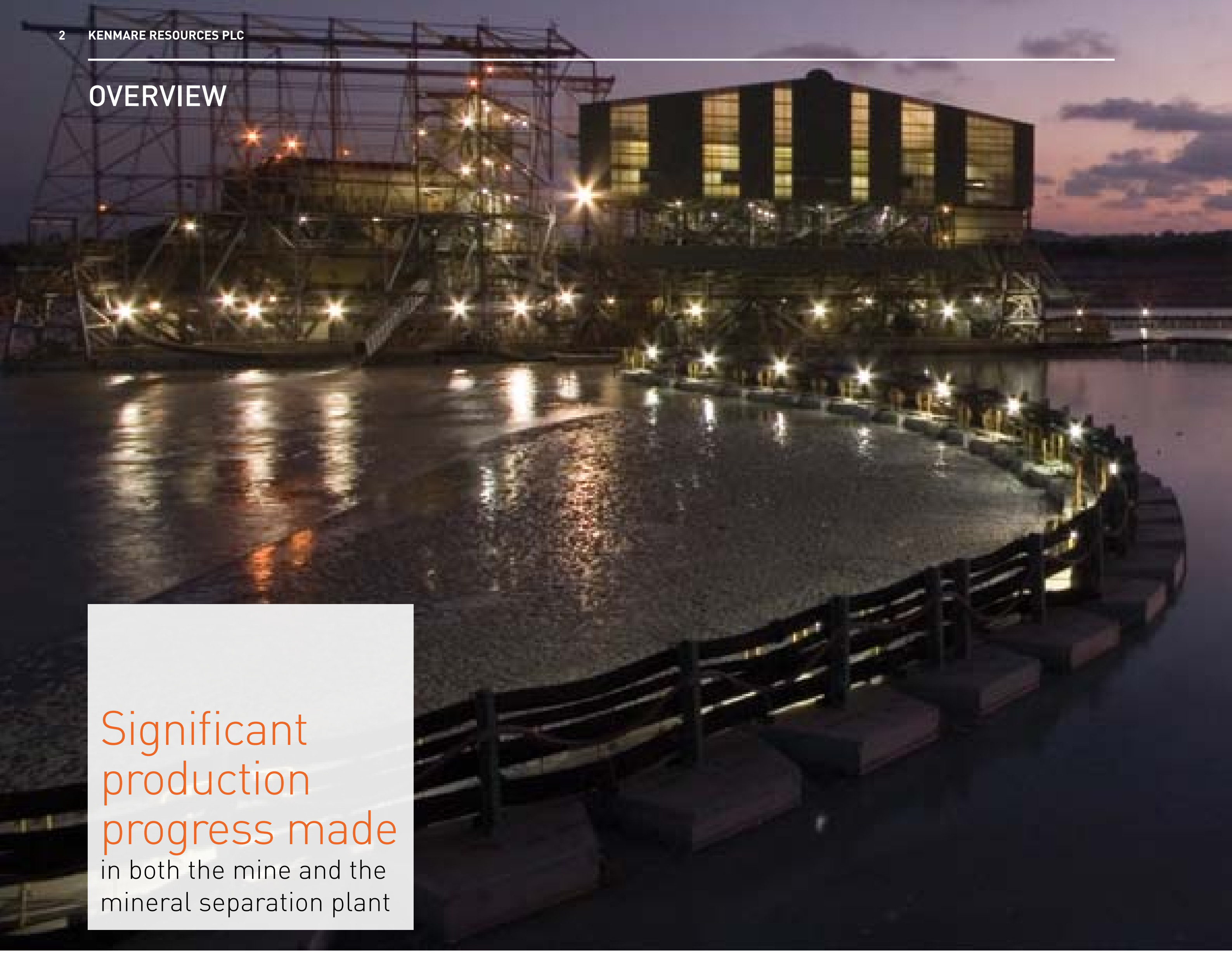
KENMARE

2009 ANNUAL REPORT AND ACCOUNTS

CONTENTS

OVERVIEW



Significant production progress made

in both the mine and the mineral separation plant

The mineral separation plant is now capable of operating at the target feed rate of

135tph

The Group's operational performance

improved quarter on quarter during 2009

Production of heavy mineral concentrate

up 22%

from Q3 to Q4 2009

Ilmenite production 143,000 tonnes in Q4 2009

up 11%

on Q3 2009

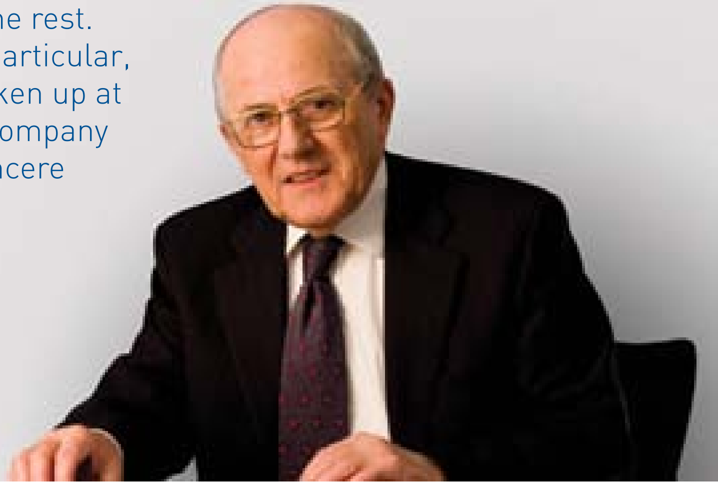
2009 shipping volumes 418,000 tonnes

up 67%

on 2008 volumes

CHAIRMAN'S STATEMENT

At an Extraordinary General Meeting on 29 March, 2010 Kenmare's shareholders approved a funding to raise US$270 million of new equity by way of a firm placing for 50% of the shares to be issued and a placing and open offer for the rest. I am delighted at the level of support for this offer. In particular, I am pleased that the open offer of new shares was taken up at a level of 73%, indicating very strong support for the Company from the existing shareholders, to whom I extend a sincere thank you.



The completion of this fund-raising represents a transformational change for Kenmare. It allows the rapid implementation of our expansion plans for Moma, giving Kenmare first mover advantage, as well as significantly reducing our net debt. The forecast cash-flows resulting from the expansion will allow a rapid payment of our expensive subordinated debt. The fund raising has also allowed us amend certain debt covenants to the significant benefit of all the stakeholders of Kenmare.

Our decision to move ahead with the funding now was based on two factors. First, the fact that the ramp-up of the existing facilities, while not complete, is progressing well; commencing the expansion now will entail construction work at site beginning in early 2011, giving our operations team opportunity to bed in the improvements that are currently underway. Second, the market for titanium feedstocks is showing signs of tightening and is predicted to display a material supply deficit by the time the expansion is completed.

The Expansion Study, completed in January 2010, concluded that a 50% increase in production of final products could be achieved with a capital expenditure of approximately US$200 million. It is expected that the expanded facility will be at full design level of 1.2 million tonnes of ilmenite plus 80,000 tonnes of zircon and 22,000 tonnes of rutile by the end of 2012. An important characteristic of the design is that the project can be implemented with minimal disruption to the existing operation.

On the mining side, the plan involves the construction of a new dredge pond with a third dredge and Wet Concentrator Plant (WCP), as well as a small upgrade to the existing dredges and WCP. The new dredge pond will be constructed separate from and without interfering with the existing mining operations.

The Expansion Study, completed in January 2010, concluded that a

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Shareholders approved
a funding to raise
US$270 million

CHAIRMAN'S STATEMENT CONTINUED

At the Mineral Separation Plant (MSP) we will construct a new Wet High Intensity Magnetic Separation (WHIMS) plant. This plant will be in a new building which can be constructed without interfering with existing operations. The WHIMS plant will separate non-magnetic minerals (zircon and rutile) from the Heavy Mineral Concentrate (HMC) in a wet state. At present, all the MSP feed is dried; the non-magnetic minerals are then separated from the magnetic minerals and presented to the non-magnetic circuit. As the front end of the non-magnetic circuit is a wet circuit, the non-magnetic material must be rewetted for subsequent processing. The WHIMS plant will therefore remove the costly initial drying process and improve the overall efficiency of the MSP as well as boosting production. An auxiliary ilmenite plant will also be constructed in a separate building. This will take a portion of the flow from the WHIMS plant and produce an ilmenite product directly to the storage shed. The remainder of the flow from the WHIMS plant will go to the existing MSP and will use the existing machinery for processing.

Further design and definition work is underway at the expansion project office in Johannesburg. We expect to complete construction of the project by the end of 2011 and have allowed 2012 as a ramp-up period. Unlike the original development of Moma, this project will be managed using an EPCM Contractor and not be contracted out as a lump sum turnkey contract which previously limited the Company's ability to deal directly with the manufacturers of the equipment installed. Hence our project team will have greater control over the project outcomes. This, along with our much deeper understanding of how the mining and processing equipment work in context of the Moma orebody, will ensure that any mis-specification of equipment, which did arise in the first phase of Moma, will not be repeated.

In the first quarter 2010, we produced 150,965 tonnes of ilmenite and 8,001 tonnes of zircon. Zircon production is particularly encouraging with a 48% increase from the fourth quarter 2009 while ilmenite production has increased by 5%. Very little rutile has been produced to date as we have concentrated on the ilmenite and zircon circuits. However, even at full capacity rutile is expected to contribute only 5% of total revenues. Kenmare is continuing to implement performance improvement projects to improve recoveries and quality of the final products. The remaining projects are the installation of an ilmenite scavenger circuit and the replacement of electrodes with more effective electrodes on high tension roll separators in the zircon circuit. Both of these projects will be completed during the second quarter of this year.

The market for our products ilmenite, zircon and rutile fell precipitously in both volume and price during the global recession of 2009. The first half of 2009 particularly was

Ilmenite production
150,965 tonnes
in Q1 2010

Zircon is particularly encouraging with a **48% increase in Q1 2010 from Q4 2009**

characterised by a reduction in end use demand coupled with a steep inventory destocking cycle. Volumes started to recover in the third quarter, but it was early 2010 before we saw significant strengthening in price. This strengthening has continued and most industry commentators are predicting a deficit of supply compared with forecast demand.

The Company reported a loss of US$30.4 million for 2009. This loss was anticipated by the Group and reflects the current ramp-up curve in which Moma is operating, leading to lower production than design capacity. This was compounded by low revenue per tonne being realised due to market conditions. Production and market conditions have improved in 2010.

The period from 2009 to date has been transformational for Kenmare. At the start of 2009, production at Moma was at less than half design capacity, most of the world's economies were in recession, we were about to embark on a significant re-engineering of Moma through the Performance Improvement Project (PIP), we were negotiating a deferral of senior debt capital repayments with our lenders, and we had just made significant operational management changes at the Mine and at the corporate level. In early 2010, the world's major economies are coming out of recession and supply constraints in the market for our products, which were apparent in late 2008, are re-emerging; the original PIP has been implemented with very positive results and a few remaining projects identified during the course of the year are in train for completion in the near future; a difficult negotiation with the EPC Contractor, which could have ended in years of litigation, has been successfully concluded on favourable terms for the Company; a set of lender technical completion tests, which held extremely negative consequences had they not been passed, have been deferred, completion performance conditions under the loan agreements have been greatly eased and the consequences of failing have been changed from default of our Project loan agreements to simply a temporary increase in interest rate until they are passed; and finally Kenmare has raised US$270 million to fund a 50% expansion. This funding addresses any market concern about Kenmare's high gearing level generated through the financing of the project. Kenmare is a very different Company than a year ago.

Given the huge progress that has been made, I feel this Company, which I became Chairman of in 1986 when it had no employees, no bank account, no projects, and no money, is now an established player in the mining industry with excellent prospects for the future. I have now arrived at the age where a quieter life beckons, so I have decided to retire from the position of Chairman. I am passing on the baton of a Company that has adequate funds, good management, an excellent world class long life deposit, and a rapidly improving market. The Board has asked me to remain involved through a non-voting emeritus position and I am glad to do so. I have asked the nomination committee to initiate a search for a new Chairman and anticipate that the Company will be in a position to make an appointment later this year. I have greatly enjoyed my involvement with Kenmare. I have a great feeling of pride in what we have achieved so far and look forward to the next chapters with anticipation. I would like to thank my fellow Directors, who have questioned deeply, made astute suggestions, and always supported collective decisions. I would also like to thank the staff at the Mine and in the offices in Dublin and Maputo; they have all shouldered heavy loads to build a magnificent mine and a very fine business.

Charles Carvill
Chairman

OPERATING, EXPANSION, MARKETING AND FINANCIAL REVIEW

Kenmare Resources plc ("Kenmare" or "the Company") is an Irish incorporated company and is listed on the main boards of the Irish and London Stock Exchanges.

The principal activity of the Company and its subsidiary undertakings (together, the "Group") is the operation of the Moma Titanium Minerals Mine (the "Mine") located on the northern coast of Mozambique. Operations are carried out by two wholly owned subsidiary companies within the Group, Kenmare Moma Mining (Mauritius) Limited which is responsible for the mining operations and Kenmare Moma Processing (Mauritius) Limited which is responsible for the processing operations (together the "Project Companies"). The Mine contains substantial reserves and resources of ilmenite 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

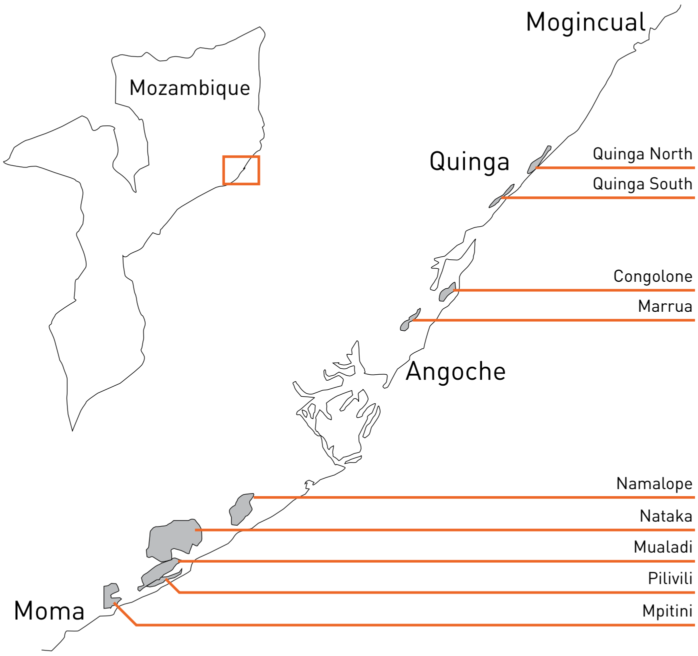
Post-expansion ilmenite production
1.2 million tpa
for more than 110 years of mining

and welding electrodes. Zircon, a relatively 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 Namalope reserve, currently being mined by Kenmare, and the Nataka resource, a second deposit located near the Mine which is currently not being mined, could maintain production at design capacity levels of 800,000 tpa of ilmenite plus co-products for more than 150 years of mining (assuming the Nataka resource can be converted into an equivalently sized mineral reserve). The Namalope reserve and the Nataka resource could maintain production at anticipated post-expansion design capacity levels of 1.2 million tpa of ilmenite plus co-products for more than 110 years.

OPERATING, EXPANSION, MARKETING AND FINANCIAL REVIEW CONTINUED

Mine reserve of
20 million
tonnes and resource of
160 million
tonnes of ilmenite



Summary of reserves and resources
The total mine reserve under licences to Kenmare at the Mine as at 31 December 2009 is approximately 20 million tonnes of ilmenite, 1.5 million tonnes of zircon and 0.5 million tonnes of rutile. The total mine resource under licences to Kenmare at the Mine as at 31 December 2009 is approximately 160 million tonnes of ilmenite, 11 million tonnes of zircon and 3.6 million tonnes of rutile.

The Directors believe that the size of the resource will continue to expand and become more fully defined with ongoing exploration and drilling activity. A drilling programme in the Nataka resource was completed on 30 January 2010 in order to commence the process of upgrading a zone of approximately 170 million tonnes of ore in this inferred resource to an indicated resource. The final results of this drilling programme will be reported on later this year.

A map detailing all areas covered by the Mine is set out above.

The following table sets out the Mine's mineral resources and reserves as at 31 December 2009:

Reserve-Resource Table

Zones	Category	Million tonnes of ore (sand)	% THM in ore	% ilmenite in THM	% ilmenite in ore	Million tonnes THM	Million tonnes ilmenite	Million tonnes rutile	Million tonnes zircon
Reserves									
Namalope	Proved Reserve	274	4.6	81	3.7	13	10	0.26	0.77
Namalope	Probable Reserve	346	3.6	79	2.8	12	10	0.23	0.72
TOTAL RESERVES	Proved & Probable	620	4.0	80	3.2	25	20	0.49	1.49
Resources									
Congolone	Measured Resource	167	3.3	77	2.5	5.4	4.2	0.1	0.4
Pilivili	Inferred Resource	227	5.4	80	4.3	12	9.8	0.3	0.8
Mualadi	Inferred Resource	327	3.2	80	2.6	10	8.4	0.2	0.7
Nataka	Inferred Resource	4,700	3.0	83	2.5	140	120	2.5	7.7
Mpitini	Inferred Resource	287	3.6	80	2.9	10	8.3	0.2	0.7
Marrua	Inferred Resource	54	4.1	80	3.3	2.2	1.8	0.1	0.1
Quinga North	Inferred Resource	71	3.5	80	2.8	2.5	2.0	0.1	0.2
Quinga South	Inferred Resource	71	3.4	80	2.7	2.4	1.9	0.1	0.2
TOTAL RESOURCES		5,900	3.1	82	2.7	180	160	3.6	11

The data is in accordance with the JORC Code (2004) (Australasian Code for Reporting Ore Reserves and Mineral Resources). The competent person for the Namalope reserve and the Nataka resource is Colin Rothnie (MAusIMM), a full time employee of Kenmare. The competent person for the other resources is Dr. Alastair Brown (FIMMM). THM is total heavy minerals of which ilmenite (typically 81 per cent.), rutile (2.3 per cent.) and zircon (6.4 per cent.) total 90 per cent. Tonnes and grades have been rounded and hence small differences may appear in totals.

MINING & PROCESSING OPERATIONS

1. Mining Dredges
2. Wet Concentrator Plant
3. Heavy Mineral Concentrate Stockpiles
4. Mineral Separation Plant
5. Product Storage Warehouse
6. Jetty

The main advantage of dredge mining is its **lower cost of production** compared to alternative mining methods

Mining

Kenmare is currently mining the Namalope deposit. Mining is carried out by two dredges. The main advantage of dredge mining is its lower cost of production compared to alternative mining methods, such as dry mining. The mining face is prepared by clearing the vegetation and removing the topsoil with bulldozers, loaders and trucks. This topsoil is stored at the mine site and is used to rehabilitate the site post-mining. The dredges cut the ore at the base of the ore face, allowing the mineral-bearing sands to collapse into an artificial freshwater dredge pond approximately 800m long, 300m wide and up to 15m deep. The mineral-bearing sands are pumped by the dredges to the WCP which floats in the dredge pond behind the dredges, the first stage of which consists of two trommels that reject oversize material presented to them, with the underflow material passing into the surge bin. The feed is then pumped from the surge bin to banks of spiral separators which separate the heavy minerals from the silica sand and clay (slimes) tailings. The products of the WCP are HMC and tailings.

HMC is a mixture of the valuable minerals ilmenite, rutile and zircon as well as some non-valuable constituents including aluminosilicates and any remaining silica. The HMC, representing approximately 5 per cent. by weight of the total sand mined, is pumped overland to the MSP where it is stockpiled prior to further processing.

Tailings, which consist of a coarse silica fraction (sand) that settles immediately, and a fine clay fraction (slimes) that settles less quickly, are deposited at the rear of the dredge pond where they are spread out for future rehabilitation. This rehabilitation involves contouring the deposited sand and then covering it with a layer of clay-rich slimes mixed with sand. The slimes and sand layer helps the subsoil retain moisture and nutrients to aid re-vegetation of the tailings.

Finally, the stored topsoil containing seeds, organic material and microorganisms is placed onto the tailings. The rehabilitation process is completed by fertilising and seeding or planting with a variety of native and/or other species and food crops. The rehabilitation process is being fine-tuned with input from local communities, competent authorities and NGOs.

Separation

The MSP contains circuits which use magnetic, gravity and electrostatic methods to separate HMC into various grades of the finished products ilmenite, zircon and rutile.

HMC is recovered from the stockpile by front-end loader and fed to the MSP where it is dried and treated through high-intensity magnets in order to separate the magnetic mineral ilmenite from the non-magnetic minerals rutile and zircon. The magnetic fraction is then further processed by electrostatic separation in the MSP to

OPERATING, EXPANSION, MARKETING AND FINANCIAL REVIEW CONTINUED

Target production level for HMC in 2010 is **270,000 tonnes per quarter**

produce final ilmenite products. A 50 tph ilmenite roaster and downstream magnetic separation plant have been built to further enhance the quality of the ilmenite products when required.

The non-magnetic fraction is treated in a wet gravity separation process to remove any remaining silica and low-density 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 145,000 tonne capacity warehouse with facilities for loading onto a 2.4 km long overland conveyor, which leads to a 400m long jetty. This overland conveyor transports the product to a ship loader at the end of the jetty which loads the product onto a self-propelled product transhipment vessel, the Bronagh J. This vessel then transports the products to a deep water transhipment point 10 km offshore, where it self-discharges into customer vessels. While the jetty, which is an essential component in the transportation and export of product, has suffered some damage and is expected to undergo repairs during 2010, it remains operational.

In August 2009, the Group purchased an additional transhipment barge, Peg and its tug, Sofia III, previously employed in the transhipment of lead-zinc concentrate from a mine in Western Australia. The new vessels are expected to arrive at the Mine for operation later this year. These vessels will increase load-out capacity at the Mine and, with modifications, are intended to serve as a backup to the Bronagh J.

Other Infrastructure

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

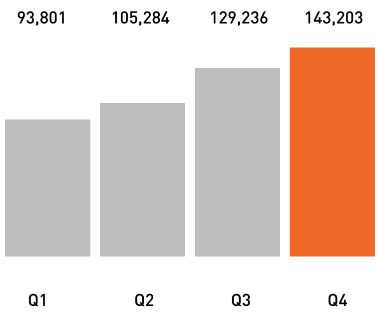
OPERATIONAL REVIEW

Starting in 2008, until the cessation of the relationship with the EPC Contractor in December 2009, Kenmare had been engaged with the EPC Contractor in implementing a Performance Improvement Programme ("PIP") designed to address deficiencies in the plant and equipment in order to facilitate ramp-up of production levels to design capacity. As a result of the PIP, the Group's operational performance improved quarter on quarter during 2009. Target production level for HMC in 2010 is 270,000 tonnes per quarter. The Group exceeded this target in the fourth quarter of 2009 as the total amount of HMC produced was 280,200 tonnes (a 22 per cent. increase compared to the third quarter of 2009). The Group's target production levels for ilmenite, zircon and rutile are 800,000 tpa, 50,000 tpa and 14,000 tpa respectively. During the fourth quarter of 2009, the MSP produced 143,200 tonnes of ilmenite (a 10 per cent. increase compared to the third quarter of 2009) and 5,400 tonnes of zircon (similar to the previous quarter as a result of disruptions to zircon production associated with the implementation of metallurgical optimisation projects). Negligible amounts of rutile have been produced to date. In the fourth quarter of 2009, finished product shipments totalled 139,000 tonnes (a 6 per cent. increase compared to the third quarter of 2009 and an 83 per cent. increase in shipments from the first half of 2009 relative to the second half of 2009). For the year, there were 24 shipments totalling 418,000 tonnes of finished product (2008: 17 shipments of finished product totalling 250,000 tonnes).

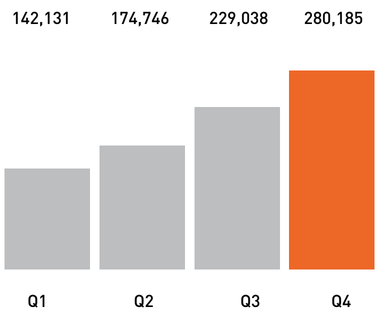
While the MSP became capable of operating at the target feed rate of 135 tph during the first quarter of 2010, the recovery of the minerals remains below target, particularly with respect to zircon and rutile. The PIP was completed in the fourth quarter 2009, but additional projects were required to improve recoveries and product quality. At time of publication, these additional projects had been completed with the exception of the electrode upgrade in the zircon circuit

Kenmare is favourably positioned to expand its existing operation and take advantage of the market opportunity presented by a combination of demand growth and supply constraints

2009 Ilmenite production (tonnes)



2009 HMC production (tonnes)



high tension roll separators and the ilmenite scavenger circuit, which are on target for completion during the second quarter of 2010. Ilmenite output for the first quarter 2010 has improved by a further 5 per cent. to 150,956 tonnes and zircon by 48 per cent. to 8,001 tonnes compared to the fourth quarter of 2009, following the completion of projects to date. As attention has concentrated on the main revenue driving products, ilmenite and zircon, rutile production was negligible during the first quarter of 2010.

EXPANSION REVIEW

Kenmare's strategy is twofold:

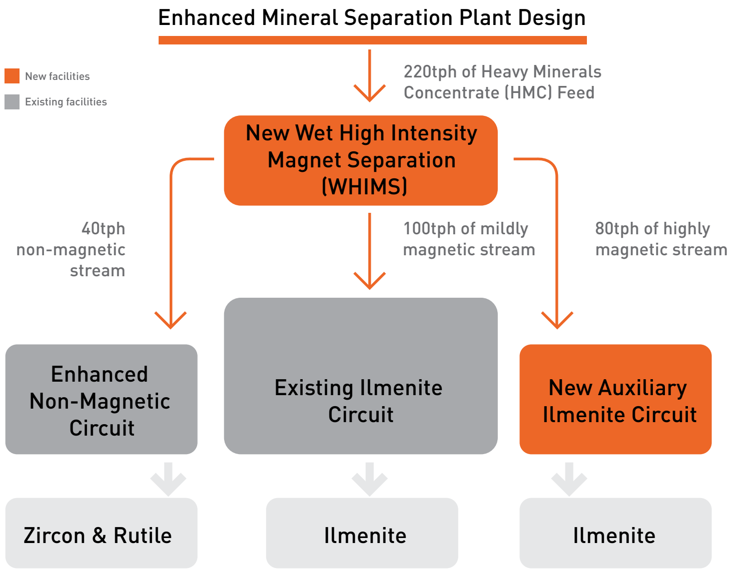
- to reach and sustain current design capacity levels; and
- to exploit the competitive advantages represented by its large mineral resource and existing mine facilities and infrastructure by implementing the expansion in order to take advantage of projected favourable market conditions, thereby enhancing its operational and financial performance.

Kenmare is favourably positioned to expand its existing operation and take advantage of the market opportunity presented by a combination of demand growth and supply constraints. Kenmare's key strengths are:

- A large, long life resource – at design capacity levels of 800,000 tpa of ilmenite plus co-products, the Namalope reserve, currently being mined by Kenmare, and the Nataka resource, a second deposit located near the Mine which is currently not being mined, would be operational for more than 150 years of mining (assuming the Nataka resource can be converted into an equivalently sized mineral reserve). The Namalope reserve and the Nataka resource could maintain production at post-expansion design capacity levels for more than 110 years of mining (assuming the Nataka resource can be converted into an equivalently sized mineral reserve). The size of the resource provides significant potential for further expansions in due course;
- Low-cost production – the Mine contains a large dredgeable resource with an abundance of fresh water for dredge mining (dredge mining being the lowest cost method of mining of such a resource) with low cost power supply arrangements and integrated and efficient materials handling equipment and infrastructure, in addition to a favourable fiscal regime in Mozambique;
- High quality ilmenite products – the Mine produces a number of high quality ilmenite products, with differing TiO_2 content suitable for different market applications, which can be used by a broad range of end users. The quality of ilmenite is sufficiently high to allow the sale of ilmenite product directly to pigment consumers without the need to upgrade through slagging or other processes;

OPERATING, EXPANSION, MARKETING AND FINANCIAL REVIEW CONTINUED

High quality ilmenite and valuable co-products



- Valuable co-products – while ilmenite is expected to contribute in excess of 60 per cent. of the Group's revenue at design capacity levels, Kenmare also expects to produce significant quantities of high value co-products zircon and, to a lesser extent, rutile;
- A well positioned and integrated site in a favourable location with export terminal – the Group's operations are efficient and streamlined due to the close proximity between existing mine, processing plant and port, with no significant on-site product transport requirements, located on the coast with a dedicated marine terminal to export final products to customer markets in Asia, Europe and North America;
- Capital efficient expansion options – the large Mine resource and existing operations and infrastructure at the Mine allow Kenmare to implement the expansion with relatively low cost per incremental tonne of annual production;
- Experience – the Group's management and other employees gained experience through the development of the Mine to date and through the expertise of the key management personnel recently appointed. An EPCM Contract will be concluded in order that Kenmare retain control over the expansion process to ensure rigorous commitment to meeting key dates and deliverables; and
- Ease of Expansion – the Mine's modular design (consisting of distinct and separate components) and the modular structure of the proposed expansion (including a separate dredge pond, WCP and WHIMS plant) mean that interference caused by expansion to current operations will be minimised. The expansion will also utilise proven, existing technology.

Expansion Study

Kenmare completed an Expansion Study in January 2010 that considered the options available to the Group to improve the productivity of the Mine and exploit the potential market opportunity presented by the projected shortage of and increased demand for titanium dioxide feedstock. A number of mining options and mineral separation options were analysed with a view to maximising returns consistent with integrating the expansion into the existing operation and minimising disruption to production. From a range of mining and production options, the Expansion Study concluded that the upgrade of the existing mine operation, the construction and commissioning of a second mining operation at the Mine and the expansion of the MSP, was the best way to deliver increased returns while maximising the utilisation of existing facilities, infrastructure and technology. More specifically, the Expansion Study contains the following planned facilities/upgrades:

- an upgrade of the capacity of the existing two dredges and WCP to increase spiral feed capacity from 3,000 tph to 3,500 tph;
- the installation of a second WCP with a spiral feed capacity of 2,000 tph in a separate dredge pond, utilising a new third dredge on the Namalope reserve approximately 5km away from the existing mining operation; and
- the addition of a Wet High Intensity Magnetic Separation (WHIMS) circuit at the front of the ilmenite circuit of the MSP, as well as other modifications to the MSP, including an auxiliary 80tph ilmenite circuit, to increase throughput capacity from 135 tph to 220 tph.

The expansion will increase design capacity by approximately 50 per cent. from the Mine's current design capacity, resulting in the existing design capacity increasing from 800,000 tpa to 1.2 million tpa of ilmenite, from 50,000 tpa to 80,000 tpa of zircon and from 14,000 tpa to 22,000 tpa of rutile.

The diagram above illustrates the layout of the expanded Mineral Separation Plant.

Namalope reserve expansion and relocation to Nataka resource

The current mining operation at the Namalope reserve consists of one dredge pond, two dredges and one WCP ("WCP A").

The expansion is expected to cost approximately US$200 million

The expansion envisages an acceleration of the depletion of the Namalope reserve through the construction of a second dredge pond and the utilisation of a new third dredge and a new second WCP ("WCP B").

The Expansion Study contemplates that both the WCP A and WCP B would mine the Namalope reserve before moving to the Nataka resource, WCP B in 2019 and WCP A in 2026.

Expansion Capital

The expansion is expected to cost approximately US$200 million in Q3 2009 US$ terms. The Expansion Study has been prepared to an accuracy level of +/- 25 per cent. It is expected that US$2.3 million will be spent on upgrading the existing WCP A, US$74.3 million on a new WCP B (including the dredge), US$57.5 million on the upgrade of the MSP including the WHIMS and approximately US$65.9 million on electricity distribution, other mobile equipment, product storage, spares and other costs to implement the expansion.

The Engineering Study and Expansion Timetable

Kenmare has appointed Aker Solutions E&C International Ltd ("Aker Solutions") to complete an Engineering Study in order to provide further detail on the expansion. Aker Solutions has established an office in Johannesburg, South Africa and has assembled a team with considerable mineral sands expertise, sourced from a number of recognised Australian and South African consultants. The Engineering Study, which commenced at the end of 2009, is expected to be completed by mid 2010.

The implementation of the expansion is expected to commence in the second half of 2010 upon completion of the Engineering Study and the execution of an EPCM Contract with an appropriate contractor. Detailed design is expected to commence in the third quarter of 2010 with construction commencing in early 2011. It is anticipated that the fully expanded production capacity of 1.2 million tpa of ilmenite plus associated co-products will be achieved by the end of 2012.

MARKETING REVIEW

Titanium Dioxide (TiO_2) Mineral Feedstock Market

Kenmare's Mine produces the titanium dioxide (TiO_2) minerals ilmenite and rutile as well as the zirconium mineral zircon. Kenmare has a global customer base that includes some of the world's largest end-users of these minerals.

Ilmenite and rutile are used as feedstocks to produce titanium dioxide pigment which accounts for approximately 90% of global titanium feedstock consumption. TiO_2 pigment is in turn used in the manufacture

OPERATING, EXPANSION, MARKETING AND FINANCIAL REVIEW CONTINUED

The outlook for 2010 is much more positive with industry analysts forecasting continued strong recovery

of paints, other coatings and plastics, as a whitener for paper, as well as in a number of other applications, including cosmetics, food additives, ceramics, inks and textiles. It is favoured in such applications for its brilliant whiteness, ultra-violet protection, non-toxicity, inertness, and its opacity or 'covering power', which results from its superior ability to disperse light as a result of its high refractive index.

The remaining 10% of the demand for titanium minerals is largely accounted for by titanium metal and welding electrode applications. Titanium metal's unique combination of 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 airframe and jet engines for the aerospace industry. It is also widely used in chemical and power plants, as well as a number of growing applications for the electronics, medical and leisure industries. Rutile and some grades of ilmenite are also used as a component of fluxes for coating welding electrodes, which are in turn consumed in the construction and ship building industries.

Pigment demand, which drives titanium feedstock consumption, slowed dramatically in the first half of 2009 due to weak end-use demand and severe inventory destocking, reflecting the widespread slowdown in economic activity experienced in much of the world during this period. This destocking process continued for much of the first half of 2009 as a result of the excessive build-up of pigment inventories in the second half of 2008, as pigment producers were slow to reduce production in the face of falling demand. A major curtailment of pigment production commenced in late 2008 and a number of plants were idled or operated at reduced rates for much of the first half of 2009.

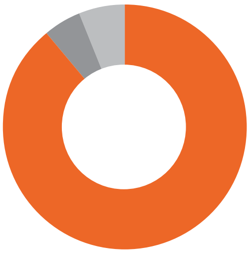
The main pigment producers started to report considerably stronger pigment sales growth rates from mid-2009 onwards and most pigment plants were operating at close to full capacity by year end, with the exception of some plants in the US, which are unlikely to restart due to poor plant economics. Overall pigment demand in 2009 is estimated to have declined by around 8% following on from a decline of around 5% in 2008, making it the most severe contraction in the pigment industry since the oil crisis in the mid 1970's.

This slowdown in pigment demand, and the response by pigment producers to reduce production, resulted in reduced demand for titanium feedstocks during 2009. Many of the larger feedstock producers responded by cutting production, ensuring that a build-up of a large surplus of feedstocks was avoided. The slowdown in demand also prompted some feedstock producers to accelerate the permanent closure of some mature mines, and a number of projects under consideration for development were cancelled due to poor economics, reducing the capacity of the industry to increase supply in the future when demand fully recovers.

The outlook for 2010 is much more positive with industry analysts forecasting continued strong recovery. Pigment demand growth of 10-12% and pigment production growth of around 12-14% are expected in 2010 as plants rebuild inventories and pigment demand increases. While demand growth in North America and Europe remains sluggish as these economies continue to come out of recession, demand in China as well as in some other parts of Asia is very strong.

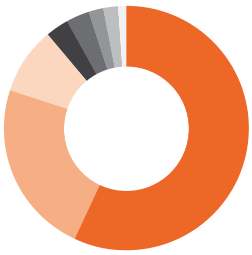
The average annual consumption of TiO_2 pigment in North America is approximately 4 kg per person per year, 3 kg in Western Europe and 2 kg in Japan. Globally, however, average annual per capita consumption is less than 1 kg, with the figure in China being less than 1 kg and India around 0.1 kg. Due to their relatively low current per capita demand and expected rapid economic development, annual per capita pigment consumption in China, India and South-East Asia is expected to grow strongly in the coming decade, underpinned by the ongoing industrialisation of these economies. This region is expected to drive global pigment demand growth in the coming decade.

TiO_2 Feedstock consumption 2008



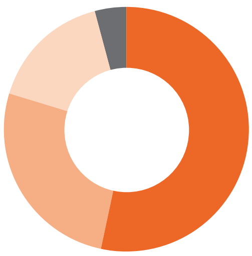
Pigment	90%
Metal	5%
Other	5%

Pigment consumption by end-use sector 2008



Paint & coatings	57%
Plastics	23%
Paper	9%
Specialities	3%
Ink	3%
Fibres	2%
Rubber	2%
Food & Pharma	1%

Zircon consumption by end-use sector 2008



Ceramics	53%
Refractory and Foundry	26%
Zirconia and chemicals	16%
TV glass and other	5%

Source: TZMI

Growth is also expected to be strong in Eastern Europe, the Middle East and South America. Brazil is expected to benefit from a construction boom following its success in securing the 2014 World Cup and the 2016 Olympics, which should be beneficial for the pigment and titanium feedstock sectors.

As a result of these influences, pigment demand growth in the period from 2010 to 2020 is expected to exceed the historical trend line compound annual growth rate of around 3%.

This projected recovery in pigment demand bodes well for titanium feedstock demand. Most titanium feedstocks are expected to be in tight supply by the end of 2010 with increasing deficits expected from 2011 onwards. The mine closures in 2009 and the cancellation of various development projects have considerably reduced future titanium feedstock supply capacity. Industry analysts have forecast a supply deficit of around one million TiO_2 feedstock units by 2015 in absence of new project developments.

Given the Company's very large resource base and its existing infrastructure at the Mine, Kenmare is seeking to capitalise on the projected supply deficit with its announced expansion, scheduled for start-up in 2012, that will see our global market share of titanium feedstock production grow from around 7% in 2010 to around 10% by 2013.

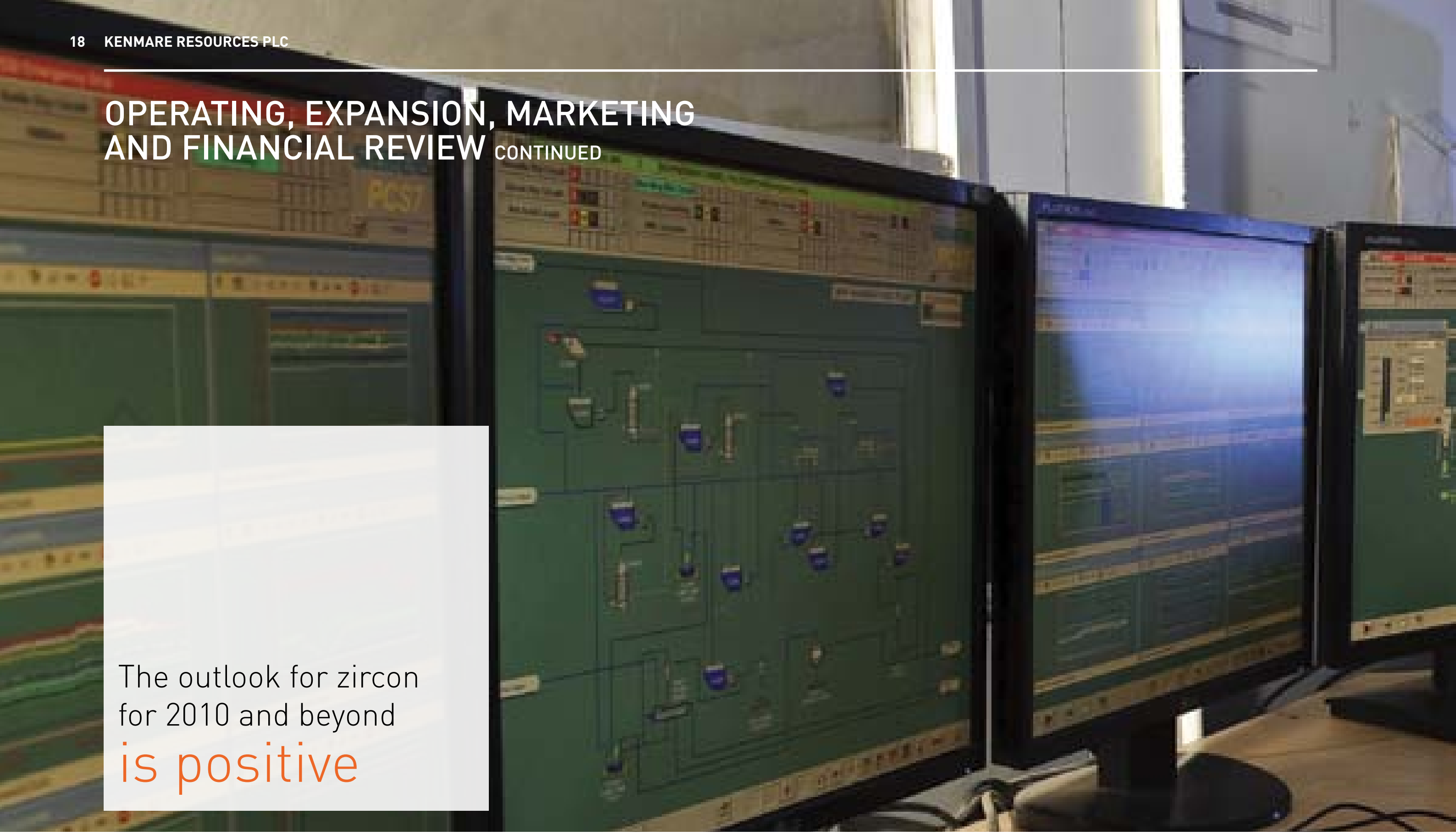
Demand for Kenmare's ilmenite in 2010 is strong. Kenmare has seen a surge in sales in the first quarter, principally to customers in Europe and North America as these markets recover, as well as ongoing sales to China, the continuation of which will likely ensure the sale of all production in 2010.

Zircon Market

Zircon is a zirconium mineral largely produced as a co-product of titanium minerals mining. It is an important raw material for the ceramics industry as an opacifier and frit compound for decorative wall and floor tiles and sanitaryware. It is also consumed in the foundry and refractory industries and in a growing number of chemical applications, which include fused and chemical zirconia. The largest consuming regions for zircon are Mediterranean Europe and Asia, and in particular China. India, the Middle East and South America are also fast growing markets.

Zircon demand in 2009 is estimated to have declined by around 18% to 0.96 million tonnes following a decline of around 7% in 2008. This is well down on peak 2007 demand of 1.26 million tonnes. This decline was due to a combination of high consumer inventories at the start of 2009 and very weak demand in the first half of 2009 due to the effects of the global recession. Consumer demand in Europe in particular was significantly reduced, led

OPERATING, EXPANSION, MARKETING AND FINANCIAL REVIEW CONTINUED



The outlook for zircon for 2010 and beyond **is positive**

by an estimated 50% reduction in Spanish tile production due to a collapse in the construction sector in that country.

Zircon demand in the other large zircon consuming country, Italy, also declined sharply in 2009. Demand in China was weak in the first half of 2009, due to a large inventory overhang, but the Chinese inventory destocking process was completed by mid-2009 and demand picked up very strongly in the second half of the year, with zircon imports exceeding pre-recession levels by year end.

The major zircon producers demonstrated strong discipline during 2009 by cutting production to more closely align available supply to demand. Consequently a major surplus was avoided. Year end zircon inventories were not excessive and have since been largely depleted. Zircon prices have recently started to increase in response to these tightening market conditions, and industry analysts expect further upward price movement during 2010.

The outlook for zircon for 2010 and beyond is positive. Although zircon demand in the two principal markets in Europe, Italy and Spain, remains well below pre-recession levels, demand in China is very strong. Tile consumption in China and other developing countries is strongly correlated with urbanisation and thus countries experiencing high rates of urbanisation such as China, India and Brazil are expected to underpin growth in this sector in the period 2010 to 2020. Other developing markets in Asia, Central and South America and the Middle East are also expected to grow strongly during this period.

Industry analyst, TZMI, expects the global zircon market to recover to the record 2007 demand level by 2012, which would see growth rates exceed 10% per annum in 2011 and 2012. Thereafter, TZMI forecast a compound annual zircon consumption growth rate of 3.9% per annum to 2020, driven largely by demand from the ceramics and speciality chemicals sectors. Kenmare's zircon production is expected to increase strongly in 2010 and again in 2012 to meet this growing demand.

FINANCIAL REVIEW

Financial Results

The Group has reported revenue and related costs in the income statement from 1 July 2009. Prior to that date, related costs net of revenues were capitalised as development expenditure.

During the first six months of the year, net costs of US$13.8 million (after deducting, revenue earned of US$15.6 million and delay damages of US$1.2 million) were capitalised as development expenditure in property, plant and equipment. Loan interest of US$13.4 million and finance fees of US$5.6 million were also capitalised resulting in additions to development expenditure of US$32.8 million in the six months to 30 June 2009.

Revenue for the six months to 31 December 2009 was US$26.7 million and cost of sales for the corresponding period was US$35.2 million resulting in a gross loss of US$8.5 million. Distribution and administration costs for the six months to 31 December 2009 were US$1.8 million and US$1.9 million respectively. Loan interest and finance fees were US$15.5 million during the second half of the year. Interest income for the year was US$0.2 million. There was a foreign exchange loss for the year of US$2.9 million, mainly as a result of the retranslation of the euro denominated loans, resulting in a loss after tax for the year of US$30.4 million.

For the year, additions to property, plant and equipment amounted to US$47.7 million. At 31 December 2009 net property, plant and equipment amounted to US$540.9 million. Depreciation and amortisation for the six month period was US$12.9 million.

Lender financing amendments agreed

At the 31 December 2009, the Group cash balances were US$17.4 million. At 31 December 2009, Group loans totalled US$356.1 million details of which are set out below:

	Loan balance US$ million	Maturity
PROJECT LOANS		
Senior loans		
AfDB	37.2	2018
Absa (ECIC)	71.7	2015
EAIF	4.7	2018
EIB	20.1	2018
FMO	20.0	2016
KfW (Hermes)	20.5	2015
KfW (MIGA)	13.9	2018
Total	**188.1**	
Subordinated loans		
FMO (on behalf of EAIF)	21.4	2019
FMO (on behalf of EAIF)	13.9	2019
EIB	99.7	2019
FMO	19.0	2019
FMO	11.5	2019
Total project loans	**165.5**	
MORTGAGE LOAN		
BCI	**2.5**	2014

The weighted average interest rate of the debt package at the year end is 8.8%.

The loss which occurred in the last six months of 2009 is a result of both the slower than planned ramp-up and the depressed feedstock market. Since 31 December 2009, both production and market conditions, current and projected, have been healthier, providing encouraging indications of a significant improvement in operational and financial performance for the year ahead.

OPERATING, EXPANSION, MARKETING AND FINANCIAL REVIEW CONTINUED

In April 2010 approximately
US$270 million
of equity was raised

Waivers and Amendments to Financing Agreements
The initial construction of the Mine was funded by a combination of equity and senior and subordinated loan facilities. The financing agreements contained repayment schedules and completion tests. The Project lenders have historically been accommodating to the evolving situation at the Mine (including in relation to construction delays and operational challenges), and have previously agreed a number of amendments and waivers, including deferral of the principal repayments on senior loans that would have otherwise fallen due in February and August 2009.

In the context of the 2010 equity fund raising, the Project lenders agreed to certain waivers and amendments. These include modifications to the completion tests and deferral of the date for achieving the technical portion of the completion tests ("Technical Completion"), from 31 December 2010 to 31 December 2011, as well as changing the consequence of failing to achieve Technical Completion at the required date from an event of default to an interest margin increase of, in the case of the senior loans, 1 per cent., and in the case of subordinated loans, 2 per cent. until Technical Completion is achieved. Under the previous terms of the financing agreements, failure to achieve completion by the final completion date was an event of default.

The Project lenders have agreed to eliminate this event of default, so that completion can be achieved at any time following Non-Technical Completion (comprising financial, marketing, legal and other conditions, and environmental tests) provided that Non-Technical Completion is achieved prior to 31 December 2013. The agreed financing amendments also deferred the final completion date from 31 December 2012 to 31 December 2013. Failure to achieve the marketing test by the 30 June 2011 or Non-Technical Completion by the final completion date would result in an event of default. The effectiveness of the agreed financing amendments are conditional on the deposit of US$200 million to the Contingency Reserve Account (CRA), a bank account in the name of Congolone Heavy Minerals Limited (a subsidiary of the Company) over which the Project lenders hold security, on or before the 30 June 2010. Funds deposited to the CRA can be transferred to the Project Companies and spent on, amongst other things, the expansion capital.

A summary of the amendments to the financing agreements is contained in Note 19 Bank Loans of the financial statements.

Equity Funding
In June 2009, the Group completed a share placing resulting in US$16.1 million being received in August 2009. In January 2010, US$7.7 million was received pursuant to the exercise of warrants. In April 2010, approximately US$270 million was raised by way of a placing and open offer, of which US$200 million will be used to fund the expansion. The balance of the net proceeds will be available to the extent necessary for any increase in costs of the expansion and general corporate purposes, including meeting any scheduled senior debt service payments not met from operating cash flows.

Global zircon market growth rates expected to
exceed 10% p.a.
in 2011 and 2012

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

GENERAL COMMUNITY INTERACTION

Introduction

Kenmare recognises the importance of carrying outs its activities in a responsible manner. Kenmare established the Kenmare Moma Development Association (KMAD) in 2004, an independent not-for-profit development organisation which supports and contributes to the development of the communities close to the Mine, assisting community members to improve their livelihoods and wellbeing. These communities are extremely poor and disadvantaged, with the majority of the population engaged in subsistence farming and fishing.

The beginning of the year marked the start of the implementation period for KMAD's five year strategic plan for 2009 – 2013, which was developed during 2008. New challenges were ahead, especially with the focus on the health and income generating projects. KMAD's area of focus has been in the nine villages within a 10 km radius of the Mine at Tupuito, although in 2009 with the start of the health project, KMAD started to extend benefits to villages further from the Mine (15 to 80 km).

Great steps have been taken in the implementation of new projects, namely health, animal breeding and the start-up of a community-proposed fuel station project. The strengthening of the existing economic activity groups and improving the methodology used for starting up new initiatives has been a priority for KMAD over the year, both as an exit strategy for KMAD's day-to-day management and as an important step to self-sufficiency of the projects. KMAD's economic projects benefited approximately two hundred families, generating an annual turnover of approximately US$107,000.

The beneficiaries involved in the main economic projects which KMAD initiated before 2009 (sewing, vegetable farming and egg production) took several steps forward in achieving sustainability of these projects. The sewing project was expanded with the addition of another group and the sewing groups have started to purchase their own material in Nampula, the provincial capital in which the Mine is located. The vegetable farmers started delivering the vegetables directly to the Mine's canteen and also started purchasing supplies themselves in Nampula and nearby towns. The egg farmers strengthened their market schemes and a new replacement schedule for the hens was introduced.

A health project was started early in the year with a partner organisation, Missão Betesda (a Nampula based NGO) and has brought a positive impact to the area. This project is co-financed by the Capacity Development Fund of FMO. This has resulted in the community having access to health care provided by health volunteers, and to having

Income generating projects benefit two hundred families, generate an annual turnover of approximately US$107,000

a doctor and dentist visit every fortnight. Dental extraction, medical consultation, medicine prescriptions and ultrasounds are some of the services that are now available, and in more serious cases, surgeries and evacuations to Nampula hospital can be provided. An ambulance was purchased for community use. To enhance knowledge and community awareness of public health issues, seventeen community health volunteers have been trained by a team of professionals from the Provincial Health Department.

KMAD continuously searches for new opportunities to encourage the development of sustainable business activities. Two new projects were started in 2009, a goat breeding project and a fuel/petrol station.

Feedback from participants in all the projects has been extremely positive with much appreciation not only for the income generated but also the new skills they are acquiring. There are clear indications of positive progress in the sustainability of some projects where participants are showing more involvement and participation in the business process.

2009 was a memorable year for KMAD and Kenmare. Two prestigious international prizes were awarded in recognition of the effort and commitment to uplift community development in the villages in the vicinity of the Mine: the President's Award for the Best International CSR Programme from the Chambers of Commerce of Ireland; and Nedbank's Green Mining Award in the socio-economic category.

KMAD also enhanced it's on-site team and hired a technician from the Moma district. New partner organisations were brought to the area to support the implementation of new community projects: Missão Betesda for health; ADECOR, a Nampula-based NGO, for community development; and IDPPE, a government institute for small-scale fisheries development, for technical support to the fishing project.

Type of projects funded

KMAD funds three categories of projects:

Economic development projects

Support includes technical assistance for local farmers. The focus is on facilitating economic opportunities with strong markets, such as supplying food to the Mine. Support to the community is also provided for materials, such as seeds or tools. In some cases, larger investments in fixed assets, such as chicken houses, are considered. KMAD works to ensure that dependency relationships (i.e. requiring medium to long-term economic or technical assistance) are not created with project participants.

Social-cultural development projects

This includes educational programs, such as HIV/AIDS prevention. Based on the results of community consultation, KMAD has also supported sports development.

Rural infrastructure development projects

Based on community needs, KMAD invests in infrastructure to improve local livelihoods, through provision of health facilities or school furniture, for example. Caution is used to ensure that a sustainable program for maintenance and utilisation of each infrastructure project is established prior to implementation. For example, the health centre can only be built with the commitment of the government to provide trained medical staff and equipment.

Organisational Developments

KMAD Membership

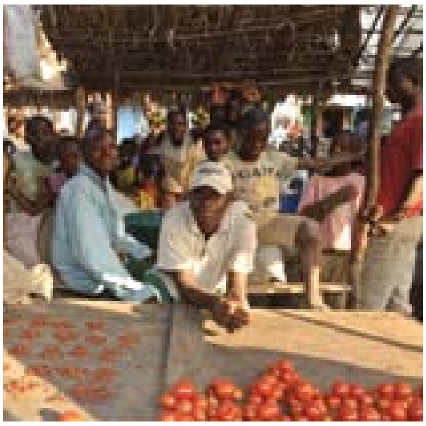
The KMAD Board consists of members of the Board and executives of Kenmare Resources plc. The KMAD management committee is comprised of five community representatives and members of the operations team at the Mine including the General Manager.

Operation

KMAD activities are supervised by the Kenmare Country Manager in coordination with the full time KMAD Coordinator who is responsible for the day to day management of the portfolio of activities and working with the implementing partners. The Community Liaison Officer (a member of the operations team) helps to monitor activities. Financial information is maintained by the Company's Financial Controller.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT CONTINUED

KMAD develops long-term relationships with partners



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:

- FMO (the Netherlands Development Finance Company) has provided funds for technical assistance and capacity-building on the agriculture and poultry projects; and
- WWF (World Wildlife Federation) has committed funds to working with the community to preserve the local indigenous Icuria forest and to supporting agricultural extension.

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. This has occurred with Ophavela, a local NGO specialising in rural credit and savings associations. It received funds from IDDPE to work in the coastal region of Nampula. Support from KMAD enabled Ophavela to place another field officer in Tupuito to provide greater assistance to the communities.

Donations have also been received from Kenmare Directors and employees as well as a number of individuals not connected to Kenmare who heard about the work being carried out by KMAD. Fund raising events have been organised by Kenmare personnel in Mozambique and Ireland.

Implementation Strategies

KMAD pursues three types of implementation strategies, being:

- ***Direct implementation***
  KMAD has in some instances directly managed activities, such as school furniture production. Direct implementation is generally the most rapid implementation method. Given the desire to maintain a lean operational structure, KMAD's capacity to carry out direct implementation projects is limited.
- ***Contracted implementation***
  KMAD provides funds to an organisation for implementation. There are a number of organisations working in Nampula province active in community development. Working with these organisations helps leverage their existing organisational capacities and field experience. As various projects are identified, KMAD has worked 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, such as WWF, 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 due to a greater level of assistance being provided, and to the institutions involved as a result of more efficient activities.

Projects Implemented

The following is a summary of the status of KMAD's principal projects during the year.

Economic Development

Savings and credit

The programme addresses the lack of access to financial services in rural areas through a simplified approach that is easier to create, manage and sustain than a microfinance institution and thus is better suited to rural areas with a dispersed and poor population lacking in sophisticated financial management skills. The monitoring process indicates that a large part of the savings have been used by the groups to establish social funds for emergencies.

These have helped members to access medical care for their families, cover funeral costs, fix their houses, purchase domestic utilities, etc. Other groups used their funds to start up small income generating activities, such as a small grocery, domestic utility, clothes and fabric shops.

The savings and credit groups promoted by Ophavela have shown a positive impact in the communities, especially for women. From the start of the project in 2006 through

A total of 85 savings and credit groups were established with a total of 1,550 members, of whom 46% are women

May 2009, a total of 85 saving and credit groups were established and trained, with a total of 1,550 members, of whom 46% are women. From June 2009, five new saving and credit groups have been created and seventy of the existing associations are now independent with a clear understanding of the methodology and structure. The contract with Ophavela was extended for another 12 months in June 2009. The aim of the extension was for Ophavela to train community animators, who have the responsibility to carry on the work of promoting savings and credit groups and assisting them when Ophavela finish their programme.

Agriculture

Production reached 13,500 kg (2008: 12,000 kg) of diverse vegetables during the year, much of which was sold to the Mine, but with increasing volume sold and consumed in the locality.

Farmers have taken important steps to make this project self-sufficient. During the second quarter of 2009, farmers started purchasing the seeds and other supplies, and later in the year started to handle directly the weekly delivery of vegetables to the Mine canteen. This represents a great achievement for the farmers and KMAD in the growth of the project because it represents a major step to sustainability. These new arrangements also lead to better coordination and team work between the three farmer groups, more independence and enhanced the enthusiasm of farmers.

The continuous challenge to provide year long production was addressed over the year. A drip irrigation system was proposed which is technically simple, enables economical use of water, and is cost effective. KMAD is considering installation of such a system at the farm in Thipane as a pilot project. In the meantime, KMAD continues to work with farmers to look for alternative plots and to implement recommendations made by the irrigation technician.

Poultry

The six hen houses at the egg farm have made great progress with more steady production over the year. During the year 1,200 hens produced about 220,000 eggs much of which was sold to the Mine, but with increasing volume sold and consumed in the locality.

Fish

IDPPE (Institute for the Development of Small Scale Fisheries), a government agency that supports small scale fishermen and fish projects and promotes good fishing practices, has been identified as a partner for a potential fish project.

The project would be located in Nahaloco and Larde, two villages located near the river Larde, 10 km from the Mine. The project aims to educate local fisherman

CORPORATE SOCIAL RESPONSIBILITY STATEMENT CONTINUED

on keeping fish fresh from the catch until delivery to the customer (the Mine canteen and other markets) using ice. The key step is the production of ice in Nahaloco and distribution to the fishing villages.

If this project is implemented, KMAD would finance it and IDPPE would provide technical assistance with training of the fishing groups. Monitoring and evaluation would be done by both KMAD and IDPPE. The fishermen's contribution to the project would be their boats, work and commitment.

In each village one group has been organised and training has been given on cooperative working, association development, and on the importance, advantages and proper use of ice on board the fishing boats.

Goat breeding

In the communities around the Mine site, goats have traditionally been raised by families as a safe way of saving for a crisis. As a consequence of the cyclone that hit the area in 2008, many livestock were lost. During consultations, the community proposed that KMAD include in its five year plan a project in goat breeding.

KMAD approached ADECOR to partner this project. ADECOR is a development association based in Nampula.

KMAD is financing the project, while ADECOR is providing training and technical assistance to the groups involved and is also providing association development training to all KMAD's associations and groups.

The initial phase of the project ran from March to October 2009. A technician moved to the area to work with the groups. The village of Nahaloco was chosen for the initial phase. After several meetings with the leaders and the community to discuss the project and introduce the technician, fifteen groups of five families were identified and trained in association development and animal husbandry. Corrals were built by the groups with the technician's assistance. One hundred goats were purchased and taken to Nahaloco.

The project plan is that after two years, each group has to pay back to the project the same number of animals it received in order to expand the project to other groups in other villages under the same system.

Sewing

Kabula, a village near the Mine, chose the members for the new sewing group in 2008. The group was trained by a local tailor and started producing in January 2009 increasing the monthly supply of laboratory sample bags to the Mine to 4,000 bags. KMAD provided a loan of approximately US$500 to start up the business and this was repaid within five months.

46,000 laboratory sample bags produced by the local community for the Mine

The tree nursery project is developing a plan dealing with crop diversity and the layout of the rehabilitated mine land

A total of 46,000 laboratory sample bags have been produced by the local community for the Mine's geology department generating annual revenues of approximately US$42,000.

The sewing groups took steps to self-sufficiency of the project during the second half of the year by directly purchasing the materials they require from Nampula. By the end of the year they also started delivering directly to the Mine and collecting payments.

Diesel
A diesel project was started during the first quarter of 2009 with a total of 18 members. A loan of US$5,200 was given to the group to start up the project. The group organised the building of a fuel station in Tupuito village.

Members of the group participate actively in its management with regular meetings to organise purchasing, liaison with a local transporter, keeping records of sales and the fuel balance and keeping track of fluctuations in the market prices of the fuel. Over the year a total of 6,800 litres of fuel were sold to the local market, generating a total revenue of approximately US$7,000.

Association Development
One of the major challenges of all groups is the association development component, which is key to forming a solid group and to ensure the self-sufficiency of projects. The association development component is very important, especially for the groups involved in income generating activities, because it incorporates training in key aspects of business management such us basic accounting, management, business planning, marketing and commerce.
It also looks at social aspects such as strengthening and fortifying team work and enhancing negotiation and problem solving skills.

To address this issue, KMAD in partnership with ADECOR implemented a project in association development with the aim of strengthening, training and formalising procedures within the existing groups. This project ran in parallel with the goat breeding project, from March to October 2009.

KMAD recognises that the development of the above skill sets for groups is extremely challenging and requires further work and assistance in 2010.

Nurseries
The tree nursery project is developing a plan dealing with crop diversity and the layout of the rehabilitated mine land. The plan envisages that KMAD will use community groups to produce the trees.

The Mine rehabilitation team has prepared the soil surface and conducted tests to evaluate the land's suitability for food crops. A total of five hundred fruit trees (cashews, mangoes, avocados, pears and oranges) and different food crops of local varieties (cassava, beans and ground nuts) have been planted. The harvests of the food crops have been distributed to the community and some have been kept as seed for replanting.

KMAD also promoted the establishment of tree nurseries in schools in neighbouring villages, as part of a government initiative launched by the Mozambican President under the slogan "One tree per pupil" to raise awareness of environmental issues amongst children at an early age and teach them the need to replace natural resources for the coming generations.

The WWF technician assisted on this initiative and school directorates together with the teachers designed a plan for maintenance of the nursery, with schedules in order that all children take part in the activities. A total of one hundred trees have been prepared in the nurseries and will be ready for transplanting early next year. KMAD is looking forward to expanding this initiative to all schools in the area in 2010.

Social-Cultural Development
Health Care
To address the neighbouring communities' poor access to basic health care services, a health project was designed with Missão Betesda, with the goal of increasing in the long-term the number of health care units in the vicinity of the Mine. This includes improving referral systems, providing

CORPORATE SOCIAL RESPONSIBILITY STATEMENT CONTINUED

an integrated ambulance operation, establishing a group of community health care volunteers servicing the local communities, and arranging for the existing health care units to receive full and adequate day-to-day support to enable them to give the best health care possible, given their limited resources.

An agreement to implement the Community-Based Health Care Programme was signed by KMAD and Missão Betesda in February 2009. The programme will run until February 2012. The development of this project was carried out in collaboration and participation with the District and Provincial Health Departments to ensure that when the project is concluded the activities will be fully managed by the District Health Department.

The project established the Mobile Clinic Team ("MCT"), consisting of a medical doctor and a dentist, who have visited the target area every fortnight. The MCT visits eight different clinics/health posts on each visit to the area. These fortnightly visits have proven to be a success and depending on the complexity of the cases, the MCT have been each able to see between ten and twenty patients during the visits.

In order to address the issue of logistics and transport, which is very problematic in rural areas, KMAD procured an ambulance.

School construction

The replacement block at the Tupuito school and the new block at the Thipane school were completed during the year. The aim now is to complete the supply of benches for the Nataka school and for the new school blocks at Tupuito and Thipane villages.

School materials

At the start of the school year, KMAD provided school materials (exercise books, pens, pencils, erasers, rulers, etc) for a total of 2,550 pupils from the five schools in the area.

Educational material was also provided for the 1,300 adults who attended adult literacy classes this year. A very positive aspect is that most of the attendees are women.

Sports

The local soccer commission was very active in 2009 and managed to encourage the women living in villages near the Mine to form teams. As a result, five women's teams have been created in the football clubs (which currently have male teams) of the local villages. The commission now handles the budget allocated to support sports activities.

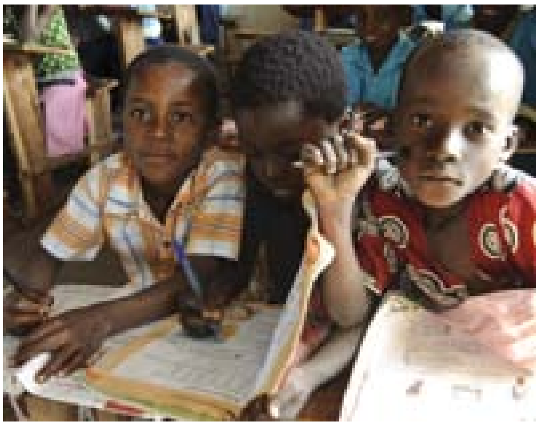
Organisation Achievements

2009 was a memorable year for KMAD and Kenmare Resources plc with the winning of two very important international awards. In September 2009, Kenmare Resources plc won the President's Award for the Best International CSR Programme from the Chambers of Commerce of Ireland, in association with the Irish Government Department of Community Affairs, at a ceremony in Dublin. The Company was praised for "its commitment and efforts to develop the communities in which it works". Projects by other organisations in South Africa and Ghana were shortlisted in the category which was open to companies from all sectors.

In October 2009, KMAD's work was again recognised by winning the Nedbank Capital Green Mining Award during a ceremony held at Nedbank's headquarters in Johannesburg. Nedbank is one of the four largest banking groups in South Africa. The Nedbank award was made by a panel of independent and expert adjudicators following an interview and three day site visit to examine the work of KMAD and meet with project beneficiaries.

The award recognises the significant contribution made by KMAD in terms of social and economic enhancement of the communities surrounding the Mine. Nedbank particularly praised the fact that KMAD's development work began before mining commenced, that it has an overall strategic vision and a 'bottom up' approach, as well as close partnerships with international and local NGOs and government bodies.

Educational material was also provided for the 1,300 adults who attended adult literacy classes this year.



Future Focus

In 2009, KMAD's economic projects detailed above benefited approximately two hundred families, generating an annual revenue of about US$107,000. It is hoped that in 2010 those numbers will increase. It is extremely important to ensure that groups already formed and those to be started are running independently as early as possible. This will enable a strong foundation for self-sufficiency of the economic activities. With the strengthening of existing businesses and implementation of new ones, the local economy will benefit from more diverse and higher quality products, competitive prices and increased circulation of goods and services.

During 2010, KMAD will continue to focus on health projects. Upon receiving final approval from the Department of Health, KMAD plans to build a health centre which will provide basic health care. The health centre will be managed by the Department of Health. Through further education and training, KMAD plans to strengthen the skills of the health volunteers engaged in community education and information dissemination. This will enable residents in the neighbouring communities to be better informed on health issues and, through the clinics, obtain timely medical services to help prevent diseases like malaria, cholera, etc. from developing.

KMAD will also introduce a secondary school scholarship to enable ten students (five girls and five boys) to go to school in the village of Larde. Over five years this will build to fifty students from the area.

The soccer commission will continue to be trained in managing the grant to support sports activities and KMAD will continue its initiatives to involve women in sporting activities.

COMPANY-COMMUNITY INTERACTION

In addition to the KMAD sponsored activities, operations personnel and the communities interact daily. The Mine employs a full-time Community Liaison Officer to communicate and co-ordinate with the local communities about the mining activities and the associated impacts. A Local Working Group (LWG) is the primary channel of communication between Kenmare and the Government of Mozambique, on the one hand, and the surrounding communities on the other. The LWG was formed during the detailed design phase and meets on a bi-monthly basis. It comprises the District Administrator, Government representatives, Kenmare management and a number of other local representatives.

In addition to acting as a conduit of information, the LWG has the following key responsibilities:

- monitor implementation of the Resettlement and Compensation Plan;
- identify issues or areas of concern that may have been overlooked or under-emphasised in the Social Impact Assessment or Resettlement Guidelines, and suggest amelioration and/or mitigation measures;
- assist in the finalisation of the Land Use Plan for the resettlement areas;
- facilitate land acquisition in areas under its control, both in the mine site area and in the host resettlement area;
- hold regular meetings with the affected constituencies to explain the process of compensation and resettlement and advise about progress; and
- monitor the project area to prevent illegal encroachment and squatting.

ENVIRONMENT

The Group is subject to the environmental laws and standards in force in Mozambique, together with international standards and guidelines of the World Bank, AfDB and FMO, as well as its own policies, and consistently seeks to apply best practice in all of its activities. Kenmare is required to comply with standards in relation to emissions, effluent treatment, noise, radiation, water quality and rehabilitation.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT CONTINUED

Kenmare is committed to the management of its operations in accordance with international environmental standards

Kenmare is committed to the management of its operations in accordance with these environmental laws, standards and its own internal policies. Kenmare is also undertaking a review of compliance at the Mine with IFC Performance Standards and plans to adopt these standards in due course. In addition, Kenmare provides staff with training so that employees at all levels recognise and are able to fulfil their environmental responsibilities.

The Environmental Management Plan (EMP) for the Mine sets out the monitoring activities, management and training programs, reporting activities, auditing and mitigation measures required to identify and reduce any negative impacts of the Mine and to comply with applicable environmental laws and guidelines. Senior management regularly reports to the Board on the status of compliance with the Group's environmental and social obligations, and aims to ensure that the EMP is properly implemented and maintained.

Environmental Objectives

Kenmare will:

- conduct regular performance reviews and legal compliance audits and act upon the results to ensure compliance with national laws and Group policy;
- provide adequate resources, staff and training so that employees at all levels recognise and are able to fulfil their responsibilities; and
- develop, maintain and test emergency procedures in conjunction with the relevant authorities.

Rehabilitation

As the mining face advances, the rear of the mining pond fills with sand tailings from the WCP to a level similar to the pre-existing land surface. This sand is contoured and then covered with a layer of clay-rich material which is mixed into the sand. The additional clay helps the subsoil to retain moisture and nutrients. Finally, topsoil containing seeds, organic material and microorganisms is stripped from the active mining area and placed onto the subsoil. The rehabilitation will be completed by fertilising and seeding with a variety of native or endemic species. Trials are under way to determine the combination of plants most suitable for rehabilitating the mining area, which will include both native flora and food crops. Kenmare is working with the WWF to identify the optimum revegetation strategy. To this end, a nursery area has been established to investigate the optimum conditions and plants for rehabilitation of the area. The slimes dam and the initial tailings stockpile area are part of the trial area.

The total area to be affected by the mine, separation plant and associated infrastructure is approximately 2,829 hectares, of which the mine path is 2,500 hectares. Given that clearing, mining, tailings disposal and land rehabilitation begins one year after mining and can be completed in a five to six year cycle, approximately one third of the mining area or 800 hectares will not be available for agricultural purposes at any one time.

Rehabilitation of mining areas commenced in 2009. Plant and infrastructure areas can be rehabilitated only after closure of the operation.

Tailings Disposal

The great majority of the waste tailings material comprises sand, silt and clay particles removed from the ore in the WCP. These can be sub-divided into sand tailings (>0.045 mm) and slimes (<0.045 mm), which are collected in a series of hoppers at the back of the WCP. Disposal of sand-sized particles is straightforward, these being pumped to the rear of the pond and deposited by means of cyclones which are located on top of a mobile stacker.

Disposal of slimes material is more complex, given the propensity for this size fraction to remain in suspension for longer periods. A significant proportion of the slimes fraction is incorporated between sand grains in the sand tailings and needs no further management. Excess slimes in the tails are allowed to consolidate in settling ponds, and are then pumped as a thick slurry to drying cells. Over the following months, the water evaporates from the slurry, leaving low-moisture clay that can be easily moved and handled. This material will be placed into the subsoil during rehabilitation of the dredge path, providing benefits for the subsequent revegetation.

Sand tailings consisting of non-valuable minerals are also generated by the MSP. These are returned to the mining void from which they originated, and are buried under the inert sand tailings from the WCP.

Water Supply
Water for the Mine is supplied from an aquifer via twelve boreholes and from a lake. Water is mainly used in the dredge pond and processing plants as well as for domestic use. In 2009, a total of 3.5 million (2008: 3.3 million) cubic meters of water were extracted from the aquifer. The aquifer recharges each year with rainfall.

A water monitoring programme, which has been approved by the Mozambique authorities under a separate document from the EMP, continues to be followed. A total of eleven surface water sites, six community water wells, six ground water sites and four internal drinking water sites are regularly monitored for a wide range of constituents.

Effluents, Sewage and Waste Water Handling Facilities
Sewage treatment plants have been provided for the MSP, WCP and accommodation village. The treatment plants each comprise a collector tank and pumping station, aerobic treatment unit, agitated aeration tank and sludge disposal to a sludge digestion pond.

Non-Hazardous Solid Wastes
Solid wastes include materials from the workshop, laboratory and domestic sources. A solid waste disposal facility has been provided, including a lined area for non-inert material.

Hazardous Waste
This may include liquid waste from the laboratory and hydrocarbon-contaminated material from the workshops. These are disposed at an approved hazardous waste disposal site.

Electricity Consumption
Electrical power is used for the dredges, WCP, tailings and slimes disposal pumps and MSP, as well as offices and the accommodation village. This is sourced from the national grid by means of a 110 kV overhead transmission line from the sub-station at Nampula. The power is generated by the hydro-electric dam at Cahora Bassa. A small on-site diesel power station has been constructed to supply back-up power for critical equipment in the event of power outages. This power station is rated at 6 MW and is capable of supplying the MSP and other key equipment (but not the mining operation) during an extended grid outage. During 2009, 82,724 MWh (2008: 56,500 MWh) of power was consumed.

Senior management regularly reports to the Board on the status of compliance with the Group's environmental and social obligations

CORPORATE SOCIAL RESPONSIBILITY STATEMENT CONTINUED

635 employees
at the Mine, 80% of which are Mozambicans and 20% are expatriates

Emissions and Air Quality

A monitoring programme has been designed for the MSP which records ambient meteorological conditions, as well as the primary anticipated pollutants (inhalable particulates, total particulate matter, CO, CO_2, NO and SO_2). During the 2009 sample collection campaign only traces of the gases were found to be present and were well within the required limits.

Dust monitoring continued during 2009 and all areas were within the specified standards. The ilmenite roaster was not operational during 2009 and therefore no stack-monitoring was carried out during 2009. All the bag-houses at the MSP are operational and no out of standard readings were recorded.

Noise

A workplace noise monitoring survey was carried out in 2009. The results of the 2009 report indicated that the workplace at the MSP is above the 85 dB(A) threshold value and hence hearing protection in the MSP is mandatory. All areas are signposted, hearing protection is provided, and wearing is enforced.

Noise levels at the property boundary were measured during the workplace noise monitoring. Kenmare is in compliance with the stipulated requirements for different times of the day and night as well as during public holidays.

Radiation

Radioactive elements such as uranium and thorium occur naturally, in very small quantities, in most heavy minerals including those mined by Kenmare. The presence of radioactive elements in the heavy minerals results in a natural level of radioactivity in the region. The extraction and processing of the heavy minerals merely concentrates naturally-occurring radioactive minerals; no radioactive substances are created by mining or processing.

The standards used for radiation protection for the Mine are the international standards recommended in the Basic Safety Standards of the International Atomic Energy Association. Under these standards, public exposure may not exceed 1 millisievert per annum (mSv/a), while occupational exposure to employees may not exceed 20 mSv/a. All areas monitored are within these limits.

HUMAN RESOURCES

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

Employee Demographics

There were 635 (2008: 444) Kenmare employees at the Mine during March 2010. 80% of the employees are Mozambicans and 20% are expatriates. Of the expatriates, 52% are from Zimbabwe, 42% from South Africa, and 6% from other countries. Women make up 4% of the workforce.

Literacy levels are generally poor in lower-level positions, such as security guards, mechanic's assistants and camp maintenance assistants. In its quest to develop and empower the local community, Kenmare has sought in many cases to employ community members. At this time, the lack of education limits most employees from the host communities to non-skilled positions. Internal migration of people from other areas of Mozambique has improved the average educational level of the local communities' residents.

Labour turnover was 9.6% (2008: 11.0%). This was above industry average of 5% and Kenmare is targeting a reduction in labour turnover in 2010. Cumulative absenteeism was 6.25% (2008: 1.38%). Kenmare's industrial relations policy is to continue our relationship-building with the trade union and employees while maintaining industrial peace. Kenmare maintains a pro-active working relationship with a single union.

Kenmare is committed to conduct its business without risk to the

health and safety of its employees

HEALTH AND SAFETY

Kenmare is committed to conduct its business without risk to the health and safety of its employees, contractors and the general public. Kenmare applies a strategy of zero tolerance with the objective of zero fatalities or major injuries. Zero tolerance means that:

- no one observes an unsafe situation without taking appropriate action;
- no one observes someone behaving in an unsafe manner without requiring the individual to stop;
- no one allows a colleague to work in unsafe conditions; and
- health and safety is everyone's responsibility.

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.

Health and Safety Objectives

Kenmare will:

- meet and where possible exceed all applicable legal requirements and standards for health, safety and welfare of employees;
- demonstrate visible commitment by all line managers showing positive leadership in all matters relating to health and safety;
- seek to eliminate at-risk behaviour;
- achieve and maintain healthy and safe work conditions;
- provide adequate welfare facilities for employees;
- carry out appropriate health screening of employees;
- provide effective instruction, training and supervision for all employees;
- identify hazards, assess risks and eliminate these where practicable;
- involve employees at all levels by establishing local health and safety committees;
- provide and maintain safe plant and equipment;
- regularly review and, as necessary, revise Group policy and guidance notes; and
- ensure that all contractors and consultants adhere to site procedures.

Safety Performance 2009 and 2008

	2009	2008
Man hours worked	2,084,882	1,618,153
Lost Time Injuries (LTI)	4	8
LTI Frequency Rate (basis 200,000 hours)	0.38	0.99
Days lost	20	47
Minor Injuries	92	45
Minor Injury Frequency Rate (basis 200,000 hours)	8.83	5.56

CORPORATE SOCIAL RESPONSIBILITY STATEMENT CONTINUED

Kenmare's Moma Titanium Minerals Mine is a major investment in the north of Mozambique

The focus for the year has been on the improvement of safety management systems that will help site management guide the operation toward sustainable safety performance.

The dual emphasis on behaviour-based initiatives and management systems is seen to be instrumental for improving Kenmare's health and safety performance. Therefore, behavioural emphasis will be consolidated around hazard and near-miss reporting and job safety observation systems. In addition, the risk assessment process will continue the reduction process targeting high and extreme risks.

HEALTH

Occupational Health Programmes

Occupational hygiene surveys to assess the potential for employee exposure in the workplace are conducted by an occupational health consultant. In addition to personal exposure assessments, noise surveys of plant and equipment and surveys to assess noise levels in the environment surrounding the plant are completed.

Surveys were conducted in accordance with standard methodology and results are assessed against internationally recognised occupational health standards. The survey results are used to assess the effectiveness of existing control measures and, if necessary, determine the need to implement additional protective measures or engineering design changes. The compliance with legislation governing exposure limits and worker safety is also assessed.

Medical Centre

The Occupational Health Centre operates on site on a 24 hour basis. The professional staff assess and treat any injury that occurs on site and are equipped to respond to any medical emergency situation that may arise. Annual medical examinations are carried out on all Kenmare employees. These are conducted by the Occupational Practitioner situated on site. No cases of occupational diseases were identified since operation of the Mine commenced in 2007. In addition to occupational health management, the clinic also assesses and treats malaria cases amongst employees and contractors on site.

Malaria Prevention and Management Programme

Malaria remains one of the most serious tropical diseases in the world. The Mine is located in an endemic malaria area. A number of initiatives were continued during 2009 to minimise the impact of malaria on site. These included distribution of mosquito bed nets to all employees and if applicable their families, pesticide spraying of the camp, provision of pesticide spray on site, and malaria awareness campaigns.

HIV/AIDS Awareness Programmes

Internal HIV/AIDS awareness initiatives have been conducted through a range of communication media including toolbox talks, newsletter articles, posters etc. Shorts printed with the HIV/AIDS awareness slogans were distributed to all employees along with booklets and leaflets providing general awareness information on prevention and positive living. Condom dispensers are placed throughout the site with condoms freely available.

Supply Chain

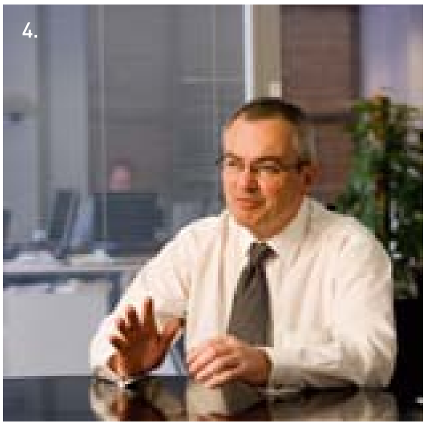
Kenmare is committed to optimising the involvement of Mozambican companies in the Mine's supply chain. We are working closely with the Centre for the Promotion of Investment in Mozambique to identify additional potential Mozambican suppliers of goods and services to the Mine.

Kenmare's Moma Titanium Minerals Mine is a major investment in the north of Mozambique. We believe this will serve as a catalyst for further investment and Kenmare actively supports the Government of Mozambique in its attempts to promote investment in the country.

Donations

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

BOARD OF DIRECTORS



1. CHARLES CARVILL
Chairman

Charles Carvill has been involved in the mining industry for over 40 years. He served as a Director of Tara Exploration and Development Limited, the parent company of Tara Mines, for over 20 years and was a founding member and subsequently Director of Minquest plc which later merged with Kenmare Resources plc. He is founder and Chairman of Carvill Group Limited and Vico Properties plc, a Belfast based construction and development group with activities in the Republic of Ireland, Northern Ireland, Scotland, England and Germany.

2. MICHAEL CARVILL
Managing Director

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

3. JACOB DEYSEL
Chief Operations Officer

Jacob Deysel was appointed Chief Operations Officer in February 2009 and was co-opted to the Board in June 2009. He joined from Richards Bay Minerals, the world's largest single producer of titanium dioxide feedstocks. He holds a BSc in Mine Engineering and a Masters in Business Administration, both from the University of Witwatersrand in South Africa. He has worked in the titanium dioxide feedstock industry since 2003. Previously he worked with Gold Fields Limited at Driefontein Mine where he was Operations Manager for the West Complex consisting of seven operating shafts. At Richards Bay Minerals, he has had responsibility for the mine's five plants in addition to geology, mine planning and maintenance.

4. TERENCE FITZPATRICK
Technical Director

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

5. TONY MCCLUSKEY
Financial Director

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

6. SOFIA BIANCHI

Non-Executive Director

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

7. IAN EGAN

Non-Executive Director

Ian Egan has worked in the natural resources industry for more than 35 years, including holding senior management positions at BHP, Utah Mining Australia Limited, Mineral Deposits Limited and N L Industries Inc. He is a fellow of the Australian Institute of Mining and Metallurgy (FAusIMM) and a Fellow of the Australian Institute of CPAs (FCPA). He has been awarded a BEc in Accounting and Law and an MEc in Industry Economics from the University of Sydney.

8. SIMON FARRELL

Non-Executive Director

Simon Farrell has over 30 years experience in the mining industry at senior management and board level, principally in the areas of finance, marketing and general management. He holds a BComm degree from the University of Western Australia and an MBA from the Wharton School at the University of Pennsylvania. He is a Fellow of both the Australian Society of Accountants and the Australian Institute of Company Directors. He was appointed to the Board in January 2000.

9. TONY LOWRIE

Non-Executive Director

Tony Lowrie has over 35 years association with the equities business. He was a partner with Hoare Govett, London from 1976 until 1986 when it was sold to Security Pacific. He then became a member of the main Board of Security Pacific Hoare Govett for a period from 1986 to 1991. He led a management buyout of Asian Equities in 1991 and became Chairman of HG Asia Securities in 1991. He held this position until HG Asia Securities was sold to ABN AMRO Bank in 1996 at which point he assumed the role of Chairman for ABN AMRO Asia Securities until 2004. He was formerly also a Managing Director of ABN AMRO Bank. He has been a Non-Executive Director in several quoted Asian closed end funds. He is a Director of the Edinburgh Dragon Fund and Allied Gold Limited. 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.

10. PETER MCALEER

Deputy Chairman

Peter McAleer has over 40 years international experience at board and senior management level in the natural resources sector. He has been involved in the discovery and/or successful development of more than 10 base and precious metal deposits and has extensive experience in project development and financing. He holds a Bachelor of Commerce and is qualified as a Barrister at Law.
He has been involved in the management of mining operations in Australia, Chile, Europe and North America. In the late 1990's as a Director of Equatorial Mining Limited and President of Equatorial Latin America he was Equatorial's representative on the owner's team which arranged the financing of the Minera El Tesoro copper project in Chile which involved raising project financing of US$296 million. He is also Chairman of Latin Gold Limited (Australia) and a Director of Kingsgate Consolidated Limited (Australia).

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2009

The Directors present their report and the audited financial statements for the year ended 31 December 2009.

Principal Activities

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

Business Review and Future Developments

An Operating, Expansion, Marketing and Financial Review, including future developments, is given on pages 8 to 20.

Risks and Uncertainties

The risks and uncertainties facing the Group are detailed in the Risk Factors Report on pages 45 to 52.

Key Performance Indicators

The key factors indicating the physical performance of the Group's mining activities are: (i) the output of heavy mineral concentrate from the mining operation; (ii) output of finished products (ilmenite, rutile and zircon) from the MSP; and (iii) finished product shipments. The performance for the year ended 31 December 2009 for these indicators was as follows:

	H1 2009 Tonnes	H2 2009 Tonnes	Total 2009 Tonnes
Mining - heavy mineral concentrate output	317,000	509,200	826,200
Processing – finished product output	210,000	284,400	494,400
Marketing – shipments	148,000	270,000	418,000

Mine production of HMC reached full design production levels in the fourth quarter of 2009. The processing plant is presently capable of operating at the target feed rate of 135 tph, and completion of plant optimisation work will further improve recovery rates. The principal projects that remain to be completed are the electrode upgrade to the zircon circuit high tension roll separators and the ilmenite scavenger circuit, which are planned for completion during the second quarter of 2010. Production at levels approaching design capacity for ilmenite and zircon is expected by the end of the first half of 2010, with work to increase rutile production ongoing throughout 2010.

Ilmenite production in the second half of 2009 was 274,000 tonnes, up 37 per cent. compared to the first half of 2009. Zircon production for the second half of 2009 was at similar levels to the first half of 2009 at 11,300 tonnes, mainly as a result of disruptions to zircon production associated with the implementation of metallurgical optimisation projects. Since year end, additional equipment has been commissioned in the zircon circuit and zircon production has improved significantly.

Tonnage of finished products delivered to customers' vessels was up 83 per cent. from 148,000 tonnes in the first half of 2009 to 270,000 tonnes in the second half of 2009, continuing an upward trend in shipments.

Statement of Results

During the six months ended 30 June 2009, the Group continued to build up production to target levels. From 1 July 2009, the Mine was considered to be capable of operating at target levels of production; as a result, the Group has reported revenue and related costs in the income statement from July 2009 onwards.

During the first six months of the year, costs of US$13.8 million (2008 full year: US$31.7 million) net of revenue earned of US$15.6 million (2008 full year: US$25.3 million) and net of delay damages of US$1.2 million (2008 full year: US$3.1 million) were capitalised in development expenditure in property, plant and equipment. Loan interest of US$13.4 million (2008 full year: US$26.9 million) and finance fees of US$5.6 million (2008 full year: US$1.5 million) were also capitalised resulting in an increase in development expenditure of US$32.8 million to 30 June 2009.

For the six months ended 31 December 2009, the Group sold 270,000 tonnes of finished products, ilmenite and zircon to customers at a sales value of US$26.7 million. Cost of sales for the six month period was US$35.2 million resulting in a gross loss of US$8.5 million. Distribution and administration costs for this six month period were US$1.8 million and US$1.9 million respectively, resulting in an operating loss of US$12.1 million.

There was a foreign exchange loss for the year of US$2.9 million mainly as a result of the retranslation of the euro denominated loans.

Loan interest and finance fees were US$15.5 million during the second half of the year. Deposit interest earned was US$0.2 million.
The resultant loss for the year was US$30.4 million.

Additions to property, plant and equipment amounted to US$47.7 million (2008: US$63.8 million) made up of sustaining capital expenditure of US$14.1 million (2008: US$3.8 million) and development expenditure of US$33.6 million (2008: US$60.0 million).

On 12 December 2009, Kenmare Moma Mining (Mauritius) Limited and Kenmare Moma Processing (Mauritius) Limited ("the Project Companies") entered into a Deed of Final Settlement and Release ("DOS&R") with the EPC Contractor, a joint venture formed by subsidiaries of Multiplex Limited and Bateman B.V. Under the terms of the DOS&R, all outstanding rights, obligations and liabilities of all parties under the EPC Contract and related agreements have been mutually settled and released.

The Group has total debt of US$356.1 million (2008: US$334.8 million), comprised of US$353.6 million (2008: US$334.8 million) of Project Loans and US$2.5 million (2008: nil) of a mortgage loan. During the year there were senior loan interest payments amounting to US$11.9 million (2008: US$34.1 million interest and principal), interest accrued of US$28.7 million (2008: US$26.6 million), drawdowns of US$2.5 million (2008: US$22.0 million), a prepayment of US$0.3 million on a senior loan arising from a guarantee fee refund in the same amount, and foreign exchange movements of US$2.3 million (2008: US$5.5 million) resulting in an overall increase in debt of US$21.3 million.

Directors

The Directors who held office at 31 December 2009 were as follows:

C. Carvill	Non-Executive (Chairman)	Δ	*	+
S. Bianchi	Non-Executive	Δ	*	+
M. Carvill	Executive			
J. Deysel	Executive			
T. Fitzpatrick	Executive			
T. McCluskey	Executive			
I. Egan	Non-Executive	Δ	*	+
S. Farrell	Non-Executive	Δ	*	+
T. Lowrie	Non-Executive		*	+
P. McAleer	Non-Executive	Δ	*	+

Δ : Members of the Audit Committee currently chaired by Mr. P. McAleer
+ : Members of the Remuneration Committee currently chaired by Ms. S. Bianchi
** : Members of the Nomination Committee currently chaired by Mr. C. Carvill*

On 11 June 2009, Mr. J. Deysel was co-opted to the Board as an Executive Director.

Dr. A. Brown retired on 16 April 2009.

Under Articles 94 to 102 of the Company Articles of Association, Mr. T. Fitzpatrick, Mr. P. McAleer and Mr. T. McCluskey retire from the Board and being eligible offer themselves for re-election.

Mr. C. Carvill, Mr. I. Egan and Mr. S. Farrell being Non-Executive Directors who have served for over nine years on the Board, retire from the Board in accordance with the 2008 FRC Combined Code and being eligible, will offer themselves for re-election.

Mr. J. Deysel will retire from the Board in accordance with the Articles of Association and will offer himself for election.

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.

DIRECTORS' REPORT CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2009

Directors' and Secretary's Shareholdings

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

	Shares Held 15 April 2010	Shares Held 31 Dec. 2009	Shares Held 1 Jan. 2009
C. Carvill (Chairman)	7,605,449	6,605,449	6,668,782
S. Bianchi	1,127,583	-	-
M. Carvill	5,072,830	3,822,830	3,810,709
J. Deysel	281,895	-	-
I. Egan	1,330,349	333,333	333,333
S. Farrell	987,590	466,333	466,333
T. Fitzpatrick	108,807	41,026	41,026
T. Lowrie	4,870,891	2,464,230	2,464,230
P. McAleer	527,221	156,250	156,250
T. McCluskey	606,250	231,250	231,250
D. Corcoran (Secretary)	56,378	-	-

3,000,000 shares are held by a Carvill Family Trust, of which 750,000 shares are held in trust for the children of Mr. M. Carvill, and are included in his holding above.

On 29 July 2009, Mr. M. Carvill inherited 12,121 shares.

Directors' and Secretary's Share Options

Details of the share options of the Secretary and Directors who held office at 31 December 2009, granted in accordance with the rules of the Share Option Scheme, are as follows:

	1 Jan 2009	Granted during 2009	31 Dec 2009	Average option price €	Option Price range From €	Option Price range To €
C. Carvill (Chairman)	2,496,629	-	2,496,629	25c	6c	44c
S. Bianchi	-	-	-	-	-	-
M. Carvill	6,530,000	3,500,000	10,030,000	28c	11c	44c
J. Deysel	-	1,000,000	1,000,000	10c	10c	10c
I. Egan	2,180,000	-	2,180,000	26c	11c	44c
S. Farrell	1,180,000	-	1,180,000	32c	20c	44c
T. Fitzpatrick	900,000	2,000,000	2,900,000	17c	10c	44c
T. Lowrie	500,000	-	500,000	44c	44c	44c
P. McAleer	1,250,000	-	1,250,000	27c	16c	44c
T. McCluskey	4,430,000	2,500,000	6,930,000	29c	11c	44c
D. Corcoran (Secretary)	1,825,000	750,000	2,575,000	30c	13c	44c

During the year, no Directors' and Secretary's share options were exercised or lapsed. The latest exercise date of the above share options is June 2016. The share option period may be extended at the decision of the Board.

The share price at the year end was €0.22 and the share price range for the year was between €0.08 and €0.35.

Share Option Scheme

It is the policy of the Company, in common with other companies operating in the industry, to award share options to certain Directors, employees and consultants. The Board makes awards at such time or times as it may determine, subject to the conditions of the Model Code for Directors' dealings. Any offer to grant options shall specify the consideration payable on acceptance, the number of shares comprised in the option, the mode of acceptance together with the latest date for acceptance and for payment of the said consideration. Upon receipt by the Board of such acceptance and consideration, the option will be granted and the Option Certificate delivered. The options generally vest over a three to five year period, in equal annual amounts. At 31 December 2009, 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 12,615,000 shares, exercisable at an average price of €0.31 per share.

Going Concern
On 5 March 2010, the Company announced a fully underwritten share issue by way of a firm placing and placing and open offer to raise approximately £179.6 million (at the time, US$270 million) before expenses. This funding will enable the Group to proceed with a proposed expansion of the Moma Titanium Minerals Mine on the basis of an Expansion Study which was completed in January 2010.

The senior and subordinated lenders to the Project (the "Project Lenders") have agreed to a number of waivers and amendments to the existing Project financing agreements in connection with the proposed expansion, the sole remaining condition to the effectiveness of which on 5 March 2010 was the deposit of US$200 million to the Contingency Reserve Account (an account previously established to secure certain obligations of the Group in connection with the financing of the Project) by 30 June 2010. The required deposit will be made by 30 June 2010. Further detail on these waivers and amendments is set out in Note 19.

On 29 March 2010, resolutions required to authorise the equity raising were passed by shareholders at an extraordinary general meeting, thereby allowing the Company proceed with the equity raising, and providing the Company with the funds necessary to make the deposit to the Contingency Reserve Account noted above.

Taking account of the relevant factors including those described above, 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.

Share Capital
As at 31 December 2009, the Company's share capital consists of Ordinary €0.06 Shares and Deferred €0.25 Shares. Ordinary Shares account for 86% and Deferred Shares account for 14% of the total Share Capital.

The Ordinary Shares rank equally in all respects and carry no special rights. They carry voting and dividend 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 €0.013 for all the deferred shares so purchased.

As at 15 April 2010, the Company had 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
M&G Group Limited	456,462,565	18.99
Baillie Gifford & Company	170,605,520	7.1
Capital Research & Management Company	158,618,932	6.6
BlackRock Investment Management (UK) Ltd	135,298,936	5.6
JP Morgan Asset Management (UK) Ltd	86,910,102	3.6

Directors are appointed by the shareholders at the Annual General Meeting of the Company.

The shareholders must approve any resolution to amend the Company's Articles of Association.

In the event of a change in control, directly or indirectly, in Kenmare Moma Mining (Mauritius) Limited and Kenmare Moma Processing (Mauritius) Limited, subsidiary undertakings of the Company, the Project Companies senior and subordinated lenders may require payment in full of debt obligations subject to conditions set out in the loan agreements.

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

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

Books of Account
The Directors have employed appropriately qualified accounting personnel and have maintained appropriate accounting systems, to ensure that proper books and accounting records are kept in accordance with Section 202 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. 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.

DIRECTORS' REPORT CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2009

Subsidiary Undertakings
The subsidiary undertakings of the Company at 31 December 2009 are outlined in Note 12 to the financial statements of these subsidiary undertakings, Kenmare Moma Mining (Mauritius) Limited, Kenmare Moma Processing (Mauritius) Limited and Mozambique Minerals Limited maintain branches in Mozambique.

Annual General Meeting
Mr. T. Fitzpatrick, Mr. P. McAleer and Mr. T. McCluskey will be proposed for re-appointment at the Annual General Meeting.

Mr. J. Deysel will be proposed for appointment to the Board by Shareholders at the Annual General Meeting.

Mr. C. Carvill, Mr. I. Egan and Mr. S. Farrell being Non-Executive Directors who have served for over nine years on the Board, retire from the Board in accordance with the 2008 FRC Combined Code and being eligible, will offer themselves for re-election.

Biographical details of the above Directors are set out on pages 36 and 37.

The Chairman, Mr. C. Carvill, confirms that the performance of Non-Executive Directors, who are subject to re-appointment, continues to be satisfactory and that they demonstrate commitment to the role, including commitment to both Board and Committee meetings. The Senior Independent Non-Executive Director, Mr. P. McAleer confirms that Mr. C. Carvill's performance continues to be satisfactory and that he demonstrates commitment to the role, including commitment to both Board and Committee meetings.

Shareholders are being asked to give the Directors authority to allot shares. In addition, shareholders are being asked to renew the authority to disapply the statutory pre-emption provisions in the event of any issue for cash up to an aggregate nominal value of 5% of the nominal value of the Company's issued Ordinary Share Capital.

Shareholders are being asked to maintain the existing authority in the Articles of Association that allows the Company to convene an Extraordinary General Meeting on 14 days' notice where the purpose of the meeting is to consider an ordinary resolution. As a matter of policy, the 14 days' notice will only be utilised where the Directors believe that it is merited by the business of the meeting and the circumstances surrounding the business. Shareholders are also being asked to allow the amendment of the Company's Articles of Association in order to make them consistent with the Shareholder Rights (Directive 2007/36/EC) Regulations 2009.

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

General Meetings and Shareholder 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 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 any other case fourteen clear days' notice at the least, needs to be given in writing in the manner provided for in the Articles to all the members (other than those who, under the provisions of the Articles or the conditions of issue of the shares held by them, are not entitled to receive the notice) and to the Auditors for the time being of the Company.

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

All business is deemed special that is transacted at an Extraordinary General Meeting. All business that is transacted at an Annual General Meeting is also deemed special with the exception of declaring a dividend, considering the accounts, balance sheets and reports of the Directors and Auditors, electing Directors in the place of those retiring, re-appointing retiring Auditors and fixing of 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 held by him. On a poll, every member who is present in person or by proxy has one vote for each share of which he is the holder. 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.

Corporate Governance

The annual Corporate Governance Statement on pages 53 to 56 forms part of the Directors' Report and is incorporated into this report by reference.

Political Donations

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

Events since the year end

On 5 March 2010, the Company and the Project Companies entered into an Expansion Funding Deed of Waiver and Amendment with the Project lenders. At such time, the sole remaining condition to the effectiveness of waivers and amendments was the deposit of US$200 million in the Contingency Reserve Account by 30 June 2010. Further details in relation to the Expansion Funding Deed of Waiver and Amendment are set out in Note 19.

On 5 March 2010, the Company announced a fully underwritten share issue by way of a firm placing and placing and open offer to raise approximately £179.6 million (at the time, US$270 million) before expenses, the primary purpose of which was to fund an expansion to the existing mine operations to increase production capacity from 800,000 tpa of ilmenite and co-products per annum to 1.2 million tpa of ilmenite and co-products.

On 29 March 2010, resolutions authorising the share issue were passed by shareholders at an extraordinary general meeting. On 1 April 2010, the conditions of the placing and open offer agreement were satisfied, the Company announced that the newly issued shares had been approved for listing, and the proceeds of the share issue were received. By 30 June 2010, US$200 million will be deposited to the Contingency Reserve Account, satisfying the sole remaining condition to effectiveness of the waivers and amendments.

Auditors

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

On behalf of the Board:

M. Carvill Director T. McCluskey Director

22 April 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements. The Directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and have also elected to prepare financial statements for the Company in accordance with IFRSs. Company law requires the Directors to prepare such financial statements in accordance with IFRSs, the Companies Acts 1963 to 2009 and Article 4 of the IAS Regulation.

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.

Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is 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 comply with IFRSs as issued by the IASB and as adopted by the European Union; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company and Group will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

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 comply with the Companies Act 1963 to 2009 and as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are also responsible for the preparation of a Directors' Report which complies with the requirements of the Companies Acts 1963 to 2009 and for reports relating to Directors' remuneration and corporate governance that comply with the Listing Rules issued by the Irish Stock Exchange.

The Directors are responsible for the maintenance and integrity of the annual report and financial statements posted to the Company website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

Responsibility statement

The Directors confirm to the best of their knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as issued by the IASB and as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and loss of the Company and the undertakings included in the consolidation taken as a whole;
- that the Operating, Expansion, Marketing and Financial Review includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole; and
- that the Risk Factors Report contains a description of the principal risks and uncertainties that may impact on the Group's future performance.

On behalf of the Board:

M. Carvill Director T. McCluskey Director

22 April 2010

RISK FACTORS REPORT

The following describes some of the risks that could affect the Group. The following risks are those material risks of which the Directors are aware. Additional risks and uncertainties not presently known by the Directors, or that the Directors currently consider to be immaterial, may also have an adverse effect on the Group. The following risks highlight the Group's exposure to risk without explaining how these exposures are managed and mitigated or how some risks are both threats and potential opportunities.

RISKS RELATING TO THE GROUP

Financing risks

The Group has a significant level of indebtedness and may not be able to meet its loan obligations to lenders in the longer term

The development of the Mine has been partly financed by Senior Loans and Subordinated Loans. Under the terms of the financing agreements, the project lenders, comprising Absa, AfDB, EAIF, EIB, FMO and KfW, have security over substantially all of the Group's assets, except for cash held outside Project-related accounts (accounts of Kenmare Moma Mining (Mauritius) Limited and Kenmare Moma Processing (Mauritius) Limited and the CRA). Under the terms of the agreed financing amendments set out in the Expansion Funding Deed of Waiver and Amendment signed on 5 March 2010, the Project lenders will continue to have security over substantially all of the Group's assets, including the facilities constructed and machinery and equipment purchased in connection with the expansion, and cash deposited to the Contingency Reserve Account (CRA), but not cash retained by the Group outside Project-related accounts.

Following the application of the net proceeds of the capital raising, including the potential application of some of the net proceeds to service debt repayment obligations, the Group's ability to meet its debt service obligations and/or to repay principal falling due will continue to depend on the cashflow generated from the Group's operations. The Group's cashflow, in turn, depends primarily on the Group's ability to achieve production targets for the finished products at the Mine, to achieve the finished product pricing anticipated by the Group and to curtail increases in operating and/or capital cost.

If a situation arises whereby the Group is unable to meet interest and/or loan repayments from cash flow prior to the completion of the expansion, the Group would need to use part of the proceeds from the capital raising in order to service its debt. In the event that the Group needed to use an amount in excess of that available, for the servicing of debt and for general corporate purposes, this could increase the risk that the Group had insufficient resources to complete the expansion.

Should the Group need to use proceeds from the capital raising to service its debt following the completion of the expansion, or if the proceeds from the capital raising were insufficient to cover the cost of implementing the expansion whether or not there is a pre-completion shortfall in debt service, the Group may, amongst other things, need to reschedule or restructure the current loans, refinance all or a portion of its debt, obtain additional equity, all of which may be impossible or extremely costly to the Group, and/or delay planned capital expenditure, including the expansion, or take other remedial actions. Absent successful implementation of any such remedial action, the Group may default on one or more of the financing agreements and following notice and the passage of time, the Project lenders may, in certain circumstances, be permitted to apply post-default interest margins, accelerate the maturity of all sums outstanding under the facilities, enforce the security and guarantees granted by the Group, place the Project Companies into administration, and initiate insolvency or other similar proceedings against the Project Companies.

The Group has a significant amount of indebtedness which may impair its operating and financial flexibility and could adversely affect the business and financial position of the Group

The Group has a significant amount of indebtedness which may impair its operating and financial flexibility and could adversely affect the business and financial position of the Group which may potentially:

(i) cause the Group to divert a substantial portion of cash flow from operations to payments to service debt, depending on the level of borrowings, prevailing interest rates and, to a lesser extent, exchange rate fluctuations, which would reduce the funds available for working capital, capital expenditure, acquisitions and other general corporate purposes. While this risk does not mean that the Group will have insufficient working capital for its requirements it does impair its operating and financial flexibility and could adversely affect the business and financial position of the Group;

(ii) curtail the Group's ability to pay dividends;

(iii) limit the Group's ability to borrow additional funds for working capital (over the longer term), capital expenditure, acquisitions and other general corporate purposes. While this risk does not mean that the Group will have insufficient working capital for its requirements, it does impair its operating and financial flexibility and could adversely affect the business and financial position of the Group;

RISK FACTORS REPORT CONTINUED

(iv) limit the Group's flexibility in planning for, or reacting to, changes in technology, customer demand, competitive pressures and the industries in which it operates;

(v) place the Group at a competitive disadvantage compared to those of its competitors that are less leveraged than it is; and

(vi) by impairing its operating and financial flexibility, increase the Group's vulnerability to both general and industry specific adverse economic conditions.

Interest and foreign exchange risk

Kenmare is exposed to fluctuations in interest rates and exchange rates that could have a material adverse impact on its profitability

The development of the Mine has been financed in part by fixed and variable rate loans. The Group is exposed to movements in interest rates which affect the amount of interest paid on borrowings. As at 31 December 2009, 35 per cent. of Kenmare's debt (approximately US$125 million) was at variable interest rates and 65 per cent. of Kenmare's debt (approximately US$231 million) was at fixed interest rates, resulting in total debt as at 31 December 2009 of US$356 million. Any increase in relevant variable interest rates would increase finance costs and therefore have a negative impact on the Group's profitability.

The development of the Mine has been financed in part by euro-denominated loans. As at 31 December 2009, 38 per cent. of the Group's debt (approximately US$137 million) was denominated in euro and 62 per cent. of the Group's debt (approximately US$219 million) in US Dollars, resulting in total debt as at 31 December 2009 of US$356 million. The euro loans are due to be repaid in instalments between 2010 and 2019. The Group exports 100 per cent. of its production and all of the Group's sales are denominated in US Dollars. The Group's current policy is not to enter into derivative financial instruments to cover this risk due to the length and payment profile over the loan period. The Group is therefore exposed to movements in the US Dollars/euro exchange rate over the repayment period which may increase the finance costs and have a negative impact on Kenmare's profitability.

Credit risk

The Group is dependent on contracts with, and the Group has credit exposure to, a number of key customers

As is typical in the titanium minerals industry, a small number of customers account for a significant proportion of the Group's revenue. In 2009, 95 per cent. of the Group's revenues was derived from long term contract sales to fewer than ten customers. If any of these customers ceased dealing with the Group and the Group was unable to sell the product in the market on comparable or superior terms, there would be an adverse impact on the Group's cashflow, results and financial condition. Furthermore, the Group's sales contracts generally specify that the customer receives the product prior to paying. If customers failed to pay, then unless the relevant invoice had been sold to Absa under the factoring agreement in place, there would be adverse impact on the Group's cashflow, results and financial condition.

Commercial and operational risks

The Group depends on marine operations for the sale of products and may not be able to sell final products if, in particular, the jetty is damaged severely

The Group is reliant on the continued successful operation of the marine terminal for the sale of products. In December 2007, damage was caused to a number of the berthing piles at the jetty and although the damage did not materially affect operations, repair work is expected to be carried out in 2010. If the marine terminal was damaged by adverse weather conditions or otherwise such that it became unusable or inaccessible for any significant period pending repair, the Group would be unable to sell its products or would be limited in the amount which it could sell. In this case, the Group would be unable to meet its commitments to customers which could result in ocean freight penalties and a reduced level of sales which would have an adverse effect on the Group's cashflow, results and financial condition.

The Group is also reliant on the effective operation of its transhipment system. Currently a single transhipment vessel transports products from the jetty to the transhipment point, where it self-discharges into the customer's vessel. The Group has recently acquired a second transhipment vessel which is due to arrive on site in 2010. This second vessel is intended to increase load-out capacity at the Mine as well as to provide the necessary services should the current transhipment vessel become unusable or in need of repair. If the transhipment vessel currently employed by the Group becomes unusable or in need of repair before the second transhipment vessel arrives or, if after arrival, both vessels are unavailable or in need of repair, the Group would hire a tug, dumb barge and grabs, and load customers' vessels using the ship's gear. If this were to occur, it could adversely affect the cashflow, results and financial position of the Group as the loading rate could be less than that of the current transhipment system, possibly resulting in lower revenues and higher costs due to delayed shipments and demurrage costs.

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 any impact of piracy, terrorism, weather-related problems, key equipment or infrastructure failures, strikes, lock-outs 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 cashflow, results and financial condition.

Product prices may not increase as anticipated or may fall

The Group's revenue and earnings depend upon prevailing prices for ilmenite and, to a lesser extent, rutile and zircon. The Group fixes its prices for its products by bilateral negotiation with its customers with reference to the market price prevailing at the time of the entry into, or renewal, of the contract. Some of the Group's products are sold to customers under contracts of three to five year duration, which provide for the supply of fixed volumes of product at fixed prices with annual escalation based on published inflation indices. The majority of these contracts will expire over the next three years. The balance of the Group's products are sold to its customers under contracts providing for the delivery of fixed volumes with annual price negotiations or under spot contracts for specific shipments. If the increase in prevailing market prices for the Group's products that is anticipated by the Directors were not to occur (or if the prices negotiated by the Group were not to capture any such increase in market price) or if market prices were to fall or the Group were otherwise unable to negotiate satisfactory pricing terms, this would have an adverse impact on the Group's revenue generation, results of operations or financial condition.

The Mine is dependent on a single power supply and power transmission line and other energy supplies for which supply and prices may fluctuate

The Mine is dependent on a power supply comprising a single power source (the Cahora Bassa hydroelectric power station on the Zambezi River), the electricity transmission system of northern Mozambique owned and operated by the national power company EdM, and a single 170km transmission line to the Mine from the Nampula substation. Although the Group has invested in equipment to minimise power interruptions and is working with EdM, to improve the electricity supply to the Mine further, there is no certainty that there will not be power interruptions which could affect production.

Although the Group currently has a contract for the supply of electricity with EdM entered into in 2002, the Group does not expect to be able to contract with EdM on similar terms for the portion of the additional electrical power required for the expansion in excess of the limit of the current agreement. The Group may not be able to negotiate the new contract with EdM at the same or similar pricing and there can be no assurance that the Group will be able to contract with EdM at all. If a successful outcome was not achieved with EdM then this would have an adverse affect on the Group's ability to implement the expansion on schedule.

If either Cahora Basa or the transmission line to the Mine were to experience faults for a prolonged period of time resulting in serious disruptions to electricity supply, the Group might be unable to produce sufficient ilmenite, rutile and zircon to fulfil customer contracts, which would reduce cash flow and which may impact customer relationships and have an adverse impact on the Group's cashflow, results and financial position. It has not been possible to obtain insurance cover on commercially reasonable terms to provide against this eventuality.

Certain of the Group's operations and facilities are intensive users of diesel. Factors beyond the control of the Group may put upward pressure on the prices paid by the Group for the fuel and energy used by it.

As with other mining sector inputs, the Group has historically been exposed to energy cost inflation. Any renewed increases in energy costs will adversely affect the cashflow, results and financial condition of the Group.

RISK FACTORS REPORT CONTINUED

The MSP may not achieve current target levels of finished product

The Group is in the process of ramping up production at the Mine, which is intended to increase production within the MSP to design capacity of ilmenite, zircon and rutile, which have not yet been achieved. Design capacity is 800,000 tpa of ilmenite, 50,000 tpa of zircon and 14,000 tpa of rutile. The principal projects that remain to be completed are the electrode upgrade to the zircon circuit high tension roll separators and the ilmenite scavenger circuit, which are planned for completion during the second quarter of 2010. However, if these optimisation projects are not successful and production does not reach design capacity levels, this would have adverse effects on the Group's cashflow, results and financial condition.

The Group is required to maintain licences for the current mining operation

Numerous governmental permissions, approvals and leases are required for each of the Group's operations. Grant of these permissions, approvals and leases is subject, in certain circumstances, to the occurrence of certain events or to modification, renewal or revocation. The Group may not receive the permits necessary for it to operate profitably, or at all, in the future under the current operations. Further, if the Group does not receive the necessary permits, it may not be able to implement the ramp-up to current design capabilities which may adversely affect the cashflow, results and financial condition of the Group.

Kenmare is exposed to a number of operational factors which may be outside its control

The success of the Group's business is affected by a number of factors which are, to a large extent, outside its control. Such factors include the availability of water and power. In addition, the Group's business is subject to numerous other operating risks which include: unusual or unexpected geological features, seismic activity, climatic conditions (including as a result of climate change) such as flooding, cyclones or drought, interruptions to power supplies, industrial action or disputes, environmental hazards, and technical failures, fires, explosions and other accidents at the Mine and related facilities. These and other risks and hazards could result in damage to, or destruction of the mining, processing or transhipment facilities, may reduce or cause production to cease, may result in personal injury or death, environmental damage, business interruption, monetary losses and possible legal liability and may result in actual production differing from estimates of production.

While the Group has insurance covering various types of business interruptions arising from property damage or machinery breakdown in respect of its operations, such insurance may not be sufficient and/or fully cover the consequences of such business interruptions and, in particular, may not cover interruptions arising from all types of equipment failure, labour disputes or "force majeure" events. No assurance can be given that such insurance will continue to be available, or that it will be available at economically feasible premiums. Equally, there can be no assurance that operating risks and the costs associated with them will not adversely affect the results of operations or financial condition of the Group. Although the Group maintains liability insurance, the Group's insurances do not cover every potential risk associated with its operations and meaningful coverage at reasonable rates is unobtainable for certain types of environmental hazards. The occurrence of a significant adverse event, the damage from which is not adequately covered by insurance, or in respect of which adequate disaster recovery arrangements may not be in place, could have a material adverse effect on the cashflow, results and financial condition of the Group.

The Group is dependent on the continued services of senior management and skilled technical personnel

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 or financial condition of the Group. In addition, as the Group's business develops and expands, the Group's future success will depend on its ability to attract and retain highly skilled and qualified personnel, which is not guaranteed. Should key personnel leave or should the Group be unable to attract and retain qualified personnel, the Group's business, its results of operations and financial condition may be adversely affected.

The Company may face the risk of litigation in connection with its business and/or other activities

The Group may from time to time face the risk of litigation in connection with its business and/or other activities. Recovery may be sought against the Group for large and/or indeterminate amounts and the existence and scope of liabilities may remain unknown for substantial periods of time. A substantial legal liability and/or an adverse ruling could have a material adverse affect on the Group's business, results of operation and/or financial condition.

Political and economic risk

The Group could face increased risk and uncertainty in the event of political and economical instability in Mozambique

The Mine is located in Mozambique, which has been politically stable for over a decade. The Group has operated in Mozambique since 1987, and has executed a Mineral Licensing Contract and an Implementation Agreement which each contain provisions that provide certain protections to the Group against adverse changes in Mozambican law. Mozambique may, however, become subject to similar risks which are prevalent in many developing countries, including extensive political or economical instability, onerous taxation, nationalisation, inflation, currency fluctuations and burdensome governmental regulation and approval requirements. The occurrence of these events could adversely affect the economics of the Mine and could have a material adverse effect on the results of operations or financial condition of the Group.

Health, safety, environmental and other regulatory risks

Health, safety, environmental and other regulations, standards and expectations evolve over time, and unforeseen changes could have an adverse effect on the Group's earnings and cash flows

The operations of the Project Companies are extensively regulated by national authorities in Mozambique, and the Project Companies are obliged to comply with international standards and guidelines issued by the World Bank, AfDB and FMO, amongst others. Regulations govern matters including, but not limited to, employee health and safety, permitting and licensing requirements, planning and development and environmental compliance (including, for example, compliance with waste and waste water treatment and disposal, emissions and discharge requirements, plant and wildlife protection, reclamation and rehabilitation of mining properties before, during and after mining is complete and the effects that mining has on surface and/or groundwater quality and availability).

Governmental authorities and the courts have the power to enforce compliance (and, in some jurisdictions, third parties and members of the public can initiate private procedures to enforce compliance) with applicable laws and regulations; violations of which may result in civil or criminal penalties, the curtailment or cessation of operations, orders to pay compensation, orders to remedy the effects of violations and/or orders to take preventative steps against possible future violations.

In addition, a violation of environmental or health and safety laws relating to the Mine or production facility 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 or production facility, 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. If environmental, health and safety authorities require the Group to shut down all or a portion of the Mine or to implement costly compliance measures, or impose fines and penalties, liability for clean-up costs or damages on the Group, whether pursuant to existing or new environmental, health and safety laws and regulations, such measures could have a material adverse effect on the Group's results of operations and financial condition.

New environmental, health or safety legislation or regulations may come into force or new information may emerge on existing environmental, health and safety conditions or other events (including legal proceedings brought based upon such conditions or an inability to obtain necessary permits), that may materially adversely affect the Group's operations, its cost structure, its customers' ability to use the commodities produced by the Group, demand for its products, the quality of its products or its methods of production and distribution.

The Group expects that further environmental laws and regulations will likely be implemented to protect the environment and quality of life, given sustainable development and other similar goals which governmental and supragovernmental organisations and other bodies have been pursuing.

Risks relating to the Expansion

The Expansion Study is based on a number of assumptions derived from information available at the time of preparing the Expansion Study, which may prove to be insufficient or may change as a result of unforeseen events or factors

The decision by the Directors to pursue the expansion was based on the conclusions of the Expansion Study which was prepared by the Group. The analysis and recommendations were based on assumptions about current or future events, including supply, demand and future prices of ilmenite, zircon and rutile, as well as the Group's capital and operating costs at production targets both pre-expansion and post-expansion that may change as a result of unforeseen events or factors. If any of these assumptions or any of the information changes as a result of additional information or unforeseen events, the conclusions of the Expansion Study could be invalidated and the decision to pursue the expansion could change. In such circumstances, the proposed expansion would not proceed at this time, thereby preventing the Group from significantly increasing its production in order to take advantage of the projected improvement in market conditions for titanium mineral products.

RISK FACTORS REPORT CONTINUED

The projected shortfall of supply in the titanium dioxide feedstocks market may not materialise either due to increased supply or lack of demand, and prices may not increase as anticipated

The anticipated financial benefits of the expansion depend upon there being a shortfall in the global supply of titanium dioxide feedstocks, some types of which are produced at the Mine, against market demand, leading to an increase in prices for the feedstock, by 2012. This shortfall may not manifest at all or may be satisfied through the development of new or the expansion of existing titanium dioxide feedstocks production sources. However, if a shortfall does occur, there is no assurance that titanium dioxide feedstocks prices will increase as a result of any such shortfall or that the shortfall will eventuate. For example, if current known resources are developed and/or production is increased at other sites, supply may exceed demand and negate an increase in prices. Additionally, growth in demand for the Group's products results from a variety of factors and has historically reflected GDP growth, or lack thereof. If there is an economic recession in the US or Europe as occurred in 2008 and 2009, or if economic growth does not continue as anticipated in China and other developing countries, demand may not increase as anticipated or at all. If demand does not increase at a greater rate than supply, there is no assurance that prices will increase or not decrease. If demand does not develop as anticipated, if supply increases more rapidly than expected or if the anticipated price increases do not materialise as expected, the Group may not be able to obtain customers for the increased production levels or satisfactory pricing for its products which, depending on the extent of the resulting reduction in revenue could have a material adverse effect on the cashflow, results and financial condition of the Group.

Estimates of mineral resources and/or ore reserves are based on certain assumptions and changes in such assumptions could lead to reported mineral resources and/or ore reserves being restated

The Group's future performance will be affected by its ability to realise its estimated reserve base and to convert existing resources into reserves. There are numerous uncertainties inherent in estimating mineral resources and/or upgrading them to ore reserves (including those arising from subjective judgments and the fact that such determinations are required to be based on available geological, technical, contracted and economic information) and assumptions that are valid at the time of estimation may change significantly when new information becomes available from further drilling. In regard to these estimates, no assurance can be given that the anticipated tonnages and grades will be achieved on mining or that the indicated level of recovery will be realised nor that ore reserves can be mined or processed profitably. 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 commodities, exchange rates, production costs or recovery rates may result in resources and/or reserves ceasing to be economically viable and needing to be downgraded and/or reduced. Such changes in mineral resources and/or ore reserves could also impact depreciation and amortisation rates, asset carrying values and provisions for closure, restoration and environmental clean up costs which would have an adverse effect on the results of operations or financial condition of the Group.

The Expansion Study anticipates certain capital expenditure which may be insufficient to implement the expansion as required

The implementation of the expansion will require significant capital expenditure. Based on the Expansion Study, the Group currently estimates, within a stated accuracy of +/- 25 per cent., excluding a contingency of US$18 million, that the total investment in the proposed expansion until its completion in 2012 will be approximately US$200 million. The Directors believe that the net proceeds receivable under the capital raising, together with existing resources are sufficient to fund the expansion, including potential limited cost overruns. However, if the Engineering Study, due for completion by mid 2010, estimates a significant increase in the cost of the expansion or if construction and commissioning of the expansion fail to complete on time or there are significant cost over-runs during implementation of the expansion, further capital may be required, in the second half of 2011 or beyond, in order to complete the expansion, whether by means of debt or equity, or a combination of both. If this occurs and the Group is unable to acquire the necessary capital, the expansion may not be completed. If the expansion is not completed, the Group may be unable to capitalise on the increase in demand and the increase in prices anticipated by the Directors.

Delay or failure by the Group in implementing the expansion or in achieving the production targets anticipated by the Directors after expansion could have a material adverse effect on the Group's growth prospects

Delay by the Group in implementing, or failure to complete, the expansion or an inability by the Group to achieve post-expansion production targets could have a material adverse effect on the Group's growth prospects. Successful implementation of the expansion is subject to various factors, many of which are not within the Group's control including the availability, terms, conditions and timing of the delivery of plant, equipment and other materials necessary for the construction and/or operation of the relevant facility, the availability of acceptable arrangements for transportation and construction, the performance of the EPCM Contractor, suppliers and consultants and adverse weather conditions affecting access to the Mine, the development site and/or the development process. Implementation of the expansion may also be compromised (or cease to be economic) in the event of a prolonged decline in the market price of ilmenite, rutile or zircon or a delay in the completion of the Engineering Study. There can be no guarantee as to when the expansion will be completed, whether the resulting operations will achieve the anticipated production volumes or whether the operating or capital expenditure costs of developing or operating these projects will be in line with those anticipated. If any of these occur and the Group is unable to acquire the necessary capital, the expansion may not be completed. Any failure by the Group to implement the expansion as planned may have a material adverse effect on the cashflow, results and financial condition of the Group and the Group may be unable to capitalise on the increase in demand and the increase in prices anticipated by the Directors.

The Group has not begun negotiations or executed the EPCM Contract and the performance of any EPCM Contractor is not certain

It is intended that the expansion will be designed and constructed on an EPCM contract basis. The Company will undertake a selection process to choose a preferred contractor. No EPCM contract has yet been awarded nor has the Group engaged in substantive negotiations with any potential contractor. The nature of EPCM contracts involves certain risks including non-performance by the contractor and cost fluctuations. Furthermore, negotiations with the contractor may take longer than expected or the Group may be unable to negotiate terms that are acceptable to it. Any delay in negotiations with the contractor, cost over-runs or non-performance by the contractor may result in the expansion being more expensive than detailed in the Expansion Study or the expansion not being completed on time. If the expansion is not completed, the Group may be unable to capitalise on the increase in demand and the increase in prices anticipated by the Directors and may be unable to meet its commitments under the financing agreements in the second half of 2011 or beyond.

The post-expansion design capacity may not result in the anticipated throughput, process and recovery rates

The post-expansion design capacity anticipated by Directors on the basis of the Expansion Study has been developed by pilot plant scale testwork. The actual post-expansion production may differ from that predicted by the testwork in terms of throughput, recovery, product quality and other factors. In addition, the Group has commissioned an Engineering Study which will detail the post-expansion design capacity. This Engineering Study may determine that the post-expansion design capacity anticipated in the Expansion Study by the Directors will not be achievable. If this occurs, the Group may not implement the expansion as currently contemplated which would alter or delay the expansion. If any of throughput, process or recovery rates are less than anticipated, the Group may generate less revenue than anticipated which would result in an adverse effect on the Group's cashflow, results and financial condition.

The Group may be unable to obtain external approvals for new mining operations

Numerous governmental permissions, approvals and granting of leases are required for each of the Group's current operations, the expansion and the post-expansion operations. These permissions, approvals and granting of leases are subject, in certain circumstances, to the occurrence of certain events or to modification, renewal or revocation. The Group is required to prepare and present to national authorities data pertaining to the anticipated effect or impact that any proposed mining or production activities may have upon the environment. The Group may not receive the permits necessary to implement the expansion or operate the Mine profitably, or at all, in its expanded form post-expansion. If the Group does not receive the necessary permits or approvals, it may not be able to implement the expansion or achieve post-expansion design capabilities.

The expansion may be more disruptive than anticipated to the existing operations

There is expected to be a period of production interruption to the MSP in 2012 associated with the integration of the WHIMS and other modifications to it as part of the expansion. Such an interruption is expected to be approximately four to five weeks. Although the expansion has been specifically designed to minimise the period of any disruption, there can be no certainty that the interruption will not be significantly longer or more severe than anticipated. In the event that the period of disruption is prolonged or more severe than anticipated, this will have an adverse effect on the Group's business, results of operations and financial condition.

RISK FACTORS REPORT CONTINUED

Risks relating to the Titanium Minerals Industry

Macroeconomic conditions and commodity price volatility

The Group's revenue and earnings depend upon prevailing prices for ilmenite and, to a lesser extent, rutile and zircon. Some of the Group's products are sold to customers at fixed prices with annual inflation price escalation set out in three to five year contracts. Other contracts provided for fixed quantities with prices set by annual price negotiations. Prices under fixed price contracts are subject to negotiations with customers as contracts are renewed or new customers are found and the Group may not be able to negotiate favourable pricing particularly in respect to the anticipated price increase.

Further, the Group has a number of contracts set to expire in 2010 and 2011. If the Group is unable to negotiate favourable terms, particularly with respect to the pricing increases anticipated by the Directors, the Group may be unable to realise the gains in the Expansion Study.

Although during the past 30 years, the demand for titanium dioxide pigments has grown at an average rate of approximately 3 per cent. per annum reflecting demand generated by global economic growth, which in turn has led to growth for titanium feedstocks, there were periods of price decreases due to decreased demand. A severe decrease in demand occurred in 2008 and 2009 during the rapid deterioration of the global macroeconomic environment which resulted in an overall contraction in pigment demand, in turn resulting in many pigment manufacturers reducing production rates to avoid the build up of excessive inventories. Activity among users of titanium metal also declined. For example, orders for the new generation Airbus and Boeing passenger aircraft, which are more titanium intensive than previous generations, diminished and reduced activity in the construction and shipbuilding sector impacted adversely on demand from the welding electrode sector. As a result of the global economic contraction, spot prices of sulphate ilmenite fell significantly in the last quarter of 2008 and first half of 2009. Likewise, demand for zircon, used in the ceramics industry, in the foundry and refractory industries and in a growing number of chemical applications, was adversely impacted by the decline in economic activity in its largest consuming regions of Mediterranean Europe and Asia. Demand for rutile was also affected adversely by the deterioration of the global macroeconomic environment.

While demand commenced a recovery in the second half of 2009, if a second recessionary cycle were to occur and resulted in decreased economic global activity or in failure to realise a continued improvement in current economic conditions, demand for the Group's products and, as a result, prices, may not increase as expected by the Directors and in fact may decrease or fluctuate. Any such second recessionary cycle would have a material adverse effect on the results of operations and financial condition of the Group.

Prices for the Group's products are also impacted by the available supply of ilmenite, zircon and rutile. If additional supply is brought to the market by the Group or its competitors, and this supply either meets or exceeds the demand for these products, prices for the Group's products may not increase or may decrease. If prices were to decrease or not increase this would have an adverse effect on the Group's business, results of operations and financial condition.

Changes in operating and capital costs within the mining industry

Mining requires substantial maintenance to prolong the life of the mining equipment and infrastructure, thus enabling the full recovery of the mining reserve. The Group believes that the technology it uses to mine and process titanium minerals and zircon is advanced and, in part due to high investment costs, subject only to slow technological change. However, there can be no assurance that more cost effective production or processing technology will not be developed, or that the economic conditions in which current technology is applied will not change. Capital expenditure required to keep pace with unexpected technological advances of equipment would negatively impact the Group's future cash flows if there was insufficient benefit from such expenditures.

Additionally, as the prices the Group receives for its products is determined by demand and supply, its competitiveness and long-term profitability depend, to a significant degree, on its ability to control costs and maintain low-cost, efficient operations. Important cost inputs in the Group's operations generally include the extraction and processing costs of raw materials and consumables, such as power, fuels, labour, transport and equipment, many of which have been, and continue to be, particularly susceptible to inflationary and supply and demand pressures. It is difficult for the Group to pass these costs onto its customers due to the fact that the some of the prices paid by customers are fixed for three to five years and that prices are determined by demand and supply of the products and not by costs pressures. Any increases in input costs would adversely affect the results of operations or financial condition of the Group.

CORPORATE GOVERNANCE STATEMENT

Corporate Governance
This annual corporate governance statement forms part of the Directors' Report.

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 and complied with the provisions of the Combined Code on Corporate Governance June 2008 except for the following matters:

- The Non-Executive Directors have been granted share options under the Company Share Option Scheme. Share options were deemed by the Board the most appropriate means to recognise the significant contribution Non-Executive Directors have made to the development of the Group. Details of Non-Executive Directors' share options are set out in the Directors' Report on page 40.
- Notice period on rolling service contracts with two Executive Directors is up to two years as provided for in the terms and conditions of employment, which were agreed a number of years ago. These terms were determined appropriate by the Remuneration Committee in order to retain key personnel and expertise within the Company.

The Board of Directors
Kenmare Resources plc is led by a strong and effective Board of Directors. Directors' biographical details are set out on pages 36 and 37. The Board consist of ten Directors, four Executive Directors and six Non-Executive Directors. Mr. P. McAleer is the Senior Independent Non-Executive Director.

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

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

The Board has delegated responsibility for the management of the Group, through the Chief Executive to executive management.

All Directors are subject to retirement by rotation and may offer themselves for reappointment at the Company's Annual General Meeting. In addition, Non-Executive Directors serving more than nine years on the Board are subject to re-election on an annual basis.

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 2009. Details of Directors' attendance at Board and Committee meetings are set out below. Additional meetings, to consider specific issues, were held as and when required.

	Full Board Meeting		Audit Committee		Remuneration Committee		Nomination Committee	
	A	B	A	B	A	B	A	B
C. Carvill (Chairman)	6	6	4	1	2	2	1	1
S. Bianchi	6	5	4	3	2	2	1	-
A. Brown	2	2	-	-	-	-	-	-
M. Carvill	6	6	-	-	-	-	-	-
J. Deysel *	3	2	-	-	-	-	-	-
I. Egan	6	6	4	4	2	2	1	1
S. Farrell	6	5	4	1	2	2	1	-
T. Fitzpatrick	6	6	-	-	-	-	-	-
T. Lowrie	6	5	-	-	2	2	1	1
P. McAleer	6	6	4	4	2	2	1	1
T. McCluskey	6	6	-	-	-	-	-	-
D. Corcoran**	6	6	4	4	2	2	1	1

*Mr. J. Deysel was co-opted to the Board on 11 June 2009.
**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.

CORPORATE GOVERNANCE STATEMENT CONTINUED

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

Independence of Non-Executive Directors

The Board has determined that each of the Non-Executive Directors is independent. In reaching that conclusion, the Board took into account a number of factors that might appear to affect the independence of some of the Non-Executive Directors, including whether the Non-Executive Director has been an employee of the Group within the last five years; has or had within the last three years, a material business relationship with the Group; receives remuneration from the Group other than a Director's fee; has close family ties with any of the Group's advisers, Directors or senior employees; holds cross-directorships or has significant links with other Directors through involvement in other companies or bodies; represents a significant shareholder or has served on the Board for more than nine years from the date of their first election.

The Non-Executive Directors are remunerated by way of consultancy fees set out in agreements between each of them and Congolone Heavy Minerals Limited, a subsidiary undertaking of Kenmare Resources plc. Details of the Non-Executive Directors' consultancy fees are set out in Note 9 on page 77. The Non-Executive Directors have been granted share options under the Company Share Option Scheme. Share options were deemed by the Board the most appropriate means to recognise the significant contribution Non-Executive Directors have made to the development of the Group. Details of Non-Executive Directors' share options are set out in the Directors' Report on page 40. Mr. C. Carvill, Chairman is the father of Mr. M. Carvill, Managing Director. The Non-Executive Directors hold shares in the Group as set out in the Directors' Report on page 40. Mr. C. Carvill, Mr. I. Egan and Mr. S. Farrell have served on the Board for more than nine years from the date of their first election.

In each of the cases detailed above, the Board considered the independence of the relevant Non-Executive Director and concluded that independence was not compromised as they discharged their duties in a proper and consistently independent manner and constructively challenge the Executive Directors and the Board.

Performance Appraisal

The Chairman conducted a review of the operation and performance of the Board and its Committees. This was achieved through discussions with each Director and the Company Secretary. The Chairman also conducted a performance evaluation of individual Directors. The Senior Independent Director completed an evaluation of the performance of the Chairman, taking into account the views of the Executive Directors. It was concluded that all Directors continue to contribute effectively and to demonstrate commitment to their roles.

Committees

The Board has established Audit, Remuneration and Nomination Committees. All Committees of the Board have written terms of reference setting out their authorities and duties. These terms of reference are available for review at the Company's registered office and are available on the Company's website, www.kenmareresources.com.

Nomination Committee

The Nomination Committee consists of the Non-Executive Chairman and Non-Executive Directors as detailed on page 39.

The Committee met during 2009 to consider the appointment of Mr. J. Deysel to the Board. An external recruitment consultant provided advice to the Committee regarding this appointment to the Board.

The main responsibilities of the Committee include:

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

Audit Committee

The Audit Committee consists of the Non-Executive Directors as detailed on page 39. The Committee has determined that Mr. I. Egan, as a Fellow of the Australian Society of Certified Practising Accountants (CPA Australia), is the Committee's financial expert. As outlined in the Directors' biographical details, set out on pages 36 and 37, members bring considerable financial and accounting experience to the work of the Committee. The main responsibilities of the Committee include:

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

These responsibilities were discharged during 2009 as follows:

- the Committee reviewed the preliminary and half yearly results issued by the Company in April and August 2009 respectively;
- the Committee reviewed the 2008 Annual Report in April 2009 and the 2009 Interim Report in August 2009. As part of these reviews the Committee received a report from the external auditors on their audit of the annual report and their review of the interim report;
- the Committee agreed the fees to be paid to the external auditors for their audit of the 2008 Annual Report and accounts and their review of the 2009 Interim Report;
- the Committee considered the need for a dedicated internal audit function. The Committee has agreed the appointment of an internal auditor in February 2009. The role of the internal auditor is to report to the Committee on compliance and reporting matters at the Moma Titanium Minerals Mine;
- the Committee evaluated the performance of the external auditors; and
- the Committee reviewed the safeguards 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 and the external audit lead partner, and from time to time, the Finance Director, attend meetings at the invitation of the Committee. During these meetings, the Committee and the external auditor discuss, without management present, matters relating to its remit and any issues arising from the audit. The external auditors have unrestricted access to the Chairman of the Audit Committee.

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

CORPORATE GOVERNANCE STATEMENT CONTINUED

Internal Control

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

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

During the course of its review of the system of internal control, the Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant.

Communication with Shareholders

Communications with shareholders are given high priority and regular meetings take place between institutional shareholders and senior management. The Company's Annual General Meeting affords individual shareholders the opportunity to question the Chairman and the Board. Result announcements are sent to shareholders, and are released through the London and Irish Stock Exchanges and on the Company's website, www.kenmareresources.com.

DIRECTORS' REMUNERATION REPORT

Remuneration Committee

The Remuneration Committee consists of the Non-Executive Directors as detailed on page 39. The main responsibility of the Committee is to determine the total individual remuneration package of each Executive Director including, where appropriate, bonuses and share options. The remuneration of Non-Executive Directors is a matter for the Chairman and Executive members of the Board. The remuneration of the Chairman is a matter for the Board. No Director is involved in any decisions as to their own remuneration.

Remuneration Policy

The philosophy of the Remuneration Committee in determining Executive Directors' remuneration is to ensure that individuals are appropriately rewarded relative to their responsibility, experience and value to the Group. In setting its remuneration policy the Remuneration Committee has given consideration to the provisions of the Combined Code June 2008 and Stock Exchange requirements on Directors' remuneration.

Non-Executive Directors' Remuneration

Non-Executive Directors are remunerated by way of consultancy fees set out in agreements between them and Congolone Heavy Minerals Limited, a subsidiary of Kenmare Resources plc. Details of these consultancy fees are set out in Note 9 on page 77. Details of share options granted to Non-Executive Directors are set out in the Directors' Report on page 40.

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 in the previous paragraph.

Executive Directors' Remuneration

The remuneration package of Executive Directors comprises basic salary and benefits, pension, an annual performance-related bonus and participation in the Company Share Option Scheme. Employment related benefits, where applicable, consist of health insurance payments and motor expenses. Annual performance related bonuses are determined based on the Group's objectives and individual performance. The Company contributes to individual pension schemes on behalf of the some of the other Executive Directors. Pension contributions are determined in relation to basic salary.

A contract exists with Vico Properties plc to provide for the services of Mr. M. Carvill. Service contracts exist with Mr. J. Deysel, Mr. T. Fitzpatrick and Mr. T. McCluskey. Notice period on rolling service contracts with Mr. M. Carvill and Mr. T. McCluskey is up to two years as provided for in the terms and conditions of employment, which were agreed a number of years ago. These terms were determined appropriate by the Remuneration Committee in order to retain key personnel and expertise within the Company.

Details of Executive Directors' Remuneration are set out in Note 9 on page 77. Details of Executive Directors' share options are set out in the Directors' Report on page 40.

The Company released Mr. M. Carvill to serve as a Non-Executive Director for a number of subsidiary undertakings in the Carvill Group Limited. He does not receive a fee for his service. This release was granted a number of years ago.

None of the 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 other than their own employment contracts.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF KENMARE RESOURCES PLC

Deloitte.

We have audited the financial statements of Kenmare Resources plc for the year ended 31 December 2009 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, the Company Balance Sheet, the Company Cash Flow Statement, the Company Statement of Changes in Equity, the Statement of Accounting Policies and the related notes 1 to 32. These financial statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

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

Respective responsibilities of Directors and Auditors

The Directors are responsible, as set out in the Statement of Directors' Responsibilities, for preparing the Annual Report, including the preparation of the Consolidated Financial Statements and the Parent Company Financial Statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Our responsibility, as independent auditor, is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2009, and, as regards the Consolidated Financial Statement, Article 4 of the IAS Regulation. We also report to you whether in our opinion: proper books of account have been kept by the Company; whether, at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the Company; and whether the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes the Corporate Governance Statement which is included by cross reference in the Directors' Report. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit and whether the Company's Balance Sheet is in agreement with the books of account.

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

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2008 FRC Combined Code specified for our review by the Listing Rules of the Irish Stock Exchange, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedure.

We read the other information contained in the Annual Report as described in the contents section and consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the financial statements. Our responsibilities do not extend to other information.

Basis of audit opinion

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

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

Deloitte.

Opinion

In our opinion:

- the Consolidated Financial Statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the affairs of the Group as at 31 December 2009 and of the loss for the year then ended;
- the Consolidated Financial Statements have been properly prepared in accordance with the Companies Acts, 1963 to 2009 and Article 4 of the IAS Regulations;
- the Parent Company Financial Statements give a true and fair view, in accordance with IFRSs, as adopted by the European Union and as applied in accordance with the provisions of the Companies Acts 1963 to 2009, of the state of the Parent Company affairs as at 31 December 2009; and
- the Parent Company Financial Statements have been properly prepared in accordance with the Companies Acts, 1963 to 2009.

Emphasis of matter – Realisation of Assets

Without qualifying our opinion we draw your attention to the disclosures made in notes 10 and 12 of the financial statements concerning the recoverability of property, plant and equipment of US$540,924,000 included in the Group's Balance Sheet and amounts due from subsidiary undertakings of US$215,337,000 in the Company Balance Sheet which are dependent on the successful development of economic ore reserves and successful operation of the mine. The financial statements do not include any adjustments relating to these uncertainties and the ultimate outcome cannot at present be determined.

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

In our opinion the information given in the Directors' Report is consistent with the financial statements.

The net assets of the Company, as stated in the Company Balance Sheet are more than half the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2009 a financial situation which, under Section 40(1) of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the Company.

Deloitte & Touche
Chartered Accountants and Registered Auditors
Dublin

22 April 2010

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 US$'000	2008 US$'000
Continuing Operations			
Revenue	1	26,721	-
Cost of sales		(35,170)	-
Gross loss		(8,449)	-
Distribution costs		(1,770)	-
Administration costs		(1,892)	(1,304)
Operating loss		(12,111)	(1,304)
Finance income	5	202	1,302
Finance costs	6	(15,533)	-
Foreign exchange (loss)/gain		(2,910)	347
(Loss)/profit before tax		(30,352)	345
Income tax expense	7	-	-
(Loss)/profit for the year and total comprehensive (loss)/income for the year		(30,352)	345
Attributable to equity holders		(30,352)	345
		US$ cents per share	US$ cents per share
(Loss)/earnings per share: Basic	8	(3.59c)	0.045c
(Loss)/earnings per share: Diluted	8	(3.59c)	0.042c

The accompanying notes form part of these financial statements.

On behalf of the Board:

M. Carvill Director T. McCluskey Director

22 April 2010

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2009

	Notes	2009 US$'000	2008 US$'000
Assets			
Non-current assets			
Property, plant and equipment	10	540,924	539,672
Current assets			
Inventories	11	21,951	6,405
Trade and other receivables	13	13,311	3,033
Cash and cash equivalents	14	17,408	40,536
		52,670	49,974
Total assets		593,594	589,646
Equity			
Capital and reserves attributable to the Company's equity holders			
Called-up share capital	15	74,670	65,424
Share premium	16	163,147	145,088
Retained losses	17	(57,501)	(27,149)
Other reserves	18	41,795	39,780
Total equity		222,111	223,143
Liabilities			
Non-current liabilities			
Bank loans	19	297,326	299,982
Obligations under finance lease	20	2,172	2,264
Provisions	21	4,347	4,179
		303,845	306,425
Current liabilities			
Bank loans	19	58,791	34,842
Obligations under finance lease	20	92	28
Provisions	21	650	-
Trade and other payable	22	8,105	25,208
		67,638	60,078
Total liabilities		371,483	366,503
Total equity and liabilities		593,594	589,646

The accompanying notes form part of these financial statements.

On behalf of the Board:

M. Carvill Director T. McCluskey Director

22 April 2010

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 US$'000	2008 US$'000
Cash flows from operating activities			
(Loss)/profit for the year		(30,352)	345
Adjustment for:			
Foreign exchange movement		2,910	(5,472)
Share based payments	28	796	-
Finance income	5	(202)	(1,302)
Finance costs	6	15,533	-
Depreciation	2	12,871	-
Increase in provisions		739	1,674
Operating cash flow		2,295	(4,755)
(Increase)/decrease in inventories	11	(13,749)	408
(Increase)/decrease in trade and other receivables	13	(700)	1,809
Increase/(decrease) in trade and other payables	22	5,898	(4,414)
Cash used by operations		(6,256)	(6,952)
Interest received	5	202	1,302
Interest paid		(11,866)	(13,739)
Net cash used in operating activities		(17,920)	(19,389)
Cash flows from investing activities			
Addition to property, plant and equipment	10	(40,197)	(39,050)
Net cash used in investing activities		(40,197)	(39,050)
Cash flows from financing activities			
Proceeds on the issue of shares	15	19,582	28,269
Repayment of borrowings		(336)	(20,335)
Increase in borrowings	19	15,890	29,316
(Decrease)/increase in obligations under finance leases	20	(286)	50
Net cash from financing activities		34,850	37,300
Net decrease in cash and cash equivalents		(23,267)	(21,139)
Cash and cash equivalents at beginning of the year		40,536	56,203
Effect of exchange rate changes on cash and cash equivalents		139	5,472
Cash and cash equivalents at the end of the year	14	17,408	40,536

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

	Called-Up Share Capital US$'000	Share Premium US$'000	Retained Losses US$'000	Share Option Reserve US$'000	Revaluation Reserve US$'000	Capital Conversion Reserve Fund US$'000	Total US$'000
Balance at 1 January 2008	60,742	121,501	(27,494)	7,779	30,141	754	193,423
Profit for the year	-	-	345	-	-	-	345
Share based payments	-	-	-	1,106	-	-	1,106
Issue of share capital	4,682	23,587	-	-	-	-	28,269
Balance at 1 January 2009	65,424	145,088	(27,149)	8,885	30,141	754	223,143
Loss for the year	-	-	(30,352)	-	-	-	(30,352)
Share based payments	-	-	-	2,015	-	-	2,015
Issue of share capital	6,985	12,867	-	-	-	-	19,852
Share capital to be issued	2,261	5,192	-	-	-	-	7,453
Balance at 31 December 2009	74,670	163,147	(57,501)	10,900	30,141	754	222,111

Retained Losses

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

Share Option Reserve

The share option reserve arises on the grant of share options to certain Directors, employees and consultants under the share option scheme.

Revaluation Reserve

The revaluation reserve relates to the surplus arising on revaluation of plant in 2000 on a depreciated cost replacement basis.

Capital Conversion Reserve Fund

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

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2009

	Notes	2009 US$'000	2008 US$'000
Assets			
Non-current assets			
Investments in and amounts due from subsidiary undertakings	12	215,337	193,919
Property, plant and equipment	10	57	99
		215,394	194,018
Current assets			
Other receivables	13	7,772	99
Cash and cash equivalents	14	375	78
		8,147	177
Total assets		**223,541**	**194,195**
Equity			
Capital and reserves attributable to the Company's equity holders			
Called-up share capital	15	74,670	65,424
Share premium	16	163,147	145,088
Capital conversion reserve fund	18	754	754
Retained losses		(26,617)	(26,375)
Share option reserve	18	10,900	8,885
Total equity		222,854	193,776
Liabilities			
Current liabilities			
Trade and other payables	22	687	419
Total liabilities		687	419
Total equity and liabilities		**223,541**	**194,195**

The accompanying notes form part of these financial statements.

On behalf of the Board:

M. Carvill Director T. McCluskey Director

22 April 2010

COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 US$'000	2008 US$'000
Cash flows from operating activities			
Loss for the year	25	(242)	(3,395)
Adjustment for:			
Foreign exchange movement		315	128
Depreciation	10	42	25
Share-based payments expense	28	2,015	1,106
Operating cash flow		2,130	(2,136)
(Increase)/decrease in receivables	13	(206)	77
Increase/(decrease) in trade and other payables	22	269	(320)
Net cash used in operating activities		2,193	(2,379)
Cash flows from investing activities			
Additions to property, plant and equipment		-	(124)
Investments in and amounts due from subsidiary undertakings	12	(21,418)	(37,215)
Net cash used in investing activities		(21,418)	(37,339)
Cash flows from financing activities			
Proceeds on the issue of shares	15	19,581	28,269
Net cash from financing activities		19,581	28,269
Net increase/(decrease) in cash and cash equivalents		356	(11,449)
Cash and cash equivalents at beginning of the year		78	11,655
Effect of exchange rate changes on cash and cash equivalents		(59)	(128)
Cash and cash equivalents at the end of the year	14	375	78

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

	Called-Up Share Capital	Share Premium	Retained Losses	Share Option Reserve Fund	Capital Conversion Reserve	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2008	60,742	121,501	(22,980)	7,779	754	167,796
Loss for the year	-	-	(3,395)	-	-	(3,395)
Share based payments	-	-	-	1,106	-	1,106
Issue of share capital	4,682	23,587	-	-	-	28,269
Balance at 1 January 2009	65,424	145,088	(26,375)	8,885	754	193,776
Loss for the year	-	-	(242)	-	-	(242)
Share based payment	-	-	-	2,015	-	2,015
Issue of share capital	6,985	12,867	-	-	-	19,852
Share capital to be issued	2,261	5,192	-	-	-	7,453
Balance at 31 December 2009	74,670	163,147	(26,617)	10,900	754	222,854

Retained Losses

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

Share Option Reserve

The share option reserve arises on the grant of share options to certain Directors, employees and consultants under the share option scheme.

Capital Conversion Reserve Fund

The capital conversion reserve fund arises 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

IAS 1 (revised 2007) Presentation of Financial Statements

IAS 1 (2007) has introduced a number of changes in the format and content of the financial statements. The Group did not have any gains and losses for the year other than those reported in the Income Statement. As a result the Income Statement and Statement of Comprehensive Income are reported under the Income Statement. The Group has not changed it accounting policies retrospectively and therefore a third Balance Sheet is not presented as required by the revised Standard.

IFRS 8 Operating Segments

In prior years management considered the operations of the Moma Titanium Minerals Mine in Mozambique as its primary business segment and its geographic segment. This is also the means by which information is reported to the Group's Board for the purposes of resource allocation and assessment of segment performance. Therefore there is no change to the Group's reportable segments under IFRS 8.

Amendments to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations

The amendments clarify the definition of vesting conditions for the purposes of IFRS 2, introduce the concept of 'non-vesting' conditions and clarify the accounting treatment for cancellations. The vesting conditions for the Group have been either period of service or specific performance criteria. The amendments to the Standard have had no impact to the calculation for share based payments during the year.

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 compliance with Companies Acts 1963 to 2009.

Going Concern

On 5 March 2010, the Group announced plans to raise approximately £179.6 million (at the time US$270 million before expenses) by means of a fully underwritten equity issue. This funding will enable the Group to proceed with a proposed expansion of the Moma Titanium Minerals Mine on the basis of an Expansion Study which was completed in January 2010.

The Project lenders have agreed to a number of waivers and amendments to the existing Project financing agreements in connection with the proposed expansion the effectiveness of which are conditional on US$200 million of the proceeds of the equity raising being deposited into the Contingency Reserve Account (an account securing certain obligations of the Group in connection with the financing of the Project) by 30 June 2010. Further detail on these waivers and amendments are set out in Note 19.

On 29 March 2010, resolutions authorising the share issue were passed by shareholders at an extraordinary general meeting. On 1 April 2010, the conditions of the placing and open offer agreement were satisfied, the Company announced that the newly issued shares had been approved for listing, and the proceeds of the share issue had been received. By 30 June 2010, US$200 million will be deposited to the CRA, satisfying the sole remaining condition to effectiveness of the waivers and amendments.

Taking account of the relevant factors including those summarised above, 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.

Basis of accounting

The financial statements are prepared in US Dollars under the historical cost convention.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All Group transactions, balances, income and expenses are eliminated on consolidation.

STATEMENT OF ACCOUNTING POLICIES CONTINUED

Determination of ore reserve estimates

The Group estimates its ore reserves and mineral resources based on information compiled by Competent Persons as defined in accordance with the Australasian Code for Reporting of Ore Reserves and Mineral Reserves of December 2004 (the JORC Code). Reserves determined in this way are used in the calculation of depreciation, amortisation and impairment charges, the assessment of life of mine and for forecasting the timing of the payment of close-down, restoration costs and clean-up costs. In assessing the life of a mine for accounting purposes, mineral resources are only taken into account where there is a high degree of confidence of economic extraction. There are numerous uncertainties inherent in estimating ore reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of final products, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for mineral products provided in the normal course of business, net of discounts and related sales taxes. Sales of mineral products are recognised when mineral products have been delivered. Typically, delivery takes place when product is loaded in the customer's vessel.

Revenue earned during the period of commissioning the Mine, before it was capable of operating in the manner intended by management, was deducted from costs capitalised in development expenditure.

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

Leases

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

Finance leases

Assets held under finance lease are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet 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 (see below).

Operating leases

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

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 presented in their functional currency, US Dollars. The consolidated financial statements are expressed in US Dollars, which is the presentation currency for the consolidated financial statements.

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement 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 income statement 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 balance sheet 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 balance sheet 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 balance sheet date and reduced to the extent that it 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 income statement, 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 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 liabilities.

Operating Loss/Profit
Operating loss or profit is from continuing operations.

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 income statement 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 income statement.

Property, plant and equipment
The cost of property, plant and equipment comprises its purchase price, 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. Mining and processing plant acquired in 2000 is carried at the revalued amount which is deemed to be the cost of the asset and the surplus is included in the revaluation reserve.

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

Property, plant and equipment are depreciated over their respective useful lives, or over the remaining life of mine if shorter. The major categories of property, plant and equipment are depreciated as follows:

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

STATEMENT OF ACCOUNTING POLICIES CONTINUED

Units of production depreciation is calculated using the quantity of heavy mineral concentrates extracted from the mine for processing or sterilised in the period as a percentage of the total quantity of heavy mineral concentrates planned to be extracted in current and future periods based on the mining reserve. The Moma Titanium Minerals Mine reserve is a proven and probable reserve which represents approximately a 28 year life at expected production levels prior to expansion.

Residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet 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 the Moma Titanium Minerals Mine during the period before the 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 related to the construction and mine development projects is capitalised until the point when the activities that enable the Mine to operate in its intended manner are complete. When the Mine is operating in the manner intended by management, the related costs will be written off over the life of the estimated ore reserve on a unit of production basis. Where the project is terminated or an impairment in value has occurred, related costs are written off immediately.

Impairment of tangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets 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.

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 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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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 comprises the purchase price and related costs incurred in bringing the inventories to their present location and condition. Actual cost is calculated using the weighted average method.

Financial assets and financial liabilities

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes party to a contractual provision of the instrument.

Trade receivables

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

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

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

Bank borrowings
Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective 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 (see above).

Trade payables
Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

Equity instruments
Equity capital issued and committed to be issued by the Company is recorded at the value of proceeds received, net of direct issue costs. The only equity instrument of the Group is ordinary share capital.

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

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

Share-based payments
The Group issues share options to certain Directors, employees and consultants. Share options are measured at fair value at the date of grant. The fair value determined at the grant date of the share options is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non-market based vesting conditions. Fair value is measured using a Black-Scholes pricing model. The share-based payment is capitalised if eligible. The policy described above is applied to all equity-settled share-based payments that were granted after 7 November 2002 that vested after 1 January 2005.

PARENT COMPANY
The separate financial statements of the Company are presented as required by the Companies Acts 1963 to 2009. As permitted by these Acts, the separate financial statements have been prepared in accordance with International Financial Reporting Standards.

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

Investments in and amounts due from subsidiary undertakings are initially recognised at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is determined based on the net asset position of the subsidiary undertaking.

STATEMENT OF ACCOUNTING POLICIES CONTINUED

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 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 of the Moma Titanium Minerals Mine is dependent upon the successful operation of the Mine, which in turn is dependent on the successful ramp-up of production, including optimisation of processing equipment, and continued availability of adequate funding for the Mine.

The Directors are satisfied that at the balance sheet date the recoverable amount of property, plant and equipment exceeds its carrying amount and based on planned mine production levels, that the Moma Titanium Minerals Mine will achieve positive cash flows. No impairment provision has been made in respect of property, plant and equipment as a result.

The assessment of impairment involves judgement over the likely future cash flows based on future revenues, capital and operating costs, and the discount rate to be applied to such cash flows.

Key sources of estimation uncertainty

The preparation of financial statements requires Directors to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet 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 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. 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 closedown and restoration expenditure is incurred at the end of the life of mine.

The mine rehabilitation provision represents the Directors' best estimate of the Group's liability for reclaiming areas disturbed by mining activities. Reclamation costs are recognised in each period based on the area disturbed in such period. Actual rehabilitation expenditure is incurred approximately twelve months after the area has been disturbed.

Unit of production depreciation and amortisation

Units of production depreciation is calculated using the quantity of material extracted from the Mine for processing or sterilised in the period as a percentage of the total quantity of material planned to be extracted in current and future periods based on the mining reserve. In the case of the Moma Titanium Minerals Mine, the mining reserve is a proven and probable reserve which represents approximately a 28 year life at the initial expected production levels.

The Group estimates its ore reserves and mineral resources based on information compiled by Competent Persons as defined in accordance with the Australasian Code for Reporting of Ore Reserves and Mineral Reserves of December 2004 (the JORC Code). There are numerous uncertainties inherent in estimating ore reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of final products, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

1. REVENUE

	2009 US$'000	2008 US$'000
Sale of mineral products	26,721	-

During the six months ended 30 June 2009, the Group continued to build up production to target levels. From 1 July 2009 the Mine was considered to be capable of operating at target levels of production and as a result the Group reported revenue and related costs in the income statement from July 2009 onwards. The revenue figure above is therefore for the six month period ended 31 December 2009. Revenue for the six month period ended 30 June 2009 of US$15.6 million has been capitalised in development expenditure in property, plant and equipment. Revenue earned in 2008 of US$25.3 million has also been capitalised in development expenditure in property, plant and equipment.

2. SEGMENT REPORTING

The Group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board to allocate resources to the segments and to assess their performance. In prior years, management considered the operation of the Moma Titanium Minerals Mine in Mozambique as its primary business and geographical segment. This is also the means by which information is reported to the Group's Board for the purposes of resource allocation and assessment of segment performance. Therefore there is no change to the Group's reportable segments under IFRS 8. Information regarding the Group's operating segment is reported below. Amounts reported for the prior year have been represented to conform to the requirements of IFRS 8.

Segment revenues and results

Moma Titanium Minerals Mine	2009 US$'000	2008 US$'000
Revenue	26,721	-
Cost of sales	(35,170)	-
Gross loss	(8,449)	-
Distribution costs	(1,770)	-
Segment operating loss	(10,219)	-
Central administration costs	(1,892)	(1,304)
Group operating loss	(12,111)	(1,304)
Finance income	202	1,302
Finance expenses	(15,533)	-
Foreign exchange loss/gain	(2,910)	347
(Loss)/profit before tax	(30,352)	345
Income tax expense	-	-
(Loss)/profit for the year	(30,352)	345

Segment assets	2009 US$'000	2008 US$'000
Moma Titanium Minerals Mine assets	571,266	554,562
Corporate assets	22,328	35,084
Total assets	593,594	589,646
Segment liabilities		
Moma Titanium Minerals Mine liabilities	366,352	364,401
Corporate liabilities	5,131	2,102
Total liabilities	371,483	366,503

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2009

2. SEGMENT REPORTING CONTINUED

Other segment information

	2009	2008
Depreciation and amortisation	US$'000	US$'000
Moma Titanium Minerals Mine	12,830	9,682
Corporate	41	26
Total	12,871	9,708

Additions to non-current assets		
Moma Titanium Minerals Mine	43,651	63,651
Corporate	4,024	124
Total	47,675	63,775

Depreciation for the first six months to 30 June 2009 of US$5.8 million and the 2008 depreciation charge of US$9.7 million have been capitalised in development expenditure in property, plant and equipment. During the year mobile equipment at the Moma Titanium Minerals Mine with a net book value of US$0.2 million (2008: US$0.2 million) were deemed impaired and therefore written off. Development expenditure at Corporate level with a cost of US$0.05 million was deemed impaired and therefore written off.

Revenue from major products

	2009
	US$'000
Ilmenite	18,855
Zircon	7,866
Total	26,721

Revenue for the first six months to 30 June 2009 of US$15.6 million has not been included in the amount above as this has been capitalised in development expenditure in property, plant and equipment. Revenue earned in 2008 of US$25.3 million has been capitalised in development expenditure in property, plant and equipment.

Geographical information

	2009
Revenue from external customers	US$'000
Europe	13,700
USA	8,458
Asia	4,563
Total	26,721

The Group's revenue from external customers is generated by the Moma Titanium Minerals Mine, the non-current assets of which are US$536.8 million (2008: US$539.5 million).

Information about major customers

Included in revenues are US$8.5 million from the sale of ilmenite to the Group's largest customer, US$7.7 million from the sale of zircon to the Group's second largest customer and US$4.6 million from the sale of ilmenite to the Group's third largest customer during the six month period ended 31 December 2009. All revenues are generated by the Moma Titanium Minerals Mine.

3. (LOSS)/PROFIT FOR THE YEAR

The (loss)/profit for the year ended 31 December 2009 has been arrived at after charging/(crediting) items detailed below. Costs to 30 June 2009 and prior year have been capitalised in development expenditure in property, plant and equipment. Depreciation and amortisation and staff costs noted below have been included in cost of sales for the six month period 31 December 2009 or inventory at 31 December 2009.

	2009 US$'000
Net foreign exchange loss	2,910
Depreciation and amortisation of property, plant and equipment	12,871
Cost of inventories recognised as an expense	35,170
Staff costs	8,281

4. AUDITORS' REMUNERATION

	2009 US$'000	2008 US$'000
The analysis of the auditors' remuneration is as follows:		
Audit fees	154	147
Non-audit services comprising:		
Tax services	23	20
Other services pursuant to legislation	-	14
Total non-audit fees	23	34

5. FINANCE INCOME

	2009 US$'000	2008 US$'000
Interest on bank deposits	202	1,302

This amount excludes interest earned from bank deposits of Kenmare Moma Mining (Mauritius) Limited and Kenmare Moma Processing (Mauritius) Limited for the first six months ended 30 June 2009 which has been deducted from interest costs included in development expenditure in property, plant and equipment.

6. FINANCE COSTS

	2009 US$'000
Interest on bank borrowings	15,196
Finance lease interest	258
Mine closure finance fee	79
Total	15,533

Finance costs to 30 June 2009 and prior year costs have been capitalised in development expenditure in property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2009

7. INCOME TAX EXPENSE

Corporate

No charge to taxation arises in the years ended 31 December 2009 or 31 December 2008 as there were no taxable profits in either year.

No deferred tax asset or liability arises on the revaluation of property, plant and equipment or on accumulated tax losses in the Company.

Moma Titanium Minerals Mine

The fiscal regime applicable to 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 and charges a royalty of 3% based on minerals sold. Import and export taxes and VAT are exempted, and accelerated depreciation is permitted. Whilst withholding tax is levied on certain payments to non-residents, mining companies are exempt from withholding tax on dividends for the first ten years or until their investment is recovered whichever is earlier.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet 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. The Company has opted to use accounting depreciation for income tax computation and therefore there are no difference in the computation of taxable profit and accounting profit and as a result there is neither a deferred tax asset or deferred tax liability.

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. There is no dividend withholding tax under the IFZ regime.

8. (LOSS)/EARNINGS PER SHARE

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

	2009 US$'000	2008 US$'000
(Loss)/profit	(30,352)	345
(Loss)/profit for the year attributable to equity holders of the parent	(30,352)	345

	2009 Number of shares	2008 Number of shares
Weighted average number of issued and to be issued ordinary shares for the purpose of basic (loss)/earnings per share	844,314,758	760,160,548
Effect of dilutive potential ordinary shares:		
Share options	47,028,258	36,653,258
Warrants	-	28,572,536
Weighted average number of ordinary shares for the purposes of diluted (loss)/earnings per share	891,343,016	825,386,342

In 2009 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.

All outstanding warrants were exercised on 31 December 2009 as detailed in Note 15.

9. EMPLOYEE NUMBERS AND BENEFITS

The average number of persons employed by the Group (including Executive Directors) was 571 (2008:454) and is analysed below:

	2009	2008
Management and administration	209	151
Operations	362	303
	571	454

The aggregate payroll costs, including costs capitalised in development expenditure in property, plant and equipment, incurred in respect of these employees comprised:

	2009 US$'000	2008 US$'000
Wages and salaries	14,142	13,040
Share-based payments	2,015	1,106
Social welfare	388	407
Pension costs	119	200
	16,664	14,753

Executive and Non-Executive Emoluments comprised:

Executive Directors' Emoluments	Remuneration 2009 US$'000	Bonus 2009 US$'000	Other Benefits 2009 US$'000	Pension 2009 US$'000	Total 2009 US$'000
A. Brown	68	-	2	6	76
M. Carvill	514	-	11	40	565
J. Deysel*	226	-	-	-	226
T. Fitzpatrick	250	-	-	-	250
T. McCluskey	445	-	3	33	481
	1,503	-	16	79	1,598

Non-Executive Directors' Consultancy Fees	Consultancy Fee 2009 US$'000	Bonus 2009 US$'000	Other Benefits 2009 US$'000	Pension 2009 US$'000	Total 2009 US$'000
C. Carvill	142	-	-	-	142
S. Bianchi	43	-	-	-	43
I. Egan	163	-	-	-	163
S. Farrell	43	-	-	-	43
T. Lowrie	43	-	-	-	43
P. McAleer	77	-	-	-	77
	511	-	-	-	511
Total	2,014	-	16	79	2,109

* J. Deysel was appointed Chief Operations Officer in February 2009 and was co-opted to the Board on 11 June 2009. The remuneration above relates to the period of his directorship.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2009

9. EMPLOYEE NUMBERS AND BENEFITS CONTINUED

Executive Directors' Emoluments	Remuneration	Bonus	Other Benefits	Pension	Total
	2008	2008	2008	2008	2008
	US$'000	US$'000	US$'000	US$'000	US$'000
A. Brown	284	-	2	62	348
M. Carvill	541	-	11	41	593
T. Fitzpatrick	242	-	-	-	242
C. Gilchrist	386	-	-	-	386
T. McCluskey	468	-	3	35	506
	1,921	-	16	138	2,075

Non-Executive Directors Consultancy Fees	Consultancy Fee	Bonus	Other Benefits	Pension	Total
	2008	2008	2008	2008	2008
	US$'000	US$'000	US$'000	US$'000	US$'000
C. Carvill	147	-	-	-	147
S. Bianchi	27	-	-	-	27
I. Egan	162	-	-	-	162
S. Farrell	44	-	-	-	44
T. Fitzpatrick	44	-	-	-	44
T. Lowrie	45	-	-	-	45
P. McAleer	70	-	-	-	70
	539	-	-	-	539
Total	2,460	-	16	138	2,614

Directors' fees for services provided to the Company, Kenmare Resources plc, and the entities controlled by the Company are nil (2008: nil). Consultancy fees paid to Non-Executive Directors are for non-executive services provided to the Group.

T. Fitzpatrick was appointed as acting Operations Director on 1 September 2008 and appointed as Technical Director on 2 February 2009.

Dr. A. Brown retired on 16 April 2009.

The underlying currency of Directors' emoluments is Euro and US Dollars. Further information on the remuneration policy for Directors is set out in the Directors' Remuneration Report. Further information on Directors' share options is set out in the Directors' Report on page 40.

10. PROPERTY, PLANT AND EQUIPMENT

GROUP & COMPANY

	Plant & Equipment US$'000	Buildings & Airstrip US$'000	Mobile Equipment US$'000	Fixtures & Equipment US$'000	Construction In Progress US$'000	Development Expenditure US$'000	Total US$'000
Cost							
At 1 January 2008	257,502	3,812	6,022	2,535	46,082	176,365	492,318
Transfer from construction in progress	2,403	-	177	78	(2,658)	-	-
Reclassification to inventory	(1,182)	-	-	-	-	-	(1,182)
Additions during the year	793	-	525	135	2,281	60,041	63,775
Impairment during the year	-	-	(486)	-	-	-	(486)
At 1 January 2009	259,516	3,812	6,238	2,748	45,705	236,406	554,425
Transfer from construction in progress	47,354	289	1,107	115	(48,865)	-	-
Reclassification to inventory	(1,797)	-	-	-	-	-	(1,797)
Additions during the year	6,360	-	263	5	7,473	33,574	47,675
Adjustment as a result of the DOS&R	-	-	-	-	-	(25,758)	(25,758)
Impairment during the year	-	-	(362)	-	-	(48)	(410)
At 31 December 2009	311,433	4,101	7,246	2,868	4,313	244,174	574,135
Accumulated Depreciation							
At 1 January 2008	2,775	74	2,207	302	-	-	5,358
Charge for the year	7,445	191	1,252	820	-	-	9,708
Impairment during the year	-	-	(313)	-	-	-	(313)
At 1 January 2009	10,220	265	3,146	1,122	-	-	14,753
Charge for the year	11,042	195	1,351	894	-	5,188	18,670
Impairment during the year	-	-	(212)	-	-	-	(212)
At 31 December 2009	21,262	460	4,285	2,016	-	5,188	33,211
Carrying Amount							
At 31 December 2009	290,171	3,641	2,961	852	4,313	238,986	540,924
At 31 December 2008	249,296	3,547	3,092	1,626	45,705	236,406	539,672

An EPC Contract for the engineering, procurement, building, commissioning and transfer of facilities at the Moma Titanium Minerals Mine in Mozambique was entered into on 7 April 2004. The EPC Contractor was a joint venture formed for this project by subsidiaries of Multiplex Limited and Bateman B.V. The facilities, excluding the roaster, were taken-over from the EPC Contractor in 2007. On 1 September 2009, the roaster was taken over. On 12 December 2009, a Deed of Final Settlement and Release (DOS&R) was signed by the Kenmare Moma Mining (Mauritius) Limited, Kenmare Moma Processing (Mauritius) Limited and the EPC Contractor. Under the terms of the DOS&R all outstanding rights, obligations and liabilities of all parties under the EPC Contract and related agreements have been mutually settled and released.

Included in property, plant and equipment is the valuation of US$41.6 million for the mining and processing plant acquired in 2000. Under the transition to IFRS, the Group has elected to use this valuation as the deemed cost as and from 1 January 2005.

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 as this is the business and geographic 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 finance cash flows discounted at the average effective borrowing rate of the Moma Titanium Mineral Mine of 8.8%.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2009

10. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Key assumptions include the following:

- Financial model life of mine, which is currently estimated at 28 years, is based on the Namalope proved and probable reserves.
- The cash flows assume ramp-up to expected production levels during 2010. Expected annual production levels at full capacity pre-expansion are approximately 800,000 tonnes of ilmenite per annum plus co-products, rutile and zircon.
- Product sales prices are based on contract prices as stipulated in marketing agreements with customers or where contracts are based on market prices or production is not presently contracted, prices as forecast by the lenders' independent marketing consultant.
- Operating and capital replacement costs are based on approved budget costs for 2010 and escalated by 2% per annum thereafter.

The discount rate is a significant factor in determining the recoverable amount and a 1% change in the discount rate results in an 8% change in the recoverable amount.

A detailed asset review during the year resulted in mobile equipment with a net book value of US$0.2 million being deemed to be impaired and therefore written off.

During the year the mining reserve was increased to represent approximately a 28 year life at expected production levels. This has resulted in a change in the unit of production depreciation which is calculated using the quantity of material extracted from the mine in the period as a percentage of the total quantity of material to be extracted in current and future periods based on the mining reserve.

Included in plant and equipment are capital spares of US$1.0 million (2008: US$0.5 million). The Company has reclassified consumable spares included in property, plant and equipment of US$1.8 million (2008: US$1.2 million) into inventory.

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, or in the case of the transhipment barge Peg and the tug/work boat Sofia III, a loan provided to the Group as detailed in Note 19.

The carrying amount of the Group's plant and equipment includes an amount of US$1.5 million (2008: US$1.7 million) in respect of assets held under a finance lease, detailed in Note 20.

During the six months ended 30 June 2009, the Group continued to build up production to target levels. From 1 July 2009, the Mine was considered to be capable of operating at target levels of production and as a result the Group reported revenue and related costs in the income statement from July 2009 onwards.

During the first six months of the year, additions to development expenditure include loan interest capitalised of US$13.4 million (2008: US$26.9 million), finance fees of US$5.6 million (2008: US$1.5 million), costs of US$13.5 million (2008: US$31.7 million) net of revenue earned of US$15.6 million (2008: US$25.3 million) and net of delay damages of US$1.2 million (2008: US$3.1 million). Included in development expenditure are amounts of US$1.1 million (2008: US$1.1 million) relating to share based payments as detailed in Note 28.

As a result of the DOS&R noted above, US$25.8 million of EPC Contract accruals, net of receipts of US$10 million, were credited to development expenditure in December 2009. Included in development expenditure are costs of US$1.0 million (of which US$0.2 million was incurred to 30 June 2009) in relation to the expansion of the current mining operation. Deferred exploration expenditure of US$0.05 million was deemed to be impaired and therefore written off. This has resulted in development expenditure increasing by US$7.8 million during the year.

Included in plant and equipment is US$2.9 million relating to the product transhipment vessel Peg and the tug/workboat Sofia III. These vessels were purchased in August 2009 and are currently located in Western Australia. These vessels will be brought to the Mine during 2010. These vessels require modifications to bring them into use for mineral product shipments.

The recovery of property, plant and equipment is dependent upon the successful operation of the Moma Titanium Minerals Mine and continued availability of adequate funding for the Mine. The Directors are satisfied that at the balance sheet 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.

Included in the carrying amount of the Group's mobile equipment is an amount of US$0.06 million (2008: US$ 0.1 million) for a vehicle owned by the Company.

11. INVENTORIES

GROUP

	2009 US$'000	2008 US$'000
Mineral products	14,443	3,971
Consumable spares	7,508	2,434
	21,951	6,405

As detailed in Note 10, the Group has reclassified consumable spares included in property, plant and equipment of US$1.8 million (2008: US$ 1.2 million) into inventory.

12. AMOUNTS DUE FROM SUBSIDIARY UNDERTAKINGS

COMPANY

	2009 US$'000	2008 US$'000
Opening balance	193,919	156,704
Funding	19,700	38,995
Impairment provision	1,718	(1,780)
Closing balance	215,337	193,919

The movements in amounts due from subsidiary undertakings primarily represents funds transferred to subsidiary undertakings for the development of the Moma Titanium Minerals Mine. An impairment provision write back of US$1.7 million (2008: provision US$1.8 million) has been recognised in the income statement during the year. The write back of the provision is determined based on the net asset position of the subsidiary undertaking.

The subsidiary undertakings of the Company as at 31 December 2009 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	Jersey	100%
Kenmare Graphite Company Limited	Jersey	Jersey	100%
Kenmare Moma Mining (Mauritius) Limited	Mauritius	Mozambique	100%
Kenmare Moma Processing (Mauritius) Limited	Mauritius	Mozambique	100%
Mozambique Minerals Limited	Jersey	Mozambique	100%

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

The principal activity of Grafites de Ancuabe, S.A.R.L (GDAS) was the development and operation of the Ancuabe Graphite Mine. The mine has been on care and maintenance since 1999. Certain restrictions, arising out of agreements undertaken by GDAS, on the Group's influence over the financial and operating activities of GDAS became effective towards the end of 1999 and remain in place. The Group therefore does not control the Ancuabe Graphite Mine. Therefore in accordance with International Accounting Standard 27, GDAS is excluded from consolidation. Full provision has been made in the Group Financial Statements for the investment in and debt due by GDAS to other Group Companies.

The registered office of the Northern Ireland company is Vico House, Derriaghy Industrial Park, Dunmurry Industrial Estate, Belfast. The registered office of the Republic of Ireland company is Chatham House, Chatham Street, Dublin 2. The registered office of the Channel Island companies is Barclays Wealth, 39 - 41 Broad Street, St. Helier, Jersey. The registered office of Grafites de Ancuabe, S.A.R.L. is Rua de Chuindi No. 67, Maputo, Mozambique. The registered office of the Mauritius companies is 4th Floor IBI House, Caudan, Port Louis, Mauritius.

The recovery of amounts due from Group Companies is dependent on the successful operation of the Moma Titanium Minerals Mine and continued availability of adequate funding for the Mine.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2009

13. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2009	2008	2009	2008
	US$'000	US$'000	US'000	US$'000
Trade receivables	4,557	593	-	-
Other receivables	8,178	2,343	7,745	58
Prepayments	576	97	27	41
	13,311	3,033	7,772	99

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. In addition, the Project lenders, in certain circumstances, must approve new customers as detailed in the financing documentation.

On 31 July 2009, the Group entered into a trade finance facility with Absa Corporate and Business Bank.

Of the US$4.56 million outstanding from trade receivables above, US$4.55 million was current (i.e. not past due). 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.

US$7.7 million of other receivables relates to shares to be issued at the year end, all of which was received post year end. Further details are set out in Note 15.

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

GROUP	2009	2008
	US$'000	US$'000
Sterling	7,703	61
US Dollars	5,514	2,877
Euro	69	84
Mozambican Metical	25	11
	13,311	3,033

COMPANY	2009	2008
	US$'000	US$'000
Sterling	7,703	55
Euro	69	44
	7,772	99

14. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2009	2008	2009	2008
	US$'000	US$'000	US'000	US$'000
Immediately available without restriction	10,255	19,548	375	78
Contingency Reserve Account	1	15,292	-	-
Shareholder Funding Account	25	24	-	-
Project Companies Accounts	7,127	5,672	-	-
	17,408	40,536	375	78

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.

14. CASH AND CASH EQUIVALENTS CONTINUED

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:

	2009 US$'000	2008 US$'000
Cash and cash equivalents at variable interest rate	16,580	40,194
Cash at bank on which no interest is received	828	342
	17,408	40,536

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

GROUP	2009 US$'000	2008 US$'000
US Dollars	11,972	20,150
Sterling	5,170	20,157
Euro	112	179
Mozambican Metical	96	34
Australian Dollar	37	3
South African Rand	21	13
	17,408	40,536

COMPANY	2009 US$'000	2008 US$'000
Euro	81	81
Sterling	294	(3)
	375	78

The Contingency Reserve Account ("CRA") and Shareholder Funding Account are accounts established under a cash collateral and shareholder funding deed 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 19.

The amount required by the Project financing agreements to be maintained in the CRA from time to time depends on a calculation involving capital and operating costs, interest and principal payments, and reserve account contributions required to achieve completion under the Project loans as referred to in Note 19. Upon the effectiveness of the waivers and amendments to the financing agreements set out in Note 19, there will no longer be a requirement to maintain a specific amount in the CRA.

15. CALLED UP SHARE CAPITAL

GROUP & COMPANY

	2009 €'000	2008 €'000
Authorised:		
Equity Share Capital		
1,500,000,000 Ordinary Shares of €0.06 each	90,000	-
900,000,000 Ordinary Shares of €0.06 each	-	54,000
100,000,000 Deferred Shares of €0.25 each	25,000	25,000
	115,000	79,000

	2009 US$'000	2008 US$'000
Allotted, Called Up and Fully Paid:		
Equity Share Capital		
Opening Balance		
795,324,610 Ordinary Share of €0.06 each	54,842	-
741,464,393 Ordinary Shares of €0.06 each	-	50,160
	54,842	50,160

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2009

15. CALLED UP SHARE CAPITAL CONTINUED

	2009 US$'000	2008 US$'000
Shares issued during the year		
84,483,772 Ordinary Shares of €0.06 each	6,985	-
53,860,217 Ordinary Shares of €0.06 each	-	4,682
	6,985	4,682
Shares to be issued at the year end		
26,288,764 Ordinary Shares of €0.06 each	2,261	-
Closing Balance		
906,097,146 Ordinary Shares of €0.06 each	64,088	-
795,324,610 Ordinary Shares of €0.06 each	-	54,842
	64,088	54,842
Opening & Closing Balance		
48,031,467 Deferred Shares of €0.25 each	10,582	10,582
Total Called Up Share Capital	74,670	65,424

On 18 November 2009, at an extraordinary general meeting, the shareholders passed a resolution to increase the authorised share capital of the Company from 900,000,000 ordinary shares to 1,500,000,000.

On 31 March 2009, 28.2 million ordinary shares in the Group were issued to the Project lenders as fees under the terms of the Deed of Waiver and Amendment. The issue of these shares resulted in finance fees of US$3.2 million which have been capitalised in development expenditure. US$2.2 million of this issue has been credited to share capital and US$0.9 million to share premium.

On 30 June 2009, the Group entered into arrangements with its brokers to place 54 million new ordinary shares at Stg 19p per share. This placing resulted in proceeds of US$16.1 million being received by the Group on 5 August 2009. The placing resulted in US$4.6 million being credited to share capital as ordinary shares to be issued and US$12.4 million credited to share premium.

Other new ordinary shares issued during the year of 2.3 million were as a result of the exercise of warrants and resulted in US$0.2 million and US$0.5 million being credited to share capital and share premium respectively.

Warrants were due to expire on 31 December 2009. On the 20 November 2009, the Company entered into an agreement with a transferee to take up unexercised warrants at 31 December 2009. On 30 November 2009, at an extraordinary general meeting of warrant-holders, an amendment was approved permitting the Company to transfer those warrants which had not been exercised by 31 December 2009 to a transferee (nominated by the Company) who guaranteed to exercise the transferred warrants.

At 31 December 2009, there were 16.2 million ordinary shares to be issued as a result of warrant-holders exercising their warrants on or before 31 December 2009. As a result, US$1.4 million and US$3.5 million were credited to share capital and share premium respectively.

At 31 December 2009, there were 10.1 million of shares to be issued to the transferee pursuant to the agreement entered into noted above. As a result, US$0.9 million and US$2.2 million were credited to share capital and share premium respectively.

Funds received from shares issued during the year were used for the development of the business or are held on bank deposit or other receivables at the year end.

The Deferred Shares of €0.25 per share were created in 1991 by subdividing each existing Ordinary Share of IR25p into one Deferred Share of IR20p and one new Ordinary Share of IR5p. The Deferred Shares are non-voting, carry no dividend rights and the Company may purchase any or all of these shares at a price not exceeding €0.013 per share for all the deferred shares so purchased.

16. SHARE PREMIUM

GROUP & COMPANY

	2009	2008
	US$'000	US$'000
Opening Balance	145,088	121,501
Premium on shares issued during year	13,832	26,355
Premium on shares to be issued at the year end	5,694	-
Costs associated with shares issued/to be issued	(1,467)	(2,768)
Closing Balance	163,147	145,088

17. RETAINED LOSSES

GROUP

	US$'000
Balance at 1 January 2008	(27,494)
Profit for the year attributable to equity holders of the parent	345
Balance at 1 January 2009	(27,149)
Loss for the year attributable to equity holders of the parent	(30,352)
Balance at 31 December 2009	(57,501)

COMPANY

	US$'000
Balance at 1 January 2008	(22,980)
Loss for the year attributable to equity holders of the parent	(3,395)
Balance at 1 January 2009	(26,375)
Loss for the year attributable to equity holders of the parent	(242)
Balance at 31 December 2009	(26,617)

18. OTHER RESERVES

GROUP

	Share Option Reserve	Revaluation Reserve	Capital Conversion Reserve Fund	Total
	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2008	7,779	30,141	754	38,674
Recognition of share-based payments	1,106	-	-	1,106
Balance at 1 January 2009	8,885	30,141	754	39,780
Recognition of share-based payments	2,015	-	-	2,015
Balance at 31 December 2009	10,900	30,141	754	41,795

COMPANY

	Share Option Reserve	Capital Conversion Reserve Fund	Total
	US$'000	US$'000	US$'000
Balance at 1 January 2008	7,779	754	8,533
Recognition of share-based payments	1,106	-	1,106
Balance at 1 January 2009	8,885	754	9,639
Recognition of share-based payments	2,015	-	2,015
Balance at 31 December 2009	10,900	754	11,654

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2009

18. OTHER RESERVES CONTINUED

The revaluation reserve relates to the surplus arising on revaluation of plant in 2000 on a depreciated cost replacement basis.

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

Details of share-based payments are given in Note 28.

19. BANK LOANS

GROUP

	2009 US$'000	2008 US$'000
Project Loans:		
Senior Loans	188,079	188,844
Subordinated Loans	165,525	145,980
Total Project Loans	353,604	334,824
Mortgage Loan	2,513	-
Total Loans	356,117	334,824
The borrowings are repayable as follows:		
Within one year	58,791	34,842
In the second year	41,722	36,633
In the third to fifth years inclusive	124,979	109,899
After five years	130,625	153,450
	356,117	334,824
Less: amount due for settlement within 12 months	(58,791)	(34,842)
Amount due for settlement after 12 months	297,326	299,982
Project Loans:		
Balance at 1 January 2009	334,824	325,843
Loan interest accrued	28,600	26,599
Loan interest paid	(11,809)	(13,739)
Loan repayment	(336)	(20,335)
Drawdown of loans	-	22,000
Foreign exchange movement	2,325	(5,544)
Balance at 31 December 2009	353,604	334,824
Mortgage Loan:		
Balance at 1 January 2009	-	-
Drawdown	2,500	-
Loan interest accrued	70	-
Loan interest paid	(57)	-
Balance at 31 December 2009	2,513	-

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 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 of which US$182.8 million and €15 million had been drawn at 31 December 2009, and US$2.2 million was undrawn and prior to June 2009 was available under one of the facilities. The availability period for the undrawn US$2.2 million expired on 30 June 2009 without the amount being drawn down because of the failure of the EPC Contractor to provide the necessary tied country content. Settlement of any claim in respect of such failure was included as part of the Deed of Final Settlement and Release detailed in Note 10.

19. BANK LOANS CONTINUED

Senior loans were originally scheduled to be repaid in equal semi-annual installments commencing on 1 February 2008 in the case of six of the seven senior loan facilities, and on 2 February 2009 in the case of the seventh. Principal instalments originally scheduled to be paid in 2008 were paid when due. On 30 January 2009 a Deed of Waiver and Amendment was entered into by the Project Companies whereby the senior principal installments due on 2 February 2009 were deferred, to be repaid over the remaining life of the respective loan facility commencing on 4 August 2009, and pursuant to which Kenmare Resources plc contributed US$15 million to the Contingency Reserve Account between 12 December 2008 and 31 January 2009. On 31 March 2009 a second Deed of Waiver and Amendment was entered into by the Project Companies whereby the senior loan principal instalments due on 4 August 2009 were also deferred, to be repaid over the remaining life of the loan facilities commencing on 1 February 2010 in equal semi-annual installments.

The senior loan tenors have therefore remained unchanged and range from 5.5 years to 8.5 years from 31 December 2009. 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 down at year end. Under the loan documents subordinated loans were repayable in 21 semi-annual installments commencing on 1 August 2009. The subordinated loans denominated in euro bear interest at a fixed rate of 10% per annum, while the subordinated loans denominated in US Dollars bear interest at six month LIBOR plus 8% per annum.

The standby subordinated loan credit facilities (made available under documentation entered into in June 2005) with original principal amounts of €2.8 million and US$4 million were fully drawn down at year end. 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 down at year end. The additional standby subordinated loans bear interest at 6 month LIBOR plus 5%.

Pursuant to the original terms of the financing documentation, interest on the subordinated loan, standby subordinated loans and the additional standby subordinated loans (the Subordinated Loans) was capitalised up to and including 4 August 2009. Interest on the Subordinated Loans was due to be paid in cash for the first time on 1 February 2010, but as cash was insufficient on such date to make the schedule interest payment, interest was capitalised and becomes payable on the first semi-annual payment date on which sufficient cash is available in the Project Companies, in whole or in part, to the extent of available cash.

Under the second Deed of Waiver and Amendment referred to above, the first scheduled Subordinated Loan principal instalment, which would have otherwise been due on 4 August 2009 has been deferred and is scheduled for repayment on 1 February 2010, but since cash was insufficient on such date, is scheduled for repayment on the first semi-annual payment date thereafter on which sufficient cash is available in the Project Companies, in accordance with the terms of the financing documentation. The final installments are due on 1 August 2019.

Standby subordinated lenders have an option to require that Kenmare Resources plc purchase the standby subordinated loans on agreed terms.

Under the second Deed of Waiver and Amendment referred to above, interest margins on Subordinated Loans were increased by 3% per annum until Technical Completion and by 1% per annum until Completion. This additional margin is scheduled to be paid after senior loans have been repaid in full but may be prepaid without penalty.

Amendments to Project loan agreements

Under the completion agreement, the Company and Congolone Heavy Minerals Limited have guaranteed the Project loans during the period prior to Completion. The final date for achieving Completion was formerly 30 June 2009. The Deed of Waiver and Amendment dated 31 March 2009 extended this date to 31 December 2012. This was further extended to 31 December 2013 by the Expansion Funding Deed of Waiver and Amendment dated 5 March 2010. Completion occurs upon meeting certain tests and satisfying certain conditions, including installation of all required facilities, meeting certain cost, efficiency, and production benchmarks and social and environmental requirements ("Technical Completion"), meeting marketing requirements, meeting legal and permitting requirements, and meeting certain financial requirements including filling of specified reserve accounts to the required levels. Upon completion, the Company's and Congolone Heavy Minerals Limited's guarantee of the Project loans will terminate.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2009

19. BANK LOANS CONTINUED

On 5 March 2010 the Company, Congolone Heavy Minerals Limited and the Project Companies entered into a deed of waiver and amendment (the "Expansion Funding Deed of Waiver and Amendment" or the "Expansion Deed") with the Project lenders and the lenders' agents. The effectiveness of the waivers and amendments set out in this deed is conditional on (a) the certification by SRK, the lender's independent engineer, of its reasonable satisfaction with the Expansion Study and that the operations of the Project Companies will not be adversely affected in any material respect by the construction and operation of the expansion contemplated by the Expansion Study, and (b) the deposit of US$200 million into the Contingency Reserve Account by 30 June 2010.

The certification by SRK was obtained on 19 February 2010 and hence the only condition that remained to be satisfied on 5 March 2010 was the deposit of US$200 million into the Contingency Reserve Account which will occur before 30 June 2010. Upon satisfaction of this condition, the Expansion Deed provides, amongst other things, for the following, which apply notwithstanding any provision of the financing agreements, including those described under the heading "Project loans" above:

a. The funds deposited into the Contingency Reserve Account may be transferred by Congolone Heavy Minerals Limited, at its sole discretion, to the secured Project bank accounts controlled by the Project Companies. Once deposited in those accounts, the funds are required to be applied in accordance with the provisions of the financing agreements (as amended, including pursuant to the Expansion Deed) pursuant to which such funds may in the absence of an event of default, be spent on, amongst other things, the expansion;

b. Funds deposited into the Contingency Reserve Account may not be transferred other than to the Project Accounts, until and unless the completion agreement is terminated in accordance with its terms (an event of default under the financing documents);

c. All continuing funding requirements in relation to the Contingency Reserve Account cease to have effect. As a result, there will be no minimum balance required to be maintained in the Contingency Reserve Account;

d. Failure to achieve Completion by the final completion date ceases to be an event of default. Instead, failure to achieve Non-Technical Completion by the final completion date, which has been extended to 31 December 2013, is an event of default. Non-Technical Completion occurs when the marketing, legal and other conditions, financial, and environmental certificates specified in the completion agreement (in the case of the environmental certificate, as verified by the independent engineer) have been delivered;

e. The target date to achieve Technical Completion is extended to 31 December 2011, and failure to achieve Technical Completion by the target date ceases to constitute an event of default. Instead, the consequence of failure to achieve Technical Completion by the target date is that the interest rates applicable to the senior loans and subordinated loans increase by 1 per cent per annum and 2 per cent per annum respectively until Technical Completion is achieved;

f. The requirement to fund the Price Drop Reserve Account and the Operating Cost Reserve Account (reserve accounts of the Project Companies) as a continuing obligation or as conditions to completion cease to apply. Instead, the funding of these accounts to a reduced level will be a condition to making distributions from the Project Companies to the Company: in the case of the Price Drop Reserve Account, from a minimum of US$10 million to US$2.5 million; and in the case of the Operating Cost Reserve Account, from an amount equal to six months' operating costs to two months' operating costs;

g. The terms of all certificates under the completion agreement, other than the marketing certificate, were amended; in particular:
   i. the physical facilities certificate was amended to better reflect the current physical facilities at the Mine;
   ii. the production certificate was amended to reflect less onerous operational and production levels and to reflect more accurately the products currently produced at the Mine;
   iii. the efficiency certificate was made less onerous, simplified and updated to reflect current costs;
   iv. the financial certificate was amended to remove the funding requirements relating to the Operating Cost Reserve Account and the Price Drop Reserve Account and to require the transfer to the Project Accounts of any amounts then remaining in the Contingency Reserve Account;

h. Certain waivers and accommodations were granted in connection with the expansion and the Expansion Study; and

i. Certain additional undertakings were provided by the Project Companies, including in relation to the expansion. It is not a condition of the Expansion Deed or of any completion test or any financing agreement that the expansion is implemented or completed.

19. BANK LOANS CONTINUED

Other Group bank borrowings

On 7 August 2009, Mozambique Minerals Limited (a wholly-owned subsidiary undertaking) entered into a loan agreement with Banco Comercial e de Investimentos, S.A. for US$2.5 million to fund the purchase of an additional product transhipment barge, Peg, and a tug/work boat, Sofia III. Interest accrues at a 6 month LIBOR plus 6%, and is payable monthly commencing September 2009 and principal is scheduled to be repaid in 54 monthly installments commencing March 2010. This loan was drawn down on 10 August 2009. The loan is secured by a mortgage on the Peg and Sofia III and by a guarantee from Kenmare Resources plc.

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 month LIBOR. The average effective borrowing rate at the year end was 8.8%. The interest rate profile of the Group's loan balances at 31 December 2009 was as follows:

	2009 US$'000	2008 US$'000
Fixed rate debt	231,062	196,208
Variable rate debt	125,055	138,616
Total debt	356,117	334,824

Due to the specific nature of the project financing and the current market conditions, the basis to determine the fair value of the bank borrowings is unavailable.

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$1.2 million (2008: US$1.3 million) change in finance costs for the year.

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

	2009 US$'000	2008 US$'000
Euro	136,863	121,666
US Dollars	219,254	213,158
	356,117	334,824

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 and using the most relevant 6 month LIBOR rate, a 10% strengthening or weakening of euro against the US Dollar, would result in a US$1.6 million (2008: US$1.3 million) change in finance costs 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.

20. FINANCE LEASE

GROUP

	Minimum lease payments		Present value of minimum lease payments	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
Amounts payable under finance lease				
Within one year	560	560	92	28
In the second to fifth year	2,240	2,240	1,014	756
After five years	1,400	1,960	1,158	1,508
Less future finance charges	(1,936)	(2,468)		
Present value of lease payments	2,264	2,292	2,264	2,292
Less amounts due for settlement within 12 months			(92)	(28)
Amounts due for settlement after 12 months			2,172	2,264

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2009

20. FINANCE LEASE CONTINUED

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 with an option to purchase the assets after one year from the commencement date of the lease. For the year ended 31 December 2009, the average effective borrowing rate was 8.8%. The lease is on a fixed repayment basis and the lease obligation is denominated in US Dollars. The fair value of the Group's lease obligation is equal to its carrying amount. The Group's obligations under the finance lease are unsecured with the lessor retaining title to the leased assets.

21. PROVISIONS

GROUP

	Mine closure provision		Mine rehabilitation provision		Total provisions	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
Balance at 1 January	2,654	2,505	1,525	-	4,179	2,505
Additional provision in the year	-	-	697	1,525	697	1,525
Provision released during the year	-	-	(65)	-	(65)	-
Unwinding of the discount	186	149	-	-	186	149
Balance at 31 December	2,840	2,654	2,157	1,525	4,997	4,179
Due within one year	-	-	650	-	650	-
Due after one year	2,840	2,654	1,507	1,525	4,347	4,179
Balance at 31 December	2,840	2,654	2,157	1,525	4,997	4,179

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 cost and US$0.1 million has been capitalised in development expenditure for the first six month period to 30 June 2009 and US$0.09 million has been include in finance cost in the income statement for the six month period to 31 December 2009.

The main assumptions used in the calculation of the estimated future costs include a discount rate of 8.8% based on the average effective borrowing rate for the Moma Titanium Minerals Mine, an inflation rate of 2.2% and an estimated life of mine of 25 years. The significant factor in determining the estimated future cost is the discount rate; a 1% change in the discount rate results in a 17% change in the estimated future cost.

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 based on the area disturbed. Actual rehabilitation expenditure is incurred approximately twelve months after the area has been disturbed.

22. TRADE AND OTHER PAYABLES

Amounts payable within one year

	GROUP		COMPANY	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
Trade payables	1,535	2,349	21	28
Accruals	6,570	22,859	666	391
	8,105	25,208	687	419

22. TRADE AND OTHER PAYABLES CONTINUED

Group's accruals of US$17.9 million due to the EPC Contractor for construction services work on the Moma Titanium Minerals Mine and costs incurred by the EPC Contractor on behalf of the Group were written off against development expenditure in property, plant and equipment as a result of the Deed of Final Settlement and Release detailed in Note 10. Included in Group accruals at the year end is an amount of US$0.3 million (Company: US$0.05 million) for payroll and social welfare taxes.

The average credit period on the purchase of goods and services is 30 days from the date of the invoice. The Group has financial risk management policies in place to ensure that all payables are paid within credit timeframes.

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

GROUP	2009	2008
	US$'000	US$'000
US Dollar	2,977	17,745
Australian Dollar	1,655	2,607
Mozambican Metical	1,199	570
Euro	1,000	3,178
Sterling	665	374
South African Rand	609	734
	8,105	25,208

COMPANY	2009	2008
	US$'000	US$'000
Euro	172	406
Sterling	515	13
	687	419

23. CAPITAL AND LIQUIDITY MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2008.

The capital structure of the Group consists of debt, which includes the bank borrowings disclosed in Note 19, finance lease disclosed in Note 20, cash and cash equivalents, equity attributable to equity holders of the parent, comprising issued capital, reserves and retained losses as disclosed in Notes 14 to 18.

The Group is not subject to any externally imposed capital requirements.

The Group 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.

24. CAPITAL COMMITMENTS

GROUP

	2009	2008
	US$'000	US$'000
Capital authorised not contracted	1,603	2,573

Capital authorised not contracted represents the amount due to be spent on ongoing approved capital projects at 31 December.

25. PARENT COMPANY, KENMARE RESOURCES PLC INCOME STATEMENT

In accordance with section 148(8) of the Companies Act, 1963 and section 7(1A) of the Companies (Amendment) Act, 1986, the Company is availing of the exemption from presenting its individual income statement to the Annual General Meeting and from filing it with the Registrar of Companies. The Company's loss for the financial year determined in accordance with IFRS is a loss of US$0.2 million (2008: US$3.4 million).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2009

26. OPERATING LEASE ARRANGEMENTS

GROUP & COMPANY

The Group as lessee

	2009 US$'000	2008 US$'000
Minimum lease payments under operating leases recognised as an expense in the year	141	112

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

	2009 US$'000	2008 US$'000
Within one year	120	118
In the second to fifth years inclusive	481	473
After five years	120	236
	721	827

Operating lease payments represent rentals payable by the Group for its office buildings. The lease has a term of 25 years and rentals are fixed for an average of 5 years. The unexpired term of the lease is 6 years at year end.

27. RETIREMENT BENEFIT PLANS

GROUP & COMPANY

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.

	2009 US$'000	2008 US$'000
Contributions	119	200

28. SHARE BASED PAYMENTS

GROUP & COMPANY

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 to five year period, in equal annual amounts. If options remain unexercised after a period of 7 years from the date of grant, the options expire. Option expiry period may be extended at the decision of the Board of Directors.

Details of the share options outstanding during the year are as follows:

		2009		2008
	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	35,853,258	58c	36,878,258	62c
Granted during the year	13,650,000	20c	800,000	97c
Exercised during the year	-	-	(200,000)	80c
Expired during the year	(3,275,000)	67c	(1,625,000)	96c
Outstanding at the end of the year	46,228,258	47c	35,853,258	58c
Exercisable at the end of the year	37,036,598		33,703,258	

28. SHARE BASED PAYMENTS CONTINUED

There were no share options exercised during the year. The options outstanding at the end of the year have exercise prices which range from US$0.09 to US$1.02 and a weighted average remaining contractual life of 3.6 years (2008: 3.3 years). In 2009, options were granted on 7 January, 17 February, 16 April and 30 June. The aggregate of the estimated fair values of the options granted on those dates is US$2.9 million. In 2008, options were granted on 8 May. The aggregate of the estimated fair values of the options granted on those dates is US$0.4 million.

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

	2009	2008
Weighted average share price	US$0.21	US$0.95
Weighted average exercise price	US$0.20	US$0.97
Expected volatility	86%	40%
Expected life (years)	7	7
Risk free rate	4%	5%

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 Company's share price.

During the year the Group recognised a share-based payment expense of US$0.7 million (2008: nil) and capitalised share-based payments of US$1.3 million (2008: US$1.1 million).

29. RELATED PARTY TRANSACTIONS

GROUP

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

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual Directors is provided in Note 9.

	2009	2008
	US$'000	US$'000
Short-term employee benefits	2,030	2,476
Post-employment benefits	79	138
Compensation on retirement	-	211
Share-based payments	1,216	-
Total benefits	3,325	2,825

A contract exists with Vico Properties plc to provide for the services of Mr. M. Carvill. Vico Properties plc is a related party of the Company as both Mr. C. Carvill and Mr. M. Carvill are Directors of both the Company and Vico Properties plc. There was a balance outstanding of US$0.04 million (2008: US$0.2 million) at the year end between the related parties.

Other related party transactions

Kenmare Resources plc performed certain administrative services for Vico Properties plc. The charge for the year was US$0.03 million (2008: US$0.04 million). At the year end the balance outstanding was US$0.02 million (2008: US$0.02 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$257.9 million (2008: US$214.8 million).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2009

29. RELATED PARTY TRANSACTIONS CONTINUED

Under the terms of a management services agreement with the Company, Kenmare Resources plc, management services costing US$3.8 million (2008: US$4.1 million) were provided during the year to Kenmare Moma Mining (Mauritius) Limited and Kenmare Moma Processing (Mauritius) Limited.

30. EVENTS AFTER THE BALANCE SHEET DATE

On 5 March 2010, the Company and the Project Companies entered into an Expansion Funding Deed of Waiver and Amendment with the Project lenders. At such time, the sole remaining condition to the effectiveness of waivers and amendments was the deposit of US$200 million in the Contingency Reserve Account by 30 June 2010. Further details in relation to the Expansion Funding Deed of Waiver and Amendment are set out in Note 19.

On 5 March 2010, the Company announced a fully underwritten share issue by way of a firm placing and placing and open offer to raise approximately £179.6 million (at the time, US$270 million) before expenses, the primary purpose of which was to fund an expansion to the existing mine operations to increase production capacity from 800,000 tpa of ilmenite and co-products to 1.2 million tpa of ilmenite and co-products.

On 29 March 2009, resolutions authorising the share issue were passed by shareholders at an extraordinary general meeting. On 1 April 2010, the conditions of the placing and open offer agreement were satisfied, the Company announced that the newly issued shares had been approved for listing, and the proceeds of the share issue had been received. By 30 June 2010, US$200 million will be deposited to the Contingency Reserve Account, satisfying the sole remaining condition to effectiveness of the waivers and amendments.

31. STANDARDS NOT YET EFFECTIVE

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

- IFRS 3 (Revised 2008) *Business Combinations;*
- IFRS 9 *Financial Instruments;*
- IAS 24 (Revised 2009) *Related Party Disclosure;*
- IAS 31 (Amended) *Classification of Rights Issued;*
- IFRS 2 (Amended) *Group Cash-settled Share-based Payment Transactions;*
- IFRS 3 (Revised 2008) *Business Combinations;*
- IAS 27 (Amended) *Vesting Conditions and Cancellations;*
- IAS 32 (Amended) *Classification of Rights Issues*
- IAS 39 (Amended) *Eligible Hedged Items*
- Improvements to IFRSs 2009
- Amendments to IFRIC 14 *Prepayments of Minimum Funding Requirements*
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*
- IFRIC 17 *Distribution of Non-cash to Owners*

The Directors anticipate that the adoption of these Standards and Interpretations in future years will have no material impact on the financial statements of the Group.

32. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board on 22 April 2010.

SHAREHOLDER PROFILE

BASED ON THE REGISTER AS AT 15 APRIL 2010

SIZE OF HOLDINGS	No. of Shareholders	No. of Shares Held
1 - 1,000	893	604,917
1,001 - 5,000	1,985	5,663,195
5,001 - 25,000	1,914	22,396,075
25,001 - 100,000	732	36,846,705
100,001 - 250,000	168	26,969,414
250,001 - 500,000	61	22,617,754
500,001 - 750,000	46	28,049,488
over 750,000	192	2,259,979,664
Total	5,991	2,403,127,212

GEOGRAPHIC DISTRIBUTION OF HOLDINGS

	No. of Shareholders	No. of Shares Held
Republic of Ireland	2,288	77,508,663
Northern Ireland & Great Britain	3,588	2,283,575,544
Other	115	42,043,005
Total	5,991	2,403,127,212

GENERAL INFORMATION

GROUP SECRETARY AND REGISTERED OFFICE
Deirdre Corcoran
Chatham House,
Chatham Street,
Dublin 2.

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

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

Sullivan & Cromwell LLP
1 New Fetter Lane,
London EC4A 1AN.

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.

Anglo Irish Bank Corporation (I.O.M.) plc
Jubilee Building,
Victoria Street,
Douglas,
Isle of Man,
IMI 25H.

STOCKBROKERS
Canaccord Adams
7th Floor,
Cardinal Place,
80 Victoria Street,
London SW1E 5JL.

Davy
Davy House,
49 Dawson Street,
Dublin 2.

J.P. Morgan Cazenove
125 London Wall,
London EC2Y 5AJ.

Mirabaud Securities
21 St. James's Square,
London SW1Y 4JP.

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

WEBSITE
www.kenmareresources.com

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Kenmare Resources plc. will be held at the Westbury Hotel, Grafton Street, Dublin 2 on Thursday 20 May 2010 at 11.00 a.m. for the following purposes:

ORDINARY BUSINESS

1. To receive and consider the Directors' Report, the Financial Statements and the Independent Auditors' Report thereon for the year ended 31 December 2009.
2. To re-elect as a Director Mr. T. Fitzpatrick who retires by rotation in accordance with the Company's Articles of Association.
3. To re-elect as a Director Mr. P. McAleer who retires by rotation in accordance with the Company's Articles of Association.
4. To re-elect as a Director Mr. T. McCluskey who retires by rotation in accordance with the Company's Articles of Association.
5. To re-elect as a Director Mr. C. Carvill who, being a Non-Executive Director who has served for over nine years on the Board, retires in accordance with best practice.
6. To re-elect as a Director Mr. I. Egan who, being a Non-Executive Director who has served for over nine years on the Board, retires in accordance with best practice.
7. To re-elect as a Director Mr. S. Farrell who, being a Non-Executive Director who has served for over nine years on the Board, retires in accordance with best practice.
8. To elect as a Director Mr. J. Deysel.
9. To authorise the Directors to fix the remuneration of the Auditors.

SPECIAL BUSINESS

10. To consider, and if thought fit, pass the following resolution as an ordinary resolution.

    That the Directors be and are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 20 of the Companies (Amendment) Act 1983) up to an amount equal to the number of authorised but unissued share capital of the Company as at the date of the passing of this resolution. The authority hereby conferred shall expire at the conclusion of the next Annual General Meeting, or, if earlier, 20 August 2011 provided that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority hereby conferred has expired.

11. To consider, and if thought fit, pass the following resolution as a special resolution.

    That, subject to the passing of Resolution 10 above, the Directors be and they are hereby empowered pursuant to Section 24 of the Companies (Amendment) Act, 1983 to allot equity securities (as defined by Section 23 of the Companies (Amendment) Act, 1983) for cash pursuant to the authority conferred by Resolution 10 above as if sub-Section (1) of the said Section 23 did not apply to any such allotment provided that this power shall be limited to the allotment of equity securities:

    a) in connection with any offer of securities open for any period fixed by the Directors by way of rights, open offer or otherwise in favour of holders of ordinary shares and/or any persons having a right to subscribe for or convert securities into ordinary shares in the capital of the Company (including, without limitation, any holders of options under any of the Company's share option schemes for the time being) and subject to such exclusions or arrangements as the Directors may deem necessary or expedient in relation to legal or practical problems under the laws of, or the requirements of any recognised body or stock exchange in, any territory;

    b) in connection with the exercise of any options or warrants to subscribe granted by the Company; and

    c) (in addition to the authority conferred by paragraphs (a) and (b) of this Resolution), up to a maximum aggregate nominal value equal to the nominal value of 5% of the issued share capital of the Company from time to time.

The power hereby conferred shall expire on the date of the next Annual General Meeting of the Company after the passing of this resolution or, if earlier, 20 August 2011 save that the Company may before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

12. To consider, and if thought fit, pass the following resolution as a special resolution:

    That, it is hereby resolved that the provision in article 50(a) of the Articles of Association of the Company allowing for the convening of Extraordinary General Meetings by at least 14 days' notice (where such meetings are not convened for the passing of a special resolution) shall continue to be effective.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

13. To consider, and if thought fit, pass the following resolution as a special resolution:

That the Articles of Association of the Company be and are hereby amended by:

(a) the insertion of the following new definition:
""Record Date" means a date and time specified by the Company for eligibility for voting at a general meeting, which may not be more than forty-eight hours before the general meeting to which it relates; ".

(b) deleting Article 50(a) and replacing it with the following new Article 50(a):

"50(a) Subject to Sections 133 and 141 of the Act allowing a general meeting to be called by shorter notice, an annual general meeting and a meeting called for the passing of a special resolution shall be called by 21 days' notice in writing at the least and a general meeting of the Company (other than an annual general meeting or a general meeting called for the passing of a special resolution) shall also be called by at least 21 days' notice in writing (whether in electronic form or otherwise), except that it may be called by at least 14 days' notice (whether in electronic form or otherwise) where:

(i) all members who hold shares that carry rights to vote at the meeting are permitted to vote by electronic means either before or at the meeting; and

(ii) a special resolution reducing the period of notice to 14 days' has been passed at the immediately preceding annual general meeting held since that meeting."

(c) deleting Article 52 and replacing it with the following new Article 52:

"52. (a) All business that is transacted at an extraordinary general meeting shall be deemed special and also all business that is transacted at an annual general meeting, with the exception of declaring a dividend, the consideration of the accounts, balance sheets and the reports of auditors and directors and any other document required to be annexed to the balance sheet, the election of directors, the re-appointment of retiring auditors, the fixing of the remuneration of the auditors and the consideration of a special resolution for the purpose of Article 50(a)(ii).

(b) Any request by a member to table a draft resolution under Section 133B(1)(b) of the Act shall be received by the Company in hardcopy form or in electronic form at the address specified by the Company at least 30 days before the meeting to which it relates."

(d) deleting Article 60.

(e) deleting Article 62 and replacing it with the following new Article 62:

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

(b) A person shall be entered on the register by the Record Date specified in respect of a general meeting in order to exercise the right of a member to participate and vote at the general meeting and any change to an entry on the register after the Record Date shall be disregarded in determining the right of any person to attend and vote at such general meeting."

(f) the renumbering of the Articles of Association and all cross references therein to reflect the amendments provided for in paragraphs (a) to (e) above.

By order of the Board,
Deirdre Corcoran
Company Secretary

22 April 2010

Notes:

Entitlement to attend and vote

(1) Only those Shareholders registered on the Company's register of members:

- 48 hours before the time appointed for the Annual General Meeting; or
- if the Annual General Meeting is adjourned, at 6.00 p.m. on the day two days prior to the adjourned Annual General Meeting

shall be entitled to attend and vote at the Annual General Meeting.

Website giving information regarding the meeting

(2) Information regarding the Annual General Meeting, including the information required by section 133A(4) of the Companies Act 1963, is available from www.kenmareresources.com.

Attending in person

(3) The Annual General Meeting will be held at 11.00 a.m. on 20 May 2010 at The Westbury Hotel, Grafton Street, Dublin 2, Ireland. If you wish to attend the Annual General Meeting in person, you are recommended to attend at least 15 minutes before the time appointed for holding of the Annual General Meeting to allow time for registration. Please bring the attendance card attached to your Form of Proxy and present it at the shareholder registration desk before the commencement of the Annual General Meeting.

Appointment of proxies

(4) A member entitled to attend, speak and vote at the above meeting is entitled to appoint a proxy to attend, speak and vote in his/her behalf. A member may appoint more than one proxy to attend and vote at the Annual General Meeting in respect of shares held in different securities accounts. A member acting as an intermediary on behalf of one or more clients may grant a proxy to each of its clients or their nominees provided each proxy is appointed to exercise rights attached to different shares held by that member. A proxy need not be a member of the Company.

(5) A Form of Proxy for use by members is enclosed with this Notice of Annual General Meeting (or is otherwise being delivered to Shareholders). Completion of a Form of Proxy (or submission of proxy instructions electronically) will not prevent a shareholder from attending the Annual General Meeting and voting in person should they wish to do so.

(6) To be valid, the Form of Proxy must be delivered to Computershare Investor Services (Ireland) Limited, PO Box 954, Sandyford, Dublin 18, Ireland (if delivered by post) or at Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland (if delivered by hand) as soon as possible and, in any event, so as to be received not less than forty-eight hours before the time for the holding of the meeting, or any adjournment thereof.

(7) CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST Sponsored Members, and those CREST Members who have appointed a voting service provider(s), should refer to their CREST Sponsor or voting service provider(s), who will be able to take appropriate action on their behalf.

(8) In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK and Ireland (EUI)'s specifications and must contain the information required for such instructions, as described in the CREST Manual. The message (whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy) must be transmitted so as to be received by Computershare Investor Services (Ireland) Limited, as issuer's agent, (ID 3RA50) by the latest time(s) for receipt of proxy appointments specified in this notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

(9) CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST Personal Member or Sponsored Member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

(10) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Companies Act1990 (Uncertificated Securities) Regulations 1996.

(11) In case of a corporation, the instrument shall be either under its common seal or under the hand of an officer or attorney duly authorised in that behalf.

(12) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other registered holder(s) and for this purpose, seniority will be accepted to order in which the names stand in the Register of Members in respect of a joint holding.

(13) If a proxy is executed under a power of attorney, such power of attorney must be deposited with the Company with the Instrument of Proxy.

Action to be taken

(14) Electronic proxy appointment is available for the Annual General Meeting. This facility enables a Shareholder to lodge its proxy appointment by electronic means by logging on to the website of the Registrars, www.computershare.com/ie/voting/kenmare. Alternatively, for those who hold Ordinary Shares in CREST, a Shareholder may appoint a proxy by completing and transmitting a CREST Proxy Instruction to Computershare (CREST participant ID 3RA50). In each case the proxy appointment must be received by no later than 11.00 a.m. on 18 May 2010.

Issued shares and total voting rights

(15) The total number of issued shares on the date of this notice of Annual General Meeting is 2,403,127,212. On a vote by show of hands every shareholder who is present in person and every proxy has one vote (but no individual shall have more than one vote). On a poll every shareholder shall have one vote for every share carrying voting rights of which he is the holder.

The ordinary resolutions require a simple majority of shareholders voting in person or by proxy to be passed. The special resolutions require a majority of not less than 75 per cent. of those who vote either in person or by proxy to be passed.

Questions at the Annual General Meeting

(16) Under section 134C of the Companies Act 1963, the Company must answer any question you ask relating to the business being dealt with at the Annual General Meeting unless:

- answering the question would interfere unduly with the preparation for the Annual General Meeting or the confidentiality and business interests of the Company;
- the answer has already been given on a website in the form of an answer to a question; or
- it appears to the Chairman of the Annual General Meeting that it is undesirable in the interests of good order of the meeting that the question be answered.

Shareholders' right to table draft resolutions

(17) Pursuant to section 133B(1)(a) of the Companies Act 1963 (as amended) and subject to any contrary provision of company law, shareholders holding at least 3% of the Company's issued share capital, or at least 3% of the voting rights, have the right to put an item on the agenda, or to table a draft resolution for inclusion on the agenda of an annual general meeting. In the case of the 2010 Annual General Meeting, the latest date for submission of such requests/resolutions was 8 April 2010.


TANZANIA
Mbeya
Kasama
Lindi
Mtwara
Songea
Mansa
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
INDIAN
OCEAN
Pietersburg
Inhambane
SOUTH
AFRICA
Xai-Xai
Nelspruit
Maputo
MOZAMBIQUE
Mbabane
SWAZILAND
0 km
100
200
300
400 km

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

KENMARE