KENMARE

Annual Report and Accounts 2013

The Moma Mine produces the titanium minerals ilmenite and rutile, used as feedstocks to produce titanium dioxide pigment, and the relatively high-value zirconium silicate mineral, zircon

- Titanium dioxide pigment has a high refractive index and brilliant white colour, which makes it an excellent reflective optical coating. It is used in paints, paper and plastic production
- The primary applications for zircon are in the manufacture of opacifiers for ceramics and for refractory products used in the steel and foundry industries

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Financial and Operational Overview

Phase II expansion complete with new dredge, Wet Concentrator Plant B ("WCP B") and all processing plants becoming operational during 2013

Revenues US$137.9 million (2012: US$234.6 million) excluding capitalised revenues of US$23.6 million

Ore mined up 22% to 23,951,200 tonnes (2012: 19,588,800 tonnes)

EBITDA of US$29.0 million (2012: US$98.9 million)

Production of heavy mineral concentrate ("HMC") up 47% to 1,137,200 tonnes (2012: 772,300 tonnes)

Loss after tax of US$44.1 million for 2013 after foreign exchange and financing charges (2012: US$49.5 million profit)

Production of ilmenite up 25% to 720,100 tonnes (2012: 574,500 tonnes)

Total assets increased to US$1.1 billion (2012: US$994 million)

Production of zircon down 33% to 31,400 tonnes (2012: 46,900 tonnes)

Debt restructuring completed in February 2014

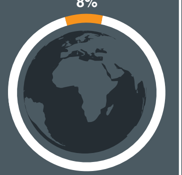
Kenmare Resources at a Glance

Location of mine

Moma Mine, North-east Coast Mozambique

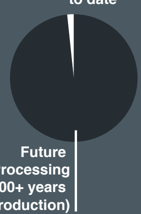
Products market share

Titanium feedstock (approximately 8% global supply)



Mine life

One of the world's largest known titanium minerals deposits with 100+ years at expanded production levels



Equity listing

Primary:
London Stock Exchange: Premium Listing

Secondary listing:
Irish Stock Exchange

Market capitalisation

£403.4 million
as at 11 April 2014

In Mozambique since

1987

Operations commenced

2007

Number of employees

1,554
average for 2013

Business & Strategy Review

Chairman's Statement

Kenmare owns a mine now capable of producing 8% of the world's consumption of titanium feedstocks.

Kenmare's strategy has been to build a world class mining and processing facility to complement the 100 year plus life of the Moma orebodies. Using these facilities and their ability to provide us with an operating cost advantage through dredge mining and direct export, we have established a significant position in global feedstock supply thereby creating the opportunity for solid returns to shareholders.

The past year saw Kenmare complete its Phase II expansion investment programme in the Moma Titanium Minerals Mine, one of the world's largest producers of titanium pigment feedstock and zircon. This was achieved during a challenging commodity price environment, which impacted cash flow and profitability, yet will ultimately position Kenmare well for the expected recovery in the feedstock market.

The Phase II expansion has increased production capacity by 50%, providing us with the ability to meet 8% of global titanium feedstock demand and 4% of global zircon demand. This project commenced in 2010 and is now operating and contributing to the output of the Mine. Most of the new facilities included in the expansion were installed by the middle of the year, and the second half of 2013 was a period of commissioning and ramp up. I am pleased to say that the commissioning and ramp up process has gone well. The major items of equipment installed in the expansion have demonstrated an ability to perform at design throughput capacity.

Operations

During the year, Kenmare mined 23,951,200 tonnes of ore and produced 1,137,200 tonnes of HMC. 720,100 tonnes of ilmenite product were produced along with 31,400 tonnes of zircon, including 10,300 tonnes of secondary zircon product. Zircon production was lower than expected, mainly due to an extended shut-down of part of the processing facilities during commissioning.

Our new dredge and WCP B achieved design capacity during the second half of 2013, and the average throughput levels for the first couple of months of 2014 were at design capacity. Our new feed preparation plant, the Wet High Intensity Magnetic Separation ("WHIMS") Plant, has been performing at planned throughput levels and the Auxiliary Ilmenite Plant reached design recovery levels within a couple of weeks of being commissioned.

However, sustained operation of these plants at design utilisation levels is subject to ongoing optimisation work and has been hampered by difficulties that the Mozambique state electrical utility, Electricidade de Moçambique ("EdM"), has been experiencing in achieving stable transmission of power. Electrical power at the Mine has been highly volatile over recent months, as a result of a combination of increased base load, electrical storm activity, and increased power demand in the Southern Hemisphere summer months, which has pushed demand towards the transmission network's capacity limits, mainly at peak periods.

Kenmare has been working proactively with EdM in a number of areas to resolve these issues:

- Current and near term
  A load management plan is being implemented by EdM, which is designed to prevent the load on the northern transmission network rising above stability limits at peak times. This programme has contributed to improvements in network stability. Additionally, Kenmare is working with EdM on a number of projects for the optimisation of the operation of the network to limit the frequency of supply interruptions.
- Short and medium term (one-year horizon)
  EdM is enhancing the transmission capacity of the network by adding a set of series capacitors. These capacitors are expected to increase the capacity at Nampula from 118 MW to approximately 170 MW. This should allow several years' load growth before capacity limits are approached again.
- Medium and long term (five-year horizon)
  EdM is in the financing stage of a major project to add a new 400 kV line to the northern network, which should resolve power transmission issues for the long term future. EdM plans for this project to be completed by 2018.

I reported last year that Kenmare was installing a synchronous condenser (referred to as a "Dip Doctor"), designed to minimise voltage dips and sustain power. This was installed during the year and, when operating, is effective in reducing the effect of these dips. However, due to operational difficulties and storm damage, the availability of the Dip Doctor during January and February 2014 was lower than planned.

We have also been enhancing our standard operating procedures and equipment to minimise downtime caused by voltage fluctuation. This has been very successful in our mining and wet concentrator plants, where typical downtimes after a stoppage have been very significantly reduced to less than an hour. The expanded Mineral Separation Plant ("MSP") is inherently more sensitive to voltage fluctuations and for the time being is taking longer to recover. Accordingly, we are dedicating additional resources to resolving this issue.

Kenmare has entered into a contract for the use of diesel generator units to supply power to the MSP. These will ensure stable power supply to the MSP during the summer months of December to March, when we encounter most of our voltage stability problems, and would act as a standby facility in case of failure of the transmission system during the rest of the year. More stable power supply will increase both the quantum and predictability of production.

Market

The pigment industry, which is the main market for TiO_2 feedstocks, experienced solid demand growth of approximately 9% in 2013, albeit from a low base following a major contraction of approximately 12% in 2012. However, this growth was met from the drawdown of significant quantities of pigment inventories that accumulated during 2012. As a result, low pigment plant operating rates prevailed throughout 2013, creating weak feedstock demand. Although pigment inventories reduced to more manageable levels and plant operating rates improved as the year progressed, the pricing environment for TiO_2 feedstocks remains challenging and prices are now less than 50% of peak 2012 levels. We view the reduction in pigment inventories as an important step in the market cycle, which when further advanced will allow for a return to sustainable pricing.

We expect to see an improving demand environment for titanium feedstocks and zircon in 2014 with continued strong support from our existing customer base and increased sales to new customers.

Notwithstanding a 9% growth in pigment demand in 2013, the market has not yet recovered to 2011 levels. Based on the close historical correlation between pigment demand and global GDP growth rates, we expect pigment demand to continue to grow at above historical growth rates in order to return to the long term trend line. Indeed, pigment producers reported strong Q4 2013 sales volume growth compared to the same period in 2012, and some report a reduction of pigment inventories to normal seasonal levels. Consequently, we are seeing some signs of improving market conditions for our products in developed economies. However, the Chinese market remains weak. Ilmenite sales volumes for 2014 have started reasonably well as we see a more regular offtake pattern starting to emerge. The pigment industry is gearing up for an increase in demand for the painting season in the Northern Hemisphere, and after two subdued years, expectations remain high for an improved 2014. The resumption of demand growth in the more traditional markets of North America and Europe and continued urbanisation and economic growth in emerging economies are expected to provide a solid platform of support for offtake of Moma ilmenite production in the future. These factors should also result in an improving pricing environment for titanium feedstocks as the year progresses, but need to be balanced against the new supply that will enter the market.

The zircon market faced similar challenges to the titanium feedstock market in 2013 as the industry coped with uneven market demand conditions in different geographical regions and an overhang of inventory held by zircon producers. Zircon markets in Europe remained subdued while China and North America were more resilient. Ceramic grade zircon prices have fallen from peak levels of around US$2,500 per tonne in 2012 to current levels of approximately US$1,000 per tonne.

The largest application for zircon is in the production of ceramics. There has been some innovation in the ceramics industry to reduce the quantity of zircon used, driven by high prices and shortages in previous years. In the face of reduced offtake, some participants in the zircon mining industry have curtailed output. The market has therefore stabilised at this lower level and inventories are being depleted. Lower prices are reversing some of the thrifting and substitution in ceramic tile production given zircon's superior properties, but manufacturers remain cautious, fearing another price spike if supply tightens again in the future. Therefore the price recovery in zircon is expected to be gradual.

The zircon market is expected to see a return to growth in 2014 given the improved outlook for the global economy and ongoing urbanisation trends in large emerging economies, where there is a preference for ceramic wall and floor tiles. Good growth can also be expected in specialty chemicals, zirconium metal and chemical zirconia, while digital printing in the ceramics industry also offers some interesting possibilities for increased zircon consumption.

Despite the challenging market conditions for titanium feedstocks and zircon in 2013, Kenmare was well supported by our customers. We expect to see an improving demand environment for titanium feedstocks and zircon in 2014 with continued strong support from our existing customer base and increased sales to new customers.

Finance

Kenmare generated earnings before interest, tax, depreciation and amortisation ("EBITDA") of US$29.0 million during 2013 (2012: US$98.9 million). Reported revenue for the year was US$137.9 million, excluding the capitalisation of US$23.6 million (2012: nil) of revenue generated from the expansion facilities. Including the capitalised amount, total revenue for 2013 was US$161.5 million, compared with US$234.6 million the previous year.

A total of 677,900 tonnes of total products were sold in 2013, which was similar to the previous year (2012: 680,800 tonnes), whilst the weighted average product price achieved in 2013 dropped by 31%, resulting in the revenue reduction. A total of 77,500 tonnes of finished products were added to inventory during the year, restoring product in storage to more normal levels than prevailed at the beginning 2013.

Cost of sales for the year amounted to US$113.7 million (2012: US$134.5 million), including depreciation and amortisation of US$24.3 million (2012: US$18.5 million). Other operating costs amounted to US$19.5 million (2012: US$19.7 million). US$28.9 million (2012: nil) of costs relating to product produced during the ramp-up and commissioning of the expansion plant has been capitalised in property, plant and equipment.

The operating profit for the year amounted to US$4.7 million (2012: US$80.4 million). Loan interest and finance fees of US$40.5 million (2012: US$28.7 million) include costs associated with a corporate facility established in 2013 with Absa Bank Limited ("Absa"), a member of Barclays, and the fair value of the costs associated with issue of warrants as part of the placing noted below. A foreign exchange loss of US$6.5 million (2012: US$0.6 million loss) arose during the year, principally due to losses on Euro-denominated loans. The tax charge for 2013 was US$2.0 million (2012: US$3.3 million), resulting in a loss after tax of US$44.1 million (2012: US$49.5 million profit) for the year.

In October 2013, the Board decided to raise additional equity for the Company and a placing was completed, raising net proceeds of approximately US$101.9 million. The proceeds of the placing were partially used to discharge certain near-term payment obligations in respect of the mine expansion of approximately US$20 million and to repay US$20 million of the Absa corporate facility.

A key post balance sheet event was the successful completion of a long process to re-profile deferred subordinated debt payment obligations. The deferred subordinated debt balance at 31 December 2013 was US$143.3 million, and before this re-profiling there was a requirement for Kenmare to bring this deferred subordinated debt current by 1 August 2015. After discussions with our lender group, agreement has been reached to reschedule all subordinated debt that remains deferred as at 31 July 2015; repaying half of this debt in August 2019 and the balance in nine semi-annual payments from August 2015 to August 2019. Given the current subdued nature of our product market, the re-scheduling of the subordinated debt payment obligations at an early stage was an important step in matching debt obligations with the Company's ability to generate cash and, assuming recovery in product prices, will enable us to start paying dividends to shareholders in due course.

Board Structure & Corporate Governance

I reported last year that the Board had been strengthened by the appointment of two new Non-Executive Directors, Steven McTiernan and Gabriel Smith, both of whom bring considerable sectoral and financial experience to the Board. In December, Jacob Deysel resigned as a Director. The Board thanks Jacob for his contribution to the Board and looks forward to continue working with him as Kenmare's Chief Operating Officer. This year we commissioned independent advice from external firms on the design of an updated executive remuneration framework and on our senior management structure, in line with the Board's drive to ensure that the Company achieves best-practice in corporate governance.

Corporate Responsibility

Kenmare is committed to investing in the community in which it operates. One of the means by which it does so is through the Kenmare Moma Development Association (KMAD). KMAD operates in three main areas: livelihoods and economic development, health development, and education development. The opening in 2013 of the health clinic, constructed by KMAD, saw the delivery of a major piece of infrastructure which is already having a major beneficial impact on local communities. It is pleasing to note the results of the survey carried out in 2013 in conjunction with the District Social Welfare Department which found that 89% of people surveyed noted a general improvement in living conditions due to improved road access, improved education and health facilities, enhanced communications and availability of electricity together with a wider variety of goods available in local markets. These benefits flowed from the presence of the Mine and from work of KMAD and its partners. We will continue to work through our corporate social responsibility programme to maximise these benefits to local communities.

Outlook

Kenmare owns a mine now capable of producing 8% of the world's consumption of titanium feedstocks and 4% of global zircon from a resource base that will last over 100 years. Management is focusing on cost control now that the expansion has been delivered, to ensure that Moma is one of the lowest cost mining operations globally. Through an equity placement and debt restructuring, the balance sheet has been re-engineered to better suit the subdued market environment in which we are operating. Despite power supply difficulties, the expanded operation has demonstrated its ability to run at design throughput capacity. Hence the Company is well placed to benefit from the expected demand recovery in titanium feedstock and zircon markets, and we look forward to gaining the benefit from the major investment which our shareholders have supported for many years.

Justin Loasby
Chairman

Introduction

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

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

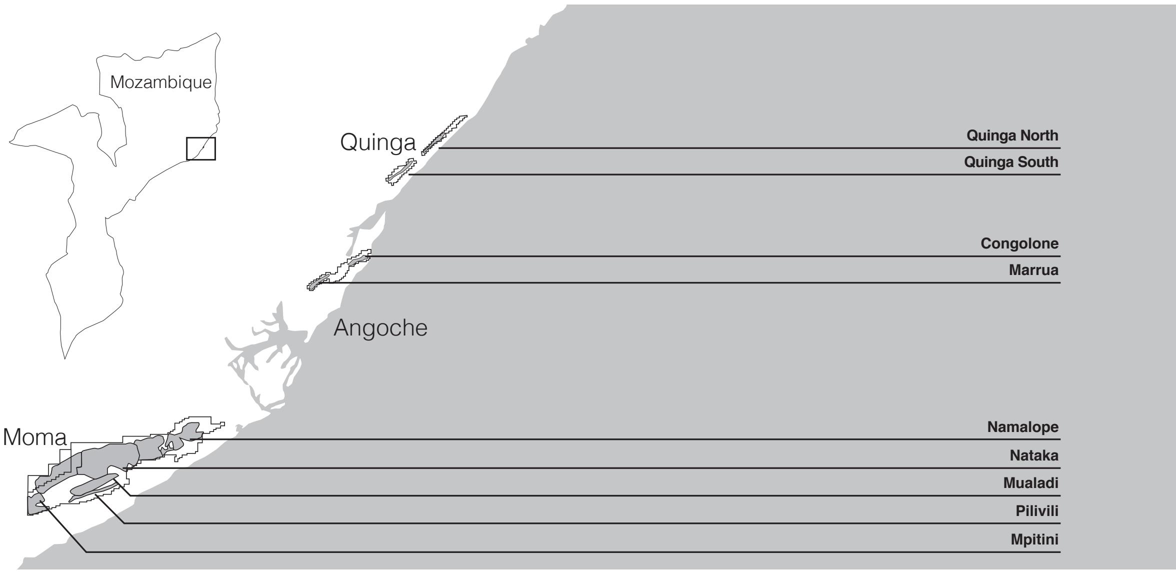
The Group's world class resource is estimated to contain approximately 200 million tonnes of ilmenite (equivalent to around 140 years production from the current plant) and associated co-products rutile and zircon. Ilmenite and rutile are titanium minerals used as feedstocks to produce titanium dioxide (TiO_2) pigment, titanium metal and welding electrodes. Zircon, a high value zirconium silicate mineral, is an important raw material for the ceramics industry where it is used as an opacifier and frit compound for decorative wall and floor tiles and sanitary ware. Zircon is also used in the refractory and foundry industries and to produce zirconia and zirconium chemicals for a variety of applications. The nature of Kenmare's deposit, with abundant fresh water, no overburden, a good ore grade and attractive products which do not have to be upgraded before being used, gives Kenmare the ability to mine, concentrate and separate its products with relatively low capital and operating costs. Kenmare operates a dedicated port facility adjacent to the Mineral Separation Plant ("MSP") which allows for the shipment of products to customers at minimum cost.

These factors enabled Kenmare to move from Phase I into a 50% Phase II expansion, now complete. At full expanded output, Kenmare will supply around 8% of the world's titanium feedstock supply.

Summary of Reserves and Resources

The total proven and probable ore reserves in the Namalope mining concession allocated to Kenmare as at 31 December 2013 is estimated at 820 million tonnes, grading 3.0% ilmenite, 0.19% zircon and 0.059% rutile, containing 24 million tonnes of ilmenite, 1.6 million tonnes of zircon and 0.48 million tonnes of rutile. The total resource (excluding reserves) held by Kenmare under a combination of exploration licences and mining concessions as at 31 December 2013 is estimated at 7.2 billion tonnes, grading 2.4% ilmenite, 0.17% zircon and 0.054% rutile, containing 170 million tonnes of ilmenite, 12 million tonnes of zircon and 3.9 million tonnes of rutile. Grades are set out in the Reserve-Resource table below.

An intensive drilling and sampling programme was carried out during 2013 in the Namalope and Nataka reserve areas to improve geological definition and grade control. A total of 30,104 metres of infill drilling was completed. This drilling was primarily within the areas to be mined during 2015 to 2019 at Namalope, greatly increasing the knowledge and confidence in the reserves in this part of the deposit. The map shows exploration licences and mining concessions held by Kenmare:



The following table sets out Kenmare's mineral resources and reserves as at 31 December 2013:

Reserve-Resource Table

Zones	Category	Ore (Mt)	% THM*	% Ilmenite in THM	% Ilmenite in ore	% Rutile in ore	% Zircon in ore	THM (Mt)	Ilmenite (Mt)	Rutile (Mt)	Zircon (Mt)
Reserves											
Namalope	Proved	241	4.3	82	3.5	0.077	0.25	10	8.4	0.18	0.60
Namalope	Probable	134	3.5	81	2.9	0.067	0.20	4.8	3.8	0.09	0.27
Nataka	Probable	445	3.2	84	2.7	0.047	0.16	14	12	0.21	0.73
TOTAL RESERVES	**Proved & Probable**	**820**	**3.6**	**82**	**3.0**	**0.059**	**0.19**	**29**	**24**	**0.48**	**1.6**

Resources	Category	Sand (Mt)	% THM*	% Ilmenite in THM	% Ilmenite in sand	% Rutile in sand	% Zircon in sand	THM (Mt)	Ilmenite (Mt)	Rutile (Mt)	Zircon (Mt)
Congolone	Measured	167	3.3	77	2.5	0.060	0.24	5.4	4.2	0.1	0.4
Namalope	Measured	85	3.7	80	3.0	0.068	0.22	3.2	2.5	0.1	0.2
Namalope	Indicated	142	3.1	78	2.4	0.058	0.17	4.3	3.4	0.1	0.2
Pilivili	Inferred	227	5.4	80	4.3	0.13	0.35	12	9.8	0.3	0.8
Mualadi	Inferred	327	3.2	80	2.6	0.061	0.21	10	8.4	0.2	0.7
Nataka	Inferred	5,800	2.8	82	2.3	0.047	0.15	160	130	2.7	8.6
Mpitini	Inferred	287	3.6	80	2.9	0.070	0.24	10	8.3	0.2	0.7
Marrua	Inferred	54	4.1	80	3.3	0.19	0.19	2.2	1.8	0.1	0.1
Quinga North	Inferred	71	3.5	80	2.8	0.14	0.28	2.5	2.0	0.1	0.2
TOTAL RESOURCES		**7,160**	**2.9**	**81**	**2.4**	**0.054**	**0.17**	**210**	**170**	**3.9**	**12**

Resources are additional to Reserves. Estimates for Namalope Proved Reserve and the Namalope Measured and Indicated Resources comply with the new JORC Code 2012 (Australasian Code for Reporting Ore Reserves and Mineral Resources). Table 1 documentation for the Namalope Reserves and Resources can be found at www.kenmareresources.com. The Namalope Probable Reserve is not currently fully compliant with the JORC Code 2012 as part of the reserve lies outside the area of the original DFS. Estimates for all Resources and Reserves except Namalope were prepared and first disclosed under the JORC Code 2004. They have not been updated to comply with the JORC Code 2012 on the basis that the information has not materially changed since they were last reported.

The competent person for the Namalope and Nataka reserves and resources is Mr Colin Rothnie (MAusIMM). The competent person for the other resources is Dr Alastair Brown (FIMMM). Mr Rothnie and Dr Brown are independent consultants, although both are shareholders and former employees of Kenmare. Mr Rothnie and Dr Brown have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the JORC Code 2012. Mr Rothnie and Dr Brown consent to the inclusion in this report of matters based on their information in the form and context in which it appears.

THM is total heavy minerals of which ilmenite (typically 82 per cent.), rutile (typically 1.7 per cent.) and zircon (typically 5.6 per cent.) total approximately 90 per cent. Tonnes and grades have been rounded and hence small differences may appear in totals. Mt represents million tonnes. The licence over the Quinga South inferred resource, which was not held under Kenmare's mineral licensing contract, expired during the year as it had been held undeveloped for ten years. This results in a reduction in resources of 71 million tonnes, grading 2.7% ilmenite, 0.28% zircon and 0.14% rutile, containing 2.4 million tonnes of ilmenite, 0.2 million tonnes of zircon and 0.1 million tonnes of rutile.

An intensive drilling and sampling programme was carried out during 2013 in the Namalope and Nataka reserve area

The Group has identified the presence of significant rare earth oxides ("REOs") in the tailings of the MSP. These REOs, including cerium, lanthanum and neodymium, are found in monazite, present in Namalope and Nataka deposits at a grade of 0.02% (0.56% of the total heavy minerals). Monazite concentrate is used as a feed for REO plants internationally. The MSP concentrates monazite in the rejects stream as part of normal operations. A study to evaluate the production of monazite was completed. The project to assess the economics of producing monazite is currently on hold and will be revisited in due course. The monazite content of the ore reserves is presented in the table below.

Monazite

Zones	Category	Ore (Mt)	% THM*	% Monazite in THM	% Monazite in ore	Monazite (Mt)
Reserves						
Namalope	Proved	241	4.3	0.63	0.027	0.065
Namalope	Probable	134	3.5	0.42	0.015	0.020
Nataka	Probable	445	3.2	0.54	0.018	0.078
TOTAL RESERVES	**Proved & Probable**	**820**	**3.6**	**0.55**	**0.020**	**0.163**

The economics of producing a monazite concentrate as by-product from the existing reserves have yet to be assessed. Consequently the monazite mineralisation does not constitute a reserve and the ore categories in this table are for the Mine's existing products, ilmenite, rutile and zircon.

Mining

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

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

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

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

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

After the tailings have sufficiently dewatered, they are re-contoured. Topsoil containing seeds and organic material is placed onto the re-contoured tailings. Rehabilitation is completed by fertilising and seeding or planting with a variety of native and/or other species of vegetation as well as food crops. When the rehabilitation of an area has been completed to an acceptable standard, the area is transferred to the government and thence to the local communities. The first such transfer took place in 2013. The rehabilitation process continues to be optimised with input from local communities, the competent authorities and non-governmental organisations.

Mineral separation

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

HMC is transferred from stockpiles by front-end loaders and fed to the WHIMS (Wet High Intensity Magnetic Separation) plant, a new feed preparation section of the MSP added during the Phase II expansion. The WHIMS plant has improved the thermal efficiency of the MSP by separating the magnetic and non-magnetic fractions in wet form, thereby allowing the non-magnetic fraction to be fed directly into the wet gravity separation circuit without undergoing unnecessary drying. The magnetic fraction is dried and processed by electrostatic separation in either of two ilmenite plants to produce final ilmenite products. A 50 tonne per hour ilmenite roaster and downstream magnetic separation plant were built as part of Phase I to increase the quality of the ilmenite products when required, but it has not proved necessary to operate the roaster to date. The non-magnetic fraction of the WHIMS output passes to the wet gravity separation circuit which removes any remaining silica and trash minerals. Electrostatic separators are then used to separate the conducting mineral rutile from the non-conducting mineral zircon.

Storage and transportation

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

Other infrastructure

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

BUSINESS STRATEGY

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

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

a resource large enough to support very long mine life, over one hundred years	low mining operating cost with surface mineralisation (no overburden) which can be dredge mined	relatively low cost hydro power
coastal location with very limited overland transport by conveyor and the ability to mine and export directly from the Mine using a dedicated shipping terminal	diversified worldwide customer base and significant co-product revenue stream	ilmenite products suitable for both sulphate and chloride pigment processes without further beneficiation

The year 2013 saw the end of a long period of investment in the expansion. With the expansion complete and commissioned, the strategy now focuses on reducing costs and improving performance. The immediate priority is to improve performance at the Mine by tackling the challenge of maintaining consistent power supply which will result in productivity improvements. Kenmare is continuing to improve the efficiency of the business and to reduce operating and support costs.

KEY PERFORMANCE INDICATORS

The key performance indicators of the Group are: (i) output of HMC from the mining operations; (ii) output of finished products (ilmenite, rutile and zircon) from the MSP; and (iii) finished product shipments. The key performance indicators for the years ended 31 December 2013 and 2012 are as follows:

	H1 2013 Tonnes	H2 2013 Tonnes	Total 2013 Tonnes	H1 2012 Tonnes	H2 2012 Tonnes	Total 2012 Tonnes
Mining - HMC produced	480,000	657,200	1,137,200	386,200	386,100	772,300
Processing – finished products produced	323,700	431,800	755,500	302,800	323,600	626,400
Marketing – finished product shipments	294,100	383,800	677,900	321,500	359,300	680,800

Further details are set out in the Operational Review on pages 14 to 21.

Operational Review

During 2013 the Phase II expansion project was completed. The expanded plant made a positive contribution in the second half of 2013 with output improving through 2014 to date.

PRODUCTION

A total of 23,951,200 tonnes of reserves were mined at an average heavy mineral grade of 5.9%. After mining losses, 19,160,000 tonnes of ore were processed over the spirals at an average heavy mineral grade of 5.9%, resulting in HMC production of 1,137,200 tonnes. The production of HMC from WCP A was 934,100 tonnes for 2013 compared to 772,300 tonnes for 2012. The improved output was mainly due to the completion of the transition onto the dunal plateau by the end of the first quarter of 2013. Following this transition, Mining Plant A (WCP A and its two dredges) spent the remainder of 2013 in improved mining conditions with deep faces of generally moderate slimes and good grade ore. Mining Plant B (the new dredge Deirdre and WCP B), contributed 203,100 tonnes of HMC. Despite some teething problems, the plant performed well against the anticipated ramp up curve and has operated at nameplate throughput capacity.

WCP A suffered an unplanned stoppage as a result of a fire in the trommel section in October 2013. The fire occurred following completion of routine welding repairs. During the six week outage period the MSP continued to process HMC from WCP B and from a large stockpile of HMC produced prior to the incident. During this period, maintenance works on WCP A and the two dredges in Mining Pond A that had been scheduled for 2014 were completed.

The expanded MSP facilities were commissioned and ramped up in 2013. All major facilities have demonstrated an ability to perform at nameplate throughput capacity. Utilisation rates are still below targets, in large part due to power interruptions.

Ilmenite production increased by 69% to 209,400 tonnes during the fourth quarter of 2013 from 123,600 tonnes during the equivalent period in 2012. Ilmenite production for 2013 was 720,100 tonnes compared with 574,500 tonnes in 2012. The new auxiliary ilmenite plant contributed 116,000 tonnes in 2013.

The enhanced zircon and rutile circuits have demonstrated their ability to operate at target throughput levels. However, due to the extended shut during 2013 as part of the expansion, on-going optimisation of these circuits and power interruptions, output was low in 2013, and resulted in total zircon production of 31,400 tonnes (including 10,300 tonnes of a secondary zircon product) compared with 46,900 tonnes in 2012. Optimisation of the zircon and rutile circuits is currently on-going.

Ilmenite production increased by 69% to 209,400 tonnes during the fourth quarter 2013 from 123,600 tonnes during the equivalent period in 2012.

POWER SUPPLY

A key operational challenge for the Mine has been the unreliability of power supply. Power supply to the Mine has been highly volatile since the third quarter of 2013, caused by a combination of increased base load on the grid, electrical storm activity, and increased power demand for cooling in the Southern Hemisphere summer months which has pushed demand towards and occasionally beyond the transmission network's capacity limits. A number of initiatives were taken by Kenmare in 2013 to enhance transmission capacity and address power instability issues, including:

- Upgrade of the transmission grid, in collaboration with EdM. This upgrade consisted of the installation of capacitor banks at Nampula and Alto Molocue and the upgrading of the Alto Molocue SVC;
- Kenmare commissioned a synchronous condenser (referred to as a "Dip Doctor"), a large piece of equipment designed to minimise voltage dips. The Dip Doctor has been effective, however, due to operational difficulties and storm damage, its availability during January and February 2014 was lower than planned; and
- Installation of capacitor banks at the Mine.

In addition, Kenmare has been enhancing standard operating procedures and modifying equipment to minimise the amount of downtime experienced by each outage caused by voltage fluctuation. This has been very successful in the mining and wet concentrator plants where typical downtimes after a stoppage have reduced to less than an hour. The expanded MSP is inherently more sensitive to voltage fluctuations, and for the time being is taking longer to recover. Accordingly additional resources are being dedicated to resolving this issue.

Notwithstanding these initiatives, power supply has been subject to unplanned outages that have disrupted production. After investigation, it has become apparent that load growth on the northern network had been increasing more rapidly than EdM had anticipated. Consequently, especially with increased domestic load in the summer months, power demand at times exceeds the stable transmission capacity of the network, resulting in voltage instability. Kenmare has been working with EdM to resolve these issues and has been cooperating in a number of areas:

- A load management plan is being implemented by EdM, which is designed to prevent the load on the northern transmission network exceeding stability limits at peak times. This plan has contributed to improvements in network stability.
- Kenmare is working with EdM on a number of projects for the optimisation of the operation of the network to limit the frequency of supply interruptions.
- EdM is enhancing transmission capacity of the network by adding a set of series capacitors. These capacitors are expected to increase transmission capacity at Nampula from 118MW to approximately 170MW. This should allow several years' load growth before capacity limits are approached again.
- EdM is in the financing stage of a major project to bring a new 400kV line to the northern network, which should resolve power transmission issues for the long term. EdM plans for this project to be complete by 2018.
- Finally, Kenmare has entered an agreement with Aggreko, a supplier of portable power generators, to supply 7.5MW of diesel power generating capacity to the Mine. This is sufficient to power the MSP and will ensure smooth operation of the MSP through the Southern Hemisphere summer months of December to March. During the rest of the year, it will be a standby facility in case of unanticipated failure of the transmission system. These generators will increase production and confidence in the level of production. Since the MSP represents only one quarter of electrical demand, and the generators are planned only to be in continuous operation for one-third of the year, the additional cost will not be onerous relative to the benefits. The Aggreko generators are due to arrive in July, giving sufficient time for commissioning and optimisation before the unstable summer months.

SHIPMENTS

In 2013, 37 ships were loaded, bringing total sales for the year to 677,900 tonnes of finished products, comprising of 642,700 tonnes of ilmenite, 32,200 tonnes of zircon (including 10,300 tonnes of secondary grade zircon) and 3,000 tonnes of rutile. December 2013 also saw the 200th shipment from the Mine, bringing the cumulative product exports to over 3.5 million tonnes since commencement of operations.

Fifty-five staff were trained in safety, health and environmental procedures to act as representatives in their respective departments during the year.

HEALTH & SAFETY

2013 was a challenging year for the Company. There was one fatality and seventeen Lost Time Injuries ("LTIs") which took the twelve month rolling Lost Time Injury Frequency Rate ("LTIFR") to 0.50, higher than the target of 0.30 and prior year of 0.33. In July 2013, Mr De Poures Anantharaj, an engineer employed on the Bronagh J, was injured. He was evacuated to Nampula for medical care and was discharged with a medical clearance to travel home to India to recuperate. Unfortunately he passed away in Dar es Salaam while in transit to India, the cause of death being a cervical/neck injury.

The deteriorating trend from 2012 to 2013 in safety performance has been a key focus for the Group. Management at the Mine have carried out a detailed study of current safety performance and the outcome of incident investigations. Focus for 2014 will be on improving safety behaviour, recognition of safety risks, improved incident investigation and improved training.

Malaria

The Mine is located in an endemic malaria area, which represents a continuous challenge to employees, visitors and inhabitants of the local communities. There were 1,721 malaria cases recorded amongst operations and construction personnel at the Mine in 2013 as compared with 1,345 cases in 2012, a 28% increase. The increase in staff numbers over the year as a result of the expansion contributed in part to the increase. With continued spraying and other initiatives to reduce malaria, Kenmare is expecting to see an improvement in 2014. Kenmare continued its Mine site insecticide spraying and employee malaria awareness programmes throughout 2013. Kenmare also conducted an indoor residual insecticide spraying programme in the surrounding communities, benefiting the local population.

NOSA Safety System

NOSA is internationally recognised for its safety, health and environmental risk management system. The system is aligned with international standards (OHSAS 18001, ISO 14001) and assists companies to implement a holistic approach towards the management of safety, health and environmental processes. Progress on implementation of the NOSA system continued in 2013 with the development of the NOSA five star grading system. A gap analysis audit was conducted in December 2013 and the first star rating audit will be conducted in December 2014. Fifty-five staff were trained in safety, health and environmental procedures to act as representatives in their respective departments during the year.

The Mine's safety statistics are as follows:

	2013	2012
Man-hours worked	5,918,960	5,454,545
Man-hours worked since last LTI	150,685	707,151
Lost Time Injuries ("LTI")	17	9
Fatalities (included in LTIs)	1	-
Medical Treatment Injuries ("MTI")	13	10
First Aid Injuries ("FAI")	85	94
All Injuries ("AI")	115	113
Days lost to injuries	661	51
LTI Frequency Rate ("LTIFR')	0.50	0.33
Malaria cases	1,721	1,345
Days lost to malaria	6,884	5,380

Additional safety training will be facilitated by NOSA in 2014. Manager, supervisor, and employee training was completed during 2013, along with baseline risk assessments for each operational area. An audit was also carried out for critical high risk activities identified during the baseline gap analysis to ensure the effectiveness and adequacy of controls for these high risk activities.

INX

INX is a risk-based incident management and reporting system that provides the operation with a compliance measurement system for safety, health and environment functions. Implementation of the INX database started in January 2014 and will continue with the training of key employees. The INX database will capture risk assessments, incidents, business intelligence, audits and inspections. This system monitors and analyses the essential environmental factors through the capture of key indicators.

ENVIRONMENT

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

The environmental management system involves monitoring to determine whether applicable standards are being observed, and if not, promptly reports incidents so that appropriate corrective action can be taken. The system is modelled after ISO 14001 which requires that environmental objectives and targets be set annually and regularly reviewed throughout the year, with performance tracked and checked through scheduled audits and inspections. The objective of this system is to achieve and facilitate compliance with the commitments in the EMP, and to ensure that non-compliance incidents are promptly addressed, through continual improvement of environmental performance.

Greenhouse gas

	2013	2012	2011
Greenhouse gas (tonnes CO_2)	43,144	112,244	90,549

In 2013, greenhouse gas emissions decreased from an estimated 112,244 tonnes CO_2 equivalent total emission in 2012 to an estimated 43,144 tonnes CO_2 equivalent. This was due to the completion of the expansion project resulting in a large reduction in mobile equipment on site.

Water management

	2013	2012	2011
Water extraction (million cubic metres)	17.88	6.52	5.50

A monitoring program is in place to evaluate the quality of water and the groundwater level in the area of influence of Kenmare's operations at the Mine.

During the year Kenmare extracted a reported 17.88 million m^3 litres of water compared with a reported 6.52 million m^3 in 2012. Flow monitoring equipment was installed in the boreholes during the year resulting in a more accurate measure of the water volume abstracted. This contributed to the significant increase in the reported level of water extracted. The amount extracted remains below the water permit threshold of 32.4 million m^3 per year in the amended water license obtained in 2013.

A monitoring program is in place to evaluate the quality of water and the groundwater level in the area of influence of Kenmare's operations at the Mine, to minimise threats to human and environmental health, and to comply with legislative requirements.

A groundwater model is being developed to assess the effect of alternative water management strategies.

Solid waste management

The major challenge in waste management has been the implementation of recycling/reuse due to the remote nature of the Mine. Management of waste continued during 2013 with an increased focus on recycling projects.

It is not economic for most recycling/reuse companies to collect scrap, plastic and glass from the Mine. Kenmare has purchased a bailer to compact plastic and cardboard wastes. Partial waste segregation is occurring at the landfill site with the intention that segregated solid wastes will be transported alongside the more lucrative scrap metal, which is hauled to Nacala on a regular basis. The strategy is to involve the local community in waste recycling initiatives.

Kenmare is also focusing on maximising the opportunities for reuse of certain components. For example, plastic pallets are returned to the suppliers for reuse; transformers are being rebuilt for reuse at site; and dredge components are being refurbished rather than fully replaced.

A total of 116,070 litres of used oil were sent to Maputo and Beira for recycling and approximate 57 tonnes of general waste, mainly plastic and paper, were disposed of at the site landfill.

Effluent and surface water management

All four sewerage treatment plants operated within the specifications set out in the EMP and authorisations from MICOA during the year. The quality of the effluent discharged from all treatment plants was monitored and no major non-conformances were observed. During the year, 270 minor non-conformances in the sewerage treatment plants were reported.

Radiation

Uranium (U) and Thorium (Th) occur naturally within the ore bodies in the mineral monazite and thus heavy mineral sands are sources of ionizing radiation (radionuclides of the uranium and thorium decay chains). Processing of the mineral sands can lead to enrichment of these materials to levels which pose risks to employees and potential risks to the general community.

As required in the Radiation Management Plan, radiation monitoring in various working areas, stockpiles, product storage areas, and in the vicinity of the plant including community areas, was carried out during the year. No deviations were observed.

Rehabilitation

Upon successful rehabilitation of mined lands, Kenmare hands rehabilitated land back to the Government for allocation to local communities as farming (machamba) land. Rehabilitation was completed on twelve hectares of mined land in early 2013 and handed back to the Government in June. Kenmare is continuing to investigate ways to improve the quality of rehabilitated land.

Three trial plots were established on the rehabilitation areas to determine the appropriate soil fertility enhancement strategies to be used. These trials are currently underway and the first results indicate that significant progress has been made with rehabilitation of the old tailings areas where casuarina trees are being planted. An initial trial plot test has shown that mixing slimes into the soil during rehabilitation led to a 100% increase in yield of cassava (a local root crop) and improved ground coverage by grasses. The rehabilitated land can also be used for growing vegetables as proved in the trial plot.

Noise

Kenmare commissioned an independent consultant to conduct an environmental noise survey at selected points along the perimeter of the operation. The survey was conducted to determine the impact of noise created by the operation on the residents within the surrounding communities. A number of measurements were taken and the results were compared with the IFC Performance Standards. Results indicated that the ambient noise levels measured at the test community sites were within the IFC Performance Standards guideline of 55dBA for daytime activities and 45dBA for night time activities. In 2014 an external independent consultant will measure the noise levels in the plants and assess the potential health risk to employees of noise induced hearing loss and if necessary recommend appropriate control measures to reduce exposures. Annually thereafter the Occupational, Health and Safety department will monitor workplace noise.

Ambient Air Quality

Air quality monitoring is carried out monthly by Kenmare staff and annually by an independent specialist. The independent specialist monitoring results indicated that the particulate matter with diameter less than 10 microns (PM10), sulphur dioxide and nitrogen dioxide concentrations were within the IFC and AfDB air quality guidelines at all the measuring positions. Results for PM2.5 are to be obtained in 2014.

Biodiversity

Terrestrial Monitoring Program

A comprehensive terrestrial monitoring programme was implemented by Kenmare in 2012 and the second baseline assessment was conducted in 2013 to supplement the baseline data collected the previous year. The objective is to assess the effectiveness of mitigation measures contained within the EMP and, where necessary, to introduce additional measures to ensure that negative impacts of the Mine on terrestrial environmental health are minimised. These efforts are in line with the best practice requirements of the IFC Performance Standards. Erosion around the Mine and the increased number of trees harvested in the Icuri forest by the local population were the main problems identified. Considering that the Icuri forest is regarded as a high conservation forest, the auditors recommended that Kenmare engage with local communities regarding the ecological importance of the Icuri forest and investigate options for improving the sustainability of harvesting within the forest.

Marine Monitoring Program

No marine monitoring survey was conducted in 2013. The objective of the 2014 marine survey is to apply the methodology developed for earlier surveys to gather updated data on the health of the coral reef ecosystems surrounding the nearby islands and the local fisheries and to also assess the marine water and sediment for the presence of contaminants. Updated data will be compared with historical data using key performance indicators developed during the 2010 survey. This will enable the specialist team to identify trends in the health of the marine ecosystem and, where applicable, suggest measures to mitigate risks.

Audits

The Ministry of Environment Affairs (MICOA), accompanied by the Health, Marine and Mining Ministries conducted an annual audit of the Mine in September 2013. The main audit findings were inadequate waste segregation, inadequate waste recycling on site, some oil and product spillages at the vehicles repair shop and around plant pipes and conveyors, some expired chemicals in the stores and inadequate hand washing facilities for the Mine catering staff. An action plan to address these findings was developed and is being implemented.

Kenmare's Conditions of Employment Policy is compliant with the International Labour Organisation Labour Convention and FMO Core Labour Standards.

EMPLOYEES

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

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

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

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

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

Employee Demographics

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

	2013	2012
Number of Employees	1,529	1,179
% Mozambican	89%	86%
% Expatriates	11%	14%

There were 1,529 employees at the Mine as at the end of December 2013. This amounted to an increase of 350 employees when compared to December 2012. The vast majority of the employees (89%) are Mozambicans, and 5% are women.

Training

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

The external training programmes in place are as follows:

- Pre-employment programme – candidates are trained for three months at the National Institute for Employment and Vocational Training ("INEFP") in Nampula before starting in full time employment with the Mine;
- Apprenticeship programme – apprentices from the Mine undergo a three month programme at the INEFP in Maputo followed by nine months practical exposure to working in a plant environment at the mining and processing plants. This is followed by a further three years of both practical on the job and classroom training to qualify as artisans;
- Assistants training programme – engineering assistants at the Mine undergo a six month programme at the INEFP in Maputo so that they can be promoted to artisan assistant level should vacancies arise;
- Internships – this programme provides university students with work experience which assists them in completing their courses. Candidates are identified here for the graduate development programme detailed below;

- Graduate development programme – this twenty four month programme provides employment to recent graduates from universities whereby during the programme their progress is mentored by more senior staff members. Graduates on the programme to date have included metallurgists, geologists, mechanical and electrical engineers, human resource practitioners etc.;
- Bursary and educational assistance - this programme involves the Mine providing educational assistance for candidates to attend both graduate and post graduate higher level education in either Mozambique or South Africa;
- Supervisory Training Programme – staff identified in the assistant training programme are offered the opportunity to be trained at the Mine by the University of Stellenbosch Business School and other institutions. The aim of this programme is to increase business skills of staff members and as part of identifying talent for management succession planning; and
- Coaching and mentoring courses – supervisory staff are offered the opportunity to attend courses to assist them in the management of people and teams.

The in-house training programmes at the Mine are as follows:

- Heavy mobile vehicle operator programme – trains staff in the operation of front end loaders, excavators and bulldozers used at the Mine;
- Plant operator programme – exposes junior staff to the operations of the various parts of the mining and processing plants; and
- Technical development programme – a twelve month programme which exposes junior engineering staff to repair and maintenance of specific plant and equipment.

Marketing Review

Titanium Dioxide (TiO_2) Mineral Feedstock Market

Kenmare is a major supplier of titanium mineral sand products to a global customer base operating in over fifteen countries. These include some of the world's largest end-users, who process our minerals into final products that are considered 'quality-of-life' products. Our products consist of several grades of the TiO_2 minerals, ilmenite and rutile, and the zirconium mineral, zircon.

Ilmenite and rutile are used as feedstocks to produce TiO_2 pigment which accounts for about 90% of global titanium feedstock consumption. TiO_2 pigment is a non-toxic inert product with one of the highest refractive indices relative to other dispersion media, which gives it a superior ability to disperse light. This makes it the preferred pigment for imparting a brilliant white colour, and offers ultraviolet protection and opacity when included in final products. TiO_2 pigment is consumed in the manufacture of paints and other coatings, which account for around 50% of all TiO_2 pigment demand. Within this segment, the manufacture of architectural coatings for the residential and commercial construction industry is the largest user of TiO_2 pigment. Other end-use applications that consume TiO_2 pigment include plastics and paper, as well as a diverse group of other uses, including cosmetics, food additives, ceramics, inks and textiles.

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

The market for titanium feedstocks was subdued throughout most of 2013. The long and fragile global economic recovery, coupled with the drawdown of significant inventories of pigment and TiO_2 feedstocks that accumulated during 2012, hindered the much anticipated TiO_2 feedstock market recovery in the second half of 2013.

Although global pigment consumption is expected to have grown by around 9% in 2013, this was from a low base following a large contraction in 2012 and was largely met from the drawdown of significant producer inventories accumulated over the course of 2012. Much of the year was characterised by low pigment plant operating rates, inventory control and cost cutting across the supply chain as pigment producers took a cautious approach to the recovery in the pigment market and worked to reduce inventories. Global average pigment industry operating rates remained below 80% for most of the year and although pigment inventories fell from peak levels of over 100 days over the course of the year, they still hovered around 60 to 65 days for much of the second half of 2013, above the 45 to 50 days level considered necessary to achieve price traction.

Ilmenite and rutile are used as feedstocks to produce TiO_2 pigment which accounts for about 90% of global titanium feedstock consumption.

Year-end 2013 inventory rates are likely to have increased temporarily above the 60 to 65 days level as pigment production typically outpaces sales volumes over the year-end holiday period. This inventory build should reduce over the coming months of 2014 as we enter the Northern Hemisphere painting season. After two consecutive years of below par demand, expectations are high for a stronger 2014 painting season. Overall, pigment producers expect to operate their plants at higher rates in 2014 than in 2013.

Increased pigment consumption in 2013 did not translate into any significant improvements for feedstock producers due to the low pigment plant operating rates. Demand for feedstocks continued to be weak throughout most of 2013, albeit with some improvements in the second half of the year. Reduced demand for high grade feedstocks such as rutile was more acute as some pigment producers sought to prioritise production at lower cost ilmenite consuming plants. Additionally, the existence of some lower priced legacy titanium slag contract volumes in 2013, and carry over inventories from 2012, encouraged pigment plants to favour the use of slag ahead of rutile and other high grade feedstocks to reduce raw material costs. It is understood that most of the outstanding legacy slag contracts will expire in 2014.

Demand for high grade feedstocks from the titanium metal and welding electrode sectors was also weak in 2013. The weakness in the titanium metal market was attributed to the production delays in the roll out of new wide-body jets, coupled with large inventories of titanium scrap in the supply chain built up during 2012. In addition, there was lower demand for titanium metal from developers of desalination plants as a number of projects in the Middle East were completed in the previous year. It is anticipated that there will be further weakness in this sector in 2014 before resumption to strong growth rates from 2015 onwards.

The demand for feedstocks for the welding electrode sector was also subdued in 2013 due to the lower levels of global construction and shipbuilding activity, but should see a resumption of growth in 2014 given the improving economic outlook, particularly in North America, Asia and the Middle East.

Given the weak demand conditions, titanium feedstock prices weakened considerably over the course of 2013 due to destocking in the supply chain, excess supply and cautious buying behaviour in the pigment and other end-use markets. Prices of all feedstock are well off peak levels, down around 65% in the case of the high grade feedstocks such as rutile, and by around half in the case of ilmenite, but with some relative stability in recent months.

China remains the main driver of the global sulphate ilmenite market given its huge import dependence and offtake growth in the past five years. The double-digit growth in pigment demand in China of past years stalled in 2013 and preliminary data points to a low single-digit growth rate. The reported volume of imported ilmenite to China at around 2 million tonnes was also lower than in 2012 as a result of reduced plant operating rates and a shift to the consumption of more domestic ilmenite. New Chinese supply entered the market in the last two years, but some of this new supply tapered off in the second half of 2013 due to low prices. Supply of Vietnamese ilmenite to China also reduced considerably in 2013 due to a combination of export restrictions imposed by the authorities and sub-economic price levels for a number of producers. While demand for imported ilmenite to China is presently weak, it is expected to improve over the course of the year to meet the numerous additional pigment and slag capacity expansions that will enter the market.

There are signs that the market has bottomed out but some further volatility is possible in the first half of 2014. Signs of improvement in Western markets are becoming evident as demonstrated by announcements of increased sales volumes by major pigment producers in the last quarter of 2013. Most of the expectations of improvement in the industry hinges on continued and sustained economic growth in North America and Europe, while growth in emerging markets is expected to remain strong, albeit at lower levels than in recent years. Leading economists forecast a marked pick-up in global GDP growth in 2014 and further modest acceleration in 2015. As pigment demand has historically correlated well with economic growth, the forecast for stronger global GDP growth provides for some optimism for improved demand conditions in the coming two years and the return to the long term trend of around 3% compound annual growth rate.

Signs of improvement in Western markets are becoming evident as demonstrated by announcements of increased sales volumes by major pigment producers in the last quarter of 2013.

Despite the slow and challenging markets in 2013, the demand for Kenmare's products held up reasonably well with some volatility quarter on quarter. Year-end inventories for two of the Mine's ilmenite products were in line with or below normal working levels. In the case of the third ilmenite product, inventories were higher than normal due to a shipping delay of a large ilmenite parcel that slipped to early January 2014. Sales volumes for 2014 to date have started reasonably well, with a more regular offtake pattern starting to emerge.

Over the last two years, Kenmare has managed to convert and secure volume-based agreements with shorter term price negotiation mechanisms for most of its existing and new output from the Mine expansion. This will enable Kenmare to more closely align the price movements with the current and expected improvements in market conditions for its products. With a large part of the increased output from the Mine expansion already allocated, we will continue to ensure that we have the correct mix of sales volumes allocated to existing and new customers, as well as to the spot market. We are also working to secure a balanced mix of sales to pigment customers and ilmenite upgraders, and a good geographical spread to all key regional markets.

Supply and demand analyses for titanium feedstock products indicate that there may be some oversupply in the short term given the start-up of new projects in Africa and the Middle East. History has demonstrated the uncertainty associated with the timing of start-up of new project supply and the speed of demand recovery, both of which can play a large part in reversing market conditions more quickly than expected. However, Kenmare is confident that, with its expanded capacity, it is well positioned to benefit from the medium to longer term expectations of a market supply deficit while having the ability to weather short term volatile market conditions through strong customer relationships. The fundamentals of continued growth in pigment demand based on increased economic activity driven by urbanisation in emerging markets and resumption of solid growth in the more traditional markets in North America and Europe, should support solid offtake of the Mine's production for the future.

Zircon Market

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

As with the titanium feedstock industry, demand conditions in the zircon market in 2013 were also below expectation. A pick-up in demand and some moderate upward pricing pressure in the first eight months of 2013 suggested that a steady recovery was underway. However offtake slowed in the final four months of the year and some moderate pricing instability returned to the market by year-end due to competitive tensions amongst producers to conclude some year-end sales. It is now clear that the stronger first half year conditions were driven more by re-stocking following a stabilisation of prices rather than any significant change in underlying demand. Some speculation by traders mainly in China also contributed to the first half demand boost as they bought ahead of expectations of higher fourth quarter prices.

Zircon demand conditions in 2013 were also uneven across geographical markets with reasonably strong conditions in China and North America offset by more subdued market conditions in Europe, South America, the Middle East and North Africa. Overall global zircon demand is expected to have declined marginally in 2013 compared to 2012, and remains about 30% below peak 2011 levels driven by substitution, principally in the ceramics sector. However, 2014 is expected to see a return to growth given the improved outlook for the global economy. Europe's recovery is expected to be slower than in other regions given that the two main ceramics producing countries, Italy and Spain, are struggling to come out of recession. Ceramic tiles and sanitary ware producers in these countries are becoming increasingly focused on export markets to offset the ongoing weakness in their domestic economies. Elsewhere growth is expected to be more robust.

As with TiO_2 pigment demand, zircon demand is closely correlated to GDP growth and construction activity. Urbanisation trends and per capita income growth in emerging economies are the principal drivers of growth in demand for products that consume zircon such as ceramic tiles. There is also a strong preference for use of ceramics tiles as wall and floor covering in most of these emerging markets. While consumption of zircon for refractory and foundry applications is expected to be relatively stable, faster growth can be expected in specialty chemicals, zirconium metal and chemical zirconia as a diverse range of new end-use applications are developed in the coming years. 3D printing in the ceramic industry also offers some interesting possibilities for increased zircon consumption.

Despite the weaker than expected market conditions in 2013, Kenmare had good offtake support from its zircon customers and year-end inventories were drawn down to minimal levels. Kenmare expects improved market conditions in 2014, with an improving demand environment and continued strong support from customers.

Finance Review

Finance Review

Overview

Offtake of the Mine's products during 2013 of 677,900 tonnes was largely in line with 2012 (680,800 tonnes), despite the generally weaker market conditions experienced during the past year. However average prices for the year decreased by 31% from US$345 per tonne in 2012 to US$238 per tonne in 2013.

Reported revenue for the year was US$137.9 million, after the capitalisation of US$23.6 million of revenue relating to product produced during the commissioning and ramp-up phase of the expansion plant. The expansion facilities, which first began operation in early July, continued to ramp-up production over the second half of the year up to the level of commercial scale production capacity which was achieved by year end. During this period the revenue generated from this production amounted to US$23.6 million and this revenue has been offset against the related production costs and capitalised in property, plant and equipment.

Kenmare increased production of ilmenite by 25% to 720,100 tonnes during the 2013, up from 574,500 tonnes during 2012.

Operating costs decreased by 14% in 2013 after capitalisation of US$29.0 million of operating costs relating to product produced during the commissioning and ramp-up phase of the expansion plant, and the operating profit was US$4.7 million (2012: US$80.4 million). Investment in property, plant and equipment amounted to US$103.9 million, primarily in the Phase II expansion works. Bank loans at the end of 2013 amounted to US$355.2 million (2012: US$324.4 million), an increase of US$30.8 million during the year. This increase principally relates to an additional corporate facility put in place with Absa Bank Limited during the year (US$19.4 million at year-end), accrued interest on deferred loans and exchange movements. Cash balances at the year-end amounted to US$67.5 million (2012: US$46.1 million).

Kenmare generated earnings before interest, tax, depreciation and amortisation (EBITDA) of US$29.0 million in 2013 (2012: US$98.9 million).

Production and revenue

Production and shipments for the years ended 31 December 2013 and 2012 were as follows:

	2013 Tonnes	2012 Tonnes
Heavy mineral concentrate production	1,137,200	772,300
Ilmenite production	720,100	574,400
Zircon production*	31,400	46,900
Rutile production	4,000	5,100
Total final products production	755,500	626,400
Total sales **	677,900	680,800

*Included in the zircon production are 10,300 tonnes (2012: 19,400 tonnes) of a secondary zircon product.
** 110,400 tonnes of 2013 sales relate to product generated from the expansion facilities.

Production of HMC increased by 47% compared with 2012 as a result of the completion and ramp-up of the new dredge and wet concentrator plant in a second mine pond as part of the expansion, and the more favourable mining conditions experienced by WCP A following completion of the transition onto the dunal plateau.

Kenmare increased production of ilmenite by 25% to 720,100 tonnes during 2013, up from 574,500 tonnes during 2012. However, production of zircon during the year was 31,400 tonnes compared with 46,900 tonnes in 2012. This was due to the downtime associated with integration of the expanded zircon and rutile circuits, which took longer than expected and consequently balancing and ramp up of these circuits were delayed. The ramp up was also hampered by periods of unstable power supply. During 2013, Kenmare shipped 677,900 tonnes of finished products, comprised of 642,700 tonnes of ilmenite, 32,200 tonnes of zircon (including 10,300 tonnes of secondary grade zircon) and 3,000 tonnes of rutile.

Revenue for 2013 was US$137.9 million (2012: US$234.6 million), a decrease of 41%. The reported figure for 2013 is after capitalisation of US$23.6 million of revenue generated from the expansion facilities. 677,900 tonnes (2012: 680,800 tonnes) of finished product were sold in 2013 and the blended price for all products sold decreased by 31% compared with 2012.

Operating costs

Cost of sales for the year amounted to US$113.7 million (2012: US$134.5 million), including depreciation and amortisation of US$24.3 million (2012: US$18.5 million) and excluding US$22.7 million of costs which were capitalised.

Other operating costs amounted to US$19.5 million (2012: US$19.7 million) comprised of: freight costs of US$3.4 million (2012: US$3.2 million), which are reimbursable by customers and factored into the sales price for product delivered to customers on a CIF (cost, insurance and freight) basis; US$0.4 million (2012: US$0.7 million) for demurrage as a result of delays in shipments; distribution costs of US$11.0 million (2012: US$9.1 million); and administration costs of US$3.4 million (2012: US$6.6 million), including a charge of nil (2012: US$2.4 million) for share-based payments. US$0.7 million of other operating costs were capitalised in 2013. In October 2013 a fire occurred in the trommels section of WCP A. The costs of repair works and replacement parts amounted to US$1.3 million during 2013.

US$29.0 million of operating costs during the ramp-up and commissioning of the expansion plant has been capitalised in property, plant and equipment. This is made up of US$5.6 million of costs for the six month period ended 30 June 2013, US$22.7 million cost of sales and US$0.7 million of other operating costs for the six month period ended 31 December 2013 relating to product for which revenues were capitalised.

Operating profit

The operating profit for the year amounted to US$4.7 million (2012: US$80.4 million). The decrease in operating profit resulted from lower revenues due principally to a decrease in product prices.

Finance costs, interest and exchange movements

Loan interest and finance fees were US$40.5 million (2012: US$28.7 million). In accordance with the terms of the project financing documents, US$5.6 million (2012: US$7.0 million) of senior loan interest was paid and US$22.4 million (2012: US$19.4 million) of subordinated loan interest was accrued and capitalised. US$2.0 million (2012: nil) of interest on the Absa corporate facility was paid during the year. The fair value of warrants issued as part of the share placing amounted to US$5.9 million (2012: nil). Other financing fees of US$3.9 million consist of US$1.1 million fees for the arrangement of the US$40 million Absa corporate facility in February and other fees of US$2.8 million.

At 31 December 2013, Group total debt was US$355.2 million (2012: US$324.4 million). The debt to equity ratio was 53% (2012: 54%). The weighted average interest rate on debt at year-end was 8.8% (2012: 8.7%).

Interest earned during 2013 amounted to US$0.3 million (2012: US$1.7 million). An exchange loss of US$6.5 million (2012: US$0.6 million) arose during the year, mainly due to retranslation of Euro-denominated loans. Euro-denominated loans at 31 December 2013 amounted to US$186.1 million (2012: US$165.7 million), 52% of total debt.

Deferred tax

During 2013, Kenmare Moma Mining (Mauritius) Limited made a loss for tax purposes. A deferred tax asset of US$0.1 million has been recognised for losses which are available for offset against future profits. Tax losses of US$12.2 million are forecast to expire in 2014. This resulted in a tax charge of US$2.0 million (2012: US$3.3 million) and resulted in loss after tax of US$44.1 million (2012: US$49.5 million profit) for the year.

Operating cash flow

Net cash flow generated from operations in 2013 was US$8.6 million (2012: US$104.1 million). Investing activities of US$82.7 million (2012: US$164.3 million) in the year represents additions to property, plant and equipment, primarily on capital costs for the Phase II expansion. In October 2013, 250.3 million shares were issued, generating net proceeds of US$101.9 million. The purpose of this equity raising was to discharge near term payment obligations in respect of the expansion of the Mine; to repay US$20 million of the Absa corporate facility and to provide the Company with working capital. The remainder of the proceeds is being used for working capital. Loan repayments during the year amounted to US$32.4 million (2012: US$25.9 million) made up of senior project loans US$12.4 million (2012: US$25.9 million) and the Absa corporate facility US$20 million (2012: nil). The increase on 2012 is largely a result of the repayment of US$20 million offset by the deferral of the August senior project loan principal repayment to 2014. There was an increase in cash and cash equivalents for the year of US$20.4 million (2012: US$34.8 million decrease).

Balance Sheet

Additions to property, plant and equipment during 2013 amounted to US$103.9 million (2012: US$191.9 million). US$75.0 million (2012: US$154.5 million) of capital expenditure related to Phase II expansion, US$10.2 million (2012: US$36.2 million) relates to sustaining and other capital projects. The mine closure asset has increased by US$13.3 million as a result of the change in the discount rate used in the calculation of the mine closure provision. The discount rate used in 2013 was 3% based on a 20 year US Treasury yield rate. This is a change in the discount rate from 9% used in 2012, which was the average effective borrowing rate for the Moma Titanium Minerals Mine. The reason for the change in the discount rate is to exclude the risk of the Company and only include risk specific to the liability.

Cash and cash equivalents at 31 December 2013 were US$67.6 million (2012: US$46.1 million). In October 2013, 250.3 million new ordinary shares were issued by way of a placing which raised US$101.9 million net of expenses. The primary purpose of this equity raising was to discharge near term payment obligations in respect of the expansion of the Mine and to repay US$20 million of the Absa corporate facility. The remainder of the proceeds are being used for working capital.

Total liabilities at 31 December 2013 amounted to US$434.0 million (2012: US$388.3 million), of which US$355.2 million (2012: US$324.4 million) relates to bank loans, details of which are set out below:

	Loan balance US$ million	Maturity
Project Loans		
Senior Loans		
AfDB	23.2	2018
Absa (ECIC)	29.9	2015
EAIF	2.8	2018
EIB	11.8	2018
FMO	10.0	2016
KfW IPEX-Bank (Hermes)	8.4	2015
KfW IPEX-Bank (MIGA)	8.5	2018
Total Senior Loans	94.6	
Subordinated Loans		
EIB	151.7	2019
EAIF	50.9	2019
FMO	44.7	2019
Total Subordinated Loans	247.3	
Total	341.9	
Project loan amendment fees	(6.1)	Amortised over life of loans
Total Project Loans	335.8	
Absa corporate facility	20.0	2015
Absa corporate facility arrangement fees	(0.6)	Amortised over life of loan
Total Absa corporate facility	19.4	
Total Group Loans	355.2	

In February 2013, the Company and Absa Bank Limited entered into an agreement establishing a corporate facility of US$40 million maturing in March 2014. This facility was fully drawn in June 2013. In November 2013, US$20 million of the loan was repaid from the proceeds of the equity issue in October 2013. In December 2013 the facility amount was amended to US$20 million and the maturity was extended to 31 March 2015.

In July 2013, an amendment agreement was signed with the Project Lenders which deferred senior loan principal (US$13 million) due on 1 August 2013 until 1 August 2014. A deed of amendment was signed with the Project Lenders in February 2014 which among other things removed the requirement to repay all deferred subordinated debt by 1 August 2015, and rescheduled all deferred subordinated debt that is unpaid as of 31 July 2015 so that 50% is repaid in one instalment on 1 August 2019 and the other 50% is repaid in nine equal semi-annual instalments commencing on 1 August 2015 and ending on 1 August 2019. The Project Loan amendment fees adjust the carrying amount of the Project Loans and are amortised over the remaining term of the modified Project Loans.

Accounting policies

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

Events since year-end

On 14 February 2014, a deed of amendment was signed with the Project Lenders which among other things removed the requirement to repay all deferred subordinated debt by 1 August 2015, and rescheduled all deferred subordinated debt that is unpaid as of 31 July 2015 so that 50% is repaid in one instalment on 1 August 2019 and the other 50% is repaid in nine equal semi-annual instalments commencing on 1 August 2015 and ending on 1 August 2019 (see Note 21).

Financial outlook

The restructuring of the project debt in February 2014 was a significant milestone. The revised profile better aligns the terms of the project financing with the projected cash flows of the Mine and enhances the financial flexibility of the Group. The expansion project is now operating and management focus is to ensure the new facilities smoothly integrate with the original plant and to deliver increased production. Management will optimise efficiencies within operations with a view to achieving unit cost savings. We are also encouraged by improvements in the level of global economic activity, which should ultimately flow through to improved titanium minerals and zircon demand.

Principal Risks And Uncertainties

The Group's business may be affected by risks similar to those faced by many companies in the mining industry. There are a number of potential risks and uncertainties that could have a material impact on the Group's performance and could cause actual results to differ materially from expected results. These risks are outlined below.

Market risks

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

Concentration and counterparty risk

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

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

Competition risk

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

Expansion ramp-up risk

A failure to achieve and maintain post-Phase II Expansion production targets on a timely basis could have a material adverse effect on the Group's production. There is no guarantee that the expanded operations will maintain the anticipated production volumes on a consistent basis, or that post-expansion operating costs will be in line with those anticipated. Failure to implement the Phase II Expansion as planned may have a material adverse effect on the Group's financial condition and the results of operations, and the Group may be unable to capitalise to the maximum extent on any increase in demand or prices of our products.

Operational risks

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

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

The Mine requires reliable roads, ports, power sources and power transmission facilities, and water supplies to conduct its business. The availability and cost of infrastructure affects capital and operating costs, production and sales. In particular, the Mine is dependent on the electricity generation and transmission system in northern Mozambique, and a single 170 km transmission line to the Moma Mine from the Nampula substation and has experienced episodes of power instability, partly as a result of an increase in the load on the transmission system that had not been anticipated by the state power transmission utility, EdM. Although the Group has taken a number of initiatives to minimise interruptions to operations caused by power interruptions and has been working with EdM to improve the stability of the electricity supply to the Moma Mine, there is no certainty that it will succeed in minimising or eliminating power instability, which could adversely affect production. If either the power station at Cahora Basa or the power transmission line to the Moma Mine were to experience prolonged or repeated disruptions or instability, production of ilmenite, rutile and zircon would be reduced, which would reduce cash flow, may impact customer relationships, and have an adverse impact on the Group's results of operations and trading and financial position.

The Group's business may be affected by risks similar to those faced by many companies in the mining industry.

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

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

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

Ore reserve and mineral resources risk

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

Financing and refinancing risks

The development of the Mine has been partly financed by the Project Loans. The Group's ability to meet its debt service obligations under these loans depends on the cash flow generated from operations. The Mine's cash flow, in turn, depends primarily on the Mine's ability to

achieve production, product sales volumes and pricing and cost targets. Failure to achieve these targets could result in insufficient funds to meet scheduled interest and principal repayments which would result in an event of default. Senior management monitors achievement of targets and cash flow to ensure sufficient funds are available to meet scheduled repayments.

On 16 December 2013, Kenmare and Absa agreed to an extension of the corporate facility provided by Absa in a reduced amount of US$20 million maturing on 31 March 2015, which was fully drawn at year end. Although the Group does not expect to be able to repay this corporate facility from operating cash flows as a result of restrictions under the Project Loans, the Group expects to have cash reserves that it can apply in repayment of the facility; in addition, the corporate facility is capable of being renewed on the written agreement of both Absa and Kenmare. A reduction in cash reserves below that required to repay the corporate facility, coupled with a failure to renew or refinance such facility may result in an event of default under the corporate facility as well as under the Project Loans.

Currency risks

The Group's corporate and Moma project loans are denominated in US Dollars and Euro. At 31 December 2013, the loan balance comprised US$169.1 million denominated in US Dollars and US$186.1 million denominated in Euro. The outstanding loans are due to be repaid in instalments between 2014 and 2019. All the Group's sales are denominated in US Dollars. Euro-denominated loans expose the Group to currency fluctuations which are realised on payment of interest and principal on Euro-denominated loans.

Senior management regularly monitors and reports to the Board on these currency risks. The Board had determined that the Group's current policy of not entering into derivative financial instruments to manage the loan-related currency risks continues to be appropriate in light of the length of, and payment profile over, the loan repayment period. In February 2014, the Group entered into a loan amendment with the Project Lenders which provides more certainty on the repayment profile from 1 August 2015 onwards. The policy will be reviewed in light of this amendment.

Group operating and capital costs are denominated in a number of currencies, including US Dollars, South African Rand, Mozambican Metical, Euro, Sterling and Australian Dollars. Fluctuations in these currencies will impact on the Group's financial results. The operating and expansion capital currency exposure is managed by adjusting the currencies in which the cash used to fund such expenditure is held.

Interest rate risk

Interest rates on the Group's bank loans are both fixed and variable. The variable rates are based on one month and six month US Dollar LIBOR. All the Euro loans are fixed rate. The Group is exposed to movements in interest rates which affect the amount of interest paid on borrowings. As at 31 December 2013, 64% of the Group's debt (US$226.7 million) was at fixed interest rates and 34% (US$128.5 million) was at variable interest rates. Any increase in the one month and six month US Dollar LIBOR would increase finance costs and therefore have a negative impact on the Group's profitability. Senior management regularly monitors and reports to the Board on these interest rate risks. The Board has determined that the Group's current policy of not entering into derivative financial instruments to manage such risks continues to be appropriate in light of the length of the loan repayment period, the payment profile over this period and the mix of fixed and variable rate debt. In February 2014, the Group entered into a loan amendment with the Project Lenders which provides more certainty on the repayment profile from 1 August 2015 onwards. The policy will be reviewed in light of this amendment.

Commodity risk

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

Health and safety risks

The Group is committed to conducting its business in a manner that minimises the exposure of its employees, contractors and the general public to health and safety risks arising from its operations. An accident or a breach of operating standards could result in a significant incident which would affect the community, employees, the Group's reputation, and the costs and viability of its operations for an indeterminate period. The Group's operations worked 5.9 million hours in the twelve months to 31 December 2013 (2012: 5.5 million hours), with 17 lost-time injuries to employees and contractors (2012: 9 lost-time injuries). Malaria is a key risk at the Mine and the Group continues to develop and implement programmes to minimise its impact on personnel at the Mine. The Group will also continue to ensure that appropriate health and safety standards are maintained across all its activities.

Human resources risks

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

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

Litigation risks

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

Political risk

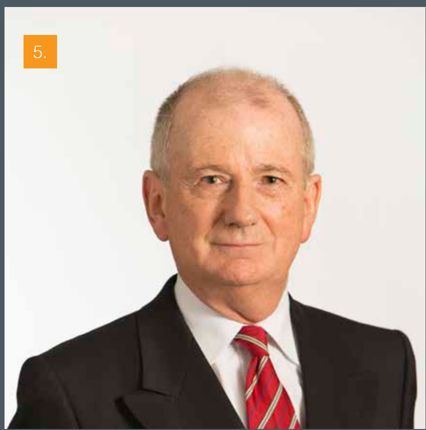
The Mine is located in Mozambique, which has been politically stable for almost two decades. The Group has operated in Mozambique since 1987, and has executed a Mineral Licensing Contract and an Implementation Agreement which each contain certain protections against adverse changes in Mozambican law.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

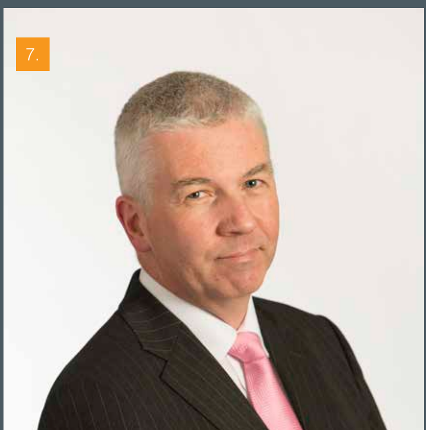
Regulatory risk

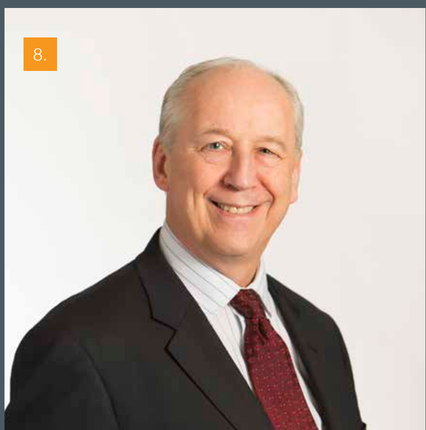
The Group's operations are extensively regulated by national authorities in Mozambique. Regulations govern matters including, but not limited to, employee health and safety, permitting and licensing requirements, planning and development and environmental compliance. Although the Mineral Licensing Contract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

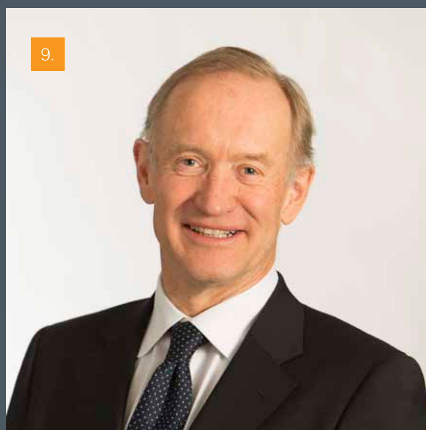
Corporate Governance Report

Board Of Directors









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

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

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

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

5. Justin Loasby (Chairman and Non-Executive Director)
Justin Loasby has extensive experience of international corporate finance. A graduate of Oxford University and the London Business School (MA and M.Sc. Econ), his early career was at Morgan Grenfell & Co. Ltd and at 3i plc. He held senior management positions at the European Investment Bank, Luxembourg, notably from 1994 to 2005 heading up the EIB's financing operations in Southern Africa and the Indian Ocean. He represented the EIB as shareholder/director in a number of companies, including the African Lion Mining Fund. He retired from EIB in 2007, and continues to work in a private capacity, including currently on the Investment Committee of the AIC Caribbean Fund. He was appointed to the Board in August 2011 and appointed Chairman of the Company in January 2012. He is Chairman of the Nomination Committee and a member of the Remuneration Committee.

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

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

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

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

Chairman's Introduction to Corporate Governance

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

The Board of Directors
Kenmare Resources plc is led by a strong and effective Board of Directors. Directors' biographical details, including each Director's date of appointment, are set out on page 39. The Board consists of nine Directors, of which three are Executive and six are Non-Executive. The majority of the Board is made up of Non-Executive Directors. The Chairperson is required to be a Non-Executive. The Nomination Committee is responsible for reviewing the structure, size and composition of the Board and considers the size and composition to be appropriate. The Board requests Non-Executive Directors to step down after nine years and has delegated to the Nomination Committee the responsibility to identify any need to renew the Board, taking into account the challenges and opportunities facing the Company and the skills and expertise therefore needed on the Board in the future.

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

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

Diversity
In February 2011, Lord Davies published the report "Women on Boards" and the FRC published its consequent amendments to the UK Corporate Governance Code which came into effect in October 2012. The Davies report provides a number of recommendations to address the balance of women on the boards, including a recommendation for listed companies to set out their targets for the proportion of women who serve on their board. Kenmare is supportive of the Davies recommendations and is not in favour of the implementation of quotas. The benefits of greater board diversity, not just gender specific, are clear and this is a positive step forward. All appointments will continue to be made on merit and with the objectives of ensuring the right balance of skills, knowledge and experience is retained on our Board enabling us to maximise our corporate potential. Currently Kenmare's Board comprises 22% women, with women Directors making up 33% of the Non-Executives on the Board.

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

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

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

Meetings
The Board and its Committees met regularly throughout 2013. Details of Directors' and 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		Audit Committee		Remuneration Committee		Nomination Committee	
	A	B	A	B	A	B	A	B
Non-Executive Directors								
J. Loasby (Chairman)	7	7			4	4	2	2
S. Bianchi	7	7	4	4	4	4	2	2
E. Headon	7	7	4	4	4	4	2	2
T. Lowrie	7	7						
S. McTiernan	4	4	3	3	3	3	1	1
G. Smith	4	4	3	3	3	3	1	1
Executive Directors								
M. Carvill	7	7						
J. Deysel	7	6						
T. Fitzpatrick	7	7						
T. McCluskey	7	7						
Company Secretary								
D. Corcoran*	7	7	4	4	4	4	2	2

*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 Group. The Board and its Committees are circulated with Board papers in advance of meetings.

Independence of Non-Executive Directors

The Board has carried out an evaluation of the independence of its Non-Executive Directors, taking account of the relevant provisions of the Code and whether the Non-Executive Directors discharge their duties in a proper and consistently independent manner and constructively challenge the Executive Directors and the Board. All the Non-Executive Directors fulfil the independence requirements of the Code. Mr J. Loasby has been Chairman of the Company since January 2012. On his appointment, Mr J. Loasby met the independence criteria as set out in the Code.

Performance Appraisal

The Board conducts an annual evaluation of its performance and that of its Committees. It also conducts an annual performance evaluation of individual Directors. The Chairman, Mr J. Loasby, conducted a performance review of the Directors and in consultation with the Directors an evaluation of the Board and Committees. This was achieved through discussions with each Director and the Company Secretary. It was concluded that all Directors continue to contribute effectively and to demonstrate commitment to their roles and that the committees have functioned effectively in delivering their objectives during the year. During 2012 the Board conducted an external evaluation of its Directors, details of which are available in the 2012 Annual Report.

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

Committees

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

Communication with Shareholders

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

On behalf of the Board:

J. Loasby, Chairman
11 April 2014

Audit Committee Report

Composition of the Audit Committee

The Audit Committee consists of the Non-Executive Directors Ms S. Bianchi, Ms E. Headon, Mr S. McTiernan and Mr G. Smith. During 2013, the Committee determined that Ms S. Bianchi and Mr S. McTiernan are the Committee's financial experts. As outlined in the Directors' biographical details, set out on page 39, members bring considerable financial and accounting experience to the work of the Committee. Mr S. McTiernan was appointed Chair of the Audit Committee in May 2013.

Summary of role of the Audit Committee

The main responsibilities of the Committee include:

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

Meetings

The meetings of the Audit Committee in 2013 are set out on page 41 and generally coincide with the release of the Group's preliminary results, AGM and half yearly results.

Significant issues related to the financial statements

The Committee reviewed the 2013 preliminary results issued by the Company in March 2014 and the 2013 Annual Report in March 2014. The significant issues identified were:

- Cash flow forecasts and going concern. The Committee considered the Group's cash flow forecast and the assumptions it was based on. It reviewed the relevant disclosures in the financial statements regarding going concern including the post-balance sheet event being the deed of amendment entered into with Project Lenders in February 2014 which among other things restructures the payment profile of deferred subordinated debt from 1 August 2015. Based on this review, the Committee was satisfied that it was appropriate to continue to adopt the going concern basis of accounting in preparing the annual financial statements.
- Realisation of assets. As the Mine is still in the early stage of its production life cycle and expansion, there is a level of uncertainty regarding the realisation of the Mine assets over the future life of the Mine. The Committee reviewed the disclosures in the financial statements regarding the realisation of property, plant and equipment and, taking account of the cash flow forecast noted above, were satisfied that at the statement of financial position date the recoverable amount of property, plant and equipment exceeds its carrying amount and, based on such cash flow forecast, that the carrying amounts are recoverable. The auditors noted that they would include an Emphasis of Matter paragraph in their audit report drawing the reader's attention to this issue.

As part of the review of the 2013 Annual Report, the Committee received a report from the external auditors on their audit of the financial statements. This report includes the auditor's review of the areas of audit risk and focus in relation to the financial statements.

The Committee reviewed the 2013 Half Yearly Financial Report issued by the Company in August 2013. The significant issues identified were:

- Cash flow forecasts and going concern. The Committee considered the Group's forecast and the assumptions on which it was based. It reviewed the relevant disclosures in the financial statements regarding going concern including the post-balance sheet event being the amendment of the Project Loans, the key terms being: the postponement of the date on which deferred subordinated debt is required to be brought current from 1 August 2014 to 1 August 2015; the deferment of the 1 August 2013 principal instalment of senior debt of US$13 million to 1 August 2014; and an extension in time and quantum of the ability of the Project to fund expansion-related capital expenditures from Project operating cash flows. Based on this review the Committee was satisfied that it was appropriate to continue to adopt the going concern basis of accounting in preparing the financial statements. The auditors noted that they would include an Emphasis of Matter paragraph in their review report drawing the reader's attention to this issue.

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

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

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

The Committee agreed the fees and audit plan to be paid to the external auditors for their audit of the 2013 Annual Report and accounts and their review of the 2013 Half Yearly Financial Report. The Committee reviewed the safeguards designed to avoid the possibility that the auditors' objectivity and independence could be compromised. The Committee is satisfied that the appropriate policy is in place in respect of services provided by external auditors. Non-audit services were provided by the Company's external auditors in 2013 in relation to taxation advisory services and corporate finance, compliance and assurance services in connection with financing activities. The Committee reviewed these engagements to ensure that the provision of this non-audit service did not compromise the audit objectivity and that independence was safeguarded.

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

Risk management
A detailed risk assessment exercise was undertaken by the Group during the year to identify and document critical risks to the business, including key operational risks and related controls. The Chief Operating Officer, Jacob Deysel, led a number of risk review workshops at the Mine where operational risks to the business were identified and rated, and entered on the Group's risk register. A number of additional workshops were held in the head office in Dublin to consider corporate and business risks which were also entered on the Group's risk register. The critical/high risks identified as a result of this process were reviewed by the Audit Committee. These risks are included in the Principal Risks and Uncertainties facing the Group as set out on page 32 to 35. The risk register and risk management policy will be reviewed and updated at least six-monthly. As part of the internal audit function, controls identified in the risk register will be tested to ensure they are operating effectively.

The Company's whistle-blowing policy was developed during the year and approved by the Audit Committee. It has been translated into Portuguese and will be circulated in English and Portuguese to all employees. In December 2013, an external company was engaged to provide a confidential 24/7 whistle-blowing service allowing all company employees to contact them and report any wrongdoing in the workplace. The Company is currently in the process of rolling out a communication campaign throughout the Group to advise staff of the service before it goes live. This is being done in conjunction with the union via email communication to employees, the Mine newsletter and a poster campaign. The service does not replace the internal processes within an organisation, but seeks to provide a final alternative for those employees who for any reason do not wish to use the internal processes. The Internal Auditor will be the primary point of contact for the external company when reporting calls are logged.

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

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

Audit Committee Report continued

Internal audit

During the year the Committee considered the need for a dedicated in-house internal audit function. Taking into account the development of the Group, the Committee decided to establish an internal audit work programme, and that an in-house Internal Auditor be appointed to carry out the work programme and report directly to the Audit Committee. In November and December, an internal audit of the controls in place at the Mine was conducted. The period under review was 1 January 2013 to 31 October 2013. The key findings from this review were reported to the Audit Committee in December 2013.

Internal control

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

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

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

Financial reporting

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

The Audit Committee monitors the integrity of the financial statements of the Group and any formal announcement relating to the Group's financial performance, reviewing significant financial reporting judgements contained in them. The Audit Committee reviewed the 2013 Annual Report and the 2013 Half Yearly Financial Report and as part of these reviews the Committee received a report from the external auditors for the audit of the 2013 Annual Report and their review of the 2013 Half Yearly Financial Report. The Board reviews and approves the financial statements of the Company and the consolidated financial statements of the Group.

Directors' Remuneration Report

Dear Shareholder,
In accordance with new requirements, this year's remuneration report is split into two parts: the directors' remuneration policy and the annual report on remuneration for the 2013 financial year. Both elements, will be subject to an advisory shareholder vote at the AGM on 28 May 2014.

The Remuneration Committee has, I believe, been conservative and restrained in relation to executive pay. No bonuses were awarded in 2012 or 2013, in recognition of challenging corporate performance, despite our Executive Directors performing well on individual indicators of great importance to the Company. Nor have salaries increased beyond cost of living adjustments.

Directors' Remuneration Policy
The Committee has focused in recent months on ensuring that Kenmare's remuneration policy is appropriately structured to drive corporate performance and deliver value to shareholders, while also incentivising senior management and rewarding results.

We are proposing some significant changes to our approach on remuneration. The proposed structure is intended to apply for three years from the 2014 AGM date and is detailed in the Directors' Remuneration Policy Report in the following pages.

We were prompted to carry out the remuneration review at this time, taking into account:

- The new UK legislation on remuneration reporting. As an Irish company, Kenmare is not legally obliged to comply with this framework, but its shares are listed on the London Stock Exchange and it is our policy to follow best practice corporate governance. We intend to put our policy to an advisory vote at the AGM.
- A desire to introduce a simplified remuneration policy and structure that supports business strategy and, for Executive Directors, to move away from the current share option scheme which has been in place since 1987.
- A desire to align the interests of executives more closely with shareholder returns over the longer term and to increase Executive Directors' shareholdings.
- The need to address the intense competition for experienced and talented senior executives in the global mining industry.

Our work has been guided by the principles of fairness, alignment to shareholders' interests, management control over metrics, and appropriateness to the Company's stage of development including being flexible and robust enough to remain relevant across the next three years.

The proposed structure:

- Does not lead to any increase in the total remuneration of the Executive Directors, and provides for a greater proportion of total pay to be linked to corporate performance and deferred into equity, to lock in management and provide a focus on long-term sustainable value;
- Demonstrates our commitment to a simple and transparent structure which is in the best interest of the Company by balancing the interests of shareholders and executives;
- Ensures that incentive payments and vesting of shares is linked to both:
  - Short term performance metrics which support the business strategy in a dynamic and evolving environment;
  - Shareholder returns over the longer term;
- Allows the Committee to set annual performance metrics in a challenging business environment which, at this time, makes setting sensible multiple-year corporate targets in advance difficult. Targets will be disclosed at the end of the financial year, providing shareholders with full transparency on remuneration outcomes. This enables the Committee to build on performance and to use the targets to drive continuous improvement.

Finally, the manner in which executive pay was previously reported was not a fair reflection of actual benefits received. Whilst share option values previously disclosed were based on a Black-Scholes valuation model, this overstated the value delivered to the executives and from now on there will be greater clarity and transparency.

2013 Report

The past year saw our executives succeed in confronting many challenges and perform well on an individual basis. However, corporate performance was difficult due largely to world market prices for our products. In view of this, bonuses have not been awarded for a second year running, despite the achievement of targets, including production, to threshold levels. In addition, no share options were awarded to the Executive Directors in 2013.

With the change to the new compensation structure, this creates a two year gap, which goes against our objective of incentivising Executive Directors with performance-conditional share awards and increasing their stake in the Company. We propose to bridge this gap by an initial KIP award to Executive Directors, which will vest after three years subject to total shareholder return performances and be released between three and five years from grant.

Conclusion

We are grateful to our investors for their feedback and interaction in the development of this new structure. I also thank my fellow members of the Remuneration Committee for their work and appreciate the very positive inputs and cooperation of our Executive Directors. Our next step will be to review the remuneration policy for senior management.

I hope that you will vote in support of the proposed directors' remuneration policy, the initial KIP award and the annual report on remuneration for 2013.

Elizabeth Headon,

Chairman of the Remuneration Committee

DIRECTORS' REMUNERATION POLICY REPORT

Principles

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

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

Shareholder Vote

The legislative framework that underpins the UK Department for Business, Innovation and Skills Regulations does not apply to Kenmare as an Irish company. However, the Company is listed on the London Stock Exchange and it is our policy to follow best practice corporate governance. As a result this policy will be put to an advisory vote of shareholders at the 2014 Annual General Meeting (AGM) and is intended to apply for three years beginning on the date of approval at the AGM.

Remuneration Policy for 2014 onwards

This remuneration policy set out below covers the three year period between the 2014 AGM and the 2017 AGM and complies, on a voluntary basis, with the regulations set out in the UK's Large and Medium-sized Companies and Groups (Accounts and Report) (Amendment) Regulations 2013 ("the Regulations").

This section of the Remuneration Report contains the general principles of the Company's Directors' Remuneration Policy which will underpin the Company's future executive remuneration. The Remuneration Committee aims to maintain a remuneration policy, consistent with the Company's business strategy and objectives, which:

- attracts, retains and motivates individuals of high calibre;
- is responsive to both Company and personal performance; and
- is competitive within relevant employment markets.

The remuneration policy is built on the following philosophy:

- remuneration packages are structured to support business strategy and conform to current best practice;
- appropriate rewards are given for meeting specific target objectives set at the beginning of each year;
- incremental compensation is achieved for attaining stretch performance targets;
- objectives are measured on metrics designed to be consistent with sustainable long-term business performance;
- promotion of long-term alignment with shareholders through satisfaction of incentives in shares and employee shareholding;
- all decisions are made taking into account the diversity of our people at Director level; and
- monitoring of pay and employment conditions elsewhere in the Group.

The total remuneration levels of the Executive Directors are reviewed annually by the Remuneration Committee, taking into account:

- performance of the executive against specific targets set at the beginning of each year;
- competitive market practice and remuneration levels; and
- the general economic environment.

The Remuneration Committee has, in the design and application of the incentive plan, incorporated mechanisms to encourage consistent and sustainable levels of Company performance and to ensure, when selecting performance conditions and the level of challenge within those conditions, that they support the long-term future of the Company. In reviewing its policy and determining remuneration, the Committee also considers the wider economic conditions and pay and reward packages elsewhere in its sector and within the business.

Going forward, the Executive Directors' remuneration package is made up of the following components:

BASE SALARY + **KENMARE INCENTIVE PLAN** + **PENSION AND OTHER BENEFITS** = **REMUNERATION PACKAGE**

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

Component	Purpose and link to strategy	Operation and performance measures	Payment levels, maxima and at threshold
Base Salary	To attract and retain the talent needed to lead our business.	Reviewed annually with adjustments effective from 1 January. Executive Directors' salaries for 2014 will be increased in line with Irish inflation. In reviewing base salary, reference is made to benchmarking data of other UK- and Irish-listed companies of similar market capitalisation, practice in the global mining sector and Company performance. Other factors taken into account when considering whether or not to award a base salary increase: • the performance of the Executive over the previous twelve months; • the salary review budget for all employees for the coming year; and • retention risk and the ability to replace higher value skills if needed in the market.	Base salaries for Executive Directors are generally increased for cost of living and with consideration to general Company increases. The only exceptions to this rule are where: • There is a significant movement in the benchmarking data for that role; or • An individual is brought in below market level and there is a requirement to increase base pay to reflect proven competence in role; or • There is a material increase in scope or responsibility of the Executive Director's role.

Component	Purpose and link to strategy	Operation and performance measures	Payment levels, maxima and at threshold
Kenmare Incentive Plan	Rewards achievement of in-year performance targets aligned to the needs of the business. Ensures reward only for sustained performance via significant deferred share component with subsequent performance thresholds. Aligns the interests of shareholders and Executive Directors more closely over the longer term by providing a greater exposure to share price movements.	For the year to 31 December 2014, the Kenmare Incentive Plan will replace both the Annual Bonus and Company Share Option Scheme. Annual awards under the KIP will have a cash element (30% of the overall award for 2014) and a separate share element (70% of the overall award for 2014). Both the cash element and the share element will be based on a number of in year performance targets. Based on the level of achievement against these targets, the cash element will be paid shortly after the end of the relevant financial year. The share element will vest after a further three years with part of the shares subject to a further two year holding period. The share element will be subject to vesting conditions as follows: • Continuation of employment: 25% • Median relative total shareholder return ("TSR"): 25% (equal weighting against FTSE 250 and FTSE/MSCI Mining Index) • Absolute TSR exceeding a future target: 50% Unvested shares are subject to cancellation in circumstances such as a material misstatement of accounts, or an event causing serious harm to the Company's reputation. The following in-year performance conditions, used to determine the initial grant of awards, will apply for 2014: • Operational measures: 45% of award; • Financial measures: 20% of award; • Strategic/personal measures: 25% of award; and • HSE: 10% of award. Performance measures and targets will be determined at the start of each year and weights between metrics can be adjusted for future years to reflect the needs of the business. The balanced scorecard will be weighted towards the operational and financial measures. The targets and actual levels of performance will be disclosed retrospectively within the implementation section of the Company's Directors' Remuneration Report. In addition, if the Remuneration Committee, in exceptional circumstances, believes that the cash element is not an appropriate use of the Company's cash it will instead be able to make an award of deferred shares of equivalent value. Such deferred shares would not be subject to forfeiture, but could not be sold until three years from grant.	Awards for on-target performance in 2014 and 2015 will be (as a percentage of salary): • Managing Director: 125% • Financial Director: 125% • Technical Director: 75% Maximum awards will be 250%, 250% and 150% of salary respectively for above-target performance. At the beginning of each year from 2016, the Remuneration Committee will have discretion to review the level of maximum award opportunity for above-target performance, if necessary taking into account prevailing market conditions. Each quantitative performance condition will have threshold, on-target and maximum targets set at the beginning of each year, with threshold and above-target performance in each area rated at respectively half or double performance at on-target level.

Component	Purpose and link to strategy	Operation and performance measures	Payment levels, maxima and at threshold
Initial KIP Award	To be used as an initial award in 2014, on recruitment and otherwise in truly exceptional circumstances. To align shareholder and Executive interests by bridging the gap caused by a transition to the new KIP.	The new Initial KIP Award is proposed as a structure that resolves retention issues caused by the introduction of the new KIP that will not grant shares until early 2015. The award will be the equivalent of 200% of base salary for all Executive Directors (with the number of shares awarded being determined using a share price of Stg26.5p, the price at which equity was issued in October 2013). These awards will vest after three years against TSR performance as follows (as a percentage of award): • Against FTSE 250: 50% • Against FTSE/MSCI Mining Index: 50% TSR will be measured from the date of grant to the third anniversary of the date of grant. The date of grant will be as soon as practicable after the 2014 AGM date. Subject to performance conditions being met, the shares will be released as follows (as a percentage of vesting): • After 3 years: 60% • After 4 years: 20% • After 5 years: 20% No further Initial KIP Awards will be granted to existing Executive Directors.	Awards in shares of up to the equivalent of 200% of salary for Executive Directors. Vesting against achievement against each metric will be (as a percentage of award): • Nil below median • 25% for median performance • 100% for upper quartile or better performance Percentage of vesting will rise on a straight-line basis between points.
Pension	To ensure Executive Directors' total remuneration remains attractive and competitive.	Each Executive Director is entitled to receive a payment of 10% of their base salary into the Company's group personal pension plan or their private pension arrangements.	Maximum pension contribution is 10% of salary.

Component	Purpose and link to strategy	Operation and performance measures	Payment levels, maxima and at threshold
Other benefits	To ensure Executive Directors' total remuneration remains attractive and competitive.	Each Executive Director is entitled to 25 days' annual leave, family health insurance, permanent health insurance, life assurance and an annual health check. The Managing Director has a company car. The Group also reimburses the Executive Directors in respect of all expenses reasonably incurred by them in the proper performance of their duties. The Company may introduce new benefits that are, or become, prevalent in a jurisdiction in which it operates and in which a Director is located. Where an individual is relocated, benefits may be provided such as: relocation expenses, travel, accommodation, tax equalisation, professional advice, post-retirement medical expenses, in line with Company policy for relocations to the jurisdiction to which the individual is relocated where an ex-pat policy, rather than local policy, is being adopted.	The maximum opportunity for the benefits is defined by the nature of the benefit itself and the cost of providing it. As the cost of providing such insurance benefits varies according to premium rates and the cost of other benefits is dependent on market rates and other factors, there is no formal maximum monetary value.
Shareholding requirement	Introduction of a shareholding requirement of 100% of salary for all Executive Directors, to be built up over a five year period. All beneficially held shares will count towards the requirement.		

Legacy Incentive Awards

Annual Bonus	Aligns individuals with key strategic priorities.	The Annual Bonus will be replaced by the Kenmare Incentive Plan. Historically this has been determined by personal and Company key performance indicators. 50% of the bonus payment is deferred for three years and is subject to continued employment with the Company. The release of this deferred element remains part of the remuneration policy.	Payout for overall achievement against the basket of metrics since 2012 is (as a percentage of salary): • At threshold: 25% • On-target: 50% • Stretch or better: 75%

Component	Purpose and link to strategy	Operation and performance measures	Payment levels, maxima and at threshold
Share Option Scheme	To encourage Executive Directors to generate returns to shareholders in excess of the market generally.	Executive Directors were eligible for grants of options under the Company's Share Option Scheme, granted as market value options. No options were granted in 2013 under the Share Option Scheme. Options granted in 2012 vest in 2015 and are subject to the achievement of annual KPIs relating to Health & Safety, Operations and Financial Performance in each of 2012, 2013 and 2014. Options granted prior to 2012 were not subject to any performance conditions. The release of shares already granted under the Share Option Scheme remains part of the remuneration policy.	No prescribed maximum.

Notes to the future policy table

Performance measures and targets

The Remuneration Committee selected performance conditions for the KIP which are central to the Company's overall strategy and are the key metrics used by the Executive Directors to oversee the operation of the business.

The performance targets are determined annually. The Remuneration Committee is of the opinion that the performance targets for the KIP are commercially sensitive in respect of the Company and that it would be detrimental to the interests of the Company to disclose them before the start of the financial year. The targets will be disclosed after the end of the relevant financial year in that year's remuneration report.

Key changes to remuneration policy from that operating in 2013

For the year 2014, for the Executive Directors, the Annual Bonus Scheme and Share Option Scheme (SOS) that were in operation in 2013 will be replaced by the Kenmare Incentive Plan (KIP).

A transitional award of shares (the Initial KIP Award) is proposed to be granted in 2014, which will vest after three years subject to TSR performances, and be released between three and five years from grant.

The Technical Director will receive 10% of base salary into the Company's group personal pension plan or his private pension arrangement, in line with other Executive Directors. In addition, all Executive Directors will now be entitled to permanent health insurance, life assurance and an annual health check.

A shareholding requirement of 100% of salary for all Executive Directors to be built up over a five year period will be introduced.

It is intended that service contracts for the Executive Directors aligned with the proposed policy will be entered into during the course of 2014.

Differences between remuneration of Executive Directors and employees generally

Remuneration arrangements throughout the organisation differ depending on the specific role being undertaken, the level of seniority and responsibilities, the location of the role and local market practice. However, remuneration arrangements are designed based on the principle that rewards should be set at a level which is appropriate to retain and motivate individuals of the necessary calibre to fulfil the roles without paying more than is considered necessary to achieve this. The reward framework is designed to incentivise employees to deliver the requirements of their roles and add value for shareholders.

The Group operates a bonus scheme and share option plan for employees. The performance targets for the bonus scheme are aligned with those of Executive Directors.

Approach to recruitment remuneration

Components	Policy
General	The Committee's approach to recruitment remuneration is to pay competitively to attract the appropriate high calibre candidate to the role. Our principle is that the pay of any new recruit would be assessed following the same principles as for the Executive Directors.
Base salary and benefits	The base salary will be set taking into account the responsibilities of the individual and the salaries paid to similar roles in comparable companies as per our base salary policy. The Executive Director will be eligible to receive benefits in line with Kenmare's benefits policy as set out in the remuneration table.
Pension	The Executive Director will be eligible to receive pension benefits in line with Kenmare's pension policy as set out in the policy table.
Kenmare Incentive Plan	New Executive Directors will be entitled to a pro-rata KIP payment in their first year of employment.
Sign on payments/recruitment awards	Payments to an Executive Director may be made on a case-by-case basis and where considered by the Remuneration Committee to be necessary. Where deemed appropriate, payment can be made via the Initial KIP Award up to 200% of salary.
Share buy-outs/ replacement awards	Awards may be granted to replace those forfeited by the Executive Director on taking up the appointment where considered by the Remuneration Committee to be appropriate. The Committee will seek to structure any replacement awards such that overall they are no more generous in terms of quantum or vesting period than the awards due to be forfeited. In determining quantum and structure of these commitments, the Committee will seek to replicate the value and, as far as practicable, the timing and performance requirements of remuneration foregone.
Relocation policies	In instances where the new Executive Director is required to relocate or spend significant time away from their normal residence, the Company may provide one-off compensation to reflect the cost of relocation for the Executive Director. The level of the relocation package will be assessed on a case-by-case basis but will take into consideration any cost of living differences / housing allowance / schooling.

Service contracts

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

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

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

Mr M. Carvill serves as Non-Executive Director for a number of subsidiary undertakings in the Vico Group and Carvill Group Limited; he does not receive a fee for his services. This release to serve as a Non-Executive Director was granted a number of years ago. All other Executive Directors do not serve as Non-Executive Directors elsewhere.

Policy on payment for loss of office

Components	Policy
General	When determining any loss-of-office payment for a departing individual, the Committee will protect the Company's interests and reflect the circumstances in place at the time.
Good leaver	In general, good leaver will apply in the case of death, retirement, ill-health, injury or disability or any other reason determined by the Remuneration Committee. In addition, in the case of Mr M. Carvill and Mr T. McCluskey, they will be considered good leavers upon termination by them provided no event of gross misconduct or gross negligence has occurred and they do not take up employment or office with a competitor.
Base salary, benefits and pension	In the event of termination, the Executive Director will be entitled to receive compensation equivalent to salary, benefits and company pension contribution they would have received if still in employment for the balance of the applicable notice period. Where appropriate, the Company may continue to provide benefits for a period post termination.
Kenmare Incentive Plan	***Good leavers*** If the participant is deemed to be a good leaver then there will be a pro-rated incentive payment. The Remuneration Committee will have the discretion to either: • assess performance and make a payment at the time of cessation of employment; or • assess performance and make a payment at the end of the relevant financial year in line with the operation of the KIP for other participants. Unvested share awards will usually vest at the original dates and subject to the original performance conditions, but the number of shares will normally be reduced pro-rata to reflect the proportion of the performance period elapsed. The Remuneration Committee will have the discretion to allow shares to vest immediately (e.g. in case of death) but still subject to the outcome of the performance conditions. ***Bad leavers*** For a bad leaver all annual incentive payment entitlements and unvested shares will lapse.
Initial KIP Award	***Good leavers*** All share awards will vest subject to the proportionate achievement of the performance conditions on the date of cessation. ***Bad leavers*** All awards will lapse.
Deferred Bonus Awards made in 2011 and 2012	All deferred awards will vest immediately, save in the event of resignation or termination for gross misconduct or gross negligence.
Share Option Scheme	***Good leavers*** If the participant is deemed to be a good leaver then unvested share options will usually vest at the original dates and subject to the original performance conditions, but the number of options may be reduced pro-rata to reflect the proportion of the performance period elapsed. The Remuneration Committee will have the discretion to allow options to vest immediately (e.g. in case of death) but still subject to the outcome of the performance conditions. ***Bad leavers*** For a bad leaver all unvested shares will lapse.

Policy on payment for change of control

Components	Policy
General	When determining any change of control payment for a departing individual the Committee will protect the Company’s interests and reflect the circumstances at the time.
Base salary, benefits and pension	In the event of termination of employment following a change of control, the Executive Director will be entitled to receive compensation equivalent to salary, benefits and company pension contribution they would have received if still in employment during the relevant notice period.
Kenmare Incentive Plan	On a change of control there will be a final incentive payment based on the relevant achievement against the annual performance metrics as assessed by the Remuneration Committee up to the point of change of control. The Remuneration Committee will have the discretion to pro-rate for the proportion of the year elapsed. Any incentive will be paid immediately in cash. All unvested share awards will vest immediately, and will normally be subject to satisfaction of any relevant performance conditions. The number of shares vesting will usually be pro-rated to reflect the proportion of the performance period elapsed, but the Remuneration Committee will have the discretion not to apply this pro-rating.
Initial KIP Award	All share awards will vest and will normally be subject to the proportionate achievement of the performance conditions at the date of the change of control.
Deferred Bonus Awards made in 2011 and 2012	All deferred awards will vest immediately.
Share Option Scheme	All unvested share options will vest immediately.

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

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

Other Remuneration Committee discretions

In the event of the following:

- variation of the share capital of the Company; and
- demerger of a substantial part of the Group’s business;

the Remuneration Committee may make such adjustments to awards as it may determine to be appropriate under the KIP and Initial KIP Award, in accordance with the plan rules.

The Committee has discretion in several areas of policy as set out in this report. The Committee may also exercise operational and administrative discretions under relevant plan rules approved by shareholders as set out in those rules.

Consideration of employment conditions elsewhere in the Company

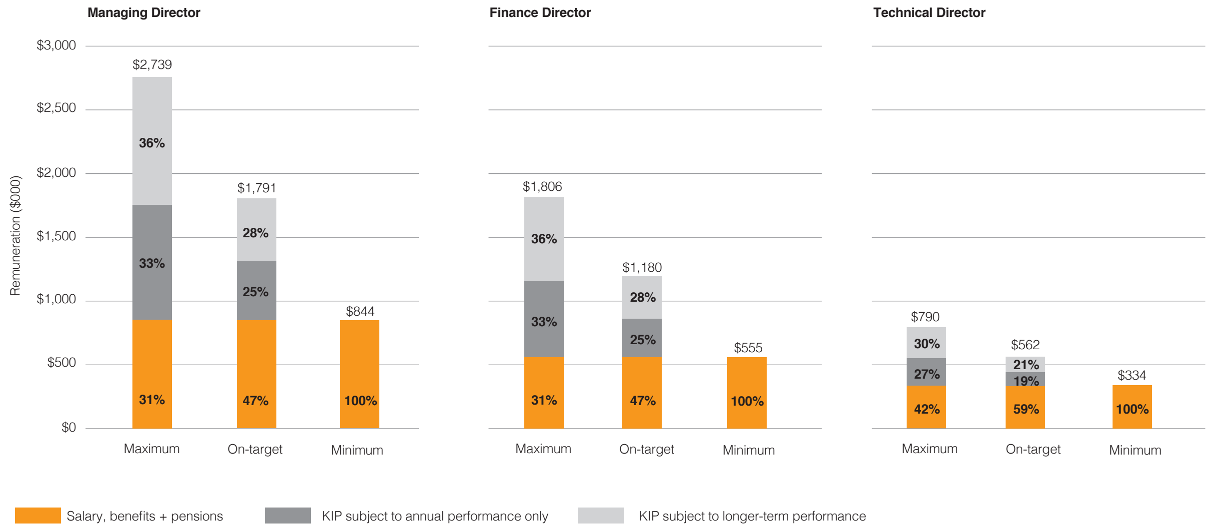
The Committee does not directly consult with employees when formulating Executive Director pay policy. However, the Committee does take into consideration information on pay arrangements for the wider employee population when determining the pay of Executive Directors.

Consideration of shareholder views

The Remuneration Committee considers shareholder feedback received in relation to the AGM each year and guidance from shareholder representative bodies more generally. This feedback, together with additional feedback received during meetings from time to time, is then considered as part of the Company’s review of remuneration policy. In formulating the policy for 2014, the Committee consulted with many of the significant shareholders regarding their views on remuneration practice and policies. The views expressed during these consultations were taken into consideration when setting the remuneration structure.

Illustrations of application of remuneration policy

The total remuneration opportunity in 2015, being the first full calendar year that the new policy will be applied, for each of the Executive Directors at three different levels of performance is shown below.



Notes:

Base salary is based on 2014 figures and benefits are based upon 2013 figures. Pension is taken as 10% of salary. The benefits value reflects 25 days' annual leave and family health insurance.

Target KIP award is 50% of the maximum opportunity available.

Maximum KIP award represents 250%, 250%, 150% of salary for the Managing Director, Financial Director and Technical Director respectively for 2015 awards under the KIP.

Non-Executive Directors' remuneration

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

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

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

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

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

ANNUAL REPORT ON REMUNERATION 2013

Composition and Role of the Remuneration Committee

The Remuneration Committee comprises five independent Non-Executive Directors, Ms E. Headon (Chairman), Ms S. Bianchi, Mr J. Loasby, Mr S. McTiernan and Mr G. Smith. Mr S. McTiernan and Mr G. Smith were appointed to the Remuneration Committee in March 2013. Further details regarding the members of the Remuneration Committee, including their biographies and length of service are set out on page 39. The Company Secretary acts as secretary to the Committee. The Managing Director may be invited to attend meetings of the Committee, except when his own remuneration is being discussed. No Director is involved in consideration of their own remuneration.

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

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

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

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

The Committee met four times during the year ended 31 December 2013. The main agenda items included remuneration policy, remuneration trends and benchmarking and the remuneration packages of the Managing Director and the other Executive Directors. Individual attendance at these meetings is set out on page 41.

Directors' remuneration (Audited)

The following table sets out the total remuneration for Directors for the year ended 31 December 2013 and the prior year. None of the Directors received an increase in base salary or fees during 2013 (minor differences in figures in the table reflect movements in conversion rates between Euros and US Dollars at the relevant dates).

	Salary and fees		All taxable benefits		Annual bonuses		LTIP		Pension		Total	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
M. Carvill	726	703	10	10	-	-	-	-	73	70	809	783
J. Deysel (i, ii)	567	453	-	-	-	-	-	-	46	44	613	497
T. Fitzpatrick	302	302	-	-	-	-	-	-	-	-	302	302
T. McCluskey	479	464	5	5	-	-	-	-	48	46	532	515
	2,074	1,922	15	15	-	-	-	-	167	160	2,256	2,097
S. Bianchi	101	91									101	91
I. Egan (i)	83	201									83	201
S. Farrell (i)	32	73									32	73
E. Headon	102	98									102	98
J. Loasby	248	240									248	240
A. Lowrie	76	73									76	73
P. McAleer (i)	42	107									42	107
S. McTiernan (i)	93	-									93	-
G. Smith (i)	76	-									76	-
C.Carvill	-	15									-	15
	853	898	-	-	-	-	-	-	-	-	853	898
Total	2,927	2,820	15	15	-	-	-	-	167	160	3,109	2,995

(i) On 12 March 2013, Mr S. McTiernan and Mr G. Smith were appointed to the Board as Non-Executive Directors. On 29 May 2013, Mr I. Egan, Mr S. Farrell and Mr P. McAleer retired from the Board and on 12 December 2013 Mr J. Deysel stepped down as a Director of the Board and became Chief Operations Officer. Their 2013 remuneration relates to the period of their directorships.

(ii) In 2013 Mr J. Deysel received a one-off payment amounting to US$100,000 in relation to a four month period when, in addition to his role of Chief Operations Director, he assumed the role of Acting General Manager at the Mine.

(iii) In 2012 the Company reported bonus payments to Executive Directors paid in 2012 which were in respect of performance in 2011. In line with UK Department for Business, Innovation and Skills Regulations (the "Regulations") bonuses for 2013 and 2012 shown in the table above are the bonuses relating to performance in 2013 and 2012.

(iv) In relation to share options which vested with reference to performance in 2013 and 2012, the exercise price is greater than the share price at the time of vesting and therefore the value shown in the table above is nil. LTIP values previously disclosed were based on a Black Scholes valuation model.

(v) The underlying currencies of Directors' emoluments are Euro, Sterling and US Dollars.

Assessment of the performance of each executive Director against their KPIs is made using a balanced scorecard approach. The weighting of the performance targets varies according to the role of each individual. The Remuneration Committee applies appropriate discretion in respect of determining the bonuses and share options to be awarded, based on actual performance achieved by each Director and by the Company as a whole. In respect of the year ended 31 December 2013, in spite of the achievement of targets across the range of percentages set out in the KPIs by each Director, considering the difficult conditions prevailing in the market, no bonuses nor share options were awarded to the Executive Directors for the year.

Executive and Non-Executive Directors' fees for services as Directors provided to the Company and the entities controlled by the Company are US$1.7 million (2012: US$1.6 million) and US$0.7 million (2012: US$0.5 million) respectively. These figures have been calculated based on the requirements of the Regulations. Consultancy fees paid to some Non-Executive Directors are for non-executive services as Directors provided to the Group.

Payments to Past Directors (Audited)

Former Directors, Mr I. Egan, Mr S. Farrell and Mr P. McAleer each received US$23,231 during 2013 for their services as members of Kenmare's Special Advisory Panel.

Directors' and Secretary's Shareholdings (Audited)

The interests of the Secretary and Directors who held office at 31 December 2013, their spouses and minor children, in the Ordinary Share Capital of the Company were as follows:

	Shares Held 11 April 2014	Shares Held 31 Dec. 2013	Shares Held 1 Jan. 2013
J. Loasby (Chairman)	50,000	25,000	-
S. Bianchi	1,603,600	1,603,600	1,603,600
M. Carvill (i)	4,902,030	4,802,030	4,802,030
T. Fitzpatrick	108,807	108,807	108,807
E. Headon	48,773	48,773	48,773
A. Lowrie	5,370,891	4,870,891	4,870,891
T. McCluskey	681,250	606,250	606,250
S. McTiernan	228,990	19,990	19,990
G. Smith	100,000	-	-
D. Corcoran (Secretary)	56,378	56,378	56,378

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

Directors' and Secretary's Share Options (Audited)

Details of the share options of the Secretary and Directors who held office at 31 December 2013, granted in accordance with the rules of the Share Option Scheme, are as follows:

	1 Jan 2013	Granted during 2013	Exercised or transferred during 2013	Lapsed during 2013	31 Dec 2013	Average option price	Option Price range From	Option Price range To
						€	€	€
J. Loasby (Chairman)	-	-	-	-	-	-	-	-
S. Bianchi	-	-	-	-	-	-	-	-
M. Carvill	20,691,333	-	-	1,333,333	19,358,000	34c	11c	55c
T. Fitzpatrick	5,400,000	-	-	500,000	4,900,000	29c	11c	55c
E. Headon	-	-	-	-	-	-	-	-
A. Lowrie	500,000	-	500,000	-	-	-	-	-
T. McCluskey	14,550,000	-	-	1,083,333	13,466,667	35c	11c	55c
S. McTiernan	-	-	-	-	-	-	-	-
G. Smith	-	-	-	-	-	-	-	-
D. Corcoran (Secretary)	4,425,000	750,000	-		5,175,000	32c	13c	47c

During the year, 2,916,666 Directors' share options lapsed by agreement between the Remuneration Committee and the Executive Directors, having considered the challenging market conditions facing the Company. During the year, no Secretary's share options lapsed. In March 2013, Mr A. Lowrie transferred his share options to his non-minor son. The latest exercise date is August 2019. The share option period may be extended at the discretion of the Board.

The share price at the year-end was £0.21 and the share price range for the year was between £0.18 and £0.37.

Total pension entitlements (Audited)

Mr M. Carvill received a payment of 10% of his base salary into his private pension plan during 2013. Mr J. Deysel and Mr T. McCluskey received a payment of 10% of their base salary into their Executive Pension Plans during 2013. Fees paid to Non-Executive Directors are not pensionable.

Scheme interests awarded during the year (Audited)

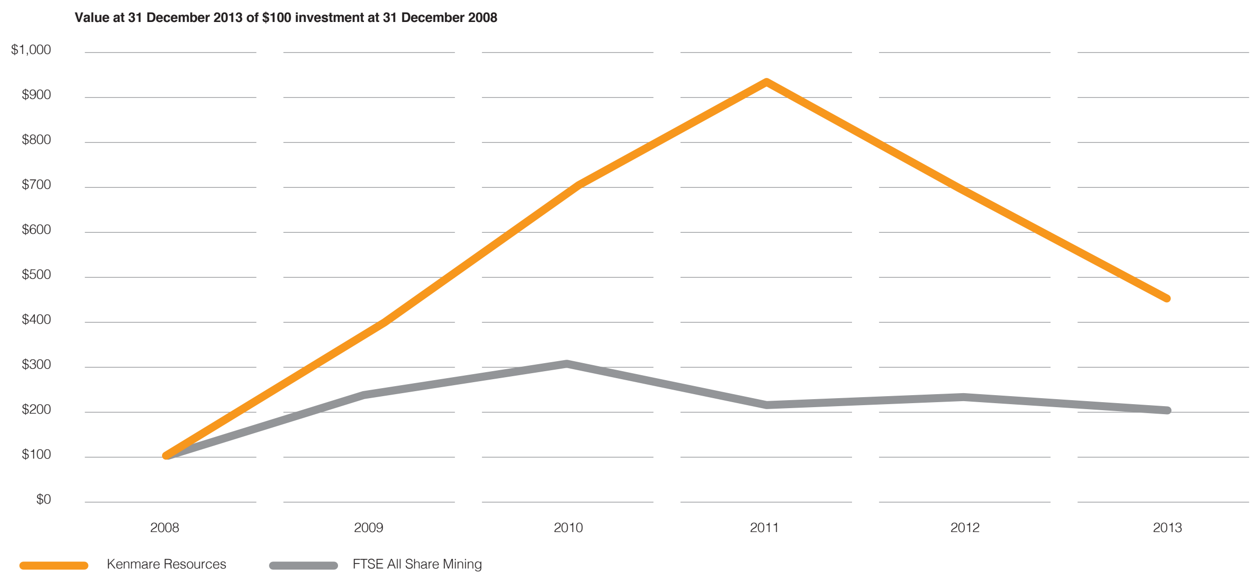
No share awards were made to Directors during the year.

Payments for loss of office (Audited)

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

Performance graph and table

The value at 31 December 2013 of $100 invested in 2008 compared with the value of $100 invested in the FTSE All Share Mining Index is shown in the graph below.



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

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

Prior to 2013, the Company reported bonus payments to Mr M. Carvill in the year of payment. As bonus awards were generally determined six months after the applicable year-end, the bonus amount disclosed each year related to performance in the previous year. In line with UK Department for Business, Innovation and Skills Regulations (the "Regulations") figures shown in the table above relate to remuneration for performance each year.

A 75% maximum bonus limit was introduced in 2012 and applied in the table above for bonus pay-out percentage awards.

Percentage change in Managing Director remuneration

The table below compares the percentage change in the Managing Director's salary, taxable benefits and annual bonus with the wider employee population, comparing 2013 with 2012.

	Salary % change	Taxable Benefits % change	Bonus % change
Managing Director	0	0	0
Average Employee pay	9	0	0

The underlying currency of the Managing Director's salary is Euro. There was no change in the Euro salary however the US dollar equivalent used for reporting purposes varies depending on exchange rate fluctuation.

Relative importance of spend on pay

Significant distributions	Disbursements from profit 2013 US$000	2012 US$000	Change
Overall spend on pay including Directors	52,940	44,168	8,772
Profit distributed by way of dividend or share buyback	0	0	0
Ongoing cash operating costs	150,400	123,400	27,000

Employee numbers throughout the Group increased from 1,017 in 2012 to 1,554 in 2013 principally due to the recruitment of personnel as a result of the expansion of the mine operations.

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

Statement of implementation of policy in 2014

Base salary

The salaries for the forthcoming year are set out below:

Executive Director	2014 US$000	2013 US$000	% change
M. Carvill	729.6	726	0.5
T. Fitzpatrick	303.5	302	0.5
T. McCluskey	481.4	479	0.5

The underlying currency of Mr M. Carvill and Mr T. McCluskey's base salaries are Euro. The US Dollar figures shown above for 2014 have been calculated using the average 2013 Euro to US Dollar exchange rate. The final US Dollar figure for 2014 will vary depending on exchange rate movements.

KIP

The incentive opportunity for the Executive Directors under the KIP for 2014 will be as follows:

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

The performance metrics for 2014 and their associated weightings are as follows:

Area	Measure	Weight
Operational	Ilmenite and zircon production volume	30%
	Operating costs	15%
Financial	EBITDA	10%
	Free cash flow	10%
Strategic/Personal	Each Director will have key objectives set by the Committee appropriate to his/her operational responsibilities and assessed at the end of the year on a qualitative basis	25%
HSE	Lost-Time Injury Frequency Rate (LTIFR)	5%
	No material environmental breaches	5%

The performance metrics as set seek to deliver ongoing progress in relation to operational performance, cost efficiency and capital expenditure management, health and safety initiatives, and corporate and personal development objectives. Full details of the performance targets associated with these measures are considered by the Directors to be commercially sensitive and will not be disclosed in advance. Target levels of performance and actual outcomes relative to the targets will be disclosed retrospectively in next year's Directors' Remuneration Report.

Consideration by Directors of matters relating to Directors' remuneration

The Committee seeks and considers advice from independent remuneration advisors where appropriate. During 2013, following a review process, the Committee appointed PwC to provide advice on compensation and remuneration matters including advice on best practice market developments. During the year ended 31 December 2013, fees payable to PwC in respect of these services amounted to Stg£27,500. PwC is a member of the Remuneration Consultants Group and has signed the Code of Practice for remuneration consultants. The Committee is satisfied that the advice it receives from PwC is independent and objective.

Statement of voting at general meeting

The table below shows the outcome of the advisory vote on the Directors' Remuneration Report at the 2013 AGM.

Item	Votes for	%	Votes Against	%	Votes withheld
Advisory vote on 2012 DRR	1,382,398,990	92	124,522,994	8	204,237,829

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

E. Headon

11 April 2014

Nomination Committee Report

Composition of the Nomination Committee

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

Summary of role of the Nomination Committee

The main responsibilities of the Committee include:

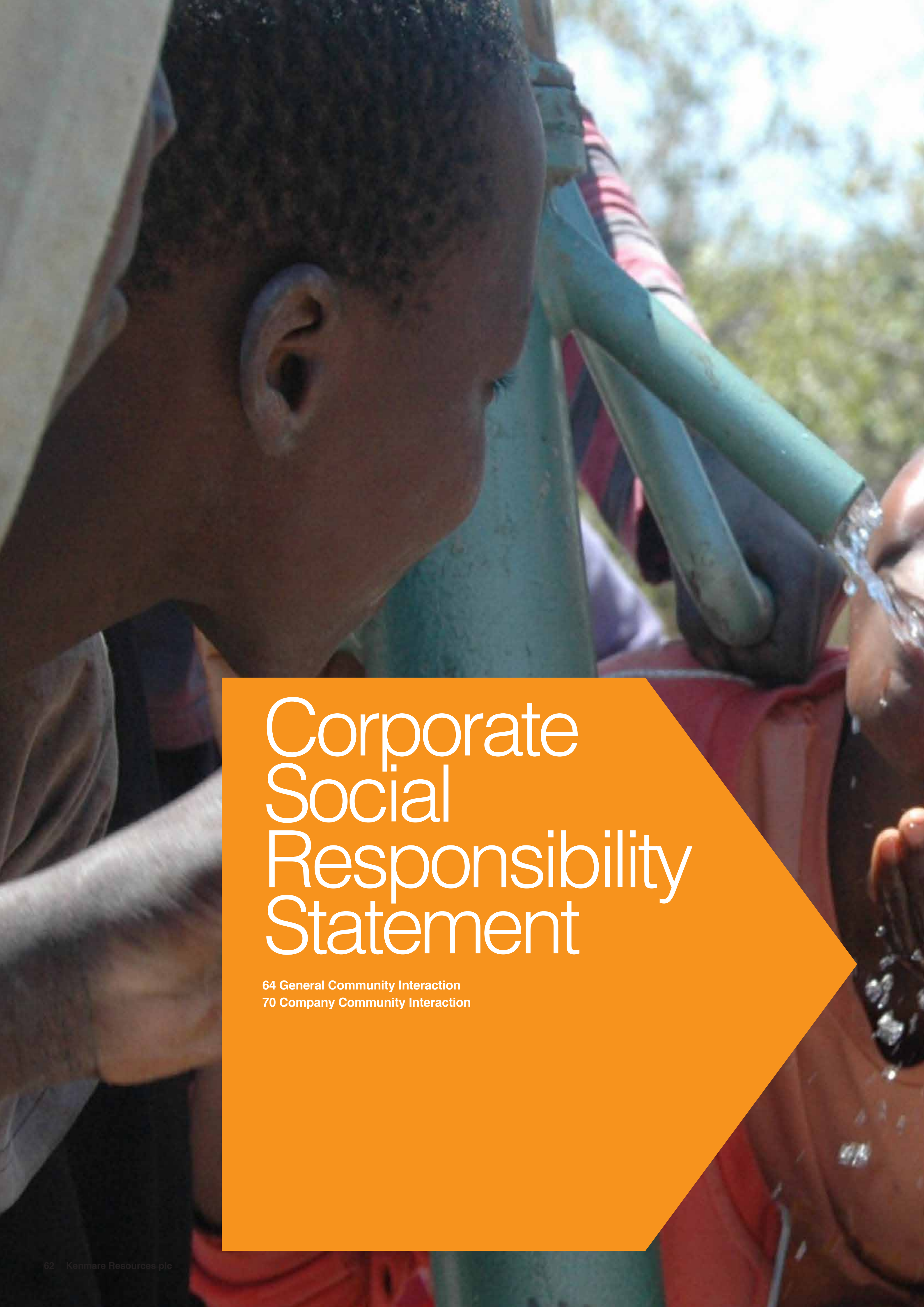
- identifying and nominating for the approval of the Board candidates to fill Board vacancies as and when they arise;
- before making an appointment, evaluating the balance of skills, knowledge and experience on the Board and, in light of this evaluation, preparing a description of the role and capabilities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

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

Meetings

The Committee met during 2013 to consider a number of candidates for the positions of Non-Executive Directors. An external recruitment consultant, the Institute of Directors in Ireland Boardroom Centre ("the Boardroom Centre"), was engaged to assist with the recruitment process. The result of this process was that in March 2013, the Board co-opted Mr S. McTiernan and Mr G. Smith as Non-Executive Directors, who were subsequently elected to the Board by shareholders at the AGM in May 2013. On appointment, the Company Secretary provided an induction to the Directors on their roles and responsibilities on the Board and relevant committees. Both new Directors visited the Mine in December 2013 which provided them with the opportunity to meet with operations staff.

The Committee also meet during the year to discuss succession planning and the skills and expertise that are needed on the Board in the future.



Corporate Social Responsibility Statement


Property of

Corporate Social Responsibility Statement

GENERAL COMMUNITY INTERACTION

Introduction

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

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

KMAD's vision is to achieve a community of:

- Healthy people living in safe and dignified conditions, protected from disease and hazards;
- An informed and independent population with access to education and opportunity for individuals to reach their potential;
- Many cohesive social groups and networks contributing to sustainable development.

Since KMAD's first activities were started in 2004 there have been significant improvements in infrastructure, with all the neighbouring communities now electrified, improved water access and mobile phone coverage throughout. Direct and indirect employment opportunities have been created; training initiatives have been implemented; and numerous development activities started by KMAD have now matured. KMAD is currently implementing the 2013-2015 work plan, the details of which were finalised through extensive community consultations, and the goals of which formed the basis of a Community Agreement signed by the local leaders, the District Government and Kenmare in 2013. Over the three year period of its current work plan, KMAD's goal is to:

- Facilitate the economic development and income generation capacity of the local community. This includes maximising the benefits of the Mine by creating secondary economic opportunities in the community and generating long-term sustainable economic opportunities independent of the Mine, as well as supporting facilitating mechanisms such as education, adult literacy and vocational training; and
- Improve the wellbeing of the local population. This includes supporting social development in health, with special focus on community health awareness, sports, and the construction of appropriate social infrastructure such as water pumps (accompanied by building the capacity of local water management committees) and educational facilities (including investing in vocational training).

Kenmare is committed to operating in a sustainable and responsible manner and has a long-term strategic approach to the conduct of its business with corporate responsibility as a key priority.

KMAD's core values are:

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

KMAD operates in three main areas:

Livelihoods and economic development

This includes capacity development and financial support to income generating initiatives, agriculture/food security and livestock support, economic infrastructure, etc.

Health development

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

Education development

This includes all support to the education sector – such as support for capacity development of teachers, educational materials and equipment, school buildings and furniture, vocational training, community environmental awareness and sports initiatives.

Organisational Development

KMAD membership

The KMAD Board consists of members of the Board and executives of Kenmare Resources plc, five community representatives as well as members of the Mine operations team.

Operation

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

Sources of funding

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

Implementation Strategies

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

Direct implementation

KMAD has in some instances directly managed activities, such as construction projects, animal husbandry and the multi-media centre. Direct implementation is generally the most rapid implementation method but is also very time consuming and, given the desire to maintain a lean operational structure, KMAD's capacity to carry out direct implementation projects is limited.

Contracted implementation

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

Collaborative implementation

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

Enterprise Projects

In 2013, KMAD received seventy five business proposals from the community, double the number received in 2012. Of these, seven were funded: two groups supplying native seeds to the mine rehabilitation department; two butchers; one business building latrines; one fish shop; and one brick maker. Each new business received twelve to sixteen days' training on business and management skills. The businesses are monitored on business data capture and organisation of the tasks among the members of the groups. The introduction of forms used by KMAD to monitor the progress of the business as well as the challenges the groups face in terms of income and profit have allowed KMAD to better assist the groups that need special attention. Despite this progress there are still challenges, especially with groups who misuse business revenue for personal activities, therefore damaging, and in some cases destroying, the business.

During 2013, five of the businesses started in previous years were closed down as they were not profitable. At the end of 2013 there were twenty five economic development projects supported by KMAD benefiting a total of 155 families. The businesses generated a total of US$162,100 in revenue and US$43,500 in profit.

KMAD continued to support the existing two farmers' associations that produce vegetables for sale to both the Mine catering company and the local market. Construction of a borehole with generator and pump to provide water for irrigation in Nathuco was concluded. Monthly average production from the two existing groups was 11,700 kilograms. As the demand for vegetables from the Mine catering company cannot be met solely by these two groups, KMAD extended its support to two other local suppliers from nearby.

KMAD has agreed to work with the Government of Mozambique's Centre for the Promotion of Investment ("CPI") in partnership with the United Nations Conference on Trade and Development ("UNCTAD") to train the farmers' associations in agri-business and develop the capacity of the groups to be able to supply products and services to the defined standards. Further irrigation alternatives continue to be investigated.

KMAD continued to support the two egg producer associations. Both groups suffered from a shortage of chicken feed for a large portion of the year. The technician employed by KMAD taught the group to produce an alternative chicken feed. This local feed prevented the loss of hens but did not prevent a reduction in egg production. There were also

The health clinic constructed by KMAD officially opened in March 2013. KMAD constructed the clinic with an outpatient and maternity block, two houses for the staff, equipment and furniture.

difficulties in obtaining replacement chicks for the groups. The same restrictions applied to the poultry business which, despite these challenges, had a successful first year.

The sewing groups producing sample bags for the Mine continue to deliver the best returns. The groups produced a total of 877,000 calico bags generating revenue of US$73,200, of which US$15,500 was profit. The various shops continued to perform steadily.

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

Social and Cultural Projects

Health Clinic

The health clinic constructed by KMAD officially opened in March 2013. KMAD constructed the clinic with an outpatient and maternity block, two houses for the staff, equipment and furniture. An ambulance was also donated by Kenmare. The government allocated two staff members, a technician and a nurse, and hired three health assistants. As the salaries of these auxiliaries had not been included in the clinic budget, KMAD will pay their salaries for a period of three years, following which they will be incorporated into the District Health Services ("DHS") staff. With the opening of the clinic, a new Memorandum of Understanding was signed with the DHS, which covers the construction of a pre-natal accommodation house for women waiting to deliver (Casa de Mãe Espera), an outside shaded area for the vaccination of children and a new consulting area which will allow for the introduction of HIV testing and the provision of anti-retroviral treatment. The latter two were complete by the end of the year and the pre-natal accommodation unit is structurally complete with connection to the water and electricity supply to be finalised.

Project description	Communities involved	Number of Participants	Gross Revenue US$	Profit US$
Existing projects				
Vegetable farming	Nathuco, Nathaca, Mpago	57	42,000	13,700
Egg farming	Mtiticoma, Thipane	5	16,300	3,900
Sewing project – sample bags	Mtiticoma, Thipane, Cabula	18	73,200	15,500
Grocery shops	Thipane, Cabula, Nathuco, Mulimune	20	6,800	2,100
Bicycle spares shop	Nathaca	5	3,400	500
Multimedia centre	Topuito	1	1,200	400
Second hand clothes shop	Nathuco	3	1,200	400
Bakery	Naholoco	5	2,000	200
Poultry	Naholoco	2	5,600	2,600
Salt production	Mulimune	2	100	-
New projects started in 2013				
Butcher	Mtiticoma	4	900	-
Guest House	Mtiticoma	2	-	-
Latrine manufacture	Topuito	6	-	-
Seed suppliers	Nathuco, Mulimune	16	8,100	3,700
Brick making	Nathaca	5	-	-
Home utensils	Nathaca	4	1,300	500
Total		155	162,100	43,500

The Mobile Clinic Team of Missão Betesda continued with the fortnightly visits to Topuito locality.

Health

The Mobile Clinic Team ("MCT") of Missão Betesda continued with the fortnightly visits to Topuito locality. The team made twenty three general consultation visits and fifteen dental consultation visits, with a total of 3,348 and 812 patients being seen respectively. Thirty-nine patients were evacuated, nine to Moma and thirty to Nampula, by the Mission Aviation Fellowship ("MAF") aircraft. During the year, the team had an additional medical dentist and a nurse trained in mother and child care. With the opening of the health clinic the focus of the project changed to more consultations in the Topuito clinic (two days per visit) and increased focus on training of the clinic staff and the community health volunteers (one day per visit).

Village	Doctor Consultations 2013	Dentist Consultations 2013
Topuito	1,509	272
Pilivili	321	115
Larde	504	151
Guarneia	311	91
Micane	303	46
Brigahna	400	137
Total	3,348	812

HIV/AIDS Programme

Kenmare signed a one year contract extension with Population Services International ("PSI") in May 2013 to implement a comprehensive HIV/AIDS programme both in the workplace and in the surrounding communities. The community activists continue to work with the MCT as well as with PSI. The project started with thirty community volunteers at the beginning of the year and with twenty six still volunteering at the end of the year. The communication strategies include theatre groups, door to door awareness sessions, permanent group discussions and viewing videos. The opening of the clinic has enabled the volunteers to refer individuals with HIV/AIDS to the clinic.

During the year there were a total of 2,218 inter-personal communication sessions covering 19,488 individuals (10,353 women). With door to door visits, the volunteers visited 3,041 households and 3,684 individuals (2,312 women). 141 theatre sessions were held watched by 18,431 people (9,929 women). 102 individuals (58 women) were referred to the clinic. The video sessions started in the final quarter of the year. There were five sessions with 124 people (75 women) attending.

Malaria

Three indoor spraying campaigns were carried out in the surrounding communities during 2013. Prior to each campaign representatives from Moma District Health Department undertook education and awareness campaigns in each of the seven villages that were sprayed. Details of the number of buildings sprayed during these campaigns are detailed below:

2013 Campaigns	Houses sprayed	Other buildings sprayed
March	6,741	472
July	6,186	787
November	6,769	501
Total	19,696	1,760

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

Water and Sanitation

In 2013, KMAD drilled boreholes in Nathuco and Nathaca and formed water committees in both villages to manage the maintenance of the pumps. KMAD is monitoring the activities of all the community water committees and facilitating a monthly workshop whereby all water committees meet and exchange their experiences and learn from one another.

Equipment and technical support costing approximately US$50,000 was also given to Moma town to rehabilitate the town's water reticulation system which has been inoperable for over 20 years. At the time of writing, the hospital was finally receiving running water and the final repairs to ensure the remainder of the town has access to running water were almost complete.

Vulnerable Households

A survey identifying all the vulnerable households in the Topuito locality was financed by KMAD and undertaken by the Provincial Department of Women and Social Action. Upon completion, KMAD supported the registration of the beneficiaries with the Civil Registry of Moma so they could qualify for the social security pension scheme together with the Moma Social Welfare Services. A total of 427 people were registered, with the majority being children under the age of six. KMAD will prioritise developing projects targeting the vulnerable members of society.

In August 2013, KMAD together with the District Social Welfare Department conducted a random survey of the identified vulnerable households in order to assess the impact of the Mine operations on the lives of this group of people. The results show that 89% of those surveyed noted a general improvement due to improved road access, more variety of goods available in the markets, improved schools, health clinic, electricity, mobile telephone communication, etc. 9% noted no real change and 2% mentioned a change for the worse in their particular situation due to ill health or lack of help from family members. KMAD will continue working with the District Social Welfare Department to conclude the registration of vulnerable people to: (i) provide them with identity documents to make them eligible for the monthly state-provided social welfare benefits; and (ii) to design other suitable support projects for those able to work.

Education

As usual, at the beginning of the school year KMAD distributed school materials to all the pupils attending school in the locality. KMAD concluded the construction of Nathaca primary school and is currently constructing schools in two other villages, Nampeia and Matalahe. Maintenance work in the form of painting, plastering and replacing damaged benches was undertaken in all the schools in the locality.

Technical school

The 2013-2015 KMAD strategic plan foresaw the construction of both a secondary school and a vocation training centre, with the secondary school being built first. However, in further discussion with the education authorities it became clear that their priority was the construction of the vocational training centre. A Memorandum of Understanding with the Department of Education for the construction of the centre is currently under discussion. The courses to be provided will be focused on providing skilled workers for the Mine. It is likely the construction of the centre will be in three phases with phase one starting in the second half of 2014.

Pre-school

In October 2013, Kenmare signed a financing agreement with Zizille, an NGO formed by Graça Machel to champion the development of pre-school education in Mozambique. Kenmare will donate US$100,000 over a twelve month period to support their programmes.

Sports

The local soccer tournament expanded once again and now has fourteen male teams and ten female teams. Although financed by KMAD, the organisation of the tournament was undertaken by the local football committee. In July, ten referees were trained by the Nampula Province Referees Association on football rules, regulations and practices.

Population Influx Management

The development of the Mine has led to increased population in the area and significant growth in size of some of the local villages. Kenmare agreed with the Government's Department of Urban Planning to finance the development of an integrated urban management plan for the area which will tackle issues such as public service provision, village expansion and waste management. Three public consultation sessions were held with the local community and the Government. The plan is expected to be completed in the first quarter of 2014.

Television signal

At the request of the national television station, TVM, KMAD purchased transmission equipment and transported it to Topuito where it was installed by TVM. This has enabled the Topuito locality to receive TV for the first time. This will greatly improve the communities' access to information.

COMPANY- COMMUNITY INTERACTION

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

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

Kenmare recognises that the benefits of community engagement include:

- A strengthened sense of community;
- The development of a co-operative working environment;
- Communities that take a greater responsibility for what is happening in their areas;
- Increased conflict management capacities; and
- Informed policy-making by local government.

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

The key criteria that Kenmare focuses on to ensure successful engagement are:

- Ensuring that a broad range of people and sectors participate in the process;
- Striving to resolve complex issues;
- Creating a vision that achieves results and creates beneficial change;
- Ensuring collaboration and social inclusion;
- Identifying local priorities together with communities; and
- Creating a balance between the community engagement process and the resulting actions required from both the Company and the community.

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

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

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

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

During the year there were six formal community meetings dealing with issues of recruitment, communication between the villages, water supply, farm land, and influx management. There were also three meetings held with the resettled members of Namalope village on the close-out of the village resettlement and licensing of the new housing (including final compensation for non-permanent structures) and two meetings with the wider community to discuss ongoing crop compensation procedures. There is constant interaction on a daily basis between the Community Liaison Department and the local community.

Payments to Governments

The revised EU Accounting Directive will require all companies in the extractive sectors to disclose tax payments to governments at a project or company level as appropriate by 2015. EU member states are in the process of developing legislation in response and the UK is expected to have this in place in 2014.

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

	2013 US$'000	2012 US$'000
Mozambique		
Mining royalty	3,860	2,931
Payroll taxes	9,499	5,842
Withholding taxes	459	768
Licenses	77	178
Total	13,895	9,719
Ireland		
Payroll taxes	1,966	1,846
Corporation taxes	9	5
Total	1,975	1,851
UK		
Payroll taxes	119	-
Total	119	-
Total payments to governments	15,989	11,570

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

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

Directors' Report & Financial Statements

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2013.

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

Business and Strategy Review and Future Developments
A Business and Strategy Review, including likely future developments of the Group, set out on pages 8 to 12 forms part of the Directors' Report and is incorporated by reference.

Finance Review and Risks and Uncertainties
A Finance Review, including a description of the principal risks and uncertainties facing the Group set out on pages 28 to 35 forms part of the Directors' Report and is incorporated by reference.

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

Key Performance Indicators
The Group's key performance indicators are detailed on page 13.

Statement of Results
During 2013, the Group sold 677,900 tonnes of ilmenite, zircon and rutile to customers at a sales value of US$161.5 million (2012: US$234.6 million). US$23.6 million of revenue relating to product produced during the ramp-up and commissioning of the expansion plant has been capitalised in property, plant and equipment (2012: nil). Cost of sales for the year was US$113.7 million (2012: US$134.5 million) resulting in a gross profit of US$24.1 million (2012: US$100.2 million). US$28.3 million (2012: nil) of operating costs relating to product produced during the ramp-up and commissioning of the expansion plant has been capitalised in property, plant and equipment (2012: nil).

Other operating costs were US$19.5 million (2012: US$19.7 million) comprising distribution costs for the year of US$11.0 million (2012: US$9.1 million) and freight costs of US$3.4 million (2012: US$3.2 million) respectively. Demurrage costs incurred as a result of delays in shipments during the year totalled US$0.4 million (2012: US$0.7 million). Administration costs were US$3.4 million (2012: US$6.6 million). Total share-based payments for 2013 amounted to US$0.8 million (2012: US$3.5 million) of which US$0.6 million (2012: US$0.7 million) relate to staff at the Mine and are included as a production cost of inventories. US$0.2 million (2012: US$0.4 million) relate to staff working on the expansion project and was capitalised in property, plant and equipment, and the balance of nil (2012: US$2.4 million) was expensed in the statement of comprehensive income. In October 2013, a fire occurred in the trommels section of WCP A. The costs of repair works and replacement parts amounted to US$1.3 million during 2013 (2012: nil).

There was a foreign exchange loss for the year of US$6.5 million (2012: US$0.6 million) mainly as a result of losses on the retranslation of the Euro denominated loans net of gains on the retranslation of cash deposits.

Loan interest and finance fees were US$40.5 million (2012: US$28.7 million) during the year. Deposit interest earned was US$0.3 million (2012: US$1.7 million). The resultant loss before tax for the year was US$42.1 million (2012: US$52.8 million profit).

As at the December 31, 2013 statement of financial position date, Kenmare Moma Mining (Mauritius) Limited had unused tax losses of nil (2012: US$12.2 million). The deferred tax asset was reduced by US$2.2 million in 2013 as it is anticipated that prior year losses carried forward will not be utilised. A deferred tax asset of US$0.1 million has been recognised as at December 31, 2013 available for offset against future profits. The tax charge for the year was US$2.0 million (2012: US$3.3 million) resulting in a loss after tax for the year of US$44.1 million (2012: US$49.5 million profit) which has been carried to retained earnings.

Additions to property, plant and equipment amounted to US$103.9 million (2012: US$191.9 million) consisting of US$75.0 million (2012: US$154.4 million) relating to the expansion works, US$5.4 million of operating costs net of revenue capitalised and US$10.2 million (2012: US$36.2 million) of sustaining capital. The mine closure asset has increased by US$13.3 million as a result of the change in the discount rate used in the calculation of the mine closure provision. The discount rate used in 2013 was 3% based on a 20 year US Treasury yield rate. This is a change in the discount rate from 9% used in 2012, which was the average effective borrowing rate for the Moma Titanium Minerals Mine. The reason for the change in discount rate is to exclude the risk of the Company and only include risk specific to the liability.

On 16 October 2013, 250,300,000 new ordinary shares were issued by way of a placing which raised US$101.9 million net of expenses. The proceeds of the equity raising was used in part to discharge near term payment obligations in respect of the expansion of the Mine and to repay US$20 million of the Company's Absa corporate facility. The remainder of the proceeds is being used for working capital. Participants in the placing were also issued with warrants on the basis of one warrant to subscribe for one ordinary share in the Company for every five placing shares. In total 50,060,000 warrants were issued. The warrants, which are not listed or admitted to trading and which have limited transferability rights, have an exercise price of Stg£29.09p and an exercise period of five years, commencing thirteen months from the date of issue. 466,666 new ordinary shares were issued during 2013 as a result of share options exercised and resulted in US$0.04 million being credited to share capital and US$0.08 million credited to share premium.

In February 2013, the Company and Absa Bank Limited entered into an agreement establishing a corporate loan facility of US$40 million maturing in March 2014. This facility was fully drawn in June 2013. In November 2013, US$20 million of the loan was repaid from the proceeds of the equity issue in October 2013. In December 2013, the facility was amended to US$20 million and its maturity was extended to 31 March 2015.

In July 2013, an amendment agreement was signed with the Project Lenders which deferred senior loan principal (US$13 million) due on 1 August 2013 until 1 August 2014. A further deed of amendment was signed with the Project Lenders in February 2014 which restructured the project financing by removing the requirement to repay all deferred subordinated debt by 1 August 2015, and reschedules all deferred subordinated debt that is unpaid as of 31 July 2015, with 50% repaid in one instalment on 1 August 2019 and the other 50% paid in nine semi-annual instalments commencing on 1 August 2015 and ending on 1 August 2019.

The Group had total debt of US$355.2 million as at 31 December 2013 (2012: US$324.4 million). This was made up of project loans of US$335.8 million (2012: US$324.4 million) and the Absa corporate loan of US$19.4 million. During the year there were project loan interest and principal payments amounting to US$18.0 million (2012: US$32.9 million), interest accrued of US$28.0 million (2012: US$26.4 million), loan amendment fees of US$6.1 million (2012: nil) and foreign exchange movements of US$7.5 million (2012: US$3.8 million). This resulted in an overall increase in project debt of US$11.4 million (2012: US$2.7 million). The Absa corporate loan of US$40 million was fully drawn down in June 2013. During the year there were loan interest payments amounting to US$2.0 million, interest accrued of US$2.1 million and arrangement fees and other costs of US$1.7 million of which US$1.0 million was amortised during the year. As noted above, US$20 million was repaid in November from the proceeds of the equity placing. This resulted in an overall increase in Company debt of US$19.4 million.

Directors

The Directors who held office at 31 December 2013 were as follows:

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

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

In March 2013, Mr S. McTiernan and Mr G. Smith were appointed to the Board as Non-Executive Directors. They were elected to the Board by shareholders at the Annual General Meeting in May 2013. Mr I. Egan, Mr S. Farrell and Mr P. McAleer retired from the Board at the Annual General Meeting in May 2013 having served over nine years on the Board. In December 2013, Mr J. Deysel stepped down as an Executive Director and remains Chief Operating Officer.

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

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

Directors' and Secretary's Shareholdings and Share Options

The interests of the Directors and Secretary of the Company, their spouses and minor children, in the ordinary share capital of the Company and details of the share options granted in accordance with the rules of the Share Option Scheme are detailed in the Directors' Remuneration Report, set out on pages 45 to 60.

Share Option Scheme

It has been and, subject to the proposed changes in Directors' remuneration described in the Directors' Remuneration Report on pages 45 to 60, it will continue to be the policy of the Company 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 on Directors' Dealings. Any offer to grant options will specify the consideration payable on acceptance, the number of shares comprised in the option, the mode of acceptance together with the latest date for acceptance and for payment of the said consideration. Upon receipt by the Board of such acceptance and consideration, the option will be granted and the option certificate delivered. The options generally vest over a three year period, in equal annual amounts. Options awarded to Executive Directors since 2011 have performance criteria attaching to them. At 31 December 2013, 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 36,148,296 million shares, exercisable at an average price of US$0.34 per share.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business and Strategy Review on pages 8 to 13. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are also described in the Finance Review on pages 28 to 31. In addition, Note 26 to the financial statements includes the Group's policy for managing its capital.

Based on the Group's forecasts and projections, the Directors believe that the Group has adequate resources for the foreseeable future and continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Key assumptions upon which the forecast is based include a mine plan covering production using the Namalope and Nataka proved and probable reserves, forecast sales and a revised debt repayment profile for the project loans. Average annual production levels over the life of the mine for the purpose of the forecast are approximately 0.9 million tonnes of ilmenite plus co-products, zircon and rutile. The Company has a plan, not reflected in such forecast, to increase production of HMC both in the near term and as grades decline during the later years of the Mine life in order to keep the MSP at full design capacity of 1.2 million tonnes of ilmenite per annum plus co-products, zircon and rutile. Assumptions of product sales prices are based on contract prices as stipulated in marketing agreements with customers, or where contracts are based on market prices or production is not presently contracted, prices as forecast taking into account independent titanium mineral sands expertise and management expectations. Operating and capital replacement costs are based on approved budget costs for 2014 and escalated by 2% per annum thereafter.

Share Capital

As at 31 December 2013, Ordinary Shares accounted for 95% and Deferred Shares accounted for 5% of the total share capital.

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

The Deferred Shares of €0.25 were created in 1991 by subdividing each existing Ordinary Share of IR25p into one Deferred Share of IR20p and one new Ordinary Share of IR5p. The Deferred Shares are non-voting, carry no dividend rights and the Company may purchase any or all of these shares at a price not exceeding €0.013 per share for all the deferred shares so purchased or may execute a transfer of such shares without making any payment to the holders.

Authority to Allot

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

Purchase of Own Shares

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

Substantial Interests

As at 11 April 2014, the Company has been notified of the following shareholdings in excess of 3% of the issued ordinary shares of the Company:

	No. of Ordinary Shares	% of Issued Share Capital
Prudential plc	482,175,350	19%
BlackRock Investment Management (UK) Limited	238,213,428	9%
JP Morgan Asset Management (UK) Ltd	167,406,945	6%
The Capital Group Companies Inc.	164,678,932	6%
Norges Bank (The Central Bank of Norway)	113,881,619	4%

Takeover Directive

In the event of a change in control, directly or indirectly, of Kenmare Moma Mining (Mauritius) Limited and Kenmare Moma Processing (Mauritius) Limited, subsidiary undertakings of the Company, the Project Lenders may require payment in full of debt obligations, in addition to certain prepayment fees, subject to conditions set out in the financing documents. Other than as described in the Directors' Remuneration Report on pages 45 to 60 there are no agreements between the Company and its Directors or employees providing for pre-determined compensation for loss of office or employment that would occur in the event of a bid for the Company.

Books of Account

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

Powers of the Directors

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

Subsidiary Undertakings

The subsidiary undertakings of the Company at 31 December 2013 are outlined in Note 14 to the financial statements. Each of the subsidiary undertakings, Kenmare Moma Mining (Mauritius) Limited, Kenmare Moma Processing (Mauritius) Limited and Mozambique Minerals Limited operate branches in Mozambique.

Notice of Annual General Meeting and Special Business

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

Memorandum and Articles of Association

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

General Meetings and Shareholders Rights

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

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

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

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

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

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

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

Deadlines for Exercising Voting Rights

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

Secondary Listing

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

Corporate Governance

The annual Corporate Governance Report on pages 37 to 61 forms part of the Directors’ Report and is incorporated by reference.

Political Donations

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

Branches

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

Environmental and Employee Matters

Information in relation to environmental and employee matters set forth on pages 17 to 21 forms part of the Directors’ Report and is incorporated by reference.

Events since the year end

On 14 February 2014, the Company, Congolone Heavy Minerals Limited, Kenmare Moma Mining (Mauritius) Limited (Mozambique Branch) and Kenmare Moma Processing (Mauritius) Limited (Mozambique Branch) entered into a deed of amendment with Project Lenders. The key terms of the deed are detailed in Note 21.

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 2014

Statement of Directors' Responsibilities

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

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

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

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

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

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

Responsibility statement
Each of the Directors whose names and functions appear on pages 38 to 39 of the Annual Report confirms to the best of such person's knowledge and belief:

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

On behalf of the Board:

M. Carvill Director T. McCluskey Director
11 April 2014

Independent Auditor's Report

to the Members of Kenmare Resources plc

Deloitte.

Opinion on Consolidated Financial Statements of Kenmare Resources plc

In our opinion:

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

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

Emphasis of matter – Realisation of Assets

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in notes 11 and 14 of the financial statements concerning the recoverability of property, plant and equipment of US$967.1m included in the Group's Statement of Financial Position and investments in and amounts due from subsidiary undertakings of US$649.4m in the Parent Company's Statement of Financial Position all of which are dependent on the successful operation of the Mine and the realisation of the cash flow forecast assumptions as set out in note 11. The financial statements do not include any adjustments relating to these uncertainties and the ultimate outcome cannot at present be determined.

Going concern

We have reviewed the Directors' statement contained within the Directors' Report on page 76 that the Group is a going concern. We confirm that:

- we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Our assessment of risks of material misstatement

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

Risk of material misstatement	How the scope of our audit responded to the risk
Impairment of property, plant and equipment	
Management undertake an annual impairment review to support the carrying value of property, plant and equipment. The recoverable amount of the Moma Mine is assessed on its value-in-use. Key assumptions in the review relate to the useful life of the mine and the property, plant and equipment , the cash flows as set out in the life of mine financial model and the discount rate applied to arrive at net present value.	We carried out testing of controls over reviewing and approving the assumptions used in the life of mine model prepared by management. We considered the appropriateness of the Group's impairment review for property, plant and equipment and challenged the validity of assumptions used therein including the cash flow forecast. We reviewed the note disclosures relating to the mine and assessed for completeness and appropriateness.
Financing	
Due to the continued weakness in sales prices and completion of the mine expansion, the availability of long term financing was an area of focus.	We reviewed board minutes, post year end results, cash flow forecasts and budgets. We focused on the key assumptions in the cash flow forecasts and budgets in relation to sales quantities and pricing together with management forecasts regarding scheduled debt repayments. Our consideration included the project loan amendment concluded on 14 February 2014.

Deloitte.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined planning materiality for the group to be US$10 million, which is under 2% of equity.

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

An overview of the scope of our audit

Our Group audit scope focused on Head Office and two principal subsidiary undertakings operating the mining and processing facilities in Mozambique. The subsidiary undertakings were subject to a full scope audit. We determined the materiality level for each component calculated with reference to the size of the entity involved.

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

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

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit;
- In our opinion proper books of account have been kept by the Parent Company;
- The Parent Company statement of financial position is in agreement with the books of account;
- In our opinion the information given in the Directors' Report is consistent with the financial statements and the description in the Corporate Governance Statement of the main features of the internal control and risk management systems in relation to the process for preparing the Group Financial Statements is consistent with the Group financial statements; and
- The net assets of the Parent Company, as stated in the Parent Company Statement of Financial Position are more than half of the amount of its called up share capital and, in our opinion, on that basis there did not exist at 31 December 2013 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the parent company.

Matters on which we are required to report by exception

Directors' remuneration and transactions

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

Corporate Governance Statement

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

Our duty to read other information in the Annual Report

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

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

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

Respective responsibilities of Directors and Auditor

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

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

Scope of the audit of the financial statements

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

Mary Fulton
For and on behalf of Deloitte & Touche
Chartered Accountants and Statutory Audit Firm
Dublin
11 April 2014

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2013

	Notes	2013 US$'000	2012 US$'000
Revenue	1	137,868	234,638
Cost of sales		(113,733)	(134,472)
Gross profit		24,135	100,166
Other operating costs	3	(19,474)	(19,730)
Operating profit		4,661	80,436
Finance income	6	299	1,706
Finance costs	7	(40,535)	(28,714)
Foreign exchange loss		(6,512)	(641)
(Loss)/profit before tax		(42,087)	52,787
Income tax charge	8	(2,033)	(3,301)
(Loss)/profit for the year and total comprehensive income for the year		(44,120)	49,486
Attributable to equity holders		(44,120)	49,486
		Cent per share	Cent per share
(Loss)/Earnings per share: Basic	9	(1.71)	2.01
(Loss)/Earnings per share: Diluted	9	(1.71)	2.00

The accompanying notes form part of these financial statements.

On behalf of the Board:

M. Carvill Director T. McCluskey Director

11 April 2014

Consolidated Statement of Financial Position

as at 31 December 2013

	Notes	2013 US$'000	2012 US$'000
Assets			
Non-current assets			
Property, plant and equipment	11	967,110	887,513
Deferred tax asset	12	143	2,176
		967,253	889,689
Current assets			
Inventories	13	44,196	22,422
Trade and other receivables	15	19,241	35,746
Cash and cash equivalents	16	67,546	46,067
		130,983	104,235
Total assets		**1,098,236**	**993,924**
Equity			
Capital and reserves attributable to the Company's equity holders			
Called-up share capital	17	225,523	205,168
Share premium	18	431,380	349,780
Retained (losses)/earnings	19	(14,238)	29,801
Other reserves	20	21,547	20,848
Total equity		664,212	605,597
Liabilities			
Non-current liabilities			
Bank loans	21	157,377	177,380
Obligations under finance lease	22	1,158	1,508
Provisions	23	22,423	9,050
		180,958	187,938
Current liabilities			
Bank loans	21	197,802	147,032
Obligations under finance lease	22	350	286
Provisions	23	548	276
Other financial liability	24	5,851	-
Trade and other payables	25	48,515	52,795
		253,066	200,389
Total liabilities		434,024	388,327
Total equity and liabilities		**1,098,236**	**993,924**

The accompanying notes form part of these financial statements.

On behalf of the Board:

M. Carvill Director   T. McCluskey Director

11 April 2014

Consolidated Statement of Cash Flows

for the year ended 31 December 2013

	Notes	2013 US$'000	2012 US$'000
Cash flows from operating activities			
(Loss)/profit for the year before tax		(42,087)	52,787
Adjustment for:			
Foreign exchange movement		6,512	641
Share-based payments	3	551	3,165
Finance income	6	(299)	(1,706)
Finance costs	7	31,268	27,157
Depreciation	4	24,344	18,456
Increase in other financial liability	24	5,851	-
(Decrease)/increase in provisions		(199)	1,236
Operating cash flow		25,941	101,736
(Increase)/decrease in inventories	13	(21,774)	3,424
Decrease in trade and other receivables	15	16,505	3,100
Decrease in trade and other payables	25	(12,064)	(4,185)
Cash from operations		8,608	104,075
Interest received	6	299	1,706
Interest paid		(7,549)	(7,014)
Net cash from operating activities		1,358	98,767
Cash flows used in investing activities			
Addition to property, plant and equipment	11	(82,661)	(164,251)
Net cash used in investing activities		(82,661)	(164,251)
Cash flows from financing activities			
Proceeds on the issue of shares	17/18	106,058	60,046
Expenses on the issue of shares	18	(4,103)	(2,836)
Repayment of borrowings	21	(32,395)	(25,875)
Increase in borrowings	21	32,713	-
Payment of obligations under finance leases	22	(560)	(560)
Net cash from financing activities		101,713	30,775
Net increase/(decrease) in cash and cash equivalents		20,410	(34,709)
Cash and cash equivalents at beginning of the year		46,067	77,256
Effect of exchange rate changes on cash and cash equivalents		1,069	3,520
Cash and cash equivalents at the end of the year	16	**67,546**	**46,067**

Consolidated Statement of Changes in Equity

for the year ended 31 December 2013

	Called-Up Share Capital	Share Premium	Capital Conversion Reserve Fund	Retained (Losses)/ Earnings	Share Option Reserve	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2012	196,347	301,391	754	(19,994)	16,856	495,354
Profit for the year	-	-	-	49,486	-	49,486
Share-based payments	-	-	-	309	3,238	3,547
Issue of share capital	8,821	48,389	-	-	-	57,210
Balance at 1 January 2013	205,168	349,780	754	29,801	20,094	605,597
Loss for the year	-	-	-	(44,120)	-	(44,120)
Share-based payments	-	-	-	81	699	780
Issue of share capital	20,355	81,600	-	-	-	101,955
Balance at 31 December 2013	225,523	431,380	754	(14,238)	20,793	664,212

Retained (Losses)/Earnings

Retained (losses)/earnings comprise accumulated profit and losses in the current and prior years.

Share Option Reserve

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

Capital Conversion Reserve Fund

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

Parent Company Statement of Financial Position

as at 31 December 2013

	Notes	2013 US$'000	2012 US$'000
Assets			
Non-current assets			
Investments in and amounts due from subsidiary undertakings	14	649,493	534,332
Current assets			
Trade and other receivables	15	294	656
Cash and cash equivalents	16	214	291
		508	947
Total assets		650,001	535,279
Equity			
Capital and reserves attributable to the Company's equity holders			
Called-up share capital	17	225,523	205,168
Share premium	18	431,380	349,780
Retained losses	19	(56,947)	(43,390)
Other reserves	20	21,547	20,848
Total equity		621,503	532,406
Liabilities			
Non-Current liabilities			
Bank Loans	21	19,398	-
Provisions	23	1,876	2,446
		21,274	2,446
Current liabilities			
Provisions	23	272	-
Other financial liability	24	5,581	-
Trade and other payables	25	1,101	427
		7,224	427
Total liabilities		28,498	2,873
Total equity and liabilities		650,001	535,279

The accompanying notes form part of these financial statements.

On behalf of the Board:

M. Carvill Director T. McCluskey Director

11 April 2014

Parent Company Statement of Cash Flows

for the year ended 31 December 2013

	Notes	2013 US$'000	2012 US$'000
Cash flows used in operating activities			
Loss for the year before tax	29	(13,638)	(5,164)
Adjustment for:			
Foreign exchange movement		(282)	694
Share-based payments	3	-	2,471
Finance cost	7	2,041	-
Depreciation		-	3
Increase in other financial liability	24	5,851	-
(Decrease)/increase in provisions		(300)	1,002
Operating cash flow		(6,328)	(994)
Decrease/(increase) in receivables	15	362	(111)
Increase/(decrease) in trade and other payables	25	559	(241)
Cash from operations		(5,407)	(1,346)
Interest paid		(1,985)	-
Net cash used in operating activities		(7,392)	(1,346)
Cash flows used in investing activities			
Investments in and amounts due from subsidiary undertakings	14	(114,381)	(54,966)
Net cash used in investing activities		(114,381)	(54,966)
Cash flows from financing activities			
Proceeds on the issue of shares	17/18	106,058	60,046
Expense on the issue of shares		(4,103)	(2,836)
Repayment of borrowings	21	(20,000)	-
Increase in borrowings	21	39,345	-
Net cash from financing activities		121,300	57,210
Net (decrease)/increase in cash and cash equivalents		(473)	898
Cash and cash equivalents at beginning of the year		291	88
Effect of exchange rate changes on cash and cash equivalents		396	(695)
Cash and cash equivalents at the end of the year	16	214	291

Parent Company Statement of Changes in Equity

for the year ended 31 December 2013

	Called-Up Share Capital	Share Premium	Capital Conversion Reserve Fund	Retained Losses	Share Option Reserve	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2012	196,347	301,391	754	(38,534)	16,856	476,814
Loss for the year	-	-	-	(5,165)	-	(5,165)
Share based payments	-	-	-	309	3,238	3,547
Issue of share capital	8,821	48,389	-	-	-	57,210
Balance at 1 January 2013	205,168	349,780	754	(43,390)	20,094	532,406
Loss for the year	-	-	-	(13,638)	-	(13,638)
Share based payment	-	-	-	81	699	780
Issue of share capital	20,355	81,600	-	-	-	101,955
Balance at 31 December 2013	225,523	431,380	754	(56,947)	20,793	621,503

Retained Losses

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

Share Option Reserve

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

Capital Conversion Reserve Fund

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

Statement of Accounting Policies

GROUP

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

ADOPTION OF NEW AND REVISED STANDARDS

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

- Annual Improvements to IFRS: 2009-2013 Cycle (effective for accounting periods beginning on or after 1 January 2013)
- Amendments to IFRS 1 Government Loans (effective for accounting periods beginning on or after 1 January 2013)
- Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities (effective for accounting periods beginning on or after 1 January 2013)
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (effective for accounting periods beginning on or after 1 January 2013)
- IAS 19 Employee Benefits (effective for accounting periods beginning on or after 1 January 2013)
- IFRS 13 Fair Value Measurement (effective for accounting periods beginning on or after 1 January 2013)
- IFRS 12 Disclosure of Interest in Other Entities (effective for accounting periods beginning on or after 1 January 2013)
- IFRS 11 Joint Arrangements (effective for accounting periods beginning on or after 1 January 2013)
- IFRS 10 Consolidated Financial Statements (effective for accounting periods beginning on or after 1 January 2013)
- IAS 28 Investments in Associates and Joint Ventures (effective for accounting periods beginning on or after 1 January 2013)
- IAS 27 Separate Financial Statements (effective for accounting periods beginning on or after 1 January 2013)

The adoption of IFRIC 20, which the Group adopted for the year beginning on 1 January 2013, does not impact the stripping costs of operations as this stripping activity is realised in the form of inventory produced and is accounted for in accordance with the principles of IAS 2 Inventories.

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

- Annual Improvements to IFRS: 2011-2013 Cycle (effective for accounting periods beginning on or after 1 July 2014)
- Annual Improvements to IFRS: 2010-2012 Cycle (effective for accounting periods beginning on or after 1 July 2014)
- IAS 19 Defined Employee Benefit Plans: Employee Contributions (effective for accounting periods beginning on or after 1 July 2014)
- IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (effective for accounting periods beginning on or after 1 January 2014)
- IAS 36 Recoverable Amount Disclosures for Non-Financial Assets (effective for accounting periods beginning on or after 1 January 2014)
- IFRIC 21 Levies (effective for accounting periods beginning on or after 1 January 2014)
- Amendments to IFRS 10, IFRS 12 and IAS 27 (effective for accounting periods beginning on or after 1 January 2014)
- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities (effective for accounting periods beginning on or after 1 January 2014)
- IFRS 14 Regulatory Deferral Accounts (effective for accounting periods beginning on or after 1 January 2016)

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

Basis of preparation

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

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Therefore they continue to adopt the going concern basis of accounting in preparing the financial statements. Further details are contained in the Directors' Report on page 76.

Basis of accounting

The financial statements are prepared in US Dollars under the historical cost convention except for share-based payments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. Fair value of share options at grant date is recognised over the vesting period.

Basis of consolidation

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

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

Determination of ore reserve estimates

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

Revenue recognition

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

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

Leases

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

Finance leases

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

Operating leases

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

Retirement benefit costs

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

Statement of Accounting Policies continued

Foreign currency
The individual financial statements of each Group entity are prepared in its functional currency which in each case is US Dollars. US Dollars is also 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 statement of financial position date, monetary items denominated in foreign currencies are retranslated at rates prevailing on such statement of financial position date.

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

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

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

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

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

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

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

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

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

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

Exploration and evaluation expenditure

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

Property, plant and equipment

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

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

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

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

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

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

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

Development expenditure

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

Impairment of non-current assets

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

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

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

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

Inventories

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

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

Financial assets and financial liabilities

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

Trade receivables

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

Cash and cash equivalents

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

Financial liabilities and equity

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

The warrants, which are not listed or admitted to trading and which have limited transferability rights, have an exercise price, denominated in a currency not being the Company's or Group's functional currency, of Stg£29.09p, and an exercise period of five years, commencing thirteen months after the date of issue. As the warrants are not issued in the entity's reporting currency, they do not meet the requirements in IAS 32 of settlement in a fixed amount of the value of equity, and therefore are recorded at fair value. As a result the warrants are re-measured at each reporting date and the increase or decrease in the fair value is reported as a finance cost or income in the statement of comprehensive income.

Bank borrowings

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

Trade payables

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

Equity instruments

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

Derivative financial instruments

Derivative instruments including forward foreign currency contracts are used for statement of financial position risk management. Derivatives are initially recognised at fair value on the date on which the relevant derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets. Where these are not available fair values are obtained from valuation techniques including discounted cash flow and option pricing models. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Derivatives are classified as held for trading unless they are designated and effective as hedging instruments.

Provisions

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

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

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

Mine closure provision

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

Mine rehabilitation provision

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

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

Executive Director bonus provision
The key features of the Annual Bonus Scheme for the Executive Directors is the payment of a bonus earned for target performance which is deferred for three years.

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. Share options granted to employees of subsidiary undertakings of the Company are recognised as an expense in the statement of comprehensive income of the subsidiary undertaking and as a capital contribution in the statement of financial position. The share-based payment is capitalised when its costs is directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. The policy described above is applied to all equity-settled share-based payments granted after 7 November 2002 that vested after 1 January 2005.

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

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

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

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

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

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

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

Investments in and amounts due from subsidiary undertakings

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

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

Key sources of estimation uncertainty

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

Provisions

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

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

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

Unit of production depreciation and amortisation

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

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

Share-based payments

The Group has issued share options to certain Directors, employees and consultants. Share options are measured at fair value at the date of grant. Fair value is measured using a Black-Scholes pricing model. Assumptions included in this model include: expected volatility, as determined by calculating the historical volatility of the Company's share price over the previous year, as this is deemed the most reliable indicator of the Company's share price volatility; a risk-free rate; and expected life of seven years.

Statement of Accounting Policies continued

Deferred tax

A deferred tax asset has been recognised where previous tax losses can be utilised to reduce taxes on future taxable profits and it is considered probable that a portion of such losses can be applied before expiry. Future taxable profits are based on cash flow projections using a life of mine financial model for the Mine. Key assumptions in the cash flow projections include a mine production schedule based on the Namalope and Nataka proved and probable reserves. Average annual production levels over the life of the mine are approximately 0.9 million tonnes of ilmenite plus co-products, zircon and rutile. Product sales prices are based on contract prices as stipulated in marketing agreements with customers, or where contracts are based on market prices or production is not presently contracted, prices as forecast taking into account independent titanium mineral sands expertise and management expectations. Operating and capital replacement costs are based on approved budget costs for 2014 and escalated by 2% per annum thereafter. The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced if and to the extent that it is no longer probable that sufficient taxable profit will be available to allow the asset to be recovered.

Financial liability

On 16 October 2013, 250,300,000 new ordinary shares were issued by way of a placing. In addition to ordinary shares, participants in the placing were issued warrants on the basis of one warrant to subscribe for one ordinary share in the Company for every five placing shares. In total 50,060,000 warrants were issued. The warrants, which are not listed or admitted to trading and which have limited transferability rights, have an exercise price of Stg£29.09p and an exercise period of five years, commencing thirteen months after the date of issue. The warrants are measured at fair value at the statement of financial position date. Fair value is measured using a Black-Scholes pricing model. Assumptions included in this model include: expected volatility, as determined by calculating the historical volatility of the Company's share price over the previous year, this being deemed the most reliable indicator of the Company's share price volatility; a risk-free rate; and an expected life of six years.

Notes to the Financial Statements

for the year ended 31 December 2013

1. REVENUE

	2013 US$'000	2012 US$'000
Sale of mineral products	137,868	234,638

During the year, the Group sold 677,900 tonnes (2012: 680,800) of finished products ilmenite, rutile and zircon to customers at a sales value of US$161.5 million (2012: US$234.6 million). US$23.6 million of revenue and US$28.3 million of operating costs were capitalised during the year in property, plant and equipment as part of the ramp-up and commissioning of the expansion plant.

2. SEGMENT REPORTING

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

Segment revenues and results

	2013	2012
Moma Titanium Minerals Mine	US$'000	US$'000
Revenue	137,868	234,638
Cost of sales	(113,733)	(134,472)
Gross profit	24,135	100,166
Other operating costs	(16,062)	(14,032)
Segment operating profit	8,073	86,134
Other corporate operating costs	(3,412)	(5,698)
Group operating profit	4,661	80,436
Finance income	299	1,706
Finance expenses	(40,535)	(28,714)
Foreign exchange loss	(6,512)	(641)
(Loss)/profit before tax	(42,087)	52,787
Income tax charge	(2,033)	(3,301)
(Loss)/profit for the year	(44,120)	49,486
Segment assets		
Moma Titanium Minerals Mine assets	1,028,039	957,805
Corporate assets	70,197	36,119
Total assets	1,098,236	993,924
Segment liabilities		
Moma Titanium Minerals Mine liabilities	403,704	383,287
Corporate liabilities	30,320	5,040
Total liabilities	434,024	388,327
Other segment information		
Depreciation and amortisation		
Moma Titanium Minerals Mine	24,344	18,453
Corporate	-	3
Total	24,344	18,456
Additions to non-current assets		
Moma Titanium Minerals Mine	103,941	190,618
Corporate	-	1,233
Total	103,941	191,851

2. SEGMENT REPORTING CONTINUED

Revenue from major products

	2013 US$'000	2012 US$'000
Mineral products (ilmenite, zircon and rutile)	137,868	234,638

Geographical information

	2013	2012
Revenue from external customers	US$'000	US$'000
Europe	63,427	93,923
Asia	43,711	105,462
USA	30,730	19,469
Rest of World	-	15,784
Total	137,868	234,638

The Group's revenue from external customers is generated by the Moma Titanium Minerals Mine, the non-current assets of which are US$962.8 million (2012: US$888.0 million).

Information about major customers

Included in revenues are US$33.7 million (2012: US$71.6 million) from sales to the Group's largest customer, US$32.8 million (2012: US$33.1 million) from sales to the Group's second largest customer, US$30.7 million (2012: US$31.0 million) from sales to the Group's third largest customer. All revenues are generated by the Moma Titanium Minerals Mine.

3. OTHER OPERATING COSTS

	2013 US$'000	2012 US$'000
Distribution costs	11,005	9,140
Freight costs	3,364	3,230
Demurrage costs	393	716
Administration costs	3,412	6,644
Repair costs	1,300	-
	19,474	19,730
Included in administration costs are:		
Share-based payments	-	2,471

Freight costs of US$3.4 million (2012: US$3.2 million) are reimbursable by customers or factored into the sales price for product delivered to customers on a CIF (cost, insurance and freight) basis. Demurrage costs of US$0.4 million (2012: US$0.7 million) are incurred as a result of shipment delays. Distribution costs of US$11.0 million (2012: US$9.1 million) during the year represents the cost of running the Mine's finished product storage, jetty and marine fleet. Included in distribution costs is depreciation of US$3.0 million (2012: US$1.7 million) increased from 2012 as a result of the capital additions and upgrade to the fleet and enhancement of the jetty in prior years. Administration costs of US$3.4 million (2012: US$6.6 million) are the group administration costs and include a share based payment expense of nil (2012: US$2.5 million). In October 2013 a fire occurred in the trommels section of WCP A. The costs of repair works and replacement parts amounted to US$1.3 million during 2013.

Total share-based payments for 2013 amounted to US$0.8 million (2012: US$3.5 million) of which US$0.6 million (2012: US$0.7 million) relate to staff at the Mine and is included as a production cost of inventories, US$0.2 million (2012: US$ 0.4 million) relate to staff working on the expansion project and has been capitalised in property, plant and equipment. Due to the number of share options lapsed in 2013 there is a share based payment of nil (2012: US$2.4 million) included in administration costs in the statement of comprehensive income.

4. (LOSS)/PROFIT FOR THE YEAR

The (loss)/profit for the year ended has been arrived at after charging items detailed below. Depreciation and amortisation and staff costs noted below have been included in cost of sales for the year or inventory at 31 December 2013.

	2013 US$'000	2012 US$'000
Foreign exchange loss	6,512	641
Depreciation and amortisation of property, plant and equipment	24,344	18,456
Staff costs	51,249	42,069

5. AUDITORS' REMUNERATION

The analysis of the auditors' remuneration is as follows:

	2013 US$'000	2012 US$'000
Audit fees		
Fees payable to the Company's auditors for audit of the Company's annual accounts	15	15
Fees payable to the Company's auditors for other services to the Group:		
The audit of the Company's subsidiaries	60	56
	75	71
Fees payable to the Project Companies' auditors for audit of the Project Companies' accounts	90	76
Total audit fees	165	147
Non-audit fees		
Audit related assurance services		
Fees payable to the Company's auditors for review of the Group's Half Yearly Financial Report	19	17
Fees payable to the Project Companies' auditors for review of the Project Companies' Half Yearly Financial Reports	33	41
	52	58
Taxation compliance services		
Fees payable to the Company's auditors for taxation compliance services	5	6
Fees payable to the Project Companies' auditors for taxation compliance services	10	10
	15	16
Other taxation advisory services		
Fees payable to the Company's auditor for tax advisory services	64	-
Other assurance services		
Fees payable to the Project Companies' auditors for preparation of statutory books under Mozambican company law	30	-
Corporate finance, compliance and assurance services		
Fees payable to the Company's auditors for corporate finance, compliance and assurance services relating to funding activities	121	-
Other services		
Fees payable to the Company's auditor for employee pension advice	-	6
Total non-audit fees	282	80
Total fees	447	227

The Company's auditors are Deloitte & Touche and the Project Companies' auditors are KPMG. Details of the Company's policy on the use of auditors for non-audit services, the reasons why the Company auditor was used rather than another supplier and how the auditors' independence and objectivity was safeguarded are set out in the Audit Committee Report on pages 42 to 44.

6. FINANCE INCOME

	2013 US$'000	2012 US$'000
Interest on bank deposits	299	1,706

7. FINANCE COSTS

	2013 US$'000	2012 US$'000
Interest on bank borrowings	30,021	26,429
Fair value of warrants	5,851	-
Other financing fees	3,879	1,557
Finance lease interest	274	323
Mine closure provision unwinding of the discount	510	405
Total	40,535	28,714

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

8. INCOME TAX EXPENSE

	2013 US$'000	2012 US$'000
Corporation tax	-	-
Deferred tax	(2,033)	(3,301)
Total	(2,033)	(3,301)

Reconciliation of effective tax rate		
(Loss)/profit before tax	(42,087)	52,787
(Loss)/profit before tax multiplied by the applicable tax rate (12.5%)	(5,261)	6,598
Differences in effective tax rates on overseas earnings	5,261	(6,598)
Applied losses	(2,176)	(3,301)
Recognition of deferred tax asset	143	-
Total	(2,033)	(3,301)

GROUP

No charge to corporation tax arises in the year ended 31 December 2013 as there were no taxable profits in the year. No charge to corporation tax arose in the year ended 31 December 2012 as the taxable profits were offset by losses brought forward in prior years.

At the statement of financial position date Kenmare Moma Mining (Mauritius) Limited had unused tax losses of nil (2012: US$12.2 million) available for offset against future profits. A deferred tax asset of US$0.1 million has been recognised for losses available for offset against future profits. For the year ended 31 December 2012 a deferred tax asset of US$2.2 million has been recognised in respect of US$12.2 million of prior year losses.

The fiscal regime applicable to the mining activities of Kenmare Moma Mining (Mauritius) Limited allows for a 50% reduction in the corporate tax in the initial ten year period of production following start-up (2007) and charges a royalty of 3% based on heavy mineral concentrate sold to Kenmare Moma Processing (Mauritius) Limited. The royalty charge payable to the Government of Mozambique for the year end 31 December 2013 was US$3.3 million (2012: US$3.2 million). Under the fiscal regime applicable to mining activities, Kenmare Moma Mining (Mauritius) Limited is exempted from import and export taxes and VAT, and accelerated depreciation is permitted. Whilst withholding tax is levied on certain payments to non-residents, mining companies are exempt from withholding tax on dividends for the first ten years or until their investment is recovered whichever is earlier. The withholding tax charge payable to the Government of Mozambique for the year end 31 December 2013 was US$0.5 million (2012: US$0.8 million).

8. INCOME TAX EXPENSE CONTINUED

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

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

COMPANY

No charge to taxation arises in the years ended 31 December 2013 or 31 December 2012 as there were no taxable profits in either year.

At the statement of financial position date, the Parent Company has unused tax losses. Due to the uncertainty over the existence of future taxable profits, a deferred tax asset of US$2.1 million at 31 December 2013 (2012: US$1.3 million) calculated at a rate of 12.5% for tax losses has not been recognised in the statement of financial position.

9. LOSS/EARNINGS PER SHARE

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

	2013 US$'000	2012 US$'000
(Loss)/profit for the year attributable to equity holders of the parent	(44,120)	49,486

	2013 Number of shares	2012 Number of shares
Weighted average number of issued ordinary shares for the purpose of basic (loss)/earnings per share	2,583,605,457	2,462,602,902
Effect of dilutive potential ordinary shares:		
Share options and warrants	-	9,977,123
Weighted average number of ordinary shares for the purposes of diluted (loss)/earnings per share	2,583,605,457	2,472,580,025

	Cent per share	Cent per share
(Loss)/earnings per share: basic	(1.71)	2.01
(Loss)/earnings per share: diluted	(1.71)	2.00

In 2013 the basic loss per share and the diluted loss per share are the same as the effect of the outstanding share options and warrants are anti-dilutive.

10. EMPLOYEE NUMBERS AND BENEFITS

The average number of persons employed by the Group (including Executive Directors) was 1,554 (2012: 1,017) and is analysed below:

	2013	2012
Management and administration	460	404
Operations	1,094	613
	1,554	1,017

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

	2013 US$'000	2012 US$'000
Wages and salaries	49,288	39,177
Share-based payments	780	3,547
Social welfare	2,534	1,111
Pension costs	338	333
	52,940	44,168

US$1.4 million (2012: US$1.7 million) of payroll costs and US$0.2 million (2012 US$0.4 million) of the share-based payments relating to share options granted to employees working on the expansion project have been capitalised in property, plant and equipment during the year.

Included in wages and salaries are payroll taxes of US$7.5 million (2012: US$4.6 million) payable to the Government of Mozambique, US$1.5 million (2012: US$1.4 million) payable to Irish Revenue and US$0.1 million (2012: nil) payable to Her Majesty's Revenue & Customs of the UK.

Included in the social welfare cost is social welfare of US$2.0 million (2012: US$0.6 million) payable to the Government of Mozambique, US$0.5 million (2012: US$0.5 million) payable to Irish Revenue and US$0.1 million (2012: nil) payable to Her Majesty's Revenue & Customs of the UK.

Included in the payroll cost above are Executive and Non-Executive emoluments (inclusive of share-based payments) of US$3.3 million (2012: US$5.7 million).

11. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Plant & Equipment US$'000	Development Expenditure US$'000	Construction In Progress US$'000	Other Assets US$'000	Total US$'000
Cost					
At 1 January 2012	343,451	248,761	181,439	16,500	790,151
Transfer from construction in progress	12,686	-	(26,149)	13,463	-
Additions during the year	170	1,223	190,458	-	191,851
At 1 January 2013	356,307	249,984	345,748	29,963	982,002
Transfer from construction in progress	419,897	-	(422,193)	2,296	-
Additions during the year	13,042	-	90,640	259	103,941
At 31 December 2013	789,246	249,984	14,195	32,518	1,085,943
Accumulated Depreciation					
At 1 January 2012	45,659	19,455	-	10,919	76,033
Charge for the year	10,468	5,910	-	2,078	18,456
At 1 January 2013	56,127	25,365	-	12,997	94,489
Charge for the year	13,156	7,098	-	4,090	24,344
At 31 December 2013	69,283	32,463	-	17,087	118,833
Carrying Amount					
At 31 December 2013	719,963	217,521	14,195	15,431	967,110
At 31 December 2012	300,180	224,619	345,748	16,966	887,513

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

Key assumptions include the following:

- A mine plan based on the Namalope and Nataka proved and probable reserves.
- Average annual production of approximately 0.9 million tonnes of ilmenite plus co-products, zircon and rutile over the life of the mine. The Company has a plan, not reflected in such forecast, to increase production of HMC both in the near term and as grades decline during the later years of the mine life in order to keep the MSP operating at full design capacity of 1.2 million tonnes of ilmenite per annum plus co-products, zircon and rutile.
- Product sales prices are based on contract prices as stipulated in marketing agreements with customers, or where contracts are based on market prices or production is not presently contracted, prices as forecast, taking into account independent titanium mineral sands expertise and management expectations. The average product sales price real terms growth rate assumed over the mine life is 1.5% per annum.
- Operating and capital replacement costs are based on approved budget costs for 2014 and escalated by 2% per annum thereafter.

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

Included in plant and equipment are capital spares of US$3.7 million (2012: US$1.0 million).

11. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Share based payments of US$0.2 million (2012: US$ 0.4 million) relating to staff working on the expansion project have been capitalised in property, plant and equipment. The mine closure asset increased by US$13.3 million (2012: nil). The discount rate used to calculate the mine closure provision was 3% based on a 20-year US treasury yield rate. This is a change in discount rate from 9%, which was used as at 31 December 2012 as the average effective Project borrowing rate. The reason for the change in assumption is to exclude the risk of the Company and only include risk specific to the liability.

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

The carrying amount of the Group's plant and equipment includes an amount of US$1.2 million (2012: US$1.2 million) in respect of assets held under finance lease, detailed in Note 22.

Additions to development expenditure include costs associated with a third phase of mine development of nil (2012: US$1.2 million). Expansion development costs incurred during the period before the expansion assets are capable of operating at production levels in a manner intended by management are deferred and included in property, plant and equipment.

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

12. DEFERRED TAX

GROUP

	US$'000
At 1 January 2012	5,477
Charge to statement of comprehensive income	(3,301)
At 1 January 2013	2,176
Charge to statement of comprehensive income	(2,033)
At 31 December 2013	143

At the statement of financial position date, Kenmare Moma Mining (Mauritius) Limited had unused tax losses of nil (2012: US$12.2 million) available for offset against future profits. A deferred tax asset of US$0.1 million has been recognised for losses which are available for offset against future profits. For the year ended 31 December 2012, a deferred tax asset of US$2.2 million had been recognised in respect of US$12.2 million of prior year losses. Tax losses of US$6.8 million (2012: US$7.6 million) expired in the year. Tax losses may be carried forward for three years. No deferred tax liability is recognised on temporary differences arising in connection with accelerated tax depreciation as the differences are not significant. Revenues (and hence taxable profits) in Kenmare Moma Mining (Mauritius) Limited are determined by reference to cost incurred in producing heavy mineral concentrate plus a margin which is related to prices earned by Kenmare Moma Processing (Mauritius) Limited.

13. INVENTORIES

GROUP

	2013 US$'000	2012 US$'000
Mineral products	24,619	6,600
Consumable spares	19,577	15,822
	44,196	22,422

At 31 December 2013, total final product stocks were 107,100 tonnes (2012: 29,600 tonnes).

14. INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARY UNDERTAKINGS

COMPANY

	2013 US$'000	2012 US$'000
Opening balance	534,332	478,289
Funding	115,161	56,043
Closing balance	649,493	534,332

The investments in subsidiary undertakings are US$110.6 million (2012: US$5.4 million). This is made up of the investment during 2013 in Kenmare Resources Jersey Limited as part of the equity placing of US$104.4 million as detailed in Note 17, initial investments of less than US$500 in the other subsidiary undertakings of the group and share-based payments of US$6.2 million (2012: US$5.4 million) relating to staff of the subsidiary undertakings Kenmare Moma Mining (Mauritius) Limited and Kenmare Moma Processing (Mauritius) Limited. During the year there were share-based payments of which US$0.8 million (2012: US$1.1 million) relating to the subsidiary undertakings Kenmare Moma Mining (Mauritius) Limited and Kenmare Moma Processing (Mauritius) Limited.

The balance of US$538.9 million (2012: US$528.9 million) represents funds transferred to subsidiary undertakings. During 2013 there was a net movement of US$10.0 million (2011: US$0.4 million) relating to funding of subsidiary undertakings.

Credit Risk

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

The subsidiary undertakings of the Company as at 31 December 2013 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 Resources Jersey Limited	Jersey	Jersey	100%
Kenmare Moma Mining (Mauritius) Limited	Mauritius	Mozambique	100%
Kenmare Moma Processing (Mauritius) Limited	Mauritius	Mozambique	100%
Mozambique Minerals Limited	Jersey	Mozambique	100%

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

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

The registered office of the Northern Ireland company is Terence McCourt Solicitors, 19 Bachelors Walk, Lisburn BT28 1XJ. The registered office of the Republic of Ireland company is Chatham House, Chatham Street, Dublin 2. The registered office of the Jersey companies is Barclays Wealth, 39 - 41 Broad Street, St. Helier, Jersey except for Kenmare Resources Jersey Limited whose registered office is Ogier House, The Esplanade, St. Helier, Jersey. The registered office of GDAS is Rua de Chuindi No. 67, Maputo, Mozambique. The registered office of the Mauritius companies is 10th Floor Raffles Tower, 19 Cybercity, Ebene, Mauritius.

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

15. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2013	2012	2013	2012
	US$'000	US$'000	US'000	US$'000
Trade receivables	18,073	29,863	-	-
Other receivables	262	1,752	180	586
Prepayments	906	4,131	114	70
	19,241	35,746	294	656

Credit risk

The carrying amount of the trade and other receivables represents the maximum credit exposure. Before entering into sales contracts with new customers, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed regularly during the year. Of the trade receivables balance at the end of the year US$11.2 million (2012: US$12.7 million) is due from the Group's three largest customers. The external credit scoring system used by the Group gives each of these three customers the highest score in their financial strength credit index and their risk indictor represents a minimum risk of business failure.

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

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

During 2012 the Group entered into forward South African Rand exchange contracts totalling US$35 million to cover expansion capital payments. The maturity of the contracts ranged from August 2012 to January 2013. At each month ends these contracts were measured at fair value using forward South African Rand versus US Dollar exchange rates. At 31 December 2012 the aggregate amount of losses under these contracts of US$0.7 million was recognised in foreign exchange losses in the statement of comprehensive income. As at 31 December 2012 there was one contract for US$5 million outstanding which matured on 15 January 2013. The fair value of this contract was US$0.01 million at 31 December 2012 and was included in other receivables at that date.

Currency risk

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

GROUP	2013	2012
	US$'000	US$'000
US Dollars	18,894	35,081
Euro	294	626
Mozambican Metical	53	5
Sterling	-	34
	19,241	35,746

COMPANY	2013	2012
	US$'000	US$'000
Euro	294	626
Sterling	-	30
	294	656

16. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2013	2012	2013	2012
	US$'000	US$'000	US'000	US$'000
Immediately available without restriction	64,479	7,773	214	291
Contingency Reserve Account	53	21,408	-	-
Project Companies' Accounts	3,014	16,886	-	-
	67,546	46,067	214	291

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

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.

Interest rate risk

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

	2013	2012
	US$'000	US$'000
Cash and cash equivalents at variable interest rate	66,988	44,473
Cash at bank on which no interest is received	558	1,594
	67,546	46,067

Currency risk

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

GROUP	2013	2012
	US$'000	US$'000
US Dollars	60,814	16,061
Sterling	5,126	3,808
South African Rand	880	25,155
Mozambican Metical	320	652
Euro	313	327
Singapore Dollars	88	14
Australian Dollars	5	50
	67,546	46,067

COMPANY	2013	2012
	US$'000	US$'000
Euro	233	166
Sterling	(22)	125
US Dollars	3	-
	214	291

Credit risk

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

17. CALLED-UP SHARE CAPITAL

GROUP & COMPANY

	2013 €'000	2012 €'000
Authorised Share Capital		
3,000,000,000 Ordinary Shares of €0.06 each	180,000	180,000
100,000,000 Deferred Shares of €0.25 each	25,000	25,000
	205,000	205,000

	2013 US$'000	2012 US$'000
Allotted, Called-Up and Fully Paid		
Ordinary Shares		
Opening Balance		
2,531,138,837 Ordinary Shares of €0.06 each	194,586	-
2,409,730,507 Ordinary Shares of €0.06 each	-	185,765
	194,586	185,765
Shares issued during the year		
250,766,666 Ordinary Shares of €0.06 each	20,355	-
121,408,330 Ordinary Shares of €0.06 each	-	8,821
	20,355	8,821
Closing Balance		
2,781,905,503 Ordinary Shares of €0.06 each	214,941	-
2,531,138,837 Ordinary Shares of €0.06 each	-	194,586
	214,941	194,586
Deferred Shares		
Opening & Closing Balance		
48,031,467 Deferred Shares of €0.06 each	10,582	10,582
Total Called-Up Share Capital	225,523	205,168

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

In addition to ordinary shares, participants in the placing were issued warrants on the basis of one warrant to subscribe for one ordinary share in the Company for every five placing shares. In total 50,060,000 warrants were issued. The warrants, which are not listed or admitted to trading and which have limited transferability rights, have an exercise price of Stg£29.09p and an exercise period of five years, commencing thirteen months after the date of issue.

466,666 new ordinary shares were issued during 2013 as a result of share options exercised and resulted in US$0.04 million being credited to share capital and US$0.08 million credited to share premium.

On 25 July 2012, 120,000,000 new ordinary shares were issued by way of a placing which raised US$56.7 million net of expenses. The primary purpose of this equity raising was to provide part of the funding for the expansion of the Mine. US$8.7 million of this issue has been credited to share capital. US$48.0 million of this issue has been credited to share premium. 1,408,330 new ordinary shares were issued during 2012 as a result of share options exercised and resulted in US$0.1 million being credited to share capital and US$0.4 million credited to share premium.

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

18. SHARE PREMIUM

GROUP & COMPANY

	2013 US$'000	2012 US$'000
Opening Balance	349,780	301,391
Premium on shares issued during year	85,703	51,225
Costs associated with shares issued during the year	(4,103)	(2,836)
Closing Balance	431,380	349,780

19. RETAINED (LOSSES)/EARNINGS

GROUP

	US$'000
Balance at 1 January 2012	(19,994)
Profit for the year attributable to equity holders of the parent	49,486
Share options exercised	309
Balance at 1 January 2013	29,801
Loss for the year attributable to equity holders of the parent	(44,120)
Share options exercised	81
Balance at 31 December 2013	(14,238)

COMPANY

	US$'000
Balance at 1 January 2012	(38,534)
Loss for the year attributable to equity holders of the parent	(5,165)
Share options exercised	309
Balance at 1 January 2013	(43,390)
Loss for the year attributable to equity holders of the parent	(13,638)
Share options exercised	81
Balance at 31 December 2013	(56,947)

During the year US$0.08 million (2012: US$0.3 million) share options were exercised.

20. OTHER RESERVES

GROUP & COMPANY

	Share Option Reserve US$'000	Capital Conversion Reserve Fund US$'000	Total US$'000
Balance at 1 January 2012	16,856	754	17,610
Recognition of share-based payments	3,547	-	3,547
Share options exercised	(309)	-	(309)
Balance at 1 January 2013	20,094	754	20,848
Recognition of share-based payments	780	-	780
Share options exercised	(81)	-	(81)
Balance at 31 December 2013	20,793	754	21,547

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

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

21. BANK LOANS

	2013 US$'000	2012 US$'000
Senior Loans	94,617	106,891
Subordinated Loans	247,330	217,521
Total	341,947	324,412
Project Loan amendment fees	(6,166)	-
Total Project Loans	335,781	324,412
Corporate Loan	19,398	-
Total Bank Loans	355,179	324,412
The borrowings are repayable as follows:		
Within one year	197,802	147,032
In the second year	58,435	39,993
In the third to fifth years inclusive	84,569	86,725
After five years	14,373	50,662
	355,179	324,412
Less: amount due for settlement within 12 months	(197,802)	(147,032)
Amount due for settlement after 12 months	157,377	177,380
Project Loans		
Balance at 1 January	324,412	327,108
Loan interest accrued	27,980	26,429
Loan interest paid	(5,564)	(7,014)
Loan repayment	(12,395)	(25,875)
Loan amendment fees	(6,629)	-
Loan amendment fees amortised	463	-
Foreign exchange movement	7,514	3,764
Balance at 31 December	335,781	324,412
Corporate Loan		
Balance at 1 January	-	-
Loan drawdown	40,000	-
Loan interest accrued	2,041	-
Loan interest paid	(1,985)	-
Loan repayment	(20,000)	-
Loan arrangement fees	(1,711)	-
Loan arrangement fees amortised	1,053	-
Balance at 31 December	19,398	-

Project Loans

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

Seven Senior Loan credit facilities were made available for financing the Moma Titanium Minerals Mine. The aggregate maximum available amount of the Senior Loan credit facilities was US$185 million plus €15 million which were fully drawn in 2008. The Senior Loan tenors range from 1.5 years to 4.5 years from 31 December 2013. Three of the Senior Loans bear interest at fixed rates and four bear interest at variable rates.

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

21. BANK LOANS CONTINUED

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

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

Amendments to Project Loans

Project Loan Amendment 14 February 2014

On 14 February 2014, the Company, Congolone Heavy Minerals Limited and the Project Companies entered into a deed of amendment with Project Lenders (the "February 2014 Amendment"). The key terms of the February 2014 Amendment are detailed below.

Completion

Under the prior terms of the Project Loans, the Company and Congolone Heavy Minerals Limited guaranteed the Project Loans during the period prior to Completion (achievement of both "Technical Completion" and "Non-Technical Completion"). Upon Completion, the Company's and Congolone Heavy Mineral Limited's guarantee of the Project Loans would terminate. Failure to achieve Completion by the Final Completion Date (subject to extension for force majeure) would constitute an event of default under the Project Loan agreements. Prior to 14 February 2014, the Final Completion Date was 28 February 2015.

On 5 September 2011, Technical Completion was achieved. Non-Technical Completion occurs upon the meeting certain financial, legal and permitting requirements, including filling of specified reserve accounts to the required levels as well as certification in respect of the Project Companies having sufficient funds available to repay deferred Subordinated Loan amounts on the next scheduled payment date.

As a result of the February 2014 Amendment:

- The event of default relating to failure to achieve Completion by the Final Completion Date is removed. As a result, it will not be necessary to be able to repay all deferred Subordinated Loan obligations by the 1 August 2015 payment date;
- It is no longer a condition to Completion that the Project Companies are in a position to repay all deferred Subordinated Loan obligations on the next payment date;
- The achievement of Completion remains a condition to the Project Companies making restricted payments to the Group (and therefore a condition to distributions to shareholders by the Company to the extent funded by restricted payments from the Project Companies); and
- The guarantee of the Project Loans by the Company and Congolone Heavy Minerals Limited will remain in place following Completion.

Subordinated Debt

Under the prior terms of the Project Loans, if cash is insufficient to pay interest and scheduled principal on the Subordinated Loans, no payment default occurs; instead, scheduled interest is capitalised and both capitalised interest and scheduled principal are deferred and become payable on the next semi-annual payment date, subject again to the availability of cash at such time. Included in loan amounts due within one year is US$143.3 million (2012: US$118.6 million) in relation to subordinated loans. As a result of the February 2014 Amendment: Subordinated Loans that, as of 31 July 2015, are deferred and unpaid will be termed-out as follows:

- 50% of the amount of such Subordinated Loans will be repaid in one instalment on 1 August 2019 (the "Deferred Bullet").
- The balance is to be amortised in nine equal semi-annual instalments ending on 1 August 2019.
- Commencing 1 August 2015, the Project Companies will no longer be able to defer Subordinated Loan obligations (other than in respect of additional margin elements described below) in the manner described above, so that non-payment of scheduled interest and principal when due would result in a payment default;
- No restricted payments (i.e. distributions to Group companies) may be made by the Project Companies until Subordinated Lenders receive US$50 million in payments;
- The additional 1% margin on Subordinated Debt agreed under the Deed of Waiver and Amendment entered into in 2009 will continue to accrue after Completion; any such additional margin accrued shall not be payable prior to repayment of all Senior Debt; and
- An additional 2% margin will accrue on the Deferred Bullet until such Deferred Bullet is repaid or prepaid; any such additional margin accrued shall not be payable prior to repayment of all Senior Debt.

21. BANK LOANS CONTINUED

Prepayment of Subordinated Debt

The terms of the Project Loans contain detailed provisions for the mandatory and voluntary prepayment of Senior Debt and Subordinated Debt. As a result of the February 2014 Amendment:

- Mandatory prepayments of Subordinated Debt will be equal to 50% of cash available for distribution, as opposed to 25% of cash so available prior to the February 2014 Amendment;
- Mandatory prepayments of Subordinated Debt will commence earlier than previously provided for (previously commencing upon final repayment of Senior Debt; as a result of the February 2014 Amendment, such mandatory prepayments will now commence on the first payment date after Completion on which no further mandatory prepayments of Senior Debt are to be made); and
- The Project Companies will have an additional right of prepayment to enable the satisfaction of the additional condition to restricted payments (namely that Subordinated Lenders receive not less than US$50 million of payments prior to the making of such a payment).

Expansion Costs

As a result of certain amendments in December 2011, December 2012 and the July 2013 Amendment described below, the terms of the Project Loans had permitted the expansion to be partly funded from the internal operating cash flows of the Project Companies. As a result of the February 2014 Amendment, any remaining expansion-related costs generally cease to be able to be funded from Project Companies operating cash flows; instead, such costs are generally to be funded by the Company from group cash reserves.

Fees and Expenses

In connection with the February 2014 Amendment:

- The Project Companies paid each Subordinated Lender a risk fee equal to 1% of the principal amount of Subordinated Debt outstanding as at 31 December 2013; and
- Lenders were paid work fees totalling US$180,000, as well as legal fees and out-of pocket travel costs incurred by the Lenders in negotiating the amendment.

Project Loan Amendment 31 July 2013

On 31 July 2013, the Company and the Project Companies entered into a deed of amendment with Project Lenders (the “July 2013 Amendment”). Among other things, the July 2013 Amendment provided as follows:

- A deferral by Senior Lenders of senior principal (US$13 million) due on 1 August 2013 until 1 August 2014; and an agreement that no interest or principal on Subordinated Loans would be paid prior to such date;
- An extension of the Final Completion Date to 28 February 2015. As a result, the effective date on which deferred Subordinated Loan obligations needed to be repaid was extended from the 1 August 2014 payment date to the 1 August 2015 payment date. The extensions described in this bullet were superseded by the February 2014 Amendment;
- An extension of the ability to apply Project operating cash flows to fund remaining expansion costs with the effect that up to US$58 million of available cash flows accruing after 30 June 2013 were able to be reserved in specified bank accounts until the earlier of the date on which the outstanding completion certificates are delivered and 31 December 2014; and such reserved cash together with the US$5.4 million balance in such accounts as at 30 June 2013 were able to be applied to expansion capital costs until the later of 31 December 2014 and the date on which the outstanding completion certificates are delivered; this was subject to certain limits on the amounts that may be so applied on or after 1 July 2013, including, other than in respect of certain specified costs, the amount that may be applied in respect of expansion costs shall not exceed US$40.4 million (including US$5.4 million already reserved as at 30 June 2013). The amendments described in this bullet were superseded by the February 2014 Amendment; and
- In consideration of such amendments, payment to Lenders of a risk/deferral fee in quarterly instalments, in the case of Senior Lenders, to a total of 1.25%, and in the case of Subordinated Lenders, to a total of 2.25%, in each case of the principal amount outstanding as at 31 July 2013; as well as work fees totalling US$180,000, legal fees and out-of-pocket costs incurred by the Project Lenders in negotiating the amendment, and fees payable in connection with certain political risk and other guarantees and insurance policies applicable to the Senior Loans.

The Project Loan amendment fees adjust the carrying amount of the Project Loans and are to be amortised over the remaining term of the modified Project Loans.

21. BANK LOANS CONTINUED

Corporate Loans

On 28 February 2013, the Company and Absa entered into an agreement establishing a corporate loan facility of US$40 million maturing on 20 March 2014. This facility was fully drawn in June 2013. The arrangement fees and other costs of US$1.0 million associated with this loan have been expensed in other finance costs in the statement of comprehensive income during the year. In November 2013 US$20 million of the loan was repaid from the proceeds of the October 2013 equity raising as detailed in Note 17. On 16 December 2013 the Company and Absa entered into an amendment to the corporate facility whereby the facility was amended to US$20 million and maturity was extended to 31 March 2015. The amended corporate loan facility permits for amounts drawn under it to be repaid and redrawn prior to the maturity date. The corporate loan facility bears interest at 1 month LIBOR plus a margin of 9%; this margin increases to 12% in certain circumstances. Absa, a member of Barclays plc, is a lender to the Project Companies. The arrangement fees and other costs of US$0.7 million adjust the carrying amount of this loan and are to be amortised over the term of the loan.

Group borrowings interest, currency and liquidity risk

Loan facilities arranged at fixed interest rates expose the Group to fair value interest rate risk. Loan facilities arranged at variable rates expose the Group to cash flow interest rate risk. Variable rates are based on one and six month LIBOR. The average effective borrowing rate at year end was 8.8%. The interest rate profile of the Group's loan balances at the year-end was as follows:

	2013 US$'000	2012 US$'000
Fixed rate debt	226,736	214,513
Variable rate debt	128,443	109,899
Total debt	355,179	324,412

The fair value of the Group borrowings of US$332.1 million (2012: US$299.0 million) has been calculated by discounting the expected future cash flows at prevailing interest rates and by applying year-end exchange rates.

Under the assumption that all other variables remain constant and using the most relevant 6 month LIBOR rates a 1% change in the LIBOR rate will result in a US$1.3 million (2012: US$1.1 million) change in finance costs for the year.

The currency profile of loans at the year-end is as follows:

	2013 US$'000	2012 US$'000
Euro	186,072	165,709
US Dollars	169,107	158,703
	355,179	324,412

The Euro denominated loans expose the Group to currency fluctuations. These currency fluctuations are realised on payment of Euro denominated debt principal and interest. Under the assumption that all other variables remain constant, a 10% strengthening or weakening of Euro against the US Dollar would result in a US$1.9 million (2012: US$1.7 million) change in finance costs and a US$18.6 million (2012: US$16.6 million) change in foreign exchange gain or loss for the year.

The above sensitivity analyses are estimates of the impact of market risks assuming the specified change occurs. Actual results in the future may differ materially from these results due to developments in the global financial markets which may cause fluctuations in interest and exchange rates to vary from the assumptions made above and therefore should not be considered a projection of likely future events.

22. FINANCE LEASE

	Minimum lease payments		Present value of minimum lease payments	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Amounts payable under finance lease				
Within one year	560	560	350	286
In the second to fifth year	1,400	1,960	1,158	1,508
Less future finance charges	(452)	(726)	-	-
Present value of lease payments	1,508	1,794	1,508	1,794
Less amounts due for settlement within 12 months			(350)	(286)
Amounts due for settlement after 12 months			1,158	1,508

The Group has leased equipment for the receipt, storage and dispensing of diesel fuel under a finance lease. The lease term is ten years from the commencement date (2007) with an option to purchase the assets after one year from the commencement date of the lease. For the year ended 31 December 2013, the average effective borrowing rate was 9%. The lease is on a fixed repayment basis and the lease obligation is denominated in US Dollars. The fair value of the Group's lease obligation is equal to its carrying amount.

23. PROVISIONS

GROUP & COMPANY

	2013 US$'000	2012 US$'000
Mine closure provision	18,751	4,907
Mine rehabilitation provision	2,073	1,973
Legal provision	1,444	1,444
Executive Directors' bonus provision	703	1,002
	22,971	9,326
Current	548	276
Non-current	22,423	9,050
	22,971	9,326

	Mine Closure Provision US$'000	Mine Rehabilitation Provision US$'000	Legal Provision US$'000	Executive Directors' Bonus Provision US$'000	Total US$'000
At 1 January 2012	4,502	1,737	1,444	-	7,683
Additional provision in the year	-	285	-	1,002	1,287
Provision released in the year	-	(49)	-	-	(49)
Unwinding of the discount	405	-	-	-	405
At 1 January 2013	4,907	1,973	1,444	1,002	9,326
Additional provision in the year	13,334	516	-	-	13,850
Provision released in the year	-	(416)	-	(299)	(715)
Unwinding of the discount	510	-	-	-	510
At 31 December 2013	18,751	2,073	1,444	703	22,971

The mine closure provision represents the Directors' best estimate of the Group's liability for close-down, dismantling and restoration of the mining and processing site. A corresponding amount equal to the provision is recognised as part of property, plant and equipment. The costs are estimated on the basis of a formal closure plan, are subject to regular review and are estimated based on the net present value of estimated future cost. Mine closure costs are a normal consequence of mining, and the majority of close-down and restoration expenditure is incurred at the end of the life of the mine. The unwinding of the discount is recognised as a finance cost and US$0.5 million (2012: US$0.4 million) has been recognised in the statement of comprehensive income for the year.

23. PROVISIONS CONTINUED

The main assumptions used in the calculation of the estimated future costs include:

- a discount rate of 3% (2012: 9%) based on a 20-year US Treasury yield rate. This is a change in the discount rate used in the prior year, which was the average effective borrowing rate for the Moma Titanium Minerals Mine. The reason for the change in discount rate is to exclude the risk of the Company and only include risk specific to the liability. The change in the discount rate increases the provision by US$13.3 million and the mine closure asset was increased by the same amount;
- an inflation rate of 2% (2012: 2%);
- an estimated life of mine; and
- an estimated closure cost of US$20.4 million (2012: US$20.4 million) and an estimated post-closure monitoring provision of US$1.9 million (2012: US$1.9 million).

A significant factor in determining the mine closure provision is the discount rate. A 1% change in the discount rate results in a 22% change in the mine closure provision.

The mine rehabilitation provision represents the Directors' best estimate of the Company's liability for rehabilitating areas disturbed by mining activities. Rehabilitation costs are recognised based on the area disturbed and estimated cost of rehabilitation per hectare which is reviewed regularly against actual rehabilitation cost per hectare. Actual rehabilitation expenditure is incurred approximately twelve months after the area has been disturbed. During the year there was a release of US$0.4 million (2012: US$0.05 million) to reflect the actual mine rehabilitation costs being incurred.

On 17 November 2010, a High Court jury delivered a verdict of damages of €10 million in a defamation case taken by a former Company director. The Company has submitted an appeal to the Supreme Court with a view to setting aside both the verdict and the amount, with the intention of securing a retrial. The High Court granted a stay on the award subject to the payment of €0.5 million until the hearing of the Supreme Court appeal. The Company's legal team strongly advise that the award will be set aside on appeal. The same former director has also served notice that he intends to pursue a number of non-defamation actions against the Company. The Company has provided for the costs associated with the defamation case appeal and retrial and further actions taken by the former director. This provision will start to be utilised upon commencement of the appeal, when the associated costs are incurred.

An Annual Bonus Scheme was in place for the Executive Directors a feature of which was the payment of a bonus earned for target performance which is deferred for three years. The bonuses in respect of performance in 2010 and 2011 are payable US$0.5 million in 2014 and US$0.2 million in 2015 on the condition of continued employment with the Company.

24. OTHER FINANCIAL LIABILITY

GROUP

	2013 US$'000	2012 US$'000
Warrants	5,851	-

On 16 October 2013, 250,300,000 new ordinary shares were issued by way of a placing which raised US$101.9 million net of expenses. In addition to ordinary shares, participants in the placing were issued warrants on the basis of one warrant to subscribe for one ordinary share in the Company for every five placing shares. In total 50,060,000 warrants were issued. The warrants, which are not listed or admitted to trading and which have limited transferability rights, have an exercise price of Stg£29.09p and, an exercise period of five years, commencing thirteen months after the date of issue.

A financial liability of US$5.9 million (2012: nil) based on the fair value of the warrants at the statement of financial position date has been recorded as the cost of issuing the warrants with the equivalent value included in finance costs in the statement of comprehensive income.

24. OTHER FINANCIAL LIABILITY CONTINUED

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

	2013
Year-end share price	Stg£0.208
Year-end Stg£/US$ exchange rate	0.61
Warrant exercise price	Stg£0.2909
Expected volatility	46%
Expected life (years)	6
Risk free rate	3.2%

Significant factors in determining the warrant fair value are the Company share price and the expected volatility. A 10% change in the Company share price results in a 19% change in the fair value of the warrants. A 10% change in the expected volatility rate results in an 11% change in the fair value of the warrants.

25. TRADE AND OTHER PAYABLES

Amounts payable within one year

	GROUP		COMPANY	
	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000
Trade payables	13,440	13,185	-	21
Accruals	35,075	39,610	1,101	406
	48,515	52,795	1,101	427

Included in Group accruals at the year-end is an amount of US$0.6 million (2012: US$0.8 million) and in the Company US$0.2 million (2012: US$0.2 million) for payroll and social welfare taxes. Included in accruals is US$20.2 million (2012: US$27.9 million) relating to capital projects of which US$19.5 million is disputed by the Group.

Credit risk

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

Currency risk

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

GROUP	2013	2012
	US$'000	US$'000
South African Rand	17,350	32,941
US Dollars	15,188	15,329
Mozambican Metical	10,809	1,736
Euro	3,193	515
Australian Dollar	1,791	2,159
Sterling	184	115
	48,515	52,795

COMPANY	2013	2012
	US$'000	US$'000
Euro	919	388
Sterling	182	39
	1,101	427

26. CAPITAL AND LIQUIDITY MANAGEMENT

The Group's capital management objective is to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances.

The principal activity of the Group is the operation of the Mine. The Group therefore manages its capital to ensure existing operations are adequately funded and, based on planned mine production levels, that the Mine will achieve positive cash flows allowing returns to shareholders.

Debt

Project loans as detailed in Note 21 have been made to the Group to develop the Mine and a corporate facility was entered into during the year with Absa Bank. These are all fully drawn and the Group is actively managing the repayment of these loans from cash flows generated from the existing mining operation, or in the case of the Company's corporate facility, from available cash reserves. The Group has total debt of US$335.2 million (2012: US$324.4 million). This is made up of Project Loans of US$335.8 million and an Absa corporate facility of US$19.4 million.

There were Project Loan interest and principal payments amounting to US$18.0 million (2012: US$32.9 million), interest accrued of US$28.0 million (2012: US$26.4 million), net loan amendment fees of US$6.2 million and foreign exchange movements of US$7.5 million (2012: US$3.8 million) resulting in an overall increase in Project Loans of US$11.4 million (2012: US$2.7 million decrease).

During the year the Absa corporate facility of US$40 million was entered into and drawn down. US$20 million of the facility was repaid in November 2013. There were Absa loan interest payments amounting to US$2.0 million, interest accrued of US$2.1 million and loan arrangement fees and other costs of US$1.7 million of which US$1.0 million was amortised resulting in an overall increase of US$19.4 million for the year.

On 16 December 2013, the Company and Absa entered into an amendment to the corporate facility whereby the facility amount was amended to US$20 million and maturity was extended to 31 March 2015. The amended facility permits for amounts drawn under it to be repaid and redrawn prior to the maturity date which provides the Group with additional working capital flexibility.

On 14 February 2014, the Group entered into a deed of amendment with Project Lenders to restructure the Project Loans, details of which are set out in Note 21. The restructuring removes the requirement to repay all deferred subordinated debt by 1 August 2015, and instead reschedules all deferred subordinated debt that is unpaid as of 31 July 2015. This restructuring has been designed to enable the Project Companies to service the project debt in a sustainable manner, and in due course to pay down the debt on an accelerated basis from available cash while making distributions to the Group.

Equity

On 16 October 2013, 250,300,000 new ordinary shares were issued by way of a placing which raised US$101.9 million net of expenses. The proceeds of the equity raising were used in part to discharge near term payment obligations in respect of the expansion of the Mine and to repay US$20 million of the Company's Absa loan facility. Participants in the placing were also issued warrants on the basis of one warrant to subscribe for one ordinary share in the Company for every five placing shares. In total 50,060,000 warrants were issued. The warrants, which are not listed or admitted to trading and which have limited transferability rights, have an exercise price of Stg£29.09p and an exercise period of five years commencing thirteen months from the date of issue. 466,666 new ordinary shares were issued during 2013 as a result of share options exercised.

The Board periodically reviews the capital structure of the Group, including the cost of capital and the risks associated with each class of capital. The Group manages and, if necessary, adjusts its capital structure taking account of the underlying economic conditions. Any material adjustments to the Group's capital structure in terms of the relative proportions of debt and equity are approved by the Board. The Group is not subject to any externally imposed capital requirements.

The definition of capital/capital structure of the Group consists of debt, which includes bank borrowings as disclosed in Note 21 and the finance lease as disclosed in Note 22, and equity attributable to equity holders of the Company, comprising issued capital, reserves, retained losses and other reserves as disclosed in Notes 17 to 20.

The Group's policy with respect to liquidity and cash flow risk is to ensure continuity of funding through continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities.

27. CAPITAL COMMITMENTS

GROUP

	2013 US$'000	2012 US$'000
Contracts for future expenditure authorised by the Board:		
Capital authorised and contracted	19,680	52,450
Capital authorised not contracted	1,104	2,791

Capital authorised and contracted represents the amount authorised and contracted at 31 December of the relevant year to be spent on expansion and operations-related approved capital projects.

Capital authorised not contracted represents the amount not contracted but authorised at 31 December of the relevant year to be spent on expansion and operations-related approved capital projects.

28. CONTINGENT LIABILITIES

On 17 November 2010, a High Court jury delivered a verdict of damages of €10 million in a defamation case taken by a former Company director. The Company has submitted an appeal to the Supreme Court with a view to setting aside both the verdict and the amount, with the intention of securing a retrial. The High Court granted a stay on the award subject to the payment of €0.5 million until the hearing of the Supreme Court appeal. The Company's legal team strongly advise that the award will be set aside on appeal and therefore no provision has been made in these financial statements for the award as the Company do not consider that there is any future probable loss. The Company has provided US$1.4 million for the costs associated with the defamation case appeal and retrial and further actions taken by the former director as detailed in Note 23 Provisions.

29. PARENT COMPANY, KENMARE RESOURCES PLC STATEMENT OF COMPREHENSIVE INCOME

In accordance with section 148(8) of the Companies Act, 1963 and section 7(1A) of the Companies (Amendment) Act, 1986, the Company is availing of the exemption from presenting its individual statement of comprehensive income to the Annual General Meeting and from filing it with the Companies Registration Office. The Company's loss for the financial year determined in accordance with IFRS is US$13.6 million (2012: US$5.2 million). The loss is due to administration costs of US$2.4 million (2012: US$2.7 million), share-based payments expensed of nil (2012: US$2.5 million), fair value of warrants issued in connection with the equity placing of US$5.9 million (2012: nil), Absa corporate facility loan interest, fees and expenses of US$3.1 million (2012: nil) and other finance costs of US$2.2 million (2012: nil).

30. OPERATING LEASE ARRANGEMENTS

GROUP & COMPANY

The Group as lessee

	2013 US$'000	2012 US$'000
Minimum lease payments under operating leases recognised as an expense in the year	102	96

At the statement of financial position date, the Group has outstanding commitments under a non-cancellable operating lease which fall due as follows:

	2013 US$'000	2012 US$'000
Within one year	115	109
In the second to fifth years inclusive	115	218
	230	327

Operating lease payments represent rentals payable by the Group for its office buildings. The lease has an original term of 25 years and rentals are fixed for an average of 5 years. The unexpired term of the lease is 2 years at year end. The underlying currencies of lease payments are Euro.

31. RETIREMENT BENEFIT PLANS

The Company contributes to individual pension schemes on behalf of certain employees. Contributions to the schemes are charged in the period in which they are payable to the scheme.

GROUP & COMPANY

	2013 US$'000	2012 US$'000
Contributions	338	333

32. SHARE-BASED PAYMENTS

The Company has a share option scheme for certain Directors, employees and consultants. Options are exercisable at a price equal to the quoted market price of the Company's shares on the date of grant. The options generally vest over a three year period in equal annual amounts or if performance related in the year the performance criteria are met. If options remain unexercised after a period of 7 years from the date of grant, the options expire. Option expiry periods may be extended at the discretion of the Board of Directors.

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

	2013		2012	
	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	78,717,965	50c	61,434,629	42c
Granted during the year	11,800,000	45c	20,800,000	67c
Exercised during the year	(466,667)	26c	(1,408,330)	33c
Expired/(lapsed) during the year	(11,003,336)	64c	(2,108,334)	56c
Outstanding at the end of the year	79,047,962	48c	78,717,965	50c
Exercisable at the end of the year	44,262,553		53,567,071	

The weighted average share price at the date of exercise for share options exercised during the year was US$0.50. The options outstanding at the end of the year have exercise prices which range from US$0.23 to US$0.61 and a weighted average remaining contractual life of 3.3 years (2012: 3.3 years).

In 2013, options were granted on 23 January, 28 May, 4 September, and 10 December. The aggregate of the estimated fair values of the options granted on those dates is US$2.7 million.

In 2012, options were granted on 30 May, 20 June, and 29 August. The aggregate of the estimated fair values of the options granted on those dates is US$8.7 million.

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

	2013	2012
Weighted average share price	US$0.45	US$0.67
Weighted average exercise price	US$0.45	US$0.67
Expected volatility	48%	63%
Expected life (years)	7	7
Risk free rate	2%	1%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous year as this is deemed the most reliable indicator of the volatility of the Company's share price. Extending the historical volatility over periods greater than one year results in high volatility factors which are not appropriate as an estimation of expected volatility.

During the year the Group recognised a share-based payment expense of US$0.8 million (2012: US$3.5 million) and capitalised share-based payments of US$0.2 million (2012: US$0.4 million).

33. RELATED PARTY TRANSACTIONS

GROUP

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

Remuneration of key management personnel

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

	2013 US$'000	2012 US$'000
Short-term employee benefits	2,943	3,393
Long-term employee benefits	-	558
Post-employment benefits	167	160
Compensation on retirement	-	-
Share-based payments	277	2,100
Total benefits	3,387	6,211

Other related party transactions

Vico Properties plc is a related party of the Company as Mr M. Carvill is a Director of both the Company and Vico Properties plc. The Company used to perform certain administrative services for Vico Properties plc. The charge for 2013 was nil (2012: nil). At the year-end the balance outstanding was US$0.07 million (2012: US$0.07 million).

COMPANY

Kenmare Moma Mining (Mauritius) Limited and Kenmare Moma Processing (Mauritius) Limited, the Project Companies, are wholly owned subsidiary undertakings of Congolone Heavy Minerals Limited, which in turn is a subsidiary undertaking of Kenmare Resources plc. During the year, funding for the Moma Titanium Minerals Mine was provided to the Project Companies by Congolone Heavy Minerals Limited. At the year end the amount due to Congolone Heavy Minerals Limited from the Project Companies was US$639.7 million (2012: US$559.6 million).

Under the terms of a management services agreement with the Company, management services costing US$6.6 million (2012: US$6.5 million) were provided during the year to the Project Companies.

As detailed in Note 17, on 16 October 2013, 250,300,000 new ordinary shares were issued at a price of Stg£26.5p by the Company by way of a placing. Participants in the placing were also issued with warrants on the basis of one warrant to subscribe for one share in the Company for every five new ordinary shares subscribed for under the placing. The warrants, which are not listed or admitted to trading and which have limited transferability rights, have an exercise price of Stg£29.09p and an exercise period of five years, commencing thirteen months after the date of issue. M&G Group Limited (a wholly-owned subsidiary of Prudential plc), together with M&G Limited, M&G Investment Management Limited and M&G Securities Limited (each a wholly owned subsidiary of M&G Limited), together "M&G", is the Company's largest shareholder which before the placing held approximately 20% of the issued ordinary share capital of the Company. M&G participated in the placing of new ordinary shares on a pro rata basis, maintaining its percentage interest in the enlarged issued share capital. M&G also received warrants under the placing on the same basis as all of the participants. The total consideration paid by M&G in respect of its participation in the placing (excluding any further consideration arising on the future exercise of warrants) was Stg£13.3 million. Having regard to its status as a substantial shareholder, M&G was and is considered to be a related party of the Company under paragraph 11.1.4A of the UKLA Listing Rules. Accordingly, the participation by M&G in the placing represented a related party transaction. However this transaction was classified under the relevant class tests required under the UKLA Listing Rules as a smaller related party transaction (less than 5%). Accordingly, no independent shareholder approval was required and the requirements under the UKLA Listing Rules were to inform the UKLA in writing of the proposed transaction, to provide the UKLA with written confirmation from the Company's sponsor that the terms of the transaction or arrangement with the related party are fair and reasonable as far as the shareholders of the Company are concerned and to include details of the transaction in the Company's next published accounts, including the identity of the related party, the value of the consideration for the transaction and all other relevant circumstances. This disclosure is intended to address this obligation.

34. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

On 14 February 2014, the Company, Congolone Heavy Minerals Limited, and the Project Companies entered into a deed of amendment with Project Lenders. The key terms of the amendment are detailed in Note 21.

35. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board on 11 April 2014.

Shareholder Profile

based on the register as at 7 April 2014

SIZE OF HOLDINGS	No. of Shareholders	No. of Shares Held
1 - 1,000	1,012	685,639
1,001 - 5,000	2,094	5,987,206
5,001 - 25,000	1,812	21,611,024
25,001 - 100,000	634	31,098,872
100,001 - 250,000	158	24,706,882
250,001 - 500,000	63	21,568,106
500,001 - 750,000	39	24,219,027
over 750,000	192	2,652,028,747
Total	6,004	2,781,905,503

GEOGRAPHIC DISTRIBUTION OF HOLDINGS	No. of Shareholders	No. of Shares Held
Republic of Ireland	2,191	66,640,807
Northern Ireland & Great Britain	3,697	2,682,356,666
Other	116	32,908,030
Total	6,004	2,781,905,503

General Information

SECRETARY AND REGISTERED OFFICE
Deirdre Corcoran
Kenmare Resources plc.
Chatham House
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Dublin 2.

REGISTERED NUMBER
37550

AUDITORS
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Chartered Accountants and
Statutory Audit Firm
Deloitte & Touche House
Earlsfort Terrace
Dublin 2.

SOLICITORS
McCann Fitzgerald
Riverside One
Sir John Rogerson's Quay
Dublin 2.

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

AIB Bank plc
87 North Strand
Dublin 3.

HSBC
Jersey Regional & Commercial Centre
Green Street
St Helier
Jersey.

STOCKBROKERS
Canaccord Genuity Ltd.
88 Wood Street
London EC2V 7QR.

Davy
Davy House
49 Dawson Street
Dublin 2.

RBC Capital Markets
Thames Court
One Queenhithe
London EC4V 4DE.

Mirabaud Securities
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London SW1X 7HY.

REGISTRAR
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Heron House
Corrig Road
Sandyford Industrial Estate,
Dublin 18.

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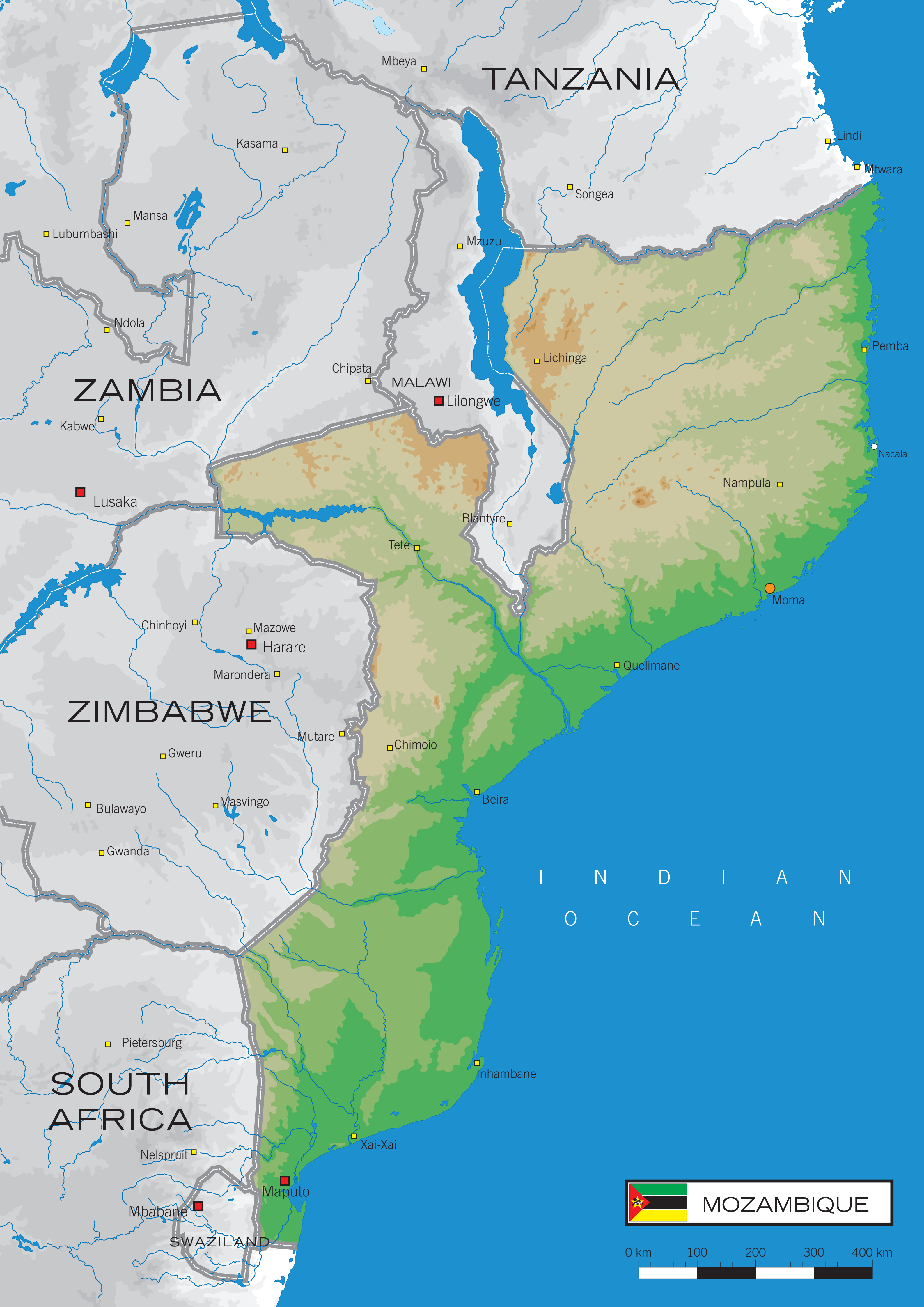
TANZANIA
Mbeya
Lindi
Mtwara
Songea
Kasama
Mansa
Lubumbashi
Mzuzu
Ndola
Pemba
Lichinga
Chipata
ZAMBIA
MALAWI
Lilongwe
Kabwe
Nacala
Nampula
Lusaka
Blantyre
Tete
Moma
Chinhoyi
Mazowe
Harare
Quelimane
Marondera
ZIMBABWE
Mutare
Chimoio
Gweru
Beira
Bulawayo
Masvingo
Gwanda
INDIAN
OCEAN
Pietersburg
Inhambane
SOUTH
AFRICA
Xai-Xai
Nelspruit
Maputo
MOZAMBIQUE
Mbabane
SWAZILAND
0 km
100
200
300
400 km

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