

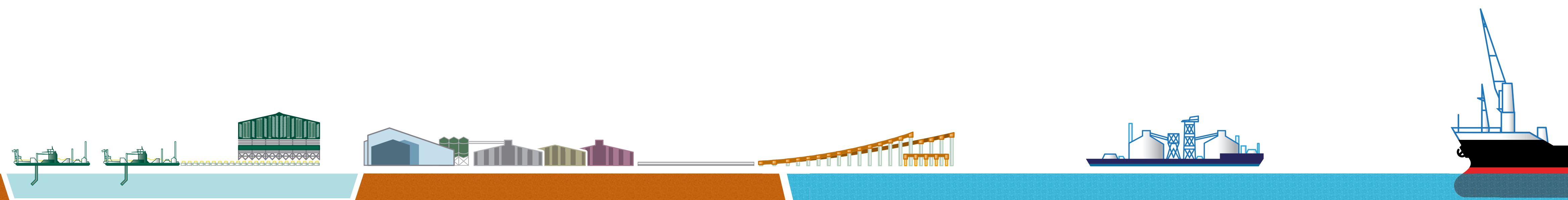
KENMARE



Moma Titanium Minerals Mine
Exporting Final Product to Customers

Strong Market Demand and
Price Growth for Products

Expansion to Annual Production
of 1.2 Million Tonnes of Ilmenite
plus Co-Products Targeted



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Chairman's Statement



Charles Carvill
Chairman

Dear Shareholder,

Since my last Chairman's statement, Kenmare's wholly owned Moma Titanium Minerals Mine has become a significant exporter from Mozambique. Six customer vessels have been loaded by our transshipment vessel, the Bronagh J, and departed for destinations in Europe, America and Asia. Ilmenite contained in these shipments has already been consumed by our customers to make pigment.

This has been achieved despite considerable problems with certain equipment supplied under the construction contract, which has had to be replaced under warranty. In particular, a set of vibrating screens that are an essential component of the Mineral Separation Plant (MSP), started to show signs of deterioration and the feed rate through the plant had to be reduced. Pending supply of new, larger and more robust screens under warranty by the contractor, temporary repairs were required for this equipment and consequently the plant throughput was lower than anticipated. The new screens have now been installed, allowing the mine to get back onto its ramp-up curve.

A cyclone, the first in over twenty years in the area, passed over Moma in early March. Due to excellent planning by site management there were no casualties or injuries. We were able to get production going from the MSP within a couple of days. In the mining pond, there was some damage to the Wet Concentrator Plant (WCP) and to the rubber hose connections between the WCP and the mining dredges. As a result, mining was interrupted for four weeks and has now resumed. In the interim, the MSP has continued to operate with feed drawn from stockpiled

heavy mineral concentrate.

With the installation of the new screens, and various other remedial work which has been carried out under warranty, we believe that the Company is well set to achieve its targeted production rate, albeit somewhat later than was originally envisaged. We now expect that the ramp-up will continue through 2008, with full production rate being achieved in the last quarter.

The Company has continued to plan for the expansion to

Aerial view of the mining pond, dredges and wet concentrator plant





Bronagh J loading a customer vessel

1.2 million tonnes of ilmenite product plus associated co-products per annum. This new capacity is targeted to be available by the end of 2009.

The market for titanium feedstocks is favourable and is in a supply-constrained position. This is putting strong upward pressure on global feedstock prices, particularly for ilmenite, and has pushed up the price of imported ilmenite to China by around 50% since the start of 2008. Despite a 5% reduction in consumption in the United States during 2007, the global demand for TiO_2 feedstocks

grew by 3.6%, led by strong growth in Europe and Asia, particularly China. A similar growth rate is expected in 2008. In addition, the supply side may be further restricted by energy shortages in South Africa, where a large proportion of the world's titanium feedstocks originate. The zircon market has seen a slight easing of prices over the last year, due principally to artisanal production from Indonesia. This production is viewed as coming from short-term resources which have already started to reduce. End use demand for zircon remains

Aerial view of the mineral separation plant



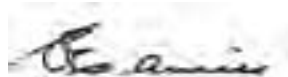
robust. Hence the market outlook for all our production is very positive and the Company stands to benefit from both price upside as well as the expanded production on volumes.

Kenmare is committed to reducing the negative impacts associated with the Moma Mine and enhancing those which are positive. The Kenmare Moma Development Association, a not-for-profit organisation, works to implement this objective through the execution of a variety of capacity building, infrastructural and socio-cultural projects. These projects include a savings and credit programme, various horticultural projects, egg production initiatives, school construction, a HIV/AIDS awareness programme and support to local sports development. Funding for these programmes continues to grow and Kenmare is grateful to all who have contributed to the development of these projects, including the time and resources provided by mine personnel to assist with the school construction and other initiatives.

The financial results for 2007 show a loss of US\$9.6 million. This loss arises primarily from foreign exchange losses on Euro-denominated debt and Kenmare's corporate operating costs, net of interest earned. Costs associated with construction and commissioning the

mine, net of revenues earned during 2007, have been capitalised. Assets totalling US\$266.9 million were transferred from Construction in Progress to Property, Plant and Equipment during the year on the take-over of these assets from the contractor. Senior and subordinated loans drawn at the year end amounted to US\$325.8 million, US\$119.3 million of which comprised of Euro-denominated loans.

The last six months has demonstrated that the Moma Mine will work well. The mine has demonstrated its ability to dredge, concentrate, separate and export product whilst maintaining an excellent safety record. While we have experienced some cost increases caused mainly by salary and fuel costs, we are very confident that Moma will achieve its targeted production rates in 2008 and attain its predicted low cost position in the industry.



Charles Carvill
Chairman



Regulo Matapa helping with the local horticultural project which supplies the mine with produce



Bronagh J loading final product from the Jetty

Operating and Financial Review

Introduction

The principal activity of Kenmare Resources plc, listed on the full boards of the Irish and London Stock Exchanges, is the operation and expansion of the Moma Titanium Minerals Mine. This is located in the province of Nampula on the northern coast of Mozambique. A wholly-owned subsidiary, Mozambique Minerals Limited, is also exploring for minerals in several parts of the country. The Moma Mine contains reserves of heavy minerals which include the economic titanium minerals ilmenite and rutile, as well as the high-value zirconium silicate mineral, zircon.

These minerals are mined using dredges and concentrated in a floating wet concentrator plant (WCP), which pumps the heavy mineral concentrate (HMC) produced to a minerals separation plant (MSP) where it is separated into final products for export.

Kenmare's business objectives are to ramp-up production at Moma to 800,000 tonnes of ilmenite per annum, plus co-products, and to progress a mine expansion project to an initial target level of 1.2 million tonnes of ilmenite per annum (plus co-products). The scope for a further expansion to 2.0 million tonnes of ilmenite plus co-products will be considered further during 2008.

Kenmare has continued to manage the safety, health, environmental and social impacts of its operations on its employees, on the local environment and on the host communities near the mine site.

Project Reserves and Resources

At Namalope, the site of the Moma Mine, remodelling of the orebody and a recognition of a higher bulk density, has increased the Reserves. Thus although there has been depletion due to mining, current Reserves are slightly increased from last year. Further exploration drilling has located additional mineralisation peripheral to the main orebody, containing an extra 6.5 million tonnes of ilmenite in the Inferred Resource category which represents a potential increase in mine life of approximately 6 years. Future drilling will upgrade this to a Reserve category.

At the Nataka satellite orebody, which is near the MSP, remodelling of the orebody and further testwork on the quality of the ilmenite have resulted in the location of two zones on the northwest flank of the body with enhanced titanium dioxide (TiO_2) content. The Inferred Resource at Nataka is 4,700 million tonnes, containing 120 million tonnes of ilmenite.



Mandala Donda, Process Engineer (left) and Patrick Basson, MSP Supervisor (right) in front of the HMC Stockpile

Ore Reserves and Mineral Resources

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	287	4.7	80	3.8	13	11	0.3	0.8
Namalope	Probable Reserve	185	3.9	83	3.2	7	6	0.1	0.5
Total Namalope	Proved & Probable Reserves	472	4.4	81	3.6	21	17	0.4	1.2
Congolone	Proved Reserve	167	3.3	77	2.5	5.4	4.2	0.1	0.4
Total Reserves		639	4.1	80	3.3	26	21	0.5	1.6
Resources									
Namalope	Inferred Resource	237	3.4	80	2.7	8.1	6.5	0.1	0.5
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		6,000	3.2	82	2.6	190	160	3.6	11

Resources are additional to Reserves.

The data is in accordance with the JORC Code (2004) (Australian Code for Reporting Ore Reserves and Mineral Resources).

The Competent Person for the Namalope Reserves and Resources and Nataka Resource is Colin Rothnie (MAusIMM), a full time employee of Kenmare. The Competent Person for the other Reserves and Resources is Dr. Alastair Brown (FIMMM), Kenmare's Director of Exploration.

THM is total heavy minerals of which ilmenite (81%), rutile (2.3%) and zircon (6.4%) total 90%.

Tonnes and grades have been rounded, and hence small differences may appear in totals.

Description of Facilities

The principal assets of the Moma Mine are as follows:

- i) an artificial, freshwater mining pond which is approximately 800m long, 300m wide and up to 15m deep. Within this pond are two 2,500 tonne per hour rated capacity dredges which extract mineral-bearing sands from the pond mining face and pump them into the WCP for recovery of a HMC. This concentrate comprises a mixture of the valuable minerals ilmenite, rutile and zircon as well as some non-valuable silica and other heavy minerals. The concentrate, which represents approximately 5% by weight of the total sand mined, is subsequently pumped overland to the MSP that is located at the edge of the deposit where it is stockpiled prior to further processing. The sand tailings are deposited at the rear of the mining pond where they are spread out for future rehabilitation;
- ii) the MSP is fed with HMC at an initial design rate of 120 tonnes per hour to produce a suite of ilmenite products, rutile and two zircon products. The MSP uses high-intensity magnets to separate the magnetic minerals (ilmenite) from the non-magnetics (rutile and zircon). This is followed by a wet gravity separation process to remove low-density trash minerals (silicates), after which electrostatic separators are used to remove conducting minerals (rutile) from non-conductors (zircon);
- iii) a 50 tonne per hour ilmenite roaster and downstream magnetic separation plant to enhance the quality of the high TiO_2 ilmenite product;
- iv) a product storage warehouse which is capable of storing 145,000 tonnes of final products under secure, dry cover and includes facilities for reloading products onto a 2.4 km long overland conveyor;

- v) a 400m long jetty which supports the product export conveyor and a walkway for personnel;
- vi) the 4,000 tonne capacity product transshipment vessel, Bronagh J, which is a self-propelled, self-discharging vessel capable of carrying mineral from the jetty to the transshipment point, where the customer's vessel is loaded;
- vii) other supporting infrastructure including 170 km long 110kV power line, 6 Mega Watts standby generation capacity, accommodation village, airstrip, water supply, sewage plants and roads.

Construction Handover

The EPC contract between Kenmare and the Multiplex-Bateman Joint Venture for the construction of the mine and all associated works, previously contemplated that the mine and all associated facilities would be handed over in its entirety in January 2007. However, the contractor was unable to finish by the scheduled dates and an amendment to the contract was made to allow for sectional take-over of the works and to settle outstanding claims.

Sections were progressively handed over by the contractor during the year with the Bronagh J transshipment vessel only arriving in November 2007, days before having to make the first shipment. The roaster plant is scheduled to be handed over later this year. In the meantime the contractor is being levied delay damages of US\$60,000 per week.

The dredges and mining pond were taken over by Kenmare in late April 2007 and enlargement of the pond using one dredge began. The second dredge was brought into operation during October 2007 and mining has continued subsequently.

Mining pond, dredges and wet concentrator plant at night



At time of handover of the MSP in late August 2007, a significant stockpile of HMC had already been prepared for use as a feedstock which ensured a smooth plant start-up. Similarly, during the time period between MSP handover and the Bronagh J transshipment vessel's arrival from the shipyard in Singapore, approximately 50,000 tonnes of ilmenite product had already been prepared for export.

The contractor has maintained a presence on site to finish the roaster, attend to outstanding punchlist works, warranty claims and to meet its environmental obligations of clean-up and rehabilitation of work areas.

Production

Despite significant teething problems experienced during ramp-up, the entire minerals extraction, recovery and export process has been successfully demonstrated, except for the operation of the roaster, which will be taken-over later this year. By the year end two shipments of ilmenite product were dispatched to customers. Some of this product has already been used in the customers' pigment plants and feedback from customers regarding product quality has been positive.

During ramp-up Kenmare has been dealing with several significant issues.

- The large electric motors driving the main pump on both dredges failed after two weeks of operation. Kenmare removed and replaced these motors with other motors which were on site, but which had to be reconfigured for this application. These reconfigured motors, while operating adequately, do not have as much power as is specified for this duty. New motors, the design of which has been approved by Kenmare, are being supplied under warranty and will be delivered in late May 2008.

- Two vibratory screens in the MSP which should have had a capacity of 120 tonnes per hour started to fail after reaching a flow rate of circa 90 tonnes per hour. The rate of flow through the MSP has therefore been restricted by these screens. In addition to the overall capacity limitation, the screens have caused significant downtime on the MSP as they have needed regular remedial work to keep them functioning. New screens have now been installed allowing the MSP to continue its ramp-up.
- During the wet season the mine was subjected to a high number of power dips and some outages. Power dips experienced at Moma are short interruptions of power supply usually between 50 to 150 milliseconds. Power outages are longer interruptions typically between 3 and 10 minutes in duration. They are usually caused by lightning strikes to pylons and are much less frequent. The controllers on the variable speed drive motors in our operation are sensitive to voltage fluctuations and shut down their motors when they sense a dip, causing operations to stop. Restarting is a time consuming process.

Kenmare has reacted to this situation by installing uninterruptible power supplies in front of our drive controllers. These are essentially batteries which discharge during the power dip so that the controller does not see the dip. The operation is now much less sensitive to dips. In addition, we have agreed with the state utility, EdM, to move Moma onto a separate bus bar at the Nampula substation. This will isolate Moma from fluctuations caused in other parts of the northern grid. Kenmare is also installing an auto-recloser which will further reduce the frequency of both dips and outages to the mine.

Ilmenite in the product storage warehouse



- Production of rutile and zircon has also been hampered by the provision of equipment which was not fit for purpose. This has been replaced under warranty with upgraded equipment and these circuits are now functioning.

The first export of ilmenite was completed in December 2007 and five subsequent shipments have been achieved. The product loading, overland conveyor, jetty and transshipment vessel all function effectively and it was found possible to load vessels safely across a range of sea conditions.

Expansion

The mine is readily expandable owing to the concentration of vast ore reserves within a short distance from the current mine site, the abundance of fresh water for dredge mining and the surplus capacity that already exists within some of the present plant, equipment and infrastructure. Kenmare's strategy is to utilise this excess capacity during the first phase of expansion in order to minimise the capital requirements whilst simultaneously maximising production output. This first expansion will raise output to circa 1.2 million tonnes of ilmenite per annum (plus co-products zircon and rutile) and is targeted to be in place by the end of 2009. It is intended to subsequently expand to production levels in excess of 2.0 million tonnes of ilmenite per annum plus co-products.

Metallurgical testwork was conducted in Australia in order to determine key parameters for detailed design. It was determined that Wet High Intensity Magnetic Separation (WHIMS), already an established technology within the mineral sands industry, will work successfully at Moma. The WHIMS system can separate magnetic and non-magnetic minerals from a wet slurry to yield intermediate

products for further processing. This will enable the separation of these two mineral streams ahead of the current MSP. This will in turn, increase the capacity of the MSP by allowing the non-magnetic fraction to bypass the dryer which is a major bottleneck. It will also yield significant reductions in concentrate drying costs since a portion of the flow is not presented to the dryer.

The metallurgical flowsheets for the first expansion are currently under review and will be finalised shortly.

Exploration for Other Minerals

The demand for uranium appears positive for the future as an ever increasing number of nuclear power stations are being planned around the world, while very few new uranium mining operations have been started in the last 20 years. With uranium spot prices around US\$70/lb, grades in excess of 300ppm U_3O_8 are economically significant.

During the year, Mozambique Minerals Limited, a 100% subsidiary of Kenmare Resources plc., has been exploring for uranium mineralisation in Karoo sedimentary rocks in 10 licences in the Maniamba Rift zone in Niassa Province, northwest Mozambique. The area covered was approximately 1,000 sq km. Uranium mineralisation has been detected in 3 rock types; in sandstones and mudstones of the Karoo group rocks and pegmatite and quartz veins in granites of Upper Proterozoic age which border the Karoo Rift zone. Nodular mudstones samples were located with values of 280-660ppm U_3O_8 in the nodules, while sandstone bands were located with 100-300ppm U_3O_8 . Further exploration is planned.

Field work will also continue in the Karoo rocks of the Zambezi Valley, west of Tete, where Mozambique Minerals Limited holds 3 licences and has located values of 80-400ppm U_3O_8 in Karoo sandstone.



Ivo Meyer, Senior Marine Operator on the Jetty



Muhamed Ali, Control Room Operator, in the WCP

Financial Review

Kenmare has made the transition from exploration and development activities to becoming a producing company during the past year and is in the process of building up production to the levels planned by management. Construction costs and the costs associated with ramp-up of production, net of revenues from product sales, were capitalised during 2007, which resulted in an increase in investment in non-current assets by US\$80.5 million to US\$487.0 million. This expenditure was funded by cash and bank loans.

During the past year, an additional standby subordinated facility of US\$22 million and a trade receivables facility were established. Warrants to subscribe for 45.3 million Ordinary Shares at an exercise price of Stg17p were exercised as approved by warrant holders at an EGM in November 2007. This represented an uptake of 61% of the warrants eligible for exercise. The proceeds raised amounted to US\$14.3 million.

Results

The loss after tax for the year of US\$9.6 million arises from foreign exchange losses on Euro-denominated loans, Kenmare's corporate operating costs and exploration costs less deposit interest earned. The Euro:US\$ exchange rate moved from 1.31 to 1.47 during 2007, giving rise to the foreign exchange loss on Euro 81 million debt, including capitalised interest.

Revenue of US\$2.9 million, relating to the sale of mineral products, is offset against costs which have been capitalised during 2007 in Deferred Development Expenditure. Operating costs, net of revenues, will continue to be capitalised during the period of mine ramp-up until the mine is producing at its intended annual rate of production.

Summary Balance Sheet

The Group balance sheet at 31 December 2007 is summarised in the table below:

	Assets US\$m	Liabilities US\$m	Net Assets US\$m
Deferred Development Expenditure	176.4	-	176.4
Property, Plant and Equipment	264.5	-	264.5
Construction in Progress	46.1	-	46.1
Currents Assets & Liabilities	66.7	(55.8)	10.9
Other non-current assets & liabilities	-	(304.4)	(304.4)
Total as at 31 December 2007	553.7	(360.2)	193.5
Total as at 31 December 2006	494.5	(310.5)	184.0

Assets totalling US\$266.9 million were transferred from Construction in Progress to Property, Plant and Equipment during the year, on the taking over of these assets from the contractor.

Additions to Deferred Development Expenditure during the year include loan interest capitalised of US\$25.1 million and operating costs of US\$11.2 million, less deposit interest earned on the deposit of loan disbursements, product sales revenue of US\$2.9 million and construction contract delay damages of US\$15.7 million.

Project Debt

Senior and subordinated loans drawn at the year end amounted to US\$325.8 million, US\$119.2 million of which were Euro-denominated loans. The loan facilities are in place with European Investment Bank (EIB), the African Development Bank (AfDB), FMO (a Dutch development finance institution), KfW (a German bank), Emerging Africa Infrastructure Fund Limited (EAIF) and Absa (a South African commercial bank). Political risk insurance was provided by MIGA (a member of the World Bank Group) for the KfW (MIGA) tranche. Political and commercial insurance cover was provided by Hermes for the KfW (Hermes) tranche and by the Export Credit Insurance Corporation of South Africa (ECIC), the South African export credit agency, for the Absa facility. Details of loan facilities are set out below.

	Maximum Available (figures in millions)	Maturity	Interest Rate
Senior Debt			
AfDB	US\$40	2018	LIBOR+4.25%
Absa (ECIC)	US\$80	2015	5.85%
EIB	€15	2018	EFR+3.50%
KfW (Hermes)	US\$25.5	2015	5.45%
KfW (MIGA)	US\$15	2018	LIBOR+3.50%
FMO	US\$19.5	2016	LIBOR+5.30%
EAIF	US\$5	2018	LIBOR+5.30%
Total	US\$185 + €15		

Subordinated Debt

EIB	€40	2019	10%
FMO	€7.1	2019	10%
EAIF	US\$10	2019	LIBOR+8.00%
Total	US\$10 + €47.1		

Standby Subordinated Debt

EIB	€2.8	2019	10%
FMO	US\$1.5	2019	10%
FMO	US\$2.5	2019	LIBOR+8.00%
Total	US\$4 + €2.8		

Additional Standby Subordinated Debt

EAIF	US\$12	2019	LIBOR+5.00%
FMO	US\$10	2019	LIBOR+5.00%
Total	US\$22		

The Additional Standby facility was put in place in August 2007 and was undrawn at the year end. Kenmare plans to draw in full from this facility. The current weighted average interest rate of the debt package is 8%.

Financial Outlook

We recognise the business risks inherent in our operations, which we mitigate through the implementation of appropriate internal control systems, close management of costs and by maintaining adequate funding for Group requirements.

Kenmare has sufficient available funding to meet requirements based on the production ramp-up schedule, but this may not be adequate if there are further material delays in reaching the planned level of production.

The key tasks for the Group in the coming months are the successful delivery of the remaining project works in accordance with the construction contract, management of the production ramp-up within available funding and continued development of plans to expand production

Marketing

Kenmare's new Moma Mine is a major world producer of titanium dioxide (TiO₂) minerals, ilmenite and rutile, as well as the zirconium mineral, zircon (ZrSiO₄). Commissioning of the ilmenite circuit commenced in late August 2007 and initial production commenced in September 2007. Production of rutile and commissioning of the zircon circuit commenced in early 2008. Annual steady state production from the Moma Mine is expected to be 800,000 tonnes of ilmenite, 56,000 tonnes of zircon and 21,000 tonnes of rutile, which will account for approximately 8% of global titanium feedstock supply and just over 4% of global zircon supply.

Kenmare has committed a significant proportion of Moma ilmenite, rutile and zircon production under long term contracts over the past few years. Demand for Moma minerals continues to be strong and a number of additional sales agreements were concluded in 2007. Pricing of rutile and zircon is largely market based at time of shipment, while approximately 60% of the ilmenite production to 2012 is not yet committed on price and thus there is significant upside to sell at higher prices given favourable market conditions.

Shipments of ilmenite to customers commenced towards the end of 2007. Shipments of rutile and zircon are expected to commence in mid-2008 as we build up inventory levels.

Demand for Moma minerals exceeds current production capability and we are working to fast track the expansion of the Moma Mine to meet these market opportunities. Although interest has been received from customers for additional offtake contracts, no price commitments have been made for the additional production from the expansion and we are well placed to benefit from increasing market prices for TiO₂ feedstocks.

Titanium Dioxide (TiO₂) Mineral Feedstock Market

Ilmenite and rutile are titanium-bearing minerals used as feedstocks to produce TiO₂ pigment, which accounts for circa 94% of global titanium feedstock consumption. TiO₂ pigment is in turn consumed in the manufacture of paints and other coatings, plastics and paper, as well as a number of other applications, including cosmetics, food additives, ceramics, inks and textiles. Titanium metal and welding electrodes applications largely account for the remaining circa 6% of the demand for titanium minerals.

Global pigment consumption is estimated to have grown by around 3.6% in 2007 despite the economic slowdown in USA. During the year, the US experienced an unusually sharp decline in pigment consumption of circa 5%, driven by the weak demand from the construction sector, which has impacted on the wider economy. Consumption growth in all other regions was robust. 2007 saw the highest consumption growth in Europe for many years at circa 4.5% due to a general uplift in the Euro zone economy, most notably Germany, driven by strong consumer confidence and a boost in manufacturing exports. In Asia, China continued to be the engine of growth with year-on-year consumption growth of circa 12% driven by strong economic activity. It is estimated that China accounted for approximately 60% of global pigment growth in 2007 and is set to remain the principal growth market in the coming years. Elsewhere in Asia, growth was also strong in most countries averaging 4%, with the exception of Japan, which continued its small downward trend of recent years.

Looking to 2008, it is expected that the slowdown in the USA will have run its course by the end of the year and the outlook for Europe remains positive, albeit not as good as 2007. China and other Asian countries are also expected to deliver growth in 2008 similar to 2007. Industry analysts forecast global pigment consumption growth of around 3.4% in 2008 and a compound annual growth rate in excess of 3% until at least 2015.

Demand for titanium minerals, principally rutile, from other end use markets, titanium metal and welding electrodes, was also robust in 2007. Titanium metal demand grew by around 15% in 2007 driven by strong growth in the aerospace sector, most notably for Boeing and Airbus's new generation passenger aircraft that have a high titanium metal content. Demand for titanium metal was also strong for power generation, desalination and chemical plant applications.

There were a number of capacity expansion announcements in 2007 from the major titanium metal producers in Russia, Japan, USA and China, which are expected to raise production capacity by an additional 15% by the end of 2008. Industry analysts expect titanium metal demand growth to average around 10% per annum to 2015.

Titanium minerals are also consumed as a component of fluxes for coating welding electrodes and this sector performed well in 2007 driven by continued strong activity in the shipbuilding and construction sectors. The welding electrode sector is also set for continued strong growth in the coming years.



Bronagh J at the Jetty

As a result of the strong end use demand, the overall market for titanium feedstocks was tight during 2007 for almost all feedstocks. Sulphate ilmenite was particularly tight driven by rising demand in China for the production of sulphate grade pigment, coupled with ilmenite supply interruptions. China imported approximately 1.2 million tonnes of ilmenite in 2007 to supplement its domestic production, representing an increase of over 50% on the 2006 level.

On the supply side, production of ilmenite from Vietnam continued to decline in 2007 due to mining constraints and regulations preventing the export of certain grades of ilmenite. These interruptions are set to persist with the announcement by the Vietnamese authorities that exports of all grades of ilmenite are to cease in early 2009 in order to safeguard the scarce resource for domestic downstream processing. Vietnam is the biggest supplier of ilmenite to China and it is unclear how rigorously this new regulation will be enforced. There was also interruption in supply of ilmenite from some Indian producers, while production from mature mines in Western Australia continued to decline in 2007. Imported ilmenite prices in China have increased by as much as 50% in the first quarter of 2008 to approximately US\$130 per tonne and this appears sustainable given the strong demand outlook and supply constraints. Ilmenite prices increased in response to these tight market conditions and strong price growth is expected in 2008 with a further tightening of the market.

A shortage of power in South Africa also threatens to reduce the supply of titanium feedstocks in 2008 and beyond. South Africa accounts for approximately 25% of global titanium feedstock supply, mostly in the form of titanium slag and rutile. One producer has already announced that its production may reduce by 10% in 2008 as a consequence of load shedding imposed by the power utility provider, and the two other major producers may also face interruptions.

Zircon Market

Zircon is a zirconium mineral and is an important raw material for the ceramics industry as an opacifier and frit compound for decorative wall and floor tiles and sanitary ware. It is also consumed in the foundry and refractory industries and in a growing number of chemical applications, which includes fused and chemical zirconia. Geographically 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.

After a number of years of very strong price growth, the zircon market was less robust in 2007 as additional supply entered the market from new projects in Australia and artisan mining operations in Indonesia, coupled with flat demand in Europe from the ceramics sector. However this situation is expected to be temporary as the demand growth outlook for zircon to 2015 remains strong at around 4% per annum, particularly for ceramics and speciality chemical applications in Asia.



His Excellency President Guebuza opening the mine



Jetty

Corporate Social Responsibility Statement

2007 was a landmark year for Kenmare with the commencement of production at the Moma Titanium Minerals Mine and sale of the first mineral products. Whilst we were focused on these important events during the year, we simultaneously introduced specific policies and programs for the sustainable development of our mine in the areas of safety, health, environmental management and social responsibility. Sustainability principles are an integral part of Kenmare's operations.

Kenmare is committed to reducing the negative impacts associated with the Moma Mine and enhancing those which are positive. The start of mine production is an appropriate time to outline in detail how we are ensuring the sustainability of all aspects of its operation.

KEY SUSTAINABILITY ACHIEVEMENTS DURING 2007

- The safety performance at Moma was outstanding, with zero lost time injuries during the year.
- The Environmental Management Plan (EMP) for the operations phase of the project was approved by the Mozambique authorities. Construction work during

2004-2007 had been regulated under a separate plan which is presently being closed out.

- Recruitment of operations personnel took place in accordance with our policy of maximising employment opportunities for members of the host communities. Some 200 personnel were recruited during the year and given general induction training and, where necessary, specialist task training.
- Several sustainable employment projects were launched in collaboration with the Kenmare Moma Development Association (KMAD) and the host communities.
- Constructive dialogue continued between Kenmare and the host communities and assistance was given across a wide range of areas including water supply, school construction, malaria prevention, enterprise development and transportation.
- A Mozambican trade union was proactively engaged and assistance was given to establish a framework within which members could be recruited and a recognition agreement forged with Kenmare.



Members of the local Horticultural Association

COMMUNITY SUPPORT

KMAD is a not-for-profit organisation which was established by the Kenmare Board in 2004 with the objective of using the presence of the Moma Mine to strengthen the socio-economic development of the host communities in the immediate vicinity of the mine.

KMAD has three main objectives, which are to:

- maximise the benefits of the Moma Titanium Minerals Mine to create secondary economic opportunities within the local communities. This includes food production and service provision to the mine;
- generate long-term sustainable economic opportunities and facilitate socio-cultural activities within local communities that are independent of the mine. Examples include supporting local business training and encouragement of entrepreneurial development; and
- mitigate any negative impacts of the mine. One of the risks which was presented during the construction phase of the mine was the prospect of increased HIV transmission given the influx of expatriate construction workers into the area.

Some activities to date were implemented directly by KMAD, but most were put into operation in collaboration with partners from Government agencies, Non-Governmental Organisations (NGOs) and private sector partners.

The activities focused on the villages surrounding the mine. Some activities, particularly HIV/AIDS prevention, have achieved broader impact in the greater Moma district.

Type of Projects Supported

Three categories of projects that KMAD supports include:

- Capacity building and economic development projects***
Support includes technical assistance for local farmers. The focus is on facilitating economic opportunities with strong markets, such as providing food to the Moma 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 or abattoir facilities, are considered. Support focuses on creating sustainable economic activities. KMAD works to ensure that dependency relationships (in terms of requiring medium/long-term economic or technical assistance) are not created with the local communities.
- Social-cultural development projects***
This includes educational programmes, such as HIV/AIDS awareness. KMAD, based on local interest, has also supported sports development.
- Development of infrastructure***
Based on community needs, KMAD invests in infrastructure to improve local livelihoods, for example through improved educational facilities or water pumps. Care is taken to ensure a sustainable programme for maintenance and utilisation of each infrastructure project is established prior to implementation. For example, KMAD will only support the building of a school if there is commitment from the Government to provide teachers and the local community to maintain it.



A nursery has been created to grow virus resistant cassava

2007 was a year of solid progress, particularly in economic development activities, with the realisation of projects that have been some time in the planning. Members of the host communities started selling vegetables and eggs to the mine. One school was completed and work began on two others. Enabling programmes including savings and credit associations and HIV/AIDS prevention continued, and the social dimension enhanced with a newly-initiated soccer league.

Organisational Development

KMAD Membership

The KMAD Board consists of members of the Board of Kenmare Resources plc and senior Company executives. The Management Committee was expanded in 2007 to include five community representatives, in addition to members of the operations team at Moma, and the General Manager.

Operation

KMAD has a lean operational structure to maximise investment in community activities. Activities are coordinated by Kenmare's Country Manager in conjunction with the KMAD advisor. Kenmare's Community Liaison Officer helps to monitor activities. Financial information is maintained by the Financial Controller of Kenmare Resources plc. During the last quarter of 2007, a full-time coordinator was put in place and this arrangement will continue for the foreseeable future.

Sources of Funding

The majority of funding to date has been from Kenmare Resources plc. This funding has been leveraged through direct support by partner institutions, including:

- FMO, the Netherlands Development Finance Company, which provided funds for technical assistance and capacity building on the agriculture and chicken projects;
- CNCS, the national HIV/AIDS prevention centre, which funded year two of the Total Control of the Epidemic (TCE) programme;
- Worldwide Wildlife Fund (WWF), which has committed funds to working with the community to preserve the local indigenous Icuria forest and to supporting agricultural extension.

KMAD has also leveraged indirect support by working with partners who have projects in the region and can extend focus to the target area with minimal support. This has occurred with Ophavela, a local NGO specialising in rural credit and savings associations, which received funds from IDDPE (Government institute for small-scale fisheries development), 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 subcontractors involved in the mine construction. In 2007, employees raised funds to build a new school in one of the local villages.



KMAD support includes technical assistance for local farmers



Women's Savings Group in Thipane

In 2008 KMAD will be working to diversify funding sources, build stronger partnerships and reinforce KMAD's autonomy.

Implementation Strategies

KMAD has pursued three types of implementation arrangements:

- Direct implementation

KMAD has in some instances directly managed activities, such as construction of water points. Direct implementation is generally the most rapid. Given the desire to maintain a lean operational structure, capacity is limited.

- Contracted implementation

KMAD provides funds to an organisation for implementation. There are a number of organisations in Nampula province active in community development. Working with these groups 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 to ensure the most effective results.

- 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, collaborative projects have long term benefits, both to the community in terms of greater assistance and to the partner institutions in terms of more efficient activities.

Projects Implemented

In 2007, KMAD combined implementation of core projects with the community and partners identified in previous years, and introduced a number of new projects, as set out below.

Savings and Credit

KMAD supported savings and credit activities in the Tupuito area through a contracted implementation agreement with Ophavela. The initial contract covered May 2006 to April 2007 and was renewed in May 2007. Ophavela is a Mozambican association dedicated to assisting communities develop savings and credit associations. The promotion of these groups addresses the lack of access to financial services in rural areas through a simplified institutional 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. There are 44 groups, involving 841 individual members in the Tupuito area.



The poultry project supplies the mine with eggs

Horticulture

In 2007, KMAD and WWF set up two market gardening associations in the local villages of Nataka and Natuko. In the second half of 2007, when the project was activated, about 7,550 kilos of vegetables were produced as well as 20,000 heads of lettuce and 10,000 units of couve (a type of spinach). These were sold to the mine catering contractor at market price. Eventual target production is 55 tonnes a year of vegetables. KMAD and WWF supported the farmers by providing a technical expert, who was available for daily advice and organisation, by providing tools and seeds and by providing a liaison point for delivery and sale of produce.

Also in late 2007, KMAD worked with Save the Children to introduce to the area a strain of cassava resistant to the 'brown streak' virus. This virus is spreading southwards through Mozambique and is a threat to food security because cassava is a staple in Mozambique. Fourteen farmers, two from each village, have been trained in identification and management of the virus. A large community nursery has been created to grow resistant plants, which will replace existing plants with the new resistant strain of cassava. The first crop will be distributed for planting in 2008.

Poultry

A major initiative in 2007 was the establishment of an egg production project in Mtitikoma. Since August, four chicken houses owned by local women have together produced approximately 90,000 eggs which have been

sold to the mine catering contractor, which feeds over 400 people a day. Demand for eggs from the mine was in fact double that anticipated in the project design. The project is supported by FMO, which funds the full-time presence of a technical expert from a private poultry enterprise.

HIV/AIDS

The first activity funded by KMAD was the HIV/AIDS prevention programme, which started in 2005. The programme, Total Control of the Epidemic (TCE), is implemented by ADPP. The project was part financed by CNCS, the National AIDS Council of Mozambique. The programme is an information and education campaign which has provided information to over 57,000 people. The organisation has 37 employees who work in the local communities in the Moma District. These field officers are involved in house-to-house information campaigns and training of community activists. They have active programmes in schools and use a wide variety of communication techniques, including house-to-house visits, theatre and mass rallies.

While working on prevention, the programme is training people living with AIDS and is also working to organise people in the communities to share the responsibility for orphans and vulnerable children.

Sports

KMAD provided soccer kits to the Futebol Associacao de Localidade de Tupuito and initiated a soccer league for the villages within the area and the Kenmare company team.



Kenmare's Company Team which plays in the local soccer league

Tupuito School

In July 2006, KMAD signed an agreement with IDPPE, the Department of Education and the local population for construction of three additional classrooms in the primary school, which currently provides up to 5th level education. The school will be able to provide up to 7th level education with KMAD support, which will greatly reduce the travel time for young students who currently have to walk up to 12 kilometres and cross a river to attend classes. The school was completed in 2007.

KMAD Organisational Development

In 2008, KMAD will seek to strengthen its existing partnerships and to foster and build new relationships with NGOs and other expert organisations that can benefit the area. The shift from planning to implementation demands a different managerial approach and KMAD will move to achieve stability in project management in 2008. KMAD will also involve Kenmare employees with appropriate skill sets in projects of interest to them in a more structured fashion, thus strengthening community linkages.

General Community Interaction

In addition to the KMAD sponsored activities, the mining operations and the community interact daily. A full time community liaison officer is employed to liaise 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 encroachers and squatters.

The main community impact during 2007 was the resettlement of the village of Namalope to the newly constructed village of Mtitikoma in May. The new village consists of 146 houses, a mosque and a school. The resettlement process was managed in accordance with World Bank guidelines and a review took place during the



Training in maintenance of water pumps



A local sewing association supply the mine's geology department with sample bags

year. All houses were built to a significantly higher standard than the previous dwellings (concrete brick houses with zinc roofing) and any crops lost were fully compensated. A grievance committee has been established to resolve any complaints which may have arisen during the resettlement process.

ENVIRONMENT

Kenmare is committed to management of its operations in accordance with the World Bank "Environment, Health and Safety Guidelines for Mining and Milling – Open Pit" and the African Development Bank's "Environmental Guidelines for Mining Projects", in addition to the environmental laws and standards in force in Mozambique.

Kenmare's Environmental Management Plan (EMP) identifies the monitoring activities, management and training programmes, reporting activities, auditing and mitigation measures that are needed in order to identify and reduce any negative impacts of its operations and to comply with applicable environmental laws and guidelines. It incorporates into a single document all mitigation measures and recommendations identified during the development and construction phases of the mine so that they can be considered during the remaining phases of the project (operations and decommissioning). The EMP is a clear record of the standards and intentions of Kenmare's environmental programme.

Environmental Objectives

Kenmare will:

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

Rehabilitation

As the mining face advances, the rear of the mining pond fills with tailings from the floating concentrator to a level of, or slightly above, the pre-existing land surface. Thereafter, the tailings will be contoured, covered with a layer of slimes material (clay-rich <45 micron material), and the top layer will be mixed with previously stored topsoil to produce a better water-retaining, more fertile substrate for vegetation than existed previously. The rehabilitation will be completed by fertilising and seeding with a variety of native species. Trials are required to determine the

combination of plants most suitable for rehabilitation of the mining area, which will include both native flora and food crops. Kenmare is working with the WWF to identify the optimum re-vegetation strategy. To this end a nursery area is being 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, processing plant and associated infrastructure is approximately 2,829 hectares, as shown in Table 1, of which the mine path is 2,500 hectares. Given that clearing, mining, tailings disposal and land rehabilitation can be completed in a 5 to 6 year cycle, approximately one-third of the mining area or 800 hectares will not be available for agricultural purposes at any one time. Infrastructure areas can be rehabilitated only after closure of the operation.

Table 1: Disturbed areas over the life of the mine

Item	Area Hectares
Mine - Dredge	2,500
Slimes Dam	120
Sand Tailings	165
Infrastructure and other areas	44
Total	2,829

Tailings Disposal

The great majority of the waste material comprises sand, silt and clay particles removed from the ore in the Wet Concentrator Plant (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 a longer period. A minor proportion of slimes can be incorporated between sand grains within the sand tailings, although this quantity seldom exceeds 1.5%. During initial operations, the slimes have been pumped into a temporary slimes dam. As these slimes do not remain in suspension no flocculants or coagulants need to be added to assist in the settling process. After settling and some measure of consolidation has occurred, the slimes will be re-combined with sand tailings and used in the final rehabilitation of mined areas.

Water Supply

Water for the mine is supplied from an aquifer via 12 individual boreholes, and from a surface lake. The total water abstraction capacity exceeds 40,000 m³/day. Water is mainly used in the dredge pond and processing plants as well as for domestic use. Between March 2007 and the end of the year, a total of 4.54 million cubic meters of water have been 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, has been undertaken during the past 3 years. A total of 11 surface waters, 8 community water wells and 6 ground water sites are regularly monitored for a wide range of constituents.

Sewage and Waste Water Handling Facilities

Sewage treatment plants have been provided for the process plant, wet concentrator plant 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.

Liquid wastes such as laboratory effluent and surface run-off from the plant and workshop areas, which may contain potential pollutants, are collected in sumps and treated in the appropriate fashion to avoid release to the general environment.

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.

Energy Consumption

Electrical power is used for the dredges, concentrator, waste 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. The overhead transmission line was electrified on 15 January 2007 and by the end of the year a total of 14,000 MWh of electrical power had been consumed. Kenmare is working with the power utility company, EdM, to extend distribution of power to the host communities.

Emissions

A monitoring unit has been installed within the ilmenite roaster plant which records ambient meteorological conditions, as well as the primary anticipated pollutants (inhalable particulates, total particulate matter, CO, SO_x, and NO_x). Kenmare intends to report against the applicable standards during 2008, once the roaster is commissioned. Data will be presented in the form of wind roses, pollution roses and average concentrations per measured parameter. Emissions modelling which was conducted at the roaster stack design stage confirmed that the off-gas would be adequately dispersed.

Workplace Noise

Monitoring equipment was installed during 2007 to ensure that operations do not exceed applicable noise standards. The mine will comply with the following occupational noise exposure: a maximum of 8 hours exposure to 85 dB (A), 2 hours exposure to 91 dB (A), and 1 hour exposure to 94 dB (A) is allowed. A maximum limit of 115 dB (A) is allowed.

Radiation

Radioactivity occurs naturally within heavy minerals, resulting 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 Moma Titanium Minerals Mine are the international standards recommended in the Basic Safety Standards of the International Atomic Energy Association.

HUMAN RESOURCES

Kenmare's Conditions of Employment Policy is 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 377 Kenmare employees at the Moma Mine during March 2008. Mozambicans form the majority (285), with other countries of origin being South Africa (45), Zimbabwe (37), Australia (4), United Kingdom (2), Botswana (1), Kenya (1), Nepal (1) and Serbia (1).

Literacy level is generally poor in lower level positions. In its quest to develop and empower the local community, Kenmare has sought in most cases to employ community members although they have little education. At this time, the lack of education limits employees from the host communities to non-skilled positions.

Labour turnover was 8% in 2007. Cumulative absenteeism was 0.03% which is considered reasonable despite the high prevalence of malaria in the area. 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.

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 in order to achieve 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 our 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 Company policy and guidance notes; and
- ensure that all contractors and consultants adhere to site procedures.

Safety Performance

A total of 684,508 man-hours were worked by Kenmare's operations personnel in 2007 and no lost time injuries occurred. The safety performance by the project contractor and sub-contractors was also excellent, with over 6.5 million consecutive accident-free man-hours worked to the year end.

Medical Centre

A modern medical centre exists at the mine site comprising a treatment room and a sick bay for those confined to bed. The office houses the duty medical officer plus records and other equipment. It is air-conditioned and fully equipped with furniture, medical equipment and teaching aids.

CORPORATE RESPONSIBILITY

Kenmare is committed to optimising the involvement of Mozambican companies in the mines supply chain. We are working closely with the Centre for the Promotion of Investment in Mozambique to identify 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. An example of this was a joint presentation given by Kenmare's Financial Director and the Vice Minister of Mines, His Excellency Abdul Razak, at the international Indaba Mining Conference in Cape Town in February 2007.

During 2007 a large number of policies and procedures were finalised, including a Business Ethics Policy. Kenmare does not give donations or contributions to any political party and does not tolerate bribery in any shape or form.

Board of Directors



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.



Micheal 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.



Dr. Alastair Brown,
Director of Exploration

Dr. Alastair Brown has over 40 years experience in geology and mineral exploration. He has worked extensively on metallic and industrial mineral exploration in Zambia, where he discovered the Maamba coal field, Australia and in Ireland where he discovered the Westport talc deposit. He was responsible for the development of the graphite orebody at Ancuabe, and at Moma, the development of the Congolone and Namalope orebodies plus the discovery of the Nataka deposit. He holds a BSc in Geology (University of Edinburgh), an MSc in Mineral Exploration (University of Leicester) and a DIC and PhD in Applied Geochemistry (Imperial College, University of London). He is a Fellow of the Institute of Material, Minerals and Mining. He joined Kenmare in 1987.



Dr Chris Gilchrist,
Chief Operations Officer

Dr Chris Gilchrist has 30 years experience in the mining sector. He joined Kenmare in 2005 from Cleveland Potash Limited (UK) where he was a Director and General Manager. He has worked in a number of management and technical development roles in his career with Anglo American, De Beers, Gold Fields and the South African Chamber of Mines. He holds a BSc in Minerals Engineering and a PhD in Mechanical Engineering and has extensive experience of working in Africa.



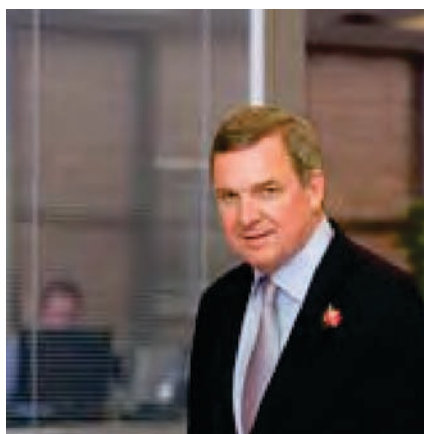
Tony McCluskey,
Financial Director

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



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 Limited, 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 (FICPA). He has been awarded a BEc in Accounting and Law and an MSc in Industry Economics from the University of Sydney. He is currently a Director and Chairman of Fortitude Minerals Limited and a Director and Chairman of Simba Mines Inc.



Simon Farrell,
Non-Executive Director

Simon Farrell has over 20 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 of Kenmare in January 2000.



Terence Fitzpatrick,
Non-Executive 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 owns an engineering business which manufactures equipment for mines and quarries.



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. His current directorships comprise of The Thai-Euro Fund, Edinburgh Dragon Fund, Quadris Fuels International and Allied Gold. 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.



Peter McAleer,
Non-Executive Director

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 Equatorials representative on the Owners 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).

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.

KPMG Auditores e Consultores, SA
Av. Sociedade Geográfica,
Talhão 269A,
Maputo,
Mozambique .

Solicitors

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

Bankers

Absa Capital affiliated with
Barclays Capital,
1 Churchill Place ,
London, E14 5HP.

AIB Bank plc.,
87 North Strand, Dublin 3.

Anglo Irish Bank Corporation (I.O.M.) plc,
Jubilee Building, Victoria Street,
Douglas, Isle of Man, IM1 2SH.

Stockbrokers

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

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

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

Directors' Report

For The Year Ended 31 December 2007

The Directors present their report and the audited financial statements for the year ended 31 December 2007.

Statement of Results

The loss after tax for the year ended 31 December 2007 amounts to US\$9,632,000 (2006: loss US\$4,330,000). During the year, revenue of US\$2,897,000 relating to the sale of mineral products, was offset against costs, capitalised in Deferred Development Expenditure.

Principal Activities and Business Review

The principal activities of the Group are the operation and expansion of the Moma Titanium Minerals Mine, in Mozambique. The Group is also involved in mineral exploration.

An Operating and Financial Review, including future developments, is given on pages 6 to 14.

The Group's business may be affected by risks faced by many companies in the mining industry. These include geological, political, operational and environmental factors and changes in the macroeconomic environment. The main use for ilmenite and rutile is as a feedstock for titanium dioxide pigment, primarily used in the manufacture of paint, plastics and fabrics. Zircon is primarily used in the ceramics industry. Consumption of titanium dioxide pigment and ceramics is closely correlated with global economic activity and demand can vary over time. There is also a risk that changes in the macroeconomic environment and changes in the mining industry may result in increases in operating costs.

Critical tasks for the Group in the coming months are the successful delivery of the remaining project works in accordance with the construction contract and management of the ramp-up of production within available funding and development of mine expansion plans. The activities of the contractor continues to be monitored closely and the operations team have plans in place to achieve forecast production. A team has been established to develop and progress mine expansion plans.

Directors

The Directors who held office at 31 December 2007 were as follows:

C. Carvill	Non-Executive (Chairman)	*	+
A. Brown	Executive		
M. Carvill	Executive		
C. Gilchrist	Executive		
T. McCluskey	Executive		
I. Egan	Non-Executive	Δ	*
S. Farrell	Non-Executive	Δ	*
T. Fitzpatrick	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 Nomination Committee currently chaired by Mr. C. Carvill

+ Members of the Remuneration Committee currently chaired by Mr. T. Fitzpatrick

In 2007 Mr. S. Farrell was appointed to both the Audit and Remuneration Committees and Mr. T. Lowrie was appointed to the Remuneration Committee.

Mr. D. Kinsella served on the Board until 9 November 2007.

Under Articles 94 to 102 of the Company Articles of Association, Dr. A. Brown, Dr. C. Gilchrist and Mr. T. McCluskey retire from the Board and being eligible offer themselves for re-election.

Mr. C. Carvill, Mr. I. Egan and Mr. T. Fitzpatrick, being Non-Executive Directors who have served for over nine years on the Board, retire from the Board in accordance with the Combined Code 2006 and being eligible, will offer themselves for re-election.

Directors' and Secretary's Shareholdings

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

	Share Held 7 April 2008	Shares Held 31 Dec. 2007	Shares Held 1 Jan. 2007
C. Carvill (Chairman)	5,668,782	4,878,157	4,878,157
A. Brown	199,020	187,070	187,070
M. Carvill	3,639,909	3,450,000	3,450,000
I. Egan	333,333	333,333	333,333
S. Farrell	466,333	466,333	466,333
T. Fitzpatrick	41,026	37,944	37,944
C. Gilchrist	-	-	-
T. Lowrie	2,264,230	2,264,230	2,264,230
P. McAleer	156,250	125,000	125,000
T. McCluskey	231,250	200,000	200,000
D. Corcoran (Secretary)	-	-	-

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

The interest of the Directors in warrants of the Company are as follows:

	Warrants Held 7 April 2008	Warrants Held 31 Dec. 2007	Average Exercise Price €
C. Carvill	-	790,625	21c
A. Brown	-	11,950	28c
M. Carvill	-	189,909	28c
I. Egan	27,083	27,083	28c
S. Farrell	-	-	-
T. Fitzpatrick	-	3,082	28c
C. Gilchrist	-	-	-
T. Lowrie	2,512,500	2,512,500	28c
P. McAleer	-	31,250	28c
T. McCluskey	-	31,250	28c

Directors' and Secretary's Share Options

Details of the share options of the Secretary and Directors who held office at 31 December 2007, granted in accordance with the rules of the Share Option Scheme, are as follows:

	1 Jan & 31 Dec 2007	Average option price €	Option price range from €	Option price range to €
C. Carvill (Chairman)	2,496,629	28c	6c	59c
A. Brown	3,371,629	36c	6c	59c
M. Carvill	6,530,000	39c	6c	59c
I. Egan	2,180,000	31c	11c	59c
S. Farrell	1,180,000	38c	20c	59c
T. Fitzpatrick	900,000	40c	14c	59c
C. Gilchrist	2,500,000	43c	23c	59c
T. Lowrie	500,000	59c	59c	59c
P. McAleer	1,250,000	38c	23c	59c
T. McCluskey	4,430,000	40c	11c	59c
D. Corcoran (Secretary)	1,825,000	43c	13c	59c

On 8 November 2007, Mr. D. Kinsella exercised 1,360,000 share options.

The latest exercise date of the above options is September 2013.

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 2007, 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 10,515,000 shares, exercisable at an average price of €0.46 per share.

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 as adopted by the EU (IFRSs) 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 2006 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 adopted by the European Union; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

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, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which comply with the requirements of the Companies Acts 1963 to 2006.

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

Share Capital

The Company's share capital consists of Ordinary €0.06 Shares and Deferred €0.25 Shares. Ordinary Shares account for 83% and Deferred Shares account for 17% of the total Share Capital.

The Ordinary Shares 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.

The Company is aware that on 7 April 2008 the following held in excess of 3% of the issued ordinary shares of the Company:

	No. of Ordinary Shares	% of Issued Share Capital
Nortrust Nominees Limited	127,820,628	17.20
Nederlandse Financierings – FMO	46,018,705	6.19
State Street Nominees Limited	45,091,000	6.07
HSBC Global Custody Nominee (UK) Limited	35,812,500	4.82

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 subsidiaries of the Company, the senior and subordinated lenders may require prepayment 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 authorised but unissued share capital of the Company.

Books of Account

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

Subsidiary Companies

The subsidiaries of the Company at 31 December 2007 are outlined in Note 12 to the financial statements.

Annual General Meeting

Dr. A. Brown, Dr. C. Gilchrist and Mr. T. McCluskey will be proposed for re-appointment at the Annual General Meeting.

Mr. C. Carvill, Mr. I. Egan and Mr. T. Fitzpatrick, being Non-Executive Directors who have served for over nine years on the Board, retire from the Board in accordance with the Combined Code 2006 and being eligible, will offer themselves for re-election.

Details of the above Directors are set out in pages 24 and 25 respectively.

The Chairman, Mr. C. Carvill, confirms that Mr. I. Egan and Mr. T. Fitzpatrick's performances continues to be effective and that they demonstrate commitment to the role, including commitment for both Board and Committee meetings. The Senior Independent Non-Executive Director, Mr. P. McAleer, confirms that Mr. C. Carvill's performance continues to be effective and that he demonstrates commitment to the role, including commitment for 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 10% of the nominal value of the Company's issued Ordinary Share Capital.

At the 2005 Annual General Meeting of the Company a resolution was adopted which amended the Company's Articles of Association so as to permit the Company to communicate with shareholders by electronic means. Under the amended Articles of Association, the Company is allowed to send or supply all communications with a shareholder, including notices of meetings, circulars, accounts and all other documents and information to the shareholders in electronic form via the Company's website provided that the shareholder has given his consent. Under the Transparency Directive, which was implemented into Irish law in June 2007, a company can, subject to certain conditions, deem its shareholders to have given their consent to the receipt of communications by means of electronic means. Accordingly, it is proposed under the last two items of special business that the Company be authorised to take advantage of these new provisions relating to electronic communications and to make the necessary changes to the Articles of Association. This will suit shareholders who no longer wish to receive bulky mail, provide for faster communication with shareholders, will benefit the

environment and reduce the Company's costs. If the resolutions are passed, shareholders should note that they can still request to receive communication in paper form.

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

Political Donations

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

Auditors

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

On behalf of the Board:

M. Carvill
Director

T. McCluskey
Director

11 April 2008

Corporate Governance Report

Corporate Governance

The Directors recognise the importance of good corporate governance and have ensured that appropriate corporate governance procedures are in place. In the financial year under review they have applied the provisions of the Combined Code on Corporate Governance June 2006.

The Board of Directors

Kenmare Resources plc is led by a strong and effective Board of Directors. Directors details are set out in pages 24 and 25. The Board consisted of ten Directors, four Executive Directors and six Non-Executive Directors. On 7 March 2008, Mr. P. McAleer was appointed 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 2007. Details of the Directors' and the Company Secretary's 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	
	A	B	A	B	A	B
C. Carvill (Chairman)	5	5	-	-	1	1
D. Kinsella *	4	3	2	-	1	-
A. Brown	5	4	-	-	-	-
M. Carvill	5	5	-	-	-	-
C. Gilchrist	5	4	-	-	-	-
T. McCluskey	5	5	-	-	-	-
I. Egan	5	5	3	3	1	-
S. Farrell	5	4	1	1	1	1
T. Fitzpatrick	5	5	3	3	1	1
T. Lowrie	5	5	-	-	1	1
P. McAleer	5	5	3	3	1	1
D. Corcoran**	5	4	3	2	1	1

* Mr. D. Kinsella served on the Board until 9 November 2007.

** 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.

In addition to formal meetings, the Executive Directors have regular contact with the Non-Executive Directors regarding developments within the Company. 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 advisors, 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 of Kenmare Resources plc. Details of the Non-Executive Directors' consultancy fees are set out in Note 6 on page 53. 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 29. 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 28. Mr. C. Carvill, Mr. I. Egan and Mr. T. Fitzpatrick have all served on the Board for more than nine years from the date of their first election.

In each cases detailed above the Board decided that the independence of the relevant Director was not compromised.

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.

Nomination Committee

The Nomination Committee consists of the Non-Executive Chairman and Non-Executive Directors as detailed on page 27. The Committee did not meet during 2007.

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, evaluate the balance of skills, knowledge and experience on the Board and, in light of this evaluation, prepare a description of the role and capabilities required for a particular appointment;
- review 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;
- give 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 review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations to the Board with regard to any changes; and
- keep 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.

Audit Committee

The Audit Committee consists of the Non-Executive Directors as detailed on page 27. 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 24 and 25, members bring considerable financial and accounting experience to the work of the Committee. The main responsibilities of the Committee include:

- monitor 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;
- review the Group's internal financial controls and internal control and risk management systems;
- monitor and review whether a dedicated internal audit function is required;
- make 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;
- review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements;
- develop and implement 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
- report 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 as follows:

- the Committee reviewed the preliminary and interim results issued by the Company in April and September 2007 respectively;
- the Committee reviewed the 2006 Annual Report in May 2007 and the 2007 Interim Report in September 2007. 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 appointed KPMG as external auditors of two subsidiary companies during the year;
- the Committee considered a report from the external auditors on their review of the effectiveness of controls at the Moma Titanium Minerals Mine and reviewed management action taken in response;
- the Committee agreed the fees to be paid to the external auditors for their audit of the 2006 Annual Report and Accounts and 2007 Interim Report;
- the Committee considered the need for a dedicated internal audit function. The Committee concluded that based on the internal controls in place and periodic internal audits carried out by members of the Head

Office finance team, the establishment of a dedicated internal audit function was currently not necessary;

- 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 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.

Going Concern

The Directors' review of the accounts, budgets and future plans, together with the internal financial control system, lead them to believe that the Group has adequate resources to continue for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

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 procedures of the system include:

- The Board, in conjunction with management, identifies the major risks faced by the Group and determines the appropriate course of action to manage these risks;

- Risk assessment and evaluation is an integral part of the management process throughout the Group. Risks are identified, evaluated and appropriate risk management strategies implemented;
- The Board maintains control and direction over appropriate strategic, financial, organisational and compliance issues, and has put in place an organisational structure with defined lines of responsibility and authority;
- 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, 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 27. 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 2006 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 6 on page 53. Details of share options granted to Non-Executive Directors are set out in the Director's Report on page 29.

None of the Non-Executive Directors had a beneficial interest in any contract to which the Company or any of its subsidiaries 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 are 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 operates an externally funded contribution pension scheme for Dr. A. Brown. In addition, the Company contributes to individual pension schemes on behalf

of the some of the other Executive Directors. Pension benefits 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 Dr. A. Brown, Dr. C. Gilchrist and Mr. T. McCluskey. Notice period on rolling service contracts with 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.

Details of Executive Directors' Remuneration are set out in Note 6 on page 53. Details of Executive Directors' share options are set out in the Directors' Report on page 29.

The Company releases the Executive Directors to serve as Non-Executive Directors in other companies. Mr. M. Carvill is a Non-Executive Director for a number of subsidiary companies in Carvill Group Limited and does not retain a fee for his service.

None of the Executive Directors had a beneficial interest to any contract to which the Company or any of its subsidiaries was a party during the financial year other than their own employment contracts.

Independent Auditors' Report

To the Members of Kenmare Resources plc



We have audited the financial statements of Kenmare Resources plc. for the year ended 31 December 2007 which comprise the Group financial statements including the Statement of Accounting Policies, Group Income Statement, Group Balance Sheet, Group Cash Flow Statement, Group Statement of Changes in Equity and the Company financial statements including Company Balance Sheet, Company Cash Flow Statement, Company Statement of Changes in Equity and the related notes 1 to 29. These financial statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the Company's members, as a body, in accordance with Section 193 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 Group 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 auditors, 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 Group 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 2006, and Article 4 of the IAS Regulation. We also report to you in our opinion: whether proper books of account have been kept by the Company whether, at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the Company; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the 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 and UK 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 Combined Code 2006 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 Boards 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 internal controls.

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

Independent Auditors' Report

Continued



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 evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the Group 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 2007 and of its loss for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with the Companies Acts, 1963 to 2006 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 2006, of the state of the Parent Company affairs as at 31 December 2007; and
- the Parent Company Financial Statements have been properly prepared in accordance with the Companies Acts, 1963 to 2006.

Deferred Development Expenditure, Property Plant & Equipment, Construction in Progress and Amounts due from Subsidiaries

In forming our opinion we have considered the adequacy of the disclosures made in notes 7, 8, 9, and 12 of the financial statements concerning the recoverability of Deferred Development Expenditure, Property, Plant & Equipment, Construction in Progress and Amounts due from Subsidiaries. The realisation of Deferred Development Expenditure of US\$176,365,000, Property, Plant & Equipment of US\$264,513,000, Construction in Progress of US\$46,082,000 included in the Group's Balance Sheet and Amounts due from Subsidiaries of US\$156,704,000 in the Company Balance Sheet is dependent on the successful development of economic ore reserves and the continued availability of adequate financing. Our opinion is not qualified in this respect.

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 2007 a financial situation which, under Section 40(1) of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the Company.

Deloitte & Touche,

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

11 April 2008

Group Income Statement

For the year ended 31 December 2007

	Notes	2007 US\$'000	2006 US\$'000
Revenue		-	-
Operating expenses	2	(12,557)	(7,255)
Finance income	3	<u>2,925</u>	<u>2,925</u>
Loss before tax		(9,632)	(4,330)
Income tax expense	4	<u>-</u>	<u>-</u>
Loss for the year		<u>(9,632)</u>	<u>(4,330)</u>
Attributable to Equity holders		<u>(9,632)</u>	<u>(4,330)</u>
		Cent Per Share	Cent Per Share
Loss per share: Basic	5	<u>(1.40c)</u>	<u>(0.63c)</u>
Loss per share: Diluted	5	<u>(1.40c)</u>	<u>(0.63c)</u>

All amounts shown above arose from continuing operations.
The accompanying notes form part of these financial statements.

On behalf of the Board:

M. Carvill
Director

T. McCluskey
Director

11 April 2008

Group Balance Sheet

As at 31 December 2007

	Notes	2007 US\$'000	2006 US\$'000
Assets			
Non-Current Assets			
Deferred Development Expenditure	7	176,365	140,751
Property, Plant & Equipment	8	264,513	-
Construction in Progress	9	46,082	265,718
		<u>486,960</u>	<u>406,469</u>
Current Assets			
Inventories	11	5,631	-
Trade and other receivables	13	4,842	810
Cash and cash equivalents	14	56,203	87,230
		<u>66,676</u>	<u>88,040</u>
Total Assets		<u>553,636</u>	<u>494,509</u>
Equity			
Capital and reserves attributable to the Company's equity holders			
Called Up Share Capital	15	60,742	55,940
Share Premium	16	121,501	108,512
Capital Conversion Reserve Fund	17	754	754
Retained Earnings	18	(31,136)	(21,504)
Other Reserves	19	41,562	40,347
Total Equity		<u>193,423</u>	<u>184,049</u>
Liabilities			
Non-Current Liabilities			
Bank loans	20	299,570	266,152
Obligations under finance lease	21	2,292	-
Mine closure provision	22	2,505	2,365
		<u>304,367</u>	<u>268,517</u>
Current Liabilities			
Bank loans	20	26,273	4,424
Trade and other payables	21	29,573	37,519
		<u>55,846</u>	<u>41,943</u>
Total Liabilities		<u>360,213</u>	<u>310,460</u>
Total Equity and Liabilities		<u>553,636</u>	<u>494,509</u>

The accompanying notes form part of these financial statements.

On behalf of the Board:

M. Carvill **T. McCluskey**
Director Director

11 April 2008

Group Cash Flow Statement

For the year ended 31 December 2007

	Notes	2007 US\$'000	2006 US\$'000
Operating Activities			
Loss for the year		(9,632)	(4,330)
Adjustment for:			
Foreign exchange movement		1,680	1,972
Increase in mine closure provision		140	2,365
Share-based payment expense		-	473
Operating cash flow		(7,812)	480
Increase in inventories		(5,631)	-
(Increase)/decrease in trade and other receivables		(4,032)	977
(Decrease)/increase in trade payables and other payables		(7,896)	17,171
Cash generated by operations		(25,371)	18,628
Interest paid		(12,249)	(6,589)
Net cash from operating activities		(37,620)	12,039
Investing Activities			
Addition to Deferred Development Expenditure		(37,896)	(25,679)
Addition to Property, Plant and Equipment		(29,131)	(77,997)
Net cash used in investing activities		(67,027)	(103,676)
Financing Activities			
Proceeds on the issue of shares		3,542	3,892
Proceeds on shares to be issued		14,249	-
Repayment of borrowings		(4,424)	(1,756)
Increase in borrowings		59,691	103,183
Increase in obligations under finance lease		2,242	-
Net cash from financing activities		75,300	105,319
Net (decrease)/increase in cash and cash equivalents		(29,347)	13,682
Cash and cash equivalents at beginning of the year		87,230	75,520
Effect of exchange rate changes on cash and cash equivalents		(1,680)	(1,972)
Cash and cash equivalents at the end of the year	14	56,203	87,230

Group Statement of Changes in Equity

For the year ended 31 December 2007

	Share Capital	Share Premium	Capital Conversion Reserve Fund	Retained Earnings	Other Reserve	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2006	54,847	105,713	754	(17,174)	35,619	179,759
Loss for the year	-	-	-	(4,330)	-	(4,330)
Share based payment	-	-	-	-	4,728	4,728
Issue of share capital	1,093	2,799	-	-	-	3,892
Balance at 1 January 2007	55,940	108,512	754	(21,504)	40,347	184,049
Loss for the year	-	-	-	(9,632)	-	(9,632)
Share based payment	-	-	-	-	1,215	1,215
Issue of share capital	798	2,744	-	-	-	3,542
Share capital to be issued	4,004	10,245	-	-	-	14,249
Balance at 31 December 2007	60,742	121,501	754	(31,136)	41,562	193,423

Other Reserves are detailed in Note 19.

Company Balance Sheet

As at 31 December 2007

	Notes	2007 US\$'000	2006 US\$'000
Assets			
Non-Current Assets			
Amounts due from Subsidiaries	12	<u>156,704</u>	<u>150,146</u>
Current Assets			
Other Receivables	13	176	125
Cash and cash equivalents		<u>11,655</u>	<u>67</u>
		<u>11,831</u>	<u>192</u>
Total Assets		<u><u>168,535</u></u>	<u><u>150,338</u></u>
Equity			
Capital and reserves attributable to the Company's equity holders			
Called Up Share Capital	15	60,742	55,940
Share Premium	16	121,501	108,512
Capital Conversion Reserve Fund	17	754	754
Retained Earnings		(22,980)	(22,339)
Share Option Reserve	19	<u>7,779</u>	<u>6,564</u>
Total Equity		<u>167,796</u>	<u>149,431</u>
Liabilities			
Current liabilities			
Trade and other payables	21	<u>739</u>	<u>907</u>
Total liabilities		<u>739</u>	<u>907</u>
Total Equity and Liabilities		<u><u>168,535</u></u>	<u><u>150,338</u></u>

The accompanying notes form part of these financial statements.

On behalf of the Board:

M. Carvill
Director

T. McCluskey
Director

11 April 2008

Company Cash Flow Statement

For the year ended 31 December 2007

	2007 US\$'000	2006 US\$'000
Operating Activities		
Loss for the year	(641)	(912)
Adjustment for:		
Foreign exchange movement	(220)	(4)
Share-based payment expense	1,215	4,728
	<hr/>	<hr/>
Operating cashflow	354	3,812
(Increase)/decrease in receivables	(51)	105
(Decrease)/increase in trade and other payables	(168)	198
	<hr/>	<hr/>
Net cash from operating activities	135	4,115
	<hr/>	<hr/>
Investing Activities		
Amounts due from Subsidiaries	(6,558)	(8,138)
	<hr/>	<hr/>
Net cash used in investing activities	(6,558)	(8,138)
	<hr/>	<hr/>
Financing Activities		
Proceeds on the issue of shares	3,542	3,892
Proceeds on the shares to be issued	14,249	-
	<hr/>	<hr/>
Net cash from financing activities	17,791	3,892
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	11,368	(131)
Cash and cash equivalents at beginning of the year	67	194
Effect of exchange rate changes on cash and cash equivalents	220	4
	<hr/>	<hr/>
Cash and cash equivalents at the end of the year	11,655	67
	<hr/>	<hr/>

Company Statement of Changes in Equity

For the year ended 31 December 2007

	Share Capital	Share Premium	Capital Conversion Reserve Fund	Retained Earnings	Other Reserve	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2006	54,847	105,713	754	(21,427)	1,836	141,723
Loss for the year	-	-	-	(912)	-	(912)
Share based payment	-	-	-	-	4,728	4,728
Issue of share capital	1,093	2,799	-	-	-	3,892
Balance at 1 January 2007	55,940	108,512	754	(22,339)	6,564	149,431
Loss for the year	-	-	-	(641)	-	(641)
Share based payment	-	-	-	-	1,215	1,215
Issue of share capital	798	2,744	-	-	-	3,542
Share capital to be issued	4,004	10,245	-	-	-	14,249
Balance at 31 December 2007	60,742	121,501	754	(22,980)	7,779	167,796

Other Reserves are detailed in Note 19.

Statement of Accounting Policies

GROUP

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

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 EU IAS Regulation.

Basis of Accounting

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

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

- Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations (effective for annual periods commencing on or after 1 January 2009)
- Revised IAS 1 Presentation of Financial Statements (effective for annual periods commencing on or after 1 January 2009)
- Revised IAS 23 Borrowing Costs (effective for annual periods commencing on or after 1 January 2009)
- Revised IAS 27 Consolidated and Separate Financial Statements (effective for annual periods commencing on or after 1 July 2009)
- Revised IFRS 3 Business Combinations (effective for annual periods commencing on or after 1 July 2009)
- IFRS 8 Operating Segments (effective for annual periods commencing on or after 1 January 2009)

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.

Critical Accounting Estimates and Judgements

The preparation of the financial statements involves the use of judgement and estimation. Information about such judgements and estimation is set out in the accounting policies and notes to the financial statements including Deferred Development Expenditure (Note 7), Construction in Progress (Note 9) and Mine Closure Provision (Note 22).

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its entities controlled by the Group. 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.

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 other sales related taxes. Sale of mineral products are recognised when mineral products have been delivered and title has passed. Typically, delivery takes place when product is loaded in the customer's vessel.

Revenue earned during the period of commissioning the mine, before it is capable of operating in the manner intended by management, is offset against costs capitalised in Deferred 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 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 lessee. 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 functional currency of the Group, and 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

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.

Deferred 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 in the manner intended by management are deferred. 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 administration and salary costs, including share based payments as determined by management and incurred by Group companies. Interest on borrowings related to the construction or development projects is capitalised until the point when all the activities that are necessary to 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.

Property, Plant & 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. Property, Plant and Equipment is depreciated over its useful life, 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

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 20 year life at the initial expected production levels.

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.

Impairment of Tangible and Intangible Assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible 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's 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 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.

Construction in Progress

Construction in progress expenditures for the construction and commissioning of the Moma Titanium Minerals Mine in Mozambique are deferred until, on a section-by-section basis, the facilities are operational, at which point the costs are transferred to Property, Plant and Equipment and depreciated at the applicable rates.

Inventories

Product inventories are stated at the lower of cost and net realisable value. Costs comprise materials, labour costs and overheads 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.

Financial Instruments

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 measured 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 income or expenses 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 by the Company is recorded at the value of proceeds received, net of direct issue costs. The only equity instruments of the Group are ordinary share capital and warrants.

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. 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 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.

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.

PARENT COMPANY

The separate financial statements of the Company are presented as required by the Companies Acts 1963 to 2006. As permitted by these Acts, the separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

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

Amounts due from subsidiaries are stated at cost less, where appropriate, provisions for impairment. Provisions are determined based on the net asset position of the subsidiary company.

Notes to the Financial Statements

For the year ended 31 December 2007

1. Segmental Reporting

Management considers the operation of the Moma Titanium Minerals Mine in Mozambique as its primary business segment and its geographical segment. Segmental information is presented as follows:

SEGMENT	2007 US\$'000	2006 US\$'000
Results		
Operating expenses		
Moma Titanium Minerals Mine	(11,887)	(8,251)
Mozambique Uranium Project	(1,455)	-
Unallocated Corporate gains	785	996
Total operating expenses	(12,557)	(7,255)
Finance income	2,925	2,925
Loss before tax	(9,632)	(4,330)
Income tax expense	-	-
Loss for the year	(9,632)	(4,330)
Other information		
Capital additions	50,235	77,997
Balance Sheet		
Moma Titanium Minerals Mine Assets	501,027	450,548
Corporate Assets	52,609	43,961
Total Assets	553,636	494,509
Moma Titanium Minerals Mine Liabilities	357,348	307,967
Corporate Liabilities	2,865	2,493
Total Liabilities	360,213	310,460

2. Operating Expenses

The loss for the year comprises:

	2007 US\$'000	2006 US\$'000
Foreign Exchange Loss	(10,597)	(6,319)
Exploration expenditure written off	(1,455)	-
General and Administrative Expenses	(505)	(936)
	<u>(12,557)</u>	<u>(7,255)</u>

	2007 US\$'000	2006 US\$'000
The analysis of the auditors' remuneration is as follows:		
Audit fees	<u>127</u>	<u>64</u>
Non-Audit services comprising:		
Tax services	6	12
Other services pursuant to legislation	7	-
Other services	<u>48</u>	<u>-</u>
Total Non-Audit fees	<u>61</u>	<u>12</u>

3. Finance Income

	2007 US\$'000	2006 US\$'000
Interest on bank deposits	<u>2,925</u>	<u>2,925</u>

This amount excludes interest earned on the temporary deposit of loan balances as detailed in Note 7.

4. Income Tax Expense

No charge to taxation arises in the years ended 31 December 2007 or 31 December 2006 as there were no taxable profits in either year.

5. Loss Per Share

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

	2007 US\$'000	2006 US\$'000
Loss for the purpose of basic loss per share		
Loss for the year attributable to equity holders of the parent	<u>9,632</u>	<u>4,330</u>
	2007 Number of shares	2006 Number of shares
Weighted average number of issued and to be issued ordinary shares for the purpose of basic loss per share	689,587,755	679,602,594
Effect of dilutive potential ordinary shares:		
Share options	36,803,258	39,613,258
Warrants	<u>29,261,155</u>	<u>84,048,170</u>
Weighted average number of ordinary shares for the purposes of diluted loss per share	<u>755,652,168</u>	<u>803,264,022</u>

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.

6. Employee Numbers And Benefits

The average number of persons employed by the Group (including Executive Directors) in 2007 was 348 and is analysed below:

	2007	2006
Management and Administration	58	42
Development and Mining	290	103
	<u>348</u>	<u>145</u>

The aggregate payroll costs, including costs capitalised in Deferred Development Expenditure, incurred in respect of these employees comprised:

	2007 US\$'000	2006 US\$'000
Wages and Salaries	9,969	5,283
Share-based payments	1,215	4,727
Social Welfare	282	262
Pension Costs	144	128
	<u>11,610</u>	<u>10,400</u>

Directors' Emoluments	Remuneration US\$'000	Bonus US\$'000	Other Benefits US\$'000	Pension US\$'000	Total 2007 US\$'000	Total 2006 US\$'000
Executive						
A. Brown	254	37	-	59	350	311
M. Carvill	462	147	9	35	653	532
C. Gilchrist	380	37	-	-	417	383
T. McCluskey	410	110	3	31	554	464
	<u>1,506</u>	<u>331</u>	<u>12</u>	<u>125</u>	<u>1,974</u>	<u>1,690</u>

	Consultancy Fees US\$'000	Total 2007 US\$'000	Total 2006 US\$'000
Non-Executive			
C. Carvill	141	141	127
I. Egan	162	162	158
S. Farrell	42	42	38
T. Fitzpatrick	42	42	38
D. Kinsella	41	41	51
T. Lowrie	41	41	13
P. McAleer	60	60	51
	<u>529</u>	<u>529</u>	<u>476</u>
Total	<u>2,035</u>	<u>2,503</u>	<u>2,166</u>

Directors' fees for services provided to the Company, Kenmare Resources plc, are nil (2006:nil).

The underlying currency of Directors' emoluments is Euro. Further information on the remuneration policy for Directors is set out in the Directors' Remuneration Report.

7. Deferred Development Expenditure

Analysed by Geographical Area

GROUP

	Mozambique Moma Titanium Minerals Mine US\$'000	Ireland US\$'000	Mozambique Uranium Project US\$'000	Total US\$'000
Cost				
Opening Balance	139,993	48	710	140,751
Additions	36,324	-	745	37,069
Amounts written off	-	-	(1,455)	(1,455)
Closing Balance	<u>176,317</u>	<u>48</u>	<u>-</u>	<u>176,365</u>

Additions include loan interest capitalised of US\$25,091,000 (2006:US\$17,971,000) net of deposit interest earned on the temporary deposit of loan balances and operating costs of US\$11,233,000 (2006:US\$17,830,000) net of revenue earned of US\$2,897,000 (2006:nil) and net of delay damages of US\$15,745,715 (2006:nil).

Following an impairment review, uranium exploration expenditure of US\$1,455,000 was written off.

The recovery of deferred development expenditure is dependent upon the successful development of the Projects, which in turn is dependent on the continued availability of adequate funding of the Projects.

The Directors are satisfied that deferred expenditure is worth not less than cost less any amounts written off and based on the planned mine production levels, that the Moma Titanium Minerals Mine will achieve positive cash flows. Further information on the Projects for which development expenditure has been deferred is given in the Operating and Financial Review.

8. Property, Plant and Equipment

GROUP

	Plant & Equipment US\$'000	Buildings & Airstrip US\$'000	Mobile Equipment US\$'000	Fixtures & Equipment US\$'000	Total US\$'000
Cost					
Opening Balance	-	-	-	-	-
Reclassification from Construction in Progress	255,175	3,812	5,919	1,949	266,855
Additions during the year	2,327	-	103	586	3,016
Closing Balance	<u>257,502</u>	<u>3,812</u>	<u>6,022</u>	<u>2,535</u>	<u>269,871</u>
Accumulated Depreciation					
Opening Balance	-	-	-	-	-
Charge for the year	2,775	74	2,207	302	5,358
Closing Balance	<u>2,775</u>	<u>74</u>	<u>2,207</u>	<u>302</u>	<u>5,358</u>
Carrying Amount					
Closing Balance	<u>254,727</u>	<u>3,738</u>	<u>3,815</u>	<u>2,233</u>	<u>264,513</u>

A construction 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 Contractor is a joint venture formed for this project by subsidiaries of Multiplex Limited and Bateman B.V.

The construction contract was amended in December 2006 to provide for among other things, taking-over the Moma Titanium Minerals Mine works in sections. On 25 April 2007, the mining pond, dredges, wet concentrator plant and related infrastructure, were taken over by Kenmare and a taking-over certificate was issued. On 7 August 2007, the mineral separation plant, product warehouse, mineral export facilities and all related infrastructure was taken over by Kenmare and a taking-over certificate was issued. On 29 November 2007, the mineral product transfer barge was taken over by Kenmare and a taking-over certificate was issued. At 31 December 2007 the only remaining section to be taken over was the roaster.

Substantially all the Property, Plant and Equipment will be mortgaged to secure banking facilities granted, as detailed in Note 20.

The carrying amount of the Company's plant and equipment includes an amount of US\$1,890,000 in respect of assets held under a finance lease, detailed in Note 21.

The recovery of Property, Plant and Equipment is dependent upon the successful development of the Moma Titanium Minerals Mine, which in turn is dependent on the continued availability of adequate funding of the mine. The Directors are satisfied that Property, Plant and Equipment is worth not less than the carrying value and based on the planned mine production levels that the Moma Titanium Minerals Mine will achieve positive cash flows.

9. Construction In Progress

GROUP	2007 US\$'000	2006 US\$'000
Opening Balance	265,718	187,721
Additions	47,219	77,997
Transferred to Property, Plant & Equipment	(266,855)	-
Closing Balance	<u>46,082</u>	<u>265,718</u>

Construction in Progress represents expenditure under a construction contract referred to in Note 8.

During the year assets with a value of US\$266,855,000 were transferred from Construction in Progress to Property, Plant and Equipment.

Substantially all the Construction in Progress will be mortgaged to secure banking facilities granted as detailed in Note 20.

The recovery of Construction in Progress is dependent upon the successful development of the Moma Titanium Minerals Mine, which in turn is dependent on the continued availability of adequate funding of the mine. The Directors are satisfied that Construction in Progress is worth not less than cost less any amounts written off and based on the planned mine production levels that the Moma Titanium Minerals Mine will achieve positive cash flows.

10. Capital Commitments

GROUP	2007 US\$'000	2006 US\$'000
Construction contract	<u>2,900</u>	<u>67,440</u>

US\$2.9 million represents the total amount payable under the contract for construction services work to the contractor at year end.

11. Inventories

GROUP	2007 US\$'000	2006 US\$'000
Work in Progress	2,949	-
Finished Goods	<u>2,682</u>	<u>-</u>
	<u>5,631</u>	<u>-</u>

The replacement cost of inventory does not differ significantly from the amount stated above.

12. Amounts Due From Subsidiaries

COMPANY	2007 US\$'000	2006 US\$'000
Opening balance	150,146	142,008
Funding net of provision	6,558	8,138
Closing balance	<u>156,704</u>	<u>150,146</u>

The movement in Amounts due from Subsidiaries primarily represents funds transferred to subsidiaries for the development of the Moma Titanium Minerals Mine.

The subsidiaries of the Company as at 31 December 2007 are as follows:-

	Place of Incorporation	Place of Operation	Percentage Ownership
Kenmare UK Company Limited	Northern Ireland	Northern Ireland	100%
Kenmare Minerals Company Limited	Republic of Ireland	Republic of Ireland	100%
Kenmare C.I. Limited	Jersey	Jersey	100%
Congolone Heavy Minerals Limited	Jersey	Mozambique	100%
Kenmare 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 companies has issued ordinary shares only. A number of the subsidiary companies are indirectly owned by Kenmare Resources plc. The activities of the above companies are mineral exploration, mine operations, management and development.

The Group does not control the Ancuabe mine. Therefore in accordance with International Accounting Standard 27, Grafites de Ancuabe, S.A.R.L. (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 development of economic ore reserves by the Group Companies and continued availability of adequate funding of the Projects.

13. Trade And Other Receivables

	GROUP		COMPANY	
	2007 US\$'000	2006 US\$'000	2007 US\$'000	2006 US\$'000
Trade receivables	2,922	-	-	-
Other receivables	1,851	-	133	116
Prepayments	69	810	43	9
	<u>4,842</u>	<u>810</u>	<u>176</u>	<u>125</u>

US\$1,849,000 of the trade receivables balance has an average credit period of 37 days. These amounts were received in full after the year end and were not provided for at the year end.

US\$1,073,000 of the trade receivable balance was factored using an invoice discounting facility in January 2008. This balance was not provided for at the year end. The invoice discounting fee is LIBOR plus 1%.

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 lenders, in certain circumstances, must approve new customers as detailed in the loan agreements.

Other receivables consists mainly of amounts due from the contractor for repair and other costs incurred by Kenmare on behalf of the contractor which are refundable under the terms of the construction contract.

Amounts included in receivables are due within one year.

14. Cash And Cash Equivalents

GROUP	2007 US\$'000	2006 US\$'000
Immediately available without restriction	26,497	12,809
On Fixed Short-Term Deposit:		
Contingency Reserve Account	26,048	30,000
Shareholder Funding Account	25	25,863
Other Short-Term Deposit	3,633	18,558
	<u>56,203</u>	<u>87,230</u>

In accordance with IAS 7, 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.

Cash at bank earns interest at floating rates based on daily deposit bank rates. 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 Contingency Reserve Account and Shareholder Funding Account on fixed short-term deposit are amounts held in support of conditions required for Senior and Subordinated Loans as detailed in Note 20.

The amount required by the Senior and Subordinated Loan documentation to be maintained in the Contingency Reserve Account 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 20. As at 31 December 2007, estimates of the additional amounts required to be deposited to the Contingency Reserve Account were within the cash and cash equivalent resources available to the Company. Failure to make a required deposit to the Contingency Reserve Account when required would give rise to an event of default under the Senior and Subordinated Loan documentation, as detailed in Note 20.

15. Called Up Share Capital

GROUP & COMPANY

	2007 US\$'000	2006 US\$'000
Authorised:		
Equity Share Capital		
900,000,000 Ordinary Shares of €0.06 each	57,949	57,949
100,000,000 Deferred Shares of €0.25 each	<u>22,032</u>	<u>22,032</u>
	<u>79,981</u>	<u>79,981</u>
Allotted, Called Up and Fully Paid:		
Equity Share Capital		
Opening Balance		
686,459,278 Ordinary Share of €0.06 each	45,358	-
671,882,558 Ordinary Shares of €0.06 each	<u>-</u>	<u>44,265</u>
	<u>45,358</u>	<u>44,265</u>
 Shares issued during the year		
9,664,186 Ordinary Shares of €0.06 each	798	-
14,576,720 Ordinary Shares of €0.06 each	<u>-</u>	<u>1,093</u>
	<u>798</u>	<u>1,093</u>
 Shares to be issued at the year end		
45,340,929 Ordinary Shares of €0.06 each	<u>4,004</u>	<u>-</u>
 Closing Balance		
741,464,393 Ordinary Shares of €0.06 each	50,160	-
686,459,278 Ordinary Shares of €0.06 each	<u>-</u>	<u>45,358</u>
	<u>50,160</u>	<u>45,358</u>
 Opening & Closing Balance		
48,031,467 Deferred Shares of €0.25 each	<u>10,582</u>	<u>10,582</u>
 Total Called Up Share Capital	<u><u>60,742</u></u>	<u><u>55,940</u></u>

During 2007, 9,664,186 ordinary shares were issued following the exercise of warrants and options. The issue of these shares resulted in proceeds of US\$3,557,000, of which US\$2,759,000 was credited to the share premium account.

On 23 November 2007, at an Extraordinary General Meeting of Warrantholders, an amendment was passed to reduce the subscription price of warrants from Stg 19p to Stg 17p per Ordinary €0.06 Share for a period from the date of the Extraordinary General Meeting up to and including 21 December 2007. 45,340,929 warrants were exercised and the corresponding number of Ordinary €0.06 Shares were issued on 24 January 2008. At 31 December 2007 US\$14,249,000 million of warrant subscription money had been received of which US\$10,245,000 was credited to the share premium account. The remaining 29,261,155 warrants which were not exercised at the temporarily reduced subscription price have a latest exercise date of 23 July 2009 and the exercise price is Stg 19p per share.

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

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.

16. Share Premium

GROUP & COMPANY	2007 US\$'000	2006 US\$'000
Opening Balance	108,512	105,713
Premium on shares issued during year	2,759	2,782
Premium on shares to be issued at the year end	10,245	-
Costs associated with shares issued during year	(15)	17
Closing Balance	<u>121,501</u>	<u>108,512</u>

17. Capital Conversion Reserve Fund

GROUP & COMPANY	2007 US\$'000	2006 US\$'000
Capital conversion reserve fund	<u>754</u>	<u>754</u>

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

18. Retained Earnings

GROUP	US\$'000
Balance at 1 January 2006	17,174
Loss for the year attributable to equity holders of the parent	4,330
Balance at 1 January 2007	<u>21,504</u>
Loss for the year attributable to equity holders of the parent	9,632
Balance at 31 December 2007	<u>31,136</u>

19. Other Reserves

GROUP	Share Option Reserve US\$'000	Revaluation Reserve US\$'000	Translation Reserve US\$'000	Total US\$'000
Balance at 1 January 2006	1,836	30,141	3,642	35,619
Recognition of share-based payment	4,728	-	-	4,728
Balance at 1 January 2007	6,564	30,141	3,642	40,347
Recognition of share-based payment	1,215	-	-	1,215
Balance at 31 December 2007	<u>7,779</u>	<u>30,141</u>	<u>3,642</u>	<u>41,562</u>

COMPANY	Share Option Reserve US\$'000
Balance at 1 January 2006	1,836
Recognition of share-based payment	4,728
Balance at 1 January 2007	6,564
Recognition of share-based payment	1,215
Balance at 31 December 2007	<u>7,779</u>

19. Other Reserves continued

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

The translation reserve relates to currency movements arising on the translation of overseas subsidiaries using the closing rate method.

Details of share-based payments are given in Note 27.

20. Bank Loans

GROUP	2007 US\$'000	2006 US\$'000
Senior Loans	210,694	183,146
Subordinated Loans	115,149	87,430
	<u>325,843</u>	<u>270,576</u>
The borrowings are repayable as follows:		
Within one year	26,273	4,424
In the second year	28,283	20,136
In the third to fifth years inclusive	101,299	81,225
After five years	169,988	164,791
	<u>325,843</u>	<u>270,576</u>
Less: amount due for settlement within 12 months	(26,273)	(4,424)
Amount due for settlement after 12 months	<u>299,570</u>	<u>266,152</u>
Analysis of borrowings by currency		
Euro	119,253	91,271
US Dollars	<u>206,590</u>	<u>179,305</u>
	<u>325,843</u>	<u>270,576</u>

The Bank Loans have been made to the Mozambique branches of Kenmare Moma Mining (Mauritius) Limited and Kenmare Moma Processing (Mauritius) Limited (the Project Companies). Bank loans are secured by substantially all rights and assets of the Company (other than cash and cash equivalents listed in Note 14 as "Immediately available without restriction" of \$26,497,000 at 31 December 2007 (2006: \$12,809,000)) and the Moma Titanium Minerals Mine; security agreements over shares in the Project Companies; and a Contingency Reserve and Shareholder Funding Account as shown in Note 14.

The Company has guaranteed the Bank Loans during the period prior to completion which must be achieved by 30 June 2009. Completion occurs upon meeting certain tests, including installation of all required facilities, meeting certain cost and production benchmarks, meeting legal, environmental, social and permitting requirements, and filling of specified reserve accounts. Upon completion, the Company's guarantee of the Bank Loans will terminate. Subject to extension for force majeure not to exceed 365 days, failure to achieve completion by 30 June 2009 would result in an event of default under the Senior and Subordinated Loan documentation which, following notice, would give Lenders the right to accelerate the loans against the Project Companies, and to commence a two-stage process allowing the Lenders to exercise their security interests in the shares and assets (including accounts) of the Project Companies and in the Contingency Reserve Account and the Shareholder Funding Account.

21. Trade And Other Payables

Amounts payable within one year

	GROUP		COMPANY	
	2007 US\$'000	2006 US\$'000	2007 US\$'000	2006 US\$'000
Trade creditors	1,233	416	262	140
Accruals	28,390	37,103	477	767
Obligation under finance lease	(50)	-	-	-
	<u>29,573</u>	<u>37,519</u>	<u>739</u>	<u>907</u>

Included in the Group's accruals is an amount of US\$20.9 million (2006:US\$34.3 million) due to subsidiaries of Multiplex Limited and Bateman B.V. for construction services work on the Moma Titanium Minerals Mine.

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

Amounts payable after one year

	GROUP		COMPANY	
	2007 US\$'000	2006 US\$'000	2007 US\$'000	2006 US\$'000
Obligation under finance lease	<u>2,292</u>	<u>-</u>	<u>-</u>	<u>-</u>

	GROUP	
	Minimum lease payments US\$'000	Present value of minimum lease payments US\$'000
Amounts payable under finance lease		
Within one year	547	(50)
In the second to fifth year	2,240	498
After five years	2,520	1,794
Less future finance charges	(3,065)	-
Present value of lease obligations	<u>2,242</u>	<u>2,242</u>
Add amounts due for settlement within 12 months		<u>50</u>
Amounts due for settlement after 12 months		<u>2,292</u>

The Group has leased equipment for the receipt, storage and dispensing of diesel fuel under a finance lease. The lease term is ten years with an option to purchase the assets after one year from the commencement date of the lease. For the year ended 31 December 2007, the average effective borrowing rate was 8.6%. 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.

22. Mine Closure Provision

GROUP	2007 US\$'000	2006 US\$'000
Opening balance	2,365	-
Additional provision in the year	-	2,365
Unwinding of the discount	140	-
Closing balance	<u>2,505</u>	<u>2,365</u>

The mine closure provision represents the Directors' best estimate of the Group's liability for close down, dismantling and restoration of the mining and processing site. A corresponding amount equal to the provision is recognised as part of Property, Plant and Equipment. The costs are estimated on the basis of a formal closure plan and are subject to regular review. The costs are estimated based on the net present value of estimated future cost. Mine closure costs are a normal consequence of mining and the majority of close down and restoration expenditure is incurred at the end of the life of the mine.

The unwinding of the discount is recognised as a finance cost and has been capitalised in Deferred Development Expenditure in 2007.

23. Profit/Loss Attributable to Kenmare Resources plc

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 US\$641,000 (2006: loss US\$912,000).

24. Operating Lease Arrangements

The Group as lessee	2007 US\$'000	2006 US\$'000
Minimum lease payments under operating leases recognised as an expense in the year	<u>132</u>	<u>101</u>

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

	2007 US\$'000	2006 US\$'000
Within one year	123	110
In the second to fifth years inclusive	494	442
After five years	<u>370</u>	<u>442</u>
	<u>987</u>	<u>994</u>

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 8 years at the year end.

25. Retirement Benefit Plans

The Company operates an externally funded defined contribution pension scheme for a certain employee. The assets of the scheme are held in a fund administered by an insurance company. In addition the Company contributes to individual pension schemes on behalf of certain employees. Contributions to the schemes are charged in the period in which they are payable to the scheme.

GROUP & COMPANY

	2007 US\$'000	2006 US\$'000
Contributions	<u>152</u>	<u>114</u>

26. Risk Management

The Group's financial instruments comprise of trade and other receivables, cash balances, bank loans and liabilities in relation to the development of the Moma Titanium Minerals Mine in Mozambique.

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

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

26. Risk Management continued

(i) Foreign currency risk

The Directors view the US Dollar as being the functional currency of the Group. The Group's policy for dealing with exchange differences is outlined in the Statement of Accounting Policies.

The Group's principal foreign currency management technique is to align the currencies in which the business denominates its assets and liabilities and revenues and costs, as far as practicable and commercially reasonable.

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

	2007 US\$'000	2006 US\$'000
Financial Assets		
Trade and other receivables		
<i>Currency</i>		
Euro	126	127
Mozambican Metical	34	25
Sterling	206	85
South African Rand	-	8
	<u>366</u>	<u>245</u>
Cash and cash equivalents		
<i>Currency</i>		
Euro	3,512	28,103
Sterling	16,263	6,021
Australian Dollar	10	29
Mozambican Metical	66	43
South African Rand	35	1,089
	<u>19,886</u>	<u>35,285</u>
Financial Liabilities		
Bank loans		
<i>Currency</i>		
Euro	<u>119,253</u>	<u>91,271</u>
Trade and other payables		
<i>Currency</i>		
Euro	2,856	3,934
Mozambican Metical	454	104
Sterling	345	143
Australian Dollar	3,048	2,897
South African Rand	326	53
	<u>7,029</u>	<u>7,131</u>

26. Risk Management continued

(ii) Interest rate risk

The interest rate profile of the Group's financial assets and liabilities was as follows:

	2007 US\$'000	2006 US\$'000
Cash and cash equivalents at floating interest rate	44,012	87,091
Cash at bank on which no interest is received	12,191	139
Fixed rate debt	(203,252)	(191,243)
Floating rate debt	(122,591)	(79,333)
Net cash	<u>(269,640)</u>	<u>(183,346)</u>

Cash and cash equivalents at floating interest rate consists of deposits which earn interest at rates set in advance for periods ranging from overnight to three months.

Seven Senior Loan credit facilities were made available for financing the Moma Titanium Minerals Mine. The aggregate maximum amount of the Senior Loan credit facilities is US\$185 million plus €15 million of which US\$182.2 million and €15 million had been drawn at 31 December 2007, and US\$2.8 million was undrawn and available under one of the facilities. The available facility incurs commitment fees of 0.5% per annum on the available amounts.

Senior Loans are repayable in semi-annual installments commencing, in the case of six of the seven Senior Loan facilities, on 1 February 2008, and in the case of the seventh Senior Loan facility, 12 months thereafter. The maximum Senior Loan tenors range from 8 years to 11 years from 31 December 2007. Two of the Senior Loans bear interest at fixed rates, one bears interest at a rate which is floating for each drawdown but is fixed thereafter, and four bear interest at floating rates.

The Subordinated Loan credit facilities of €47.1 million plus US\$10 million were fully drawn down at the year end. Subordinated Loans are repayable in 21 semi-annual installments commencing on 1 August 2009. The final installments are due on 1 August 2019. 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 floating rates.

The two Standby Subordinated Loan credit facilities of €2.8 million and US\$4 million were fully drawn down at the year end. Standby Subordinated Loans bear interest at fixed rates in respect of €2.8 million and US\$1.5 million and at variable rates in respect of US\$2.5 million. Standby Subordinated Loans are repayable on the same terms as the Subordinated Loans and have an option to require Kenmare Resources plc to purchase the loans on agreed terms.

In August 2007, an Additional Standby Subordinated Loan credit facility of US\$22 million was put in place. Additional Standby Subordinated Loans are repayable on the same terms as the Subordinated Loans and bear interest at variable rates.

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

26. Risk Management continued

(iii) Fair value of financial instruments

Financial assets consisting of trade and other receivables (Note 13), cash and cash equivalents (Note 14) and financial liabilities consisting of trade and other payables (Note 21) fair values are estimated to be equivalent to book value. The mine closure provision (Note 22) is based on the net present value of estimated future cost.

For bank borrowings (Note 20) which bear fixed and floating rates of interest, fair value is estimated to be equivalent to book value. Due to the specific nature of the project financing, there is no basis to assume that current market rates differ from those in the fixed rate loans documents. Consequently the Directors consider them to be the same.

(iv) Liquidity risk

The Group's policy has been to ensure continuity of funding mainly through the issue of shares, bank loans and cash generated from mining. Further information regarding share issues during the year is set out in Note 15. Short term funding is achieved by utilising existing cash balances.

27. Share Based Payments

The Company has a share option scheme for certain Directors, employees and consultants. Options are exercisable at a price equal to the quoted market price of the Company's shares on the date of grant. The options generally vest over a three 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:

	2007		2006	
	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	37,013,258	53c	24,782,220	30c
Granted during the year	3,200,000	94c	17,125,000	71c
Exercised during the year	(2,010,000)	63c	(4,213,962)	23c
Expired during the year	(1,325,000)	53c	(680,000)	30c
Outstanding at the end of the year	<u>36,878,258</u>	62c	<u>37,013,258</u>	53c
Exercisable at the end of the year	<u>31,065,758</u>		<u>30,888,258</u>	

The weighted average share price at the date of exercise for share options exercised during the year was US\$0.55. The options outstanding at the end of the year have exercise prices which range from US\$0.06 to US\$1.10 and a weighted average remaining contractual life of 4.3 years (2006: 4.6 years). In 2007, options were granted on 2 January, 21 August and 25 September. The aggregate of the estimated fair values of the options granted on those dates is US\$1,480,000. In 2006, options were granted on 20 January, 27 January, 15 June, 9 August, 4 September, 29 September and 18 December.

27. Share Based Payments continued

The aggregate of the estimated fair values of the options granted on those dates is US\$5,791,000. The fair values were calculated using a Black-Scholes option pricing model. The inputs into the calculation were as follows:

	2007	2006
Weighted average share price	US\$1.07	US\$0.75
Weighted average exercise price	US\$0.94	US\$0.71
Expected volatility	39%	36%
Expected life	7	7
Risk free rate	5%	5%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous year.

During the year the Group recognised a share-based payment expense of nil (2006: US\$473,000) and capitalised share-based payments of US\$1,215,000 (2006: US\$4,255,000).

28. Related Party Transactions

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

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 6.

	2007 US\$'000	2006 US\$'000
Short-term employee benefits	2,378	2,075
Post-employment benefits	125	91
Share-based payment	-	3,352
Net cash	<u>2,503</u>	<u>5,518</u>

A contract exists with Vico Properties plc. to provide for the services of Mr. M. Carvill. There was a balance outstanding of US\$ 172,000 (2006: US\$ 162,000) at the year end between the related parties.

Other related party transactions

Kenmare Resources plc performed certain administrative services for Vico Properties plc. Vico Properties plc is a related party of the Company as both Mr. C. Carvill and Mr. M. Carvill are Directors in both Companies. The charge for the year was US\$40,000 (2006: US\$33,000). At the year end the balance outstanding was US\$40,000 (2006: US\$17,000)

29. Approval of Financial Statements

The financial statements were approved by the Board on 11 April 2008.

Shareholder Profile

Shareholder Profile

Based on the Register as at 7 April 2008

Size of Holdings	No. of Shareholders	No. of Shares Held
1 - 1,000	994	681,333
1,001 - 5,000	2,205	6,233,119
5,001 - 25,000	1,881	21,837,451
25,001 - 100,000	537	26,326,900
100,001 - 250,000	131	21,409,620
250,001 - 500,000	57	20,683,614
500,001 - 750,000	24	14,864,496
over 750,000	107	631,170,285
Total	5,936	743,206,818

Geographic Distribution Of Holdings

	No. of Shareholders	No. of Shares Held
Republic of Ireland	2,264	55,411,116
Northern Ireland & Great Britain	3,557	617,854,911
Other	115	69,940,791
Total	5,936	743,206,818

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Kenmare Resources plc. will be held at the Shelbourne Dublin, 27 St. Stephen's Green, Dublin 2 on Friday 9 May 2008 at 11.00 am 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 2007.
2. To re-elect as a Director Dr. A. Brown who retires by rotation in accordance with the Company's Articles of Association.
3. To re-elect as a Director Dr. C. Gilchrist 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. T. Fitzpatrick who, being a Non-Executive Director who has served for over nine years on the Board, retires in accordance with best practice.
8. To authorise the Directors to fix the remuneration of the Auditors.

Special Business

9. 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, 9 August 2009 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.

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

That, subject to the passing of Resolution 9 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 9 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; and
- 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 10% 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, 9 August 2009 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.

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

That the Company be and it is hereby authorised, subject to an in accordance with the provisions of the Transparency (Directive 2004/109/EC) Regulations 2007 (the "Regulations"), to send, convey or supply all types of notices, documents or information by means of electronic equipment for the processing (including digital compression), storage and transmission of data, employing wires, radio, optical technologies, or any other electromagnetic means, including making such notices, documents or information available on a website to all members who have consented or who have been deemed to have consented to such communications in accordance with the provisions of the Regulations.

12. To consider, and if thought fit, pass the following resolutions as special resolutions.

- (1) "That the Articles of Association of the Company be amended by the insertion of the following as Article 51(A)(f) immediately following Article 51(A)(e):

'51(A)(f)

For the purposes of Article 51(A)(b)(i), the Company and a person shall be deemed to have agreed that notices of meetings and any such other documentation or information required to be given to that person may instead be accessed by him/her on a website if the person is contacted in writing to request his/her consent for the use of a website as a means for conveying information and the person does not object within 28 days of the date of such notice."

- (2) "That the Articles of Association of the Company be amended by the insertion of the following as Article 51(B) immediately following Article 51(A):

'51(B) Where the Company sends documents to members otherwise than in hard copy form, any member can require the Company to send to him/her a hard copy version and the Company must do so free of charge and within 21 days of the date of the member's request."

Notes

1. 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 proxy need not be a member of the Company.
2. The Form of Proxy must be delivered to Kenmare Resources plc., Chatham House, Chatham Street, Dublin 2 not less than forty-eight hours before the time for the holding of the meeting, or any adjournment thereof.
3. In case of a corporation, the instrument may be either under the common seal or under the hand of an officer or attorney authorised in that behalf.
4. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other registered holder(s) and for this purpose, seniority will be accepted to order in which the names stand in the Register of Members in respect of a joint holding.
5. If a proxy is executed under a power of attorney, such power of attorney must be adopted with the Company with the Instrument of Proxy.
6. Completing and returning the Form of Proxy does not preclude a member from attending and voting at the meeting should he/she so wish.
7. In accordance with the requirements of The Stock Exchange, details of the Directors' service contracts will be available for inspection by members at the registered office of the Company during normal business hours from the date of this notice and at the place of the Annual General Meeting for a period of fifteen minutes prior to the said meeting until the conclusion of the meeting.
8. Pursuant to Regulation 14 of the Companies Act, 1990 (Uncertificated Securities) Regulations 1996, only those shareholders on the Register of Shareholders at 11 a.m. on 7 May 2008 shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their names at that time. If the meeting is adjourned by more than 48 hours, then to be so entitled, shareholders must be entered on the Company's Register of Shareholders at the time which is 48 hours before the time appointed for holding the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in that notice.

By order of the Board,
Deirdre Corcoran
Company Secretary

11 April 2008



TANZANIA

ZAMBIA

MALAWI

ZIMBABWE

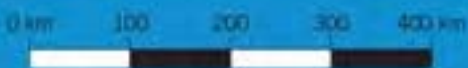
SOUTH AFRICA

SWAZILAND

I N D I A N
O C E A N



MOZAMBIQUE



KENMARE

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