

KENMARE

Half Yearly Financial Report
for the period ended 30 June 2014



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Overview

Record production of finished products in H1 2014, with further production growth expected in H2 2014

Cash production cost per tonne of finished products reduced by 14% from H1 2013

Heavy Mineral Concentrate production up 26% on H1 2013 to 604,200 tonnes

EBITDA of US\$2.3million (H1 2013: US\$18.9 million)

Ilmenite production up 47% on H1 2013 to 445,600 tonnes, zircon production up 12% to 21,400 tonnes

Net loss of US\$31.8 million (H1 2013: net loss US\$10.2 million)

Average realised prices in H1 2014 have declined 23% for ilmenite and 7% for primary zircon from H1 2013 as markets remain subdued

Debt repayment schedule amended providing greater financing flexibility

Total shipments of finished product up 36% on H1 2013 to 399,000 tonnes

The diesel-powered electricity generating plant is now installed and has been successfully tested

Revenues of US\$81.2 million (H1 2013: US\$79.3 million)

Interim Management Report

OVERVIEW

Kenmare recorded an operating loss for the first half of 2014 of US\$17.9 million (H1 2013: profit US\$6.9 million) and EBITDA of US\$2.3 million (H1 2013: US\$18.9 million).

Production volumes of Heavy Mineral Concentrate ("HMC") and ilmenite increased by 26% and 47% respectively on the same period last year. Despite a reduction in operating costs per tonne of finished products, the higher volume produced has increased total operating costs. Due to a reduction in prices and sales mix (as a result of lower zircon sales), revenue has only increased marginally to US\$81.2 million (H1 2013: US\$79.3 million), consequently reducing EBITDA.

Management has been conducting an in-depth review of operating costs and has instigated a cost reduction programme. This has realised an absolute cost reduction in the first half of 2014 in comparison to budget. Together with higher production volumes, this has contributed to a 14% decline in operating costs per tonne of final products produced in H1 2014, compared to H1 2013. We expect that further cost saving initiatives and increasing production, will further reduce unit operating costs.

During the period, Justin Loasby retired from the Board due to ill health. Steven McTiernan, previously a Non-Executive Director of Kenmare, has taken on the role of Non-Executive Chairman.

OPERATIONS

Production	H1 2014 (tonnes)	H1 2013 (tonnes)	Change %
HMC	604,200	480,000	26%
Ilmenite	445,600	302,600	47%
Zircon*	21,400	19,100	12%
Rutile	2,800	1,900	47%
Total finished product production	469,800	323,600	45%

* Includes 3,100 tonnes secondary zircon product (H1 2013: 7,400 tonnes)

Shipments	H1 2014 (tonnes)	H1 2013 (tonnes)	Change %
Product Shipped	399,000	294,100	36%

Production is consistent with operational updates given in the course of the year. Production of HMC in H1 2014 was up 26% on H1 2013. The increase was achieved due to the additional output from the second Wet Concentrator Plant ("WCP B"), despite January and February being very difficult months for operations due to frequent and prolonged power supply disruptions.

A 7.5MW diesel-powered electricity generating plant rented from Aggreko, is now installed at the Mine and has been successfully tested. This plant is expected to operate full time during the Southern Hemisphere summer months of December, January and February to supply

stable power to the Mineral Separation Plant ("MSP") when power supplied by Electricidade de Moçambique ("EdM"), the state owned utility, is most unstable, and will be on standby at other times. We continue to work closely with EdM to ensure that the long term planning of grid development in Mozambique is strong enough to meet Kenmare's energy requirements in the medium to long term.

There was a 47% increase in ilmenite production and a 12% increase in zircon from H1 2013 to H1 2014. The benefit of the expanded facilities was offset to an extent by significant downtime in April and May, when upgrades to the non-magnetic circuits to boost zircon and rutile recoveries were carried out. The upgrade work had a positive effect, with total zircon production increasing to 5,400 tonnes in June. Zircon production is expected to continue improving through enhanced recovery levels.

The Mine shipped 399,000 tonnes of product in H1 2014 compared with 294,100 tonnes in H1 2013. As previously announced, closing stock of finished products increased during the six months from 107,100 to 177,900 tonnes at 30 June 2014, reflecting slower market conditions. Ilmenite sales volumes increased by 110,500 tonnes from H1 2013 to H1 2014, while zircon and rutile sales volumes decreased by 5,600 tonnes. Zircon stock levels in H1 2014 were lower than usual as a result of weaker production in late H2 2013 and early H1 2014.

MARKET

The recovery in demand for titanium pigment continues to be gradual. Some of the major pigment producers have recently reported stronger demand conditions in the mature markets of North America and Europe and a reduction of inventories to more normal seasonal levels. This normalisation of pigment inventories is seen in the industry as a precursor to pigment plant operating rates returning to higher levels, which in turn will lead to increased demand for titanium feedstock.

Chinese domestic pigment demand has been lacklustre throughout 2014, and certainly not close to the high growth rates seen in the past, as economic activity around the construction sector has been dampened by economic policy changes and reduced availability of capital for investment in housing. Pigment plant overcapacity and slower domestic growth conditions continue to put pressure on larger Chinese producers to seek sales opportunities in export markets at very competitive prices. This is frustrating efforts by Western producers to increase pigment prices despite the stronger demand environment and inventory reduction.

The gradual improvement in pigment demand has yet to be translated into any meaningful improvement in demand for titanium feedstocks. While the destocking phase by the pigment industry is close to completion and some pigment plants have increased operating rates, there continues to be sufficient feedstock availability as inventory on hand is drawn down. This is despite curtailed supply of feedstock by some major suppliers and has led to further price weakness for feedstocks over the course of 2014, most notably for sulphate ilmenite. Ilmenite prices are now at a level where many producers are losing money and some producers are responding by cutting production.

Interim Management Report continued

In summary, looking beyond the short term horizon, Kenmare concurs with the general industry consensus that the ongoing recovery in the pigment market will gather momentum in 2015 and 2016, resulting in improved pigment plant operating rates and leading to stronger feedstock demand.

Demand conditions in the zircon market in the first half of 2014 were broadly similar to the second half of 2013 with gradually improving conditions seen in North America, China and parts of South America. The recovery in Europe is more gradual and is being driven principally by improved demand from the export markets in the Middle East and South America. Chinese demand conditions for the second half of 2014 remain unclear at the present time as tile production is suffering from overcapacity issues and a slower construction sector.

There was some moderate price weakness for zircon over the first half of 2014 but pricing has stabilised in recent months as the larger producers seek to implement some price increases in the Chinese market. The larger producers also continue to moderate production which has resulted in a significant drawdown of zircon inventories. Demand for Moma zircon was strong throughout the first half of the year and this has continued into the third quarter. We appreciate the support of our customers and expect to continue to sell all of our zircon production.

FINANCIAL REVIEW FOR THE SIX MONTHS ENDED 30 JUNE 2014

Revenues for the period were broadly flat at US\$81.2 million (H1 2013: US\$79.3 million), despite the 36% increase of tonnes sold to 399,000 tonnes (H1 2013: 294,100 tonnes) of ilmenite, zircon and rutile. The flat revenues were due to lower prices as weak market conditions prevailing during the first half of the year.

Total operating costs, consisting of cost of sales and other operating costs, amounted to US\$99.1 million (H1 2013: US\$72.4 million), including depreciation and amortisation of US\$20.1 million (H1 2013: US\$12.0 million). The increase in operating costs is a result of the higher cost base of the expanded facilities, together with the increased shipment volumes in H1 2014 over H1 2013. The expanded facilities have been depreciated from 1 January 2014. The increase in the depreciable cost base coupled with increased production has resulted in an increase in the depreciation charge for the period to US\$20.1 million from US\$12.0 million in 2013. Included in other operating costs are freight, demurrage and distribution costs of US\$10.9 million (H1 2013: US\$7.0 million), administration costs of US\$3.0 million (H1 2013: US\$1.8 million), arbitration costs of US\$0.6m (H1 2013: nil) and a share-based payment expense of US\$1.7 million (H1 2013: US\$1.4 million).

Adjusting total operating costs for depreciation of US\$20.1 million (H1 2013: US\$12.0 million), total Group share-based payments of US\$1.7 million (H1 2013: US\$1.5 million), freight reimbursable by customers of US\$4.2 million (H1 2013: US\$1.6 million) and the increase in mineral product inventory for the period of US\$10.0 million (H1 2013: US\$9.3 million), the cash production cost for the period amounted to US\$83.1 million (H1 2013: US\$66.6 million). This represents a 14% reduction in the cash production cost per tonne of final product produced of US\$177/tonne.

The gross loss for the period was US\$1.6 million (H1 2013: profit US\$17.0 million) and the operating loss was US\$17.9 million (H1 2013: profit US\$6.9 million). The decreases in gross profit and operating profit resulted from lower average prices.

Earnings before interest, tax, depreciation and amortisation (EBITDA) for the period amounted to US\$2.3 million (H1 2013: US\$18.9 million).

Net finance costs amounted to US\$16.3 million (H1 2013: US\$17.5 million) and the Group reported a foreign exchange gain of US\$2.0 million (H1 2013: US\$1.4 million), mainly based upon retranslation of Euro-denominated loans. The Group is reporting a net loss after tax of US\$31.8 million for the period (H1 2013: loss US\$10.2 million).

During the period, additions to property, plant and equipment were US\$5.1 million (2013: US\$103.9 million).

Inventory at the period end amounted to US\$53.2 million (2013: US\$44.2 million), consisting of intermediate and final mineral products of US\$34.6 million (2013: US\$24.6 million) and consumables and spares of US\$18.6 million (2013: US\$19.6 million). Closing stock of finished products at 30 June 2014 was 177,900 tonnes (2013: 107,100 tonnes). The increase in mineral product inventories from 2013 is due to higher volumes at the period end. Trade and other receivables amounted to US\$17.5 million (2013: US\$19.2 million), of which US\$14.5 million (2013: US\$18.1 million) are trade receivables from the sale of mineral products and US\$3.0 million (2013: US\$1.1 million) is comprised of prepayments and other miscellaneous debtors. During the period there were sales of US\$81.2 million and receipts of US\$84.8 million resulting in the reduction in trade receivables. Included in trade and other payables of US\$47.3 million (2013: US\$48.5 million) is US\$20.4 million (2013: US\$20.2 million) relating to expansion capital additions. Of this US\$20.4 million, US\$19.4 million is disputed by Kenmare.

Bank loans, comprising the Moma project loans and the corporate bank loan, amounted to US\$349.6 million (2013: US\$355.2 million) at the end of the period. During the period loan interest and principal of US\$16.7 million (2013: US\$39.9 million) was paid, interest of US\$15.8 million (2013: US\$30.0 million) accrued, and the Euro-denominated loans decreased by US\$1.7 million (2013: increase US\$7.5 million) as a result of the US Dollar strengthening against the Euro. Loan amendment fees of US\$4.1 million were incurred (2013: US\$8.3 million) and US\$1.1 million loan amendment fees amortised (2013: US\$1.5 million). The average interest rate on the Group loans at the period end was 9.2% (2013: 8.7%)

Included in loan amounts due within one year is US\$175.3 million (2013: US\$157.8 million) in relation to subordinated loans. Under the previous terms of the Project Loans, if cash is 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.

An amendment to the terms of the Moma 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.

Interim Management Report continued

A further amendment to the terms of the Moma 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 are also required to deliver a budget for 2015 by 31 January that is required to show no cash shortfalls and to be approved by the lenders, acting reasonably, failing which an Event of Default will ensue.

Pursuant to the July 2014 amendment to the Absa corporate loan, the maturity of Absa's US\$20 million corporate loan has been extended and will now mature on 31 March 2016. Details of these amendments are set out in Note 7.

Cash and cash equivalents as at 30 June 2014 amounted to US\$37.3 million (2013: US\$67.5 million).

HEALTH, SAFETY AND COMMUNITY

The Lost Time Injury Frequency Rate ("LTIFR") was 0.97 for the twelve months to 30 June 2014, a deterioration from the LTIFR of 0.35 for the twelve months to 30 June 2013. Kenmare remains committed to providing a safe and healthy work environment for its employees, contractors and visitors. Kenmare has responded to the deterioration in safety performance by increasing the focus on improving safety behaviour, recognition of safety risks, improved incident investigation and improved training. This renewed campaign has shown signs of safety improvements; in Q2 2014 there was a 63% reduction in total injuries from Q2 2013.

The Kenmare Moma Development Association (KMAD) continued to support local communities during the period through its economic, social and infrastructure projects.

OUTLOOK

Moma is a long life, low cost operation that supplies ~8% of global titanium feedstock demand. Following a long period of investment in the facilities at Moma, the Mine is set to deliver further production increases in the second half of 2014. Titanium feedstocks remain important to the functioning and development of the global economy. Despite the currently challenging pricing environment, the long term outlook for Moma remains strong due to the favourable cost position of the mine and the positive outlook for titanium dioxide in the medium to long term.

In line with the previously stated strategy, Kenmare will continue to focus on increasing production, controlling costs and maintaining liquidity. Additional contract volumes have been put in place with existing and new customers. Given the largely fixed cost base and continued progress that management has made in executing operating and sustaining capital cost savings, the increase in production will further drive down the unit operating costs. When the market strengthens and delivers improvements in price, increased production is expected to generate significant free cash flow from operations.

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 which have remained unchanged since the year end that could have a material effect on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected results. These risks are outlined below.

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, whether 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. High prices for zircon resulted in some thrifting and substitution of zircon in ceramic tile production, although lower zircon prices are reversing some of the thrifting and substitution. 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 or are expected to commence 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.

Interim Management Report continued

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 reputation and the costs of its operations for an indeterminate period.

The Mine requires reliable roads, ports, 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 Moma Mine from the Nampula substation and has experienced episodes of power 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. 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 instability, which could adversely affect production. If either the power station at Cahora Basa or the power transmission line to the Moma 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 7.5MW diesel-powered electricity generating plant should ensure continuous operation of the MSP so long as the HMC stockpile is not exhausted). Loss of production could reduce cash flow, may effect 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 amount of shipments. Extreme weather conditions or accident could result in damage to the marine terminal, rendering the Mine unable to ship its products pending repair. In these situations, the Mine may be unable to meet its commitments to customers to a lesser or greater degree, resulting in 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.

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 and refinancing risks

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. 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 would result in an event of default. Details of loan amendments during the period are set out in Note 7 and include a requirement to deliver a budget for 2015 by 31 January that is required to show no cash shortfalls and to be approved by the lenders, acting reasonably, failing which an event of default will ensue.

Currency risks

The Group's corporate and Moma project loans are denominated in US Dollars and Euro. At 30 June 2014, the loan balance comprised US\$153.0 million denominated in US Dollars and US\$196.6 million denominated in Euro. The outstanding loans are due to be repaid in instalments between 2014 and 2019. All the Group's sales are denominated in US Dollars. Euro-denominated loans expose the Group to currency fluctuations which are realised on payment of interest and principal on Euro-denominated loans.

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

Group operating and capital costs are denominated in US Dollars, South African Rand, Mozambican Metical, Euro, Sterling, 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 30 June 2014, 64% of the Group's debt (US\$224.0 million) was at fixed interest rates and 36% (US\$125.6 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

Interim Management Report continued

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 would affect the Group's reputation, and the costs and viability of its operations for an indeterminate period. The Group's operations worked 2.0 million hours in the six months to 30 June 2014 (H1 2013: 4.4 million hours), with 8 lost-time injuries to employees and contractors (H1 2013: 7 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.

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 large and/or 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 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.

Interim Management Report continued

RELATED PARTY TRANSACTIONS

There have been no material changes in the related party transactions affecting the financial position or the performance of the Group in the period other than those disclosed in Note 10.

GOING CONCERN

As stated in Note 1 to the condensed consolidated financial statements, based on the Group's forecasts and projections the Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than twelve months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the condensed consolidated financial statements.

EVENTS AFTER THE BALANCE SHEET DATE

On 31 July 2014, the Group entered into an amendment to the Moma project loan agreements with the project lenders and an amendment to the Absa corporate loan with Absa Bank Limited as detailed in Note 7.

FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

On behalf of the Board,

Managing Director
Michael Carvill

Financial Director
Tony McCluskey

26 August 2014

26 August 2014

Responsibility Statement

The Directors are responsible for preparation of the Half Yearly Financial Report in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, the Transparency Rules of the Central Bank of Ireland, and with IAS 34, Interim Financial Reporting as adopted by the European Union. The Directors of Kenmare Resources plc are as listed in the Group's 2013 Annual Report and Accounts. A list of the current Directors is maintained on the Kenmare Resources plc website: www.kenmareresources.com

The Directors confirm that, to the best of their knowledge:

- The Group condensed consolidated financial statements for the half year ended 30 June 2014 have been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the European Union;
- The Interim Management Report includes a fair review of the information required by Regulation 8(2) of the Transparency (Directive 2004/109/EC) Regulations 2007, being an indication of important events that have occurred during the first six months of the financial year and their effect on the condensed consolidated financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
- The Interim Management Report includes a fair review of the information required by Regulation 8(3) of the Transparency (Directive 2004/109/EC) Regulations 2007, being related party transactions that have taken place in the first six months of the current financial year and that materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

On behalf of the Board,

Managing Director
Michael Carvill

Financial Director
Tony McCluskey

26 August 2014

26 August 2014

Independent Review Report to the Members of Kenmare Resources plc

INTRODUCTION

We have been engaged by the Company to review the group condensed consolidated set of financial statements in the Half-Yearly Financial Report for the six months ended 30 June 2014 which comprises the Group Condensed Consolidated Statement of Comprehensive Income, the Group Condensed Consolidated Statement of Financial Position, the Group Condensed Consolidated Statement of Changes in Equity, the Group Condensed Consolidated Statement of Cashflows and related notes 1 to 13. We have read the other information contained in the Half-Yearly Financial Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the group condensed consolidated set of financial statements.

This report is made solely to the Company's members, as a body, in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our 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 independent review 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 review work, for this report, or for the conclusions we have formed.

DIRECTORS' RESPONSIBILITIES

The Half-Yearly Financial Report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Half-Yearly Financial Report in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Central Bank of Ireland.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The group condensed consolidated set of financial statements included in this Half-Yearly Financial Report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting,' as adopted by the European Union.

OUR RESPONSIBILITY

Our responsibility is to express to the Company a conclusion on the condensed consolidated set of financial statements in the Half-Yearly Financial Report based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in Ireland. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the group condensed consolidated set of financial statements in the Half-Yearly Financial Report for the six months ended 30 June 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34 (IAS 34 –Interim Financial Reporting) as adopted by the European Union, the Transparency (Directive 2004/109/EC) Regulations 2007, and the Transparency Rules of the Central Bank of Ireland.

Emphasis of Matter – Going Concern and Recoverability of Property, Plant and Equipment

In forming our conclusion on the condensed consolidated financial statements for the six months ended 30 June 2014, which is not modified, we have considered the adequacy of the disclosures made in note 1 of the group condensed financial statements concerning going concern and in note 5 concerning the recoverability of Property, Plant and Equipment of US\$952 million all of which are dependent on the successful operation of the Mine, the achievement of sales projections and the realisation of the underlying cashflow forecast assumptions. The group condensed financial statements do not include any adjustments relating to these uncertainties and the ultimate outcome cannot at present be determined.

Kevin Sheehan
Deloitte & Touche
Chartered Accountants
Dublin

26 August 2014

Group Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2014

		Unaudited 6 Months 30 June 2014 US\$'000	Unaudited 6 Months 30 June 2013 US\$'000	Audited 12 Months 31 Dec 2013 US\$'000
	Notes			
Revenue	2	81,222	79,273	137,868
Cost of sales		(82,842)	(62,245)	(113,733)
Gross (loss)/profit		(1,620)	17,028	24,135
Other operating costs		(16,231)	(10,152)	(19,474)
Operating (loss)/profit		(17,851)	6,876	4,661
Finance income		119	210	299
Finance costs		(16,393)	(17,689)	(40,535)
Foreign exchange gain/(loss)		2,031	1,370	(6,512)
Loss before tax		(32,094)	(9,233)	(42,087)
Income tax credit/(charge)		306	(993)	(2,033)
Loss for the period/year		(31,788)	(10,226)	(44,120)
Attributable to equity holders		(31,788)	(10,226)	(44,120)
		Cent per share	Cent per share	Cent per share
Loss per share: basic	4	(1.14c)	(0.40c)	(1.71c)
Loss per share: diluted	4	(1.14c)	(0.40c)	(1.71c)

The accompanying notes form part of these condensed consolidated financial statements.

Group Condensed Consolidated Statement of Financial Position

as at 30 June 2014

	Notes	Unaudited 30 June 2014 US\$'000	Unaudited 30 June 2013 US\$'000	Audited 31 Dec 2013 US\$'000
Assets				
Non-current assets				
Property, plant and equipment	5	952,072	962,919	967,110
Deferred tax asset		449	1,182	143
		952,521	964,101	967,253
Current assets				
Inventories		53,171	34,212	44,196
Trade and other receivables		17,503	20,209	19,241
Cash and cash equivalents		37,271	31,008	67,546
		107,945	85,429	130,983
Total assets		1,060,466	1,049,530	1,098,236
Equity				
Capital and reserves attributable to the Company's equity holders				
Called-up share capital	6	225,523	205,205	225,523
Share premium		431,380	349,861	431,380
Retained (losses)/earnings		(46,026)	19,652	(14,238)
Other reserves		23,291	22,357	21,547
Total equity		634,168	597,075	664,212
Liabilities				
Non-current liabilities				
Bank loans	7	115,278	145,537	157,377
Obligations under finance lease		1,023	1,341	1,158
Provisions	8	22,429	22,840	22,423
		138,730	169,718	180,958
Current liabilities				
Bank loans	7	234,354	212,982	197,802
Obligations under finance lease		318	318	350
Provisions	8	708	276	548
Other financial liability		4,943	-	5,851
Trade and other payables		47,245	69,161	48,515
		287,568	282,737	253,066
Total liabilities		426,298	452,455	434,024
Total equity and liabilities		1,060,466	1,049,530	1,098,236

The accompanying notes form part of these condensed consolidated financial statements.

Group Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2014

	Called-Up Share Capital	Share Premium	Capital Conversion Reserve Fund	Retained Earnings /(Losses)	Share Option 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 period	-	-	-	(10,226)	-	(10,226)
Share based payments	-	-	-	77	1,509	1,586
Issue of share capital	37	81	-	-	-	118
Balance at 30 June 2013	205,205	349,861	754	19,652	21,603	597,075
Loss for the period	-	-	-	(33,894)	-	(33,894)
Share based payments	-	-	-	4	(810)	(806)
Issue of share capital	20,318	81,519	-	-	-	101,837
Balance at 31 December 2013	225,523	431,380	754	(14,238)	20,793	664,212
Loss for the period	-	-	-	(31,788)	-	(31,788)
Share based payments	-	-	-	-	1,744	1,744
Balance at 30 June 2014	225,523	431,380	754	(46,026)	22,537	634,168

The accompanying notes form part of these condensed consolidated financial statements.

Group Condensed Consolidated Statement of Cashflows

for the six months ended 30 June 2014

	Unaudited 6 Months 30 June 2014 US\$'000	Unaudited 6 Months 30 June 2013 US\$'000	Audited 12 Months 31 Dec 2013 US\$'000
Cash flows from operating activities			
Loss for the period/year	(32,094)	(9,233)	(42,087)
Adjustment for:			
Foreign exchange movement	(2,031)	(1,370)	6,512
Share-based payments	1,744	1,547	551
Finance income	(119)	(210)	(299)
Finance costs	17,301	14,827	31,268
Depreciation	20,109	11,995	24,344
(Decrease)/increase in other financial liability	(908)	-	5,851
(Decrease)/increase in provisions	(112)	204	(199)
Operating cash inflow	3,890	17,760	25,941
Increase in inventories	(8,975)	(11,790)	(21,774)
Decrease in trade and other receivables	1,738	15,537	16,505
(Decrease)/increase in trade and other payables	(1,445)	3,605	(12,064)
Cash generated by operations	(4,792)	25,112	8,608
Interest received	119	210	299
Interest paid	(3,661)	(3,482)	(7,549)
Net cash (used in)/from operating activities	(8,334)	21,840	1,358
Cash flows from investing activities			
Additions to property, plant and equipment	(5,071)	(61,405)	(82,661)
Net cash used in investing activities	(5,071)	(61,405)	(82,661)
Cash flows from/(used in) financing activities			
Proceeds on the issue of shares	-	119	106,058
Expenses on the issue of shares	-	-	(4,103)
Repayment of borrowings	(13,001)	(12,985)	(32,395)
(Decrease)/increase in borrowings	(4,106)	39,198	32,713
Payment of obligations under finance leases	(280)	(280)	(560)
Net cash (used in)/from financing activities	(17,387)	26,052	101,713
Net (decrease)/increase in cash and cash equivalents	(30,792)	(13,513)	20,410
Cash and cash equivalents at the beginning of period/year	67,546	46,067	46,067
Effect of exchange rate changes on cash and cash equivalents	517	(1,546)	1,069
Cash and cash equivalents at end of period/year	37,271	31,008	67,546

The accompanying notes form part of these condensed consolidated financial statements.

Notes to the Group Condensed Consolidated Financial Statements

for the period ended 30 June 2014

1. BASIS OF PREPARATION AND GOING CONCERN

The annual financial statements of Kenmare Resources plc are prepared in accordance with IFRSs as adopted by the European Union. The Group Condensed Consolidated Financial Statements for the six months ended 30 June 2014 have been prepared in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, the Transparency Rules of the Central Bank of Ireland and with IAS 34 'Interim Financial Reporting', as adopted by the European Union.

The accounting policies and methods of computation adopted in the preparation of the Group Condensed Consolidated Financial Statements are the same as those applied in the Annual Report for the financial year ended 31 December 2013 and are described in the Annual Report.

In the current financial year, the Group has adopted all Standards and Interpretations which are effective from 1 January 2014. Adoption has resulted in no effect on the financial statements.

The financial information presented in this document does not constitute statutory financial statements. The amounts presented in the Half Yearly Financial Statements for the six months ended 30 June 2014 and the corresponding amounts for the six months ended 30 June 2013 have been reviewed but not audited. The independent auditors' review report is on pages 14 and 15. The financial information for the year ended 31 December 2013, presented herein, is an abbreviated version of the annual financial statements for the Group in respect of the year ended 31 December 2013. The Group's financial statements have been filed in the Companies Registration Office and the independent auditors issued an unqualified audit report, with an emphasis of matter in the opinion, in respect of those annual financial statements.

There were no other gains or losses during the six months period ended 30 June 2014 other than those reported in the Condensed Consolidated Statement of Comprehensive Income.

Based on the Group's forecast, the Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than twelve months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the condensed consolidated financial statements.

Key assumptions upon which the forecast is based include a mine plan covering production using the Namalope and Nataka proved and probable reserves as set out in the 2013 Annual Report and Accounts. At date of this report the Company has not revised its Reserve-Resource Table. Another key assumption is forecast sales and the forecast also reflects a revised debt repayment profile for the Moma project loans and Absa loan reflecting the amendments entered into on 14 February 2014 and 31 July 2014 as set out in Note 7.

Average annual production levels are approximately 1.0 million tonnes of ilmenite per annum plus co-products, zircon and rutile over the life of the mine to 2035. The Company has a plan, reflected in the forecast, to increase production of HMC both in the near term and as grades decline during the later years of the mine life in order to keep the MSP operating at or close to full design capacity of 1.2 million tonnes of ilmenite per annum plus co-products, zircon and rutile through 2029.

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. The forecast assumes that product markets recover from the subdued levels experienced during the first half of 2014 and that Kenmare will sell increasing volumes of all products. Operating and capital costs are based on approved budget costs for 2014, and for subsequent periods are generally based on 2014 budget costs with appropriate adjustments, including escalation at 2% per annum and capital and operating costs required to implement the plan referred to in the previous paragraph.

2. SEGMENTAL INFORMATION

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

	Unaudited 30 June 14 US\$'000	Unaudited 30 June 13 US\$'000	Audited 31 Dec 13 US\$'000
Segment revenues and results			
Moma Titanium Minerals Mine			
Revenue	81,222	79,273	137,868
Cost of sales	(82,842)	(62,245)	(113,733)
Gross (loss)/profit	(1,620)	17,028	24,135
Other operating costs	(11,922)	(7,502)	(16,062)
Segment operating (loss)/ profit	(13,542)	9,526	8,073
Central operating costs	(4,309)	(2,650)	(3,412)
Group operating (loss)/profit	(17,851)	6,876	4,661
Finance income	119	210	299
Finance expense	(16,393)	(17,689)	(40,535)
Foreign exchange gain/(loss)	2,031	1,370	(6,512)
Loss before tax	(32,094)	(9,233)	(42,087)
Income tax credit/(charge)	306	(993)	(2,033)
Loss for the period/year	(31,788)	(10,226)	(44,120)
Segment assets			
Moma Titanium Minerals Mine assets	1,020,590	1,024,224	1,028,039
Corporate assets	39,876	25,306	70,197
Total assets	1,060,466	1,049,530	1,098,236

Notes to the Group Condensed Consolidated Financial Statements

continued

3. SEASONALITY OF SALE OF MINERAL PRODUCTS

Sales of the Group's mineral products are not seasonal in nature.

4. LOSS PER SHARE

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

	Unaudited 30 June 14 US\$'000	Unaudited 30 June 13 US\$'000	Audited 31 Dec 13 US\$'000
Loss for the period/year attributable to equity holders of the Company	(31,788)	(10,226)	(44,120)

	Unaudited 30 June 14 Number of Shares	Unaudited 30 June 13 Number of Shares	Audited 31 Dec 13 Number of Shares
Weighted average number of issued ordinary shares for the purposes of basic loss per share	2,781,905,503	2,531,367,056	2,583,605,457
Effect of dilutive potential ordinary shares			
Share options and warrants	-	-	-

Weighted average number of ordinary shares for the purpose of diluted loss per share	2,781,905,503	2,531,367,056	2,583,605,457
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	Cent per share	Cent per share	Cent per share
Loss per share: basic	(1.14c)	(0.40c)	(1.71c)
Loss per share: diluted	(1.14c)	(0.40c)	(1.71c)

For the six months ended 30 June 2014, the basic loss per share and the diluted loss per share are the same, as the effect of the outstanding share options is anti-dilutive.

5. PROPERTY, PLANT AND EQUIPMENT

	Plant & Equipment US\$'000	Other Assets US\$'000	Construction In Progress US\$'000	Development Expenditure US\$'000	Total US\$'000
Cost					
Balance at 1 January 2013	356,307	29,963	345,748	249,984	982,002
Transfer to consumable spare inventory	-	-	(3,471)	-	(3,471)
Transfer from construction in progress	15,573	2,118	(17,691)	-	-
Additions during the period	14,833	-	76,039	-	90,872
Balance at 30 June 2013	386,713	32,081	400,625	249,984	1,069,403
Transfer from construction in progress	404,324	178	(404,502)	-	-
Additions during the period	-	259	18,072	-	18,331
Adjustments during the period	(1,791)	-	-	-	(1,791)
Balance at 31 December 2013	789,246	32,518	14,195	249,984	1,085,943
Transfer from construction in progress	4,526	1,468	(5,994)	-	-
Additions during the period	141	-	4,930	-	5,071
Adjustments during the period	(18,730)	18,730	-	-	-
Balance at 30 June 2014	775,183	52,716	13,131	249,984	1,091,014
Accumulated Depreciation					
Balance at 1 January 2013	56,127	12,997	-	25,365	94,489
Charge for the period	6,399	2,081	-	3,515	11,995
Balance at 30 June 2013	62,526	15,078	-	28,880	106,484
Charge for the period	6,757	2,009	-	3,583	12,349
Balance at 31 December 2013	69,283	17,087	-	32,463	118,833
Charge for the period	13,407	2,818	-	3,884	20,109
Balance at 30 June 2014	82,690	19,905	-	36,347	138,942
Carrying Amount					
Balance at 30 June 2014	692,493	32,811	13,131	213,637	952,072
Balance at 30 June 2013	324,187	17,003	400,625	221,104	962,919
Balance at 31 December 2013	719,963	15,431	14,195	217,521	967,110

During the period the Group carried out an impairment review of property, plant and equipment. The cash generating unit for the purpose of impairment testing is the Moma Titanium Minerals Mine as this is the operating segment of the Group. The basis on which the recoverable amount of the Moma Titanium Minerals Mine is assessed is its value-in-use. The 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 pre-finance cash flows discounted at 10%.

Notes to the Group Condensed Consolidated Financial Statements

continued

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Key assumptions include the following:

- A mine plan based on the Namalope and Nataka proved and probable reserves as set out in the 2013 Annual Report and Accounts. At date of this report the Company has not revised its Reserve-Resource Table.
- Average annual production of approximately 1.0 million tonnes of ilmenite plus co-products, zircon and rutile over the life of the mine to 2035. The Company has a plan, reflected in such forecast, to increase production of HMC both in the near term and as grades decline during the later years of the mine life in order to keep the MSP at or close to full capacity of 1.2 million tonnes of ilmenite per annum plus co-products, zircon and rutile through 2029.
- Product sales prices are based on contract prices as stipulated in marketing agreements with customers, or where contracts are based on market prices or production is not presently contracted, prices as forecast by Kenmare taking into account independent titanium mineral sands expertise and management expectations. The average product sales price real terms growth rate assumed over the mine life from 2014 to 2035 is 2.3% per annum.
- Operating and capital costs are based on approved budget costs for 2014, and for subsequent periods are generally based on 2014 budget costs with appropriate adjustments, including escalation at 2% per annum and capital and operating costs required to implement the plan referred to in the second bullet point above.

As a result of this review no impairment provision is required. The discount rate is the significant factor in determining the recoverable amount and a 1% change in the discount rate results in an 8% change in the recoverable amount.

Substantially all the property, plant and equipment is or will be mortgaged, pledged or otherwise encumbered to secure project loans as detailed in Note 7.

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 leases.

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.

6. SHARE CAPITAL

Share capital as at 30 June 2014 amounted to US\$225.5 million (2013: US\$225.5 million). During the period, no ordinary shares in the Company were issued.

7. BANK LOANS

	Unaudited 30 June 14 US\$'000	Unaudited 30 June 13 US\$'000	Audited 31 Dec 13 US\$'000
Project Loans			
Senior Loans	81,167	93,357	94,617
Subordinated Loans	258,282	226,028	247,330
Total Project Loans	339,449	319,385	341,947
Project Loan amendment fees	(9,503)	-	(6,166)
Total Project Loans	329,946	319,385	335,781
Corporate Loan	19,686	39,134	19,398
Total Bank Loans	349,632	358,519	355,179
Within one year	234,354	212,982	197,802
In the second year	30,788	37,606	58,435
In the third to fifth years	80,503	70,871	84,569
After five years	3,987	37,060	14,373
	349,632	358,519	355,179
Less amounts due for settlement within 12 months	(234,354)	(212,982)	(197,802)
Amount due for settlement after 12 months	115,278	145,537	157,377
Project Loans			
Balance at 1 January	335,781	324,412	324,412
Loan interest accrued	14,769	13,608	27,980
Loan interest paid	(2,602)	(3,020)	(5,564)
Loan repayment	(13,001)	(12,985)	(12,395)
Loan amendment fees	(4,091)	-	(6,629)
Loan amendment fees amortised	754	-	463
Foreign exchange movement	(1,664)	(2,630)	7,514
Balance at 30 June /31 December	329,946	319,385	335,781
Corporate Loan			
Balance at 1 January	19,398	-	-
Loan drawdown	-	40,000	40,000
Loan interest accrued	1,071	549	2,041
Loan interest paid	(1,059)	(462)	(1,985)
Loan repayment	-	-	(20,000)
Loan amendment fees	(15)	(1,242)	(1,711)
Loan amendment fees amortised	291	289	1,053
Balance at 30 June/31 December	19,686	39,134	19,398

Notes to the Group Condensed Consolidated Financial Statements

continued

7. BANK LOANS (continued)

Bank loans at the period end amounted to US\$349.6 million (2013: US\$355.2 million). During the period loan interest and principal of US\$16.7 million (2013: US\$39.9 million) was paid, interest of US\$15.9 million (2013: US\$30.0 million) accrued, and the Euro-denominated loans decreased by US\$1.7 million (2013: increase US\$7.5 million) as a result of the US Dollar strengthening against the Euro. There were additional loan amendment fees of US\$4.2 million incurred (2013: US\$8.3 million) and US\$1.1 million loan amendment fees amortised (2013: US\$1.5 million). Included in loan amounts due within one year is US\$175.3 million (2013: US\$157.8 million) in relation to subordinated loans. Under the previous terms of the Project Loans, if cash is 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.

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 30 June 2014 the remaining tenors of the Senior Loans range from 1 year to 4 years. Three of the Senior Loans bear interest at fixed rates and four bear interest at variable rates.

The original Subordinated Loan credit facilities (made available under documentation entered into in June 2004) with original principal amounts of €47.1 million plus US\$10 million (excluding capitalised interest) were fully drawn in 2005. The Subordinated Loans denominated in Euro bear interest at a fixed rate of 10% per annum, while the original Subordinated Loans denominated in US Dollars bear interest at six month LIBOR plus 8% per annum.

The Standby Subordinated Loan credit facilities (made available under documentation entered into in June 2005) with original principal amounts of €2.8 million and US\$4 million were fully drawn in 2007. Standby Subordinated Loans bear interest at fixed rates of 10% per annum in respect of €2.8 million and US\$1.5 million and at six month LIBOR plus 8% per annum in respect of US\$2.5 million.

The Additional Standby Subordinated Loan credit facilities of US\$12 million and US\$10 million (made available under documentation entered into in August 2007) were fully drawn in 2008. The Additional Standby Subordinated Loans bear interest at 6 month LIBOR plus 5%.

Amendments to Project Loans

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.
- The cash sweep provides that the relevant loan amounts will 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.
- The Company and the Project Companies have 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 are either provided, reviewed or approved by consultants to the Project Lenders or, in relation to product price forecasts, that are requested by Project Lenders (acting reasonably). In addition, the budget is required to show no cash shortfalls and to be approved by the lenders, acting reasonably, failing which an Event of Default will ensue.
- Work fees are payable to the Project Lenders in an aggregate amount of US\$0.3 million, half of which will be payable 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 payable 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) is now 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 may, subject to the cash sweep mechanism described above, be 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.

Notes to the Group Condensed Consolidated Financial Statements

continued

7. BANK LOANS (continued)

Project Loan Restructuring 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, an implication of which was that the Project Companies would be able to repay all deferred Subordinated Loan obligations not later than the following payment date (1 August 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 is removed. As a result, it is not necessary to be able to repay all deferred Subordinated Loan obligations by the 1 August 2015 payment date;
- It is 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 remains 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); and
- The guarantee of the Project Loans by the Company and Congolone Heavy Minerals Limited will remain in place following Completion.

Subordinated Debt

Under the prior terms of the Project Loans, if cash is 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. Included in loan amounts due within one year is US\$160.9 million (2013: US\$134.1 million) in relation to deferred amounts of subordinated loans.

As a result of the February 2014 Amendment, Subordinated Loans that, as of 31 July 2015, are deferred and unpaid will be termed-out as follows:

- 50% of the amount of such Subordinated Loans will be repaid in one instalment on 1 August 2019 (the "Deferred Bullet").
- The balance is to be amortised in nine equal semi-annual instalments ending on 1 August 2019.
- Commencing 1 August 2015, the Project Companies will 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;
- No restricted payments (i.e. distributions to Group companies) may be made by the Project Companies until Subordinated Lenders receive US\$50 million in payments;
- The additional 1% margin per annum on Subordinated Debt agreed under the Deed of Waiver and Amendment entered into in 2009 will continue to accrue after Completion; any such additional margin accrued shall not be payable prior to repayment of all Senior Debt; and
- An additional 2% margin per annum will accrue on the Deferred Bullet until such Deferred Bullet is repaid or prepaid; any such additional margin accrued shall not be payable prior to repayment of all Senior Debt.

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 will be equal to 50% of cash available for distribution, as opposed to 25% of cash so available prior to the February 2014 Amendment;
- Mandatory prepayments of Subordinated Debt will 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 will now commence on the first payment date after Completion on which no further mandatory prepayments of Senior Debt are to be made); and
- The Project Companies will 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).

Expansion Costs

As a result of certain amendments in December 2011, December 2012 and the July 2013 Amendment described below, 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 held outside the Project Companies.

Notes to the Group Condensed Consolidated Financial Statements

continued

7. BANK LOANS (continued)

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
- Project 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.

The revisions to the repayment profiles as a result of this amendment does not result in the derecognition of the loans. The Project Loan amendment fees for the February 2014 Amendment and the July 2014 Amendment adjust the carrying amount of the Project Loans and are to be amortised over the remaining term of the modified Project Loans.

Other Group bank borrowings

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. 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\$0.8 million will be payable to Absa in relation to the Absa Facility. It is expected that this fee will be settled in warrants for Kenmare Resources plc shares, unless these cannot be issued for regulatory reasons. The warrants will not be issued before 1 September 2014 and will have an exercise price equal to the market price at the time of issue. The warrants will be exercisable for a period of seven years and will otherwise be on substantially the same terms as the warrants issued on 16 October 2013 in connection with Kenmare's placing. In connection with the extension, the interest rate on the Absa Facility has been increased to 1% per annum over the highest interest rate paid on the Project Loans.

Group borrowings interest and currency risk

Loan facilities arranged at fixed interest rates expose the Group to fair value interest rate risk.

Loan facilities arranged at variable rates expose the Group to cash flow interest rate risk. Variable rates are based on six or one month LIBOR. The average effective borrowing rate at the period end was 9.2%. The interest rate profile of the Group's loan balances at the period end was as follows:

	Unaudited 30 June 14 US\$'000	Unaudited 30 June 13 US\$'000	Audited 31 Dec 13 US\$'000
Fixed rate debt	224,001	211,591	226,736
Variable rate debt	125,631	146,928	128,443
Total debt	349,632	358,519	355,179

Under the assumption that all other variables remain constant and using the 6 month LIBOR, a 1% change in LIBOR would result in a US\$1.1 million (2013: US\$1.1 million) change in finance costs for the year.

The currency profile of the bank loans is as follows:

	Unaudited 30 June 14 US\$'000	Unaudited 30 June 13 US\$'000	Audited 31 Dec 13 US\$'000
Euro	196,631	170,388	186,072
US Dollars	153,001	188,131	169,107
Total debt	349,632	358,519	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\$2.0 million (2013: US\$1.8 million) change in finance costs and a US\$19.7 million (2013: US\$17.0 million) change in foreign exchange gain or loss for the year.

The above sensitivity analysis are estimates of the effect 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.

8. PROVISIONS

	Unaudited 30 June 14 US\$'000	Unaudited 30 June 13 US\$'000	Audited 31 Dec 13 US\$'000
Mine closure provision	19,028	18,478	18,751
Mine rehabilitation provision	2,233	2,140	2,073
Legal provision	1,444	1,440	1,444
Executive Directors' bonus provision	432	1,058	703
Total provision	23,137	23,116	22,971

Included in current liabilities are provisions of US\$0.7 million (2013: US\$0.5 million) and included in non-current liabilities are provisions of US\$22.4 million (2013: US\$22.4 million).

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 and are subject to regular review. The costs 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\$0.1 million (2013: US\$0.2 million) has been recognised in the statement of comprehensive income for the period.

Notes to the Group Condensed Consolidated Financial Statements

continued

8. PROVISIONS (continued)

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).

The mine rehabilitation provision was increased by US\$0.2 million as a result of additional provision of US\$0.4 million for areas disturbed net of US\$0.2 million released for areas rehabilitated during the period. US\$0.3 million (2013: US\$0.3 million) of the mine rehabilitation provision has been included in current liabilities to reflect the estimated cost of rehabilitation work to be carried out over the next year.

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 bonuses in respect of performance in 2010 of US\$0.3 million was released during the period. 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 or immediately in the event of a change of control or loss of office save in the event of resignation or termination for gross misconduct or gross negligence.

9. SHARE-BASED PAYMENTS

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

During the period the Group recognised a share-based payment expense of US\$1.7 million (2013: US\$1.5 million).

10. RELATED PARTY TRANSACTIONS

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

Apart from existing remuneration arrangements there were no material transactions or balances between Kenmare and its key management personnel or members of their close families.

11. FAIR VALUE

The fair value of the Group borrowings of US\$328.5 million (2013: US\$332.8 million) has been calculated by discounting the expected future cash flows at prevailing interest rates and by applying period end exchange rates.

The fair value of trade and other receivables, trade and other payables, other financial liabilities and the finance lease are equal to their carrying amounts.

12. EVENTS AFTER THE BALANCE SHEET DATE

On 31 July 2014, Kenmare Resource plc, 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. On the 31 July 2014, Kenmare Resources plc entered into an amendment to the Absa corporate loan whereby the maturity of Absa's US\$20 million corporate loan has been extended and will now mature on 31 March 2016. Details of these amendments are set out in Note 7.

13. INFORMATION

The Half Yearly Financial report was approved by the Board on 26 August 2014.

Copies are available from the Company's registered office at Chatham House, Chatham Street, Dublin 2, Ireland. The statement is also available on the Company's website at www.kenmareresources.com.

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