the carrying value of property, plant and equipment. The recoverable amount of the Mine is assessed on its value-in-use. Key assumptions in the review relate to the useful life of the mine and the property, plant and equipment, the cash flows as set out in the life of mine financial model and the discount rate applied to arrive at net present value. Refer also to Note 11 to the financial statements.	We considered the appropriateness of the Group's impairment review for property, plant and equipment and challenged the validity of assumptions used therein. Specifically our work included, but was not limited to, the following procedures: • benchmarking sales price assumptions against contracted prices and available market data; • verification of estimated future costs by agreement to approved budgets; • agreement of proved and probable reserves to third party reserve reports; • recalculation and benchmarking of discount rate applied with involvement of Deloitte valuation specialists; and • confirmed validity of Mine extraction and operating licences. We assessed whether the disclosures in relation to the impairment were appropriate and met the requirements of accounting standards.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on pages 48 to 50.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures.

Our assessment of materiality

We determined materiality for the Group to be US$10 million (2013: US$10 million), which is under 2% (2013: 2%) of equity. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of US$500,000 (2013: US $500,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit scope focused on Head Office and two principal subsidiary undertakings operating the mining and processing facilities in Mozambique. These two principal subsidiaries account for 100% of the Group's total revenue and 98% of the Group's total assets.

The subsidiary undertakings were subject to a full scope audit. We determined the materiality level for each component calculated with reference to the size of the entity involved.

The Group audit team issues detailed instructions to the component auditor for the Group audit, with specific audit requirements and confirmation requests across key areas. Significant audit procedures were performed by the component auditor. The Group audit team are actively involved in the performance of, and direction of, all stages of the audit process from planning, execution and reporting to enable the Group audit team conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole.

Matters on which we are required to report by the Companies Acts 1963 to 2013

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit;
- In our opinion proper books of account have been kept by the Parent Company;
- The Parent Company statement of financial position is in agreement with the books of account;
- In our opinion the information given in the Directors' Report is consistent with the financial statements and the description in the Corporate Governance Statement of the main features of the internal control and risk management systems in relation to the process for preparing the Group Financial Statements is consistent with the Group financial statements; and
- The net assets of the Parent Company, as stated in the Parent Company Statement of Financial Position are more than half of the amount of its called up share capital and, in our opinion, on that basis there did not exist at 31 December 2014 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the parent company.

Independent Auditor's Report

TO THE MEMBERS OF KENMARE RESOURCES PLC
CONTINUED

Matters on which we are required to report by exception

Directors' remuneration and transactions

Under the United Kingdom Listing Authority Listing Rules (the Listing Rules) we are required to review the six specified elements of disclosures in the report to shareholders by the Board on Directors' remuneration. Under the Companies Acts, 1963 to 2013 we are required to report to you if, in our opinion the disclosures of Directors' remuneration and transactions specified by law are not made. We have nothing to report arising from these matters or our review.

Corporate Governance Statement

Under the Listing Rules, we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report and Accounts taken as a whole is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of Directors and Auditor

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

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

Scope of the audit of the financial statements

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

Kevin Sheehan
For and on behalf of Deloitte & Touche
Chartered Accountants and Statutory Audit Firm
Dublin
29 April 2015

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 US$'000	2013 US$'000
Revenue	1	174,317	137,868
Cost of sales		(173,366)	(113,733)
Gross profit		951	24,135
Other operating costs	3	(32,415)	(19,474)
Impairment loss	11	(64,762)	-
Operating (loss)/profit		(96,226)	4,661
Finance income	6	6,314	299
Finance costs	7	(34,852)	(40,535)
Foreign exchange gain/(loss)		24,113	(6,512)
Loss before tax		(100,651)	(42,087)
Income tax charge	8	(143)	(2,033)
Loss for the year and total comprehensive income for the year		(100,794)	(44,120)
Attributable to equity holders		(100,794)	(44,120)
		Cent per share	Cent per share
Loss per share: Basic	9	(3.62)	(1.71)
Loss per share: Diluted	9	(3.62)	(1.71)

The accompanying notes form part of these financial statements.

On behalf of the Board:

M. Carvill, Director T. McCluskey, Director
29 April 2015

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2014

	Notes	2014 US$'000	2013 US$'000
Assets			
Non-current assets			
Property, plant and equipment	11	865,217	967,110
Deferred tax asset	12	-	143
Other receivables	15	1,021	-
		866,238	967,253
Current assets			
Inventories	13	62,452	44,196
Trade and other receivables	15	27,118	19,241
Cash and cash equivalents	16	21,795	67,546
		111,365	130,983
Total assets		**977,603**	**1,098,236**
Equity			
Capital and reserves attributable to the Company's equity holders			
Called-up share capital	17	225,523	225,523
Share premium	18	431,380	431,380
Retained losses	19	(115,032)	(14,238)
Other reserves	20	22,896	21,547
Total equity		564,767	664,212
Liabilities			
Non-current liabilities			
Bank loans	21	261,634	157,377
Obligations under finance lease	22	743	1,158
Provisions	23	21,624	22,423
		284,001	180,958
Current liabilities			
Bank loans	21	76,040	197,802
Obligations under finance lease	22	415	350
Provisions	23	2,387	548
Other financial liability	24	520	5,851
Trade and other payables	25	49,473	48,515
		128,835	253,066
Total liabilities		412,836	434,024
Total equity and liabilities		**977,603**	**1,098,236**

The accompanying notes form part of these financial statements.

On behalf of the Board:

M. Carvill, Director T. McCluskey, Director
29 April 2015

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 US$'000	2013 US$'000
Operating activities			
Loss for the year before tax		(100,651)	(42,087)
Adjustment for:			
Foreign exchange movement		(24,113)	6,512
Share-based payments	3	1,349	551
Finance income	6	(184)	(299)
Finance costs	7	34,852	31,268
Depreciation	4	40,850	24,344
Impairment loss	11	64,762	-
(Decrease)/increase in other financial liability	24	(5,331)	5,851
Increase/(decrease) in provisions	23	528	(199)
Operating cash flow		12,062	25,941
Increase in inventories	13	(18,256)	(21,774)
(Increase)/decrease in trade and other receivables	15	(7,532)	16,505
Increase/(decrease) in trade and other payables	25	1,780	(12,064)
Cash (used in)/from operations		(11,946)	8,608
Interest received	6	184	299
Interest paid		(7,046)	(7,549)
Net cash (used in)/from operating activities		(18,808)	1,358
Investing activities			
Addition to property, plant and equipment	11	(5,187)	(82,661)
Net cash used in investing activities		(5,187)	(82,661)
Financing activities			
Proceeds on the issue of shares	17/18	-	106,058
Expenses on the issue of shares	18	-	(4,103)
Repayment of borrowings	21	(13,001)	(32,395)
(Decrease)/increase in borrowings	21	(8,268)	32,713
Payment of obligations under finance leases	22	(560)	(560)
Net cash (used in)/from financing activities		(21,829)	101,713
Net (decrease)/increase in cash and cash equivalents		(45,824)	20,410
Cash and cash equivalents at beginning of the year		67,546	46,067
Effect of exchange rate changes on cash and cash equivalents		73	1,069
Cash and cash equivalents at the end of the year	16	**21,795**	**67,546**

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2014

	Called-Up Share Capital	Share Premium	Capital Conversion Reserve Fund	Retained Earnings/ (Losses)	Share Based Payment Reserve	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2013	205,168	349,780	754	29,801	20,094	605,597
Loss for the year	-	-	-	(44,120)	-	(44,120)
Share-based payments	-	-	-	81	699	780
Issue of share capital	20,355	81,600	-	-	-	101,955
Balance at 1 January 2014	225,523	431,380	754	(14,238)	20,793	664,212
Loss for the year	-	-	-	(100,794)	-	(100,794)
Share-based payments	-	-	-	-	1,349	1,349
Balance at 31 December 2014	225,523	431,380	754	(115,032)	22,142	564,767

Retained Losses

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

Share Based Payment Reserve

The share based payment reserve arises on the grant of share options and shares to certain Directors, employees and consultants under the share option scheme and under the Kenmare Incentive Plan.

Capital Conversion Reserve Fund

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

Parent Company Statement of Financial Position

AS AT 31 DECEMBER 2014

	Notes	2014 US$'000	2013 US$'000
Assets			
Non-current assets			
Investments in and amounts due from subsidiary undertakings	14	643,840	649,493
Current assets			
Trade and other receivables	15	169	294
Cash and cash equivalents	16	195	214
		364	508
Total assets		644,204	650,001
Equity			
Capital and reserves attributable to the Company's equity holders			
Called-up share capital	17	225,523	225,523
Share premium	18	431,380	431,380
Retained losses	19	(60,277)	(56,947)
Other reserves	20	22,896	21,547
Total equity		619,522	621,503
Liabilities			
Non-current liabilities			
Bank loans	21	19,399	19,398
Provisions	23	-	1,876
		19,399	21,274
Current liabilities			
Provisions	23	2,107	272
Other financial liability	24	520	5,851
Trade and other payables	25	2,656	1,101
		5,283	7,224
Total liabilities		24,682	28,498
Total equity and liabilities		644,204	650,001

The accompanying notes form part of these financial statements.

On behalf of the Board:

M. Carvill, Director T. McCluskey, Director
29 April 2015

Parent Company Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 US$'000	2013 US$'000
Operating activities			
Loss for the year before tax	29	(3,330)	(13,638)
Adjustment for:			
Foreign exchange movement		(35)	(282)
Share-based payments	3	441	-
Finance cost	7	2,313	2,041
(Decrease)/increase in other financial liability	24	(5,331)	5,851
Increase/(decrease) in provisions	23	10	(300)
Operating cash flow		(5,932)	(6,328)
Decrease in receivables	15	125	362
Increase in trade and other payables	25	1,552	559
Cash from operations		(4,255)	(5,407)
Interest paid		(2,308)	(1,985)
Net cash used in operating activities		(6,563)	(7,392)
Investing activities			
Investments in and amounts due from subsidiary undertakings	14	6,560	(114,381)
Net cash from/(used in) investing activities		6,560	(114,381)
Financing activities			
Proceeds on the issue of shares	17/18	-	106,058
Expense on the issue of shares	18	-	(4,103)
Repayment of borrowings	21	-	(20,000)
Increase in borrowings	21	-	39,345
Net cash from financing activities		-	121,300
Net decrease in cash and cash equivalents		(3)	(473)
Cash and cash equivalents at beginning of the year		214	291
Effect of exchange rate changes on cash and cash equivalents		(16)	396
Cash and cash equivalents at the end of the year	16	195	214

Parent Company Statement of Changes in Equity
FOR THE YEAR ENDED 31 DECEMBER 2014

	Called-Up Share Capital US$'000	Share Premium US$'000	Capital Conversion Reserve Fund US$'000	Retained Losses US$'000	Share Based Payments Reserve US$'000	Total US$'000
Balance at 1 January 2013	205,168	349,780	754	(43,390)	20,094	532,406
Loss for the year	-	-	-	(13,638)	-	(13,638)
Share based payments	-	-	-	81	699	780
Issue of share capital	20,355	81,600	-	-	-	101,955
Balance at 1 January 2014	225,523	431,380	754	(56,947)	20,793	621,503
Loss for the year	-	-	-	(3,330)	-	(3,330)
Share based payments	-	-	-	-	1,349	1,349
Balance at 31 December 2014	225,523	431,380	754	(60,277)	22,142	619,522

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

Share Based Payments Reserve
The share based payments reserve arises on the grant of share options and shares to certain Directors, employees and consultants under the share option scheme and under the Kenmare Incentive Plan.

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

Statement of Accounting Policies

GROUP

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

ADOPTION OF NEW AND REVISED STANDARDS

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements:

- IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (effective for accounting periods beginning on or after 1 January 2014)
- IAS 36 Recoverable Amount Disclosures for Non-Financial Assets (effective for accounting periods beginning on or after 1 January 2014)
- IFRIC 21 Levies (effective for accounting periods beginning on or after 1 January 2014)
- Amendments to IFRS 10, IFRS 12 and IAS 27 (effective for accounting periods beginning on or after 1 January 2014)
- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities (effective for accounting periods beginning on or after 1 January 2014)

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

- Annual Improvements to IFRS: 2012-2014 Cycle (effective for accounting periods beginning on or after 1 January 2016)
- Annual Improvements to IFRS: 2011-2013 Cycle (effective for accounting periods beginning on or after 1 July 2014)
- Annual Improvements to IFRS: 2010-2012 Cycle (effective for accounting periods beginning on or after 1 July 2014)
- IAS 19 Defined Employee Benefit Plans: Employee Contributions (effective for accounting periods beginning on or after 1 July 2014)
- IFRS 14 Regulatory Deferral Accounts (effective for accounting periods beginning on or after 1 January 2016)
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception (effective for accounting periods beginning on or after 1 January 2016)
- Amendment to IAS 1 Disclosure Initiative (effective for accounting periods beginning on or after 1 January 2016)
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for accounting periods beginning on or after 1 January 2016)
- Amendment to IAS 27 Equity Method in Separate Financial Statements (effective for accounting periods beginning on or after 1 January 2016)
- IFRS 9 Financial Instruments (effective for accounting periods beginning on or after 1 January 2018)
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants (effective for accounting periods beginning on or after 1 January 2016)
- Amendment to IFRS 11 Accounting for Acquisitions of Interest in Joint Operations (effective for accounting periods beginning on or after 1 January 2016)
- IFRS 15 Revenue from Contracts with Customers (effective for accounting periods beginning on or after 1 January 2017)
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation (effective for accounting periods beginning on or after 1 January 2016)

The Directors do not expect that the adoption of the Standards and Interpretations listed above will have a material impact on the financial statements of the Group in future periods.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the IAS Regulation. The financial statements have been prepared in accordance with Companies Acts 1963 to 2013.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Therefore they continue to adopt the going concern basis of accounting in preparing the financial statements. Further details are contained in the Directors' Report on page 81.

Basis of accounting

The financial statements are prepared in US Dollars under the historical cost convention except for share-based payments and warrants. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. Fair value of share options at grant date is recognised over the vesting period. As warrants are not issued in the entity's reporting currency, they do not meet the requirements in IAS 32 of settlement in a fixed amount of the value of equity, and therefore are recorded at fair value. As a result warrants are re-measured at each reporting date and the increase or decrease in the fair value is recognised as a finance cost or income in the statement of comprehensive income.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company: has the power over the investee; is exposed, or has the right, to variable return from its involvement with the investee; and has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Changes in the Group's interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets, less liabilities of the subsidiary. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets and liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement, when applicable, the costs on initial recognition of an investment in an associate or a joint venture.

Determination of ore reserve estimates

The Group estimates its ore reserves and mineral resources based on information compiled by a Competent Person as defined in accordance with the Australasian Code for Reporting of Mineral Exploration Results, Mineral Resources and Ore Reserve of 2012 (the "JORC Code"). Reserves determined in this way are used in the calculation of depreciation, amortisation and impairment charges, the assessment of life of mine and for forecasting the timing of the payment of close-down costs, restoration costs and clean-up costs. In assessing the life of a mine for accounting purposes, mineral resources are only taken into account where there is a high degree of confidence of economic extraction. There are numerous uncertainties inherent in estimating ore reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of final products, production costs or recovery rates may change the economic status of reserves and may ultimately result in the reserves being restated.

Revenue recognition

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

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

Leases

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

Finance leases

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

Operating leases

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

Retirement benefit costs

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

Foreign currency

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

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

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

Borrowing costs

All borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets until such time as the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using the tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that is probable that taxable profits will be available against deductible temporary differences which can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiary undertakings, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is released. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and tax liabilities on a net basis.

Operating Profit/Loss

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

Exploration and evaluation expenditure

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

Property, plant and equipment

The cost of property, plant and equipment comprises its purchase price except for plant that was revalued prior to the date of transition to IFRS (2005), any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the estimated closure costs associated with the asset.

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

Statement of Accounting Policies
CONTINUED

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

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

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

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

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

Development expenditure

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

Impairment of non-current assets

At each statement of financial position date, the Group reviews the carrying amounts of its non-current assets including construction in progress to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

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

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

Financial assets and financial liabilities

Financial assets and financial liabilities in respect of financial instruments are recognised on the Group's statement of financial position when the Group becomes party to a contract relating to such instrument.

Trade receivables

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

Cash and cash equivalents

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

Financial liabilities and equity

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

The warrants, which are not listed or admitted to trading and which have limited transferability rights, have an exercise price, denominated in a currency not being the Company's or Group's functional currency, of Stg29.09p and Stg11p, and an exercise period of five years commencing 16 November 2014 and seven years commencing 16 November 2014 respectively. As the warrants are not issued in the entity's reporting currency, they do not meet the IAS 32 requirements of settlement in a fixed amount of the value of equity, and therefore are recorded at fair value. As a result, the warrants are re-measured at each reporting date and the increase or decrease in the fair value is recognised as a finance cost or income in the statement of comprehensive income.

Bank borrowings

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

Trade payables

Trade payables are initially measured at fair value plus transaction costs directly attributable to the payables, and are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

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

Provisions

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

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

Statement of Accounting Policies
CONTINUED

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

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

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

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

Executive Director bonus provision
Prior to 2014 there was an Annual Bonus Scheme for the Executive Directors in place. The key feature of the scheme was the payment of a bonus earned for target performance which is deferred for three years.

In 2014, the Kenmare Incentive Plan ("KIP") was adopted. Annual awards under the KIP have a cash element and a separate share element. Both the cash element and the share element are based on a number of in-year performance targets. Based on the level of achievement against these targets, the cash element will be paid shortly after the end of the relevant year. The share element will vest, subject to certain vesting conditions, after a further three years with part of the shares subject to a further two year holding period.

Share-based payments
The Group issues share options to certain employees and consultants. In the past share options were awarded to Executive Directors but this practice ceased with the introduction of the Kenmare Incentive Plan in 2014. Share options are measured at fair value at the date of grant. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non-market based vesting conditions. Fair value is measured using a Black-Scholes pricing model. Share options granted to employees of subsidiary undertakings of the Company are recognised as an expense in the statement of comprehensive income of the subsidiary undertaking and as a capital contribution in the statement of financial position. Where a share-based payment is directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, its fair value is added to the cost of those assets until such time as the assets are substantially ready for their intended use. The policy described above is applied to all equity-settled share-based payments granted after 7 November 2002 that vested after 1 January 2005.

In 2014, the KIP was adopted and an Initial KIP award was made. Annual awards under the KIP have a cash element and a share element. Both the cash element and the share element are based on a number of in-year performance targets. Based on the level of achievement against these targets, the cash element will be paid shortly after the end of the relevant year. The share element will vest, subject to certain vesting conditions, after a further three years with part of the shares subject to a further two year holding period. The value of the shares is measured as fair value at the date of grant, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non-market based vesting conditions. The fair value at the grant date is expensed on a straight-line basis over the vesting period. Fair value is measured using a Monte Carlo pricing model.

PARENT COMPANY

The separate financial statements of the Company are presented as required by the Companies Acts 1963 to 2013. As permitted by the Acts, the separate financial statements have been prepared in accordance with International Financial Reporting Standards.

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

Investments in subsidiary undertakings are recognised at cost. Amounts due from subsidiary undertakings are initially recognised at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is evidence that the asset is impaired.

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

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying the Group's accounting policies

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

Property, plant and equipment

The recovery of property, plant and equipment is dependent upon the successful operation of the Mine; the realisation of cash flow forecast assumptions as set out in Note 11 would result in the recovery of such amounts.

During the year, the Group carried out an impairment review of property, plant and equipment. The cash generating unit for the purpose of impairment testing is the Moma Titanium Minerals Mine. The basis on which the recoverable amount of the Moma Titanium Minerals Mine is assessed is its value-in-use. The cash flow forecast employed for the value-in-use computation is a life of mine financial model. The recoverable amount obtained from the financial model represents the present value of the future pre-tax and finance cash flows discounted at 10%. Key assumptions include: a mine plan based on the Namalope and Nataka proved and probable reserves; average annual production of approximately 1.0 million tonnes of ilmenite plus co-products, zircon and rutile, over the life of the mine; product sales prices are based on contract prices as stipulated in marketing agreements with customers, or where contracts are based on market prices or production is not presently contracted, prices as forecast, taking into account independent titanium mineral sands expertise and management expectations including general inflation of 2% per annum. Average forecast product sales prices have been reduced over the life of mine, taking into account current market conditions and outlook. Operating costs are based on approved budget costs for 2015 and escalated by 2% per annum thereafter and capital costs are based on a life of mine capital plan, considering inflation at 2% per annum from 2015. As a result of this review an impairment loss of US$64.8 million was recognised in the consolidated statement of comprehensive income. The Directors consider that the main cause of the impairment is the continued low product sales prices.

Investments in and amounts due from subsidiary undertakings

The recovery of investments in and amounts due from subsidiary undertakings is dependent upon successful operations of the Mine; the realisation of cash flows forecast assumptions as set out in Note 11 would result in the recovery of such amounts.

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

Statement of Accounting Policies
CONTINUED

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

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

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

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

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

The Group estimates its ore reserves and mineral resources based on information compiled by a Competent Person as defined in accordance with the Australasian Code for Reporting of Mineral Exploration Results, Mineral Resources and Ore Reserve of 2012 (the "JORC Code"). There are numerous uncertainties inherent in estimating ore reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of final products, production costs or recovery rates may change the economic status of reserves and may ultimately result in the reserves being restated.

Share-based payments
The Group issues share options to certain employees and consultants. In the past share options were awarded to Executive Directors but this practice ceased with the introduction of the Kenmare Incentive Plan in 2014. Share options are measured at fair value at the date of grant. Fair value is measured using a Black-Scholes pricing model. Assumptions included in this model include: expected volatility, as determined by calculating the historical volatility of the Company's share price over the previous year, as this is deemed the most reliable indicator of the Company's share price volatility; a risk-free rate; and expected life of seven years.

The Group has made share awards to Directors under the Kenmare Incentive Plan. The value of these shares is measured as fair value at the date of grant. Fair value is measured using a Monte Carlo pricing model. Assumptions included in this model include: expected volatility of the Company's share price, as determined by calculating the historical volatility of the Company's share price over the historic period immediately prior to the date of grant and commensurate with the expected life of the awards, comparator group constituents and indices, their individual volatilities calculated using total shareholder return data for each company over a period commensurate with the expected life of the award, dividend yield, expected life of the awards of three years, risk-free rates and correlation between comparators.

Deferred tax

A deferred tax asset has been recognised where previous tax losses can be utilised to reduce taxes on future taxable profits and it is considered probable that a portion of such losses can be applied before expiry. Future taxable profits are based on cash flow projections using a life of mine financial model for the Mine. Key assumptions in the cash flow projections include a mine production schedule based on the Namalope and Nataka proved and probable reserves. Average annual production levels over the life of the mine are approximately 1.0 million tonnes of ilmenite plus co-products, zircon and rutile. Product sales prices are based on contract prices as stipulated in marketing agreements with customers, or where contracts are based on market prices or production is not presently contracted, prices as forecast taking into account independent titanium mineral sands expertise and management expectations including general inflation at 2% per annum. Operating costs are based on approved budget costs for 2015 and escalated by 2% per annum thereafter and capital costs are based on a life of mine capital plan considering inflation at 2% per annum. The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced if and to the extent that it is no longer probable that sufficient taxable profit will be available to allow the asset to be recovered.

Financial liability

On 16 October 2013, 250,300,000 new ordinary shares were issued by way of a placing. In addition to ordinary shares, participants in the placing were issued warrants on the basis of one warrant to subscribe for one ordinary share in the Company for every five placing shares. In total 50,060,000 warrants were issued. The warrants, which are not listed or admitted to trading and which have limited transferability rights, have an exercise price of Stg29.09p and an exercise period of five years, commencing 16 November 2014.

On 1 September 2014, the Company issued 7,257,850 warrants to Absa Bank Limited ("Absa") in discharge of the US$800,000 extension fee due to Absa as part of a loan amendment. These warrants have an exercise price of Stg11p, an exercise period of seven years from 16 November 2014 and are otherwise on substantially the same terms as the warrants detailed above.

The warrants are measured at fair value at the statement of financial position date. Fair value is measured using a Black-Scholes pricing model. Assumptions included in this model include: expected volatility, as determined by calculating the historical volatility of the Company's share price over the previous year, this being deemed the most reliable indicator of the Company's share price volatility; a risk-free rate; and an expected life of six to seven years.

Inventories

Product inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour costs and overheads, including depreciation incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Net realisable value is determined with respect to prices achieved for finished products. There is no guarantee that similar prices will be achieved in the future particularly in weak product markets.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2014

1. REVENUE

	2014 US$'000	2013 US$'000
Sale of mineral products	174,317	137,868

During the year, the Group sold 800,000 tonnes (2013: 677,900) of finished products ilmenite, rutile and zircon to customers at a sales value of US$174.3 million (2013: US$161.5 million). In 2013, US$23.6 million of revenue and US$28.3 million of operating costs were capitalised during the year in property, plant and equipment as part of the ramp-up and commissioning of the expansion plant.

2. SEGMENT REPORTING

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

Segment revenues and results	2014 US$'000	2013 US$'000
Moma Titanium Minerals Mine		
Revenue	174,317	137,868
Cost of sales	(173,366)	(113,733)
Gross profit	951	24,135
Other operating costs	(26,099)	(16,062)
Segment operating (loss)/profit	(25,148)	8,073
Other corporate operating costs	(6,316)	(3,412)
Group operating (loss)/profit	(31,464)	4,661
Impairment loss	(64,762)	-
Finance income	6,314	299
Finance expenses	(34,852)	(40,535)
Foreign exchange gain/(loss)	24,113	(6,512)
Loss before tax	(100,651)	(42,087)
Income tax charge	(143)	(2,033)
Loss for the year	(100,794)	(44,120)
Segment assets		
Moma Titanium Minerals Mine assets	956,437	1,028,039
Corporate assets	21,166	70,197
Total assets	977,603	1,098,236
Segment liabilities		
Moma Titanium Minerals Mine liabilities	386,441	403,704
Corporate liabilities	26,395	30,320
Total liabilities	412,836	434,024

2. SEGMENT REPORTING CONTINUED

Other segment information	2014 US$'000	2013 US$'000
Depreciation and amortisation		
Moma Titanium Minerals Mine	40,830	24,344
Corporate	20	-
Total	40,850	24,344
Additions to non-current assets		
Moma Titanium Minerals Mine	5,187	103,941
Corporate	-	-
Total	5,187	103,941

Revenue from major products	2014 US$'000	2013 US$'000
Mineral products (ilmenite, zircon and rutile)	174,317	137,868

Geographical information	2014 US$'000	2013 US$'000
Revenue from external customers		
Europe	62,337	63,427
Asia	50,380	43,711
USA	42,513	30,730
Rest of World	19,087	-
Total	174,317	137,868

The Group's revenue from external customers is generated by the Moma Titanium Minerals Mine, the non-current assets of which are US$866.2 million (2013: US$962.8 million).

Cost of sales for the year amounted to US$173.4 million (2013: US$113.7 million), including depreciation and amortisation of US$36.1 million (2013: US$24.3 million). The higher costs are due to higher volumes sold and higher operating costs incurred in the year. The 2013 cost of sales excludes US$22.7 million of operating costs relating to product produced during the commissioning and ramp-up phase of the expansion plant which were capitalised in property, plant and equipment.

Information about major customers
Included in revenues are US$44.2 million (2013: US$33.7 million) from sales to the Group's largest customer, US$30.2 million (2013: US$32.8 million) from sales to the Group's second largest customer, US$25.2 million (2013: US$30.7 million) from sales to the Group's third largest customer and US$21.3 million from sales to the Group's fourth largest customer. All revenues are generated by the Moma Titanium Minerals Mine.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2014

CONTINUED

3. OTHER OPERATING COSTS

	2014 US$'000	2013 US$'000
Distribution costs	14,250	11,005
Freight costs	8,219	3,364
Demurrage costs	(128)	393
Administration costs	6,945	3,412
Arbitration costs	3,129	-
Repair costs	-	1,300
	32,415	19,474
Included in administration costs are:		
Share-based payments	441	-

Freight costs of US$8.2 million (2013: US$3.4 million) are reimbursable by customers or factored into the sales price for product delivered to customers on a CIF (cost, insurance and freight) basis. There was a write back of demurrage costs of US$0.1 million (2013: US$0.4 million cost) during the year. Distribution costs of US$14.3 million (2013: US$11.0 million) during the year represents the cost of running the Mine's finished product storage, jetty and marine fleet. Included in distribution costs is depreciation of US$4.9 million (2013: US$3.0 million). Administration costs of US$6.9 million (2013: US$3.4 million) are the group administration costs and include a share-based payment expense of US$0.4 million (2013: nil). The increase in administration costs is due to higher consultancy and professional fees incurred by the head office in 2014. There were arbitration costs incurred in the year of US$3.1 million (2013: nil) in relation to a dispute with a construction contractor. The arbitration process is anticipated to continue during 2015 to the first quarter of 2016. In October 2013, a fire occurred in the trommels section of WCP A. The costs of repair works and replacement parts amounted to US$1.3 million during 2013.

Total share-based payments for 2014 amounted to US$1.3 million (2013: US$0.8 million) of which US$0.9 million (2013: US$0.6 million) relate to staff at the Mine and is included as a production cost of inventories and US$0.4 million (2013: nil) is included in administration costs in the statement of comprehensive income.

4. LOSS FOR THE YEAR

The loss for the year has been arrived at after charging items detailed below. Depreciation and amortisation and staff costs noted below have been included in cost of sales for the year or inventory at 31 December 2014.

	2014 US$'000	2013 US$'000
Staff costs	57,461	52,940
Repairs and maintenance	32,459	27,409
Power and fuel	26,935	20,857
Other operating costs	48,076	35,957
Operating costs capitalised in property, plant and equipment	-	(28,300)
Depreciation and amortisation of property, plant and equipment	40,850	24,344
Impairment of property, plant and equipment	64,762	-
Finance income	(6,314)	(299)
Finance costs	34,852	40,535
Foreign exchange (gain)/loss	(24,113)	6,512
Total	274,968	179,955

5. AUDITORS' REMUNERATION

The analysis of the Company auditors' remuneration is as follows:

	2014 US$'000	2013 US$'000
Audit fees		
Fees payable to the Company's auditors for audit of the Company's annual accounts	15	15
Fees payable to the Company's auditors for other services to the Group:		
The audit of the Company's subsidiaries	60	60
Total audit fees	75	75
Non-audit fees		
Audit related assurance services		
Fees payable to the Company's auditors for review of the Group's Half Yearly Financial Report	19	19
Taxation compliance services		
Fees payable to the Company's auditors for taxation compliance services	5	5
Other taxation advisory services		
Fees payable to the Company's auditors for tax advisory services	-	64
Corporate finance, compliance and assurance services		
Fees payable to the Company's auditors for corporate finance, compliance and assurance services relating to funding activities	-	121
Total non-audit fees	24	209
Total fees	99	284

The analysis of the Project Companies auditors' remuneration is as follows:

	2014 US$'000	2013 US$'000
Audit fees		
Fees payable to the Project Companies' auditors for audit of the Project Companies' accounts	90	90
Total audit fees	90	90
Non-audit fees		
Fees payable to the Project Companies' auditors for review of the Project Companies' Half Yearly Financial Reports	33	33
Taxation compliance services		
Fees payable to the Project Companies' auditors for taxation compliance services	10	10
Other assurance services		
Fees payable to the Project Companies' auditors for preparation of statutory books under Mozambican company law	3	30
Total non-audit fees	46	73
Total fees	136	163

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2014

CONTINUED

5. AUDITORS' REMUNERATION CONTINUED

The Company's auditors are Deloitte & Touche and the Project Companies' auditors are KPMG. Details of the Company's policy on the use of auditors for non-audit services, the reasons why the Company auditor was used rather than another supplier and how the auditors' independence and objectivity was safeguarded are set out in the Audit Committee Report on pages 48 and 50.

6. FINANCE INCOME

	2014 US$'000	2013 US$'000
Interest on bank deposits	184	299
Fair value of warrants	6,130	-
Total	6,314	299

7. FINANCE COSTS

	2014 US$'000	2013 US$'000
Interest on bank borrowings	31,370	30,021
Fair value of warrants	-	5,851
Other financing fees	2,709	3,879
Finance lease interest	210	274
Mine closure provision unwinding of the discount	563	510
Total	34,852	40,535

The interest on all Group borrowings has been expensed in the year.

8. INCOME TAX EXPENSE

	2014 US$'000	2013 US$'000
Corporation tax	-	-
Deferred tax	(143)	(2,033)
Total	(143)	(2,033)
Reconciliation of effective tax rate		
Loss before tax	(100,651)	(42,087)
Loss before tax multiplied by the applicable tax rate (12.5%)	(12,581)	(5,261)
Differences in effective tax rates on overseas earnings	12,581	5,261
Applied losses	(143)	(2,176)
Recognition of deferred tax asset	-	143
Total	(143)	(2,033)

8. INCOME TAX EXPENSE CONTINUED

GROUP

No charge to corporation tax arises in the years ended 31 December 2014 and 31 December 2013 as there were no taxable profits in either year.

At the statement of financial position date Kenmare Moma Mining (Mauritius) Limited had unused tax losses of nil (2013: nil) available for offset against future profits. A deferred tax asset of nil (2013: US$0.1 million) has been recognised for losses available for offset against future profits.

The fiscal regime applicable to the mining activities of Kenmare Moma Mining (Mauritius) Limited allows for a 50% reduction in the corporate tax in the initial ten year period of production following start-up (2007) and charges a royalty of 3% based on heavy mineral concentrate sold to Kenmare Moma Processing (Mauritius) Limited. The royalty charge payable to the Government of Mozambique for the year end 31 December 2014 was US$3.6 million (2013: US$3.3 million). Under the fiscal regime applicable to mining activities, Kenmare Moma Mining (Mauritius) Limited is exempted from import and export taxes and VAT, and accelerated depreciation is permitted. Whilst withholding tax is levied on certain payments to non-residents, mining companies are exempt from withholding tax on dividends for the first ten years or until their investment is recovered whichever is earlier. The withholding tax charge payable to the Government of Mozambique for the year end 31 December 2014 was US$0.5 million (2013: US$0.5 million).

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. The fiscal regime applicable to mining allows for the option to use accumulation of exploration and development expense and optional depreciation at 25% per annum with tax losses allowed to be carried forward for three years.

Kenmare Moma Processing (Mauritius) Limited has Industrial Free Zone ("IFZ") status. As an IFZ company, it is exempted from import and export taxes, VAT and other corporation taxes. A revenue tax of 1% is charged after six years of operation, which became payable in 2013. The revenue tax payable to the Government of Mozambique for the year ended 31 December 2014 was US$1.7 million (2013: US$0.1 million). There is no dividend withholding tax under the IFZ regime.

COMPANY

No charge to taxation arises in the years ended 31 December 2014 or 31 December 2013 as there were no taxable profits in either year.

At the statement of financial position date, the Parent Company has unused tax losses. Due to the uncertainty over the existence of future taxable profits, a deferred tax asset of US$2.0 million at 31 December 2014 (2013: US$2.1 million) calculated at a rate of 12.5% for tax losses has not been recognised in the statement of financial position.

Notes to the Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2014
CONTINUED

9. LOSS PER SHARE

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

	2014 US$'000	2013 US$'000
Loss for the year attributable to equity holders of the parent	(100,794)	(44,120)

	2014 Number of shares	2013 Number of shares
Weighted average number of issued ordinary shares for the purpose of basic loss per share	2,781,905,503	2,583,605,457
Effect of dilutive potential ordinary shares:		
Shares, share options and warrants	-	-
Weighted average number of ordinary shares for the purposes of diluted loss per share	2,781,905,503	2,583,605,457

	Cent per share	Cent per share
Loss per share: basic	(3.62)	(1.71)
Loss per share: diluted	(3.62)	(1.71)

In 2014, the basic loss per share and the diluted loss per share are the same as the effect of the outstanding share options and warrants are anti-dilutive.

10. EMPLOYEE NUMBERS AND BENEFITS

The average number of persons employed by the Group (including Executive Directors) in 2014 was 1,592 (2013: 1,554) and is analysed below:

	2014	2013
Management and administration	464	460
Operations	1,128	1,094
	1,592	1,554

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

	2014 US$'000	2013 US$'000
Wages and salaries	52,757	49,288
Share-based payments	1,349	780
Social welfare	2,984	2,534
Pension costs	371	338
	57,461	52,940

10. EMPLOYEE NUMBERS AND BENEFITS CONTINUED

Included in wages and salaries are payroll taxes of US$8.3 million (2013: US$7.5 million) payable to the Government of Mozambique, US$1.9 million (2013: US$1.5 million) payable to Irish Revenue and US$0.1 million (2013: US$0.1 million) payable to Her Majesty's Revenue & Customs of the UK.

Included in the social welfare cost is social welfare of US$2.2 million (2013: US$2.0 million) payable to the Government of Mozambique, US$0.7 million (2013: US$0.5 million) payable to Irish Revenue and US$0.1 million (2013: US$0.1 million) payable to Her Majesty's Revenue & Customs of the UK.

Included in the payroll cost above are Executive and Non-Executive emoluments (inclusive of the share-based payments) of US$2.7 million (2013: US$3.3 million).

11. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Plant & Equipment	Development Expenditure	Construction In Progress	Other Assets	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Cost					
At 1 January 2013	356,307	249,984	345,748	29,963	982,002
Transfer from construction in progress	419,897	-	(422,193)	2,296	-
Additions during the year	13,042	-	90,640	259	103,941
At 1 January 2014	789,246	249,984	14,195	32,518	1,085,943
Transfer from construction in progress	7,905	-	(9,574)	1,669	-
Adjustments during the year	(20,198)		-	18,730	(1,468)
Additions during the year	-	-	5,187	-	5,187
At 31 December 2014	776,953	249,984	9,808	52,917	1,089,662
Accumulated Depreciation					
At 1 January 2013	56,127	25,365	-	12,997	94,489
Charge for the year	13,156	7,098	-	4,090	24,344
At 1 January 2014	69,283	32,463	-	17,087	118,833
Charge for the year	27,462	7,938	-	5,450	40,850
Impairment loss	-	64,762	-	-	64,762
At 31 December 2014	96,745	105,163	-	22,537	224,445
Carrying Amount					
At 31 December 2014	680,208	144,821	9,808	30,380	865,217
At 31 December 2013	719,963	217,521	14,195	15,431	967,110

During the year, the Group carried out an impairment review of property, plant and equipment. The cash generating unit for the purpose of impairment testing is the Moma Titanium Minerals Mine. The basis on which the recoverable amount of the Moma Titanium Minerals Mine is assessed is its value-in-use. The cash flow forecast employed for the value-in-use computation is a life of mine financial model. The recoverable amount obtained from the financial model represents the present value of the future pre-tax and finance cash flows discounted at 10% which remains unchanged from the previous impairment review.

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11. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Key assumptions include the following:

- A mine plan based on the Namalope and Nataka proved and probable reserves.
- Average annual production of approximately 1.0 million tonnes of ilmenite plus co-products, zircon and rutile over the life of the mine.
- Product sales prices are based on contract prices as stipulated in marketing agreements with customers, or where contracts are based on market prices or production is not presently contracted, prices as forecast, taking into account independent titanium mineral sands expertise and management expectations including general inflation of 2% per annum. Average forecast product sales prices have been reduced over the life of mine, taking into account current market conditions and outlook.
- Operating costs are based on approved budget costs for 2015 and escalated by 2% per annum thereafter.
- Capital costs are based on a life of mine capital plan considering inflation at 2% per annum from 2015.

As a result of this review an impairment loss of US$64.8 million has been recognised in the consolidated statement of comprehensive income. The Directors consider that the main cause of the impairment is the continued low product sales prices. The impairment loss has been applied against development expenditure as the estimate useful lives of the plant and equipment and other assets have remained unchanged.

The discount rate is the significant factor in determining the recoverable amount and a 1% change in the discount rate results in a 7% change in the recoverable amount.

Included in plant and equipment are capital spares of US$3.0 million (2013: US$3.7 million).

Assets of US$18.7 million have been reclassified from plant and equipment to other assets in 2014.

Kenmare Moma Processing (Mauritius) Limited (Mozambique Branch) and Electricidade de Mocambique ("EdM") amended the power supply agreement in 2013 to cater for the increased power requirement of the mine as result of the expansion. As part of this amendment EdM agreed to reimburse part of the capital costs incurred to upgrade the power grid to accommodate the increased power requirement. These costs were finalised in 2014 with EdM's share being US$1.4 million and this was transferred from property, plant and equipment to other receivables in 2014.

Substantially all the property, plant and equipment of the Group is or will be mortgaged, pledged or otherwise secured to provide collateral for the Project senior and subordinated loans as detailed in Note 21.

The carrying amount of the Group's plant and equipment includes an amount of US$1.1 million (2013: US$1.2 million) in respect of assets held under finance lease, detailed in Note 22.

The recovery of property, plant and equipment is dependent upon the successful operation of the Moma Titanium Minerals Mine; the realisation of the cash flow forecast assumptions as set out in this note would result in the recovery of such amounts. The Directors are satisfied that at the statement of financial position date the recoverable amount of property, plant and equipment exceeds its carrying amount and based on the planned mine production levels that the Moma Titanium Minerals Mine will achieve positive cash flows.

12. DEFERRED TAX

GROUP

	US$'000
At 1 January 2013	2,176
Charge to statement of comprehensive income	(2,033)
At 1 January 2014	143
Charge to statement of comprehensive income	(143)
At 31 December 2014	-

At the statement of financial position date, Kenmare Moma Mining (Mauritius) Limited had unused tax losses of nil (2013: nil) available for offset against future profits. A deferred tax asset of nil (2013: US$0.1 million) has been recognised for losses which are available for offset against future profits. Tax losses of US$0.8 million (2013: US$6.8 million) expired in the year. Tax losses may be carried forward for three years. No deferred tax liability is recognised on temporary differences arising in connection with accelerated tax depreciation as the differences are not significant. Revenues of Kenmare Moma Mining (Mauritius) Limited are determined with reference to cost incurred in producing heavy mineral concentrate plus a margin which is related to prices earned by Kenmare Moma Processing (Mauritius) Limited.

13. INVENTORIES

GROUP

	2014 US$'000	2013 US$'000
Mineral products	42,312	24,619
Consumable spares	20,140	19,577
	62,452	44,196

At 31 December 2014, total final product stocks were 219,500 tonnes (2013: 107,100 tonnes). Closing stock of intermediate magnetic concentrate at the end of 2014 was 60,600 tonnes (2013: nil). Closing stock of heavy mineral concentrate was 29,600 tonnes (2013: 72,500 tonnes).

Net realisable value is determined with reference to prices of finished products achieved during the year. There is no guarantee that similar prices will be achieved in the future particularly in weak product markets. During the year there was a write down of US$7.7 million (2013: US$1.9 million) to mineral products to value it at net realisable value.

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14. INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARY UNDERTAKINGS

COMPANY

	2014 US$'000	2013 US$'000
Opening balance	649,493	534,332
Funding	(5,653)	115,161
Closing balance	643,840	649,493

The investments in subsidiary undertakings are US$111.5 million (2013: US$110.6 million). This is made up of the investment during 2013 in Kenmare Resources Jersey Limited as part of the equity placing of US$104.4 million as detailed in Note 17, initial investments of less than US$500 in the other subsidiary undertakings of the Group and share-based payments of US$7.1 million (2013: US$6.2 million) relating to staff of the subsidiary undertakings Kenmare Moma Mining (Mauritius) Limited and Kenmare Moma Processing (Mauritius) Limited. During the year there were share-based payments of which US$0.9 million (2013: US$0.8 million) relating to the subsidiary undertakings Kenmare Moma Mining (Mauritius) Limited and Kenmare Moma Processing (Mauritius) Limited.

The balance of US$532.3 million (2013: US$538.9 million) represents funds transferred to subsidiary undertakings. During 2014 there was a net movement of US$6.6 million (2013: US$10.0 million) relating to funding of subsidiary undertakings.

Credit Risk

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

The subsidiary undertakings of the Company as at 31 December 2014 are as follows:-

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

Each of the subsidiary undertakings with the exception of Kenmare Resources (Jersey) Limited has issued ordinary shares only. Kenmare Resources (Jersey) Limited has both ordinary and preference shares. A number of the subsidiary undertakings are indirectly owned by Kenmare Resources plc. The activities of the above undertakings are mining, mineral exploration, management and development.

The registered office of the Northern Ireland company is Terence McCourt Solicitors, 19 Bachelors Walk, Lisburn BT28 1XJ. The registered office of the Republic of Ireland company is Chatham House, Chatham Street, Dublin 2. The registered office of the Jersey companies is Barclays Wealth, 39 - 41 Broad Street, St. Helier, Jersey except for Kenmare Resources Jersey Limited whose registered office is Ogier House, The Esplanade, St. Helier, Jersey. The registered office of the Mauritius companies is 10th Floor Raffles Tower, 19 Cybercity, Ebene, Mauritius.

The recovery of amounts due from subsidiary undertakings is dependent on the successful operation of the Moma Titanium Minerals Mine; the realisation of cash flow forecast assumptions as set out in Note 11 would result in the recovery of such amounts.

15. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2014	2013	2014	2013
	US$'000	US$'000	US'000	US$'000
Trade receivables	25,150	18,073	-	-
EdM receivable	1,392	-	-	-
Other receivables	590	262	64	180
Prepayments	1,007	906	105	114
	28,139	19,241	169	294
Amounts due within one year	27,118	19,241	169	294
Amounts due after one year	1,021	-	-	-
	28,139	19,241	169	294

EdM receivable

Kenmare Moma Processing (Mauritius) Limited-Mozambique Branch and Electricidade de Mocambique ("EdM") amended the power supply agreement in 2013 to cater for the increased power requirement of the mine as result of the expansion. As part of this amendment EdM agreed to reimburse part of the capital costs incurred to upgrade the power grid to accommodate the increased power requirement. These costs were finalised in 2014 with EdM's share being US$1.4 million. This is repayable in 48 monthly instalments by means of a credit to the electricity bill. During 2014 repayments totalled US$0.1 million.

Credit risk

The carrying amount of the trade and other receivables represents the maximum credit exposure. Before entering into sales contracts with new customers, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed regularly during the year. Of the trade receivables balance at the end of the year, US$9.7 million (2013: US$11.2 million) is due from the Group's three largest customers. The external credit scoring system used by the Group gives each of these three customers the highest score in their financial strength credit index and their risk indicator represents a minimum risk of business failure.

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

All trade receivables are current (i.e. not overdue). There has been no impairment in trade receivables during the year and no allowance for impairment has been provided for during the year or at the year end.

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15. TRADE AND OTHER RECEIVABLES

Currency risk

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

GROUP	2014 US$'000	2013 US$'000
US Dollars	28,048	18,894
Euro	65	294
Mozambican Metical	21	53
Sterling	5	-
	28,139	19,241

COMPANY	2014 US$'000	2013 US$'000
US Dollars	99	-
Euro	65	294
Sterling	5	-
	169	294

Fluctuations in the currencies noted above will impact on the Group's financial results.

16. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2014 US$'000	2013 US$'000	2014 US'000	2013 US$'000
Immediately available without restriction	9,619	64,479	195	214
Contingency Reserve Account	2	53	-	-
Project Companies' Accounts	12,174	3,014	-	-
	21,795	67,546	195	214

Cash and cash equivalents comprise cash balances held for the purposes of meeting short-term cash commitments and investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. Where investments are categorised as cash equivalents, the related balances have a maturity of three months or less from the date of investment.

The Contingency Reserve Account (the "CRA") is an account established under a cash collateral and shareholder funding deed to provide for shareholder funding to the Project Companies and to secure the obligations of the Company and Congolone Heavy Minerals Limited (a wholly-owned subsidiary undertaking) under the Completion Agreement as detailed in Note 21.

16. CASH AND CASH EQUIVALENTS CONTINUED

Interest rate risk

Cash at bank earns interest at variable rates based on daily bank deposit rates, which may be zero. Short-term deposits are made for varying periods of between one day and three months, depending on the cash requirements of the Group, and earn interest at the respective short-term deposit rates. The interest rate profile of the Group's cash balances at the year-end was as follows:

	2014 US$'000	2013 US$'000
Cash and cash equivalents at variable interest rate	21,510	66,988
Cash at bank on which no interest is received	285	558
	21,795	67,546

Currency risk

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

GROUP	2014 US$'000	2013 US$'000
US Dollars	16,351	60,814
Sterling	4,997	5,126
Euro	232	313
Mozambican Metical	158	320
Australian Dollars	34	5
South African Rand	13	880
Renminbi	10	-
Singapore Dollars	-	88
	21,795	67,546

COMPANY	2014 US$'000	2013 US$'000
Euro	148	233
Sterling	37	(22)
Renminbi	10	-
US Dollars	-	3
	195	214

Fluctuations in the currencies noted above will impact on the Group's financial results.

Credit risk

The credit risk on cash and cash equivalents is limited because funds available to the Group are deposited with banks with high credit ratings assigned by international credit rating agencies. For deposits of US$50 million plus the Group requires that the institution have an A (S&P)/ A2 (Moody's) long term rating. For deposits of US$20 million or South African Rand denominated deposits the Group requires that the institution have a BBB+ (S&P)/Baa1 (Moody's) long term rating.

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17. CALLED-UP SHARE CAPITAL

GROUP & COMPANY

	2014 €'000	2013 €'000
Authorised Share Capital		
4,000,000,000 Ordinary Shares of €0.06 each	240,000	-
3,000,000,000 Ordinary Shares of €0.06 each	-	180,000
100,000,000 Deferred Shares of €0.25 each	25,000	25,000
	265,000	205,000

	2014 US$'000	2013 US$'000
Allotted, Called-Up and Fully Paid		
Ordinary Shares		
Opening balance		
2,781,905,503 Ordinary Shares of €0.06 each	214,941	-
2,531,138,837 Ordinary Shares of €0.06 each	-	194,586
	214,941	194,586
Shares issued during the year		
250,766,666 Ordinary Shares of €0.06 each	-	20,355
	-	20,355
Closing balance		
2,781,905,503 Ordinary Shares of €0.06 each	214,941	214,941
Deferred Shares		
Opening & Closing balance		
48,031,467 Deferred Shares of €0.06 each	10,582	10,582
Total Called-Up Share Capital	225,523	225,523

On 16 October 2013, 250,300,000 new ordinary shares were issued by way of a placing which raised US$101.9 million net of expenses. The proceeds of the equity raising was used in part to discharge near term payment obligations in respect of the expansion of the Mine and to repay US$20 million of the Company's Absa corporate facility. The remainder of the proceeds is being used for working capital. US$20.4 million of this issue has been credited to share capital. US$81.5 million of this issue has been credited to share premium.

In addition to ordinary shares, participants in the placing were issued warrants on the basis of one warrant to subscribe for one ordinary share in the Company for every five placing shares. In total 50,060,000 warrants were issued. The warrants, which are not listed or admitted to trading and which have limited transferability rights, have an exercise price of Stg29.09p and an exercise period of five years, commencing thirteen months after the date of issue.

The Deferred Shares of €0.25 per share were created in 1991 by subdividing each existing Ordinary Share of IR25p into one Deferred Share of IR20p and one new Ordinary Share of IR5p. The Deferred Shares are non-voting, carry no dividend rights and the Company may purchase any or all of these shares at a price not exceeding €0.01 for all the deferred shares so purchased.

18. SHARE PREMIUM

GROUP & COMPANY

	2014 US$'000	2013 US$'000
Opening balance	431,380	349,780
Premium on shares issued during year	-	85,703
Costs associated with shares issued during the year	-	(4,103)
Closing balance	431,380	431,380

19. RETAINED (LOSSES)/EARNINGS

GROUP

	US$'000
Balance at 1 January 2013	29,801
Loss for the year attributable to equity holders of the parent	(44,120)
Share options exercised	81
Balance at 1 January 2014	(14,238)
Loss for the year attributable to equity holders of the parent	(100,794)
Balance at 31 December 2014	(115,032)

COMPANY

	US$'000
Balance at 1 January 2013	(43,390)
Loss for the year attributable to equity holders of the parent	(13,638)
Share options exercised	81
Balance at 1 January 2014	(56,947)
Loss for the year attributable to equity holders of the parent	(3,330)
Balance at 31 December 2014	(60,277)

During the year nil (2013: US$0.08 million) share options were exercised.

20. OTHER RESERVES

GROUP & COMPANY

	Share Based Payments Reserve US$'000	Capital Conversion Reserve Fund US$'000	Total US$'000
Balance at 1 January 2013	20,094	754	20,848
Recognition of share-based payments	780	-	780
Share options exercised	(81)	-	(81)
Balance at 1 January 2014	20,793	754	21,547
Recognition of share-based payments	1,349	-	1,349
Balance at 31 December 2014	22,142	754	22,896

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20. OTHER RESERVES CONTINUED

The share based payment reserve arises on the grant of share options and shares to certain Directors, employees and consultants under the share option scheme and Kenmare Incentive Plan. Details of share-based payments are given in Note 32.

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

21. BANK LOANS

	2014 US$'000	2013 US$'000
Project Loans		
Senior Loans	80,059	94,617
Subordinated Loans	249,996	247,330
Total	330,055	341,947
Project Loan amendment fees	(11,780)	(6,166)
Total Project Loans	318,275	335,781
Corporate Loan	19,399	19,398
Total Bank Loans	337,674	355,179
The borrowings are repayable as follows:		
Within one year	76,040	197,802
In the second year	53,326	58,435
In the third to fifth years inclusive	208,308	84,569
After five years	-	14,373
	337,674	355,179
Less: amount due for settlement within 12 months	(76,040)	(197,802)
Amount due for settlement after 12 months	261,634	157,377
Project Loans		
Balance at 1 January	335,781	324,412
Loan interest accrued	29,057	27,980
Loan interest paid	(4,738)	(5,564)
Loan repayment	(13,001)	(12,395)
Loan amendment fees	(7,371)	(6,629)
Loan amendment fees amortised	1,754	463
Foreign exchange movement	(23,207)	7,514
Balance at 31 December	318,275	335,781
Corporate Loan		
Balance at 1 January	19,398	-
Loan drawdown	-	40,000
Loan interest accrued	2,313	2,041
Loan interest paid	(2,308)	(1,985)
Loan repayment	-	(20,000)
Loan arrangement fees	(897)	(1,711)
Loan arrangement fees amortised	893	1,053
Balance at 31 December	19,399	19,398

21. BANK LOANS CONTINUED

Project Loans

Project loans have been made to the Mozambique branches of Kenmare Moma Mining (Mauritius) Limited and Kenmare Moma Processing (Mauritius) Limited (the "Project Companies"). The Project Loans are secured by substantially all rights and assets of the Project Companies, and, amongst other things, the shares in and intercompany loans to the Project Companies.

Seven Senior Loan credit facilities were made available for financing the Moma Titanium Minerals Mine. The aggregate maximum available amount of the Senior Loan credit facilities was US$185 million plus €15 million which were fully drawn in 2008. As at 31 December 2014, the Senior Loan tenors ranged from 1 year to 3.6 years from 31 December 2014. Following 31 December 2014, tenors will be amended as described under the heading "Project Loan Amendment 29 April 2015" below upon the effectiveness of such amendment. Three of the Senior Loans bear interest at fixed rates and four bear interest at variable rates.

The original Subordinated Loan credit facilities (made available under documentation entered into in June 2004) with original principal amounts of €47.1 million plus US$10 million (excluding capitalised interest) were fully drawn in 2005. As at 31 December 2014, the Subordinated Loans denominated in Euro bear interest at a fixed rate of 10% per annum, while the Subordinated Loans denominated in US Dollars bear interest at six month LIBOR plus 8% per annum, plus the additional margin of 1% per annum referred to under the heading "Project Loan Amendment 14 February 2014" below.

The Standby Subordinated Loan credit facilities (made available under documentation entered into in June 2005) with original principal amounts of €2.8 million and US$4 million were fully drawn in 2007. As at 31 December 2014, Standby Subordinated Loans bear interest at fixed rates of 10% per annum in respect of €2.8 million and US$1.5 million and at six month LIBOR plus 8% per annum in respect of US$2.5 million, in each case plus the additional margin of 1% per annum referred to under the heading "Project Loan Amendment 14 February 2014" below.

The Additional Standby Subordinated Loan credit facilities of US$12 million and US$10 million (made available under documentation entered into in August 2007) were fully drawn in 2008. As at 31 December 2014, the Additional Standby Subordinated Loans bear interest at 6 month LIBOR plus 5%, plus the additional margin of 1% per annum referred to under the heading "Project Loan Amendment 14 February 2014" below.

Amendments to Project Loans

Project Loan Amendment 29 April 2015

On 29 April 2015, the Company, Congolone Heavy Minerals Limited, Kenmare C.I. Limited and the Project Companies entered into amendment documentation with Project Lenders and Absa (the "April 2015 Amendment"). The effectiveness of the April 2015 Amendment is subject to the satisfaction of a number of conditions precedent which the Directors are satisfied will be met in due course. The key terms of the April 2015 Amendment are as follows.

Super Senior Facility

The Project Lenders have provided to the Project Companies a two year US$50 million non-revolving facility available for drawing for working capital purposes up to US$30 million ("Working Capital Loans") and to fund, if required, certain disputed liabilities subject to arbitration up to US$20 million. Interest on the facility is at LIBOR for the applicable period plus a margin of 10% per annum, payable semi-annually on 1 February and 1 August. Commitment fees are 4% on the average undrawn balance payable quarterly in arrears. An arrangement fee of 1% flat on the commitment is payable within 5 business days of signing. Other than the payment of any outstanding amounts at maturity, there are no fixed principal repayments. Instead, payments based on available cash are required to be made as outlined below under the heading Cash Sweep. Any such repayment will reduce the commitment in the same amount and cannot be redrawn. The Super Senior Facility comprises the most senior tranche of project financing debt and benefits from the same guarantees (including from the Company pursuant to the Completion Agreement) and security as the existing Senior Debt and Subordinated Debt; it ranks contractually senior to the existing Senior Debt.

As well as conditions precedent to disbursement that are customary for a facility of this nature, there are a number of additional conditions precedent:

(1) Export Credit Insurance Corporation of South Africa ("ECIC") cover satisfactory to Absa is in place in respect of its tranche;
(2) Working Capital Loans may not exceed US$10 million unless certain short term and long term cash flow forecasts (the "Reforecasting Work") have been prepared;
(3) certain other conditions including (i) the appointment of a Non-Executive Director acceptable to the Project Lenders (the "Lender Approved NED"), (ii) reviews of cost reduction opportunities, the format and content of reports to Project Lenders, the Project Companies' reporting regime and governance structure and arrangements, and development of plans to implement recommendations arising from such reviews, which together with the Reforecasting Work constitute the "Agreed Roadmap";

21. BANK LOANS CONTINUED

(4) no loan disbursements may be requested 6 months after the signing date unless Mozambican security has been perfected and requisite opinions received;
(5) in the case of a Working Capital Loan, the disbursement request must be accompanied by a confirmation of the Lender Approved NED that the proceeds are required for working capital purposes and that the proceeds of prior Working Capital Loans have been applied for such purposes;
(6) following completion of the Reforecasting Work, the then-current short term cash flow forecast demonstrates that Group cash during the period covered by such forecast would in the absence of the requested disbursement be less than US$10 million; and
(7) following completion of the Reforecasting Work, the then-current long term forecast demonstrates that all Working Capital Loans can be repaid by maturity taking into account the New Financial Covenant (as defined under Covenants below).

Novated Absa Facility

Upon the effectiveness of the April 2015 Amendment, the Absa Corporate Facility will cease to be a primary debt obligation of the Company and will be novated as an obligation of the Project Companies (the "Novated Absa Facility"); the Novated Absa Facility will comprise a tranche of Subordinated Debt and will benefit from the same guarantees (including from the Company pursuant to the Completion Agreement) and security as the existing Senior Debt and Subordinated Debt and the Super Senior Facility; it ranks pari passu with the other Subordinated Loans for purposes of enforcement but shall, other than as specified under Cash Sweep below, rank contractually subordinated to the Super Senior Loans, Senior Loans and the other Subordinated Loans. At the same time, the terms and conditions of the Novated Absa Facility will be amended, the principal terms being summarised below:

• Final maturity: 1 August 2021 (was 31 March 2016);
• Interest: accrues at 11% per annum and is payable as set out below under Cash Sweep;
• Amortisation: no fixed amortisation. Repayment of principal is as set out below under Cash Sweep;
• Undertakings and events of default will be as per the Project Loans.

Consistent with the other Subordinated Debt, the Novated Absa Loan will have the benefit of the right of Subordinated Lenders under the Subordinated Lenders' Option Agreement to elect to receive, upon a change of control, payment of the full amount of the Subordinated Debt outstanding, together with a prepayment fee calculated as 30% of the outstanding principal amount of Subordinated Debt. In connection with a partial change of control (being the acquisition, directly or indirectly, of more than 25% of the voting shares or capital stock in a Project Company), the Subordinated Lenders may elect to receive a payment of in relation to such percentage of Subordinated Debt and the prepayment fee as is equal to the percentage of voting shares or capital stock acquired. Absa's right to make such election shall not apply in connection with any offer made during the existing offer period (as defined under the Irish Takeover Rules) applying to the Company.

Senior Debt

The tenor of each tranche of the Senior Debt will be extended by approximately 2.5 years, from the current 1 to 3.6 years from 31 December 2014 to 3.6 to 6.1 years. The interest rate on each of the tranches will be unchanged, except for the KfW-MIGA facility, in respect of which the MIGA political risk insurance will be terminated, in compensation for which the margin on the facility will be increased by 2% per annum, approximately the same cost to the Project Companies as the MIGA political risk insurance.

Under the existing terms, scheduled repayment of the Senior Debt was on the basis of equal semi-annual instalments over the remaining life of each facility with a catch-up payment on 31 December 2015 of the instalments deferred pursuant to the July 2014 Amendment. This will be replaced by a fixed US$2 million semi-annual instalment allocated pro rata to the amounts outstanding as at 1 February 2015. The first such instalment will be scheduled for 1 August 2016. As a result, scheduled instalments of Senior Debt will decline from US$50.8 million in 2015 to nil, from US$10.5 million in 2016 to US$2 million, and from US$7.7 million in 2017 to US$4 million.

In addition to the scheduled instalments of Senior Debt, payments based on available cash will be required to be made as outlined below under the heading Cash Sweep.

Subordinated Debt

Under the existing terms, scheduled payments on Subordinated Debt were to recommence on 31 December 2015, following which interest and principal would be paid on a scheduled basis on 1 February and 1 August of each year with a final maturity of 1 August 2019. Under the amended terms, scheduled payments of interest and principal will no longer be required to be made, and the final maturity will be extended two years to 1 August 2021. Instead, interest and principal payments based on available cash will be required to be made as outlined below under the heading Cash Sweep.

21. BANK LOANS CONTINUED

The various interest rates on Subordinated Debt described above under the heading Project Loans will be replaced with a common fixed interest rate of 11% per annum. The additional 1% margin and 2% margin on the Deferred Bullet agreed in the July 2014 Amendment will no longer apply. Interest that is not paid as described under the heading Cash Sweep will be capitalised.

Cash Sweep

There are two types of cash sweep: the Ordinary Cash Sweep and the Sponsor Injection Cash Sweep, each as defined below.

Ordinary Cash Sweep

On 1 August 2016 and each 1 February and 1 August thereafter, and within 5 business days of a Borrower Injection (defined below), the Project Companies will be required to apply Excess Cash (defined below) to the repayment of Project Loans in the following order of priority:

1. Super Senior principal;
2. Senior Debt principal until the cumulative amount of such payments equals US$51 million;
3. Novated Absa Loan interest and other Subordinated Debt interest and principal until the cumulative amount of such payments equals US$53 million;
4. 59% to Senior Debt principal and 41% to Subordinated Debt (other than the Novated Absa Loan) principal and interest until the Senior Debt has been repaid in full;
5. AfDB Risk/Deferral Fee and accrued interest;
6. Novated Absa Loan interest and other Subordinated Debt interest and principal until the Subordinated Debt has been repaid in full;
7. Interest and principal on the Novated Absa Loan.

"Excess Cash" means on a relevant date the amount (if positive) of Group cash less the aggregate of (i) US$30 million, (ii) interest on the Super Senior Debt and interest and principal on the Senior Debt, in each case falling due on such date, and (iii) amounts payable in respect of capital and operating costs during the period between the determination date and the relevant date.

"Borrower Injection" means the purchase by a third party of an interest in a subsidiary undertaking of the Company resulting in a cash injection into the Group.

Existing requirements for application of funds in accounts, including to reserve accounts, mandatory prepayments and restricted payments, will cease to apply. Until the applicable amounts have been repaid in full, the Project Companies are not permitted to make payments to other Group companies other than in respect of amounts invoiced under the existing Management Services Agreement between the Company and the Project Companies, with the result being that the Company will be unable to make dividend payments to shareholders until the applicable amounts have been repaid in full.

Sponsor Injection Cash Sweep

Within 5 business days of a Sponsor Injection the proceeds thereof shall be applied in the following order of priority:

(1) to repay US$20 million of Super Senior Facility principal; and thereafter to repay Super Senior Facility principal and the Novated Absa facility principal and interest pro rata until all amounts outstanding under the Super Senior Facility and the Novated Absa Facility have been repaid in full; and
(2) thereafter, in accordance with the Ordinary Cash Sweep.

"Sponsor Injection" means (i) the net proceeds of an equity raise or a debt issuance by the Company in the capital markets, or (ii) the purchase by a third party of an interest in the Sponsor resulting in a cash injection into the Group.

Fees and Expenses

A restructuring fee of 0.75% on the current principal outstanding on the Project Loans is payable to Project Lenders by 31 December 2015. A restructuring fee of 4% on the principal amount of the Absa Corporate Facility is payable to Absa in the form of warrants on a basis similar to those issued to Absa in connection with the July 2014 Amendment. Fees and expenses of lenders' financial, legal and marketing advisors and the Group's financial and legal advisors estimated to be in aggregate US$4.0 million are also payable. Guarantee fees of lenders' guarantors (Hermes in the case of KfW and ECIC in the case of Absa) totalling US$0.91 million are payable by the Group, except in the case of ECIC fees in respect of Absa's commitment under the Super Senior Facility in which case only 50% is payable by the Group.

21. BANK LOANS CONTINUED

Conditions Precedent

Conditions precedent to the effectiveness of the amendments to the terms of the Senior Debt, the Subordinated Debt and the Novated Absa Facility include:

(1) creation of satisfactory security in favour of the Project Lenders over: all cash balances and cash equivalents of the Group; all shareholder loans made within the Group; and the shares of Congolone Heavy Minerals Limited to the extent not covered by existing security;
(2) existing security (other than Mozambican security) shall have been extended to secure the Project Companies' obligations under the Novated Absa Facility;
(3) agreement on the Agreed Roadmap.

Undertakings

Key new undertakings are summarised below:

(1) appointment of the Lender Approved NED on terms satisfactory to Project Lenders for a duration not to extend beyond the completion of a Material Deleveraging;
(2) formation of a Strategic Options Committee of the Board consisting of the Lender Approved NED (chair), one other Non-Executive Director and an Executive Director, to undertake a scope of work satisfactory to Project Lenders;
(3) following completion of the Reforecasting Work, short term cash flow forecasts satisfactory to the Lender Approved NED shall be provided monthly, and variance analysis of actual cash flow compared to the latest short term cash flow forecast shall be provided fortnightly;
(4) the aggregate amount of the available working capital facility and Group cash forecast will not be less than US$10 million (the "New Financial Covenant"), with a horizon of six months against the current long term cash flow forecast and three months against the current short term cash flow forecast;
(5) commencing 1 January 2016, the Annual Budget is to be approved by Project Lenders. If (i) no Acceptable Offer (as defined below) has been made by 30 September 2015 (the "Cut-Off-Date") or (ii) an Acceptable Offer has been made and withdrawn by such date other than by virtue of such offer being rejected (as defined below under clause (4) of the heading Events of Default), and no Material Deleveraging (as defined below) has occurred by 31 December 2015, then the annual budget for 2016 will be delivered by 31 January 2016 and include a plan and timetable in form and substance satisfactory to the Project Lenders (such component of the annual budget being the "Deleveraging Plan") to achieve a Material Deleveraging. Thereafter, within 1 month following a written request from the Majority Lenders, the Project Companies shall deliver an updated Deleveraging Plan in form and substance satisfactory to the Project Lenders.

    "Acceptable Offer" means an offer to acquire the shares in any member of the Group that will result in repayment in full of the Super Senior Facility, the Senior Debt, the Subordinated Debt, and the Novated Absa Facility (together, the "Relevant Loans") and payment of other amounts to the Project Lenders, on terms acceptable to the Project Lenders.

    "Material Deleveraging" means payment of principal amounts outstanding under the Super Senior Facility, the Senior Debt, the Subordinated Debt and the Novated Absa Facility in an amount determined by the Project Lenders.

(6) by 31 January 2016 the Project Companies shall present to Project Lenders a review of current operations in light of the applicable IFC 2012 Performance Standards and a plan for implementing such standards in respect of current operations and any future development of the Mine. Following approval by the Project Lenders, such plan shall be implemented in all material respects by the Project Companies by 31 December 2017;
(7) following the completion of the Reforecasting Work, the long term cash flow forecast shall be updated no less than every three months, taking into account market conditions, revised assumptions and forecasts considered reasonable by the Lender Approved NED; and
(8) limitation on indebtedness: the Group shall not be permitted to incur any financial indebtedness other than intercompany indebtedness and de minimis unsecured indebtedness without the consent of the Lenders.

In addition, certain existing undertakings have been amended for the benefit of Lenders. All undertakings will be for the benefit of Super Senior Lenders, Senior Lenders and Subordinated Lenders (including Absa).

21. BANK LOANS CONTINUED

Events of Default

Upon the effectiveness of the April 2015 Amendment, all relevant events of default in existing documentation shall apply in respect of the Novated Absa Facility, the Super Senior Facility, the supplemental security agreements and the security created thereunder. Some of these events of default and the regime applicable upon an event of default have been amended for the benefit of Lenders. A number of new events of default will also apply, including the following:

(1) the appointment of the Lender Approved NED ceases to be effective prior to the end of his/her term, unless the same or a replacement Lender Approved NED is appointed by the date falling 3 months after the date of such cessation, or the scope of the Lender Approved NED's services excludes specified matters;

(2) the Strategic Options Committee is disbanded prior to the end of its term, unless the Lender Approved NED has confirmed to the Project Lenders that, in his/her opinion, the same is no longer required, and Majority Lenders do not raise an objection following such confirmation, or the scope of the Strategic Options Committee excludes specified matters;

(3) any action to be implemented pursuant to the Agreed Roadmap is not implemented by its due date as a result of any action or inaction by any member of the Group;

(4) an Acceptable Offer has been made but has been rejected on or before the Cut-Off Date unless:

- the Company believes that the transaction resulting from the Acceptable Offer or another transaction resulting from another Acceptable Offer will be completed in a reasonable period of time and the Company has provided to the Project Lenders by 30 October 2015 (i) an explanation for the delay, (ii) a revised timetable for completion of an Acceptable Offer, and (iii) details of progress being made in respect of an Acceptable Offer, in form and substance satisfactory to the Project Lenders; or
- either a Material Deleveraging has occurred by the Cut-Off Date or the Company has provided to the Project Lenders by 30 October 2015 (i) an explanation as to why a Material Deleveraging has not occurred, (ii) a timetable for completion of a Material Deleveraging, and (iii) details of progress being made towards a Material Deleveraging, in form and substance satisfactory to the Project Lenders;

(5) with respect to a Disclosed Proposed Offer (as defined below), unless by the Cut-Off Date:

- the Company believes that the transaction resulting from the Disclosed Proposed Offer or another transaction resulting from an Acceptable Offer will be completed in a reasonable period of time and the Company provides to the Project Lenders by 30 October 2015 (i) an explanation for the delay, (ii) a revised timetable for completion of the Disclosed Proposed Offer or Acceptable Offer, and (iii) details of progress being made in respect of the Disclosed Proposed Offer or Acceptable Offer, in each case satisfactory to Project Lenders; or
- either a Material Deleveraging has occurred or the Company has provided to the Project Lenders in writing within 30 days after the Cut-Off Date, (i) an explanation as to why a Material Deleveraging has not occurred, (ii) a timetable for completion of a Material Deleveraging, and (iii) details of progress being made towards a Material Deleveraging, in each case satisfactory to Project Lenders.

any of the following occurs on or before the Cut-Off Date:

- the Board, or in the case of (c) below, relevant Directors (a) fails to unanimously recommend or to agree to specify its intention to unanimously recommend to shareholders acceptance of the Disclosed Proposed Offer with the result that the offeror does not announce the Disclosed Proposed Offer pursuant to Rule 2.5 of the Irish Takeover Rules by the Cut-Off Date or (b), having recommended a Disclosed Proposed Offer, withdraws such recommendation or (c) fail to provide when required market-standard irrevocable undertakings in relation to the relevant Director's holdings in the Company, in any such case with the result that the offeror does not announce the Disclosed Proposed Offer pursuant to Rule 2.5 of the Irish Takeover Rules by the Cut-Off Date, other than, in any such case, in response to a significant and adverse change in the circumstances of the offeror or the terms of the Disclosed Proposed Offer;
- the Company takes any action (a) having the effect that a milestone to implementation of the Disclosed Proposed Offer that has been specified in an implementation plan for the Disclosed Proposed Offer previously agreed by the offeror and the Board is not met (subject to certain conditions) and (b) that would be reasonably expected to result in the offeror not announcing the Disclosed Proposed Offer pursuant to Rule 2.5 of the Irish Takeover Rules by the Cut-Off Date or withdrawing such Disclosed Proposed Offer;
- an institutional shareholder of the Company holding more than 10% of the issued shares of the Company (whether directly or through its affiliates or related funds) to which the Disclosed Proposed Offer has been disclosed as of the date of the April 2015 Amendment, (a) fails to provide a level of comfort as to its support, subject to reasonable conditions, for the Disclosed Proposed Offer which is appropriate and reasonable given the stage to which the Disclosed Proposed Offer has been progressed where reasonably requested by the offeror as a condition to its proceeding with the Disclosed Proposed Offer, (b) publicly rejects the Disclosed Proposed Offer at a time when a public statement of that shareholder's support is the only remaining unsatisfied condition to the offeror's announcement of the Disclosed Proposed Offer pursuant to Rule 2.5 of the Irish Takeover Rules or (c) fails to provide to the offeror a market-standard irrevocable undertaking to accept the Disclosed Proposed Offer when requested to do as being the only remaining unsatisfied condition to the offeror's announcement of the Disclosed Proposed Offer pursuant to Rule 2.5 of the Irish Takeover Rules, other than, in any such case, in response to a significant and adverse change in the circumstances of the offeror or the terms of the Disclosed Proposed Offer;

21. BANK LOANS CONTINUED

- the requisite shareholders of the Company do not pass resolutions necessary for approval of an Acceptable Offer resulting from the Disclosed Proposed Offer; or
- the Company refuses to enter into any market-standard implementation agreement or other ancillary agreement required to consummate any Disclosed Proposed Offer or the Company or the Board of Directors of the Company fails to take such other steps as are necessary to consummate any Disclosed Proposed Offer or takes any action which frustrates or prevents an announcement being made under rule 2.5 of the Irish Takeover Rules by the Cut-Off Date or, once announced, frustrates the implementation of a Disclosed Proposed Offer other than, in any such case, in response to a significant and adverse change in the circumstances of the offeror or the terms of the Disclosed Proposed Offer;

Without prejudice to any Event of Default which may arise in connection with the events or circumstances set out in (4) or (5) above, nothing shall require any party to take any action, or omit to take any action, which is prohibited or otherwise restricted by any order or direction of any applicable legal or regulatory requirement or relevant court or governmental body and which impediment cannot be avoided or removed by taking reasonable steps.

An Acceptable Offer "being rejected" means any of:

- such Acceptable Offer is rejected by the Board (whether through the vote of the Board or de facto through the failure to provide when required market-standard irrevocable undertakings in relation to the relevant Director's holdings in the Company) or the Board fails to unanimously recommend such Acceptable Offer or, once made, withdraws a recommendation;
- the Company refuses to enter into any market-standard implementation agreement or ancillary agreement required to consummate any Acceptable Offer or the Company or the Board fails to take such other steps as are necessary to consummate any Acceptable Offer or takes any action which frustrates or prevents an announcement being made under rule 2.5 of the Irish Takeover Rules or, once announced, frustrates or materially delays the implementation of an Acceptable Offer; or
- the requisite shareholders of the Company do not provide any requested irrevocable undertakings and do not pass proposed resolutions necessary for approval of the Acceptable Offer.

"Disclosed Proposed Offer" means any offer or proposed offer (even if non-binding and conditional): (i) that if made and implemented, would result in repayment in full of the principal amount of the Relevant Loans; and (ii) which is substantially on the terms that have been disclosed to the Project Lenders prior to 1 April 2015 (or with respect to the terms of the repayment of the Relevant Loans only, otherwise on terms acceptable to the Project Lenders).

(6) the Project Companies fail to deliver a cash flow forecast when due;
(7) the New Financial Covenant is breached; and
(8) excluding certain capital and operating expenditures beyond the Company's control, capital expenditure and/or operating expenditure is greater than or equal to 110% of the amounts forecast for either aggregate capital expenditure or operating expenditure in the current long term cash flow forecast (the "Revised Forecast") (during 2015 only) and/or the Annual Budget (from 2016 onwards) on a year-to-date basis against each monthly report delivered by the Project Companies, commencing from the third month of the relevant forecast.

Change of Control

In the event that the Disclosed Proposed Offer has been announced by way of (i) a Rule 2.5 announcement under the Irish Takeover Rules on or before the Cut-off Date; and (ii) a scheme of arrangement having become effective which results in a change of control by which the offeror assumes control of the Company, subject to certain conditions, the following will apply if the Disclosed Proposed Offer is accepted no later than the Cut-Off Date and if the Disclosed Proposed Offer results in repayment of all principal (other than principal that would be capitalised in August 2015) of the Relevant Loans, together with payment of all interest accrued in respect of the Relevant Loans being paid (subject to the margins for such purposes being adjusted as below), as well as loan insurance premia, adviser fees and the AfDB Risk/Deferral Fee:

(1) on and from 1 April 2015, the margins shall be:
  - Super Senior Facility and Senior Debt: 1.60% p.a.
  - Subordinated Loans and Novated Absa Loan: 3.00% p.a.;

(2) the commitment fees and arrangement fees in respect of the Super Senior Facility shall be waived;
(3) each Subordinated Lender will waive its right to require payment of the 30% change of control premium;
(4) Project Lenders will waive their respective rights that they may have to require payment of other fees or premiums upon a change of control or the making of a voluntary prepayment;

21. BANK LOANS CONTINUED

(5) all Lenders will waive their respective rights to require payment of any restructuring or similar fee that would otherwise be required to be paid as described under the heading Fees above. In relation to the warrants to be issued to Absa in connection with the April 2015 Amendment, these will not be required to be issued if the Disclosed Proposal Offer is accepted by the Cut-Off Date; and

(6) on and from the date of announcement pursuant to Rule 2.5 of the Irish Takeover Rules of the Disclosed Proposed Offer to assume control of the Company until the earlier of (i) the Cut-Off Date (unless the offer is accepted before then), (ii) completion of the transaction, and (iii) abandonment or failure of the transaction, the Project Lenders will not declare a default pursuant to Clause 14.2 (Declaration of Declared Default) of the Common Terms Agreement or exercise first or second stage remedies under the Common Terms Agreement, in each case, in respect of certain non-material events of default.

To give effect to the reduction in margins and waiver of arrangement fees, commitment fees and amendment fees to the extent paid, a true-up mechanism will be employed at the time of repayment of the Project Loans.

Project Loan Amendments 29 January 2015, 27 February 2015 and 30 March 2015

On 29 January 2015, the Company, Congolone Heavy Minerals Limited and the Project Companies entered into an amendment to the Project Loans. This amendment extended the date for delivery of a budget for 2015 as set out below in the July 2014 Amendment by one month to 28 February 2015. This was extended by a month to 31 March 2015 by an amendment dated 27 February 2015, and by a further month to 30 April 2015 by an amendment dated 30 March 2015. The requirement was waived by the April 2015 Amendment.

Project Loan Amendment 31 July 2014

On 31 July 2014, the Company, Congolone Heavy Minerals Limited and the Project Companies entered into a deed of amendment with Project Lenders (the "July 2014 Amendment"). The key terms of the July 2014 Amendment are as follows:

- Principal repayments of Senior Debt and principal repayments and interest payments in respect of the Subordinated Debt that in each case would fall due on 1 August 2014, 1 February 2015 and 1 August 2015 are only required to be paid in accordance with the cash sweep described below and, to the extent not paid under the cash sweep, are then due and payable on the earlier of the next payment date (to the extent payable under the cash sweep) and the Deferral Amount Payment Date. The Deferral Amount Payment Date is the earlier of 31 December 2015 and the date falling 30 days after a change of control of the Project Companies. This will be superseded upon the effectiveness of the April 2015 Amendment;
- The cash sweep provides that the relevant loan amounts would be paid to Lenders on the relevant payment dates only to the extent the Group cash balance exceeds US$80 million on a relevant payment date. Under the cash sweep, Senior Debt due on the relevant payment date (including Senior Debt previously deferred pursuant to the July 2014 Amendment) is paid ahead of Subordinated Debt due on such date. This will be superseded upon the effectiveness of the April 2015 Amendment;
- The Company and the Project Companies agreed, amongst other things: to provide information to Project Lenders in greater detail and on a more frequent basis; to agree to the appointment of additional professional advisers to the Project Lenders; and to meet the costs of providing the Project Lenders with legal and other professional advisers;
- The Project Companies are required to deliver by 31 January 2015 a budget for 2015, based on production schedules, costs and product price forecasts that were either provided, reviewed or approved by consultants to the Project Lenders or, in relation to product price forecasts, that were requested by Project Lenders (acting reasonably). In addition, the budget was required to show no cash shortfalls and to be approved by the lenders, acting reasonably, failing which an Event of Default would ensue. This requirement was waived by the April 2015 Amendment; and
- Work fees were payable to the Project Lenders in an aggregate amount of US$0.3 million, half of which was paid to Senior Lenders and half to Subordinated Lenders, as well as out-of-pocket travel costs incurred by the Project Lenders in negotiating the amendment. This is in addition to fees paid to providers of political and commercial risk guarantees and insurance to the Project Lenders totalling US$0.5 million in connection with the deferral.

As a result of the July 2014 Amendment, the principal amount of Senior Debt originally scheduled to be repaid on 1 August 2013 (and rescheduled to 1 August 2014 pursuant to the amendment agreement dated 31 July 2013) deferred until 31 December 2015, on which date it will be payable subject to and in accordance with the cash sweep described above. Furthermore, amounts of Subordinated Debt that, pursuant to the February 2014 Restructuring (described below) would have been payable on 1 August 2015 were, subject to the cash sweep mechanism described above, deferred (in whole or in part) and to the extent deferred be payable instead on 31 December 2015. The cash sweep and deferral mechanism terminates upon a change of control of the Project Companies. This will be superseded upon the effectiveness of the April 2015 Amendment.

21. BANK LOANS CONTINUED

Project Loan Amendment 14 February 2014

On 14 February 2014, the Company, Congolone Heavy Minerals Limited and the Project Companies entered into a deed of amendment with Project Lenders (the "February 2014 Amendment"). The key terms of the February 2014 Amendment are detailed below.

Completion

Under the prior terms of the Project Loans, the Company and Congolone Heavy Minerals Limited guaranteed the Project Loans during the period prior to Completion (achievement of both "Technical Completion" and "Non-Technical Completion"). Upon Completion, the Company's and Congolone Heavy Mineral Limited's guarantee of the Project Loans would terminate. Failure to achieve Completion by the Final Completion Date (subject to extension for force majeure) would constitute an event of default under the Project Loan agreements. Prior to 14 February 2014, the Final Completion Date was 28 February 2015.

On 5 September 2011, Technical Completion was achieved. Non-Technical Completion occurs upon the meeting of certain financial, legal and permitting requirements, including filling of specified reserve accounts to the required levels as well as certification in respect of the Project Companies having sufficient funds available to repay deferred Subordinated Loan amounts on the next scheduled payment date.

As a result of the February 2014 Amendment:

- The event of default relating to failure to achieve Completion by the Final Completion Date was removed. As a result, it was no longer necessary to be able to repay all deferred Subordinated Loan obligations by the 1 August 2015 payment date;
- It was no longer a condition to Completion that the Project Companies are in a position to repay all deferred Subordinated Loan obligations on the next payment date;
- The achievement of Completion remained a condition to the Project Companies making restricted payments to the Group (and therefore a condition to distributions to shareholders by the Company to the extent funded by restricted payments from the Project Companies). This has been superseded by the April 2015 Amendment; and
- The guarantee of the Project Loans by the Company and Congolone Heavy Minerals Limited would remain in place following Completion.

Subordinated Debt

Under the terms prior to the February 2014 Amendment was of the Project Loans, if cash was insufficient to pay interest and scheduled principal on the Subordinated Loans, no payment default occurs; instead, scheduled interest is capitalised and both capitalised interest and scheduled principal are deferred and become payable on the next semi-annual payment date, subject again to the availability of cash at such time. As a result of the February 2014 Amendment:

- Subordinated Loans that, as of 31 July 2015, are deferred and unpaid were to be termed-out as follows;
  - 50% of the amount of such Subordinated Loans would be repaid in one instalment on 1 August 2019 (the "Deferred Bullet"). This will be superseded upon the effectiveness of the April 2015 Amendment;
  - The balance was to be amortised in nine equal semi-annual instalments ending on 1 August 2019. This will be superseded upon the effectiveness of the April 2015 Amendment;
- Commencing 1 August 2015, the Project Companies would no longer be able to defer Subordinated Loan obligations (other than in respect of additional margin elements described below) in the manner described above, so that non-payment of scheduled interest and principal when due would result in a payment default. This will be superseded upon the effectiveness of the April 2015 Amendment;
- No restricted payments (i.e. distributions to Group companies) could be made by the Project Companies until Subordinated Lenders receive US$50 million in payments. This will be superseded upon the effectiveness of the April 2015 Amendment;
- The additional 1% margin on Subordinated Debt agreed under the Deed of Waiver and Amendment entered into in 2009 continued to accrue after Completion; any such additional margin accrued would not be payable prior to repayment of all Senior Debt. This will be superseded upon the effectiveness of the April 2015 Amendment; and
- An additional 2% margin would accrue on the Deferred Bullet until such Deferred Bullet is repaid or prepaid; any such additional margin accrued would not be payable prior to repayment of all Senior Debt. This will be superseded upon the effectiveness of the April 2015 Amendment.

21. BANK LOANS CONTINUED

Prepayment of Subordinated Debt

The terms of the Project Loans contain detailed provisions for the mandatory and voluntary prepayment of Senior Debt and Subordinated Debt. As a result of the February 2014 Amendment:

- Mandatory prepayments of Subordinated Debt would be equal to 50% of cash available for distribution, as opposed to 25% of cash so available prior to the February 2014 Amendment. This will be superseded upon the effectiveness of the April 2015 Amendment;
- Mandatory prepayments of Subordinated Debt would commence earlier than previously provided for (previously commencing upon final repayment of Senior Debt; as a result of the February 2014 Amendment, such mandatory prepayments would commence on the first payment date after Completion on which no further mandatory prepayments of Senior Debt are to be made). This will be superseded upon the effectiveness of the April 2015 Amendment; and
- The Project Companies would have an additional right of prepayment to enable the satisfaction of the additional condition to restricted payments (namely that Subordinated Lenders receive not less than US$50 million of payments prior to the making of such a payment). This will be superseded upon the effectiveness of the April 2015 Amendment.

Expansion Costs

As a result of certain amendments in December 2011, December 2012 and the July 2013 Amendment, the terms of the Project Loans had permitted the expansion to be partly funded from the internal operating cash flows of the Project Companies. As a result of the February 2014 Amendment, any remaining expansion-related costs generally cease to be able to be funded from Project Companies operating cash flows; instead, such costs are generally to be funded by the Company from group cash reserves.

Fees and Expenses

In connection with the February 2014 Amendment:

- The Project Companies paid each Subordinated Lender a risk fee equal to 1% of the principal amount of Subordinated Debt outstanding as at 31 December 2013; and
- Lenders were paid work fees totalling US$180,000, as well as legal fees and out-of pocket travel costs incurred by the Project Lenders in negotiating the amendment.

Corporate Loans

On 31 July 2014, the Group agreed with corporate bank loan provider, Absa, an extension of the maturity date of the US$20 million corporate loan (the "Absa facility"), from 31 March 2015 to 31 March 2016. This will be superseded upon the effectiveness of the April 2015 Amendment. The terms of the extension provide that the loan is repayable upon a change of control of Kenmare Resources plc. An extension fee of US$800,000 was settled in warrants for Kenmare Resources plc shares on 1 September 2014. The warrants have an exercise price of Stg11p, are exercisable for a period of seven years and are otherwise on substantially the same terms as the warrants issued on 16 October 2013 in connection with Kenmare's placing as detailed in Note 17. In connection with the extension, the interest rate on the Absa Facility was increased to 1% per annum over the highest interest rate paid on the Project Loans. This will be superseded upon the effectiveness of the April 2015 Amendment.

Group borrowings interest, currency and liquidity risk

Loan facilities arranged at fixed interest rates expose the Group to fair value interest rate risk. Loan facilities arranged at variable rates expose the Group to cash flow interest rate risk. Variable rates are based on one and six month LIBOR. The average effective borrowing rate at year end was 9.2%. The interest rate profile of the Group's loan balances at the year-end was as follows:

	2014 US$'000	2013 US$'000
Fixed rate debt	210,459	226,736
Variable rate debt	127,215	128,443
Total debt	337,674	355,179

The fair value of the Group borrowings of US$301.8 million (2013: US$332.1 million) has been calculated by discounting the expected future cash flows at prevailing interest rates and by applying year-end exchange rates.

Under the assumption that all other variables remain constant and using the most relevant 6 month LIBOR rates a 1% change in the LIBOR rate will result in a US$1.3 million (2013: US$1.3 million) change in finance costs for the year.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2014

CONTINUED

21. BANK LOANS CONTINUED

The currency profile of loans at the year-end is as follows:

	2014 US$'000	2013 US$'000
Euro	184,239	186,072
US Dollars	153,435	169,107
	337,674	355,179

The Euro denominated loans expose the Group to currency fluctuations. These currency fluctuations are realised on payment of Euro denominated debt principal and interest. Under the assumption that all other variables remain constant, a 10% strengthening or weakening of Euro against the US Dollar would result in a US$1.8 million (2013: US$1.9 million) change in finance costs and a US$18.4 million (2013: US$18.6 million) change in foreign exchange gain or loss for the year.

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

22. FINANCE LEASE

	Minimum lease payments		Present value of minimum lease payments	
	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
Amounts payable under finance lease				
Within one year	560	560	415	350
In the second to fifth year	840	1,400	743	1,158
Less future finance charges	(242)	(452)	-	-
Present value of lease payments	1,158	1,508	1,158	1,508
Less amounts due for settlement within 12 months			(415)	(350)
Amounts due for settlement after 12 months			743	1,158

The Group has leased equipment for the receipt, storage and dispensing of diesel fuel under a finance lease. The lease term is ten years from the commencement date (2007) with an option to purchase the assets after one year from the commencement date of the lease. For the year ended 31 December 2014, the average effective borrowing rate was 9%. The lease is on a fixed repayment basis and the lease obligation is denominated in US Dollars. The fair value of the Group's lease obligation is equal to its carrying amount. The fair value has been calculated by discounting the expected future lease payments over the life of the lease at the discount rate.

23. PROVISIONS

GROUP & COMPANY

	2014 US$'000	2013 US$'000
Mine closure provision	19,314	18,751
Mine rehabilitation provision	2,590	2,073
Legal provision	1,444	1,444
Executive Directors' bonus provision	663	703
	24,011	22,971
Current	2,387	548
Non-current	21,624	22,423
	24,011	22,971

	Mine Closure Provision US$'000	Mine Rehabilitation Provision US$'000	Legal Provision US$'000	Executive Directors' Bonus Provision US$'000	Total US$'000
At 1 January 2013	4,907	1,973	1,444	1,002	9,326
Additional provision in the year	13,334	516	-	-	13,850
Provision released in the year	-	(416)	-	(299)	(715)
Unwinding of the discount	510	-	-	-	510
At 1 January 2014	18,751	2,073	1,444	703	22,971
Additional provision in the year	-	700	-	282	982
Provision released in the year	-	(183)	-	(322)	(505)
Unwinding of the discount	563	-	-	-	563
At 31 December 2014	19,314	2,590	1,444	663	24,011

The mine closure provision represents the Directors' best estimate of the Group's liability for close-down, dismantling and restoration of the mining and processing site. A corresponding amount equal to the provision is recognised as part of property, plant and equipment. The costs are estimated on the basis of a formal closure plan, are subject to regular review and are estimated based on the net present value of estimated future cost. Mine closure costs are a normal consequence of mining, and the majority of close-down and restoration expenditure is incurred at the end of the life of the mine. The unwinding of the discount is recognised as a finance cost and US$0.6 million (2013: US$0.5 million) has been recognised in the statement of comprehensive income for the year.

The main assumptions used in the calculation of the estimated future costs include:

- a discount rate of 3% (2013: 3%) based on a 20-year US Treasury yield rate.
- an inflation rate of 2% (2013: 2%);
- an estimated life of mine; and
- an estimated closure cost of US$20.4 million (2013: US$20.4 million) and an estimated post-closure monitoring provision of US$1.9 million (2013: US$1.9 million).

A significant factor in determining the mine closure provision is the discount rate. A 1% change in the discount rate results in a 22% change in the mine closure provision.

23. PROVISIONS CONTINUED

The mine rehabilitation provision represents the Directors' best estimate of the Company's liability for rehabilitating areas disturbed by mining activities. Rehabilitation costs are recognised based on the area disturbed and estimated cost of rehabilitation per hectare which is reviewed regularly against actual rehabilitation cost per hectare. Actual rehabilitation expenditure is incurred approximately twelve months after the area has been disturbed. During the year there was a release of US$0.2 million (2013: US$0.4 million) to reflect the actual mine rehabilitation costs being incurred.

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

Prior to 2014 an Annual Bonus Scheme was in place for the Executive Directors a feature of which was the payment of a bonus earned for target performance which is deferred for three years. The bonus in respect of performance in 2011 of US$0.4 million is payable in 2015 on the condition of continued employment with the Company.

In 2014 the Kenmare Incentive Plan was adopted. Annual awards under the Kenmare Incentive Plan have a cash element. The cash element is based on a number of in-year performance targets. Based on the level of achievement against these targets, the cash element will be paid shortly after the end of the relevant year. For the year ended 31 December 2014, US$0.3 million was provided for the 2014 cash element.

24. OTHER FINANCIAL LIABILITY

GROUP & COMPANY

	2014 US$'000	2013 US$'000
Warrants - equity	380	5,851
Warrants - corporate facility	140	-
	520	5,851

On 16 October 2013, 250,300,000 new ordinary shares were issued by way of a placing which raised US$101.9 million net of expenses. In addition to ordinary shares, participants in the placing were issued warrants on the basis of one warrant to subscribe for one ordinary share in the Company for every five placing shares. In total 50,060,000 warrants were issued. The warrants, which are not listed or admitted to trading and which have limited transferability rights, have an exercise price of Stg29.09p and an exercise period of five years commencing thirteen months after the date of issue.

On 31 July 2014, the Group agreed with corporate bank loan provider, Absa, an extension of the maturity date of the US$20 million corporate loan (the "Absa facility") from 31 March 2015 to 31 March 2016. An extension fee of US$800,000 was settled in 7,257,850 warrants for Kenmare Resources plc shares on 1 September 2014 which have an exercise price of Stg11p. The warrants are exercisable for a period of seven years and are otherwise on substantially the same terms as the warrants issued on 16 October 2013 detailed above.

A financial liability of US$0.5 million (2013: US$5.9 million) based on the fair value of the warrants at the statement of financial position date has been recorded as the cost of issuing the warrants with the equivalent value included in finance income in the statement of comprehensive income.

24. OTHER FINANCIAL LIABILITY CONTINUED

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

	2014	2013
Year-end share price	£0.0324	£0.208
Year end Stg£/US$ exchange rate	0.64	0.61
Warrant exercise price	£0.11 / £0.2909	£0.2909
Expected volatility	70%	46%
Expected life (years)	5 to 7	6
Risk free rate	1.8%	3.2%

Significant factors in determining the warrant fair value are the Company share price and the expected volatility. A 10% change in the Company share price results in a 20% change in the fair value of the warrants. A 10% change in the expected volatility rate results in a 37% change in the fair value of the warrants.

25. TRADE AND OTHER PAYABLES

Amounts payable within one year

	GROUP		COMPANY	
	2014	2013	2014	2013
	US$'000	US$'000	US$'000	US$'000
Trade payables	13,657	13,440	-	-
Accruals	35,816	35,075	2,656	1,101
	49,473	48,515	2,656	1,101

Included in Group accruals at the year-end is an amount of US$1.1 million (2013: US$0.6 million) and in the Company US$0.2 million (2013: US$0.2 million) for payroll and social welfare taxes. Included in accruals is US$20.4 million (2013: US$20.2 million) relating to capital projects of which US$19.4 million is disputed by the Group in arbitration proceedings.

Credit risk

The average credit period on the purchase of goods and services is 30 days from the date of the invoice except for invoices which are been held as result of disputes. The Group has financial risk management policies in place to ensure that all payables are paid within the relevant credit periods.

25. TRADE AND OTHER PAYABLES CONTINUED

Currency risk

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

GROUP	2014 US$'000	2013 US$'000
South African Rand	22,201	17,350
US Dollars	18,177	15,188
Mozambican Metical	4,395	10,809
Euro	1,866	3,193
Australian Dollar	1,669	1,791
Sterling	1,165	184
	49,473	48,515

COMPANY	2014 US$'000	2013 US$'000
Euro	1,721	919
Sterling	935	182
	2,656	1,101

Fluctuations in the currencies noted above will impact on the Group's financial results.

26. CAPITAL AND LIQUIDITY MANAGEMENT

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

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

Debt

Project loans as detailed in Note 21 have been made to the Group to develop the Mine and there is a corporate facility with Absa Bank. These are all fully drawn and the Group is actively managing the repayment of these loans from cash flows generated from the existing mining operation, or in the case of the Company's corporate facility, from available cash reserves. The Group has total debt of US$337.7 million (2013: US$335.2 million). This is made up of Project Loans of US$318.3 million (2013: 335.8 million) and an Absa corporate facility of US$19.4 million (2013: US$19.4 million). There were Project Loan interest and principal payments amounting to US$17.7 million (2013: US$18.0 million), interest accrued of US$29.1 million (2013: US$28.0 million), loan amendment fees incurred of US$7.4 million (2013: US$6.6 million), loan amendment fees amortised of US$1.8 million (2013: US$0.5 million) and foreign exchange movements of US$23.2 million (2013: US$7.5 million) resulting in an overall decrease in Project Loans of US$17.5 million (2013: US$11.4 million increase).

There were Absa loan interest payments amounting to US$2.3 million (2013: US$2.0 million), interest accrued of US$2.3 million (2013: US$2.0 million) and loan arrangement fees and other costs incurred of US$0.9 million (2013: US$1.7 million) of which US$0.9 million (2013: US$1.1 million) was amortised resulting in no overall movement for the year.

On 14 February 2014, the Group entered into a deed of amendment with Project Lenders to restructure the Project Loans, details of which are set out in Note 21. The restructuring removed the requirement to repay all deferred subordinated debt by 1 August 2015, and instead rescheduled all deferred subordinated debt that is unpaid as of 31 July 2015. This restructuring was designed to enable the Project Companies to service the project debt in a sustainable manner, and in due course to pay down the debt on an accelerated basis from available cash while making distributions to the Group.

26. CAPITAL AND LIQUIDITY MANAGEMENT CONTINUED

A further amendment to the terms of the Project Loans was entered into with Project Lenders on 31 July 2014. This amendment removed the requirement to make scheduled principal payments of Senior Debt and payments of interest and principal of Subordinated Debt falling due on the 1 August 2014, 1 February 2015 and 1 August 2015 payment dates. Instead, Project Lenders would receive payments under a cash sweep dependent on the Group's consolidated cash position on each of the foregoing payment dates; any amounts not paid under this mechanism (and not rescheduled pursuant to the February 2014 amendment) would be due and payable on 31 December 2015. In addition, lenders and their advisors received information on a more frequent and detailed basis. The Project Companies were also required to deliver a budget for 2015 by 31 January that was required to show no cash shortfalls and to be approved by the lenders, acting reasonably, failing which an Event of Default would ensue. The date of delivery of the budget was extended by way of a series of amendments to 30 April 2015 and the requirement was waived by the April 2015 Amendment.

A further amendment to the terms of the Project Loans was agreed with Project Lenders on 29 April 2015 which upon satisfaction of certain conditions precedent will provide: a new money commitment (the "Super Senior Facility") of up to US$50 million (US$30 million working capital purposes and US$20 million to fund, if required, certain disputed liabilities subject to arbitration); extension of the final maturity of existing facilities; reduction in scheduled principal payments on the Senior Debt; elimination of scheduled interest and principal on Subordinated Debt; novating and restating the Absa Corporate Facility as a Subordinated Debt obligation of the Project Companies and extending the final maturity from 31 March 2016 to 1 August 2021; repayment of Super Senior Facility principal, Senior Debt principal and Subordinated Debt interest and principal (including interest and principal on the novated Absa Facility) by means of a cash sweep dependent on the Group's consolidated cash position on each Payment Date commencing 1 August 2016. In certain circumstances, the Group is required to have completed a deleveraging in an amount acceptable to Project Lenders by 30 September 2015, and in certain other circumstances, the Group is required to file for Project Lender approval a budget for 2016 by 31 January 2016 which includes a plan and timetable for a material deleveraging satisfactory to Project Lenders. The Directors are satisfied that such a plan can be agreed with Project Lenders.

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

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

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

27. CAPITAL COMMITMENTS

GROUP

	2014 US$'000	2013 US$'000
Contracts for future expenditure authorised by the Board:		
Capital authorised and contracted	-	19,680
Capital authorised not contracted	4,259	1,104

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

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

Notes to the Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2014
CONTINUED

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

29. PARENT COMPANY, KENMARE RESOURCES PLC STATEMENT OF COMPREHENSIVE INCOME
In accordance with section 148(8) of the Companies Act, 1963 and section 7(1A) of the Companies (Amendment) Act, 1986, the Company is availing of the exemption from presenting its individual statement of comprehensive income to the Annual General Meeting and from filing it with the Companies Registration Office. The Company's loss for the financial year determined in accordance with IFRS is US$3.3 million (2013: US$13.6 million). The loss is due to administration costs of US$5.8 million (2013: US$2.4 million), share-based payments expenses of US$0.4 million (2013: nil), finance income from the fair valuation of warrants of US$6.1 million (2013: US$5.9 million loss), Absa corporate facility loan interest, fees and expenses of US$3.2 million (2013: US$3.1 million) and other finance costs of nil (2013: US$2.2 million).

30. OPERATING LEASE ARRANGEMENTS
GROUP & COMPANY
The Group as lessee

	2014 US$'000	2013 US$'000
Minimum lease payments under operating leases recognised as an expense in the year	115	102

At the statement of financial position date, the Group has outstanding commitments under a non-cancellable operating lease which fall due as follows:

	2014 US$'000	2013 US$'000
Within one year	102	115
In the second to fifth years inclusive	-	115
	102	230

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

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

GROUP & COMPANY

	2014 US$'000	2013 US$'000
Contributions	371	338

32. SHARE-BASED PAYMENTS

Share option scheme

The Company has a share option scheme for employees and consultants. In the past share options were awarded to Executive Directors but this practice ceased with the introduction of the Kenmare Incentive Plan in 2014. Options are exercisable at a price equal to the quoted market price of the Company's shares on the date of grant. The options generally vest over a three year period in equal annual amounts or if performance related in the year the performance criteria are met. If options remain unexercised after a period of 7 years from the date of grant, the options expire. Option expiry periods may be extended at the discretion of the Board of Directors.

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

	2014		2013	
	Number of share options	Weighted average exercise price US$	Number of share options	Weighted average exercise price US$
Outstanding at the beginning of the year	79,047,962	48c	78,717,965	50c
Granted during the year	2,000,000	19c	11,800,000	45c
Exercised during the year	-	-	(466,667)	26c
Expired/lapsed during the year	(24,341,629)	46c	(11,003,336)	64c
Outstanding at the end of the year	56,706,333	47c	79,047,962	48c
Exercisable at the end of the year	38,864,661		44,262,553	

No share options were exercised during the year. The options outstanding at the end of the year have exercise prices which range from US$0.15 to US$0.86 and a weighted average remaining contractual life of 3.5 years (2013: 3.3 years).

In 2014, options were granted on 20 May. The aggregate of the estimated fair values of the options granted on those dates is US$0.2 million. In 2013, options were granted on 23 January, 28 May, 4 September, and 10 December. The aggregate of the estimated fair values of the options granted on those dates is US$2.7 million.

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

	2014	2013
Weighted average share price	US$0.19	US$0.45
Weighted average exercise price	US$0.19	US$0.45
Expected volatility	51%	48%
Expected life (years)	7	7
Risk free rate	3%	2%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous year as this is deemed the most reliable indicator of the volatility of the Company's share price. Extending the historical volatility over periods greater than one year results in high volatility factors which are not appropriate as an estimation of expected volatility.

During the year the Group recognised a share-based payment expense of US$1.3 million (2013: US$0.8 million) and capitalised share-based payments of nil (2013: US$0.2 million) in property, plant and equipment. The share-based payment expense takes into account 3,200,000 unexercised options held by former employees and the forfeiture of Executive Directors, in agreement with the Remuneration Committee, of 2,916,666 options in April 2015.

Notes to the Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2014
CONTINUED

32. SHARE-BASED PAYMENTS CONTINUED

Kenmare Incentive Plan ("KIP")

The Company has an incentive plan under which annual awards have a cash element and a separate share element. Both the cash element and the share element are based on a number of in-year performance targets. Based on the level of achievement against these targets, the cash element is paid shortly after the end of the relevant year. The share element vests after a further three years with part of the shares subject to a further two year holding period. The share element is subject to performance vesting conditions. The value of the shares is measured at fair value at the date of grant based on the Company's estimate of the shares that will eventually vest and adjusted for the effect of non-market based vesting conditions. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period.

In 2014, 6,875,622 shares were granted to Directors as an initial KIP award. The estimated fair value of these shares awarded is US$0.5 million. As at 31 December 2014, a provision for the 2014 KIP award of 3,329,553 shares was created. The estimated fair value of these shares is US$0.2 million.

The estimated fair values of the awards are calculated using a Monte Carlo pricing model. The inputs into the calculations were as follows:

	Initial award	2014 award
Date of grant	21 October 2014	31 December 2014
Share price at date of grant	£0.0739	£0.0324
Company's share price volatility	55%	56%
FTSE 250 volatility	27%	13%
FTSE Mining Index volatility	44%	25%
Expected life	3 years	3 years
Risk free rate	1.02%	0.77%
FTSE 250 correlation	22%	31%
FTSE Mining correlation	33%	32%

In order to estimate the value of the 2014 award a year end valuation date of 31 December 2014 was used. The expected volatility of the Company's share price is calculated over the prior three year period, commensurate with the expected life of the awards. The comparator group constituents and indices are calculated over their individual volatilities using total shareholder return ("TSR") data for each company over a three year period. The initial KIP and 2014 award have a performance period of three years, so this is the assumption for expected life. The risk free rate assumption is based on a three year zero coupon government bonds yield.

During the year, the Group recognised a share-based payment expense of US$0.05 million as a result the above awards.

33. RELATED PARTY TRANSACTIONS

GROUP

Remuneration of key management personnel

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

	2014 US$'000	2013 US$'000
Short-term employee benefits	2,516	2,943
Long-term employee benefits	-	-
Post-employment benefits	151	167
Compensation on retirement	-	-
Share-based payments	74	277
Total benefits	2,741	3,387

Other related party transactions

Vico Properties plc is a related party of the Company as Mr M. Carvill is a Director of both the Company and Vico Properties plc. The Company used to perform certain administrative services for Vico Properties plc. The charge for 2014 was nil (2013: nil). At the year-end the balance outstanding was nil (2013: US$0.07 million).

COMPANY

Kenmare Moma Mining (Mauritius) Limited and Kenmare Moma Processing (Mauritius) Limited, the Project Companies, are wholly owned subsidiary undertakings of Congolone Heavy Minerals Limited, which in turn is a subsidiary undertaking of Kenmare Resources plc. During the year, funding for the Moma Titanium Minerals Mine was provided to the Project Companies by Congolone Heavy Minerals Limited. At the year end the amount due to Congolone Heavy Minerals Limited from the Project Companies was US$681.3 million (2013: US$639.7 million).

Under the terms of a management services agreement with the Company, management services costing US$7.6 million (2013: US$6.6 million) were provided during the year to the Project Companies.

As detailed in Note 17, on 16 October 2013, 250,300,000 new ordinary shares were issued at a price of Stg26.5p by the Company by way of a placing. Participants in the placing were also issued with warrants on the basis of one warrant to subscribe for one share in the Company for every five new ordinary shares subscribed for under the placing. The warrants, which are not listed or admitted to trading and which have limited transferability rights, have an exercise price of Stg29.09p and an exercise period of five years, commencing thirteen months after the date of issue. M&G Group Limited (a wholly-owned subsidiary of Prudential plc), together with M&G Limited, M&G Investment Management Limited and M&G Securities Limited (each a wholly owned subsidiary of M&G Limited), together "M&G", is the Company's largest shareholder which before the placing held approximately 20% of the issued ordinary share capital of the Company. M&G participated in the placing of new ordinary shares on a pro rata basis, maintaining its percentage interest in the enlarged issued share capital. M&G also received warrants under the placing on the same basis as all of the participants. The total consideration paid by M&G in respect of its participation in the placing (excluding any further consideration arising on the future exercise of warrants) was Stg£13.3 million. Having regard to its status as a substantial shareholder, M&G was and is considered to be a related party of the Company under paragraph 11.1.4A of the UKLA Listing Rules. Accordingly, the participation by M&G in the placing represented a related party transaction. However this transaction was classified under the relevant class tests required under the UKLA Listing Rules as a smaller related party transaction (less than 5%). Accordingly, no independent shareholder approval was required and the requirements under the UKLA Listing Rules were to inform the UKLA in writing of the proposed transaction, to provide the UKLA with written confirmation from the Company's sponsor that the terms of the transaction or arrangement with the related party are fair and reasonable as far as the shareholders of the Company are concerned and to include details of the transaction in the Company's next published accounts, including the identity of the related party, the value of the consideration for the transaction and all other relevant circumstances. The disclosure, in Note 33 in the 2013 Annual Report addressed this obligation.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2014
CONTINUED

34. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

On 29 January 2015, the Company, Congolone Heavy Minerals Limited and the Project Companies entered into an amendment to the Project Loans. This amendment extended the date for delivery of a budget for 2015 as set out in the July 2014 Amendment by one month to 28 February 2015. This was extended to 30 April 2015 by way of a series of amendments and the requirement was waived by the April 2015 Amendment.

A further amendment to the terms of the Project Loans was agreed with Project Lenders on 29 April 2015 which will provide: a new money commitment (the "Super Senior Facility") of up to US$50 million (US$30 million for working capital purposes and US$20 million to fund, if required, certain disputed liabilities subject to arbitration); extension of the final maturity of existing facilities; reduction in scheduled principal payments on the Senior Debt; elimination of scheduled interest and principal payments on Subordinated Debt; novating and restating the Absa Corporate Facility as a Subordinated Debt obligation of the Project Companies and extending the final maturity from 31 March 2016 to 1 August 2021; repayment of Super Senior Facility principal, Senior Debt principal and Subordinated Debt interest and principal (including interest and principal on the novated Absa Facility) by means of a cash sweep dependent on the Group's consolidated cash position on each Payment Date commencing 1 August 2016. The effectiveness of these amendments is subject to a number of conditions precedent which the Directors are satisfied will be met in due course. As a result, in certain circumstances, the Group is required to have completed a deleveraging in an amount acceptable to Project Lenders by 30 September 2015, and in certain other circumstances, the Group is required to file for Project Lender approval a budget for 2016 by 31 January 2016 which includes a plan and timetable for a material deleveraging satisfactory to Project Lenders. The Directors are satisfied that such a plan can be agreed with Project Lenders.

35. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board on 29 April 2015.

Shareholder Profile

BASED ON THE REGISTER AS AT 22 APRIL 2015

SIZE OF HOLDINGS	No. of Shareholders	No. of Shares Held
1 - 1,000	1,004	679,866
1,001 - 5,000	2,028	5,759,038
5,001 - 25,000	1,774	21,302,746
25,001 - 100,000	659	33,432,200
100,001 - 250,000	165	26,616,694
250,001 - 500,000	69	24,917,457
500,001 - 750,000	36	21,791,744
over 750,000	180	2,647,405,758
Total	5,915	2,781,905,503

GEOGRAPHIC DISTRIBUTION OF HOLDINGS	No. of Shareholders	No. of Shares Held
Republic of Ireland	2,212	85,418,177
Northern Ireland & Great Britain	3,589	2,663,436,026
Other	114	33,051,300
Total	5,915	2,781,905,503

General Information

SECRETARY AND REGISTERED OFFICE

Deirdre Corcoran
Kenmare Resources plc
Chatham House
Chatham Street
Dublin 2.

REGISTERED NUMBER

37550

AUDITORS

Deloitte & Touche
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House
Earlsfort Terrace
Dublin 2.

SOLICITORS

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

BANKERS

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

AIB Bank plc
87 North Strand
Dublin 3.

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

STOCKBROKERS

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

Davy
Davy House
49 Dawson Street
Dublin 2.

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

Mirabaud Securities
33 Grosvenor Place
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REGISTRAR

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

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Lubumbashi
Mzuzu
Ndola
Lichinga
Pemba
Chipata
MALAWI
ZAMBIA
Lilongwe
Kabwe
Nacala
Nampula
Lusaka
Blantyre
Tete
Moma
Chinhoyi
Mazowe
Harare
Quelimane
Marondera
ZIMBABWE
Mutare
Chimoio
Gweru
Bulawayo
Masvingo
Beira
Gwanda
I N D I A N
O C E A N
Pietersburg
Inhambane
SOUTH AFRICA
Xai-Xai
Nelspruit
Maputo
Mbabane
SWAZILAND

MOZAMBIQUE

0 km 100 200 300 400 km

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