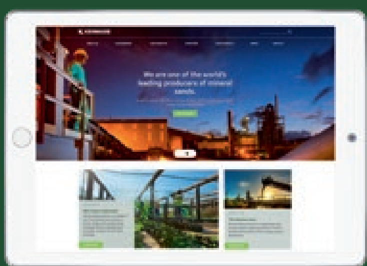
KENMARE
RESOURCES PLC

KENMARE RESOURCES PLC
Annual Report & Accounts 2018

Kenmare Resources plc is one of the world's largest producers of mineral sands products. Our production accounts for approximately 7% of global titanium feedstocks and we supply to customers operating in more than 15 countries. Kenmare's products are key raw materials, ultimately consumed in everyday "quality-of-life" items such as paints, plastics and ceramic tiles. Our objective is to provide above average long-term returns to our shareholders, while delivering benefits for all our other stakeholders.



For more information visit:
www.kenmareresources.com

2018 PERFORMANCE HIGHLIGHTS

1,074kt
Finished products shipped
(up 3%)

US$262.2m
Revenue
(up 26%)

US$93.3m
EBITDA
(up 54%)

US$50.9m
Profit after tax
(up 162%)

US$13.5m
Net cash
(up $47.6 million)

0.12
per 200k man-hours LTIFR
(down 0.27)

STRATEGIC REPORT

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS

OTHER INFORMATION

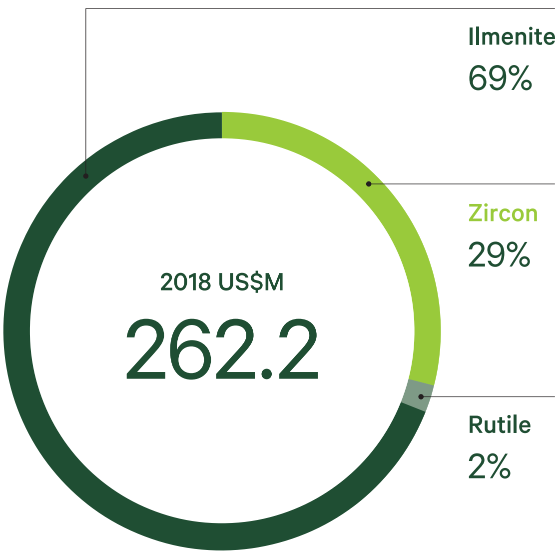
At a glance

Kenmare's principal activity is the operation of the Moma Mine, located on the northern coast of Mozambique.

The Mine commenced production in 2007 and since then has produced over 11.6 million tonnes of Heavy Mineral Concentrate (HMC). The Mine contains globally significant reserves of heavy minerals, which include the titanium minerals ilmenite and rutile (primarily used to produce titanium dioxide (TiO_2) pigment), as well as the mineral zircon.

Listed on the London Stock Exchange and Euronext Dublin, Kenmare has a market-leading position as the world's largest supplier of traded ilmenite, with demand for our products driven by growth in global gross domestic product (GDP) per capita.

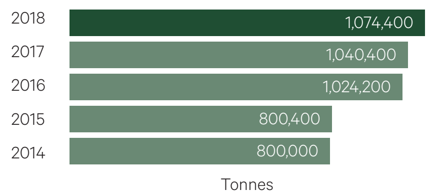
Revenue by product



Read more detail in the Market report **page 18**

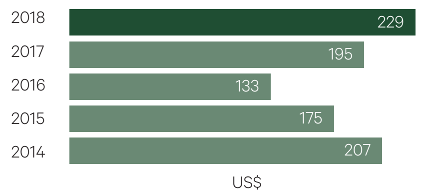
Finished products shipped

+3%



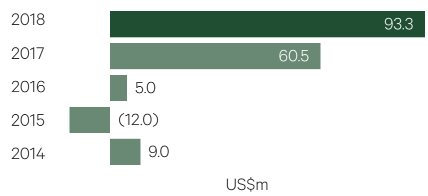
Average price per tonne of all finished products

+17%



EBITDA

+54%



ILMENITE AND RUTILE

Ilmenite and rutile are the principal feedstocks used to produce TiO_2 pigment, which accounts for ~90% of global feedstock consumption. TiO_2 pigment is used to impart a brilliant white colour in the manufacture of paints, plastics and paper, as well as a number of other applications.

ZIRCON

Zircon is primarily mined as a co-product of titanium minerals. 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.

REVENUE BY REGION

56%
Asia

25%
Europe

19%
Rest of the world

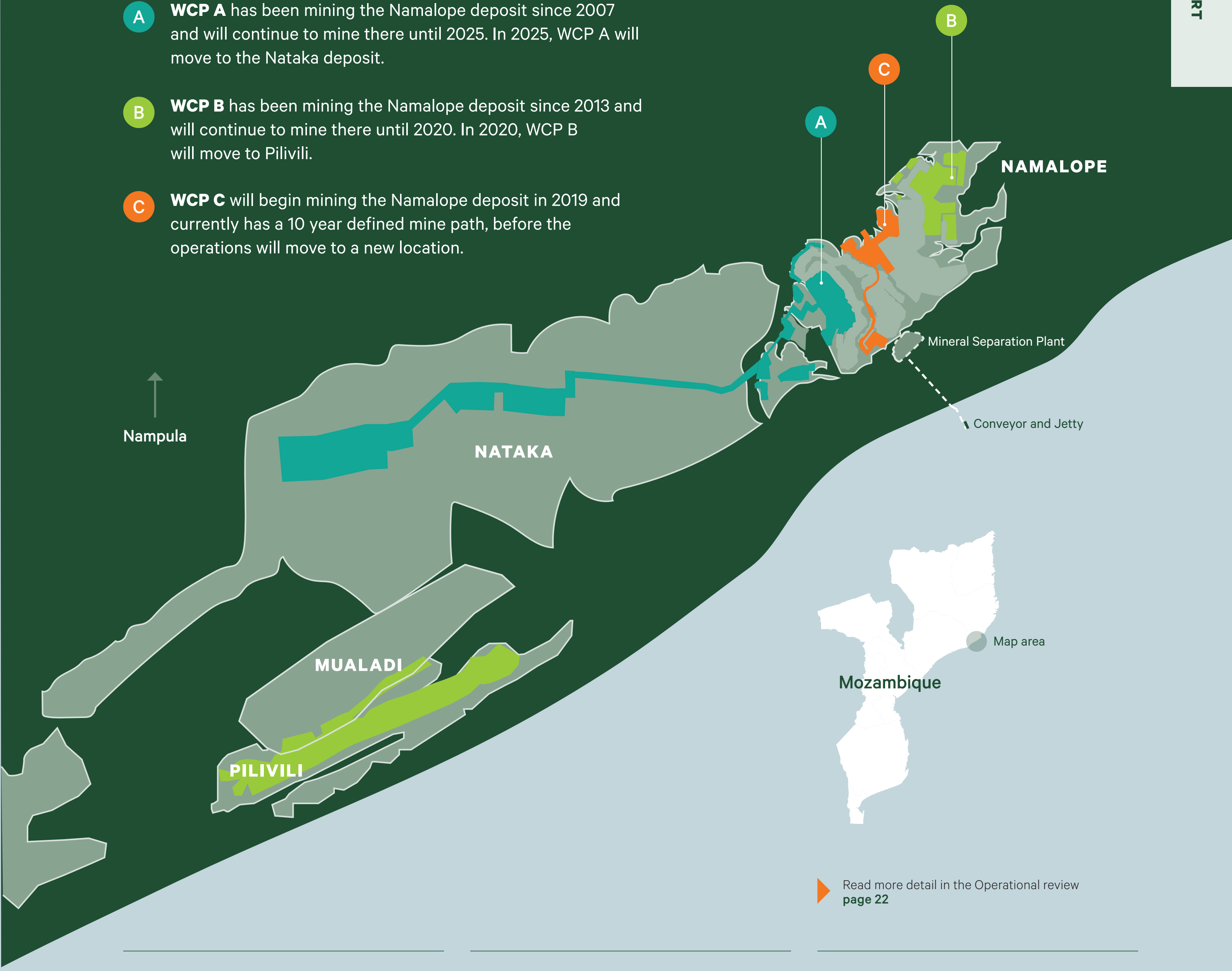
Our mine paths

Kenmare has had a presence in Mozambique for more than 30 years and in 2018, our production accounted for ~5% of the country's exports.

A **WCP A** has been mining the Namalope deposit since 2007 and will continue to mine there until 2025. In 2025, WCP A will move to the Nataka deposit.

B **WCP B** has been mining the Namalope deposit since 2013 and will continue to mine there until 2020. In 2020, WCP B will move to Pilivili.

C **WCP C** will begin mining the Namalope deposit in 2019 and currently has a 10 year defined mine path, before the operations will move to a new location.



Read more detail in the Operational review **page 22**

NAMALOPE

3.5% THM*

Kenmare has been mining in Namalope since 2007. Currently both WCP A and WCP B are mining this ore zone. In 2019, Kenmare began construction of WCP C at Namalope to mine a high grade area, which is inaccessible to the existing operations due to their larger size. This additional operation will contribute to increased production of 1.2 million tonnes per annum (Mtpa) of ilmenite from 2021.

PILIVILI

4.2% THM*

Pilivili is the highest grade ore zone in Kenmare's portfolio, with an average grade of 4.2% THM and situated just 20km south west of Namalope. WCP B operations will move to Pilivili in 2020 on completion of the mine path in Namalope. Mining of this higher grade ore is the last step necessary to lift production volumes to 1.2 Mtpa of ilmenite from 2021.

NATAKA

3.6% THM*

Nataka is the largest ore zone, representing more than 100 years of production at current mining levels. Within the larger Nataka ore zone, a high grade path has been identified which averages 3.6% THM for 20 years. WCP A is expected to mine the Nataka ore zone from 2025, on completion of the existing mine path at Namalope.

* THM is total heavy minerals.

A strong investment case

With a mine life of over 100 years and more than a 10-year production track record, Kenmare has a compelling platform for growth. Our strategy is to deliver strong shareholder returns through maximising the value of the Moma Titanium Minerals Mine. In line with this strategy, we have outlined our plans to increase production, expand our margins and deliver our maiden dividend.

Read more on our strategy **page 6**

Image:
Armindo Fortes, Production Supervisor, WCP B.

GROWTH

>20%

Kenmare is investing approximately US$145 million over the next two years to increase production to 1.2 Mtpa of ilmenite from 2021.

MARGIN EXPANSION

US$120–130/t

Kenmare is targeting a reduction in its total cash operating costs to US$120-130/tonne from 2021 in order to deliver margin expansion.

SHAREHOLDER RETURNS

≥20%

In 2018, Kenmare announced its dividend policy to pay a minimum of 20% of profit after tax from 2019.

Our strategy

Strategic objectives: priorities, performance and outlook

Kenmare's strategy is to create long-term shareholder value through the production and marketing of products derived from our extensive mineral resources, while maintaining a structured and disciplined approach to capital management. This is underlined by our commitment to being a responsible corporate citizen.

Growth

Priorities

- Our strategy is to deliver larger HMC (and therefore final product) volumes through:
  1. increased productivity;
  2 expanded mining capacity – WCP B upgrade, development of WCP C; and
  3. accessing higher grade ore – moving WCP B to Pilivili in 2020.

Performance

- 2018 was a year of record shipments of all finished products.
- The upgrade of WCP B was commissioned and it is expected to be delivered at a cost more than 25% under the original budget. It is anticipated to add an additional 130,000 tonnes of HMC production per annum.
- A Definitive Feasibility Study (DFS) was completed for the development of WCP C in Namalope and the project was approved by the Board.
- A Pre-Feasibility Study (PFS) was completed for the move of WCP B to Pilivili.

Margin expansion

Priorities

- Optimising the performance of existing assets is crucial to maximising margin. Kenmare's strategy has three points of focus:
  1. increasing throughput – dry mining and dredge automation;
  2. raising utilisation – by improving mine planning processes to increase operating time; and
  3. increasing revenue capture – through higher recoveries and additional product streams.

Performance

- Increased dry mining capacity at WCP B.
- Higher recoveries, particularly for zircon, at the Mineral Separation Plant (MSP).
- The first production of a mineral sands concentrate product (containing monazite, zircon and rutile) - this project was completed on time and below budget.

Shareholder returns

Priorities

- Establishing a dividend is an essential part of Kenmare's strategy to deliver shareholder value.
- Maintaining a prudent level of cash and cash equivalents is a strategic priority.
- A cash buffer helps to insulate the business from unexpected shocks and higher cash balances are likely to be maintained until capital development projects are completed.

Performance

- In December 2018 shareholders approved a capital reduction process, a key step in facilitating future dividend payments.
- At year end 2018, net cash was US$13.5 million, up from a net debt position of US$34.1 million at year end 2017.
- At year end 2018, cash and cash equivalents increased by 41% to US$97.0 million, up from US$68.8 million at year end 2017.

Outlook

- The construction of WCP C is expected to be commissioned in 2019. It is anticipated to add an additional 150,000 tonnes of HMC production per annum.
- The WCP B move to Pilivili is scheduled to be completed in H2 2020. Following the move, Kenmare's production is expected to be 1.2 Mtpa of ilmenite from 2021.

Read more on the Development projects **page 26**

Outlook

- The first dredge automation project is underway at WCP B and commissioning is expected in H1 2019.
- Mine utilisation rates are expected to increase further in 2019, in line with Kenmare's objective of increasing utilisation to 80%.
- Zircon recoveries are expected to increase further in 2019 to 81%.

Read more in the Operational review **page 22**

Outlook

- Maiden dividend expected to be paid based on H1 2019 results, subject to prevailing market and other conditions.
- Expected higher capital returns from 2021, following the completion of development projects.
- Potential for special dividends or shareholder buybacks.

Read more in the Chairman's statement **page 14**

Stability from growth

Why 1.2 million tonnes per annum?

In 2018 Kenmare outlined three development projects to increase production to 1.2 Mtpa of ilmenite (plus co-products) from 2021. Currently, production of HMC is limited by mining capacity, whereas the MSP has a processing capacity of 1.2 Mtpa of ilmenite. Therefore, it is cost effective to increase mining capacity in order to produce at the maximum installed capacity.

Kenmare expects unit cost benefits as higher volumes spread fixed costs over more tonnes and the Group is targeting total cash operating costs of US$120-130 per tonne (in 2018 real terms) from 2021. This will stabilise cash flow generation as low-cost operations assist in maintaining positive free cash flow throughout the commodity cycle.

Reduction in unit costs expected, as production increases to 1.2 Mtpa of ilmenite, to the range of

US$120–130/t

Business model

Kenmare's business model aims to deliver our strategic objectives of growth, margin expansion and shareholder returns. We utilise our key resources of people and assets to generate benefits for all of our stakeholders in a safe and sustainable manner.

Inputs

PEOPLE

- Our people are our most important asset as they drive the generation and effective delivery of our strategy.
- We invest in our employees throughout their careers, offering opportunities for development, training and competitive rewards linked to performance.

ASSETS

- Moma is one of the largest producing mineral sands mines globally, producing approximately 7% of the global titanium feedstocks.
- The ore zones contained within the Moma resource base are large enough to support production for more than 100 years, at current rates of production.

FINANCE

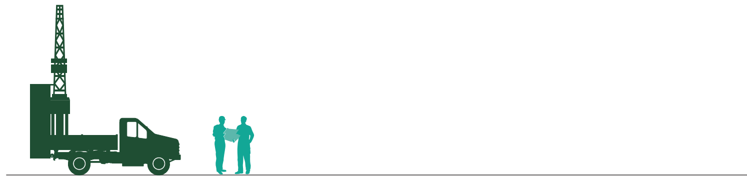
- Equity and debt markets have provided the financing necessary to develop the Company.
- Maintaining balance sheet strength and flexibility provides opportunities for shareholder returns and investment for growth.

Read more on our Finance review
page 34

Principal risks and uncertainties

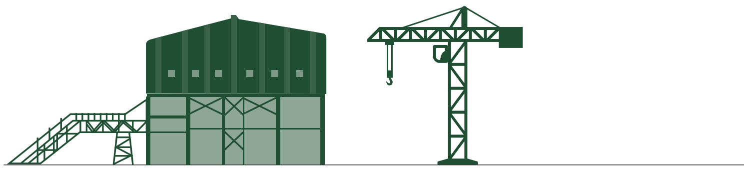
What we do

1 OREBODY DEFINITION



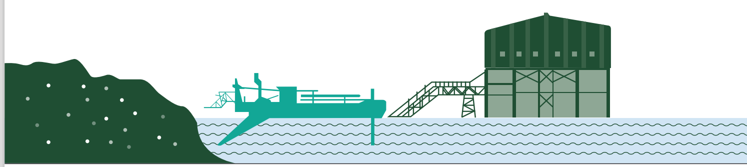
2 DEVELOPMENT

Wet Concentrator Plant

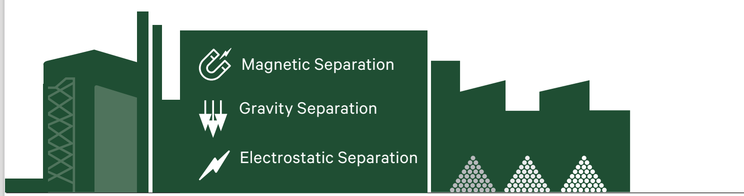


3 MINING

Dredging



4 PROCESSING AND STORAGE

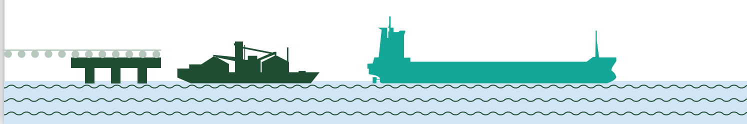


5 SALES AND MARKETING

Conveyer Jetty

Transhipment vessel

Bulk carrier



Strategic objectives delivered through our business model:

GROWTH

MARGIN EXPANSION

SHAREHOLDER RETURNS

Read more on our strategy **page 6**

- Defining the size, quantity and grade of mineral resources.
- Determination of technical feasibility.
- Assessment of commercial viability.

- Turning commercially viable reserves and resources into producing assets.

- Dredge mining accounts for the majority of our ore mining capacity reducing relative operating costs.
- Dry mining provides flexibility.

- HMC is processed into finished products using highly specialised gravity, magnetic and electronic equipment.

- We strive for strong and long-term customer relationships for all our marketed products.

Read more on our Mine process outline **page 10**

Outputs

Kenmare aims to deliver value for all stakeholders through the implementation of our business strategy.

FINANCIAL

US$93.3m

EBITDA

Kenmare delivered increased profitability in 2018, with EBITDA up 54% compared to 2017.

≥20%

Dividend Policy

In 2018 Kenmare announced its dividend policy, and the Company is working towards paying a minimum of 20% of profit after tax from 2019.

SUSTAINABLE BUSINESS

1,398

Employees in Mozambique

Ensuring that our employees are well-trained and productive is key to long-term business sustainability. At year end 2018 we provided direct employment for 1,398 people in Mozambique, 95% of whom are Mozambican.

0.12

per 200,000 man-hours

LTIFR

Safety performance improved significantly in 2018 through continued strengthening of our safety culture.

0

Reportable environmental incidents

Kenmare is committed to responsible operating practices and efficient use of natural resources. In 2018 there were no reportable environmental incidents.

US$17.9m

Government payments

Support from our host communities and the Government of Mozambique is an essential component of our licence to operate. In 2018 we paid US$17.9 million in government payments, of which the largest elements were payroll taxes, mining royalty and IFZ royalty.

Mine process outline

Kenmare's operational process is well established and environmentally sound. The Moma Mine is a low-cost, bulk mining operation that utilises hydro-generated power and progressive rehabilitation processes.

Mining

1 DREDGING

Dredging takes place in two artificial ponds, where three dredges feed two floating Wet Concentrator Plants (A and B). The dredges cut into the ore at the pond's base, causing the mineralised sand to slump into the pond where it is pumped to a WCP.

2 WET CONCENTRATOR PLANT

The first processing stage at the WCPs consists of rejecting oversize material. Next, the ore feed is passed over progressive stages of gravity spirals, which separate the HMC from tailings (silica sand and clay).

3 DUNE REHABILITATION

Tailings are deposited into a series of settling ponds, dried and re-contoured, with the previously removed topsoil redeposited. Rehabilitation is completed by planting with a variety of vegetation as well as food crops. The area is then transferred back to the local communities.

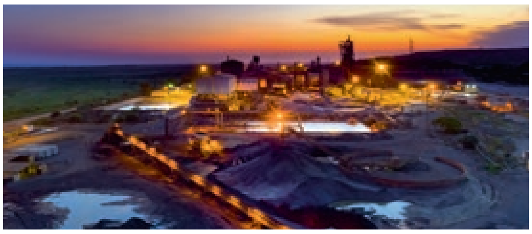
4 HEAVY MINERAL CONCENTRATE

HMC is pumped to the Mineral Separation Plant (MSP), where it is stockpiled prior to further processing. HMC consists of the valuable heavy minerals ilmenite, rutile and zircon, other heavy minerals and a small amount of light minerals, the bulk of which is silica.

Other infrastructure: Other infrastructure on site includes a 170km 110kV power transmission line, a sub-station, a leased 9.6 MW diesel generator plant, an accommodation village, offices, a laboratory, an airstrip, water supply and sewage treatment plants.

Processing

5 WET HIGH INTENSITY MAGNETIC SEPARATION



HMC is transferred from stockpiles by front-end loaders and fed to the Wet High Intensity Magnetic Separation (WHIMS) plant to separate magnetic from non-magnetic fractions.

6 MINERAL SEPARATION PLANT

The MSP uses a series of magnetic, gravity and electrostatic separation circuits to separate valuable minerals and to produce various ilmenite, rutile and zircon product grades to meet specific customer requirements.

The magnetic fraction of WHIMS output (ilmenite) is dried and processed by electrostatic separation in one of two plants to produce final ilmenite products.

The non-magnetic fraction of the WHIMS output (zircon and rutile) passes to the wet gravity separation circuit to remove silica and trash minerals. Electrostatic separators are then used to separate the conducting mineral rutile from the non-conducting mineral zircon.

Storage and export

7 PRODUCT STORAGE WAREHOUSE

Ilmenite and rutile are stored in a 185,000 tonne capacity warehouse, while zircon is stored in a separate 35,000 tonne capacity warehouse to reduce the potential for cross-contamination. Both warehouses load product onto a 2.4 km long overland conveyor.

8 CONVEYOR AND JETTY

The conveyor transports product to the end of a 400 metre long jetty, where product is loaded onto transhipment vessels, at a rate of 1,000 tonnes per hour. Kenmare owns and operates two transhipment vessels, the Bronagh J and the Peg.

9 TRANSHIPMENT VESSELS

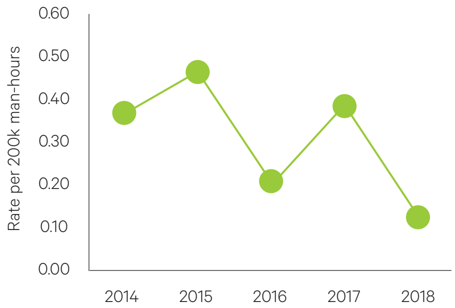
The vessels transport the products to a deep water transhipment point 10 km offshore, where they self-discharge into bulk carrier vessels. These vessels then transport the final products to multiple destinations around the world.

Key performance indicators

Robust progress delivered

We use various financial and non-financial performance measures to help evaluate the ongoing performance of our business. Linked to our strategic objectives, the following measures are considered by management to be some of the most important in evaluating our overall performance year on year.

Health & Safety

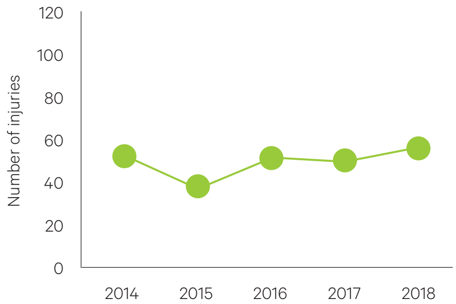


LTIFR

Descriptor: Lost time injury frequency rate.

Relevance: Measures the number of injuries per 200,000 man-hours worked at the Mine that result in time lost from work.

Performance: Safety performance improved significantly in 2018 compared to 2017 through the continued strengthening of our safety culture. Our LTIFR of 0.12 per 200,000 man-hours worked is the Group's lowest ever level.



AI

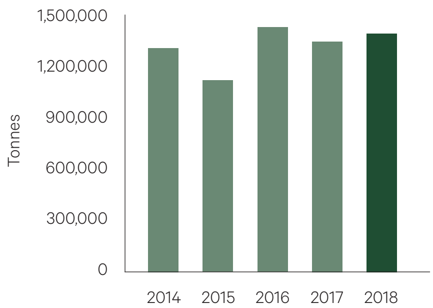
Descriptor: All injuries, including lost time injuries and other less serious injuries.

Relevance: Measures the total number of injuries at the Mine in the year.

Performance: Despite the 67% reduction in lost time injuries at the Mine in 2018 compared to 2017, the total number of injuries increased during the year. This increase was largely attributable to a higher number of minor injuries (first aid injuries) than in 2017; however, Kenmare remains focused on improving its safety performance further in 2019.

Read more in our Sustainability report **page 44**

Production

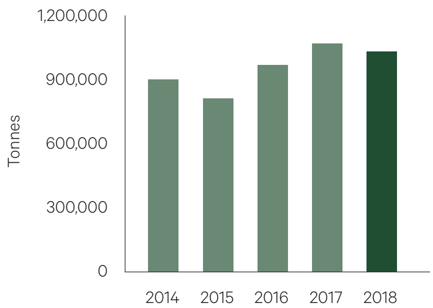


Mining – HMC

Descriptor: Heavy mineral concentrate extracted from mineral sands deposits, which include ilmenite, zircon, rutile and other heavy minerals and silica.

Relevance: Provides a measure of heavy mineral concentrate extracted from the Mine, the feedstock for the product suite.

Performance: HMC production increased by 4% during the year as excavated ore volumes benefited from improved dredge utilisation and a higher dry mining contribution. This was despite scheduled upgrade work to WCP B and more power interruptions than had been experienced in 2017.



Processing – finished products

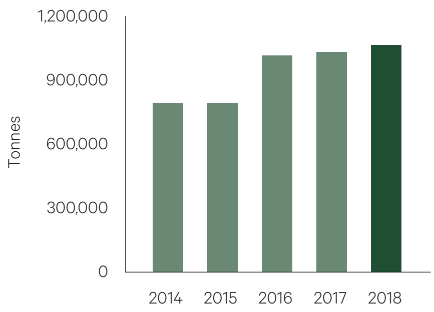
Descriptor: Finished products produced by the mineral separation process.

Relevance: Provides a measure of finished products produced by the processing plants.

Performance: Finished product production decreased by 4% in 2018 compared to 2017, despite stronger HMC production. This was mainly due to lower opening stockpiles of HMC.

Read more in the Operational review **page 20**

Marketing



Shipments

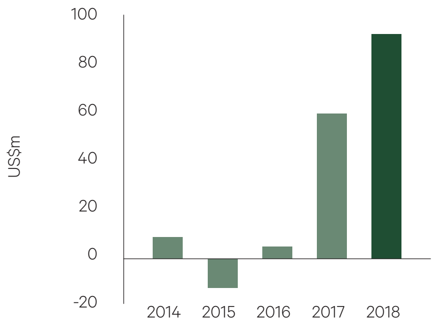
Descriptor: Finished products shipped to customers during the period.

Relevance: Provides a measure of finished product volumes shipped to customers.

Performance: Kenmare achieved a record year for shipments in 2018 for the third consecutive year, with a 3% increase compared to 2017. This was due to continued increase in demand for our products.

Read more in our Market report **page 18**

Financial

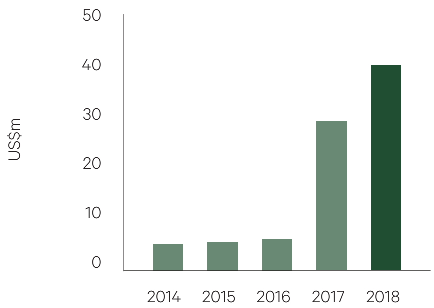


EBITDA

Descriptor: Earnings before interest, tax, depreciation and amortisation.

Relevance: Eliminates the effects of financing, tax and depreciation to allow assessment of the earnings and performance of the Group.

Performance: EBITDA increased by 54% in 2018 compared to 2017, primarily as a result of increased shipments of finished products and higher average received pricing for all products.

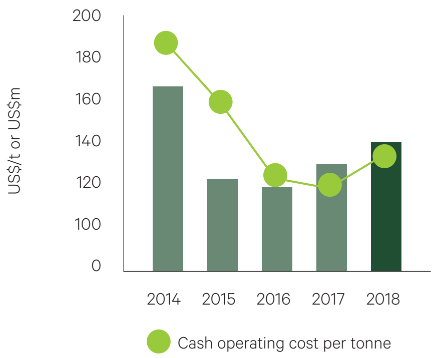


Capital costs

Descriptor: Additions to property, plant and equipment in the period.

Relevance: Provides the amount spent by the Company on additions to property, plant and equipment in the period.

Performance: Investment in property, plant and equipment increased by 37% in 2018, compared to 2017. Key capital items included the WCP B upgrade work, the construction of WCP C (commissioning expected before the end of 2019) and studies for the WCP B move to the high grade Pilivili ore zone.

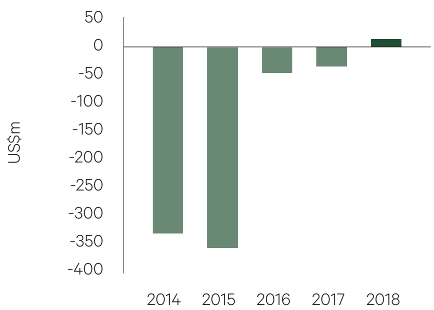


Cash operating costs

Descriptor: Total group costs less freight and other non-cash costs, including inventory movements. For cash operating costs per tonne, this number is divided by the tonnes of final products produced.

Relevance: Eliminates freight costs and non-cash costs to identify the actual cash outlay for production and, as production levels increase or decrease, highlights operational performance by providing a comparable cash cost per tonne of product produced over time.

Performance: Cash operating costs increased by 7% in 2018 compared to 2017. This was due in part to higher utilisation of diesel-powered electric generators, as a result of reduced reliability of the power network. Kenmare has been working with Electricidade de Moçambique (EdM), the state electricity provider, on a plan of works, which is due to be completed in Q2 2019. The higher costs and lower production of finished products resulted in an 11% increase in cash operating costs per tonne.



Net cash/net debt

Descriptor: Total cash and cash equivalents minus bank loans.

Relevance: Provides a method to evaluate a company's cash flows. Net debt aids in understanding the leveraging of the company.

Performance: Kenmare delivered a strong financial performance in 2018. Increased profitability generated more cash which turned net debt of US$34.1 million at year-end 2017 into a net cash position of US$13.5 million at year-end 2018.

Chairman's statement

Creating shareholder value

STEVEN MCTIERNAN
CHAIRMAN

> Kenmare has delivered steady improvements in operating metrics and now has the solid financial foundation required to fund our growth plans.

Dear shareholders,

Kenmare has become a significantly stronger and more resilient company and 2018 was a year of robust performance. Increased sales volumes and higher commodity prices increased profitability and free cash flow generation, resulting in year-end net cash of US$13.5 million, compared to net debt of US$34.1 million a year earlier.

Shareholder returns

Your Board is acutely aware of the need to deliver tangible returns to shareholders who have supported the Company through a number of difficult years. I am therefore pleased to report that in October 2018, Kenmare announced a dividend policy to return a minimum of 20% of profit after tax to shareholders.

The Company is working towards paying modest dividends from 2019, with plans to increase capital returns materially from 2021 after our current development projects have been delivered. In December 2018, shareholders voted to eliminate Kenmare's historic losses and the capital reduction was subsequently confirmed by the High Court of Ireland. We are currently in process of completing the group rationalisation and addressing the applicable conditions for the payment of dividends.

Growth strategy

Kenmare has a market-leading position and a well-established business model. The Moma Mine in northern Mozambique is a tier-one asset with a resource life of over 100 years at planned production levels, supporting increased global demand for titanium feedstocks.

During 2018 we announced plans to expand mining and processing capacity to deliver an approximate 20% production increase by 2021. Capital investment of approximately US$145 million will be required during the next two years to secure this platform for future growth, which will also reduce unit costs and expand margins.

We have also identified opportunities to generate additional revenues through the production of Mineral Sands Concentrate, including the rare earth mineral monazite, with production having commenced in 2018 and the first sales scheduled for 2019.

Sustainable and responsible operations

Kenmare has been operating in Mozambique for over 30 years and we continue to enjoy strong support from the Government, and the regulatory and regional authorities in country. We are committed to being a responsible corporate citizen and to leaving a positive and sustainable legacy in our host communities. In 2018, through the Kenmare Moma Development Association (KMAD), we supported various community initiatives focused on sustainable livelihoods, healthcare and education.

The safety and well-being of our staff and the community near the Moma Mine are of the highest importance to everyone at Kenmare. In 2018 I am pleased to report zero operational fatalities and our lowest ever lost time injury frequency rate of 0.12 per 200,000 man-hours worked on site, a credit to our team in Mozambique. Our people are our greatest asset and we are dedicated to raising our safety standards further during the coming years.

While we believe the presence of the Mine has significantly enhanced the well-being of our host communities, we are very conscious of the risks associated with mining operations to staff and the surrounding community, and hence we proactively manage these risks. However, sadly, in 2018 there were some road traffic and other fatal accidents involving community members. We are working closely with the community and redoubling our efforts to create a safer environment.

Corporate governance

The Board follows corporate governance best practice, including meeting the recently strengthened and expanded UK Corporate Governance Code for Premium-listed FTSE companies. We are satisfied that the Group has fit-for-purpose processes in place for identifying and managing the risks faced by the Company, and an effective system of internal controls to safeguard the integrity of the business.

We will be proposing to change our Group audit firm at the 2019 Annual General Meeting, in accordance with EU legislation. Hence 2018 is expected to be the last year that Deloitte, with which we have had a positive working relationship for many years, will be auditing our Annual Report and Accounts. A detailed statement on pages 58 to 84 describes how we have complied with the principles of good corporate governance practice across all areas of the Company.

Board development

Your Board recognised the need to ensure that the highest level of independent specialist mining industry skills and experience is available from our Non-Executive Directors, especially given the significant Mine development programme now underway. I was therefore pleased to welcome Clever Fonseca as a Non-Executive Director in July 2018. Clever has over 35 years' experience in the titanium minerals industry and extensive knowledge and management experience of mineral sands mining, including dredging operations.

Coincident with Clever's appointment, to maintain the same number of Directors and to increase the ratio of Non-Executive Directors to Executive Directors, Terry Fitzpatrick retired from the Board. Terry has served with great distinction for many years as Technical Director, and has now taken up various board positions with our subsidiary operating companies.

We will continue to evaluate Board composition to ensure that we have the skills and expertise necessary for the Company's success.

2019 outlook

Kenmare has delivered steady improvements in operating metrics and now has the solid foundation required to fund our growth plans. We will be assessing additional measures to enhance financial flexibility while we deliver our outlined projects, in addition to providing stability and protection against inevitable economic and commodity cycles.

Acknowledgements

I would like to thank all employees and the management team at Kenmare for their outstanding dedication and teamwork during 2018, when they delivered material improvements in both safety and profitability, and compelling progress on our development projects.

Finally, I would like to thank all of our shareholders for their continued support. My fellow Directors and I are confident that Kenmare will continue to create real value for our all of our stakeholders in 2019 and beyond.

Steven McTiernan
Chairman

Image:
The Board visited the Moma Mine in 2018.

Managing Director's statement

MICHAEL CARVILL
MANAGING DIRECTOR

Working in partnership

"

We are proud to contribute to the economic growth of the communities, region and country in which we work and we value our partnerships highly.

In 2018 Kenmare delivered record total shipments of 1,074,400 tonnes of finished products and we achieved improved average received pricing for all products. Our financial performance reflected these strong operational results, with a 54% increase in EBITDA to US$93.3 million and a 162% increase in profit after tax to US$50.9 million.

In addition, we commissioned the first of three growth projects, on time and more than 25% below budget. The growth projects will allow us to deliver an approximate 20% increase in ilmenite production (plus associated co-products) from 2021. During 2018 we also continued to work closely with our partners in Mozambique to maintain a strong social licence to operate.

Safety

The safety and well-being of our employees and host communities will always be our first priority. As promised last year, we have strengthened our safety culture, resulting in a decrease in our lost time injury frequency rate (LTIFR) to 0.12 per 200,000 man-hours worked in 2018 (2017: 0.39). We also retained our five-star NOSA safety accreditation. However, we will continue to target further improvement and to ensure that safer work practices become embedded in our workforce.

While we believe that the presence of the Mine has created a huge improvement in the lives of local people, more traffic and movement of heavy mobile equipment has increased certain risks. Hence in 2019 there will be a particular emphasis on community safety through education.

Sustainability

We remain committed to being a responsible corporate citizen and I offer my thanks to our host communities, local suppliers, the Government of Mozambique and our other stakeholders for helping us to achieve this goal. We are proud to contribute to the economic growth of the communities, region and country in which we work and we value our partnerships highly. Kenmare also continues to be an engaged participant in the Extractive Industries Transparency Initiative.

Relations with our stakeholders in Mozambique remain strong, and a key highlight of our corporate social responsibility programme in 2018 was the completion of a technical school, funded by KMAD. This school will provide skills development and training opportunities for local people and it is the first secondary school in the local area and the first technical school in the region.

We also progressed our goal to increase the localisation of our workforce and at the end of 2018, 95% of our Mine employees were Mozambican, compared to 93% the previous year. We also recognise that diversity is a key driver of success in modern business and as a result, at the end of 2018, women represented 7% of our workforce, up from 5% in 2017.

LTIFR per 200,000 hours worked

0.12

% of Mozambican employees

95

Kenmare is focused on advancing the interests of women in Mozambique and by the end of 2020 we intend that 10% of our employees will be female.

Achieving new operational records

The mid-point of our original 2018 production guidance was exceeded for all products and volumes of ore mined increased. This was driven by improvement in mechanical availability, plant utilisation and the upgrade of WCP B, which facilitated higher mining rates. Enhanced business systems, better equipment and continued staff training also played a part in higher throughputs.

In December 2018, the Mineral Separation Plant (MSP) produced at an annualised run-rate of 1.2 million tonnes per annum of ilmenite, a new monthly operational record, highlighting the operational improvement evident when sufficient HMC is available.

However, costs were marginally above the guided range, due in part to higher utilisation of the diesel-powered electric generators in 2018. Power has not been a fundamental constraint on Moma's ability to produce since 2015, but some instability was experienced in the national grid during 2018. Generators were used to provide stable power to the MSP, which is particularly sensitive to voltage fluctuations. We are working closely with Electricidade de Moçambique (EdM), the state electricity grid operator, and work is underway to increase power stability.

Expanding production to 1.2 million tonnes per annum

At our Capital Markets Day in October 2018, we announced that Kenmare intends to expand annual ilmenite production volumes to 1.2 million tonnes. We outlined three development projects to fully utilise our installed asset base:

- WCP B expansion – commissioned and operating (delivered on time and more than 25% under budget);
- WCP C – major contracts have been awarded, construction is well underway and the project is on schedule for commissioning before the end of 2019; and
- WCP B move to Pilivili – the DFS will be completed in H1 2019, with the Environmental Impact and Social Action Plan under discussion with the Government of Mozambique and the local community. Commissioning is due before the end of 2020.

Read more detail on Development projects **page 26**

Robust product markets

Kenmare achieved higher average prices for all finished products in 2018 compared to 2017. The outlook remains positive as existing mines reach the later stages of production and, although current prices are profitable for Kenmare, they largely remain insufficient to fund the development of new projects.

Kenmare continues to be the largest global producer of merchant ilmenite and is the leading supplier to a number of existing ilmenite upgrading facilities in China. Additional upgrading plants are set to be commissioned in 2019, requiring high quality ilmenite to be imported to serve the growing chloride pigment sector in China. We are well positioned to benefit from this growth.

Zircon prices increased by 46% in 2018, following strong global demand and limited production growth. Zircon supply from Indonesia and concentrates from various regions for processing in China increased during 2018, which, coupled with weaker demand in China, has led to some modest softening of prices in the Chinese market towards the end of 2018. However, zircon production is consolidated and global production is forecast to decline due to orebody depletion, supporting long-term prices.

Outlook

I would like to thank our employees and Board for their continued commitment to Kenmare's evolution. The outlook for our products remains positive and, in combination with our plans to grow ilmenite production to 1.2Mtpa, provides a platform for increased cash flows and shareholder returns.

Michael Carvill
Managing Director

Market-leading position

2018 was a record year for Kenmare in terms of total shipments, with 1,074,400 tonnes shipped. This was achieved in conjunction with improved average received pricing for all products: ilmenite, zircon and rutile.

Eamonn Keenan
Group General Manager
Sales and Marketing

Image:
Ilmenite, zircon, rutile and mineral sands concentrate.

TITANIUM FEEDSTOCK MARKETS

In 2018 Kenmare sold 993,700 tonnes of ilmenite, our primary product, a 3% increase compared to 2017. The Company also delivered an 8% increase in average received ilmenite prices compared to 2017.

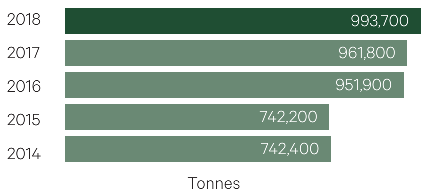
H1 2018 was a record period for ilmenite shipments due to strong demand from the spot market as well as some accelerated contracted shipments. This robust demand was primarily as a result of global pigment plants operating at high utilisation rates, in conjunction with lower than normal inventories throughout the supply chain.

As expected, ilmenite shipments were weaker in H2 2018 than in the first half of the year. Chinese sales slowed in Q3 2018, as is the seasonal norm, before rebounding in Q4 2018. Kenmare also secured additional spot sales outside China in Q4 2018. The pigment market softened in the second half of 2018 as pigment producers built excess inventories over the summer months and into the third quarter, slowing feedstock purchasing activity. Industry analysts expect a destocking period to be worked through in H1 2019. Despite the weaker demand in H2 2018, the majority of Kenmare's contracted customers lifted their full allocations in 2018 and have maintained volumes for 2019, with some increasing their requirements.

Chinese ilmenite imports were lower in 2018 as supply from major sources such as Vietnam, Australia, South Africa, other African sources and Ukraine decreased. Indian ilmenite supply has halved from approximately 7% of global feedstock production in the last two years. The mining ban in Tamil Nadu, India, remains in place but imports to China from India increased slightly in 2018. However, towards the end of 2018 a further major producer had its mining licence suspended, leaving one operating producer compared with five at the end of 2016. The overall reduction in imports was partially offset by a large increase in supply of low-quality ilmenite concentrates from other producers in Mozambique. Increased Chinese domestic ilmenite production in 2018, a result of less disruption from environmental inspections compared to 2017, more than offset the reduced imports.

The titanium slag market was heavily impacted by disruption to multiple supply sources during 2018, particularly in H1. These disruptions, coupled with the strong pigment market in H1 2018, led to robust price increases in both sulphate and chloride slag, increasing the value of ilmenite on a relative economic value basis. Kenmare views this as a positive indicator for ilmenite pricing and demand in early 2019.

Ilmenite tonnes shipped



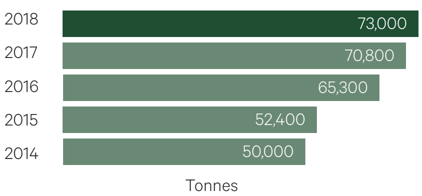
8%
increase in ilmenite prices

ZIRCON

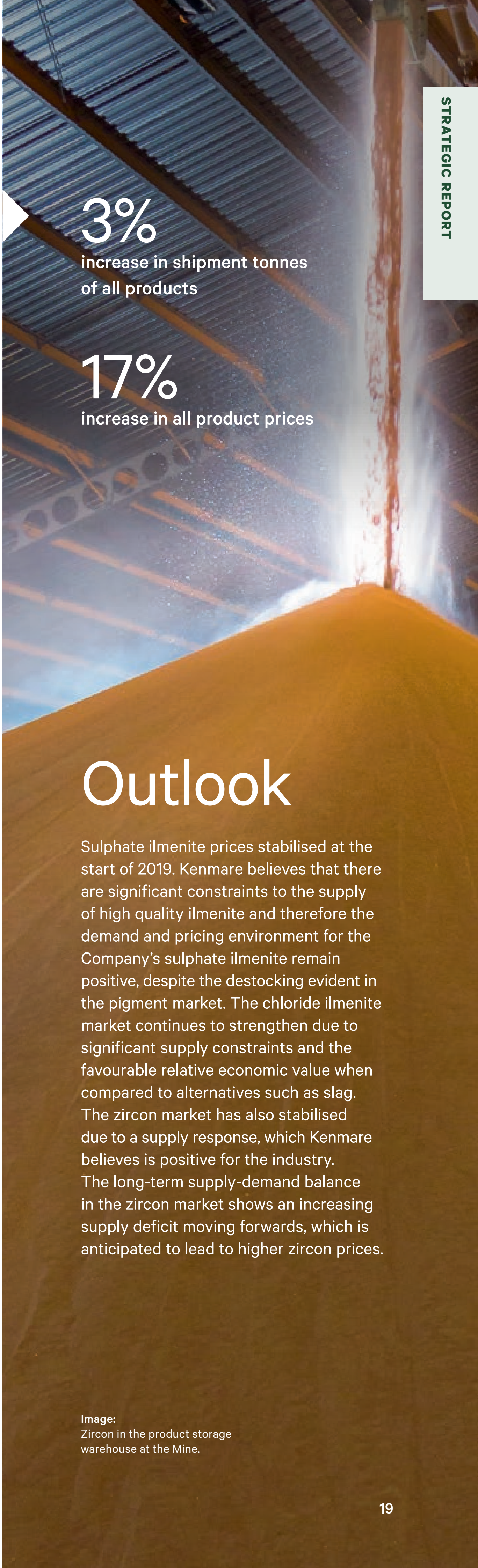
The zircon market strengthened significantly over the course of 2018, with Kenmare achieving a 3% increase in shipment volumes and a 46% increase in received prices compared to the prior year. Received prices increased quarter-on-quarter in the first nine months of 2018, before plateauing in Q4.

Kenmare believes the robust market in the first three quarters of the year was a result of constrained supply. When demand softened in Q4 2018 it was due to more concentrates containing zircon being shipped to China for reprocessing and there was also a supply response from Indonesia. Kenmare believes that the long-term fundamentals of the zircon market remain positive as there are significant mine closures and ore body depletions expected in the near future.

Zircon tonnes shipped



46%
increase in zircon prices



3%
increase in shipment tonnes of all products

17%
increase in all product prices

Outlook

Sulphate ilmenite prices stabilised at the start of 2019. Kenmare believes that there are significant constraints to the supply of high quality ilmenite and therefore the demand and pricing environment for the Company's sulphate ilmenite remain positive, despite the destocking evident in the pigment market. The chloride ilmenite market continues to strengthen due to significant supply constraints and the favourable relative economic value when compared to alternatives such as slag. The zircon market has also stabilised due to a supply response, which Kenmare believes is positive for the industry. The long-term supply-demand balance in the zircon market shows an increasing supply deficit moving forwards, which is anticipated to lead to higher zircon prices.

Image:
Zircon in the product storage warehouse at the Mine.

Growing from a position of strength

Ben Baxter
Chief Operations Officer

HMC production increased by 4% compared to 2017 and we set a new annual record for total shipments of finished products. Our safety performance improved significantly in 2018 with our LTIFR decreasing to its lowest ever level of 0.12 per 200,000 man-hours worked.

Image:
Armindo Fortes, Production Supervisor, WCP B.

Health and safety

Safety is one of Kenmare's core values and it is our top priority. As a company, we are committed to managing safety risks and maximising opportunities to enhance employee well-being. Central to our approach is the zero-harm principle where work-related injuries and illnesses are completely preventable.

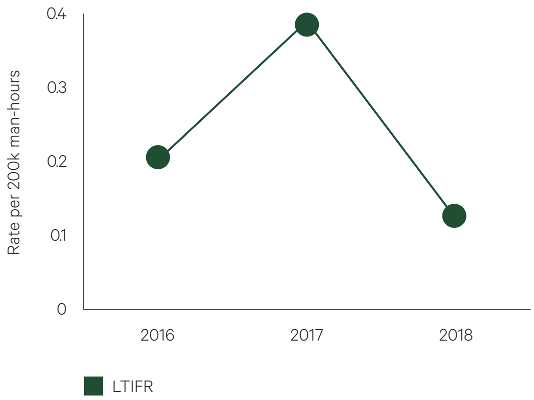
Kenmare's safety performance improved significantly in 2018. The Company achieved its goal of zero fatalities at its operations and the number of lost time injuries (LTIs) decreased by 67% to three in 2018, compared to nine in 2017.

This improvement was achieved through strengthening Kenmare's safety culture, furthering our goal of creating a zero-harm workplace. As well as increasing levels of employee engagement in safety management, the key areas of focus for improvement were:

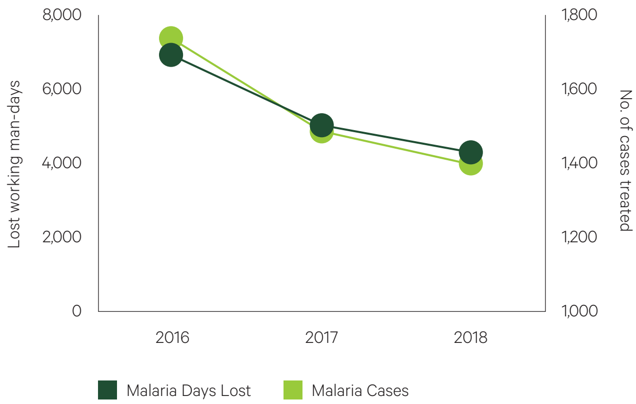
- increasing personal accountability for safety;
- improving the systems relating to hazard identification with establishment of a "stop unsafe work" process, and revitalising the Company's Take 5 pre-work risk assessment process;
- implementing a safety leadership programme highlighting the role of leaders in caring for their subordinates and preventing incidents;
- implementing safety theatre programmes used to personalise the impacts of incidents, and show how to prevent them; and
- placing emphasis on learning from significant potential incidents that could have had serious consequences.

Kenmare retained its five-star certification award using the NOSA safety accreditation system for the third consecutive year and was named the winning mine in the open cast category at the NOSCAR Awards.

LTIFR



Malaria incidence and lost working days



Health and safety performance

	2018	2017	2016
Man-hours worked	**4,888,574**	4,627,491	4,037,186
Man-hours worked since last LTI	**430,738**	12,500	1,223,340
Lost time injuries (LTIs)	**3**	9	4
Fatalities (included in LTIs)	**0**	0	0
Medical treatment injuries (MTI)	**4**	3	4
First aid injuries (FAIs)	**49**	37	43
All injuries (AIs)	**56**	49	51
Man-days lost to injuries	**236**	521	291
All Injury frequency rate (AIFR)	**2.26**	2.11	2.53
LTI frequency rate (LTIFR)	**0.12**	0.39	0.20

Operational review continued

HMC production

1.4m tonnes

Finished product production

1.0m tonnes

Image:
Donald Chintendere, MSP WHIMS Supervisor, in front of the HMC stockpile which is being loaded into the MSP.

Health and safety continued

Malaria remains the key health challenge for the Mine. However, further improvements were delivered in 2018 compared to previous years.

The number of recorded malaria cases decreased by 13% in 2018 compared to the average of the previous three years, which we believe is attributable to improvement in the quality of the anti-malaria programme, which includes health education and mitigation initiatives.

In response to a vector study, we changed the anti-mosquito spray chemical and this has led to a reduction of 17 malaria cases per month on average. We also distributed more than 16,000 bed nets to our host communities.

Kenmare's workforce productivity is also benefiting from the improved malaria management. There were 773 man-days of additional working time in 2018 compared to 2017 as a result of fewer employees taking sick leave due to malaria, which represents a 15% improvement.

Mining

In 2018 HMC production increased by 4% to 1,370,800 tonnes compared to 1,323,000 tonnes in 2017. Mining was the production-limiting activity of the overall operation during most of 2018, as heavy mineral grades and HMC stocks fell and dredging conditions became more challenging.

However, dry mining was successfully ramped up during the year as a supplement to the dredge feed and consequently WCP throughput rates strengthened. Other projects to increase operating time were also implemented.

Although entailing a higher mining cost, the additional feed from dry mining improved Kenmare's ability to maximise the capacity of the WCPs.

Dredging throughputs were impacted by harder ore as a result of increased levels of slimes, and the 180 degree turn of the WCP A plant in the first quarter of 2018. Despite this, dredge throughputs increased by 2% in 2018 compared to 2017 due to improved operator training and the implementation of an hourly monitoring programme.

Kenmare achieved significant improvements in the management of WCP A slimes levels in 2018, through the implementation of a revised mine planning and execution process.

The management of the slimes settling paddocks behind the WCP A plant remains of critical importance and the management system has been upgraded, resulting in reduced downtime and improved pond water quality for processing needs. This resulted in stronger mine recoveries in 2018 of 92%, a 2% increase compared to 2017.

WCP operating times reduced compared to 2017 principally due to poorer electricity supply to the operations.

Whilst there were no long-term power supply interruptions, there was an increased number of power outages. This was as a result of EdM, the state power provider, limiting the generation from their contracted power barge in Nacala, as well as a loss of reliability of key transmission equipment between the Cahorra Basa hydroelectric station and the Moma Mine.

The increased outages impacted directly Kenmare's HMC production through 6% lost total operating time (up from 2% in 2017). Kenmare also experienced an increase in electrical equipment failures, such as drives, due to the outages.

The Company has agreed with EdM and electrical equipment suppliers that it will fund the remedial equipment purchase and installation costs for transmission equipment on a reimbursable basis. Importantly, Kenmare's synchronous condenser (Dip Doctor) continued to perform well throughout the year and rendered harmless more than 80% of power dips.

At WCP B, the increased maintenance while commissioning the upgrade work led to additional production shutdowns, which had an impact of approximately 4% on WCP B utilisation.

To counter these negative impacts, Kenmare has embarked on Projecto Oitenta, which is a utilisation improvement programme with the goal of increasing mine operating time to 80%. Early works were completed in 2018 and the project is on track to be completed in 2019. Projecto Oitenta's focus includes:

- pipe and hose refurbishment and maintenance;
- improved pumping maintenance practices including improving the condition monitoring programme;
- improved site electricity reticulation network;
- WCP internal process circuit control improvements;
- improving tails management processes, including reducing lost opportunity and circuit downtime; and
- planned maintenance management improvements.

In combination with EdM's electrical supply improvement works, Kenmare expects to achieve sustainable utilisation improvements throughout 2019.

Processing

During 2018 Kenmare was focused on improving processing efficiencies at our MSP.

The year commenced with minimal HMC stockholding, and with the expectation of decreasing mine feed grades throughout the year, Kenmare anticipated that our processing plants would become feed constrained.

It was therefore important to meet the market requirements of the buoyant products market of the first half of 2018, whilst maximising recoveries to increase final products.

Ilmenite production was 958,500 tonnes in 2018, a 4% decrease compared to 2017, due to limited HMC and intermediate magnetic stocks at the start of the year.

However, the mid-point of production guidance was exceeded for all products due to strong ilmenite process recoveries of 91.4%, continuing the trend of year on year improvement.

Q1 2018 ilmenite production was limited by reduced HMC production at the Mine, and during this time both ilmenite plants underwent maintenance activities. Production strengthened significantly in H2 2018 and particularly in Q4 2018 when mine grades improved, resulting in Kenmare achieving a production record in December, with over 100,000 tonnes of ilmenite production in a month. This represents Kenmare's targeted production rate of 1.2 million tonnes per annum.

Kenmare produced 48,400 tonnes of primary zircon in 2018, which was in line with 2017 production (48,600 tonnes), despite the reduced HMC treatment. Production benefited from the optimisation projects implemented during the year to increase recoveries and convert zircon from secondary into primary grades.

Secondary zircon production increased by 3% in 2018 to 26,300 tonnes compared to 2017 (25,400 tonnes). This was as a result of maintaining robust recoveries despite moving material to higher grade primary zircon products, and the drawdown of intermediate stocks following a successful capacity improvement project in the secondary zircon circuit, which was commissioned in August 2018. More than 78% of zircon processed is separated into revenue-generating zircon products.

Rutile production decreased by 10% in 2018 to 8,200 tonnes compared to 2017. This was due to reduced feed treatment as well as the Company's decision to allow some rutile into zircon products, where it separately attracts revenue, whilst increasing the more valuable zircon yields.

	FY 2018	FY 2017	FY change %
Production (tonnes)			
Heavy mineral concentrate	**1,370,800**	1,323,000	4%
Ilmenite	**958,500**	998,200	(4%)
Primary zircon	**48,400**	48,600	—
Rutile	**8,200**	9,100	(10%)
Concentrates*	**28,200**	25,400	11%
Total finished products	**1,043,300**	1,081,300	(4%)

* Concentrates include 26,300 tonnes of secondary zircon and 1,900 tonnes of mineral sands concentrate (containing monazite and rutile).

Operational review continued

Processing continued

Rutile single product recovery therefore decreased to 39% in 2018 compared to 41% in 2017; however, overall rutile recovery increased to 65% in 2018 when rutile revenue, now captured in other products, is included.

This strategy of increasing value from non-magnetic products was realised through:

- Further conversion of secondary zircon into primary zircon products through the delivery of an upgraded Up-Current Classifier and the development of a non-magnetics scavenging circuit from the ilmenite circuit.
- Identification and capturing of further tailings streams with valuable zircon content.
- Implementation of a new product stream, mineral sands concentrate, containing monazite, zircon and rutile. This project was commissioned in November 2018 and its capital costs is forecast to be approximately 30% below budget. The installations performed in line with expectations during its first month of production (December 2018), delivering 1,900 tonnes of production by year end. The project is expected to produce approximately 12,000 tonnes per annum of mineral sands concentrate, and to yield approximately US$4 million in revenue per annum.

Plant throughputs and utilisations in the MSP were managed according to available HMC stock and treatment rates were not a constraint to production. However to maintain efficient final products output, Kenmare used diesel-powered electric generators periodically in 2018 to power the MSP, whereas the Company had previously planned only to use them during the wet season (December to March). This had the impact of keeping HMC stocks low and maximising product output through steady operations, which contributed to robust mineral recoveries. However, conversely, processing costs increased due to the higher costs associated with diesel-powered generators.

Shipping

Kenmare achieved a 3% increase in total shipments of finished products in 2018, which represents a new annual record. This comprised 993,700 tonnes of ilmenite, 73,000 tonnes of zircon (including 27,000 tonnes of secondary zircon) and 7,700 tonnes of rutile.

A total of 54 ocean going vessels visited Moma during 2018 and Kenmare's dedicated jetty and transhipment vessels generally performed well.

Capital expenditure

Capital expenditure increased in 2018 to US$40.1 million (2017: US$29.2 million). The principal expenditure was:

- US$9.1 million on the construction of WCP C.
- US$5.8 million on the upgrade of WCP B from a 2,000 tonnes per hour (tph) to 2,400 tph capacity plant.
- US$4.3 million mine infrastructure to facilitate the continued operation of the mining plants as they move through the orebody.
- US$3.9 million heavy mobile equipment replacement of ageing fleet that would be uneconomic to repair.
- US$3.0 million on the feasibility and environmental studies of moving the WCP B plant to the Pilivili orebody in 2020.
- US$3.0 million on the mineral sands concentrate plant and product loading construction.

Cost management

Kenmare's cash operating costs per tonne of finished product increased by 11% in 2018 to US$145 per tonne compared to 2017, with total cash costs of US$151.3 million. Approximately half of this increase in cash operating cost per tonne was attributable to reduced final products output year on year, reflecting the decrease in grades. However there were absolute spend additions principally due to:

- poor reliability of grid power leading to unplanned expenditure on diesel-powered electric generators (US$2.7 million);
- cost increases by EdM for electricity and the loss of cost efficiency due to electrical transmission reliability (US$1.6 million); and
- labour cost increases in the year as a result of increased employee numbers and wage rate increases (US$4.0 million). The increased staff numbers were a result of increased in-sourcing of works, particularly in the maintenance and engineering service departments, as well as the increased requirement for dry mining operators.

	FY 2018	FY 2017	FY change %
Shipments (tonnes)			
Ilmenite	**993,700**	961,800	3%
Primary zircon	**46,000**	46,300	-1%
Secondary zircon	**27,000**	24,500	10%
Rutile	**7,700**	7,800	-1%
Total shipments	**1,074,400**	1,040,400	3%

Significant improvements were made in 2018 in cost management tools with the implementation of:

- an improved management accounting system, enabling line managers to track their operating expenses and capital expenses more visibly, and to improve management accounting services to leaders;
- an upgraded payroll and time management system, which will improve tracking of labour costs in future years;
- improved travel requisition services to manage the movement of employees, contractors and visitors including the fly-in fly-out requirements; and
- an electronic camp accommodation and canteen management system and improved meal requisition system.

These systems and processes have been implemented during 2018, and we have seen immediate improvements in control and associated costs as a result. Further enhancements are expected to realise additional cost benefits in 2019.

In addition, a Source to Pay (S2P) procurement improvement process was completed with the assistance of external management consultants. This delivered the following benefits:

- improved warehousing and stock management visibility, including better management of critical stockholdings and a site delivery service to operating plants, thereby freeing up artisan time for preventative maintenance tasks;
- establishment of a specialist sourcing department and local procurement policy to improve sourcing and delivery timing; and
- development of an improved tendering, contracting and governance process for operational spend.

As a result, Kenmare has seen immediate improvements in cost control and further enhancements are expected to realise additional cost benefits in 2019.

Ben Baxter
Chief Operations Officer

Image:
Carlos Banze, Plant Operator, WCP A.

Development projects

Maximising our value

A key element of our strategy is to deliver strong shareholder returns through maximising the value of the Moma Mine.

Ben Baxter
Chief Operations Officer

Kenmare has outlined three development projects that have the objective of increasing Moma's mining and processing capacity to achieve a sustainable production rate of 1.2 million tonnes of ilmenite (plus co-products) per annum. A phased development plan has been established to deliver this long-term production profile from 2021.

The phased development plan maximises revenues by increasing production and minimises unit costs by spreading the fixed cost burden over more tonnes of production. This is expected to result in decreased unit costs of US$120–US$130/t from 2021 (in 2018 real terms).

Kenmare's goal is to deliver high quality projects by:

- ensuring good value delivery with suitable contract models using a dedicated owners' team and experienced Engineering, Procurement, Construction Management (EPCM) contractor;
- following a phased project delivery model ensuring capital spend is focused and efficient; and
- minimising project risk through:
  - building appropriate knowledge using study phasing prior to execution decision;
  - a detailed governance and project controls process; and
  - developing in-depth project contingency.

Forecast HMC production profile from 2019 to 2040

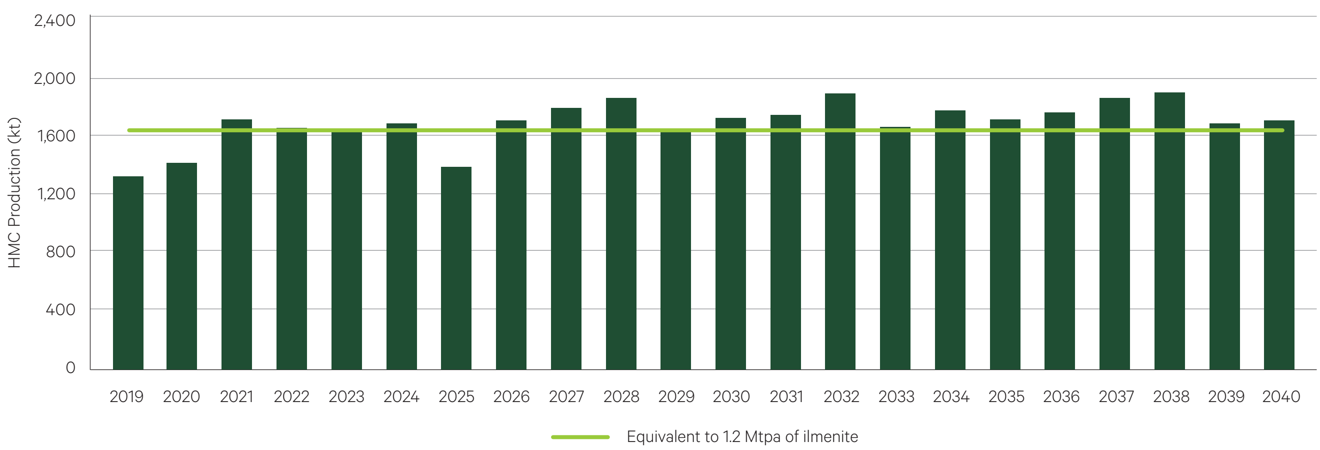


Image:
WCP A with dredges Mary Ann and Katrina and the MSP in the background.

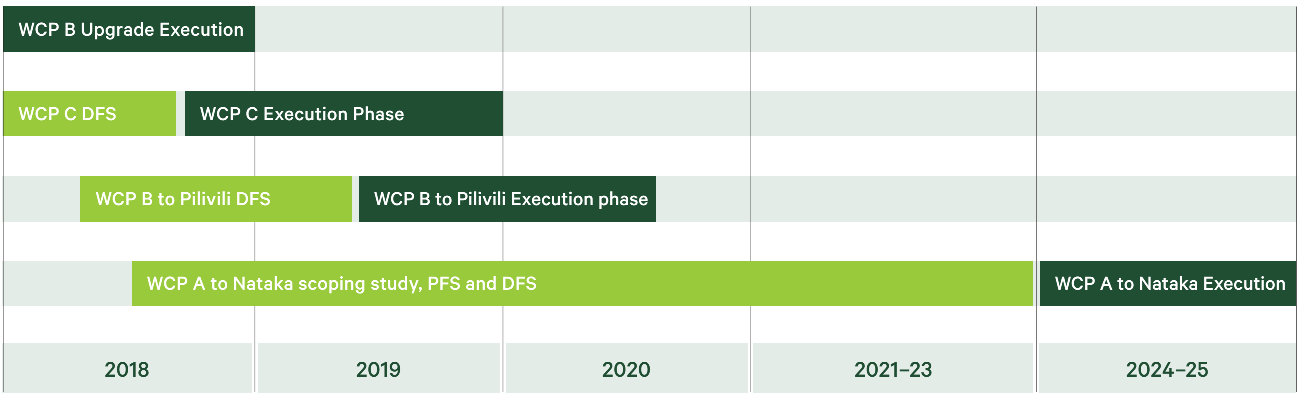
Through this approach, Kenmare aims to deliver our development projects safely, on time and on budget.

The following progress milestones were achieved in 2018 in accordance with the development programme:

- Establishment of an owners' team to lead the phased development projects.
- Execution and commissioning of the WCP B Upgrade Project, on time and expected to be more than 25% below budget.
- Completion of the DFS for the construction of WCP C, subsequent approval by the Board, and commencement of the execution phase.
- Completion of the PFS for the WCP B move to Pilivili, with comprehensive DFS activities underway and due to be completed in H1 2019.
- Completion of a scoping study on options to mine and process the Nataka orebody using WCP A from 2025, with a PFS due to commence in 2019.

The Kenmare owners' team was established in 2018 to manage development projects with Hatch, our chosen EPCM partner.

Development project timeline 2018–2025



Development projects continued

The team has diverse global experience, having previously delivered other large projects in Africa and with specific mineral sands competency complementing Kenmare's operational knowledge at Moma. The owners' team also draws skills from the Kenmare operations team and other specialist consultants as required.

The expected development capital requirements are summarised as follows:

Development capital from 2018 to 2023

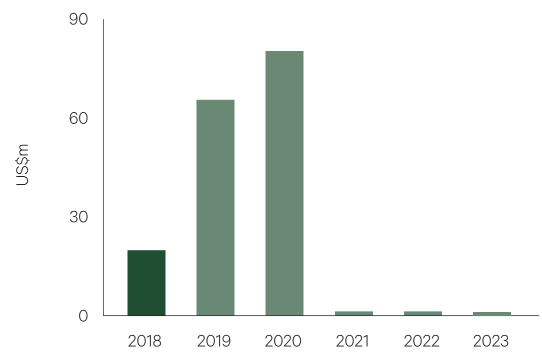


Image:
Armindo Fortes, Production Supervisor, WCP B and Ulce Cuco, Communications Specialist.

WCP B upgrade

The first of the three development projects, the WCP B upgrade, had the objective of increasing WCP B's capacity by 20% from 2,000 tph to 2,400 tph. It was commissioned safely, with zero lost time injuries, on time and significantly below budget. At the increased run-rate, WCP B is expected to produce an additional 130,000 tonnes of HMC per annum, contributing to Kenmare's objective of producing 1.2 million tonnes of ilmenite per annum from 2021 on a sustainable basis.

The phased approach to delivering this project was highly capital efficient. Some residual works have been required to enhance consistent delivery of the new run-rate and these works will be completed in 2019, with overall spend expected to be 25% below the original budget.

Construction of WCP C

The construction of WCP C is the second of Kenmare's two development projects. The DFS for WCP C was completed in July 2018 and execution of the project commenced following project approval in August 2018.

The capital cost is budgeted at US$45 million and the project is anticipated to be commissioned by the end of 2019. It is expected to contribute 150,000 tonnes of HMC per annum to Kenmare's production profile through the mining of high grade ore (average grade of 5% total heavy mineral (THM)) in Namalope, which was not accessible to other wet concentrator plants or the dry mining operations.

The key capital items for the project are as follows:

- a high quality, bespoke dredge made by IHC Mining B.V., tailored to the mining conditions expected in the Namalope orebody;
- a 500 tph WCP designed and built under a turnkey engineering, procurement and construction contract by industry specialist company Mineral Technologies Pty. Ltd; and
- associated infrastructure including a maintenance barge, piping and electrical transmission lines.

Since WCP C will be located in the immediate vicinity of the MSP, it is expected to benefit from low pumping costs. WCP C is also expected to leverage the existing Moma fixed cost base and services infrastructure. Therefore, in combination with the anticipated robust grades, it is anticipated to contribute to an overall reduction in Kenmare's unit costs by between 4 to 6%.

The project schedule is progressing well, with over US$9 million of the cost incurred in 2018 on early fabrication works for the dredge and detailed designs for the WCP.

WCP B move to Pilivili

The third of the three development projects is the move of WCP B to the high grade Pilivili ore zone. The move is scheduled to be conducted in mid-2020 once WCP B has completed its mining path in the Namalope orebody. Various other orebody locations were considered for the relocation of this mining plant and different characteristics were considered such as size, grade, mineralogy, slimes, location and topography, but Pilivili was shown to be the best choice.

Pilivili has one of the best grades in the Moma portfolio at 4.2% THM, particularly in the initial years of operation. Other characteristics make this an optimal deposit for development, such as its size and low slimes grades, providing for ease of mining and processing. The deposit has been shown to exhibit characteristics similar to Namalope, where WCP B is currently located.

The high grade nature of Pilivili is expected to ensure that WCP B delivers an additional 130,000 tonnes per annum of HMC, which will contribute to Kenmare's 1.2 Mtpa ilmenite production profile from 2021.

The additional production following the WCP B move is expected to deliver a further reduction in unit operating costs of 5 to 7%.

The PFS demonstrated that the plant can be moved intact and the cost estimate for the move and establishment of new infrastructure at Pilivili is approximately US$100 million. The key capital items are expected to include:

- beaching, relocation and re-establishment of WCP B, the Deirdre dredge and associated infrastructure. A dedicated 20km roadway will be used and WCP B and the dredge will be moved on self-propelled mobile transporters (SPMTs);
- site establishment costs in Pilivili, including electrical infrastructure, stockpiles and buildings; and
- a 20km HMC product transport system from Pilivili to the MSP, utilising positive displacement pumping and a high-pressure pipeline.

Kenmare is committed to delivering best-in-class environmental and social compliance for the move to Pilivili. Two Environmental, Social and Health Impact Assessments (ESHIAs) have been conducted, with the first involving all ESHIA considerations for the Pilivili lease area, such as resettlement, biodiversity and ecology, as well as marine transportation of the plant from Namalope to Pilivili. Public consultations and final submission to the Ministry of Land, Environment and Rural Development (MITADER) was completed in December 2018 and approval is expected in Q2 2019. A second ESHIA commenced in Q4 2018 to address the preferred road route from Namalope to Pilivili and approval is expected in Q3 2019.

Early works for the project are expected to commence in Q2 2019, with the move scheduled for Q3 2020. It is estimated that an 8 week period of relocation and recommissioning will be required before the WCP B ramps back up to full production.

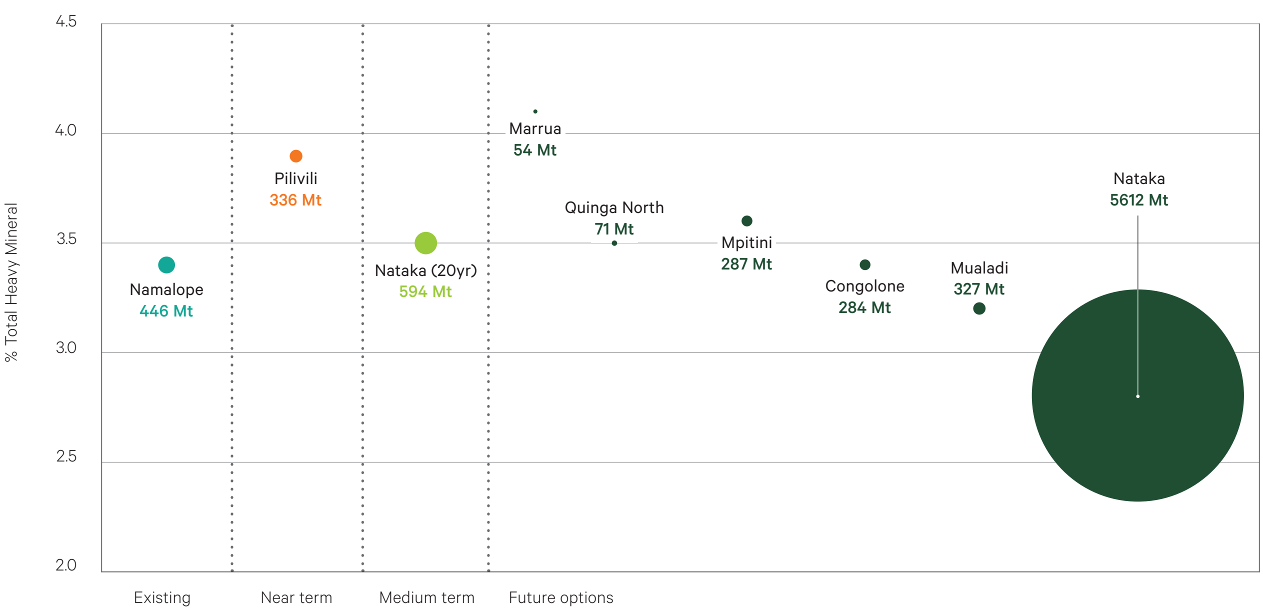
WCP A move to Nataka

WCP A completes its mining in Namalope in late 2024 or early 2025. In 2018, concept studies were completed with Hatch to determine the most suitable location for mining to continue.

A 20 year path delivering a 4 to 4.5% THM grade has been identified at Nataka. This supports the continuation of Moma's to 1.2 million tonne per annum ilmenite production profile from 2025 onwards. The new mining path has been determined at a higher grade than previous Nataka mine paths, although at a higher average slimes grade. With the addition of a slimes removal feed preparation stage at WCP A, the rougher feed grade is expected to be in the range of 4 to 4.5% THM.

To deliver this plan, slimes handling improvements (thickening and storage) will be required and due to the distance of Nataka from the MSP, positive displacement HMC pumping is being considered. Kenmare will commence a PFS to further refine these plans in 2019.

Orebody comparison by reserve and resource size



Mineral reserves and resources

Mining for the future

Kenmare's Moma Mine is a tier one asset, containing approximately 196 million tonnes of ilmenite (equivalent to over 100 years production from the current plant) and associated co-products rutile and zircon.

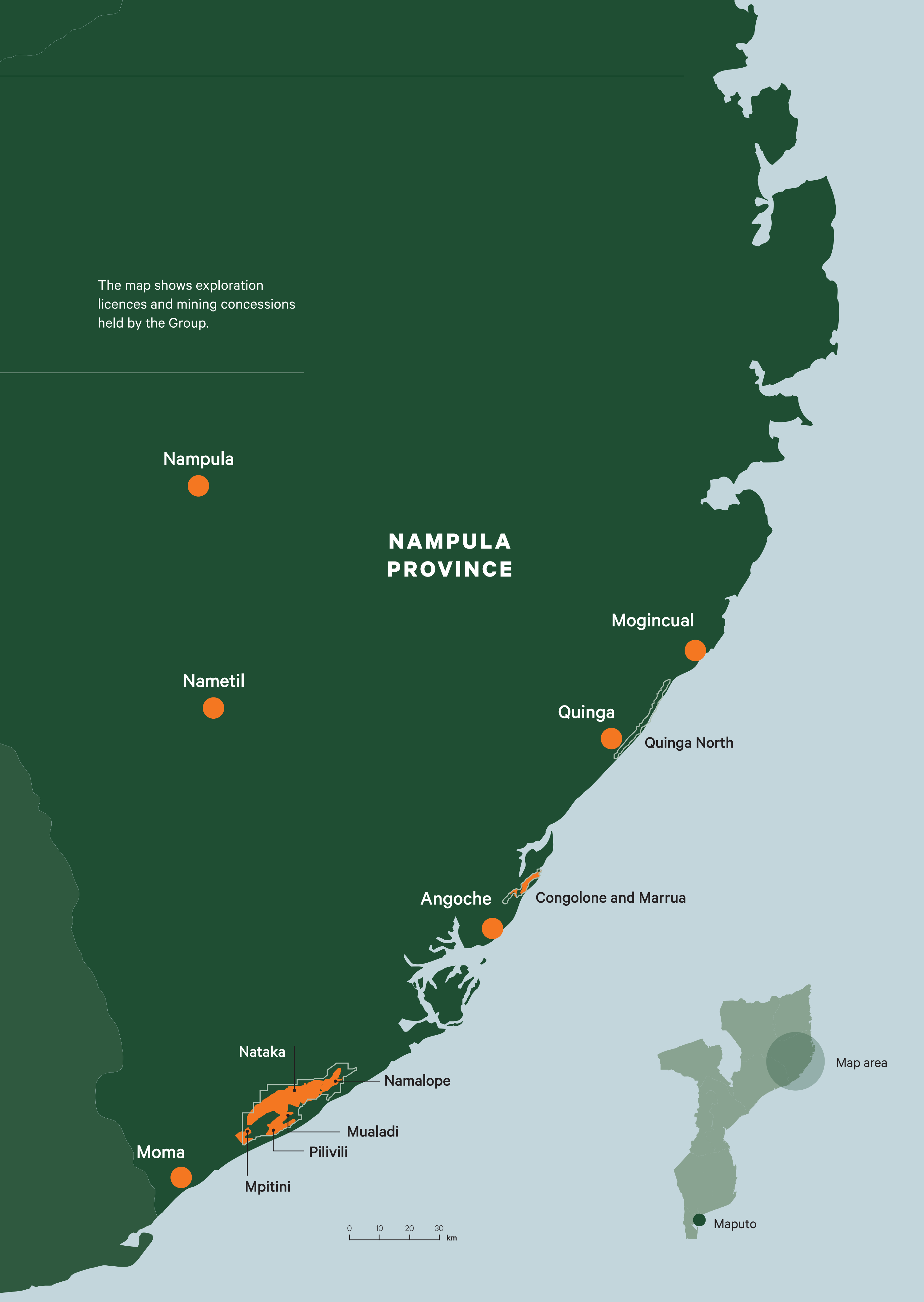
Due to the nature of our deposits, with abundant fresh water, no overburden, a robust ore grade and attractive products that do not have to be upgraded before being used, Kenmare has the ability to mine, concentrate and separate its products with relatively low capital and operating costs. The Company operates a dedicated port facility adjacent to the MSP, which allows for the shipment of products to customers at minimum cost.

Summary of reserves and resources

The total proved and probable ore reserves under the Namalope, Pilivili, and Nataka mining concessions are estimated at 1,678 million tonnes, grading 2.7% ilmenite, 0.18% zircon and 0.060% rutile, containing 46 million tonnes of ilmenite, 3.1 million tonnes of zircon and 1.01 million tonnes of rutile, as at 31 December 2018. The total ore resource (excluding reserves) held by the Group under a combination of exploration licences and mining concessions is estimated at 6.3 billion tonnes, grading 2.4% ilmenite, 0.16% zircon and 0.052% rutile, containing 150 million tonnes of ilmenite, 10 million tonnes of zircon and 3.3 million tonnes of rutile, as at 31 December 2018. Details are set out in the table on page 33.

ZAMBEZIA
PROVINCE

The map shows exploration licences and mining concessions held by the Group.



Mineral reserves and resources continued

1.7bn tonnes
Total proven and probable reserves

6.3bn tonnes
Total resources

Image:
Aerial view of dry mining being conducted by front-end loaders and their operators at the Mine.

The Namalope deposit continues to support the current two mining operations. Reductions in the reserve statement relate to depletion from mining in 2018 and dredge path revisions that were made during the year to optimise the mine plan. The Namalope reserves now comprise 209Mt of ore at 3.0% ilmenite, representing 5.9Mt contained ilmenite, 0.21% zircon (0.42Mt) and 0.07% rutile (0.14Mt).

The Nataka deposit represents a large, long-life mining opportunity for the Group. Reserve status was unchanged in 2018, with probable reserves of 1,248Mt of ore at 2.56% ilmenite, representing 32Mt of contained ilmenite, 0.17% zircon (2.11Mt) and 0.06% rutile (0.70Mt). During 2018 12 exploratory water holes were drilled and three piezometers inserted to determine the presence of an aquifer. None of the holes intercepted water-bearing lithology; however, they will be monitored during the rainy season.

Conceptual studies were completed in Nataka identifying a new 20-year high grade mining path. However, the path has not been translated into the reserve category in 2018 because although Kenmare has adequate knowledge of the orebody from its drilling to date, an economic assessment has yet to be completed as part of a PFS.

In 2018 significant progress was made in the definition of the Pilivili resource to assist with long-term mine planning. The 2018 drilling programme focused on improving orebody knowledge, with 8,257m drilled in the Pilivili zone as part of the DFS. This included inserting 14 piezometers to estimate aquifer properties for hydrogeological studies and orebody hardness was assessed through Standard Penetration Test (SPT), Cone Penetration Test (CPT) drilling and the digging of test pits. An optimised mine path was generated and infill drilling at 50 x 50m spacing commenced in May 2018.

> “Significant progress was made in the definition of the Pilivili resource to assist with long-term mine planning. The 2018 drilling programme focused on improving orebody knowledge.

No drilling activity was undertaken in the Congolone deposit during 2018. However, there is ongoing monitoring of piezometer loggers for purposes of hydrogeological studies.

For the Quinga North deposit, 33 hand auger holes were drilled for a total of 249m, at a nominal spacing of 500 x 2,000m. These were reconnaissance holes to be used to plan a deeper air-core reverse-circulation drilling programme in 2019.

Similarly, for the Mpitini deposit, nine air-core reverse-circulation holes and 47 hand auger holes were drilled during 2018. These were also reconnaissance holes to be used to plan an appropriate drilling programme in 2019.

The following table sets out Kenmare's mineral resources and reserves as at 31 December 2018:

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	148	3.6	81	2.9	0.07	0.21	5	4.3	0.10	0.31
Namalope	Probable	61	3.3	81	2.6	0.06	0.19	2.0	1.6	0.04	0.11
Pilivili	Probable	220	4.4	82	3.6	0.08	0.25	9.6	7.9	0.18	0.55
Nataka	Probable	1,248	3.1	82	2.6	0.06	0.17	39	32	0.70	2.11
Total reserves	**Proved & Probable**	**1,678**	**3.3**	**82**	**2.7**	**0.060**	**0.18**	**56**	**46**	**1.01**	**3.1**

Zones	Category	Sand (Mt)	% THM*	% Ilmenite in THM	% Ilmenite in sand	% Rutile in sand	% Zircon in sand	THM (Mt)	Ilmenite (Mt)	Rutile (Mt)	Zircon (Mt)
Resources											
Congolone	Measured	205	3.3	80	2.7	0.07	0.22	6.8	5.5	0.1	0.4
Namalope	Measured	125	3.6	81	2.9	0.07	0.20	4.5	3.6	0.1	0.3
Namalope	Indicated	111	2.9	81	2.3	0.05	0.17	3.2	2.6	0.1	0.2
Congolone	Indicated	55	3.8	79	3.0	0.08	0.23	2.1	1.7	0.0	0.1
Nataka	Indicated	1,321	3.2	84	2.7	0.05	0.17	42.9	36.0	0.7	2.2
Pilivili	Indicated	102	3.2	81	2.6	0.06	0.18	3.2	2.6	0.1	0.2
Congolone	Inferred	24	2.4	78	1.9	0.05	0.13	0.6	0.4	0.0	0.0
Pilivili	Inferred	14	2.9	78	2.2	0.05	0.16	0.4	0.3	0.0	0.0
Mualadi	Inferred	327	3.2	80	2.6	0.06	0.21	10	8.4	0.2	0.7
Nataka	Inferred	3,637	2.6	82	2.1	0.04	0.14	93	77	1.6	5.0
Mpitini	Inferred	287	3.6	80	2.9	0.07	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		**6,333**	**2.9**	**83**	**2.4**	**0.052**	**0.16**	**181**	**150**	**3.3**	**10**

Resources are additional to reserves. Estimates for Namalope, Nataka and Pilivili reserves and the Namalope, Nataka, Congolone and Pilivili resources comply with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code") 2012 edition. Table 1 documentation for these reserves and resources can be found at www.kenmareresources.com. Estimates for all other resources were prepared and first disclosed under the 2004 edition of the JORC Code. They have not been updated to comply with the JORC Code 2012 edition on the basis that the information has not materially changed since they were last reported.

The competent person for the Namalope, Nataka and Pilivili reserves and resources and the Congolone resources is Paul Leandri (MAusIMM and MAIG). Mr. P Leandri is an employee of Kenmare and does not hold any shares in the Company. The competent person for the other resources is Dr Alastair Brown. Dr Brown is an independent consultant who is a shareholder in and former employee of Kenmare. Mr P. Leandri and Dr. A. 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 edition. Mr. P Leandri and Dr. A. Brown consent to the inclusion in this report of the matters based on their information in the form and context in which it appears.

* THM is total heavy minerals of which ilmenite (typically 82%), rutile (typically 2.0%) and zircon (typically 5.5%) total approximately 90%. Tonnes and grades have been rounded and hence small differences may appear in totals. Mt represents million tonnes.

Finance review

Investing in cash flow stability

TONY MCCLUSKEY
FINANCIAL DIRECTOR

"The Company finished the year with a net cash position of US$13.5 million due to stronger free cash flow generation.

Overview

Kenmare delivered a strong financial performance in 2018, reflecting increased profitability as a result of continued positive market momentum and increased sales volumes. The Company finished the year with a net cash position of US$13.5 million due to stronger free cash flow generation. This represents a significant improvement from year end 2017 when we reported net debt of US$34.1 million.

In 2018 Kenmare delivered a 26% increase in revenue to US$262.2 million compared to 2017 (US$208.3 million). The primary drivers of this performance were higher average prices for all products achieved in 2018 compared to 2017, including an 8% increase in the FOB price for ilmenite and a 47% increase for primary zircon compared to the previous year, and a 3% increase in total shipments of finished products to 1,074,400 tonnes (2017: 1,040,400 tonnes).

This represents a new annual record for the Company. As a result, Kenmare delivered a 54% increase in EBITDA to US$93.3 million in 2018 (2017: US$60.5 million) and generated a profit of US$50.9 million, representing a 162% increase compared to 2017 (US$19.4 million).

Production of final products decreased by 4% in 2018 compared to 2017, primarily due to higher levels of stockpiled HMC available for processing in 2017.

Cash operating costs for the financial year increased by 7% to US$151.3 million (2017: US$141.6 million). The higher costs and lower production has resulted in the unit cash operating costs increasing by 11% to US$145 per tonne in 2018 compared to 2017 (US$131 per tonne). However, netting off co-products revenue total cash cost per tonne of Ilmenite reduced to US$80 per tonne in 2018 from US$91 per tonne in 2017. Finance costs of US$7.8 million in 2018 (2017: US$7.7 million) included loan interest of US$5.9 million (2017: US$6.3 million) and reflected the higher interest rates in the year net of lower debt quantum as principal of US$19.0 million was paid during the year.

Investment in property, plant and equipment increased to US$40.1 million in 2018 (2017: US$29.2 million). Key capital items included the WCP B upgrade and key mine infrastructure and mobile equipment, in addition to the commencement of construction of WCP C (due for completion in Q4 2019) and the feasibility work for the movement of WCP B to the high grade Pilivili ore zone.

2018 results

Revenue, cost and EBITDA results for 2018 and 2017 were as follows:

	FY 2018	FY 2017	FY change %
Revenue (US$m)	**262.2**	208.3	26%
Freight (US$m)	**(16.3)**	(5.5)	196%
Revenue FOB (US$m)	**245.9**	202.8	21%
Finished products shipped (tonnes)	**1,074,400**	1,040,400	3%
Average price per tonne FOB (US$/t)	**229**	195	17%
Total operating costs* (US$'000)	**199.3**	179.8	11%
Total cash cost (US$'000)	**151.3**	141.6	7%
Cash cost per tonne finished product (US$/t)	**145**	131	11%
EBITDA (US$m)	**93.3**	60.5	54%
Profit after tax	**50.9**	19.4	162%
Net cash/debt	**13.5**	(34.1)	140%

Note: Additional information in relation to these Alternative Performance Measures (APMs) is disclosed in the glossary.

* Included in operating costs are depreciation and amortisation.

Production

During 2018, Kenmare mined approximately 34 million tonnes of ore, a 1% increase compared to 2017, at an average grade of 4.35%, and produced 1,370,800 tonnes of HMC, which represents a 4% increase.

Ilmenite production decreased by 4% in 2018 to 958,500 tonnes (2017: 998,200 tonnes), despite record HMC production. The lower ilmenite production volume was mainly due to lower opening stockpiles of HMC and intermediate magnetic stock.

Primary zircon production was 48,400 tonnes (2017: 48,600 tonnes), maintaining 2017 production levels, as a result of improved recoveries. Secondary zircon volumes increased by 4% to 26,300 tonnes (2017: 25,400 tonnes) as a result of additional circuit capacity, which was installed in H2 2018, facilitating the drawdown of intermediate inventories. Q4 2018 also saw the first production of a mineral sands concentrate product (containing monazite, zircon and rutile), which is now reported together with secondary zircon as concentrates, contributing 1,900 tonnes in the period. Rutile production decreased by 10% in the year due to reduced feed treatment as well as the Company's decision to allow some of its feed into zircon products.

Revenue

Revenues for the period increased by 26% to US$262.2 million in 2018 (2017: US$208.3 million), due to a 3% increase in tonnes of final products sold and a 21% increase in the average FOB sales price. Shipments during the year comprised 993,700 tonnes of ilmenite, 46,000 tonnes of primary zircon, 27,000 tonnes of secondary grade zircon and 7,700 tonnes of rutile.

The majority of sales are made on an FOB basis, but some sales are made on a Cost, Insurance and Freight (CIF) or Cost and Freight (CFR) basis. Pricing for products sold on a CIF/CFR basis includes freight (and in the case of CIF sales, insurance); pricing for products sold on an FOB basis does not.

An increase in sales on a CIF/CFR basis therefore increases reported revenue as well as other operating costs in terms of freight costs.

Freight costs in 2018 increased to US$16.3 million (2017: US$5.5 million), reflecting increased direct marketing in China, as well as higher average freight rates in the period.

Closing stock of HMC at the end of 2018 was 19,600 tonnes, compared with 16,800 tonnes at the start of the year. Closing stock of finished products at the end of 2018 was 200,000 tonnes (2017: 231,000 tonnes).

Finance review continued

Operating costs

	2018 US$m	2017 US$m	FY change %
Cost of sales	**168.3**	156.6	7%
Other operating costs	**31.0**	23.2	34%
Total operating costs	**199.3**	179.8	11%
Freight charges	**(16.3)**	(5.5)	196%
Total operating costs less freight charges	**183.0**	174.3	5%
Non-cash costs			
Depreciation and amortisation	**(30.4)**	(32.0)	-5%
Share-based payments	**(1.4)**	(1.0)	40%
Mineral products movements	**0.1**	0.3	-67%
Adjusted cash operating costs	**151.3**	141.6	7%
Finished product production tonnes	**1,043,300**	1,081,300	-4%
Cash operating cost per tonnes of finished product (US$/t)	**145**	131	11%

Production costs increased in 2018, due primarily to additional power and fuel costs due to price increases and use of the diesel power generators. Labour costs were higher as a result of increased staff numbers and pay rates. The increased staff numbers were a result of increased in-sourcing of works, particularly in the maintenance and engineering service departments, as well as the increased requirement for dry mining operators. As noted, finished product production decreased by 4% with the result that cash operating cost per tonne of finished product increased by 11% from US$131 per tonne in 2017 to US$145 per tonne in 2018.

Finance income and costs

Finance income of US$0.9 million in 2018 (2017: US$0.1 million) consisted of interest on bank deposits.

Outstanding warrants are valued at each reporting date and the increase or decrease in the fair value is recognised as a finance cost or income in the statement of comprehensive income. The fair value of warrants at the statement of financial position date resulted in finance income of US$0.007 million (2017: finance cost US$0.04 million) being recognised in the statement of comprehensive income.

Loan interest and finance fees were US$7.8 million in 2018 (2017: US$7.7 million). Loan interest of US$5.9 million (2017: US$6.3 million) was recognised in the statement of comprehensive income. The decrease in loan interest year on year reflects the lower debt quantum as a principal of US$19.0 million was paid during 2018, partially offset by higher US LIBOR interest rates in 2018.

There was an unwinding of the discount on the mine closure provision of US$0.5 million (2017: US$0.5 million) in 2018.

The Group has trade finance facilities with Absa Corporate and Business Bank and Barclays Bank and may elect to receive early payment for certain customers of their invoice from the banks by factoring the receivable. The cost of these facilities during the year was US$1.4 million (2017: US$0.9 million).

At 31 December 2018, Group total debt including accrued interest was US$83.5 million (2017: US$102.9 million). The weighted average interest rate on debt at the financial year end was 7.3% (2017: 5.7%).

Exchange movements

An exchange gain of US$0.05 million (2017: loss US$2.5 million) arose during the financial year.

Tax

There was a tax charge for the financial year of US$5.2 million (2017: credit US$0.9 million). As at 31 December 2018, the statement of financial position date, Kenmare Moma Mining (Mauritius) Limited had utilised in full its tax losses (2017: US$11.9 million) and the deferred tax asset of US$4.2 million was expensed. Income tax for the year of US$1.0 million (2017: US$nil) has been recognised. The profit after tax of US$50.9 million (2017: US$19.4 million) has been carried to retained earnings.

Operating cash flow

Net cash generated in operations in 2018 was US$92.3 million (2017: US$45.3 million). Investing activities of US$39.8 million (2017: US$28.1 million) in the financial year represent additions to property, plant and equipment.Debt repayments were made in 2018 of US$19.0 million (2017: US$nil) and there was an increase in cash and cash equivalents of US$28.1 million (2017: US$11.0 million).

Balance sheet

In 2018 there were additions to property, plant and equipment of US$40.1 million (2017: US$29.2 million). Additions consisted of the upgrade to the WCP B plant, key mine infrastructure and mobile equipment, in addition to construction of WCP C and the feasibility work on the movement of WCP B to the high grade Pilivili orebody. Depreciation decreased to US$30.4 million in 2018 (2017: US$32.0 million) mainly as a result of an increase in the estimated useful lives of other assets. The mine closure provision was increased by US$2.8 million as a result of a change in the estimated closure costs and capital disposals during the year were US$6.9 million (2017: US$0.4 million).

During 2018 the Group carried out an impairment review of property, plant and equipment. The Group forecast employed for the value-in-use computation is from a life of mine financial model. The recoverable amount obtained from the financial model represents the present value of the future pre-tax, pre-finance cash flows discounted at 12%. The discount rate is based on the Group's weighted average cost of capital. This rate is a best estimate of the current market assessment of the time value of money and the risks specific to the Mine, taking into consideration country risk, currency risk and price risk. The Group does not consider it appropriate to apply the full current country risk premium to the calculation of the Group's weighted average cost of capital as it believes the specific circumstances which have resulted in the country risk increase over the past number of years are not appropriate to the specific circumstances of the Moma Mine. Hence, the calculation of country risk applicable to the calculation of the cost of equity has been adjusted accordingly. Using a discount rate of 12%, the recoverable amount is greater than the carrying amount by US$201.3 million and as a result no impairment provision is required.

Inventory at the financial year end amounted to US$53.9 million (2017: US$52.7 million), consisting of intermediate and final mineral products of US$31.0 million (2017: US$30.9 million) and consumables and spares of US$22.9 million (2017: US$21.8 million). Closing stock of finished products at 31 December 2018 was 200,000 tonnes (2017: 231,000 tonnes).

Trade and other receivables amounted to US$22.4 million (2017: US$25.4 million), of which US$17.4 million (2017: US$21.2 million) are trade receivables from the sale of mineral products and US$5.0 million (2017: US$4.2 million) is comprised of prepayments and other miscellaneous debtors. Trade receivables are a function of shipments made before the financial year end and credit terms specific to the relevant customer. All trade receivables are current and there has been no impairment in trade receivables during the financial year.

Trade and other payables amounted to US$23.2 million (2017: US$25.3 million) at the year end.

Cash and cash equivalents increased by US$28.2 million during the year (2017: US$11.0 million) and as at 31 December 2018 amounted to US$97.0 million (2017: US$68.8 million).

Bank loans including accrued interest amounted to US$83.5 million (2017: US$102.9 million) at the end of the financial year.

Events since the financial year end

On 5 December 2018, shareholders approved a resolution to reduce the capital of Kenmare Resources plc in order to eliminate historical losses. On 1 February 2019, the High Court of Ireland confirmed this resolution. The reduction of capital and elimination of losses took effect on 5 February 2019.

On 28 February 2019 the Court of Appeal ruled that the High Court of Ireland jury award of damages, made in favour of a former director in November 2010 as detailed in Note 30, be substantially reduced from €10 million to €0.25 million.

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 the Companies Act 2014. The Group's significant accounting policies and details of the significant accounting judgements and critical accounting estimates are disclosed in Note 1 to the financial statements. The Group adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers during the financial year ended 31 December 2018. Details of the adoption of these standards are set out in Note 1 in the statement of accounting policies.

Financial outlook

The Group's strong earnings performance in 2018 continues to build on previous years and has contributed to strengthening the balance sheet. The Group has now built a platform upon which to launch our development plans to increase production by circa 20% from 2021, which will enable us to grow margins and reduce unit costs. This in turn, whilst retaining a robust balance sheet, will enable us to generate additional free cash flow. Having undertaken a number of the steps in 2018 to enable us to make shareholder returns, we aim to complete this process in 2019 and anticipate that such returns can be meaningfully increased once the development plans are completed.

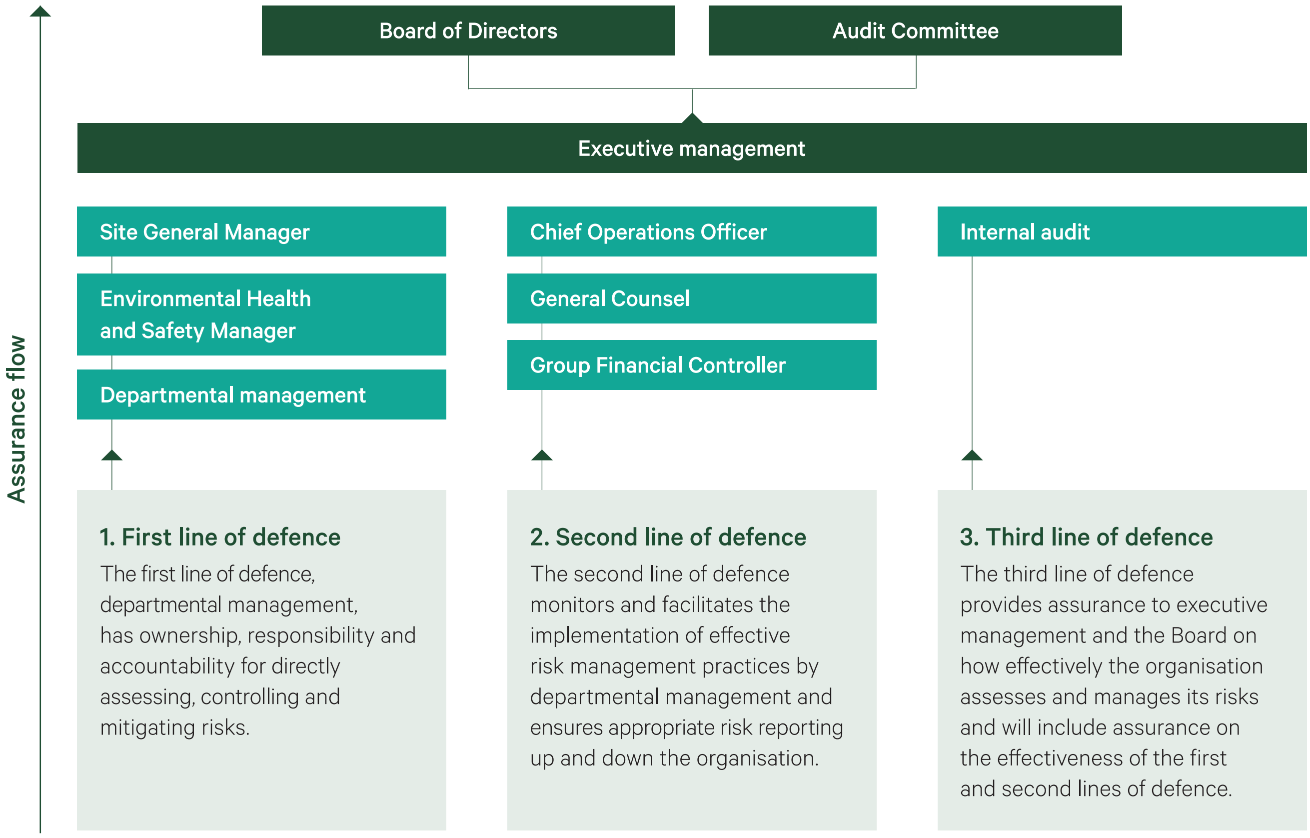
Tony McCluskey
Financial Director

Principal risks and uncertainties

Managing risk is an integral part of our business. A comprehensive process in place for assessing and managing risks associated with business and strategic corporate decisions. Through this process, significant risks faced by the Group are identified, evaluated and appropriately managed.

Risk management framework

An overview of the risk management and internal control framework, responsibilities within it and the relationship between functions is illustrated below. While the Board is ultimately responsible for risk management within the Group, it has delegated responsibility for the monitoring of the effectiveness of the Group's risk management and internal control systems to the Audit Committee. The Board and Audit Committee receive reports from executive management on the key risks to the business and the steps being taken to mitigate such risks. The Audit Committee reviews the principal risks and uncertainties.



Risk assessment process

The Group's risk assessment process is based on a co-ordinated, Group-wide approach to the identification and evaluation of risks and the manner in which they are monitored and managed. This process begins with a bottom-up approach involving managers from the mine's departmental areas who, through a programme of workshops, regularly perform a detailed risk review to update the departmental risk registers. In assessing the potential impact and likelihood of each risk identified, management considers the existing key controls and evaluates the risks in terms of potential residual impact. A standard risk scoring matrix is used to ensure consistency in reporting across all areas.

Departmental risk registers are consolidated into a Group Risk Register. Executive management provides input to ensure that there is a top-down view of the key risks facing the Group. Following a review of the Group Risk Register by senior management, the principal risks identified for the Group and their mitigations are submitted to the Audit Committee and Board for review and approval. These risks are included in the principal risks and uncertainties facing the Group as set out on pages 39 to 43.

Principal risks and uncertainties

Under Section 327(1)(b) of the Companies Act 2014 and Regulation 5(4)(c)(ii) of the Transparency (Directive 2004/109/EC) Regulations 2007, the Group is required to give a description of the principal risks and uncertainties that it faces. These risks are similar to those faced by many companies in the mining industry. A description of the principal risks and uncertainties, together with any mitigating factors and controls, are set out in the table pages 39 to 43. This table is not prioritised nor is it an exhaustive list of all risks that may impact the Group, but rather the Board's view of principal risks at this point in time. There are additional risks which are not yet considered material or which are not yet known to the Board but which may assume greater importance in the future.

Description	Potential impact	How we manage the risk	Risk trend
Strategic			
1 Loss of licences			
The Group's mining activities require licences and approvals to be in place in the relevant mining areas in northern Mozambique. The Group may lose or not receive the necessary approvals for it to operate in current or future mining licence areas in northern Mozambique.	A loss of or failure to maintain or obtain a relevant mining licence would significantly affect the Group's ability to operate, its ability to generate cash and the valuation of the Company's assets.	• Robust foundation agreement (Mineral Licensing Contract) provides the right to be issued licences and approvals. • Maintenance of existing licences in good standing. • The Group continually demonstrates its commitment to the future long-term development of the Mine. • The Group maintains a positive working relationship with the Government of Mozambique through regular contact, promoting open and honest two-way communication. • Engagement with local communities to ensure they benefit economically from the presence of the Mine.	Risk is decreased. As a result of 2018 activities there has been an improvement in the likelihood of a favourable decision by the relevant authorities in relation to an extension to the Namalope area licence.
2 Country risk			
The Group's operations are located entirely in Mozambique. There may be potential adverse financial or operational impacts from changes in the political, economic, fiscal or regulatory circumstances in Mozambique.	Kenmare has operated in Mozambique since 1987; however, it remains subject to risks similar to those prevailing in many developing nations, including economic and social instability, changing regulatory requirements and increased taxes, etc. Such events may cause significant disruption to the operation or cause an increase in costs in order to ameliorate their impact. Country risk is a factor in determining the economics of the Mine and increasing country risk may have an effect on the Group's financial results.	• Binding foundation agreements are in place with stability clauses and international arbitration provisions. • The Group maintains a positive working relationship with the Government of Mozambique. • Kenmare monitors closely any developments in the national environment.	Risk is unchanged. There have been no significant changes to the overall assessment of this risk.

Risk trend key:

Risk is unchanged　Risk is increased　Risk is decreased

Principal risks and uncertainties continued

Description	Potential impact	How we manage the risk	Risk trend
Operational			
3 Geotechnical risk			
An external berm failure at the Moma Mine could result in a major slimes/water spill, potentially impacting on local communities and the production plant.	The nature of dredge mining gives rise to the creation of artificial ponds and a potential for failure of the berm system, which surrounds the ponds. A failure of a berm could cause loss of life and cessation of the operation of the WCPs for a prolonged period.	• Permanently employed staff with geotechnical engineering skills. • Prudent geotechnical design and controls. • Daily inspections. • Interlocking external audits from two separate and independent geotechnical consultants.	The advancement of mining ponds over the course of the year, has reduced the proximity to local villages and the MSP, thus reducing potential impact of a berm failure. Similarly the construction of further diversion berms over the course of the year has contributed to the reduced assessment of potential impact of this risk.
4 Severe weather events			
The location of the Group's operations on the northern Mozambican coast gives rise to risk from cyclone activity and severe flooding. Such events pose significant risk to the safety of mine staff, contractors and visitors, as well as to physical damage to the Mine.	In extreme weather circumstances, there is a risk of loss of life. There is a risk of physical damage to the production plant, which may result in an inability to operate the Mine. The probability of adverse weather events is considered low. They are also foreseeable, thereby allowing for disaster planning. Less severe adverse weather could impact supply logistics to and from the Mine.	• Mine and associated infrastructure designed to appropriate cyclone rating. • Designated cyclone-proofed buildings at the Mine. • Ongoing weather/cyclone monitoring. • Cyclone readiness plan. • Disaster management programme. • Insurance cover. • Adequate stocks of materials and supplies on site.	There have been no significant changes to the overall assessment of this risk.
5 Uncertainty over physical characteristics of the orebody			
Orebody characteristics may not conform to existing geological or other expectations or may have an unanticiapted affect on production.	Physical characteristics of an orebody, including divergence from expectations may cause reduced production levels or a necessity to incur increased production costs in order to maintain production at the intended level.	• Extensive sample testing. • Extensive orebody drill programme. • Test pits/trenching implemented. • Growing expertise in managing unexpected mining conditions. • Dry mining operations. • Improved throughput modelling.	New mining localities for WCP C and the move of WCP B may result in an increase in the likelihood of this risk.

Operational continued

Description	Potential impact	How we manage the risk	Risk trend
6 Power supply and transmission risk			
The Mine is reliant on the delivery of stable and continuous electric power from the Cahora Bassa Dam via a power transmission line to the Mine.	Significant disruption to, or instability in, the power supply at the Mine could have a material and adverse effect on the ability to operate the Mine or to operate it in the lowest cost manner, thereby adversely affecting production volumes and/or operating costs.	• Ongoing investment by EdM in power supply and transmission infrastructure. • On-site diesel-powered generators to maintain part of the operations in the event of a loss of grid power. • Robust and open relationship with EdM, based on long-term power supply agreement. • Company's Synchronous Condenser (Dip Doctor) reducing the effect of grid power instability.	Risk is increased. The increased use of the diesel-powered generators has increased operating costs in 2018. The increasing economic development in Mozambique has increased demand for power and put pressure on the existing infrastructure.
7 Asset damage or loss			
The operation of a large mining and processing facility carries an inherent risk of technical failure of equipment, fires and other accidents.	An occurrence of these risks could result in damage to or destruction of key mining, processing or shipping facilities at the Mine. Loss of key assets could result in disruption to production or shipping, significant replacement cost and consequential monetary losses.	• Programme of inspections and planned maintenance. • Standard operating procedures. • Fire detection and suppression systems. • Annual external risk assessment. • Insurance cover.	Risk is unchanged. There have been no significant changes to the overall assessment of this risk.
8 Health, Safety and Environment (HSE)			
The operation of a large mining and processing facility carries a potential risk to the health and safety of mine staff, visitors and the local community. A potential for environmental damage to the surrounding areas also exists.	The improper use of machinery, technical failure of certain equipment or failure to meet and maintain appropriate safety standards could result in significant injury, loss of life or significant negative impact on the surrounding environment and/or communities.	• Prioritisation of HSE by management. • Appropriately trained staff. • Standard operating procedures. • Ongoing hazard identification programme. • Health and Safety awareness programme implemented for the Company and community. • Mine clinic and evacuation procedures for staff. • Community investment and programmes including health clinic and education programmes. • Compliance with applicable HSE standards and legislation.	Risk is increased. Good progress was made in developing and implementing a "safety in the community programme", including educational programmes, radio messaging and the use of community theatre groups. Particular effort was placed on road traffic education. However, despite these efforts there were some fatal road traffic and other accidents in the area of the Mine during the year.

Risk trend key:

Risk is unchanged

Risk is increased

Risk is decreased

Principal risks and uncertainties continued

Description	Potential impact	How we manage the risk	Risk trend
Operational continued			
9 Mineral resource statement risk			
A material misstatement in the reserves and resources statement.	A material misstatement could materially adversely impact on the Company's valuation.	• JORC-compliant statement prepared by competent persons. • Ongoing drilling and sampling programme. • Ongoing reconciliation of mining results to resource models.	There have been no significant changes to the overall assessment of this risk.
10 IT security risk			
The Group is dependent on the employment of advanced information systems and is exposed to risks of failure in the operation of these systems. Further, the Group is exposed to security threats through cybercrime.	A failure in these systems could lead to: • disruption to critical business systems; • loss or theft of confidential information, competitive advantage or intellectual property; and • financial and/or reputational harm.	• Analysis by third-party specialists of potential areas of weakness. • Third-party specialists provide network assurance. • Ongoing strategic and tactical efforts to address the evolving nature of cyber threats.	The risk has increased due to heightened cyber threat levels globally.
Financial			
11 Industry cyclicality			
The Group's revenue generation may be significantly and adversely affected by declines in the demand for and prices of the ilmenite, zircon and rutile products that it produces. During rising commodity markets, there may be upward pressure on operating and capital costs.	Failure of the Group to respond on a timely basis and/or adequately to unfavourable product market events beyond its control and/or pressure on operating or capital costs may adversely affect financial performance.	• Global portfolio of customers. • Long-term contracts with certain key customers. • Ongoing cost control and disciplined financial management. • Industry analysis to develop suitable assumptions in our commodity price forecasting used for planning purposes.	There have been no significant changes to the overall assessment of this risk.
12 Customer concentration			
The customer base for the Group's ilmenite, zircon and rutile products is concentrated.	The Group's revenue generation may be significantly affected if there ceases to be demand for its products from major existing customers and it is unable to further expand its customer base in respect of the relevant product.	• Active management of existing customer relationships and development of new customers. • Market intelligence to track developments in customer demand. • Development of mineral sands concentrate as an additional co-product stream, with a different customer base.	There have been no significant changes to the overall assessment of this risk.

Financial continued

Description	Potential impact	How we manage the risk	Risk trend
13 Foreign currency risk			
The Group's revenues are entirely denominated in US Dollars, whereas costs are denominated in a number of currencies including South African Rand, Mozambican Meticals, Euros and US Dollars.	The nature and location of the Mine and the intrinsic volatility of exchange rates give rise to an ongoing significant probability of occurrence of an adverse exchange rate fluctuation. The impact of such a fluctuation can be large across calendar years.	• All project debt is denominated in US Dollars. • A natural hedge exists between revenue receipts and US Dollar-denominated costs. • A further natural hedge exists between the value of US Dollars and commodity prices over the long term. When commodity prices increase, the Group's non-US Dollar-denominated costs tend to increase in US Dollar terms. When commodity prices decrease, the Group's non-US Dollar-denominated cost tend to decrease in US Dollar terms.	There have been no significant changes to the overall assessment of this risk.
14 Financing risk			
The inability to secure access to funding as required for future development capital expenditure.	Significant development capital expenditures may need to be funded in the medium term. A failure to generate sufficient operating cash flows or to obtain funding would lead to a failure or delay in executing development projects that could lead to sub-optimal cash generation over the longer term.	• Deferral of sustaining capital expenditures. • Deferral of development capital expenditures. • Potential alternative funding strategies explored.	The change in forecast timing and cost of major development projects have given rise to a more medium-term cash requirement.
15 Loan default risk			
The inability to meet existing loan repayment obligations as they become due or comply with loan covenants.	The Group does not believe that a significant risk exists in meeting the current repayment obligations or to comply with loan covenants.	• Low leverage and net debt. • Amortising loan structure. • Two financial covenants (historical Debt Service Cover Ratio and capitalisation ratio). • The Group continually monitors liquidity requirements and covenant compliance.	There have been no significant changes to the overall assessment of this risk.

Risk trend key:

Risk is unchanged

Risk is increased

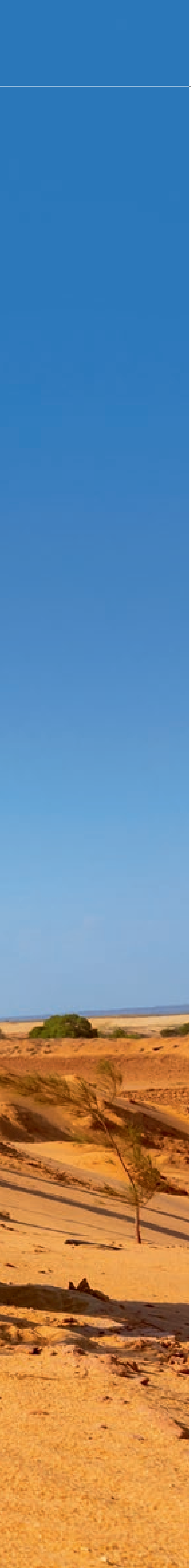
Risk is decreased

Sustainability report

A responsible corporate citizen

Kenmare is committed to being a responsible corporate citizen. Our objective is to maintain a sustainable business that brings economic development while ensuring responsible environmental stewardship and ethical business practice. We are focused on conducting all activities in a manner that minimises risks to our employees, contractors, our host communities and the environment.

Image:
Casuarina trees are planted as part of Kenmare's progressive rehabilitation by Eusébio Amaral, Nursery Assistant.



Ben Baxter
Chief Operations Officer

Regina Macuacua
Mine Corporate Affairs Manager

Community Engagement Principles

Kenmare recognises that its licence to operate requires a good relationship with its host community. Our stakeholder engagement plan (SEP) is updated annually in light of any changing dynamics in the relationship between the Mine and the community.

Kenmare is focused on proactive community engagement in order to deliver:

- a strengthened sense of community;
- the development of a co-operative working relationship between the Mine and local people;
- the community taking a greater responsibility for what is happening in its area;
- increased conflict management capacities; and
- informed policy making with local government.

Kenmare's key criteria for successful community engagement are:

- ensuring that a broad range of people and sectors participate in the process;
- striving to resolve complex issues;
- creating a shared vision that achieves results and creates change, ensuring collaboration and social inclusion;
- identifying local priorities together with community; and
- reaching a consensus on the resulting actions required from both the Company and the community.

Our People

Kenmare recognises that our employees are the backbone of our business and that a partnership approach is vital to achieving business objectives. We are committed to seeking out and retaining a diverse and talented workforce to ensure business growth and performance. Kenmare encourages diversity in its workforce and believes in treating all people with respect and dignity. We pride ourselves on the employment the Mine generates for our host communities and Mozambique as a whole. In 2018, we directly employed almost 1,400 people in Mozambique and paid over US$32.5 million in salaries.

> "Employees are the backbone of our business and a partnership approach is vital to achieving our business objectives.

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

The Mine's employment statistics at year end are as follows:

	2018	2017	2016
Number of employees	**1,398**	1,324	1,323
% Mozambican	**95%**	93%	93%
% Expatriates	**5%**	7%	7%
% Women	**7%**	5%	4%

The size of Kenmare's workforce in Mozambique increased by 6% in 2018 compared to 2017 as a result of increased in-sourcing of works, in the maintenance and engineering services departments, as well as the increased requirement for dry mining operators.

Kenmare invests in training and development initiatives for our employees at all levels of the business as building capacity and capability is key to sustainable development.

Sustainability report continued

Image:
From left to right
Emilio Alfredo Comane, Electrical Maintainer, Raphael Manyonda, Lecturer, Salimo Albino Atumane, Instrument Assistant and Ibraimo Chachi, Electrical Maintainer.

Our People continued

95% Mozambican workforce

Of our permanent employees, 95% are now Mozambican, an increase of 2% compared to 2017, as we continue to drive the localisation of our workforce.

All personnel at operator and tradesman levels are now Mozambican, and the percentage of Mozambican employees at supervisory levels increased to 87%. Management localisation increased to 53% in 2018, compared to 47% in 2017, and particular success was seen at the middle management level (63%), with the successful appointment of production superintendents and engineers.

The sustainability of our localisation programme has been underpinned by the successful technical development of local artisans, who have replaced expatriates through our on-site practical training centre, and the continuing success of the Graduate Development Programme, which employs Mozambican graduates to fill line management and specialist roles.

Environment

We recognise the growing importance of climate change, both to our Company and to our stakeholders. Kenmare is committed to operating in an environmentally responsible manner and to minimising the impact of mining and processing operations on the local environment.

Committed to best practice standards

The Mine is subject to the environmental laws and standards in force in Mozambique, together with international standards and guidelines of the International Finance Corporation (IFC), World Bank, African Development Bank and FMO, as well as its own policies. IFC Performance Standards (2012) and Equator Principles are aligned with our Environmental Management Plan (EMP) requirements.

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 and management of social impacts, amongst others. Where standards differ, Kenmare is committed to meeting the most stringent standard applicable.

EIA Services, Lda, on behalf of MITADER, conducted an independent annual environmental audit at the Mine in 2018, measuring compliance with Mozambican Government Decree 25/2011 of 15 June 2011. No significant negative findings were registered.

Kenmare subscribes to the NOSA Occupational Health, Safety and Environmental Management System.

The objective of the environmental management system is to facilitate and achieve compliance with the commitments in the EMP, as well as continual improvement of environmental performance.

This involves monitoring to ensure applicable standards are being observed, and where deviations are encountered, reporting and mitigation take place promptly. The system is modelled in accordance with ISO 14001, which requires environmental objectives and targets to be set annually and regularly reviewed throughout the year, with performance tracked and checked through scheduled internal and external audits and inspections. A joint community and company environmental monitoring practice, introduced in 2015, continues to work well. Community engagement is a developing area of focus to involve and educate communities on the needs for environmental management and ensure that the monitoring programmes underway are well understood by all stakeholders.

Fuelled by renewable power

Kenmare's principal power source is the Cahora Bassa hydroelectrical power station with transmission through the EdM transmission grid. In 2018, 79.5% of Kenmare's power demand was produced from this renewable power source (hydropower). The use of hydropower substantially reduces Kenmare's greenhouse gas emissions.

However, in 2018 CO_2 emissions increased due to additional use of diesel as a result of increased dry mining utilising diesel-driven front-end loaders (an increase of more than 30% compared to 2017), and additional use of diesel-powered electric generators to ensure uninterrupted operation of our MSP (an increase of more than 22% compared to 2017), in response to reduced reliability of the EdM grid power supply. The use of generators accounted for 32% of total diesel fuel usage.

Water

Water is an essential resource for our operations, with the majority being returned to the groundwater table from whence it is drawn as tailings deposition water and mine pond seepage (minus some evaporation). Water extraction did not change significantly year on year. Since the mining process does not use any chemical additioning, seepage to groundwater is clean.

95%
of staff at the mine are Mozambican

87%
of supervisory staff at the mine are Mozambican

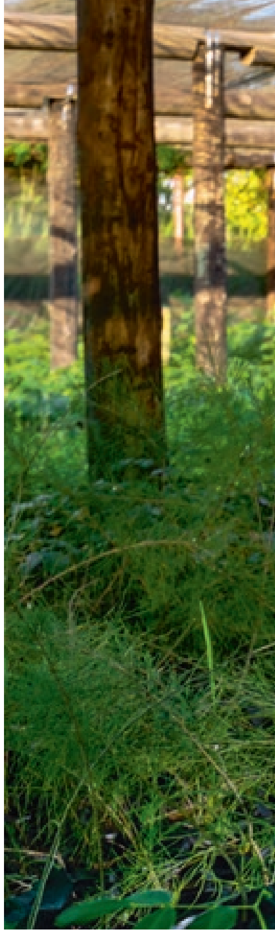
Advancing women

Kenmare is also focused on increasing the number of women in our workforce as we recognise that gender diversity is a key driver of success in modern business. In 2018, 11% of the executive management team comprised of women and 7% of our Mine employees were female, compared to 5% in 2017. By 2020, we are targeting a 10% female workforce. An example of the Company's commitment to advancing women is our 2018 programme to train 50 Mozambican women to be heavy mobile equipment operators, as a result of which 16 of them became permanent employees.

10%
target for female employees by 2020

Image:
Getita Ibraimo trainee operator in the rehabilitation department.

Sustainability report continued



Environment continued

Rehabilitation of mined land

For restoration of mined-out dredge paths, Kenmare continues to follow its progressive rehabilitation strategy, so that mined areas can be handed over to local communities after mining.

In 2018, an area of 159ha was rehabilitated. This year on year decrease of 133ha came as a result of a requirement for increased open areas to accommodate the new WCP C construction area, future mining path and increased slimes management requirements across the Mine. A total area of 121ha was rehabilitated with topsoil, with the natural seed content contributing to the development of mixed trees and grassland rehabilitation. Planting of indigenous trees supplements the development of these areas. A further 21ha was planted with casuarina trees, a future commercial forestry crop, using community nurseries to supply saplings. A 17ha wetland area was also established.

Kenmare continued to optimise the rehabilitation plan by focusing on developing a patchwork of alternative land uses post-mining, including development of agricultural land, forestry, savannah and woodlands, with the tactics of rehabilitation tailored according to topography, adjacent ecotypes and availability of topsoil and tailings characteristics.

Kenmare progressed the process of return of land to communities, following a land closure process involving provincial and local government engagement. A total of 170ha has been identified for return and final approval was received in December 2018. Further land returns will continue in future years, providing agricultural land for subsistence farming.

Other environmental matters

Kenmare implements a number of environmental compliance programmes to manage and reduce our impact on the environment. Key programmes include:

- Continuous monitoring of effluent quality at our sewerage treatment plants at the Mine.

Environmental monitoring statistics were:

	2018	2017	2016	2015
Greenhouse gas (tonnes CO_2)	**81,612**	73,344	65,492	61,024
Water extraction (million cubic metres)	**17.61**	17.50	19.95	13.48
Rehabilitation:				
Total (Ha)	**159**	292	186	188
Topsoiling (Ha)	**121**	246	153	173
Casuarina plantation (Ha)	**21**	46	33	15
Wetland (Ha)	**17**	—	—	—

Image:
Francisco Mahando (lecturer) with students Sualé Amade, Mariamo Omar and Suhura Abacar at the new technical school in Topuito.

- Establishment of a new landfill site in 2019. Training and awareness campaigns continued in 2018 to promote waste management practices by minimising generation of waste and ensuring adequate segregation at source.
- The mineral sands we mine and our products contain naturally occurring radionuclides. A radiation management plan is in place and the small number of staff who are exposed are monitored and remain within required exposure limits. There is no community exposure to our products.
- Mineral sands concentrate, a product containing 18% monazite, will be marketed during 2019. Regulatory and radiation control requirements have been addressed and the first shipment is planned for H1 2019.
- Radiation management remains compliant to national legislation, the International Commission on Radiation Protection (ICRP) and IFC Performance Standards (2012) requirements.
- Kenmare continued to monitor operational noise disturbance levels in 2018, which could potentially impact communities close to the Moma Mine. This survey returned daytime noise levels in excess of the IFC 1-hour guideline of 55dBA in Naholoko and Topuito (South). Noise sources were, however, not attributed to mining activities. Similarly, night-time ambient noise levels in excess of the IFC 1-hour guideline of 45dBA were recorded at 46.5dBA in Topuito (South).
- Kenmare's air monitoring programme measures particulates at multiple locations on site on a monthly basis. Air emission monitoring data was interpreted based on the adopted IFC interim 24 hour average target (IT-2) of 100 µg/m^3 for PM10 and 50 µg/m^3 for PM2.5. Monthly average results for internal PM10 and PM2.5 air emission monitoring were well within emission limits. Air emission modelling controls and sampling requirements will be thoroughly reviewed in 2019.

Preparations for mining in Pilivili

A DFS is currently being undertaken to move WCP B plant and infrastructure from their current operation at Namalope to a new orebody located at Pilivili, approximately 20km south east of the MSP.

All relevant environmental and social studies have been completed and an ESHIA application was submitted for review by MITADER in December 2018. The MITADER review and approval of this application is expected by Q2 2019.

- Icuria dunensis, an endemic tree species, was found in limited numbers within some forest patches within the study area. The trees were typically degraded and in poor condition. This forest appeared to have been extensive in the past but in recent times has been harvested, probably as a source of timber for construction of community fishing boats and housing.

Image:
Tina Faque, Rehabilitation Officer working in Kenmare's rehabilitation plant nursery.

Sustainability report continued

Total land hectares rehabilitated in 2018

159

Power demand fuelled by hydropower

80%

Image: Employees Celso Machava, Shore Services Control Room Supervisor, Tina Faque, Rehabilitation Officer and Ulce Cuco, Communications Specialist at one of the dune rehabilitation areas.

Environment continued

Preparations for mining in Pilivili continued

- The mine path will primarily cover areas that will have a limited contribution to greenhouse gas emissions, being subsistence agricultural land, with the remaining indigenous vegetation being mostly savannah and wetland habitats in the lower-lying areas. On the basis of existing biodiversity and land pressures, a rehabilitation management plan has been submitted to MITADER as part of the ESHIA.
- A total of four public consultation meetings were held in addition to other meetings to negotiate agreement with communities on Resettlement Action Plan (RAP) issues as per applicable legislation. The process was finalised in October 2018 and the RAP submitted to authorities in November 2018.
- Water management for the Pilivili project is designed to have several phases that satisfy requirements for flood protection and water supply for mining operations, while ensuring environmental compliance.

Anti-bribery and corruption

Kenmare takes a zero-tolerance approach to bribery and corruption and we are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate. It is our best practice objective that those we do business with take a similar zero tolerance approach to bribery and corruption. Kenmare is bound by the laws of Ireland, including the Criminal Justice (Corruption Offences) Act 2018, in respect of its conduct both at home and abroad. We must also comply with laws relevant to countering bribery and corruption in the jurisdictions in which we operate.

Human rights

We recognise the important responsibility that companies have in respecting and upholding human rights in their sphere of influence. Kenmare is fully committed to upholding the human rights of all of our stakeholders.

The Company therefore supports the UN Universal Declaration of Human Rights and complies with all legislation pertaining to human rights in the countries where it operates.

Kenmare's human rights commitment includes the prohibition of modern slavery in all its forms.

This means we have zero tolerance for child labour, forced labour or discrimination, and we respect the right of our workers to form unions. We do not consider there to be a risk of slavery or human trafficking with regards to our operations, due to our rigorous recruitment and pre-employment vetting process, or supply chain, due to our supply chain due diligence processes.

Supply chain management

Kenmare's procurement department is responsible for managing the Company's inbound supply chain. It performs an important role in terms of delivering on our production and development plans by ensuring that the right goods and services are delivered to the right location at the right time. The team is also accountable for ensuring that our supply chain operates safely, efficiently and according to the high level of ethical conduct that we expect of our business, including full compliance with IFC Performance Standard 2 by establishing policies and procedures for managing the performance of third-party employers and confirming there is no use of child or forced labour in the primary supply chain.

Government payments

Kenmare subscribes to the Extractive Industries Transparency Initiative (EITI). Established in 2002, this reporting system supports good governance through the verification and publication of payments by companies and the use of government revenues derived from the extractive industries.

In line with the EITI, Kenmare discloses the payments it makes to governments on an annual basis. All 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. Kenmare does not give donations or contributions to any political party. We adhere to a strict policy of zero tolerance to all forms of corruption and unethical business practices.

Kenmare is continually looking to strengthened it's approach to corporate responsibility. We recognise the importance of delivering on our long-term vision as a socially responsible company and will continue to strive for best practice standards in all of our activities.

	2018 US$'000	2017 US$'000	2016 US$'000	2015 US$'000	2014 US$'000	2013 US$'000
Mozambique						
Mining royalty	**2,933**	2,833	2,371	2,826	3,563	3,860
Industrial free zone (IFZ) royalty	**2,553**	1,517	1,538	1,486	1,868	—
Payroll taxes	**8,378**	6,998	7,405	8,551	10,564	9,499
Withholding taxes	**1,077**	978	695	462	422	459
Licenses	**3**	12	24	123	215	77
Total	**14,944**	12,338	12,033	13,448	16,632	13,895
Ireland						
Payroll taxes	**2,739**	2,262	2,052	2,240	2,463	1,966
Corporation taxes	**4**	5	9	11	2	9
Total	**2,743**	2,267	2,061	2,251	2,465	1,975
UK						
Payroll taxes	**163**	154	234	169	162	119
Total	**163**	154	234	169	162	119
Total payments to governments	**17,850**	14,759	14,328	15,868	19,259	15,989

Kenmare Moma Development Association

A positive and sustainable contribution

The Kenmare Moma Development Association (KMAD) aims to be a catalyst for positive social and economic development in its host communities.

Image:
Medical staff at the Mutiticoma health centre, which was funded by KMAD.

Gareth Clifton
Mozambique Country Manager

Hlaleleni Matolo
KMAD Co-ordinator

KMAD is a not-for-profit development organisation, established in 2004 to implement development programmes in the community.

The KMAD vision

Our host communities and their needs are at the centre of KMAD's programmes. KMAD is committed to effective communication and consultation with all stakeholders as part of its development strategy. KMAD's vision is to support:

- communities with high standards of health and well-being, where local people live in safe and dignified conditions;
- independent communities, well-informed of Kenmare's ongoing operating activities, and with access to education and opportunity for individuals to reach their potential; and
- cohesive social groups and networks contributing to sustainable development.

KMAD has delivered significant improvements to local infrastructure, with emphasis on the provision of health services and education. The organisation has created direct and indirect employment opportunities, implemented training initiatives and supported various start-up businesses.

For more information on KMAD's objectives and its core values, please visit www.kenmareresources.com/sustainability/kmad.

Livelihood and economic development projects

Local community members submit business proposals to KMAD, which are reviewed for their economic viability. If the proposal is approved, KMAD will provide the majority of the funding required, with the business owner asked to fund the remainder to ensure effective personal buy-in.

Seven new projects funded

In 2018, KMAD supported seven new projects in its host communities, including a fishing equipment wholesaler, a carpentry workshop and a boat motor repair shop.

Image:
A local grocery store supported by KMAD.

At the end of 2018, there were 43 small-scale business projects supported by KMAD, which directly benefit a total of 171 project owners and by extension their families and employees. These businesses generated revenues of US$373,000 in 2018, which represents a 24% increase compared to 2017 (US$302,000).

Doubling farming yields

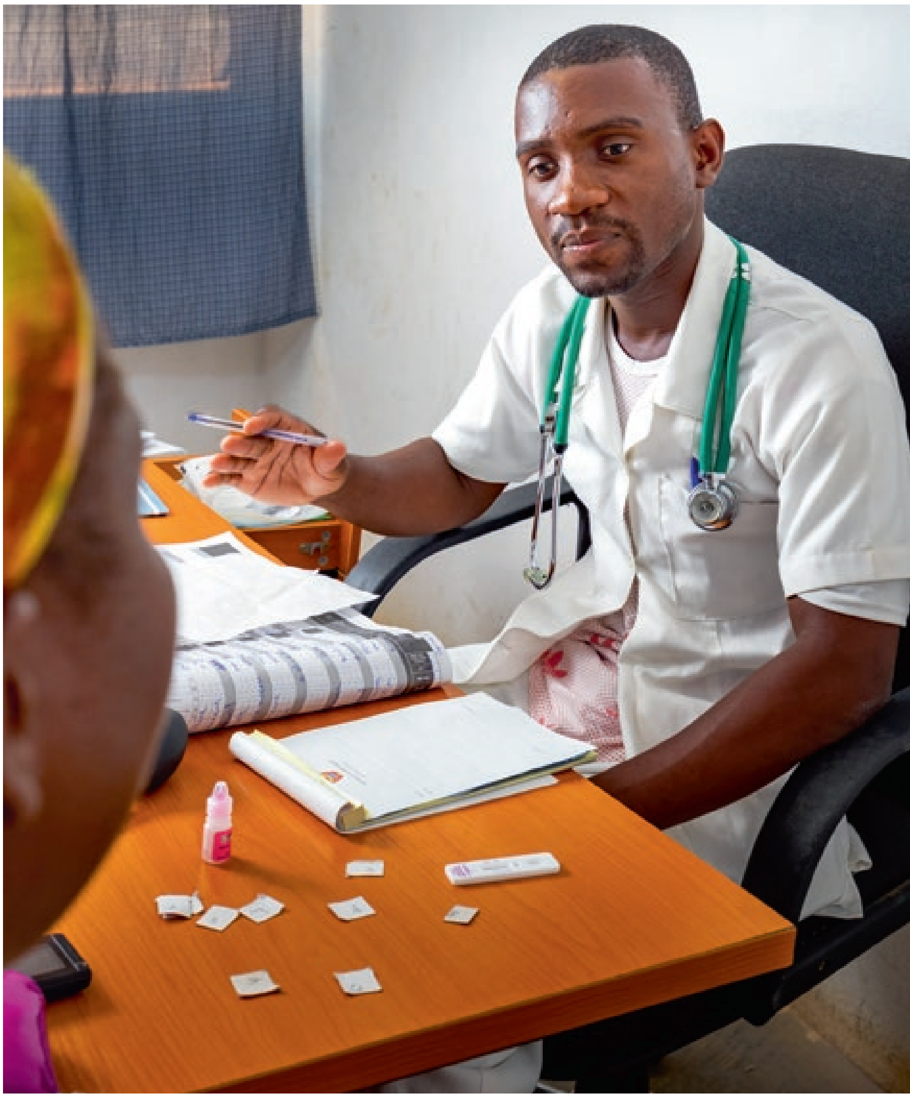
The Conservation Agriculture (CA) project continued in 2018 with the objective of transferring skills to local farmers that will enable them to increase their productivity, reduce crop disease and grow crops that were previously not viable in the area.

In 2018 participating farmers split their fields in two and cultivated one half using traditional agricultural practices and the other using CA practices, including mulching and recommended crop spacing. 101 farmers prepared their fields and received seeds for a variety of crops. As a result, approximately 8,000 kilograms of crops were produced in the CA plots compared to approximately 4,000 kilograms in the areas using traditional methods, demonstrating the increased productivity that can be achieved using the CA approach. By the end of December 2018, 196 farmers had registered to participate in the CA project.

Kenmare Moma Development Association continued

> In 2018 KMAD constructed a pharmacy in the Mutiticoma health centre, and officially handed it over to the District health authorities. In 2019 KMAD intends to fund a new ambulance for the local area.

Image:
Gildo Nantuto, a doctor at the Mutiticoma health centre.



Livelihood and economic development projects continued

A bridge over the River Larde

Kenmare agreed to finance a technical study into the construction of a bridge over the River Larde, following consultation with our host communities and the Government. The study was completed in February 2018 and Kenmare has offered to provide financing for a significant part of the total cost, with the Government to fund the remainder. The Government is currently reviewing when this can be included in its budgeting process.

Health development projects

Health clinic

In 2018 KMAD constructed a pharmacy in the Mutiticoma health centre, and officially handed it over to the District health authorities. In 2019 KMAD intends to fund a new ambulance for the local area.

Approximately 20,000 people attended the clinic for consultations in 2018, which represents a 43% increase compared to 2017. One of the primary reasons for attendance was malaria testing, with approximately 11,000 people tested, a 24% increase compared to 2017, and the clinic also provided testing and care for people with HIV and STDs. Over 4,600 women attended the clinic for maternity care and family planning and 801 babies were born in the maternity ward.

In 2018 KMAD supported 35 nursing students to commence a training course and all the nurses who complete the course will be allocated to health facilities in the District. In 2019, 27 students will enter the second year of the course.

Community health awareness

The community health programme promotes awareness on health issues, hygiene and sanitation, primarily through group discussions. In May 2018 the management of the community health volunteers from the District Government reverted back to KMAD.

Small-scale businesses supported by KMAD

43

Farmers participating in the Conservation Agriculture programme

101

Image:
A training class at the new technical school in Topuito.

Image:
A local family attending the Mutiticoma health centre.

In 2018 the community volunteers conducted 50 sessions in the health clinic, which were attended by almost 2,500 people, and 197 sessions in the villages, which were attended by over 3,300 people. The topics addressed were water and sanitation, STIs, HIV and malaria prevention. Kenmare also provided 16,782 mosquito nets to 8,391 households.

Water and sanitation

During the course of 2018 there were a number of complaints about the quality of water from local people. As a result, KMAD contracted the Government's provincial laboratory to collect and analyse water samples from each water source, in collaboration with local leaders and Civil Society organisations. The tests showed that a number of community water sources contained contaminants. KMAD, together with the District Health Services, intends to support training for the local communities in 2019 on how to maintain a clean water supply, both within the local water system and at a household level.

As an interim measure, in December 2018 KMAD contracted a water treatment company to clean the tanks of the water systems of Naholoco, Tibane and Mutiticoma. KMAD also signed a contract to expand the water distribution system in Topuito with the introduction of 13 new taps throughout the village.

Education development projects

New technical school and classroom blocks

In 2017 KMAD completed the construction of a technical school, including classrooms, toilet facilities, teachers' housing and a security post. In 2018 KMAD financed a series of courses open to local community members on topics such as construction, mechanics and welding. The Government has agreed to fund and manage the staffing of the school once budgets allow. In 2019 KMAD has committed to fund the construction of additional classrooms, additional teachers' housing, a library, a computer room and an administrative block. Separately, KMAD concluded the construction of two new primary classroom blocks in the Tibane and Topuito villages.

Improving primary education

KMAD also contracted a Mozambican NGO, Facilidade, to undertake a pilot programme to improve the quality of primary education in the locality. Facilidade is an organisation based in Nampula with experience in education methodologies to improve the quality of learning in schools. It conducted an assessment of reading, writing and calculation skills in local children and is training teachers and school principals in new interactive teaching techniques, initially targeting children in grade 4.

Additional information on Kenmare's approach to corporate social responsibility and KMAD's community initiatives can be found in the KMAD 2018 Annual Report available at: www.kenmareresources.com.


AQUA
LIFE
JACKET

Board in action

The role of the Board of Directors is to support and challenge management and to ensure that Kenmare operates in a manner that promotes the long-term sustainable success of the Company and generates value for all stakeholders.

We believe that good corporate governance is a critical element in building a strong business that can be resilient throughout the cyclical markets in which we operate.

Leadership and effectiveness

The Board provides leadership to the Group and is collectively responsible for promoting and safeguarding the long-term success of the business.

Accountability

The Audit Committee fulfils an important oversight role on behalf of the Board, monitoring the integrity of the Group's financial reporting and the effectiveness of both the Group's systems of internal control and its risk management framework.

Engagement

The Board regularly visits the Mine to update its knowledge of our business and operations, to demonstrate visible leadership, and to have the opportunity to meet employees, local community members, Government representatives and other key stakeholders. The Company also has an active engagement programme for key financial audiences, including major shareholders, potential investors and analysts.

Corporate governance

Board of Directors

1 Steven McTiernan
N / R

Chairman and Non-Executive Director

Age: 67

Appointed 2013

Skills and experience: Steven McTiernan has over 45 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 of Tullow Oil plc and was a Non-Executive Director for 11 years until January 2013, was an Independent Director at First Quantum Minerals Ltd. until June 2012, and was an Independent Director at Songa Offshore SE until January 2014. He received an MA in Natural Sciences from the University of Cambridge.

External appointments: Steven serves as Non-Executive Chairman of Hurricane Energy plc.

2 Michael Carvill

Managing Director

Age: 59

Appointed 1986

Skills and experience: Michael Carvill is a Fellow of the Institute of Engineers of Ireland (FIEI). He holds a BSc in Mechanical Engineering from Queen's University Belfast and an MBA from the Wharton School of the University of Pennsylvania. He worked as a contracts engineer in Algeria and as a project engineer at Tara Mines, Ireland.

External appointments: Michael is a director of Vico Camperdown Ltd and Merindol Ltd.

3 Tony McCluskey

Financial Director

Age: 54

Appointed 1999

Skills and experience: 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 as a Senior Manager in Dublin. He has worked on a part-time basis as a lecturer with Chartered Accountants Ireland and has worked overseas.

4 Peter Bacchus
A / R

Non-Executive Director

Age: 50

Appointed 2017

Skills and experience: Peter Bacchus has served as European Head of Investment Banking at US investment bank Jefferies, Global Head of Mining & Metals at Morgan Stanley, and Head of Investment Banking, Industrials and Natural Resources at Citigroup, in Asia and Australia. He has over 20 years' experience in investment banking, with a focus on the global natural resources sector and has, over this period, led a number of transformational transactions in the industry. He is a Member of the Institute of Chartered Accountants, England & Wales, and holds an MA in Economics from the University of Cambridge, United Kingdom.

External appointments: Peter Bacchus is the Chairman and Chief Executive of Bacchus Capital Advisers Ltd, an independent investment banking boutique based in London. He is also a Non-Executive Director of US and South African-listed Gold Fields and Australian-listed Galaxy Resources.

5 Clever Fonseca

Non-Executive Director

Age: 65

Appointed 2018

Skills and experience: Clever Fonseca has worked in the titanium industry for over 35 years and has extensive knowledge and board-level management experience of mineral sands mining. He has experience of working in the titanium pigment and feedstock industries. He was responsible for developing Brazil's only dredge-mined mineral sands operation, was Vice President of Global Supply and Mining for Millennium Inorganic Chemicals (now Cristal Global) in the US, and also served as Executive Director of Mineral Deposits Ltd in Melbourne. Most recently, he was Chief Executive of TiZir Ltd, where he was responsible both for the development of the Grand Côte mineral sands mine in Senegal and its integration with the TTI smelter at Tyssedal to form TiZir. He retired from TiZir in 2012. He has a BSc in Mining Engineering from Universidade Federal De Pernambuco, and an MBA from Fundacao Getulio Vargas, both in Brazil.

6 Elizabeth Headon
A / N / R

Non-Executive Director

Age: 47

Appointed 2011

Skills and experience: Elizabeth Headon has over 20 years' experience in communications, corporate affairs and social responsibility. Previously she was Chief Executive of the Digicel Haiti Foundation and worked in Mozambique on the Kenmare Moma Development Association. She has a BA, MA and MBA from the National University of Ireland.

External appointments: Elizabeth sits on the board of Horse Racing Ireland and is an Executive Director of Gibney Communications Ltd.

7 Tim Keating
Non-Executive Director

Age: 44

Appointed 2016

Skills and experience: From 2010 to 2013 Tim Keating was CEO of African Nickel Ltd, a nickel sulphide development company, where he grew the business through several acquisitions, project development and fund raisings. He also worked at Madini Mineral Resources (2014–2015), Investec Bank for the Commodities and Resource Finance Team (2004–2010), and at Black Mountain Mine, owned by Anglo American plc, in South Africa. He has a BSc in Mining Engineering from West Virginia University, a B. Comm in Economics & Law from University of Witwatersrand, South Africa, and a Mine Manager's Certificate of Competency.

External appointments: Tim is Head of Mining Investments Private Equity at the State General Reserve Fund (SGRF), a sovereign wealth fund of the Sultanate of Oman. He is also a Non-Executive Director of Kore Potash Ltd.

8 Graham Martin
N / **R**

Non-Executive Director

Age: 64

Appointed 2016

Skills and experience: Graham Martin is an experienced natural resources executive having served as an Executive Director, General Counsel and Company Secretary at Tullow Oil plc, an oil and gas exploration and production company listed on the London, Irish and Ghanaian stock exchanges. From 1997 until 2016, he was heavily involved in the growth of Tullow into a FTSE 100 business, and in the company's active M&A programme. Prior to Tullow, he was a partner at the US energy law firm Vinson & Elkins LLP. He holds a degree in Law and Economics from the University of Edinburgh.

External appointments: Graham is Chairman of United Oil and Gas plc.

9 Gabriel Smith
A / N / R

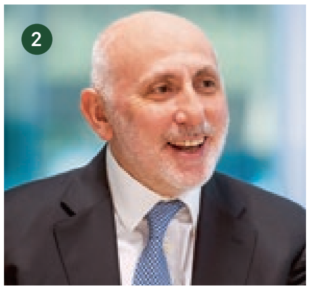
Non-Executive Director

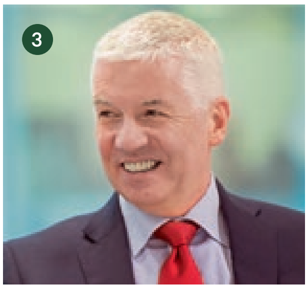
Age: 67

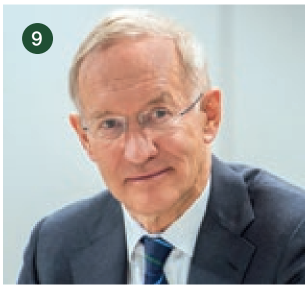
Appointed 2013

Skills and experience: Gabriel Smith has considerable executive experience and has been on several boards representing companies in different industries. He began his career as a Loan Officer at Citibank London. He was Managing Director of a technical trading company before joining 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, and from 2007 to 2009 he held the position as Chairman of Lighthouse Caledonia, both public companies in the seafood sector. He received his undergraduate degree in Economics from Dartmouth College and has an MBA from Amos Tuck School in the US.

External appointments: Gabriel sits on the Board of Tinfos, now restructured as a hydro company.





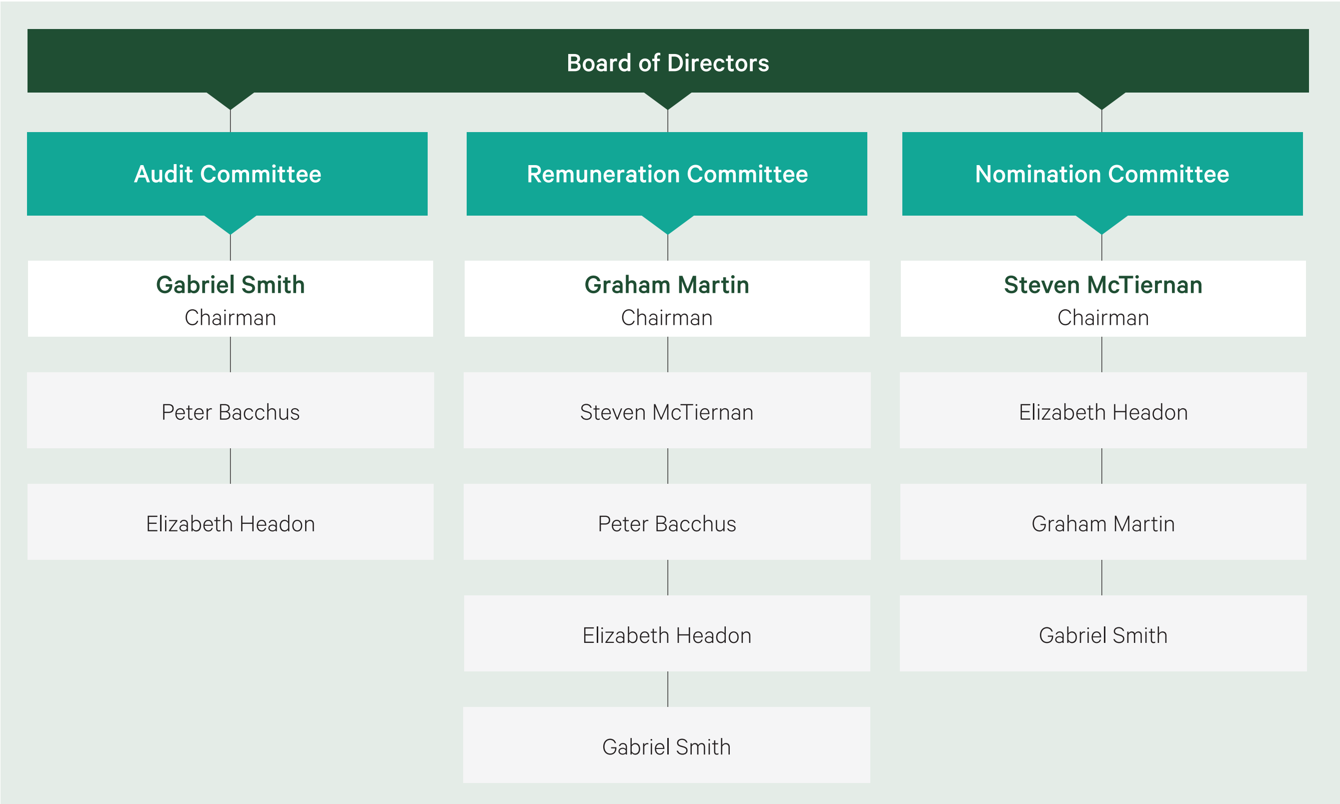


Committee key
A / Audit Committee
N / Nomination Committee
R / Remuneration Committee
X / Committee Chairman

Corporate governance report

The Board

The Directors and their Committee membership are shown below:



Corporate governance

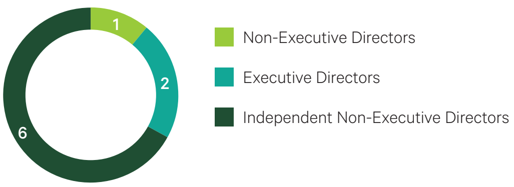
The Directors recognise the importance of corporate governance and ensure that appropriate corporate governance procedures are in place. In the financial year under review, the Directors have applied the principles of the UK Corporate Governance Code (the "2016 Code") issued by the UK's Financial Reporting Council (FRC) in April 2016, a copy of which can be obtained from the FRC website, www.frc.org.uk. The Company has complied with all relevant provisions of the Code in the financial year under review. The Board has implemented the necessary steps for implementation of the 2018 revision to the Code which is effective from 1 January 2019.

The Board of Directors

Kenmare is led by a strong and effective Board of Directors. Directors' biographical details, including each Director's date of appointment, are set out on pages 58 and 59. The Board consists of nine Directors, of which two are Executive and seven are Non-Executive. The majority of the Board is made up of independent Non-Executive Directors. The Chairperson is required to be a Non-Executive. The Nomination Committee is responsible for reviewing the structure, size and composition of the Board and considers the size and composition to be appropriate. The Board recognises that after nine years' service Non-Executive Directors may be regarded as non-independent and may therefore be requested to step down at such time. The Board 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.

Mr. Clever Fonseca joined the Company's Board as an independent Non-Executive Director, effective 1 July 2018. Coincident with Mr. C. Fonseca's appointment, to maintain the same number of Directors on the Board and to further increase the ratio of Non-Executive Directors to Executive Directors, Mr. Terry Fitzpatrick retired from the Company's Board on 1 July 2018.

Composition of Directors



Length of tenure of Non-Executive Directors

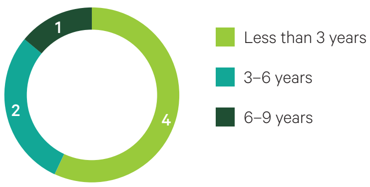


Image:
Board members
Tim Keating and
Gabriel Smith speaking
with Momade Ussene
(WCP B Plant
Superintendent)
during a visit to the
Mine in 2018.

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

Culture

Kenmare's values of safety, integrity, partnership and excellence are integral to the way the Board operates. These values are the basis of the tone that the Board sets for management and employees generally. They are strongly reinforced by the Board's governance structures, which have as a focus: communicating clearly the business model and strategy; actively monitoring and managing our key risks; aligning the interests of management with investors; making decisions in the long-term interests of shareholders; and taking the views of wider stakeholders into account.

Diversity

The Board recognises and embraces the benefits of diversity among its members, including the diversity of skills, experience, background, gender, ethnicity and other qualities and is committed to achieving the most appropriate blend and balance of diversity possible over time. The diversity policy on Board appointments is set out in the Nominations Committee Report on page 67.

Operation of the Board

The Board is responsible for the leadership, oversight, control, development and long-term success of the Group. It is also responsible for instilling the appropriate culture, values and behaviour throughout the organisation. 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.

The Board visited the Mine during the year which offered the opportunity to obtain a detailed understanding of the various development projects and investment priorities. It also had an in-depth review of operations and safety with the senior management of the Mine and visited some of the projects being implemented by the Company's corporate responsibility team and by KMAD.

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

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

Corporate governance report continued

Meetings

The Board and its Committees met regularly throughout 2018. Details of the Directors' and Secretary's attendance at Board and Committee meetings are set out below.

	Full Board		Audit Committee		Remuneration Committee		Nomination Committee	
	A	B	A	B	A	B	A	B
Non-Executive Directors								
S. McTiernan (Chairman)	9	9			3	3	4	4
P. Bacchus	9	9	4	3	3	2		
C. Fonseca	6	6						
E. Headon	9	9	4	4	3	3	4	4
T. Keating	9	7						
G. Martin	9	9			3	3	4	4
G. Smith	9	9	4	4	3	3	4	4
Executive Directors								
M. Carvill	9	9						
T. Fitzpatrick	3	3						
T. McCluskey	9	9						
Company Secretary								
D. Corcoran*	9	8	4	4	3	3	4	4

* 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 or Committee papers, as appropriate, in advance of meetings.

Independence of Non-Executive Directors

The Board has carried out an evaluation of the independence of its Non-Executive Directors, taking account of the relevant provisions of the Code and whether the Non-Executive Directors discharge their duties in a proper and consistently independent manner and constructively challenge the Executive Directors and the Board.

In October 2016, Mr. T. Keating was appointed to the Board. On 18 June 2016, African Acquisition Sarl and Kenmare Resources plc entered into a subscription agreement providing for the subscription by African Acquisition Sarl for new ordinary shares of US$100 million. The subscription agreement provided for the appointment of up to two Non-Executive Directors by African Acquisition Sarl. Mr. T. Keating was appointed to the Board as Non-Executive Director pursuant to this provision. As a result, Mr. T. Keating is not considered to be independent.

All the other Non-Executive Directors fulfil the independence requirements of the Code.

Mr. S. McTiernan has been Chairman of the Company since June 2014. On his appointment, Mr. S. McTiernan met the independence criteria as set out in the Code.

Board evaluation

The Board conducts an annual evaluation of its performance and that of its Committees. It also conducts an annual performance evaluation of individual Directors. In 2018, the Institute of Directors in Ireland (IOD) undertook a performance evaluation of the Board.

The Board performance evaluation enabled the Directors to understand how well the Board is operating in key areas including strategy, business principles, risk management and internal control, performance and measurement, stakeholder management, Board composition and boardroom practice. The output from the process has enabled the Board to recognise its strengths and tackle any weaknesses identified.

The process commenced with the IOD briefing the Directors on the objectives, the process and the prospective output of the evaluation. Each of the Directors then had to complete a detailed questionnaire. Based on the results of the questionnaire, the IOD prepared a detailed report which, together with a debriefing on the reports' findings, was provided to the Board.

The main conclusions of the report were that the Board was an effective, well-functioning and experienced Board. The diversity of experience, knowledge and skills that Board members bring to the table serves the Company well.

The Board performed well across all areas of assessment including strategy, risk management, performance and measurement, with improvements in all areas when compared to the previous external assessment. A number of recommendations were made such as ensuring that incentives and rewards are aligned with culture to drive behaviours consistent with the Company purpose, values and strategy.

The Board has developed a plan to action the recommendations made and specific Board objectives were adopted in 2019. In addition, the report concluded that all sub committees have functioned effectively in delivering their objectives during the year. It was also 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.

Internal control

The Board of Directors has responsibility for the Group's system of internal control. This involves an ongoing process for identifying, evaluating and managing the significant risks faced by the Group and reviewing the effectiveness of the resultant system of internal control that has been in place throughout the financial 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 Guidance on Risk Management, Internal Control and Related Financial and Business Reporting (September 2014). The key elements of the system include the following:

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

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

SGRF relationship agreement

Although SGRF currently does not fall within the definition of controlling shareholder under the Listing Rules as it holds less than 30% of Kenmare's equity, the Company and African Acquisition Sarl, the vehicle through which SGRF invested in the Company, have entered into arrangements equivalent to those that would be expected to be in place between a listed company and its controlling shareholder to ensure the independence of the Company from that shareholder. In particular, the Company entered into a subscription and relationship agreement, dated 18 June 2016, with African Acquisition Sarl that, amongst other things, sets forth the relevant arrangements.

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 are sent to shareholders, and other announcements are released through a regulatory information service and on the Company's website, www.kenmareresources.com.

Steven McTiernan
Chairman
29 March 2019

Image:
Gabriel Smith at WCP A during the mine visit in 2018.

Audit Committee report

Gabriel Smith
Chairman of the Audit Committee

MEMBERSHIP AND MEETINGS

The Audit Committee consists of myself as Chairman, and Non-Executive Directors Mr. P. Bacchus and Ms. E. Headon. I am the Committee's financial expert. As outlined in the Directors' biographical details, set out on pages 58 and 59, members bring considerable financial, accounting and mining industry experience to the work of the Committee, with Mr. P. Bacchus being a Chartered Accountant.

		Independent	Date of appointment to Committee	Meetings attended
Mr. G. Smith	Chairman	Yes	12/03/13	●●●●
Mr. P. Bacchus	Member	Yes	25/05/17	●●●
Ms. E. Headon	Member	Yes	21/04/11	●●●●

● Meetings attended

Chairman's Overview

On behalf of the Committee, I am pleased to introduce the Audit Committee Report for the year ended 31 December 2018. The purpose of this report is to provide shareholders with an insight into the workings of, and principal matters considered by, the Committee in 2018, and provide details in relation to the5roles and responsibilities of the Committee, its operation and the policies applied by it.

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;
- monitoring the effectiveness of the Group's internal control and risk management systems;
- making recommendations for the Board to put to the shareholders for their approval in General Meetings regarding the appointment, remuneration and terms of engagement of the external auditors;
- reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements and, in particular, the appropriateness of the provision of non-audit services;
- reviewing the plans, work and performance of the internal audit function and management's actions on findings to gain assurance as to the effectiveness of the internal controls in the Group;
- monitoring and reporting to the Board on the statutory audit of the financial statements; 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 Committee met four times during the year ended 31 December 2018. Details of the Directors' and Secretary's attendance at Audit Committee meetings are set out on page 62. Audit Committee meetings generally coincide with the release of the Group's preliminary results, AGM and half yearly results. The table on pages 65 and 66 outlines the key areas that the Committee focused on in 2018 and to date in 2019.

External audit

The Committee closely monitors the level of audit and non-audit services that audit firms provide to the Group. The Committee has adopted a policy on the provision of non-audit services by the external auditors on the basis that they may provide such services only where the engagement will not compromise their audit objectivity and independence, they have the understanding of the Group necessary to provide the service and 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 Company Secretary, the external audit lead partner and from time to time the Finance Director attend meetings at the invitation of the Committee. At least once each year, the Committee and the external auditors 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

The Group has identified and documented critical risks to the business, including key operational risks and related controls in its risk register. The Mine operational risks to the business are reviewed quarterly and updated. The Group's operational risks are reviewed annually and the corporate and business risks on the Group's risk register are updated. The critical/high risks identified as a result of this process are reviewed by the Audit Committee. These risks are included in the Principal Risks and Uncertainties facing the Group as set out on pages 38 to 43. As part of the internal audit function, controls identified in the risk register are tested to ensure they are operating effectively.

The Company has a whistleblowing policy in place and a third-party service provider is engaged to provide a confidential 24/7 whistleblowing service allowing all employees to contact it and report any wrongdoing in the workplace. No reports were received in 2018. The service does not replace the internal processes within the organisation, but seeks to provide an alternative for those employees who for any reason do not wish to use the internal processes.

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

During the year the Audit Committee reviewed a summary of the key Group insurance policies. The Group's insurance does not cover every potential risk associated with its operations. Adequate cover at reasonable rates is not always obtainable. In addition, the Group's insurance may not fully cover its liability or the consequences of business interruption due to risks such as weather events, equipment failure or labour dispute. Taking into account the above factors, the Audit Committee was satisfied there is adequate cover in place to mitigate the Group's exposure to insurable risks.

Internal audit

In March 2018, the Committee approved the internal audit plan for 2018. In May and November 2018, internal audits took place at the Mine. The key findings from these reviews were reported to the Audit Committee during 2018 and 2019. The recommendations from these reviews have been or are being implemented by management.

Areas of focus in 2018 and to date in 2019

Area of focus	Audit Committee action
Financial reporting and external review	We reviewed the 2018 Annual Report in March 2019 and the 2018 Half Yearly Financial Report issued in August 2018 and made recommendations for the approval of the financial statements to the Board. The Committee receives a report from the external auditors on their audit of the financial statements. This report includes the auditors' review of the areas of audit risk and focus in relation to the financial statements. In December 2018, we met with Deloitte Ireland LLP to agree the 2018 external audit plan. The table on page 66 outlines the key areas identified as being potentially significant and how we addressed these during the year.
Impairment testing	Through discussion with management, we reviewed management's impairment testing methodology and processes. We found the methodology to be robust and the results of the testing process appropriate. There were no impairments identified in 2018.
New accounting standards	In conjunction with management, the Committee considered implementation of new accounting standards in relation to Revenue from Contracts with Customers (IFRS 15), Financial Instruments (IFRS 9) and Leases (IFRS 16). The Committee reviewed the disclosures in the 2018 Annual Report and the 2018 Half Yearly Financial Report around the policies and implications of adoption of the new standards. The Committee was satisfied that the disclosures are appropriate. Please see pages 106 to 108 for further information on the implementation of these new standards.
Group risk management	The Committee continued to monitor and review the Group's risk management framework to the assessment of the Group's risks and the management of these risks as set out on pages 38 to 43. As part of the internal audit function, controls identified in the risk register are tested to ensure they are operating effectively.

Audit Committee report continued

Areas of focus in 2018 and to date in 2019 continued

Area of focus	Audit Committee action
Group audit tender	During 2018 and this year the Committee conducted an external audit tender process. The Company's external auditor is Deloitte Ireland LLP. They have been the external auditor since 1987 and during this time there has been no tender. In line with the EU rules on rotation, Deloitte were not invited to tender for the audit. Suitable candidates to participate in the process were identified and a detailed request for proposal was issued. Initial information meetings on the Group and audit process were held with the respective candidates and senior finance staff. Audit tender documents were submitted to the Audit Committee and tender presentations were conducted. As a result of this process, the Audit Committee recommended to the Board the appointment of KPMG as Group auditor and the Board endorsed the Audit Committee's recommendation. The appointment of KPMG as external auditor will be put to shareholders at the 2019 AGM.
External audit	The Committee agreed the fees and audit plan of the external auditors for their audit of the 2018 Annual Report and Accounts and their review of the 2018 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.

Areas identified for focus during the 2018 External Audit Planning Process

Area of focus	Audit Committee action
Revenue recognition	The Group sells its mineral products on the Incoterms FOB, CFR and CIF and has identified the performance criteria and recognition of revenue in relation to products, freight and insurance. Following discussions with management, the Audit Committee was satisfied that the revenue recognition methodology used by management is appropriate.
Impairment of property, plant and equipment	The Directors have developed an impairment assessment model which they use to determine if the net present value of future cash flows within the cash-generating unit (CGU) will be sufficient to recover the Group's carrying value of property, plant and equipment assets. Key assumptions used in the model include the useful life of mine, future sales prices, costs of production and sustaining capital expenditure and the discount rate. Following discussions with management, the Audit Committee was satisfied that no impairment charge is required to be recognised and that the assumptions as disclosed in Note 13 are appropriate.

Audit Committee effectiveness and priorities for 2019

As outlined in the Corporate Governance Report, during 2018 there was an external evaluation of the Committee's performance and effectiveness. I am pleased to confirm that the Committee continues to operate effectively.

I would like to thank my fellow Committee members for their commitment and input to the work of the Committee during 2018.

We would like to thank Deloitte Ireland LLP for their excellent work over the years as Group auditor. We look forward to working with KPMG, subject to appointment at the AGM, as the new Group auditor in 2019. The Committee will continue to focus on internal control, external audit planning and risk management.

Gabriel Smith
Chairman of the Audit Committee
29 March 2019

Nomination Committee report

Steven McTiernan
Chairman of the Nomination Committee

MEMBERSHIP AND MEETINGS

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

		Independent	Date of appointment to Committee	Meetings attended
Mr. S. McTiernan	Chairman	Yes[1]	12/03/13	●●●●
Ms. E. Headon	Member	Yes	21/04/11	●●●●
Mr. G. Martin	Member	Yes	25/05/17	●●●●
Mr. G. Smith	Member	Yes	12/03/13	●●●●

● Meetings attended

1. On appointment as Chairman of the Company.

Diversity policy

Diversity at Board level has been a focus for the Nomination Committee and the Board for a number of years and is a key factor when considering Board renewal. When making Board appointments, the Committee looks at international business expertise particularly in the area of titanium minerals mining, professional and education background and diversity of nationality and gender. During the ongoing process of Board renewal, each, or a combination, of these factors can take priority.

During the year, the Board and Committee recognised the need for enhanced independent specialist mining industry skills and experience among the Non-Executive Directors given the significant Mine development programme underway. In response to this need, Mr. Clever Fonseca was appointed as a Non-Executive Director in July 2018. Mr. C. Fonseca has worked in the titanium industry for over 35 years and has extensive knowledge and board-level management experience of mineral sands mining. Mr. C. Fonseca has experience of working in the titanium pigment and feedstock industries. He has a BSc in Mining Engineering from Universidade Federal De Pernambuco, and an MBA from Fundacao Getulio Vargas, both in Brazil. His full biography is set out on page 58. Mr. C. Fonseca brings diversity of nationality and industry experience to the Board.

The Board is targeting to have female Directors represent at least 25% of the Board by the end of 2020 and to further increase this figure to 33% as soon as practicable thereafter. While no specific targets have been set with regard to age, the ages of the Directors currently range from 44 to 67, which the Committee believes is appropriate.

Summary of role of the Nomination Committee

The main responsibilities of the Committee include:

- regularly reviewing the structure, size and composition (including the skills, knowledge, independence, diversity and experience) of the Board and making recommendations to the Board with regard to changes considered advisable;
- 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;
- identifying and nominating for the approval of the Board candidates to fill Board vacancies as and when they arise;
- 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;
- 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; and
- 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.

The standard terms of contract for 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 four times during the year ended 31 December 2018. Details of the Directors' and Secretary's attendance at Nomination Committee meetings are set out on page 62.

The Committee considered the appointment of Mr. C. Fonseca as a Non-Executive Director. An external recruitment consultant, the Effective Board LLP (which has no connection with the Company), was engaged to assist the Nomination Committee with a recruitment process, the result of which was the co-option of Mr. C. Fonseca to the Board in July 2018.

The Committee also considered senior management and head office staff career development planning and performance. As a result of this process a new appraisal and incentive scheme was developed during the year.

Steven McTiernan
Chairman of the Nomination Committee
29 March 2019

Directors' remuneration report

Graham Martin
Chairman of the Remuneration Committee

MEMBERSHIP AND MEETINGS

The Remuneration Committee consists of the Non-Executive Chairman, Mr. G. Martin and Non-Executive Directors Mr. S. McTiernan, Mr. P. Bacchus, Ms. E. Headon, and Mr. G. Smith.

		Independent	Date of appointment to Committee	Meetings attended
Mr G Martin	Chairman	Yes	14/10/16	3
Mr S McTiernan	Member	Yes[1]	12/03/13	3
Mr P Bacchus	Member	Yes	25/05/17	2
Ms E Headon	Member	Yes	21/04/11	3
Mr G Smith	Member	Yes	12/03/13	3

Meetings attended

1. On appointment as Chairman of the Company.

Dear shareholders,

On behalf of the Board, I am pleased to present the Remuneration Committee's report for 2018 on Directors' remuneration.

This report is divided into three main sections:

- this statement, which provides a summary of the year under review and the Committee's intentions going forward;
- the 2018 Annual Report on remuneration which provides details of the remuneration earned by the Directors in the year ended 31 December 2018; and
- the summary of the Directors' remuneration policy, which was approved by shareholders at the 2017 AGM, and which applies for the three-year period commencing 1 January 2017.

Summary of the work of the Committee in 2018

In early 2018 most of the Committee's work focused on assessing the outcome of the key performance metrics ("KPIs") under the bonus scheme for 2017, and agreeing some modifications to those metrics for the application of the scheme in 2018. With the assistance of PwC (the Committee's remuneration advisers) who prepared benchmarking reports, we also reviewed the salaries and fees of the Executive Directors and the Chairman.

During the remainder of the year, the Committee monitored, on a quarterly basis, the performance of the Company against the KPIs and provided regular feedback to the Executive Directors.

The Committee also kept under review during the year the pay and benefits of the Executive Directors in the context of the remuneration of the Company's other employees, both at the Mine in Mozambique and in the Dublin head office. We were kept abreast of evolving plans to introduce a new remuneration and personal development policy for senior management, and during a visit to the Mine in December 2018, Elizabeth Headon and I met with senior representatives of the Mine management, including the HR Manager, for a briefing on pay and benefits policies as they relate to our employees and contractors at the Mine. The primary purpose of that meeting was to satisfy ourselves, as we did, that in accordance with our Group-wide remuneration policy our Mine staff receive pay and benefits which are competitive in the local context, with some element of performance related pay, and that they receive appropriate opportunities for development training.

The Committee formally met three times during the year. There were also a number of ad-hoc communications throughout the year on remuneration issues between members of the Committee. In December 2018, the Committee received a presentation from PwC with an update on the executive remuneration landscape generally covering matters such as the benchmarking of the Company, the views of institutional shareholders and the recent changes to the UK Corporate Governance Code affecting the Remuneration Committee and the remuneration of Executive Directors. The Committee will take these factors on board in the development of the new policy and its activities in 2019.

Performance and reward for 2018

Under the Directors' remuneration policy the Executive Directors receive a base salary (which, apart from inflationary adjustments, has not been increased since 2010), pension contributions, certain other benefits, an award of shares under the Kenmare Restricted Share Plan (KRSP) and the opportunity to earn a cash annual bonus depending on the outcome of the KPIs.

As noted by the Chairman and the Managing Director in their respective reports, 2018 was a year of robust performance for Kenmare, with increased profitability as a result of greater plant productivity and higher commodity prices together with an improved safety performance with a lost time injury frequency rate of 0.12 per 200,000 man-hours. These results are reflected in the outcome of the KPIs and consequently the bonus earned by the Executive Directors.

The performance criteria set by the Committee under the bonus scheme reflected a mix of quantitative targets and qualitative targets and were set at stretching levels for the maximum award. The maximum 100% opportunity for 2018 comprised 75% of quantitative targets (2017: 67.5%) and 25% of qualitative targets (2017: 32.5%).

The quantitative targets covered metrics reflecting mineral production, financial results, certain safety and environmental matters and the timely and on-budget execution of two approved capital projects. The qualitative targets included matters such as progressing mine development projects, considering diversification projects, improving community safety and increasing the rate of land rehabilitation.

The outcome of the Committee's assessment of performance against these criteria resulted in the Executive Directors receiving a cash bonus of 57.75% of their respective bonus opportunity, which the Committee considers an appropriate result for the year.

Implementation of the Remuneration Policy for 2019

The Committee believes that the current Directors' remuneration policy remains appropriate for 2019. It is relatively simple and easily understandable, we believe it is motivating and it also allows sufficient discretion to the Committee to take account of all relevant matters affecting the Company or its performance in the year. For 2019 we are proposing to retain the existing structure subject to some changes to the performance metrics to reflect corporate and individual priorities for the year. Further details of the intended implementation of the Remuneration Policy for 2019 are set out on page 77.

Shareholder dialogue

Your views on executive remuneration are very important to the Board. In particular, during 2019 we will be formulating a new three-year remuneration policy to put before you for consideration at the AGM in 2020, and so should you have any questions, comments or feedback on remuneration matters at Kenmare I would be very pleased to hear from you. I can be reached via the Company Secretary at dcorcoran@kenmareresources.com.

I hope you will vote in support of the Remuneration Report at the forthcoming AGM.

As usual, I am very grateful for the support and guidance given to me throughout the year by my fellow members of the Remuneration Committee and Deirdre Corcoran, the Company Secretary.

Graham Martin
Chairman of the Remuneration Committee
29 March 2019

Directors' remuneration report continued

ANNUAL REPORT ON REMUNERATION 2018

Composition and role of the Remuneration Committee

The Remuneration Committee comprises five independent Non-Executive Directors: Mr. G. Martin (Chairman), Mr. P. Bacchus, Ms. E. Headon, Mr. S. McTiernan and Mr. G. Smith. Further details regarding the members of the Remuneration Committee, including their biographies and lengths of service are set out on pages 58 and 59. The Company Secretary acts as Secretary to the Committee. The Managing Director and Financial Director may be invited to attend meetings of the Committee, except when their 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 a summary is available on the Company's website, www.kenmareresources.com.

The Committee is responsible for determining the policy for the remuneration of the Executive Directors and for monitoring and reviewing the level and structure of remuneration throughout the Group. 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 seeks to ensure that risk is properly considered in the setting of the remuneration policy, by ensuring that targets are appropriately stretching but do not lead to the taking of excessive risk.

The Committee determines the remuneration packages of the Executive Directors, including salary, bonuses, share awards, pension rights and other benefits. The Committee also determines the fees for the Chairman.

The Remuneration Committee seeks independent advice when necessary from external remuneration consultants. During the year, the Committee received independent external advice from PwC, which has no other connection with the Company. PwC charges fees on a time and materials basis and during the year ended 31 December 2018 the total fees payable to PwC in respect of these services was £38,000. PwC is a member of the Remuneration Consultants Group and a signatory of the Group's Code of Practice for remuneration consultants. The Committee reviews the services and advice provided by PwC each year and is satisfied that the advice it receives is independent and objective.

The Committee met three times during the year ended 31 December 2018. Details of Directors' and Secretary's attendance at Remuneration Committee meetings as well as individual attendance at all Board and Committee meetings are set out on page 62.

The main agenda items included remuneration trends and benchmarking, performance metrics, KIP and KRSP awards, consideration of UK Corporate Governance Code changes in so far as they are likely to affect the role and remit of Remuneration Committee, and an overall review of the Committee's terms of reference.

Directors' remuneration

The following table sets out the total remuneration for Directors for the year ended 31 December 2018 and the prior year. There was no increase in the base salary of Executive Directors during 2018 (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		Cash bonus and deferred shares		Total emoluments		LTIP			Pension		Total	
									KRSP	KIP	KRSP				
	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000	2018[iii] US$'000	2018[iv] US$'000	2017[iii] US$'000	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
Executive Directors															
M. Carvill	**649**	621	**12**	12	**375**	366	**1,036**	999	**512**	**49**	467	**65**	62	**1,662**	1,528
T. Fitzpatrick[i]	**152**	304	**3**	5	**53**	108	**208**	417	**137**	**8**	138	**8**	30	**361**	585
T. McCluskey	**428**	410	**7**	6	**247**	242	**682**	658	**338**	**39**	308	**43**	41	**1,102**	1,007
Subtotal	**1,229**	1,335	**22**	23	**675**	716	**1,926**	2,074	**987**	**96**	913	**116**	133	**3,125**	3,120
Non-Executive Directors															
P. Bacchus[ii]	**81**	47	**—**	—	**—**	—	**81**	47	**—**	**—**	—	**—**	—	**81**	47
S. Bianchi[ii]	**—**	40	**—**	—	**—**	—	**—**	40	**—**	**—**	—	**—**	—	**—**	40
C. Fonseca[i]	**34**	—	**—**	—	**—**	—	**34**	—	**—**	**—**	—	**—**	—	**34**	—
E. Headon	**94**	86	**—**	—	**—**	—	**94**	86	**—**	**—**	—	**—**	—	**94**	86
T. Keating	**67**	65	**—**	—	**—**	—	**67**	65	**—**	**—**	—	**—**	—	**67**	65
G. Martin	**88**	82	**—**	—	**—**	—	**88**	82	**—**	**—**	—	**—**	—	**88**	82
S. McTiernan	**224**	214	**—**	—	**—**	—	**224**	214	**—**	**—**	—	**—**	—	**224**	214
G. Smith	**97**	93	**—**	—	**—**	—	**97**	93	**—**	**—**	—	**—**	—	**97**	93
Subtotal	**685**	627	**—**	—	**—**	—	**685**	627	**—**	**—**	—	**—**	—	**685**	627
Total	**1,914**	1,962	**22**	23	**675**	716	**2,611**	2,701	**987**	**96**	913	**116**	133	**3,810**	3,748

(i) Mr. C. Fonseca was appointed to the Board on 1 July 2018 and Mr. T. Fitzpatrick stepped down from the Board on that date. The fees set out in the table above relate to the period of their respective directorship.

(ii) Mr. P. Bacchus was appointed to the Board on 25 May 2017 and Ms. S. Bianchi stepped down from the Board on that date. The fees set out in the table above relate to the period of their respective directorship.

(iii) The LTIP KRSP for 2018 and 2017 refer to the KRSP awards earned in the year. Awards under the KRSP are made 100% in shares which vest, subject to continued employment, 60% on the third anniversary of grant and 20% on each of the fourth and fifth anniversary of grant.

(iv) The LTIP KIP for 2018 relates to the performance element of the 2015 KIP awards which are due to vest in July 2019, based on the performance measured to 31 December 2018.

(v) No share options were exercised in 2018 or 2017.

(vi) The underlying currencies of Directors' emoluments are Euros and US Dollars.

(vii) This disclosure forms an integral part of the financial statements.

There has been no increase in the Non-Executive Directors' fees since 2011.

Executive and Non-Executive Directors' fees for services as Directors provided to the Company and the entities controlled by the Company are US$3.1 million (2017: US$3.1 million) and US$0.7 million (2017: US$0.6 million) respectively. These figures have been calculated based on the requirements of the UK's Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the "Regulations"), to which the Company has regard. Consultancy fees paid to Ms. S. Bianchi were for non-executive services as a Director provided to the Group.

2018 annual bonus award

The performance metrics of the 2018 annual bonus award sought to deliver continuous and stretching progress in relation to operational performance, cost efficiency and capital expenditure management, health and safety initiatives, and corporate objectives. Performance targets for 2018 were identical for all Executive Directors.

The maximum opportunity under the annual bonus award for 2018 was 100% of base salary for the Managing Director and Financial Director and 60% of base salary for the Technical Director.

Directors' remuneration report continued

ANNUAL REPORT ON REMUNERATION 2018 CONTINUED

2018 annual bonus award continued

Performance targets and outcomes for the 2018 financial year were as follows:

2018 annual bonus outcome	Weighting	Performance needed for pay-out at: Threshold (25% of maximum vests)	Target (50% of maximum vests)	Stretch (100% of maximum vests)
Operational				
Ilmenite production (tonnes)	15%	902,785	950,300	1,000,000
Rutile production (tonnes)	2.5%	6,660	7,400	8,140
Zircon production (tonnes)	2.5%	61,290	68,100	74,910
Standard zircon production	5%	25,470	28,300	31,130
Financial				
EBITDA	15%	$62m	$103m	$144m
Direct production costs	5%	$148m	$135m	$121m
Cost per tonne	5%	$151	$137	$123
TSR	10%	£3.20	£3.34	£3.48
HSE				
LTIFR per 200,000 man-hours	5%	0.39	0.30	0.20
Community safety	2.5%	Working safely with the community; putting into practice lessons learned from previous incidents; and demonstrating measures are in place to minimise community safety incidents related to operations.		
Safety – other	2.5%	Continuation of the NOSA 5 star industry safety rating; a material improvement in malaria statistics; learning from incidents and close out of over 80% of previous year's issues; and a positive insurance inspection report.		
Environmental breaches	2.5%	No material spills of hazardous waste.		
Environmental – other	2.5%	The extent to which the rehabilitation plan is ahead of target; regular, constructive engagement with the local population on environmental issues; and continued compliance with all relevant laws and regulations.		
Project Execution				
Execution of capital projects	7.5%	This related to the efficient execution of the two approved capital projects: WCP B upgrade and the Monazite Project (now called mineral sands concentrate). The projects were given equal weighting (3.75% each).		
Strategic				
Other strategic targets	17.5%	These were various strategic targets considered materially important for the Company in 2018, including: making substantial progress on the various development projects under review to maximise utilisation of the MSP; the consideration of projects which would diversify the business; a clear strategy for commencement of dividends; a review of KMAD; the upgrade of various corporate systems; and improving liquidity in the Company's shares.		
Total				

(i) Formulaic level of award equates to the weighting multiplied by the proportion of element vesting.

Overall, the outcome of the scorecard and therefore outcome for Mr. M. Carvill and Mr. T. McCluskey was 57.75% of maximum. The outcome for Mr. T. Fitzpatrick was 34.65%. The Committee believes this appropriately reflects the Executive Directors' performance during the year and the Company's results, and therefore has not applied further discretion to this outcome. The 2018 annual bonus award was delivered 100% in cash.

Performance achieved	Proportion of element vesting %	Formulaic level of award % maximum %[1]
958,455	58.2	8.73
8,154	100.0	2.50
74,692	98.4	2.46
27,528	43.2	2.16
$93m	44.2	6.62
$143m	35.4	1.77
$145	35.6	1.78
£1.94	—	—
0.12	100.0	5.00
Good progress was made in developing and implementing a "safety in the community programme", including educational programmes, radio messaging and the use of community theatre groups. Particular effort was placed on road traffic education. However, despite these efforts there were some road traffic and other fatal accidents involving community members and the Committee determined that no award should be made in respect of this measure.	—	—
Kenmare retained the demanding NOSA 5 start rating; there was a 13% reduction in malaria compared to the previous three-year average and a material reduction in resulting lost work days; over 98% of outstanding actions were closed; and the Company received a favourable insurance risk review.	100.0	2.50
There were no material spills.	100.0	2.50
There was a good rehabilitation performance but the plan was not fully achieved for a number of operational reasons; there were good communications with the local population, particularly around resettlement plans; and the Company was in full compliance with all relevant laws and regulations.	80.0	2.00
WCP B upgrade was commissioned safely and significantly below budget. Some residual works have been required to enhance consistent delivery of the new run-rate with these works to be completed in 2019. The Committee awarded 90% achievement. The mineral sands concentrate project was successfully commissioned on time and budget in November. Sales and shipping negotiations have begun. The Committee awarded 100% achievement.	95.1	7.13
These targets were weighted according to their significance with higher weighting given to progress on the development projects and to diversification. The Committee's assessment was that excellent progress had been made on updating and optimising the mine plan and a clear pathway was delivered to take full advantage of the 1.2Mt ilmenite capacity of the MSP; various diversification projects were presented to the Board, some of which are still being considered; various corporate hurdles to allow dividends were overcome; KMAD governance was refreshed and a new strategic plan is now underway; and some corporate systems were successfully upgraded but liquidity in the trading of the Company's shares remains an issue.	72.0	12.60
		57.75

Directors' remuneration report continued

ANNUAL REPORT ON REMUNERATION 2018 CONTINUED

Total pension entitlements

Pension provision for the Executive Directors was made in 2018 based on 10% of base salary, in line with the remuneration policy. Fees paid to Non-Executive Directors are not pensionable. No Director has a prospective entitlement to a defined benefit pension by reference to their service as a Director.

Scheme interests vested during the year

During the year the three-year performance period set to determine the vesting of the 2015 KIP ended. The share-based portion of the 2015 KIP award will vest in July 2019 as follows:

- 25% based on continued employment;
- 12.5% based on Kenmare's total shareholder return (TSR) for the relevant period relative to the FTSE 250 Index;
- 12.5% based on Kenmare's TSR for the relevant period relative to the FTSE/MSCI; and
- 50% based Kenmare's absolute TSR exceeding 10% pa.

In each case TSR performance is measured in Sterling over the period 1 January 2016 to 31 December 2018, with averaging over the period of one month immediately before the beginning and end of the performance period. The table below sets out the Company's TSR performance over the 2015 KIP three-year performance period compared to the hurdles of each element.

	Kenmare	FTSE 250 Index	FTSE Mining Index	Absolute TSR
TSR performance/hurdle	124.7%	11.3%	157.4%	33.1%

Kenmare's TSR performance has been measured from a base of 85.1 pence (being the average share price over December 2015, adjusted to allow for the consolidation and open offer elements of the capital changes in 2016). This compares to the average share price over December 2018 of 191.2 pence.

On this basis vesting on 9 July 2019 will be as follows:

2015 KIP award	M. Carvill	T. McCluskey	T. Fitzpatrick
Performance shares vesting			
FTSE 250 Index	3,438	2,762	1,117
Absolute TSR	13,751	11,048	4,466
	17,189	13,810	5,583
Performance shares not vesting			
FTSE Mining Index	3,438	2,762	1,117

Scheme interests awarded during the year

Share awards were made under the KRSP on 15 March 2018 as set out on page 76. These awards represent 75% of base salary for Mr. M. Carvill and Mr. T. McCluskey and 45% of the base salary of Mr. T. Fitzpatrick based on a share price of £2.45 at the date of award. The value of award totalled £0.7 million. Awards under the KRSP are made 100% in shares which vest, subject to continued employment, 60% on the third anniversary of grant and 20% on each of the fourth and fifth anniversary of grant.

Payments for loss of office

No payments for loss of office were made during the year. On 1 July 2018 Mr. T. Fitzpatrick retired from the Board. His outstanding share awards will continue in the usual way and so have been disclosed in this report.

Payments to past Directors

There were no payments to past Directors in the year in respect of services as a Director. There were payments to past Directors in the year in respect of employment and other contractual services for the Company other than a Director.

Directors' and Secretary's shareholdings

The interests of the Secretary and Directors who held office during 2018, their spouses and minor children in the ordinary share capital of the Company were as follows:

	Shares held 29 March 2019	Shares held 31 December 2018	Shares held 1 January 2018
P. Bacchus	**—**	—	—
M. Carvill(i)(ii)	**77,575**	77,575	77,575
T. Fitzpatrick	**10,122**	10,122	10,122
C. Fonseca	**—**	—	—
E. Headon	**5,033**	5,033	5,033
T. Keating	**—**	—	—
G. Martin	**57,820**	57,820	37,320
T. McCluskey(ii)	**44,357**	44,357	35,334
S. McTiernan	**117,215**	117,215	69,596
G. Smith	**20,078**	20,078	20,078
D. Corcoran (Secretary)	**6,334**	6,334	6,334

(i) 3,750 shares held by a Carvill Family Trust for the children of Mr. M. Carvill are included in his holding.

(ii) Shareholding requirements of 250% of salary apply for the Managing Director and Financial Director. This shareholding can be built up over the period to 25 May 2022.

Directors' and Secretary's share options, KIP and KRSP

Details of the share options of the Secretary and Executive Directors who held office at 31 December 2018, granted in accordance with the rules of the share option scheme, are as follows:

Share Options

	1 Jan 2018	Granted during 2018	Exercised or transferred during 2018	Lapsed during 2018	31 Dec 2018	Average option price £	Option price range From £	Option price range To £
M. Carvill	14,973	—	—	(8,306)	6,667	88.22	88.22	88.22
T. Fitzpatrick	5,000	—	—	(2,500)	2,500	88.22	88.22	88.22
T. McCluskey	10,017	—	—	(4,600)	5,417	88.22	88.22	88.22
D. Corcoran (Secretary)	6,750	—	—	—	6,750	63.87	54.40	75.40

The latest exercise date for the share options shown in the table above is September 2020. The share option period may be extended at the discretion of the Board.

The share price at the year end was £1.91 and the share price range for the year was between £1.82 and £2.83.

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

KIP

Details of the Executive Directors' outstanding KIP interests as at 31 December 2018 are as follows:

		Unvested KIP interest subject to performance conditions	Date of vesting	Unvested KIP interest not subject to performance conditions	Date of vesting	Vested KIP interest
M. Carvill	2014 KIP award	5,961	6 July 2019	1,987	6 July 2019	—
	2015 KIP award	20,627	6 July 2019	18,663	6 July 2019	—
	2016 KIP award	193,976	31 March 2020	64,659	31 March 2020	—
T. McCluskey	2014 KIP award	4,576	6 July 2019	1,525	6 July 2019	—
	2015 KIP award	16,573	6 July 2019	14,994	6 July 2019	—
	2016 KIP award	128,017	31 March 2020	42,672	31 March 2020	—
T. Fitzpatrick	2014 KIP award	1,818	6 July 2019	606	6 July 2019	—
	2015 KIP award	6,669	6 July 2019	6,061	6 July 2019	—
	2016 KIP award	56,134	31 March 2020	18,711	31 March 2020	—

Directors' remuneration report continued

ANNUAL REPORT ON REMUNERATION 2018 CONTINUED

KRSP

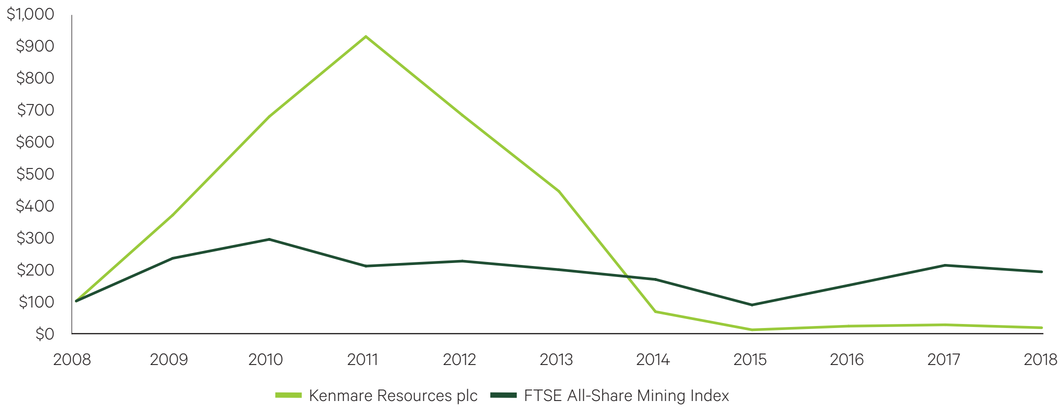
Details of the Executive Directors' outstanding KRSP interests as at 31 December 2018 are as follows:

	Date of grant	Unvested KRSP interests	Vested KRSP interests
M. Carvill	26 May 17	134,466	—
	15 Mar 18	149,362	—
T. McCluskey	26 May 17	88,743	—
	15 Mar 18	98,574	—
T. Fitzpatrick	26 May 17	39,737	—
	15 Mar 18	39,994	—

The above KRSP awards vest subject to continued employment, 60% on the third anniversary of grant date, 20% on fourth anniversary and 20% on fifth anniversary.

Performance graph and table

The value at 31 December 2018 of US$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 nine 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)
2018	M. Carvill	1,662	58%	83.3%
2017	M. Carvill	1,528	59%	0%
2016	M. Carvill	1,340	66%(i)	N/A
2015	M. Carvill	744	22%(i)	N/A
2014	M. Carvill	967	26%(i)	N/A
2013	M. Carvill	809	0%	0%
2012	M. Carvill	783	0%	N/A
2011	M. Carvill	1,035	37%	N/A
2010	M. Carvill	784	48%	N/A
2009	M. Carvill	896	86%	N/A

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

In line with the Regulations, to which the Company has regard, figures shown in the table above relate to remuneration for performance each year.

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 whole employee population comparing 2018 with 2017.

	Salary % change	Taxable Benefits % change	Bonus % change
Managing Director	—	4	2
Average employee pay	9	—	57

The underlying currency of the Managing Director's salary is Euro.

Relative importance of spend on pay

	Disbursements from profit		
Significant distributions	2018 US$'000	2017 US$'000	Change US$'000
Overall spend on pay including Directors	43,381	37,865	5,516
Profit distributed by way of dividend or share buyback	—	—	—
Group cash operating costs	151,300	141,600	9,700

Employee numbers throughout the Group increased from 1,365 in 2017 to 1,420 in 2018.

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

Statement of implementation of policy in 2019

Base salary

The base salaries for the forthcoming year are set out below:

Executive Director	2019 US$'000	2018 US$'000	% change
M. Carvill	649	649	—
T. McCluskey	428	428	—

The underlying currency of Mr. M. Carvill and Mr. T. McCluskey's base salaries is Euro. The US Dollar figures shown above for 2019 have been calculated using the average 2018 Euro to US Dollar exchange rate. The final US Dollar figure for 2019 will vary depending on exchange rate movements.

Annual bonus

The incentive opportunity for the Executive Directors under the incentive scheme for 2019 will be as follows:

Executive Director	On-target incentive (% of salary)	Maximum incentive (% of salary)
M. Carvill	50%	100%
T. McCluskey	50%	100%

The performance metrics for 2019 annual bonuses and their associated weightings are as follows:

		Weight	
Area	Measure	M. Carvill	T. McCluskey
Operational	Ilmenite, rutile and concentrates production volume	25%	25%
Financial	EBITDA	10%	10%
	Total cash operating costs	10%	10%
	Cash cost per tonne	5%	5%
	Total shareholder return	10%	10%
Safety and environment	Safety – LTIFR and community	10%	10%
	Environment	5%	5%
Corporate	Project execution	15%	7.5%
	Other corporate	10%	17.5%

Directors' remuneration report continued

ANNUAL REPORT ON REMUNERATION 2018 CONTINUED

Annual bonus continued

The performance metrics as set out on page 77 seek to deliver ongoing progress in relation to operational performance, cost efficiency, health and safety initiatives, and strategic corporate objectives. Full details of the performance targets associated with these measures are considered by the Directors to be commercially sensitive and are not disclosed in advance. Target levels of performance and actual outcomes relative to the targets will be disclosed retrospectively in next year's Directors' Remuneration Report.

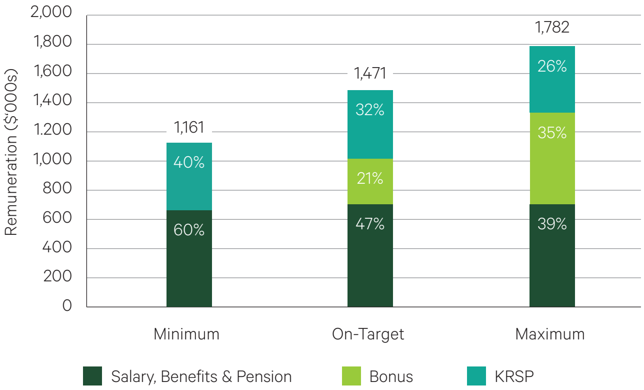
Kenmare Restricted Share Plan (KRSP)

The KRSP was introduced in 2017 as part of the Directors' remuneration policy in order to provide the Executive Directors with the opportunity to build up over five years a meaningful shareholding in the Company and so to provide alignment with the shareholders and the long-term sustainable performance of the business. Having considered the original objectives of the KPSP, the Company's and the Executive Directors' performance in 2018 and other relevant factors the Remuneration Committee has determined that the award levels for the Executive Directors under the KRSP in 2019 will be 75% of base salary. As set out in the KRSP, the share price used will not been less than £2.32, the open offer price for the 2016 capital raise.

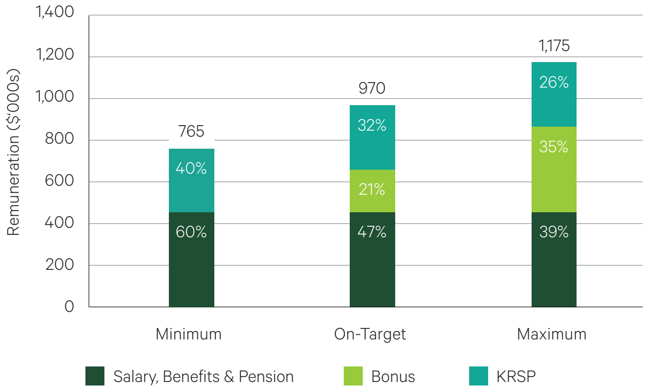
Illustrations of application of remuneration policy

The total remuneration opportunity in 2019 for each of the Executive Directors is shown below under three different performance scenarios: (i) minimum; (ii) on-target; and (iii) maximum. The elements of remuneration have been based on the policy for 2017 as set on pages 79 to 83 and have been categorised into three components: (i) salary, benefits and pension; (ii) annual bonus; and (iii) share awards under the KRSP, with the assumptions set out below:

Managing Director



Financial Director



Element	Minimum	On-target	Maximum
Salary, benefits and pension	Included	Included	Included
Annual bonus	No variable payable	50% of the maximum opportunity	100% of the maximum opportunity
Share awards under the KRSP	100% of the maximum opportunity	100% of the maximum opportunity	100% of the maximum opportunity

Statement of voting at Annual General Meeting

The table below shows the outcome of the advisory vote on the Directors' Remuneration Report and Directors' remuneration policy at the 2018 AGM.

Item	Votes for	%	Votes against	%	Votes withheld
Advisory vote on 2017 DRR	66,679,604	96.68	2,290,775	3.32	806

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

Graham Martin
Chairman of the Remuneration Committee
29 March 2019

DIRECTORS' REMUNERATION POLICY REPORT

Introduction

The Directors' remuneration policy (the "policy") as summarised below was approved by a shareholder vote at the Annual General Meeting on 25 May 2017 and applies for the period of three years from the date of approval. For clarity, a summary of the policy is included in this report. The full policy can be found in the 2016 Annual Report, which is available under the Investors section of our website, www.kenmareresources.com.

Principles

Kenmare's Group-wide remuneration policy is designed to ensure that:

- the Company can attract, develop and retain high-performing and motivated employees in a competitive international market;
- employees are offered a competitive and market aligned remuneration package; and
- employees are incentivised to create sustainable results and are rewarded for high performance.

Applying these Group principles to the Executive Directors, the Board seeks to align the long-term interests of Executive Directors with those of shareholders, within the framework set out in the UK Corporate Governance Code.

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 the remuneration policy and in determining remuneration packages, with a focus on simplicity, transparency and the promotion of long-term alignment with shareholders.

Remuneration policy for 2017 onwards

The remuneration policy set out on pages 79 to 83 covers the three-year period between the 2017 AGM and the 2020 AGM and its presentation complies, on a voluntary basis, with the relevant regulations set out in the UK's Large and Medium-sized Companies and Groups (Accounts and Report) (Amendment) Regulations 2013.

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

Element of remuneration	How the element supports our strategic objectives	Operation of the element including any provision for malus or clawback	Maximum potential value	Performance metrics, weighting, minimum pay-out and time period (where applicable)
Base salary	Supports the recruitment and retention of Executive Directors, recognising the scope and responsibility of the roles and the individual's skills and experience.	Reviewed annually with increases generally effective from 1 January. When determining levels, consideration is given to: • Company performance; • the performance of the Executive over the previous twelve months; • the salary review for all employees for the coming year; • retention risk and the ability to replace higher-value skills if needed in the market; and • benchmark data of other UK and Irish listed companies of similar market capitalisation and practice in the global mining sector; and inflation.	Base salaries for Executive Directors are at the discretion of the Remuneration Committee but will generally be increased with the 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 benchmark data for that role; or • an individual is brought in below market level with a view to increasing base pay over time to reflect proven competence in role; or • there is a material increase in scope or responsibility of the Executive Director's role.	None.

Directors' remuneration report continued

DIRECTORS' REMUNERATION POLICY REPORT CONTINUED

Remuneration policy for 2017 onwards continued

Element of remuneration	How the element supports our strategic objectives	Operation of the element including any provision for malus or clawback	Maximum potential value	Performance metrics, weighting, minimum pay-out and time period (where applicable)
Annual bonus	To ensure market competitive package and to incentivise Executive Directors to achieve the Company's business objectives.	Based on the level of performance over the financial year, the annual bonus will be paid in cash shortly after the end of the relevant financial year up to a maximum cash payment of 75% of base salary. Where the annual bonus achieved exceeds 75% of base salary, Executive Directors will, in respect of the excess, be granted restricted shares under the KRSP, which will vest three years from the start of the annual bonus performance period. The Remuneration Committee will have the discretion to adjust the results of the outcome of the scorecard if it believes this does not accurately reflect the underlying performance or align with the experience of shareholders. If the Remuneration Committee, in exceptional circumstances, believes that payment in cash is not appropriate it will instead be able to make an award of restricted shares of equivalent value. Such restricted shares would not be subject to forfeiture but would be subject to a minimum retention period. Clawback, in each case only if malus is applicable, will apply to cash annual bonus awards for two years from the date of payment. Annual bonus awards made in the form of restricted shares will be subject to malus during the vesting period. Clawback, in each case only if malus is applicable, will apply to these for two years post-vesting.	The maximum annual opportunity is 100% of base salary.	Performance is measured over the financial year. Performance metrics and targets are determined at the start of each year by the Remuneration Committee and will consist of a balanced scorecard of financial and non-financial measures. The Remuneration Committee has the discretion to vary the weighting of the metrics or to substitute different measures over the lifetime of the policy to take account of changes in business strategy and/or external market conditions, but a significant proportion of the bonus scorecard must be weighted towards financial and operational metrics. The targets and actual levels of performance will be disclosed retrospectively within the implementation section of the Company's Directors' Remuneration Report.

Element of remuneration	How the element supports our strategic objectives	Operation of the element including any provision for malus or clawback	Maximum potential value	Performance metrics, weighting, minimum pay-out and time period (where applicable)
Share awards under the Kenmare Restricted Share Plan (KRSP)	To increase shareholder alignment by providing Executive Directors with longer-term interests in shares.	Annual awards of shares will be made under the KRSP. The awards will vest subject to continued employment as follows: • 60% vests on the third anniversary of grant; • 20% vests on the fourth anniversary of grant; and • 20% vests immediately after the fifth anniversary of grant. Awards will be subject to malus during the vesting period. Clawback will apply for two years post-vesting in the case of malus. Awards made under the KRSP may carry an entitlement to dividend equivalents in respect of dividends paid between granting and vesting.	The maximum award level in any year is 75% of base salary.	None. In relation to awards for 2018 onwards, the Remuneration Committee will use its discretion to consider the appropriate level of award (including making no award if it believes this is appropriate) in light of the Company's performance at the time of making of the award, including financial, operational or share price performance. The share price used to determine the award levels will normally be the share price shortly before the date of grant. However, for the current Executive Directors only, the share price used will not be less than £2.32 (the open offer price for the 2016 capital raise).
Pension	To provide a market competitive remuneration package by facilitating long-term saving for retirement.	Each Executive Director is entitled to receive a payment into the Company's personal pension plan or their private pension arrangements.	The maximum pension contribution is 10% of salary.	None.
Other benefits	Provides market competitive benefits to support Executive Directors in carrying out their duties.	Benefits include holiday and sick pay, 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.	Set at a level appropriate to the individual's role and circumstances. The maximum opportunity will depend on the type of benefit and cost of its provision, which will vary according to the market and individual circumstances.	None.

Directors' remuneration report continued

DIRECTORS' REMUNERATION POLICY REPORT CONTINUED

Remuneration policy for 2017 onwards continued

Element of remuneration	How the element supports our strategic objectives	Operation of the element including any provision for malus or clawback	Maximum potential value	Performance metrics, weighting, minimum pay-out and time period (where applicable)
Shareholding requirement	To strengthen the alignment between the interests of Executive Directors and those of shareholders.	Executive Directors' shareholdings measured after the 5-year period from the 2017 AGM (or date of appointment if later).	• Managing Director: 250% of salary. • Financial Director: 250% of salary.	
Legacy incentive awards				
Kenmare Incentive Plan 2014	To align the interests of Executive Directors with those of shareholders.	The Kenmare Incentive Plan was replaced by the annual bonus and the Kenmare Restricted Share Plan from the date of the 2017 AGM. The final awards under the KIP were made in respect of performance in 2016. Unvested share awards made under the KIP will continue under their original terms and conditions.	• Managing Director: 250% of salary. • Financial Director: 250% of salary.	The share element vests after three years with part of the shares subject to a further two-year holding period. The share element is subject to vesting conditions as follows: • Continuation of employment: 25%. • Median relative TSR: 25% (equal weighting against FTSE 250 and FTSE/MSCI Mining Index). • Absolute TSR exceeding a future target: 50%.

Notes to the remuneration policy table

Performance measures and targets

The Remuneration Committee will select performance conditions for the annual bonus which reflect 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 annual bonus are commercially sensitive in respect of the Company and that it would be detrimental to the interests of the Company to disclose them fully before the start of the financial year. The targets will therefore be disclosed after the end of the relevant financial year in that year's remuneration report.

Share awards under the KRSP do not have explicit performance conditions, however, the Remuneration Committee will use its discretion to consider the appropriate level of award (including making no award if it believes this is appropriate) in light of the Company's performance at the time of making the award, including financial, operational or share price performance.

The Committee believes that the KRSP will provide an opportunity for the Executive Directors to build meaningful shareholdings in the Company and so align the longer-term experience of shareholders and management. This increases the simplicity of our remuneration arrangements without requiring the setting of long-term targets, which is challenging in the economic environment in which the Company operates. The absence of long-term performance conditions is reflected in the significantly decreased remuneration opportunity under the new policy as compared to the KIP.

Approach to recruitment remuneration

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

Service contracts

The Company's policy is that Executive Directors should have a notice period of no more than twelve months. Other than in the case of termination by an Executive Director on change of control, 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 Executive Director.

In the event of termination, the Remuneration Committee will seek to 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 Company's incentive arrangements during the notice period.

Upon a change of control, each Executive Director has the right to terminate his employment by notice and be entitled to receive an amount equal to twelve months' salary, cash equivalent of benefits and pension contributions, subject to such amount being reduced by the equivalent amounts in respect of any months worked by the Executive Director after his giving of notice. Such payment would be in settlement of all claims that the Executive Director may have against the Group, but shall not affect the Executive Director's entitlement to accrued but unpaid salary, deferred bonus or similar incentive payments and certain other amounts.

Mr. M. Carvill serves as a Director for a number of private companies but receives no fee for his services. No other Executive Director serves as Non-Executive Directors elsewhere.

Policy on payment for loss of office or change of control

When determining any loss of office or change of control payment for a departing individual, the Committee will protect the Company's interests and reflect the circumstances in place at the time, having taken into consideration terms of Executive Directors' service agreements.

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.

Remuneration Committee discretions

In addition to assessing and making judgements on the meeting of performance targets and the appropriate incentives payable, the Remuneration Committee has certain operational discretions available that can be exercised in relation to Executive Directors' remuneration, including but not limited to:

- amending the outcome of the relevant scorecard if the Committee believes the formulaic outcome of the scorecard does not reflect the true underlying performance of the Company or the experience of shareholders;
- deciding whether some or all cash bonus amounts should be settled in restricted shares;
- deciding whether to apply malus or clawback to an award;
- determining whether a leaver is a 'good leaver' under the Company's incentive plans; and
- amending performance conditions following a major corporate event or in circumstances in which the Committee considers that the impact of external influences is such that the original metrics are no longer appropriate.

Where such discretion is exercised, it will be explained in the next Directors' Remuneration Report.

Consideration of employment conditions elsewhere in the Company

The Committee does not directly consult with employees when formulating the 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 2017 onwards, the Committee consulted with a number of the Company's significant shareholders regarding their views on remuneration practice and policies. The views expressed during these consultations were taken into consideration when setting the current remuneration structure.

Non-Executive Directors' remuneration

The Non-Executive Directors are remunerated entirely through fees and associated benefits. They are not eligible to receive any performance-related remuneration nor do they hold share options. The fees paid to the Non-Executive Directors 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. Additional per diem rates may be paid to Non-Executive Directors when the meeting load has significantly exceeded what would be expected in the normal course of business.

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.

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.

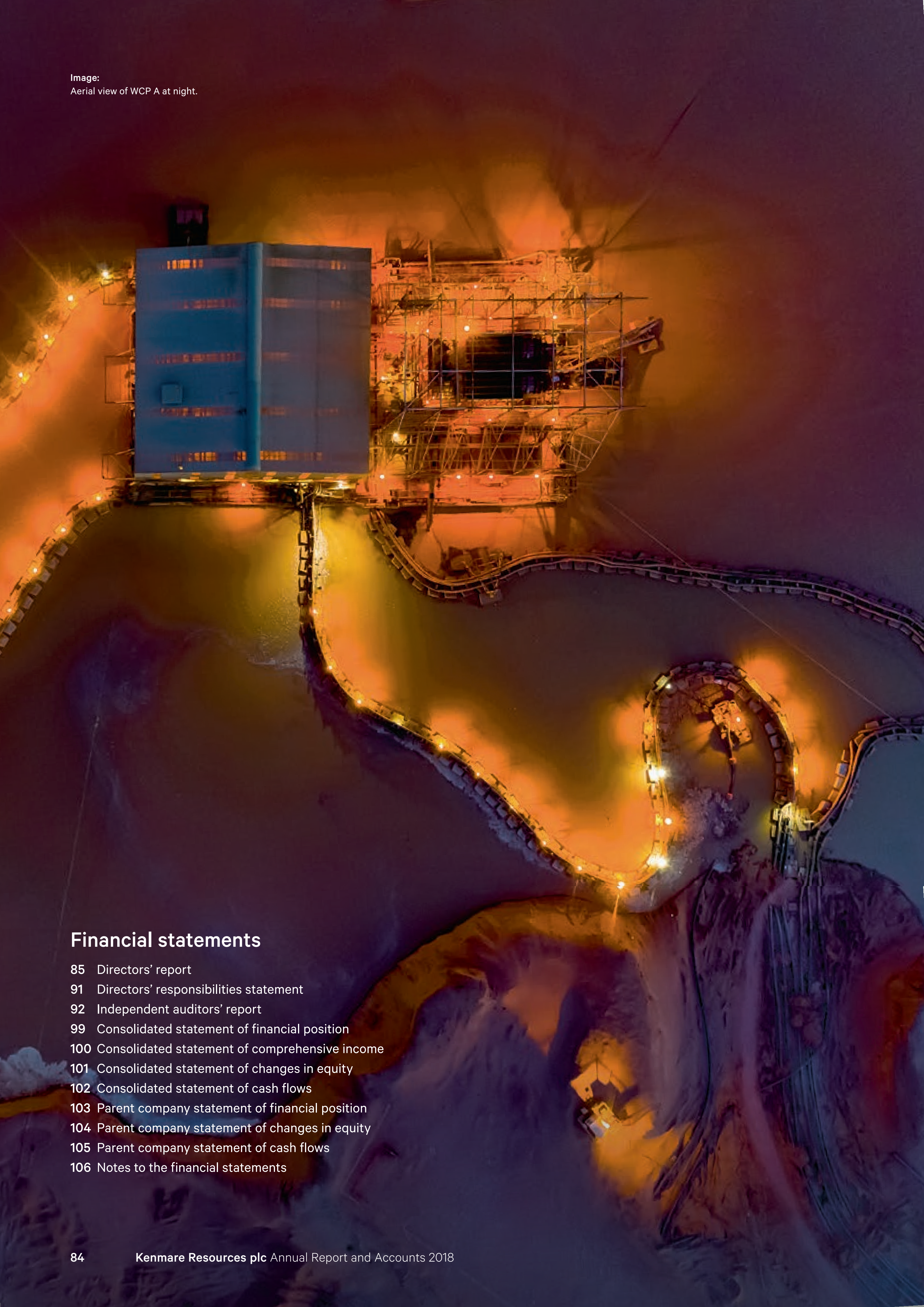


Image:
Aerial view of WCP A at night.

Financial statements

Directors' report

The Directors present their report and the audited financial statements for the financial year ended 31 December 2018.

Non-Financial Reporting Statement

In compliance with the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulation 2017, the table below sets out the relevant sections in this annual report to understand the Group's approach to these non-financial matters.

Reporting requirements	Our policies	Page reference	Risk assessment
Environmental matters	Environmental sustainability	Pages 46 to 50	Although the risks associated with environmental matters are actively monitored, the Group does not believe these risks meet the threshold of a principal risk for our business.
Social and employee matters	Diversity Health and safety Whistleblowing Conflicts of interest	Pages 45 to 46 Pages 21 to 22 Page 65	Although the risks associated with social and employee matters are actively monitored, the Group does not believe these risks meet the threshold of a principal risk for our business.
Human rights	Anti-modern Slavery	Pages 50 to 51	Although the risks associated with human rights abuses are actively monitored, the Group does not believe these risks meet the threshold of a principal risk for our business.
Anti-bribery and corruption	Code of conduct Supply chain management Anti-bribery	 Page 51 Page 50	Although the risks associated with bribery and corruption are actively monitored, the Group does not believe these risks meet the threshold of a principal risk for our business.
Description of business model	Please refer to pages 8 and 9		
Non-Financial key performance indicators	Please refer to pages 12 and 13		

Principal activities

The principal activity of Kenmare Resources plc and its subsidiary undertakings is the operation and further development of the Moma Titanium Minerals Mine in Mozambique.

Strategic report

The strategic report, including a financial and risk review and likely future developments of the Group, set out on pages 2 to 55, forms part of the Directors' Report and is incorporated by reference.

Key performance indicators

The Group's key performance indicators are detailed on pages 12 and 13 and a glossary of alternative performance measures is detailed on pages 141 and 142. These are hereby incorporated by reference.

Statement of results

During 2018, the Group sold 1,074,400 tonnes (2017: 1,040,400 tonnes) of ilmenite, zircon and rutile to customers at a sales value of US$262.2 million (2017: US$208.3 million). Cost of sales for the financial year was US$168.3 million (2017: US$156.6 million), resulting in a gross profit of US$93.9 million (2017: US$51.7 million).

Other operating costs were US$31.0 million (2017: US$23.2 million), comprising distribution costs for the financial year of US$9.5 million (2017: US$10.6 million), freight and demurrage costs of US$16.9 million (2017: US$5.5 million), administration costs of US$4.7 million (2017: US$3.3 million), and arbitration costs of nil (2017: US$3.8 million).

There was finance income of US$0.9 million (2017: US$0.1 million), consisting of deposit interest, with improved deposit rates being achieved in 2018 and applied to higher cash balances.

Loan interest and finance fees were US$7.8 million (2017: US$7.7 million) during the financial year.

There was a foreign exchange gain for the financial year of US$0.05 million (2017: loss US$2.5 million) as a result of gains on the retranslation of the non-US Dollar-denominated cash and bank deposits and trade payables and accruals. The resultant profit before tax for the financial year was US$56.1 million (2017: US$18.4 million).

Directors' report continued

Statement of results continued

During the year the Group had taxable profits of US$14.6 million (2017: US$6.6 million). US$11.9 million (2017: US$6.6 million) of tax losses were offset against this profit resulting in an income tax expense of US$4.2 million being recognised. The income tax payable on the balance of the taxable profits was US$1.0 million. This resulted in a tax expense for the financial year of US$5.2 million (2017: credit US$0.9 million), resulting in a profit after tax for the financial year of US$50.9 million (2017: US$19.4 million) which has been carried to retained earnings.

Additions to property, plant and equipment amounted to US$40.1 million (2017: US$29.2 million). There was an increase to the mine closure provision of US$2.8 million during the year, principally as result of a change in the estimated mine closure cost and the discount rate from 2.9% to 3.2%. Depreciation and amortisation decreased to US$30.4 million (2017: US$32.0 million) during the financial year.

The Group had total debt of US$83.5 million as at 31 December 2018 (2017: US$102.9 million). During 2018, loan interest payments amounting to US$6.2 million (2017: US$6.1 million).

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 Strategy Report on pages 2 to 55. The financial position of the Group, its cash flows and liquidity position are also described in the Finance Review on pages 34 to 37. In addition, Note 27 to the financial statements includes the Group's policy for managing its capital.

Based on the Group's cash flow forecast (the "Group Forecast"), 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.

Viability statement

The Directors have assessed the prospects of the business and its ability to meet its liabilities as they fall due over the three-year period 2019 to 2021. The Directors concluded that three years is an appropriate period for the assessment as they have reasonable clarity over the cash flow forecast assumptions over this period.

The Group Forecast has been prepared by management with best estimates of production, pricing and cost assumptions over the period.

Key assumptions upon which the Group Forecast is based include a mine plan covering production using the Namalope and Pilivili reserves as set out in the mineral reserves and resources table. Production levels for the purpose of the forecast are approximately 1.1 million tonnes per annum of ilmenite plus co-products, zircon and rutile, over the next three years. Assumptions for product sales prices are based on contract prices as stipulated in marketing agreements with customers or, where contract prices are based on market prices or production is not presently contracted, prices are forecast taking into account independent titanium mineral sands expertise and management expectations. Operating costs are based on approved budget costs for 2019, taking into account the current running costs of the Mine and escalated by 2% per annum thereafter. Capital costs are based on the capital plans and include escalation at 2% per annum.

Sensitivity analysis is applied to the assumptions above to test the robustness of the cash flow forecasts for changes in market prices, demand, operating and capital cost assumptions. These potential changes in assumptions could affect the level of sales and profitability of the Group and the amount of capital required to deliver the projected production levels.

As a result of this assessment, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the aforementioned three-year period.

Directors

The Directors who held office during 2018 were as follows:

S. McTiernan (Chairman)	Non-Executive	N/A	*	+
P. Bacchus	Non-Executive	Δ	N/A	+
M. Carvill	Executive	N/A	N/A	N/A
T. Fitzpatrick	Executive	N/A	N/A	N/A
C. Fonseca	Non-Executive	N/A	N/A	N/A
E. Headon	Non-Executive	Δ	*	+
T. Keating	Non-Executive	N/A	N/A	N/A
G. Martin	Non-Executive	N/A	*	+
T. McCluskey	Executive	N/A	N/A	N/A
G. Smith	Non-Executive	Δ	*	+

Δ: Member of the Audit Committee, chaired by Mr. G. Smith.

+: Member of the Remuneration Committee, chaired by Mr. G. Martin.

*: Member of the Nomination Committee, chaired by Mr. S. McTiernan.

In July 2018, Mr. C. Fonseca was appointed to the Board as a Non-Executive Director and Mr. T. Fitzpatrick retired from the Board as an Executive Director.

Directors' and Secretary's shareholdings, share options and share awards

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 and share awards granted in accordance with the rules of the share option scheme, the Kenmare Incentive Plan (KIP) and the Kenmare Restricted Share Plan (KRSP), are detailed in the Directors' Remuneration Report on pages 75 and 76.

Share Option Scheme, KIP and KRSP

It is the policy of the Company to award share options to certain employees and consultants. In the past share options were awarded to Executive Directors but this practice ceased with the introduction of the KIP in 2014. In 2017, the KIP was replaced by the KRSP together with an annual bonus scheme.

Any offer to grant options will specify the consideration payable on acceptance, the number of shares comprised in the option and the mode of acceptance, together with the latest date for acceptance and for payment of the said consideration. Upon receipt by the Board of such acceptance and consideration, the option will be granted and the option certificate delivered. The options generally vest over a three-year period, in equal annual amounts. At 31 December 2018, 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 57,000 shares, exercisable at an average price of US$79 per share.

At 31 December 2018, 542,765 performance-based shares and 214,382 deferred shares, the vesting of which is subject to continued employment, have been awarded under the KIP. 22,114 of these performance-based shares have not met performance conditions and will not vest.

At 31 December 2018, 967,815 shares have been awarded under the KRSP.

Share capital

As at 31 December 2018, ordinary shares each with a nominal value of €0.001 accounted for 0.06% of the total share capital and deferred shares each with a nominal value of €0.059995 accounted for 99.94%.

The ordinary shares of €0.001 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.

On 26 July 2016, the deferred shares of €0.059995 each were created as part of the capital restructuring. The deferred shares have no voting rights or dividend rights and, in effect, no rights on a return of capital. The deferred shares may be acquired by the Company for no consideration and cancelled.

The Company did not hold, purchase, sell or cancel any of its own shares (ordinary shares or deferred shares) during the year.

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.

Takeover directive

In the event of a change in control, directly or indirectly, of the Company, or any affiliate of the Company including both Kenmare Moma Mining (Mauritius) Limited and Kenmare Moma Processing (Mauritius) Limited, the Project Lenders may require payment in full of debt obligations. The KIP and KRSP contain change of control provisions that provide for accelerated crystallisation of awards and vesting of shares (including by way of exercise of nil-paid options) in the event of a change of control of the Company. Similarly, the Company's share option scheme provides for an acceleration of the right to exercise an option in connection with a change of control of the Company.

Other than as described in the Directors' Remuneration Report on pages 68 to 83, there are no agreements between the Company and its Directors or employees providing for predetermined compensation for loss of office or employment that would occur in the event of a bid for the Company, save that certain executives, not being Directors, have service contracts that either provide for extended notice periods or fixed payments on termination following a change in control of the Company.

Corporate governance report

The annual Corporate governance report on pages 60 to 83, which, amongst other matters, includes a description of the Group's approach to diversity, is incorporated by reference.

For the purpose of Section 1373 of the Companies Act 2014, the following disclosures from part of the corporate governance statement in respect of the financial year to which this report relates.

Directors' report continued

Corporate governance statement continued

Substantial interests

As at 20 March 2019, 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
African Acquisition Sarl	31,928,480	29.1
Prudential plc	21,849,170	19.9
Miton Group plc	8,410,860	7.7
European Investment Bank	7,663,132	7.0
The Capital Group Companies, Inc.	5,157,863	4.7
FIL Limited	3,464,091	3.2

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 the 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.

Appointment and removal of Directors

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 a General Meeting of the Company and may be co-opted by the Board.

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 by special resolution (requiring the resolution to be passed by 75% of the eligible votes).

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 Act 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 auditor.

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 on 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, statements of financial position and reports of the Directors and auditor, electing Directors in the place of those retiring, re-appointing retiring auditor and fixing the remuneration of the auditor.

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.

Corporate governance statement continued

General Meetings and shareholders' rights continued

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 and 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 a 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.

Accounting records

The Directors have employed appropriately qualified accounting personnel and have maintained appropriate accounting systems to ensure that proper accounting records are kept in accordance with Sections 281 to 285 of the Companies Act 2014. The books of account are kept at the Company's office at 4th Floor, Styne House, Hatch Street Upper, Dublin 2, Ireland.

Audit Committee

The Board of the Company has established an Audit Committee. See page 64 to 66 for the Audit Committee Report for the financial year under review.

Auditors

During the year, a formal external audit tender process was undertaken by the Audit Committee on the Board's behalf, following which the Board selected KPMG as the external auditor for the Company. A resolution to formally approve the appointment of KPMG as external auditors will be put to shareholders at the AGM.

Deloitte Ireland LLP, Chartered Accountants, intend to resign as external auditors with effect from the AGM date and have confirmed, in accordance with Section 400 of the Companies Act 2014, that there are no circumstances in connection with their resignation which should be brought to the attention of the members or creditors of the Company.

The financial statements on pages 85 to 139 have been audited by Deloitte Ireland LLP. The auditor was appointed in 1987.

Disclosure of information to statutory auditor

In accordance with the provisions of Section 330 of the Companies Act 2014, each of the persons who are Directors of the Company at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information (as defined in the Companies Act 2014) of which the statutory auditor are unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information (as defined) and to ensure that the statutory auditor are aware of such information.

Statutory compliance statement

The Directors acknowledge that they are responsible for securing the Company's compliance with the Company's "relevant obligations" within the meaning of Section 225 of the Companies Act 2014 (described below as "Relevant Obligations").

The Directors confirm that they have:

a) drawn up a compliance policy statement setting out the Company's policies (that are, in the opinion of the Directors, appropriate to the Company) in respect of the Company's compliance with its Relevant Obligations;

b) put in place appropriate arrangements or structures that, in the opinion of the Directors, provide a reasonable assurance of compliance in all material respects with the Company's Relevant Obligations; and

c) during the financial year to which this report relates, conducted a review of the arrangements or structures that the Directors have put in place to ensure material compliance with the Company's Relevant Obligations.

Dividends

No interim or final dividends have been paid or recommended for distribution in relation to the 2018 financial year.

Events since the financial year end

On 5 December 2018, shareholders approved a resolution to reduce the capital of Kenmare Resources plc in order to eliminate historic losses. On 1 February 2019, the High Court of Ireland confirmed this resolution.The reduction in capital and elimination of losses took effect on 5 February 2019.

On the 28 February 2019 the Court of Appeal ruled that the High Court of Ireland jury award of damages, made in favour of a former director in November 2010 as detailed in Note 29, be substantially reduced from €10 million to €0.25 million.

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 to be sent to shareholders and will also be available on the Company's website, www.kenmareresources.com.

Other disclosures

Risk exposure

The exposure of the Group to price and credit risk is detailed in the notes to the financial statements, trade and other receivables (Note 17), cash and cash equivalents (Note 18), and bank loans (Note 23). The exposure of the Group to liquidity risk and cash flow risk is detailed in the capital and liquidity management (Note 27) note.

Directors' report continued

Other disclosures continued

Branches

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

Subsidiary undertakings

The subsidiary undertakings of the Company at 31 December 2018 are outlined in Note 16 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.

UK Listing Rule 9.8.4

No information is required to be disclosed in respect of Listing Rules 9.8.4 (1), (2), (4), (5), (6), (7), (8), (9), (10), (11), (12), (13) and (14).

Political donations

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

Secondary listing

Kenmare Resources plc has a secondary listing on Euronext Dublin. For this reason, the Company is not subject to the same ongoing listing requirements as those which would apply to an Irish company with a primary listing on Euronext Dublin, including the requirement that certain transactions require the approval of shareholders. For further information, shareholders should consult their own financial adviser.

Kenmare Resources plc has a premium listing on the Main Market of the London Stock Exchange. The Company is subject to the Listing Rules of the UK Listing Authority.

On behalf of the Board:

M. Carvill
Director

T. McCluskey
Director

29 March 2019

Directors' responsibilities statement

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 assets, liabilities and financial position of the Company and the Group and of the profit or loss of 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 Article 4 of the International Accounting Standards ("IAS") Regulation 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 Act 2014. In preparing the financial statements, the Directors are required to:

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

IAS 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 adequate accounting records which correctly explain and record the transactions of the Company; enable at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy; 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 Act 2014 and, as regards the consolidated financial statements, Article 4 of the IAS Regulation; and enable the financial statements to be audited.

The Directors 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.

In accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Central Bank of Ireland, the Directors are required to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group. The Directors are also required by applicable law and the Listing Rules issued by Euronext Dublin and the UK Listing Authority to prepare a Directors' Report and reports relating to Directors' remuneration and corporate governance.

Responsibility statement

Each of the Directors whose names and functions appear on pages 58 and 59 of the Annual Report confirms to the best of such person's knowledge and belief:

- the consolidated financial statements for the financial year ended 31 December 2018, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities and financial position of the Group and the undertakings included in the consolidation taken as a whole, as at that date, and its profit for the financial year then ended;
- the Company financial statements for the financial year ended 31 December 2018, prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2014, give a true and fair view of the assets, liabilities and financial position of the Company;
- the Strategic Report, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's and Company's position and performance, business model and strategy.

On behalf of the Board:

M. Carvill
Director

T. McCluskey
Director

29 March 2019

Independent auditors' report to the members of Kenmare Resources plc

Report on the audit of the financial statements

Opinion on the financial statements of Kenmare Resources plc (the "Parent Company")

In our opinion, the Group and Parent Company financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Group and the Parent Company as at 31 December 2018 and of the profit of the Group for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and in particular, with the requirements of the Companies Act 2014 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements we have audited comprise:

The Group financial statements:

- the Consolidated statement of financial position;
- the Consolidated statement of comprehensive income;
- the Consolidated statement of changes in equity;
- the Consolidated statement of cash flows; and
- the related notes 1 to 37, including a summary of significant accounting policies as set out in Note 1.

The Parent Company financial statements:

- the Parent company statement of financial position;
- the Parent company statement of changes in equity
- the Parent company statement of cash flows; and
- the related notes 1 to 37, including a summary of significant accounting policies as set out in Note 1.

The relevant financial reporting framework that has been applied in the preparation of the Group and Parent Company financial statements is the Companies Act 2014 and, International Financial Reporting Standards (IFRS) as adopted by the European Union (IFRSs as adopted by the EU) ("the relevant financial reporting framework").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described below in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Carrying value of property, plant and equipments in the Group statement of financial position, and investments in and amounts due from subsidiary undertakings in the Parent Company statement of financial position; and • Revenue recognition.
Materiality	The materiality that we used in the current year for the Group was US$8m which is less than 1% of equity. The materiality that we used in the current year for the Parent Company was US$5.6m which was determined on the basis of equity.
Scoping	We determined the scope of our Group audit by obtaining an understanding of the Group and its environment, and by assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the Parent Company and 3 components. The Parent Company and 2 of the components were subject to a full audit, whilst the remaining component was subject to specified audit procedures.
Significant changes in our approach	There were no significant changes in our audit approach in the current year, the activities of the group remained consistent year on year.

Conclusions relating to principle risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which ISAs (Ireland) or the Listing Rules require us to report to you whether we have anything material to add or draw attention to:

- the Directors' confirmation in the annual report on page 91 that they have carried out a robust assessment of the principal risks facing the Group and the Parent Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 38 to 43 to the annual report that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' statement on page 86 in the financial statements about whether the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group's and the Parent Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation on page 86 in the annual report as to how they have assessed the prospects of the Group and Parent Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group and Parent Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current financial year and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditors' report to the members of Kenmare Resources plc

continued

Carrying value of property, plant and equipment assets in the Group statement of financial position, and investments in and amounts due from subsidiary undertakings in the Parent Company statement of financial position

Key audit matter description

The carrying value of the Group's property, plant and equipment assets as at 31 December 2018 is US$806 million, which represents approximately 82% of the Group's total assets at year end. The carrying value of the Parent Company's investments and amounts due from subsidiary undertakings at 31 December 2018 is $763.6 million, which represents approximately 96% of the Parent Company's total assets.

The Directors have developed an impairment assessment model which they use to determine if the net present value of future cash flows within the Cash Generating Unit (CGU) will be sufficient to recover the carrying value of the assets of the Parent Company and the Group. There is a risk that incorrect inputs or inappropriate assumptions could be included in the impairment model leading to an impairment charge not being correctly identified and recognised in the Group and Parent Company Financial Statements. Key assumptions used in the model include the useful life of mine, future sales prices, costs of production, sustaining capital expenditure and the discount rate.

Refer also to page 66 (Audit Committee Report), pages 111 and 112 (Property, plant and equipment accounting policy), note 1 (Critical accounting estimates and judgements), and note 1 to the financial statements.

How the scope of our audit responded to the key audit matter

We evaluated the methodology applied by the Directors in preparing the value in use calculations and the judgements used to determine the net present value of future cash flows. In addition, we evaluated the design and determined the implementation of controls in respect of both the impairment review process and the budgeting process upon which the Group's discounted cash flow model is based.

Our work included the following procedures:

- performed a retrospective review of assumptions used in prior year value in use calculations and compared these to actual outcome;
- agreed proved and probable reserves to a competent expert's report including change in mine plan and review of estimated costs;
- reviewed mine extraction and operating licences to evaluate the Group is operating within the licence terms;
- benchmarked sales price assumptions against contracted prices and available market data;
- reviewed estimated future operating and sustaining capital costs by agreement to approved budgets and assessed reasonableness by comparison of historic costs incurred;
- recalculated and benchmarked discount rate applied with involvement of valuation specialists and assessed management's determination of the country risk premium component of the discount rate;
- evaluated management's sensitivity analysis and performed our own sensitivity analysis on key assumptions to assess whether a reasonably possible change in the discount rate, sales prices and operating costs would result in the carrying value of assets within the CGU exceeding the recoverable amount, resulting in impairment; and
- assessed whether the disclosures in relation to property, plant and equipment assets and investments in and amounts due from subsidiary undertakings were appropriate and met the requirements of the relevant accounting standards.

Key observations

The recoverability of the property, plant and equipment assets in the Group statement of financial position, and investments in and amounts due from subsidiary undertakings in the Parent Company statement of financial position, are dependent on the successful operation of the Mine and the realisation of the cash flow forecast assumptions as set out in note 13. This represents a material uncertainty the ultimate outcome of which cannot at present be determined. Our opinion is not modified in respect of this matter.

Revenue recognition

Key audit matter description

The Group sells products to customers under a variety of contractual terms.

Revenue is recognised when control has transferred to customers which is generally when mineral products have been delivered in line with terms agreed with individual customers.

There is a fraud risk that year end revenue has not been recorded in the Consolidated statement of comprehensive income in accordance with IFRS 15 "Revenue from Contracts with Customers" (IFRS 15) and in accordance with the differing contractual terms, and therefore revenue could be misstated either intentionally to achieve performance targets, or as a result of error.

Refer also to page 66 (Audit Committee Report), and pages 109 and 110 (Revenue recognition accounting policy).

How the scope of our audit responded to the key audit matter

Our work included the following procedures:

- obtained an understanding of the various selling contracts and arrangements in place with customers and of the internal controls in place in relation to revenue recognition;
- reviewed management's assessment of the impact of the transition to and implementation of IFRS 15, including their assessment of the application of the five step model for recognising revenue;
- evaluated the design and determined the implementation of controls in respect of revenue recognition;
- tested a sample of transactions occurring at or near the end of the accounting period to ensure transactions were recorded in the correct period;
- tested a sample of manual journal entries posted to revenue for any unusual items. We tested those journals and adjustments posted close to the year-end including subsequent journals and assessed if these transactions were appropriately accounted for in accordance with the relevant accounting standards; and
- tested a sample of post year end credit notes to identify any invalid sales transactions recorded in the period.

Key observations

We have no observations that impact on our audit in respect of the amounts and disclosures related to revenue recognised.

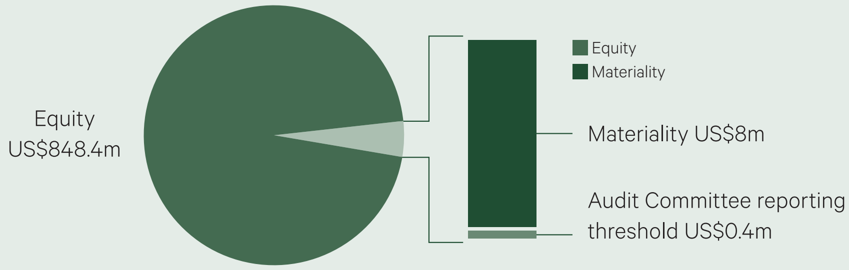
Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above,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

Our application of materiality

We define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, 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 materiality for the Group to be US$8m, which is less than 1% of equity and reduced from the prior year. We have considered equity to be the appropiate benchmark for determining materiality as its is a more stable metric than revenue or profits and reflects the long-term value of the Group's assets and associated resources and reserves. However, as the Group has moved towards a dividend paying strategy, and as the trading performance improves towards a normalised level of revenue and profits based on the long term plans for the mine, we have reflected these factors in our materiality assessment and reduced the factor to determine materiality from approximately 1.75% in the prior year to 1% of equity. The materiality for the Parent Company was set at US$5.6m which was determined on the basis of equity. We have also considered quantitative and qualitative factors such as understanding the entity and its environment, history of misstatements, complexity of the Group and reliabilty of the control environment.

Independent auditors' report to the members of Kenmare Resources plc
continued

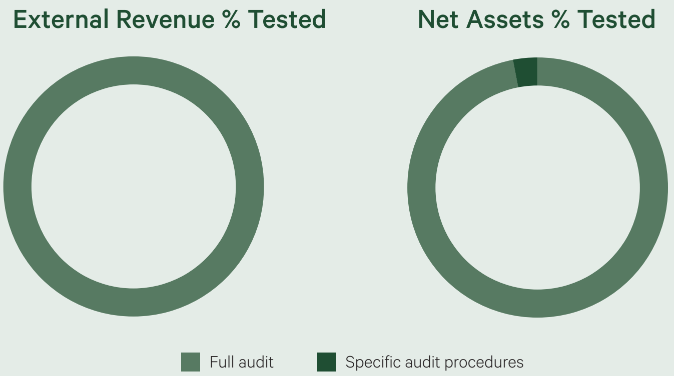


We agreed with the Audit Committee that we would report to them all audit differences in excess of US$0.4m as well as differences below this threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

We determined the scope of our Group audit by obtaining an understanding of the Group and its environment, including group-wide controls and by assessing the risks of material misstatement at the Group level. Based on that assessment, the Group audit scope comprised full audits of the Parent Company and two principal subsidiary undertakings operating the Group's mining and processing facilities in Mozambique and the performance of specified audit procedures on one subsidiary.

These components were selected based on coverage achieved and to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. These components account for 100% of the Group's total revenue and 99% of the Group's total assets. We determined the materiality level for each component with reference to the size of the entity involved and materiality ranged from US$4.8 million to US$6.4 million.



	Revenue	Net Assets
Full audit	100%	97.5%
Specified audit procedures	—	2.5%

The Group audit team directed the component audits by issuing detailed instructions to the component auditor. Significant audit procedures were performed by the component auditor. The Group audit team were actively involved in the performance of, and direction of, all stages of the audit process from planning, execution and reporting to enable the Group audit team conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole.

At the Group level, we also tested the consolidation process and carried out analytical procedures (on entities financial information not in full audit or specified procedures audit scope) to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to a full audit.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report with regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and the Parent Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- Directors' statement of compliance with the UK Corporate Governance Code – the parts of the Directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Responsibilities of directors

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 and otherwise comply with the Companies Act 2014, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group and the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity (or where relevant, the Group) to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the Group to express an opinion on the consolidated financial statements. The group auditor is responsible for the direction, supervision and performance of the group audit. The group auditor remains solely responsible for the audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

For listed entities and public interest entities, the auditor also provides those charged with governance with a statement that the auditor has complied with relevant ethical requirements regarding independence, including the Ethical Standard for Auditors (Ireland) 2016, and communicates with them all relationships and other matters that may be reasonably be thought to bear on the auditor's independence, and where applicable, related safeguards.

Independent auditors' report to the members of Kenmare Resources plc

continued

Where the auditor is required to report on key audit matters, from the matters communicated with those charged with governance, the auditor determines those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. The auditor describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

This report is made solely to the Parent Company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Parent 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 Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit;
- In our opinion the accounting records of the Parent Company were sufficient to permit the financial statements to be readily and properly audited;
- The Parent Company statement of financial position is in agreement with the accounting records; and
- In our opinion the information given in the Directors' Report is consistent with the financial statements and the Directors' Report has been prepared in accordance with the Companies Act 2014.

Corporate Governance Statement

We report, in relation to information given in the Corporate Governance Statement on pages 60 to 83 that

- In our opinion, based on the work undertaken during the course of the audit, the information given in the Corporate Governance Statement pursuant to subsections 2(c) and (d) of section 1373 Companies Act 2014 is consistent with the Parent Company's statutory financial statements in respect of the financial year concerned and such information has been prepared in accordance with the Companies Act 2014. Based on our knowledge and understanding of the Parent Company and its environment obtained in the course of the audit, we have not identified any material misstatements in this information.
- In our opinion, based on the work undertaken during the course of the audit, the Corporate Governance Statement contains the information required by Regulation 6(2) of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 (as amended); and
- In our opinion, based on the work undertaken during the course of the audit, the information required pursuant to section 1373(2)(a),(b),(e) and (f) of the Companies Act 2014 is contained in the Corporate Governance Statement.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in those parts of the Directors' Report that have been specified for our review.

The Companies Act 2014 also requires us to report to you if, in our opinion, the Parent Company has not provided the information required by Regulation 5(2) to 5(7) of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and Groups) Regulations 2017 (as amended) for the financial year ended 31 December 2018. We have nothing to report in this regard.

We have nothing to report in respect of the provisions in the Companies Act 2014 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

The Listing Rules of the Euronext Dublin exchange require us to review six specified elements of disclosures in the report to shareholders by the Board of Directors' remuneration committee. We have nothing to report in this regard.

Other matters which we are required to address

We were appointed by Kenmare Resources plc in 1987 to audit the financial statements for that year and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 32 years.

The non-audit services prohibited by IAASA's Ethical Standard were not provided and we remained independent of the Parent Company in conducting the audit.

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISA (Ireland) 260.

Kevin Sheehan
For and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House, Earlsfort Terrace, Dublin 2
29 March 2018

Consolidated statement of financial position

As at 31 December 2018

	Notes	2018 US$'000	2017 US$'000
Assets			
Non-current assets			
Property, plant and equipment	13	**806,011**	793,630
Deferred tax asset	14	**—**	4,160
		806,011	797,790
Current assets			
Inventories	15	**53,872**	52,707
Trade and other receivables	17	**22,445**	25,412
Cash and cash equivalents	18	**97,030**	68,774
		173,347	146,893
Total assets		**979,358**	944,683
Equity			
Capital and reserves attributable to the Company's equity holders			
Called-up share capital	19	**215,046**	215,046
Share premium	20	**730,897**	730,897
Retained losses	21	**(133,179)**	(184,053)
Other reserves	22	**35,671**	34,251
Total equity		**848,435**	796,141
Liabilities			
Non-current liabilities			
Bank loans	23	**61,905**	81,174
Provisions	24	**22,359**	18,622
		84,264	99,796
Current liabilities			
Bank loans	23	**21,558**	21,693
Provisions	24	**1,437**	1,720
Other financial liabilities	25	**1**	8
Trade and other payables	26	**23,663**	25,325
		46,659	48,746
Total liabilities		**130,923**	148,542
Total equity and liabilities		**979,358**	944,683

The accompanying notes form part of these financial statements.

On behalf of the Board:

M. Carvill Director

T. McCluskey Director

29 March 2019

Consolidated statement of comprehensive income

For the financial year ended 31 December 2018

	Notes	2018 US$'000	2017 US$'000
Revenue	2	**262,199**	208,299
Cost of sales	4	**(168,251)**	(156,622)
Gross profit		**93,948**	51,677
Other operating costs	5	**(31,012)**	(23,212)
Operating profit		**62,936**	28,465
Finance income	8	**871**	136
Finance costs	9	**(7,751)**	(7,680)
Foreign exchange gain/(loss)		**48**	(2,473)
Profit before tax		**56,104**	18,448
Income tax (expense)/credit	10	**(5,230)**	923
Profit for the financial year and total comprehensive income for the financial year		**50,874**	19,371
Attributable to equity holders		**50,874**	19,371

		US$ per share	US$ per share
Profit per share: Basic	11	**0.46**	0.18
Profit per share: Diluted	11	**0.46**	0.18

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity

For the financial year ended 31 December 2018

	Called-up share capital US$'000	Share premium US$'000	Capital conversion reserve fund US$'000	Capital redemption reserve fund US$'000	Retained losses US$'000	Share-based payment reserve US$'000	Total US$'000
Balance at 1 January 2017	215,046	730,897	754	10,582	(203,424)	21,911	775,766
Profit for the financial year	—	—	—	—	19,371	—	19,371
Share-based payments	—	—	—	—	—	1,004	1,004
Balance at 1 January 2018	215,046	730,897	754	10,582	(184,053)	22,915	796,141
Profit for the financial year	—	—	—	—	50,874	—	50,874
Share-based payments	—	—	—	—	—	1,420	1,420
Balance at 31 December 2018	**215,046**	**730,897**	**754**	**10,582**	**(133,179)**	**24,335**	**848,435**

Capital Conversion Reserve Fund

The capital conversion reserve fund arose from the renominalisation of the Company's share capital from Irish Punts to Euros.

Capital Redemption Reserve Fund

The deferred shares of €0.25 were created in 1991 by subdividing each existing ordinary share of IR25 pence into one deferred share of IR20 pence and one new ordinary share of IR5 pence. The deferred shares were non-voting, carried no dividend rights, and the Company had the right to purchase any or all of these shares at a price not exceeding €0.01 per share for all the deferred shares so purchased or could execute a transfer of such shares without making any payment to the holders.

On 12 October 2015, it was resolved that the Company acquire all of the 48,031,467 deferred shares of €0.25 each in the capital of the Company in issue by transfer or surrender to the Company otherwise than for valuable consideration in accordance with Section 102(1)(a) of the Companies Act 2014 and Article 3(ii) of the Articles of Association of the Company and, in accordance with Section 106(1) of the Companies Act 2014, cancel such deferred shares.

Retained Losses

Retained losses comprise the expenses on the issue of equity in July 2016 and accumulated profit and losses in the current and prior financial years.

Share-Based Payment Reserve

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

Consolidated statement of cash flows

For the financial year ended 31 December 2018

	Notes	2018 US$'000	2017 US$'000
Operating activities			
Profit for the financial year before tax		**56,104**	18,448
Adjustment for:			
Foreign exchange movement		**(48)**	2,473
Share-based payments	5	**1,420**	1,004
Finance income	8	**(871)**	(136)
Finance costs	9	**7,751**	7,680
Depreciation	13	**30,442**	32,000
(Decrease)/increase in other financial liabilities	25	**(7)**	4
Increase/(decrease) in provisions	24	**210**	(315)
Operating cash flow		**95,001**	61,158
Increase in inventories	15	**(1,166)**	(4,960)
Decrease/(increase) in trade and other receivables	17	**1,558**	(2,458)
Decrease in trade and other payables	27	**(3,080)**	(8,481)
Cash from operations		**92,313**	45,259
Interest received	8	**871**	136
Interest paid	23	**(6,227)**	(6,051)
Net cash from operating activities		**86,957**	39,344
Investing activities			
Additions to property, plant and equipment	13	**(39,761)**	(28,055)
Net cash used in investing activities		**(39,761)**	(28,055)
Financing activities			
Repayment of debt	23	**(19,048)**	—
Payment of obligations under finance leases		**—**	(280)
Net cash used in financing activities		**(19,048)**	(280)
Net increase in cash and cash equivalents		**28,148**	11,009
Cash and cash equivalents at the beginning of the financial year		**68,774**	57,786
Effect of exchange rate changes on cash and cash equivalents		**108**	(21)
Cash and cash equivalents at the end of the financial year	18	**97,030**	68,774

Parent company statement of financial position

As at 31 December 2018

	Notes	2018 US$'000	2017 US$'000
Assets			
Non-current assets			
Property, plant and equipment	13	**912**	601
Investments in subsidiary undertakings	16	**268,520**	372,872
Amounts due from subsidiary undertakings	16	**495,091**	382,562
		764,523	756,035
Current assets			
Trade and other receivables	17	**527**	178
Cash and cash equivalents	18	**32,671**	43,208
		33,198	43,386
Total assets		**797,721**	799,421
Equity			
Capital and reserves attributable to the Company's equity holders			
Called-up share capital	19	**215,046**	215,046
Share premium	20	**730,897**	730,897
Retained losses	21	**(187,588)**	(184,053)
Other reserves	22	**35,671**	34,251
Total equity		**794,026**	796,141
Current liabilities			
Provisions	24	**1,157**	1,444
Other financial liabilities	25	**1**	8
Trade and other payables	26	**2,537**	1,828
Total liabilities		**3,695**	3,280
Total equity and liabilities		**797,721**	799,421

The Company reported a loss for the financial year ended 31 December 2018 of US$3.5 million (2017: US$29.1 million).

The accompanying notes form part of these financial statements.

On behalf of the Board:

M. Carvill
Director
29 March 2019

T. McCluskey
Director

Parent company statement of changes in equity

For the financial year ended 31 December 2018

	Called-up share capital US$'000	Share premium US$'000	Capital conversion reserve fund US$'000	Capital redemption reserve fund US$'000	Retained losses US$'000	Share-based payments reserve US$'000	Total US$'000
Balance at 1 January 2017	215,046	730,897	754	10,582	(154,916)	21,911	824,274
Loss for the financial year	—	—	—	—	(29,137)	—	(29,137)
Share-based payments	—	—	—	—	—	1,004	1,004
Balance at 1 January 2018	215,046	730,897	754	10,582	(184,053)	22,915	796,141
Loss for the financial year	—	—	—	—	(3,535)	—	(3,535)
Share-based payments	—	—	—	—	—	1,420	1,420
Balance at 31 December 2018	**215,046**	**730,897**	**754**	**10,582**	**(187,588)**	**24,335**	**794,026**

Capital conversion reserve fund

The capital conversion reserve fund arose from the renominalisation of the Company's share capital from Irish Punts to Euros.

Capital redemption reserve fund

The deferred shares of €0.25 were created in 1991 by subdividing each existing ordinary share of IR25 pence into one deferred share of IR20 pence and one new ordinary share of IR5 pence. The deferred shares were non-voting, carried no dividend rights, and the Company had the right to purchase any or all of these shares at a price not exceeding €0.01 per share for all the deferred shares so purchased or could execute a transfer of such shares without making any payment to the holders.

On 12 October 2015, it was resolved that the Company acquire all of the 48,031,467 deferred shares of €0.25 each in the capital of the Company in issue by transfer or surrender to the Company otherwise than for valuable consideration in accordance with Section 102(1)(a) of the Companies Act 2014 and Article 3(ii) of the Articles of Association of the Company and, in accordance with Section 106(1) of the Companies Act 2014, cancel such deferred shares.

Retained losses

Retained losses comprise the expenses on the issue of equity in July 2016 and accumulated profit and losses in the current and prior financial years.

Share-based payments reserve

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

Parent company statement of cash flows
For the financial year ended 31 December 2018

	Notes	2018 US$'000	2017 US$'000
Operating activities			
Loss for the financial year before tax	30	**(3,535)**	(29,137)
Adjustment for:			
Foreign exchange movement		**24**	(190)
Share-based payments	5	**1,420**	1,004
Finance income	8	**(440)**	(81)
Depreciation	13	**135**	—
(Decrease)/increase in other financial liabilities	25	**(7)**	4
Increase in provision for amounts due from subsidiary undertakings	16	**—**	26,771
Decrease in provisions	24	**(287)**	—
Operating cash flow		**(2,690)**	(1,629)
Increase in receivables	17	**(349)**	(55)
Increase in trade and other payables	26	**709**	106
Cash used in operations		**(2,330)**	(1,578)
Interest received	8	**440**	81
Net cash used in operating activities		**(1,890)**	(1,497)
Investing activities			
Additions to property, plant and equipment	13	**(446)**	(601)
Amounts due from subsidiary undertakings	16	**(8,177)**	(7,443)
Net cash used in investing activities		**(8,623)**	(8,044)
Net decrease in cash and cash equivalents		**(10,513)**	(9,541)
Cash and cash equivalents at beginning of the financial year		**43,208**	52,559
Effect of exchange rate changes on cash and cash equivalents		**(24)**	190
Cash and cash equivalents at the end of the financial year	18	**32,671**	43,208

Notes to the financial statements

For the financial year ended 31 December 2018

1. Statement of accounting policies

Group

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

Adoption of new and revised standards

Standards adopted in the current financial year

The following new and revised standards and interpretations, all of which are effective for accounting periods beginning on or after 1 January 2018, have been adopted in the current financial year.

- Annual Improvements to IFRS 2014–2016 Cycle (effective for accounting periods beginning on or after 1 January 2018).
- IFRS 2 (amendments) Classification and Measurement of Share-based Payment Transactions (effective for accounting periods beginning on or after 1 January 2018).
- IFRS 4 (amendments) Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for accounting periods beginning on or after 1 January 2018).
- IFRS 9 Financial Instruments (effective for accounting periods beginning on or after 1 January 2018).
- IFRS 15 Revenue from Contracts with Customers (effective for accounting periods beginning on or after 1 January 2018).
- IAS 40 (amendments) Transfers of Investment Property (effective for accounting periods beginning on or after 1 January 2018).
- IFRIC 22 Foreign Currency Translation and Advance Consideration (effective for accounting periods beginning on or after 1 January 2018).

IFRS 9 Financial Instruments

In the current year the Group has applied IFRS 9 Financial Instruments and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for the classification and measurement and impairment for financial assets and general hedge accounting.

Classification of financial assets and liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale. The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities, in particular the bank debts. Under IFRS 9 the classification and measurement of financial assets is that they are measured at amortised cost if they are not designated as at fair value through profit and loss, if they are held within a business model whose objective is to hold assets to collect contractual cash flows and contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

As at 31 December 2018 financial assets except for trade receivables which can be factored are measured at amortised cost. The Group has trade finance facilities with Absa Corporate and Business Bank and Barclays Bank and may elect to receive early payment for certain customers of their invoice from the banks by factoring the receivable. These facilities assist the Group in managing its liquidity for funding of operations. Trade receivables which are always factored are measured at fair value through profit or loss (FVTPL). Trade receivables where it is not known at initial recognition if they maybe factored are classified as fair value through other comprehensive income (FVOCI). This is because their cash flows are generated through a combination of collection and sales (by factoring). At 31 December 2018 the Group had trade receivables which it can factor of US$2.0 million. At 1 January 2018 the Group had trade receivables which it can factor of US$8.5 million.

Impairment

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. It is no longer necessary for a credit event to have occurred before credit losses are recognised.

The Group measures the loss allowance for all trade receivables (those which cannot be factored, those that are always factored and those which can be factored) at an amount equal to lifetime expected credit losses. The expected credit losses on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry and an assessment of both the current as well as the forecast direction of those conditions at the reporting date. Sales to certain customers are done on a letter of credit basis thereby reducing the credit risk of these customers.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed in liquidation or has entered into bankruptcy proceedings.

1. Statement of accounting policies continued

Adoption of new and revised standards continued

Standards adopted in the current financial year continued

IFRS 9 Financial Instruments continued

Impairment continued

As at 1 January 2018, the Group reviewed and assessed the Group's existing trade receivables for impairment using reasonable and supportable information to determine the credit risk of the respective customers at the date they were initially recognised. Trade receivables at 1 January 2018 had Moody's credit ratings where available ranging from Ba2 to A3, had no history of bad debts, were all current and payable in a period of two months and had no additional factors which could result in an expected future credit loss. A loss allowance of US$0.002 million was recognised at 1 January 2018.

Trade receivables at 31 December 2018 had Moody's credit ratings where available ranging from Ba2 to A3, had no history of bad debts, were all current and payable in a period of three months and had no additional factors which could result in an expected future credit loss. As a result, no material loss allowance was recognised to 31 December 2018. A loss allowance of US$0.001 million was recognised to 31 December 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. In the current year the Group has adopted IFRS 15 and has elected to apply the modified retrospective approach without restatement of comparatives. The Group has not used any of the practical expedients in adoption of the standard.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Group has a mixture of long term contracts and spot contracts with customers for the sale of mineral products ilmenite, zircon and rutile. The contracts stipulate price and/or quantity commitments. The long term contracts range over periods from one to three years. The spot contracts deal with one-off sales. The performance obligations in relation to the sale of mineral products are similar under all the contracts and stipulate that the Group deliver the specified product to the customer. Delivery takes place when the product is loaded on the ocean-going vessel chartered by either the customer or the Group at the off-shore laoding point of the mine. Control of the mineral products passes from the Group to the customer on delivery. Sale of mineral products are recognised when the products are delivered. As these performance criteria and sales recognition have remained unchanged from previous years, the adoption of IFRS 15 has not resulted in a material impact on the revenue recognised in the period.

The Group sells its mineral products on the Incoterms Free on Board (FOB), Cost and Freight (CFR), Cost, Insurance and Freight (CIF). For mineral products sold on an FOB basis, the customer is responsible for freight and insurance. For FOB sales where the Group acts solely as an agent for the customer in respect to the shipping, amounts billed to customers for shipping are offset against the relevant costs.

For mineral products sold on a CFR and CIF basis, the Group is responsible for providing shipping services and, in the case of CIF, insurance from the date at which control of the mineral products passes to the customer on loading at the off-shore loading point of the mine. Sale of shipping services are recognised when these performance obligations are met. The costs of freight and insurance in relation to CFR and CIF shipments are recognised in other operating costs.

During the period the Group's marketing arrangements changed whereby ilmenite sales to China previously on an FOB basis were sold on a CFR basis. This resulted in freight recognised in revenue of US$16.3 million (2017: US$5.5 million). This change is not as a result of the adoption of IFRS 15.

There is no material variable consideration, significant financing component or other material rights in the customer contracts which would require a change in revenue accounting.

Standards to be adopted in future accounting periods

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. The Group will apply the relevant standards from their effective dates. The standards are mandatory for future accounting periods but are not yet effective and have not been early-adopted by the Group.

- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (effective for accounting periods beginning on or after 1 January 2019).
- IFRS 16 Leases (effective for accounting periods beginning on or after 1 January 2019).
- IFRS 17 Insurance Contracts (effective for accounting period on or after 1 January 2021).
- IFRIC 23 Uncertainty over Income Tax Treatments (effective for accounting periods beginning on or after 1 January 2019).
- Annual Improvements to IFRS Standards 2015–2017 Cycle (effective for accounting period on or after 1 January 2019).
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement (effective for accounting period on or after 1 January 2019).

Notes to the financial statements continued

For the financial year ended 31 December 2018

1. Statement of accounting policies continued

Adoption of new and revised standards continued

Standards to be adopted in future accounting periods continued

- Amendments to References to the Conceptual Framework in IFRS Standards (effective for accounting period on or after 1 January 2019).
- Amendment to IFRS 3 Business Combinations (effective for accounting period on or after 1 January 2020).
- Amendments to IAS 1 and IAS 8 Definition of Material (effective for accounting period on or after 1 January 2020).
- Amendments to IFRS 9 Prepayment Features with Negative Compensation (effective for accounting period on or after 1 January 2019).

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, except as noted below.

IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Group will be 1 January 2019. The Group has chosen to apply IFRS 16 to existing lease contracts as and from 1 January 2019 and consequently the Group will not restate the comparative information.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and are replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low-value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected because operating lease payments under IAS 17 are presented as operating cash flows, whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of US$6.3 million. IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in Note 31. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset of US$5.2 million and a corresponding liability in respect of all these leases of US$5.2 million.

Basis of preparation

The financial statements have also been prepared in accordance with International Financial Reporting Standards (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 the Companies Act 2014.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have or will 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.

Basis of accounting

The financial statements are prepared in US Dollars under the historical cost convention except for share-based payments and warrants. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. Fair value of share options, as calculated in accordance with IFRS 2, at grant date is recognised over the vesting period. As warrants are not issued in the entity's functional currency, they do not meet the requirements in IAS 32 of settlement in a fixed amount of the value of equity, and therefore are recorded at fair value. As a result, warrants are remeasured at each reporting date and the increase or decrease in the fair value is recognised as a finance cost or income in the Statement of Comprehensive Income.

1. Statement of accounting policies continued

Basis of consolidation

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

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

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the financial year are included in the Consolidated Statement of Comprehensive Income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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

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

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets, less liabilities of the subsidiary. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets and liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments, when applicable, the costs on initial recognition of an investment in an associate or a joint venture.

Determination of ore reserve estimates

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

Revenue recognition

Revenue is measured as the fair value of the consideration received or receivable and represents amounts receivable for mineral products provided in the normal course of business, net of discounts and related sales taxes. Sales of mineral products are recognised when mineral products have been delivered. The risk of loss or damage to the mineral products passes from the Group to the customers on delivery. Typically, delivery takes place when the product is loaded on the ocean-going vessel chartered by either the customer or the Group, with most sales being made on either a Free on Board (FOB), Cost, Insurance and Freight (CIF) or Cost and Freight (CFR) basis. For FOB sales the customer is responsible for the cost of shipping and handling. For CIF and CFR sales 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 for a customer in respect of shipping and handling, amounts billed to customers for shipping and handling are offset against the relevant costs.

The Group has a mixture of long-term contracts and spot contracts with customers for the sale of mineral products ilmenite, zircon and rutile. The contracts stipulate price and/or quantity commitments. The long-term contracts range over periods from one to three years. The spot contracts deal with one-off sales. The performance obligations in relation to the sale of mineral products are similar under all the contracts and stipulate that the Group deliver the specified product to the customer. Delivery takes place when the product is loaded on the ocean-going vessel chartered by either the customer or the Group at the off-shore loading point of the Mine. Control of the mineral products passes from the Group to the customer on delivery. Sales of mineral products are recognised when the products are delivered.

Notes to the financial statements continued

For the financial year ended 31 December 2018

1. Statement of accounting policies continued

Revenue recognition continued

The Group sells its mineral products on the Incoterms Free on Board (FOB), Cost and Freight (CFR) and Cost, Insurance and Freight (CIF). For mineral products sold on an FOB basis, the customer is responsible for freight and insurance. For FOB sales where the Group acts solely as an agent for the customer in respect to the shipping, amounts billed to customers for shipping are offset against the relevant costs.

For mineral products sold on a CFR and CIF basis, the Group is responsible for providing shipping services and, in the case of CIF, insurance from the date at which control of the mineral products passes to the customer on loading at the off-shore loading point of the Mine. Sales of shipping services are recognised when these performance obligations are met. The costs of freight and insurance in relation to CFR and CIF shipments are recognised in other operating costs.

Finance income represents deposit interest earned and the decrease in the fair value of warrants as noted under the heading "Financial liabilities and equity". Deposit interest is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts over the expected life of the financial asset to that asset's net carrying amount.

Leases

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

Finance leases

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

Operating leases

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

Retirement benefit costs

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

Foreign currency

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

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the Statement of Comprehensive Income for the financial 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 financial 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 financial 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.

1. Statement of accounting policies continued

Taxation continued

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 it 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 and it is expected that the deposit will be mined. 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 and 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 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 units of production basis. The major categories of property, plant and equipment are depreciated as follows:

Plant and equipment	Units of production basis
Development expenditure	Units of production basis

Other assets

Buildings and airstrip	Twenty years
Mobile equipment	Three to five years
Fixtures and equipment	Three to ten years

Units of production depreciation is calculated using the quantity of heavy mineral concentrate extracted from the Mine for processing 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.

Notes to the financial statements continued

For the financial year ended 31 December 2018

1. Statement of accounting policies continued

Property, plant and equipment continued

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

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

Development expenditure

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

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The financial assets of the Group consist of cash and cash equivalents and trade receivables.

1. Statement of accounting policies continued

Financial instruments continued

Classification of financial assets

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. Cash and cash equivalents are initially measured at fair value and are subsequently measured at amortised cost. They are held by the Group to collect deposit interest and to meet the liquidity requirements of the Group.

The Group has trade finance facilities with Absa Corporate and Business Bank and Barclays Bank and may elect to receive early payment for certain customers of their invoice from the banks by factoring the receivable. These facilities assist the Group in managing its liquidity for funding of operations. Trade receivables which cannot be factored are initially measured at fair value and subsequently measured at amortised cost as they are held by the Group in order to collect receipts under the credit terms of the sales contracts. Trade receivables which are always factored are initially measured at fair value and subsequently measured at fair value through profit or loss (FVTPL). Trade receivables where it is not known at initial recognition if they will be factored are classified as fair value through other comprehensive income (FVOCI). This is because their cashflows are generated through a combination of collection and sales (by factoring).

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset. Interest income is recognised in profit or loss and is included in the "finance income" line item (Note 8).

Equity instruments

The Group does not hold any equity financial assets.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. For financial assets measured at amortised cost, exchange differences are recognised in profit or loss in the 'foreign exchange gains and losses' line. All trade receivables are denominated in US Dollars and so there are not foreign exchange gains or losses to be determined at the end of the reporting periods.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the trade receivable. The expected credit losses are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the customers, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Sales to certain customers are done on a letter of credit basis thereby reducing the credit risk of these customers.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery e.g. when the debtor has been placed in liquidation or has entered into bankruptcy proceedings.

As at 1 January 2018, the Group reviewed and assessed the Group's existing trade receivables for impairment using reasonable and supportable information to determine the credit risk of the respective customers at the date they were initially recognised. Trade receivables at 1 January 2018 had Moody's credit ratings where available ranging from Ba2 to A3, had no history of bad debts, were all current and payable in a period of two months and had no additional factors which could result in an expected future credit loss. A loss allowance of US$0.002 million was recognised at 1 January 2018.

Trade receivables at 31 December 2018 had Moody's credit ratings where available ranging from Ba2 to A3, had no history of bad debts, were all current and payable in a period of three months and had no additional factors which could result in an expected future credit loss. A loss allowance of US$0.001 million was recognised to 31 December 2018.

Notes to the financial statements continued

For the financial year ended 31 December 2018

1. Statement of accounting policies continued

Financial instruments continued

Financial liabilities and equity

The financial liabilities of the Group consists of bank borrowings and trade payables. The equity of the Group consists of share capital issued by the Company.

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs. The only equity instrument of the Group are ordinary and deferred shares.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

The financial liabilities of the Group consist of bank borrowings and trade payables and are measured at fair value and subsequently at amortised cost using the effective interest method.

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£58.18 and Stg£22.00, and an exercise period of five years commencing 16 November 2014 and seven years commencing 16 November 2014 respectively. The warrants are measured at FVTPL. The warrants are remeasured at each reporting date and the increase or decrease in the fair value is recognised in the profit and loss in the finance cost line (Note 9) or finance income line (Note 8).

Financial liabilities measured subsequently at amortised cost

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in profit or loss in the 'foreign exchange gains and losses' line for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between the carrying amount of the liability before the modification and the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

Derivative financial instruments

The Group has not entered into any derivative financial instruments during the financial year.

1. Statement of accounting policies continued

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. The Group uses rates as provided by the US Treasury and extrapolates it to the duration of the Mine life. This is deemed the best estimate to reflect the current market assessment of the time value of money. Risks specific to the liability are included in the cost estimate. 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.

Share-based payments

The Group issued share options to certain employees and consultants in the past. The last award under this scheme was in 2014. Share options are measured at fair value at the date of grant. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. Fair value is measured using a Black-Scholes pricing model.

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

Annual awards under the KRSP vest, subject to continued employment, either in the third anniversary of award, or, in the case of the case of the Executive Directors and certian employee, in each of the third, fourth, and fifth anniversaries of award. The share price used to determine the award levels will normally be the share price shortly before the date of grant.

Share-based awards granted to employees of subsidiary undertakings of the Company are recognised as an expense in the Statement of Comprehensive Income of the subsidiary undertaking and as a capital contribution in the Statement of Financial Position. Where a share-based payment is directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, its fair value is added to the cost of those assets until such time as the assets are substantially ready for their intended use.

Notes to the financial statements continued

For the financial year ended 31 December 2018

1. Statement of accounting policies continued

Parent company

The separate financial statements of the Company are presented as required by the Companies Act 2014. The separate financial statements have been prepared in accordance with IFRSs as applied in accordance with the Companies Act 2014.

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

Investments in subsidiary undertakings

Investments in subsidiary undertakings are accounted for under IAS 27 Separate Financial Statements as the these are equity investments in subsidiary undertakings in the parent company and equity instruments in the subsidiary undertakings. They are recognised in the parent company at cost.

Amounts due from subsidiary undertakings

Amounts due from subsidiary undertakings are loan amounts that have been provided by Kenmare Resources plc to group subsidiary undertakings for the financing of Kenmare Moma Mining (Mauritius) Limited and Kenmare Moma Processing (Mauritius) Limited who operate the Moma Titanium Minerals Mine in Mozambique. The loans due from the subsidiary undertakings Kenmare Moma Mining (Mauritius) Limited and Kenmare Moma Processing (Mauritius) Limited are not repayable on demand as any such payment would constitute a restricted payment under the project loan agreements and would therefore be subject to certain conditions and restrictions. All other subsidiary undertaking loans are repayable on demand after one year.

The parent company recognises a loss allowance for expected credit losses on intercompany loans. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the intercompany loan. The expected credit losses are estimated based on the ability of the subsidiary undertaking to fulfil its obligations.

The parent company writes off an intercompany loan when there is information indicating that the subsidiary undertaking is in severe financial difficulty and there is no realistic prospect of recovery.

As at 1 January 2018 and 31 December 2018, the parent reviewed and assessed the amounts due from subsidiary undertakings for impairment using reasonable and supportable information. The recovery of amounts due from subsidiary undertakings is dependent on the realisation of cash flow assumptions as set out in Note 13. The loss allowance from this review is immaterial.

The Company is party to guarantees on Group borrowings. These guarantees require the Company to make specified payments to reimburse the Lenders for a loss it incurs if the Group subsidiary undertakings fail to make payments when due in accordance with the terms of the debt.

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 would result in the recovery of such amounts. During the financial year the Group carried out an impairment review of property, plant and equipment details of which are set out in Note 13. As a result of the review no impairment provision is required in the financial year.

Investments in and amounts due from subsidiary undertakings

The recovery of investments in and amounts due from subsidiary undertakings is dependent upon the successful operation of the Mine. The realisation of cash flow forecast assumptions as set out in Note 13 would result in the recovery of such amounts.

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.

1. Statement of accounting policies continued

Critical accounting judgements and key sources of estimation uncertainty continued

Provisions

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

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

- a discount rate of 3.2% (2017: 2.9%);
- an inflation rate of 2% (2017: 2%);
- an estimated life of mine based on approximately 40 years (2017: 40 years); and
- an estimated closure cost of US$28.8 million (2017: US$21.7 million) and an estimated post-closure monitoring provision of US$3.9 million (2017: US$1.7 million).

The discount rate is a significant factor in determining the Mine closure provision. The Group uses rates as provided by the US Treasury. Thirty-year US Treasury yields are the longest period for which yields are quoted. A forty-year rate to align with the estimated life of mine has been calculated by taking the average increase in yield from ten to twenty years and from twenty to thirty years and adding this to the thirty-year treasury to arrive at an estimated extrapolated rate for forty years. This discount rate is deemed to provide the best estimate to reflect current market assessment of the time value of the money. Risks specific to the liability are included in the cost estimate. A 1% increase in the estimated discount rate results in the Mine closure provision decreasing to US$13.9 million. A 1% decrease in the estimated discount rate results in the Mine closure provision increasing to US$30.3 million.

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.

Units of production depreciation and amortisation

Units 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 Exploration Results, Mineral Resources and Ore Reserves, 2012 Edition (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 issued share options to certain employees and consultants in the past. The last award under this scheme was in 2014. Share options are measured at fair value at the date of grant. Fair value is measured using a Black-Scholes pricing model. Assumptions included in this model include: expected volatility, as determined by calculating the historical volatility of the Company's share price over the previous year, this being deemed the most reliable indicator of the Company's share price volatility; a risk-free rate; and expected life of seven years.

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

The value of share awards made under the KRSP is based on the share price at the date of grant.

Notes to the financial statements continued

For the financial year ended 31 December 2018

1. Statement of accounting policies continued

Critical accounting judgements and key sources of estimation uncertainty 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, Nataka and Pilivili proved and probable reserves. Average annual production levels over the life of the Mine are approximately 1.1 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 are forecast taking into account independent titanium mineral sands expertise and management expectations including general inflation at 2% per annum. Operating costs are based on approved budget costs for 2019 and escalated by 2% per annum thereafter and capital costs are based on a life of mine capital plan considering inflation at 2% per annum. The carrying amount of deferred tax assets is reviewed at each Statement of Financial Position date and reduced if and to the extent that it is no longer probable that sufficient taxable profit will be available to allow the asset to be recovered.

Financial liability

On 16 October 2013, 1,251,500 (pre-share consolidation: 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 250,300 (pre-share consolidation: 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 Stg58.18 (pre-share consolidation: Stg29.09 pence) and an exercise period of five years, commencing 16 November 2014.

On 1 September 2014, the Company issued 36,289 (pre-share consolidation: 7,257,850) warrants to Absa Bank Limited ("Absa") in discharge of the US$800,000 extension fee due to Absa as part of a loan amendment. These warrants have an exercise price of Stg£22.00 (pre-share consolidation: Stg11.00 pence) and an exercise period of seven years from 16 November 2014 and are otherwise on substantially the same terms as the warrants detailed above.

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

Inventories

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

2. Revenue

	2018 US$'000	2017 US$'000
Sale of mineral products	**262,199**	208,299

During the financial year, the Group sold 1,074,400 tonnes (2017: 1,040,400 tonnes) of finished products ilmenite, rutile and zircon to customers at a sales value of US$262.2 million (2017: US$208.3 million).

3. Segment reporting

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

Segment revenues and results

Moma Titanium Minerals Mine	2018 US$'000	2017 US$'000
Revenue	**262,199**	208,299
Cost of sales	**(168,251)**	(156,622)
Gross profit	**93,948**	51,677
Other operating costs	**(26,960)**	(20,572)
Segment operating profit	**66,988**	31,050
Other corporate operating costs	**(4,052)**	(2,640)
Group operating profit	**62,936**	28,465
Finance income	**871**	136
Finance expenses	**(7,751)**	(7,680)
Foreign exchange gain/(loss)	**48**	(2,473)
Profit before tax	**56,104**	18,448
Income tax (expense)/credit	**(5,230)**	923
Profit for the financial year	**50,874**	19,371
Segment assets		
Moma Titanium Minerals Mine assets	**922,652**	885,892
Corporate assets	**56,706**	58,791
Total assets	**979,358**	944,683
Segment liabilities		
Moma Titanium Minerals Mine liabilities	**125,656**	143,575
Corporate liabilities	**5,267**	4,967
Total liabilities	**130,923**	148,542
Other segment information		
Depreciation and amortisation		
Moma Titanium Minerals Mine	**30,307**	31,997
Corporate	**135**	3
Total	**30,442**	32,000
Additions to non-current assets		
Moma Titanium Minerals Mine	**39,606**	28,550
Corporate	**445**	601
Total	**40,051**	29,151

Revenue from major products

	2018 US$'000	2017 US$'000
Ilmenite	**181,776**	152,614
Zircon	**75,385**	51,703
Rutile	**5,038**	3,982
Total	**262,199**	208,299

Notes to the financial statements continued
For the financial year ended 31 December 2018

3. Segment reporting continued

Geographical information

Revenue from external customers	2018 US$'000	2017 US$'000
China	**103,196**	95,462
USA	**27,760**	31,957
Italy	**22,871**	22,249
Rest of the world	**108,372**	58,631
Total	**262,199**	208,299

The Group's revenue from external customers is generated by the Moma Titanium Minerals Mine, the non-current assets of which are US$802.2 million (2017: US$797.2 million).

Cost of sales for the financial year amounted to US$168.3 million (2017: US$156.6 million), including depreciation and amortisation of US$26.4 million (2017: US$27.1 million).

Information about major customers

Included in revenues are US$37.6 million (2017: US$72.5 million) from sales to the Group's largest customer, US$29.8 million (2017: US$37.0 million) from sales to the Group's second largest customer and US$28.5 million (2017: US$23.9 million) from sales to the Group's third largest customer. All revenues are generated by the Moma Titanium Minerals Mine.

4. Cost of sales

	2018 US$'000	2017 US$'000
Opening stock of mineral products	**30,882**	30,631
Production costs	**141,997**	129,816
Depreciation	**26,409**	27,057
Closing stock of mineral products	**(31,037)**	(30,882)
Total	**168,251**	156,622

Mineral products consist of finished products, intermediate magnetic concentrate and heavy mineral concentrate as detailed in Note 15. Mineral stock value increased by US$0.1 million (2017: increase US$0.3 million).

5. Other operating costs

	2018 US$'000	2017 US$'000
Distribution costs	**9,458**	10,587
Freight and demurrage costs	**16,873**	5,538
Administration costs	**4,681**	3,321
Arbitration costs	**—**	3,766
Total	**31,012**	23,212
Included in administration costs are:		
Share-based payments	**1,420**	1,004

Distribution costs of US$9.5 million (2017: US$10.6 million) represent the cost of running the Mine's finished product storage, jetty and marine fleet. Included in distribution costs is depreciation of US$3.9 million (2017: US$4.9 million). Freight costs of US$16.3 million (2017: US$5.5 million) arise from sales to customers on a CIF or CFR basis. Demurrage costs were US$0.6 million (2017: US$0.05 million) during the financial year. Administration costs of US$4.7 million (2017: US$3.3 million) are the Group administration costs and include depreciation of US$0.1 million (2017: nil) and share-based payments of US$1.4 million (2017: US$1.0 million). There were arbitration costs incurred in 2017 of US$3.8 million.

6. Profit for the financial year

The profit for the financial year has been arrived at after charging/(crediting) items detailed below. Depreciation and amortisation and staff costs noted below have been included in cost of sales for the financial year or inventory at 31 December 2018.

	2018 US$'000	2017 US$'000
Staff costs	**43,381**	37,865
Repairs and maintenance	**32,296**	33,373
Power and fuel	**29,315**	21,432
Other operating costs	**63,984**	55,415
Increase in value of mineral products inventory	**(155)**	(251)
Depreciation and amortisation of property, plant and equipment	**30,442**	32,000
Finance income	**(871)**	(136)
Finance costs	**7,751**	7,680
Foreign exchange (gain)/loss	**(48)**	2,473
Total	**206,095**	189,851

7. Auditors' remuneration

The analysis of the auditors' remuneration is as follows:

	2018 US$'000	2017 US$'000
Company		
Audit of the Company's financial statements	**15**	15
Other assurance services	**3**	—
Tax advisory services	**6**	6
Other non-audit services	**—**	—
Total	**24**	21
Group		
Audit of the Group's financial statements	**71**	62
Other assurance services	**16**	22
Tax advisory services	**6**	6
Other non-audit services	**—**	—
Total	**93**	90

The Company's auditor is Deloitte Ireland LLP. The Project Companies' auditors are KPMG and during the year fees payable to them amounted to US$0.2 million (2017: US$0.1 million). Details of the Company's policy on the use of auditor 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 64 to 66.

8. Finance income

	2018 US$'000	2017 US$'000
Interest on bank deposits	**864**	136
Change in fair value of warrants	**7**	—
Total	**871**	136

Finance income of the Company consisted of US$0.4 million (2017: US$0.08 million) of interest on bank deposits.

9. Finance costs

	2018 US$'000	2017 US$'000
Interest on bank borrowings	**5,871**	6,300
Finance lease interest	**—**	16
Change in fair value of warrants	**—**	4
Factoring fees	**1,409**	882
Mine closure provision unwinding of the discount	**471**	478
Total	**7,751**	7,680

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

Notes to the financial statements continued
For the financial year ended 31 December 2018

10. Income tax expense

	2018 US$'000	2017 US$'000
Corporation tax	**1,070**	—
Deferred tax	**4,160**	(923)
Total	**5,230**	(923)
Reconciliation of effective tax rate		
Profit before tax	**56,104**	18,448
Profit before tax multiplied by the applicable tax rate (12.5%)	**7,013**	(2,306)
Differences in effective tax rates on overseas earnings	**(7,013)**	2,306
Taxes on overseas earnings	**1,070**	—
Applied losses	**4,160**	1,157
Recognition of deferred tax asset	**—**	(2,080)
Total	**5,230**	(923)

Group

An income tax expense of US$5.2 million (2017: credit US$0.9 million) has been recognised during the year ended 31 December 2018. During the year the Group had taxable profits of US$14.6 million (2017: US$6.6 million). US$11.9 million (2017: US$6.6 million) of tax losses were offset against the taxable profit resulting in a tax charge of US$4.2 million being recognised. The income tax payable on the balance of the taxable profits was US$1.1 million.

The income tax rate applicable to taxable profits of Kenmare Moma Mining (Mauritius) Limited is 35%.

Kenmare Moma Mining (Mauritius) Limited is charged 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 financial year ended 31 December 2018 was US$3.0 million (2017: US$2.9 million) and is recognised in cost of sales for the financial year or inventory at 31 December 2018. Under the fiscal regime applicable to mining activities, Kenmare Moma Mining (Mauritius) Limited is exempted from import customs duty on exploration and production equipment and export customs duty on mineral products. It is exempted from VAT on imports. The Company has elected and the fiscal regime applicable to mining allows for the option to deduct as an allowable deduction depreciation of exploration and development expense and capital expenditure over the life of mine. Tax losses are allowed to be carried forward for three years. 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 financial year ended 31 December 2018 was US$1.1 million (2017: US$0.9 million).

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the Statement of Financial Position liability method.

Kenmare Moma Processing (Mauritius) Limited has Industrial Free Zone (IFZ) status. As an IFZ company, it is exempted from import and export custom duty, VAT on imports and exports and other corporation taxes. Kenmare Moma Processing (Mauritius) Limited is charged a revenue tax of 1%. The revenue tax payable to the Government of Mozambique for the financial year ended 31 December 2018 was US$2.6 million (2017: US$2.1 million) and is recognised in cost of sales for the financial year. There is no dividend withholding tax under the IFZ regime.

Company

No charge to taxation arises in the financial years ended 31 December 2018 or 31 December 2017 as there were no taxable profits in either financial 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$0.4 million at 31 December 2018 (2017: US$3.6 million) calculated at a rate of 12.5% for tax losses has not been recognised in the Statement of Financial Position.

11. Earnings per share

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

	2018 US$'000	2017 US$'000
Profit for the financial year attributable to equity holders of the parent	**50,874**	19,371

	2018 Number of shares	2017 Number of shares
Weighted average number of issued ordinary shares for the purpose of basic earnings per share	**109,601,551**	109,601,551
Effect of dilutive potential ordinary shares:		
Share awards	**1,028,523**	412,101
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**110,630,074**	110,013,652

	US$ per share	US$ per share
Earnings per share: basic	**0.46**	0.18
Earnings per share: diluted	**0.46**	0.18

12. Employee numbers and benefits

The average number of persons employed by the Group (including Executive Directors) in 2018 was 1,420 (2017: 1,365) and is analysed below:

	2018	2017
Management and administration	**301**	332
Operations	**1,119**	1,033
	1,420	1,365

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

	2018 US$'000	2017 US$'000
Wages and salaries	**39,277**	34,593
Share-based payments	**1,420**	1,004
Social insurance costs	**2,160**	1,788
Retirement benefit costs	**524**	480
	43,381	37,865

All costs disclosed above were expensed in the statement of comprehensive income in the current and prior financial years.

Included in wages and salaries are payroll taxes of US$7.4 million (2017: US$6.7 million) payable to the Government of Mozambique, US$2.6 million (2017: US$2.4 million) payable to Irish Revenue and US$0.2 million (2017: US$0.2 million) payable to Her Majesty's Revenue & Customs of the UK.

Included in the social insurance costs is US$1.5 million (2017: US$1.2 million) payable to the Government of Mozambique, US$0.6 million (2017: US$0.5 million) payable to Irish Revenue, and US$0.1 million (2017: US$0.1 million) payable to Her Majesty's Revenue & Customs of the UK.

Included in the payroll cost above are Executive and Non-Executive Director emoluments (inclusive of the share-based payments) of US$3.5 million (2017: US$3.5 million).

Notes to the financial statements continued

For the financial year ended 31 December 2018

13. Property, plant and equipment

Group

	Plant and equipment US$'000	Development expenditure US$'000	Construction in progress US$'000	Other assets US$'000	Total US$'000
Cost					
At 1 January 2017	774,745	249,984	5,418	53,836	1,083,983
Transfer from construction in progress	1,786	342	(3,166)	1,038	—
Additions during the financial year	557	—	27,993	601	29,151
Disposals	—	—	—	(375)	(375)
Adjustment to mine closure cost	2,604	—	—	—	2,604
Reclassification of assets	479	—	—	(479)	—
At 1 January 2018	780,171	250,326	30,245	54,621	1,115,363
Transfer from construction in progress	13,690	—	(28,034)	14,344	—
Additions during the financial year	179	—	39,427	445	40,051
Disposals	(941)	—	—	(5,959)	(6,900)
Adjustment to mine closure cost	2,772	—	—	—	2,772
At 31 December 2018	**795,871**	**250,326**	**41,638**	**63,451**	**1,151,286**
Accumulated depreciation					
At 1 January 2017	143,635	114,980	—	31,493	290,108
Charge for the financial year	22,264	6,043	—	3,693	32,000
Disposals	—	—	—	(375)	(375)
At 1 January 2018	165,899	121,023	—	34,811	321,733
Charge for the financial year	22,041	5,500	—	2,901	30,442
Disposals	(941)	—	—	(5,959)	(6,900)
At 31 December 2018	**186,999**	**126,523**	**—**	**31,753**	**345,275**
Carrying amount					
At 31 December 2018	**608,872**	**123,803**	**41,638**	**31,698**	**806,011**
At 31 December 2017	614,272	129,303	30,245	19,810	793,630

During the financial 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 from a life of mine financial model. The recoverable amount obtained from the financial model represents the present value of the future pre-tax, pre-finance cash flows discounted at 12%.

Key assumptions include the following:

- The discount rate is based on the Group's weighted average cost of capital. This rate is a best estimate of the current market assessment of the time value of money and the risks specific to the Mine, taking into consideration country risk, currency risk and price risk. The factors making up the cost of equity, cost of debt and capital structure have changed from the prior year review resulting in a discount rate of 12%. The Group does not consider it appropriate to apply the full current country risk premium to the calculation of the Group's weighted average cost of capital as it believes the specific circumstances which have resulted in the county risk increase over the past number of years are not appropriate to the specific circumstances of the Moma Mine. Hence, the calculation of country risk applicable to the calculation of the cost of equity has been adjusted accordingly.

  Using a discount rate of 12%, the recoverable amount is greater than the carrying amount by US$201.3 million. The discount rate is a significant factor in determining the recoverable amount. A 1% increase in the discount rate to 13%, which management believes could be a reasonably possible change in this assumption, would result in the recoverable amount being greater than the carrying amount by US$114.7 million. A 1% increase in the discount rate in the prior year to 12.5% would have resulted in the recoverable amount being greater than the carrying amount by US$81.3 million. The improvement in the recoverable amount from the prior year is a result of increased production in the near term as a result of the change in mine plan assumptions detailed below.
- A mine plan based on the Namalope, Nataka and Pilivili proved and probable reserves which runs to 2058. The Mine life assumption of 40 years has not changed from the prior year review.

13. Property, plant and equipment continued

Group continued

- Average annual production is approximately 1.1 million tonnes (2017: 0.9 million tonnes) of ilmenite plus co-products zircon and rutile over the life of the Mine. This mine plan does not include investment in additional mining capacity. Certain minimum stocks of final and intermediate products are assumed to be maintained at period ends. The average annual production of final products has increased from the prior year due to the Mine optimisation of WCP A in the Nataka orebody and an update of the production forecast for WCP B mining in the Pilivili orebody.
- 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 are forecast by the Group taking into account independent titanium mineral sands expertise and management expectations including general inflation of 2% per annum. Average forecast product sales prices have decreased slightly over the life of mine from the prior year-end review as a result of revised forecast pricing. An 8% reduction in average sales prices over the life of mine reduces the recoverable amount by US$201.3 million.
- Operating costs are based on approved budget costs for 2019 taking into account the current running costs of the Mine and escalated by 2% per annum thereafter. Average forecast operating costs have increased from the prior year-end review as a result of increased operating costs in 2018, which formed the basis for the 2019 budget and life of mine forecast thereafter. A 16% increase in operating costs over the life of mine reduces the recoverable amount by US$201.3 million.
- Sustaining capital costs are based on a life of mine capital plan considering inflation at 2% per annum from 2019. Average forecast sustaining capital costs have increased from the prior year-end review as based on updated sustaining capital plans required to maintain the existing plant over the life of mine. The forecast takes into account reasonable cost increases and therefore a sensitivity to this assumption has not been applied which would give rise to a reduction in the recoverable amount.

As a result of the review no impairment provision was recognised in the current financial year. No impairment was recognised in the prior financial year. Given the recent past volatility and sensitivities of the forecast to the discount rate, pricing and to a lesser extent operating costs the impairment loss of US$64.8 million which was recognised in the Consolidated Statement of Comprehensive Income in 2014 is not reversed.

Depreciation during the year was US$30.4 million (2017: US$32.0 million).

There was an adjustment to the Mine closure cost of US$2.8 million (2017: US$2.6 million) during 2018 as a result of a change in the estimated closure cost.

Included in plant and equipment are capital spares of US$2.9 million (2017: US$2.6 million).

During the year there were disposals of property, plant and equipment of US$6.9 million (2017: US$0.4 million).

Substantially, all the property, plant and equipment of the Group is or will be mortgaged, pledged or otherwise secured to provide collateral for the Group's senior and subordinated loans as detailed in Note 23.

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 continue to achieve positive cash flows.

Company

Included in other assets is an amount of US$0.9 million (2017: US$0.6 million) in respect of leasehold property and motor vehicle of the Company. During the year there were additions to motor vehicles of US$0.1 million and additions to leasehold property of US$0.2 million. There was depreciation of US$0.1 million (2017: nil) during the year on these assets.

14. Deferred tax asset

Group

	US$'000
At 1 January 2017	3,237
Credit to Statement of Comprehensive Income	923
At 1 January 2018	4,160
Expense to Statement of Comprehensive Income	(4,160)
At 31 December 2018	**—**

Notes to the financial statements continued

For the financial year ended 31 December 2018

14. Deferred tax asset continued

Group continued

At the statement of financial position date, Kenmare Moma Mining (Mauritius) Limited had utilised all its tax losses available for offset against future profits. US$11.9 million (2017: US$6.6 million) of tax losses were offset against the taxable profit resulting in a tax charge of US$4.2 million being recognised. Tax losses may be carried forward for three years. No deferred tax liability is recognised on temporary differences arising in connection with accelerated tax depreciation as the differences are not significant. Revenues of Kenmare Moma Mining (Mauritius) Limited are determined with reference to cost incurred in producing heavy mineral concentrate, plus a margin which is related to prices earned by Kenmare Moma Processing (Mauritius) Limited.

Company

No deferred tax liability is recognised by the Company on the temporary difference of US$1.5 million (2017: US$2.2 million) arising in relation to investments in subsidiary undertakings. No deferred tax liability is recognised by the Company on the future receipt of dividends from the Project Companies as it is anticipated that the receipt of dividends will have no tax implications for the Company.

15. Inventories

Group

	2018 US$'000	2017 US$'000
Mineral products	**31,037**	30,882
Consumable spares	**22,835**	21,825
	53,873	52,707

At 31 December 2018, total final product stocks were 200,000 tonnes (2017: 231,000 tonnes). Closing stock of heavy mineral concentrate was 19,600 tonnes (2017: 16,800 tonnes).

Net realisable value is determined with reference to forecast prices of finished products expected to be achieved. There is no guarantee that these prices will be achieved in the future, particularly in weak product markets. During the financial year there was a write down of US$0.3 million (2017: nil) to mineral products to value them at net realisable value.

16. Investments in and amounts due from subsidiary undertakings

Company

Investments in subsidiary undertakings

	2018 US$'000	2017 US$'000
Opening balance	**372,872**	372,872
Investments during the year	**—**	—
Disposal of Kenmare Resources (Jersey) Limited	**(104,352)**	—
Closing balance	**268,520**	372,872

Amounts due from subsidiary undertakings

	2018 US$'000	2017 US$'000
Opening balance	**382,562**	401,890
Funding during the year	**8,177**	7,443
Novation of loan made by Kenmare Resources (Jersey) Limited	**104,352**	—
Write off of amounts due from subsidiary undertakings	**—**	(26,771)
Closing balance	**495,091**	382,562

The investments in subsidiary undertakings are US$268.5 million (2017: US$372.9 million). The investment balance is made up of an investment in the Project Companies of US$262.7 million, initial investments of less than US$500 in the other subsidiary undertakings of the Group and share-based payments of US$5.8 million (2017: US$5.8 million) relating to staff of the subsidiary undertakings Kenmare Moma Mining (Mauritius) Limited and Kenmare Moma Processing (Mauritius) Limited. During the year Kenmare Resources (Jersey) Limited was wound up resulting in a reduction of US$104.4 million in the investments in subsidiary undertakings.

16. Investments in and amounts due from subsidiary undertakings continued

Company continued

Amounts due from subsidiary undertakings continued

The loan amounts due from subsidiary undertakings balance of US$495.1 million (2017: US$382.6 million) represents funds transferred to subsidiary undertakings net of allowances for amounts due from subsidiary undertakings. During 2018 the amount of US$104.4 million due from Kenmare C.I. Limited to Kenmare Resources (Jersey) Limited was novated to Kenmare Resources plc. During 2018 there was a net movement of US$8.2 million (2017: US$7.4 million) relating to funding of subsidiary undertakings.

The loans due from the subsidiary undertakings Kenmare Moma Mining (Mauritius) Limited and Kenmare Moma Processing (Mauritius) Limited are not repayable on demand as any such payment would constitute a restricted payment under the project loan agreements and would therefore be subject to certain conditions and restrictions. All other subsidiary undertaking loans are repayable on demand after one year.

The carrying amount of loans due from subsidiary undertakings represents the maximum credit exposure. Amounts due from subsidiary undertakings are current (i.e. not overdue). The expected credit losses provided agianst amounts due from subsidiary undertakings was immaterial in 2018 and 2017. The amounts due from subsidiary undertakings are unsecured and interest-free. . In assessing the expected credit loss 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 13 would result in the recovery of such amounts.

The subsidiary undertakings of the Company as at 31 December 2018 are as follows:

	Place of incorporation	Place of operation	Percentage ownership	Place of tax residency
Kenmare Minerals Company Limited	Republic of Ireland	Republic of Ireland	100%	Republic of Ireland
Kenmare C.I. Limited	Jersey	Jersey	100%	Jersey
Congolone Heavy Minerals Limited	Jersey	Mozambique	100%	Jersey
Kenmare Moma Mining (Mauritius) Limited	Mauritius	Mozambique	100%	To be established
Kenmare Moma Processing (Mauritius) Limited	Mauritius	Mozambique	100%	To be established
Mozambique Minerals Limited	Jersey	Mozambique	100%	Jersey

Each of the subsidiary undertakings has issued ordinary shares only. The activities of the above subsidiary undertakings are mining, mineral exploration, management and development.

Kenmare Graphite Company Limited is a subsidiary of the Company but is not consolidated in the Group financial statements as it no longer controls the Ancuabe graphite mine.

The registered office of the Republic of Ireland company is Styne House, Hatch Street Upper, Dublin 2, D02 DY27. The registered office of the Jersey companies is Zedra Trust Company (Jersey) Limited, 50 La Colomberie, St. Helier, Jersey. The registered office of the Mauritius companies is 10th Floor, Standard Chartered Tower, 19 Cybercity, Ebene, Mauritius.

17. Trade and other receivables

	Group		Company	
	2018 US$'000	2017 US$'000	2018 US'000	2017 US$'000
Trade receivables	**17,430**	21,246	**—**	—
EdM receivable	**—**	278	**—**	—
Other receivables	**720**	83	**—**	—
Prepayments	**4,295**	3,805	**527**	178
	22,445	25,412	**527**	178

EdM receivable

Kenmare Moma Processing (Mauritius) Limited (Mozambique Branch) and Electricidade de Moçambique (EdM) amended the power supply agreement in 2013 to cater for the increased power requirement of the Mine as result of the expansion. As part of this amendment EdM agreed to reimburse part of the capital costs incurred to upgrade the power grid to accommodate the increased power requirement. These costs were finalised in 2014 with EdM's share being US$1.4 million. This was repayable in forty-eight monthly instalments by means of a credit to the electricity bill. During 2018 repayments totalled US$0.3 million (2017: US$0.4 million).

Notes to the financial statements continued
For the financial year ended 31 December 2018

17. Trade and other receivables continued

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 financial year, US$11.0 million (2017: US$8.4 million) is due from the Group's three largest customers. The external credit scoring system used by the Group gives each of these customers the highest score in their financial strength credit index and their risk indictor represents a minimum risk of business failure. Trade receivables at the year end had Moody's credit ratings ranging where available from Ba2 to A3.

The Group has trade finance facilities with Absa Corporate and Business Bank and Barclays Bank.

All trade receivables are current (i.e. not overdue). There has been no impairment in trade receivables during the financial year. An expected credit loss of US$0.001 million has been recognised in the financial year.

Currency risk

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

Group	2018 US$'000	2017 US$'000
US Dollar	**19,990**	23,786
South African Rand	**1,112**	875
Euro	**741**	165
Mozambican Metical	**284**	60
Sterling	**224**	106
Australian Dollar	**94**	420
	22,445	25,412

Company	2018 US$'000	2017 US$'000
Euro	**508**	165
Sterling	**19**	13
	527	178

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

18. Cash and cash equivalents

	Group		Company	
	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
Immediately available without restriction	**55,099**	57,866	**32,671**	43,208
Contingency Reserve Account	**2**	2	**—**	—
Project Companies' Accounts	**41,929**	10,906	**—**	—
	97,030	68,774	**32,671**	43,208

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

The Contingency Reserve Account ("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.

18. Cash and cash equivalents continued

Interest rate risk

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

	2018 US$'000	2017 US$'000
Cash and cash equivalents at variable interest rate	**70,789**	52,205
Cash at bank on which no interest is received	**26,241**	16,569
	97,030	68,774

Currency risk

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

Group	2018 US$'000	2017 US$'000
US Dollar	**94,556**	66,721
South African Rand	**1,956**	10
Mozambican Metical	**307**	460
Euro	**109**	583
Sterling	**51**	957
Renminbi	**33**	24
Australian Dollars	**18**	19
	97,030	68,774

Company	2018 US$'000	2017 US$'000
US Dollar	**32,571**	41,673
Euro	**63**	562
Renminbi	**33**	24
Sterling	**4**	949
	32,671	43,208

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

Credit risk

The credit risk on cash and cash equivalents is limited because funds available to the Group are deposited with banks with high credit ratings assigned by international credit rating agencies. For deposits in excess of US$50 million the Group requires that the institution has an A (S&P)/A2 (Moody's) long-term rating. For deposits in excess of US$20 million or South African Rand-denominated deposits, the Group requires that the institution has a BBB+ (S&P)/Baa1 (Moody's) long-term rating. US$74.4 million of the bank deposits are with Barclays Bank plc, which has a long-term credit rating of A Stable (S&P)/A2 Stable (Moody's). US$22.4 million of the bank deposits are with HSBC plc which has a long-term credit rating of AA- Stable (S&P)/Aa3 Stable (Moody's).

Notes to the financial statements continued

For the financial year ended 31 December 2018

19. Called-up share capital

Group and Company

	2018 €'000	2017 €'000
Authorised share capital		
181,000,000 ordinary shares of €0.001 each	**181**	181
4,000,000,000 deferred shares of €0.059995 each	**239,980**	239,980
	240,161	240,161

	2018 US$'000	2017 US$'000
Allotted, called up and fully paid		
Ordinary shares		
Opening and closing balance		
109,601,551 ordinary shares of €0.001 each	**120**	120
2,781,905,503 deferred shares of €0.059995 each	**214,926**	214,926
Total called-up share capital	**215,046**	215,046

20. Share premium

Group and Company

	2018 US$'000	2017 US$'000
Opening and closing balance	**730,897**	730,897

Share premium of US$730.9 million (2017: US$730.9 million) relates to the share premium arising on shares issued.

21. Retained losses

Group

	US$'000
Balance at 1 January 2017	(203,424)
Profit for the financial year attributable to equity holders of the parent	19,371
Balance at 1 January 2018	(184,053)
Profit for the financial year attributable to equity holders of the parent	50,874
Balance at 31 December 2018	**(133,179)**

Company

	US$'000
Balance at 1 January 2017	(154,916)
Loss for the financial year attributable to equity holders of the parent	(29,137)
Balance at 1 January 2018	(184,053)
Loss for the financial year attributable to equity holders of the parent	(3,535)
Balance at 31 December 2018	**(187,588)**

22. Other reserves

Group and Company

	Share-based payment reserve US$'000	Capital conversion reserve fund US$'000	Capital redemption reserve fund US$'000	Total US$'000
Balance at 1 January 2017	21,911	754	10,582	33,247
Recognition of share-based payments	1,004	—	—	1,004
Balance at 1 January 2017	22,915	754	10,582	34,251
Recognition of share-based payments	1,420	—	—	1,420
Balance at 31 December 2018	**24,335**	**754**	**10,582**	**35,671**

22. Other reserves continued

The share-based payment reserve arises on the grant of share options and shares under the share option scheme, Kenmare Incentive Plan and Kenmare Restricted Share Plan. Details of share-based payments are given in Note 33.

The capital conversion reserve fund arises from the renominalisation of the Company's share capital from Irish Punts to Euros.

The deferred shares of €0.25 per share were created in 1991 by subdividing each existing ordinary share of IR25 pence into one deferred share of IR20 pence and one new ordinary share of IR5 pence. The deferred shares were non-voting, carried no dividend rights, and the Company had the right to purchase any or all of these shares at a price not exceeding €0.01 per share for all the deferred shares so purchased.

On 12 October 2015, it was resolved that the Company acquire all of the 48,031,467 deferred shares of €0.25 each in the capital of the Company in issue by transfer or surrender to the Company otherwise than for valuable consideration in accordance with Section 102(1)(a) of the Companies Act 2014 and Article 3(ii) of the Articles of Association of the Company and, in accordance with Section 106(1) of the Companies Act 2014, cancel such deferred shares.

23. Bank loans

	2018 US$'000	2017 US$'000
Project Loans		
Senior Loans	**16,055**	25,902
Subordinated Loans	**67,408**	76,965
Total Project Loans	**83,463**	102,867
The borrowings are repayable as follows:		
Within one year	**21,558**	21,693
In the second year	**19,048**	19,048
In the third to fifth years inclusive	**42,857**	62,126
	83,463	102,867
Less: amount due for settlement within twelve months	**(21,558)**	(21,693)
Amount due for settlement after twelve months	**61,905**	81,174
Project Loans		
Balance at 1 January	**102,867**	102,618
Loan interest accrued	**5,871**	6,300
Loan interest paid	**(6,227)**	(6,051)
Principal paid	**(19,048)**	—
Balance at 31 December	**83,463**	102,867

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 Group's shares in the Project Companies, substantially all of the Group's cash balances and substantially all of the Group's intercompany loans.

Senior debt ranks in priority to subordinated debt in repayment, subject to the waterfall provision summarised below, on insolvency of the Group and on enforcement of security.

Voting thresholds are calculated on the basis of aggregate outstanding debt, being the aggregate of outstanding senior debt and outstanding subordinated debt. Decisions are taken by majority Lenders (Lenders whose principal amount of outstanding debt aggregate more than 50.1% of all outstanding debt) or supermajority Lenders (Lenders whose principal amount of outstanding debt aggregate more than 66.7% of all outstanding debt).

Notes to the financial statements continued
For the financial year ended 31 December 2018

23. Bank loans continued

Project Loans continued

In October 2018 the Company announced a dividend policy to return a minimum of 20% of profit after tax to shareholders and noted that the payment of a dividend would require the completion of a capital reduction to eliminate historic losses for Kenmare Resources plc as well as a group restructuring to put in place the internal mechanics to permit profits generated by the Project Companies to be paid as dividends to shareholders. The Group and the Lenders entered into a Conditional Consent Agreement on 15 October 2018 which, amongst other things, provided for the capital reduction of Kenmare Resources plc and restructuring of the Group. In relation to the capital reduction, on 5 December 2018 the shareholders approved the capital reduction, the High Court confirmed the capital reduction at the start of February and the reduction became effective as of 5 February 2019. In relation to the group restructuring, many of these steps have been successfully completed. The Group is addressing with Lenders the remaining aspects of the group restructuring and the applicable conditions to the payment of dividends as "restricted payments".

Senior debt

The final maturity date of the senior debt is 1 February 2022. Interest on the senior debt is payable in cash on each semi-annual payment date (1 February and 1 August). The interest rate on each tranche of senior debt is LIBOR plus a margin of 3.00% from and including 28 July 2016 to and including 31 January 2020, and 3.75% thereafter.

Scheduled repayment of the senior debt and subordinated debt is based on the following repayment schedule, the percentage being applied to total senior and subordinated debt outstanding on 28 July 2016 of US$100 million, in each case subject to the waterfall provisions summarised below:

Payment date	Principal amount to be repaid (%)
1 Feb 2018	9.52381
1 Aug 2018	9.52381
1 Feb 2019	9.52381
1 Aug 2019	9.52381
1 Feb 2020	9.52381
1 Aug 2020	9.52381
1 Feb 2021	9.52381
1 Aug 2021	11.11111
1 Feb 2022	22.22222

Each principal instalment is allocated 50% to senior debt until senior debt is fully repaid (provided that once the amount of Absa senior debt is reduced to US$10 million, Absa ceases to participate in the senior debt instalment and thereafter participates in the subordinated instalment) with the balance being applied to subordinated debt. The effect of the sharing provision is that senior debt, other than Absa's senior debt, will be repaid by 1 August 2019 under the agreed amortisation schedule.

In addition to the scheduled instalments of senior debt, prepayments based on 25% of cash available for restricted payments are required under a cash sweep mechanism on each semi-annual payment date, commencing 1 February 2018, unless the other conditions to the making of a restricted payment cannot be satisfied. Until the senior debt has been repaid in full, 50% of the prepayments will be allocated to senior debt (provided that once the amount of Absa senior debt is reduced to US$10 million, Absa ceases to participate in the senior debt prepayments and thereafter participates in the subordinated debt prepayments) with the balance applied to prepayments of subordinated debt. Senior debt prepayments are applied in inverse order of maturity.

Subordinated debt

The final maturity date of the subordinated debt is 1 February 2022. Interest on the subordinated debt is payable in cash on 1 February and 1 August. The interest rate on subordinated debt is LIBOR plus a margin of 4.75% from and including 28 July 2016 to and including 31 January 2020, and 5.50% thereafter. Subordinated Lenders will receive additional interest allocated pro rata to principal amounts outstanding equal to the difference between (i) interest on the senior loans calculated on the basis of subordinated loan margins and (ii) actual interest on the senior loans. Taken together, the margin on the senior and subordinated loans is thus 4.75% from and including 28 July 2016 to and including 31 January 2020, and 5.50% thereafter.

Scheduled principal instalments on subordinated loans will equal the total principal instalment due on a payment date less the principal instalment on senior loans. In addition to the scheduled instalments, prepayments based on 25% cash available for restricted payments less senior debt prepayments are required under a cash sweep mechanism on each semi-annual payment date, commencing 1 February 2018, unless the other conditions to the making of a restricted payment cannot be satisfied. Subordinated debt prepayments are applied in inverse order of maturity.

23. Bank loans continued

Covenants

The Project Loans contain provisions requiring the Project Companies to maintain certain financial covenants, including a backward looking debt service cover ratio, which is set at a minimum level of 1.25:1. If the debt service cover ratio in respect of any 6-month period from and including 1 August to 31 January or 1 February to 31 July, is less than the required level, an event of default arises. The DSCR ratios calculated for the 6-month period ending 31 January 2018 and the 6-month period ending 31 July 2018 were in compliance with the required level of 1.25:1.

In addition, the Project Companies are required to maintain a capitalisation ratio (being the ratio of aggregate project debt outstanding to aggregate amount of shareholder interests, including share capital, share premium, distributable and non-distributable reserves and intercompany loans) of 55:45, as calculated on 30 June and 31 December each year. Failure to maintain the capitalisation ratio would result in an event of default. The capitalisation ratios calculated on 30 June 2018 and 31 December 2018 were in excess of the level required under the loan documents.

An event of default would give the lenders the right to accelerate the debt and take any other enforcement action under the loan documents. Acceleration would alter the maturity profile of the Group's debt and the Group's liquidity.

The loan documents also contain certain restrictions and conditions for the making by the Project Companies of restricted payments, which include the payment of subordinated intercompany loans and dividends. Payment of such amounts can be made within 45 days of a semi-annual payment date under the loan documents and requires, amongst other things, the payment of a cash sweep amount to lenders and the meeting of various financial and marketing-related covenants and the funding of certain project bank accounts. A failure to satisfy the conditions to restricted payments could adversely affect the ability of the Project Companies to distribute cash to its shareholders and the earnings of those shareholders and therefore the ability of Kenmare Resources plc to pay dividends.

Group borrowings interest, currency and liquidity risk

The loan facilities are arranged at variable rates and expose the Group to cash flow interest rate risk. Variable rates are based on six-month LIBOR. The average effective borrowing rate at financial year end was 7.3% (2017: 5.7%). The interest rate profile of the Group's loan balances at the financial year end was as follows:

	2018 US$'000	2017 US$'000
Variable rate debt	**83,463**	102,867

The fair value of the Group borrowings of US$83.2 million (2017: US$102.5 million) has been calculated by discounting the expected future cash flows at a market rate of 6%. The 6% market rate was estimated by reviewing borrowing rates of the mining sector and other relevant market yields. For B+ to B- rated debt the borrowing rates are in the range of 5 to 6%.

Under the assumption that all other variables remain constant, a 1% change in the 6-month LIBOR rate results in a US$0.8 million (2017: US$1.0 million) change in finance costs for the financial year.

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

	2018 US$'000	2017 US$'000
US Dollars	**83,463**	102,867

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 rates to vary from the assumptions made above and therefore should not be considered a projection of likely future events.

Notes to the financial statements continued

For the financial year ended 31 December 2018

24. Provisions

Group

	2018 US$'000	2017 US$'000
Mine closure provision	**19,863**	16,620
Mine rehabilitation provision	**2,776**	2,278
Legal provision	**1,157**	1,444
	23,796	20,342
Current	**1,437**	1,720
Non-current	**22,359**	18,622
	23,796	20,342

	Mine closure provision US$'000	Mine rehabilitation provision US$'000	Legal provision US$'000	Total US$'000
At 1 January 2017	13,538	2,593	1,444	17,575
Additional provision in the financial year	2,604	805	—	3,409
Provision released in the financial year	—	(1,120)	—	(1,120)
Unwinding of the discount	478	—	—	478
At 1 January 2018	16,620	2,278	1,444	20,342
Additional provision in the financial year	2,772	1,234	—	4,006
Provision released in the financial year	—	(736)	(287)	(1,023)
Unwinding of the discount	471	—	—	471
At 31 December 2018	**19,863**	**2,776**	**1,157**	**23,796**

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 (2017: US$0.5 million) has been recognised in the statement of comprehensive income for the financial year.

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

- a discount rate of 3.2% (2017: 2.9%);
- an inflation rate of 2% (2017: 2%);
- an estimated life of mine of 40 years (2017: 40 years); and
- an estimated closure cost of US$28.8 million (2017: US$21.7 million) and an estimated post-closure monitoring provision of US$3.9 million (2017: US$1.7 million).

The life of mine plan is based on the Namalope, Nataka and Pilivili proved and probable reserves as set out in the Reserve and Resources table. The Mine closure provision has been increased by US$2.6 million to reflect the change in the estimated closure cost and a change in the discount rate from 2.9% to 3.2%.

The discount rate is a significant factor in determining the Mine closure provision. The Group uses rates as provided by the US Treasury. 30-year US Treasury yields are the longest period for which yields are quoted. A 40-year rate to align with the estimated life of mine has been calculated by taking the average of the increase in yield from 10 to 20 years and the increase in yield from 20 to 30 years and adding this average to the 30-year treasury rate to arrive at an estimated extrapolated rate for 40 years. This discount rate is deemed to provide the best estimate of the current market assessment of the time value of the money. Risks specific to the liability are included in the cost estimate. A 1% increase in the estimated discount rate results in the Mine closure provision decreasing to US$13.9 million. A 1% decrease in the estimated discount rate results in the Mine closure provision increasing to US$30.3 million.

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 financial year there was a release of US$0.7 million (2017: US$1.1 million) to reflect the actual mine rehabilitation costs incurred, and an addition to the provision of US$1.2 million (2017: US$0.8 million) for areas newly disturbed.

24. Provisions continued

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 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 appeal. In December 2018 the appeal was heard by the Court of Appeal. On 28 February 2019, the Court of Appeal ruled that the High Court of Ireland jury award of damages be substantially reduced from €10 million to €0.25 million. US$0.3 million in the provision was released to cover costs of this hearing. The same former director has also served notice that he intends to pursue a number of non-defamation actions against the Company. The legal provision is recognised in the statement of financial position of the Company.

25. Other financial liabilities

Group and Company

	2018 US$'000	2017 US$'000
Warrants – equity	**1**	7
Warrants – corporate facility	**—**	1
	1	8

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, had an exercise price of Stg29.09 pence and an exercise period of five years commencing thirteen months after the date of issue.

The old ordinary shares of nominal value €0.06 per share of Kenmare Resources plc were subject to a share division and consolidation as of 26 July 2016, resulting in each of the 200 old ordinary shares being consolidated into one ordinary share with nominal value of €0.001.

As a result, these warrants were adjusted in line with the relevant terms of the related warrant instrument to 250,300 warrants and an exercise price of Stg£58.18. The adjustment did not result in an alteration to any other terms of the warrants including, in particular, the subscription period.

On 31 July 2014, the Group agreed with corporate bank loan provider Absa an extension of the maturity date of the US$20 million corporate loan from 31 March 2015 to 31 March 2016. An extension fee of US$800,000 was settled in 7,257,850 warrants for Kenmare Resources plc shares on 1 September 2014 which had an exercise price of Stg11.00 pence. The warrants are exercisable for a period of seven years and are otherwise on substantially the same terms as the warrants issued on 16 October 2013 detailed above.

As a result of the share division and consolidation noted above, these warrants were adjusted in line with the relevant terms of the related warrant instrument to 36,289 warrants and an exercise price of Stg£22.00. The adjustment did not result in an alteration to any other terms of the warrants including, in particular, the subscription period.

A financial liability of US$0.001 million (2017: US$0.008 million) based on the fair value of the warrants at the statement of financial position date has been recorded as the cost of issuing the warrants with the reduction in value of US$0.007 million (2017: US$0.004 million finance costs) included in finance income in the Statement of Comprehensive Income.

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

	2018	2017
Year-end share price	**£1.91**	£2.77
Year-end Stg£/US$ exchange rate	**0.79**	0.74
Warrant exercise price	**£58.18 & £22.00**	£58.18 & £22.00
Expected volatility	**37%**	43%
Expected life (years)	**1 to 3**	2 to 4
Risk-free rate	**2.5%**	2.0%

The risk-free rate used is the five-year US Treasury rate. This discount rate is deemed to provide the best estimate to reflect current market assessment of the time value of the money and the risks specific to the liability. Significant factors in determining the warrant fair value are the Company share price and expected volatility. A 10% change in the Company's share price results in the financial liability increasing to US$0.001 million. A 10% change in expected volatility results in the financial liability increasing to US$0.002 million.

Notes to the financial statements continued

For the financial year ended 31 December 2018

26. Trade and other payables

Amounts payable within one year

	Group		Company	
	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
Trade payables	**9,822**	10,531	**143**	9
Accruals	**13,841**	14,794	**2,394**	1,819
	23,663	25,325	**2,537**	1,828

Included in Group accruals at the financial year end is an amount of US$0.7 million (2017: US$1.3 million) and in the Company accruals US$0.1 million (2017: US$0.2 million) for payroll and social insurance taxes.

Liquidity risk

The amounts included in trade and other payables are due within one year. The average credit period on the purchase of goods and services is 30 days from the date of the invoice except for invoices which are being held as a result of disputes. 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 financial year end is as follows:

Group	2018 US$'000	2017 US$'000
US Dollar	**13,547**	13,448
Mozambican Metical	**4,919**	5,371
Euro	**1,987**	1,344
South African Rand	**1,493**	3,334
Australian Dollar	**1,451**	1,661
Sterling	**267**	167
	23,664	25,325

Company	2018 US$'000	2017 US$'000
Euro	**1,893**	1,131
US Dollar	**378**	530
Sterling	**266**	167
	2,537	1,828

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

27. 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 continue to achieve positive cash flows allowing returns to shareholders.

At the 31 December 2018, the Group had total debt of US$83.5 million (2017: US$102.9 million), details of which are set out in Note 23.

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 23 and equity attributable to equity holders of the Company, comprising issued capital, reserves, retained losses and other reserves as disclosed in Notes 19 to 22.

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 current liabilities where possible.

28. Capital commitments

Group

	2018 US$'000	2017 US$'000
Contracts for future expenditure authorised by the Board:		
Capital authorised and contracted	**17,785**	6,661
Capital authorised and not contracted	**50,788**	18,892

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

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

29. 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 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 appeal. In December 2018 the appeal was heard by the Court of Appeal. On 28 February 2019, the Court of Appeal ruled that the High Court of Ireland jury award of damages be substantially reduced from €10 million to €0.25 million. No provision has been made in these financial statements for the award as the Company does not consider that there is any future probable loss. The Company has provided US$1.2 million (2017: 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 24.

30. Parent company, Kenmare Resources plc Statement of Comprehensive Income

In accordance with Section 304(2) of the Companies Act 2014, 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 IFRSs is US$3.5 million (2017: US$29.1 million). The loss is due to administration costs of US$2.4 million (2017: US$1.6 million), share-based payments expenses of US$1.4 million (2017: US$1.0 million), depreciation costs of US$0.1 million (2017: nil), an allowance for amounts due from subsidiary undertakings of nil (2017: US$26.8 million), finance income from deposit interest of US$0.4 million (2017: US$0.08 million), finance costs from the fair valuation of warrants of nil (2017: finance income US$0.004 million) and a foreign exchange loss of US$0.02 million (2017: gain US$0.2 million).

31. Operating lease arrangements

Group and Company

The Group as lessee

	2018 US$'000	2017 US$'000
Lease payments under operating leases recognised as an expense in the financial year	**1,315**	1,440

At the statement of financial position date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018 US$'000	2017 US$'000
Within one year	**1,288**	1,301
In the second to fifth years inclusive	**3,988**	5,053
After five years	**981**	1,314
Total	**6,257**	7,668

Operating lease payments represent rentals payable by the Group for its office buildings and for the rental of electricity generators at the Mine.

In August 2017, the Company entered into a ten-year lease for its head office at Styne House. The lease has a term of ten years and rentals are fixed for five years. The underlying currency of the office lease payment is the Euro.

The lease for the electricity generators at the Mine expired and was renewed in 2017. In November 2017, the Group entered into a five-year lease for the generators and rentals are fixed for the five years. The underlying currency of the lease payments is the US Dollar.

Notes to the financial statements continued

For the financial year ended 31 December 2018

32. 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 and Company

	2018 US$'000	2017 US$'000
Contributions	**524**	480

33. Share-based payments

Share option scheme

The Company has a share option scheme for employees and consultants. The last award under this scheme was in 2014. Options are exercisable at a price equal to the quoted market price of the Company's shares on the date of grant. The options generally vest over a three-year period in equal annual amount, or, if performance related, in the year the performance criteria are met. If options remain unexercised after a period of seven 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 financial year are as follows:

	2018		2017	
	Number of share options	Weighted average exercise price US$	Number of share options	Weighted average exercise price US$
Outstanding at the beginning of the financial year	**92,490**	**95.54**	159,115	79.45
Expired/lapsed during the financial year	**(16,657)**	**123.96**	(66,625)	56.75
Outstanding at the end of the financial year	**75,833**	**85.65**	92,490	95.54
Exercisable at the end of the financial year	**75,833**		92,490	

No share options were issued, granted or exercised during the financial year or in 2017. The options outstanding at the end of the financial year have exercise prices which range from US$52.81 to US$117.78 and a weighted average remaining contractual life of 1.2 years (2017: 1.9 years).

During the financial year the Group recognised a share-based payment in respect of the share option scheme of nil (2017: nil).

Kenmare Incentive Plan (KIP)

From 2014 to 2017 the Company had an incentive plan under which annual awards had a cash element and a separate share element. Both the cash element and the share element were based on a number of in-year performance targets. Based on the level of achievement against these targets, the cash element was paid shortly after the end of the relevant year. The share element vests after a further three years with part of the shares subject to a further two-year holding period. The share element is subject to performance vesting conditions. The value of the shares is measured at fair value at the date of grant based on the Company's estimate of the shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. The fair value determined at the grant date is expensed on a straight-line basis over the remaining estimated vesting period.

In 2017, 629,140 shares were awarded to Executive Directors and employees, under the 2016 KIP award. The estimated fair value of these shares awarded is US$1.8 million. In 2017 the KIP ceased and was replaced by the Kenmare Restricted Share Plan (KRSP).

During the financial year, the Group recognised a share-based payment expense of US$0.4 million (2017: US$0.7 million) as a result of the KIP awards.

33. Share-based payments continued

Kenmare Restricted Share Plan (KRSP)

In 2017 the Company introduced an incentive plan under which annual awards have a cash element and a separate long-term share award under a new share plan. Share awards under the KRSP vest, subject to continued employment, either on third anniversary of award, or, in the case of Executive Directors and certain other employees, on each of the third, fourth and fifth anniversaries of award. The value of the shares is measured at fair value at the date of grant based on the Company's share price. The fair value determined at the grant date is expensed on a straight-line basis over the remaining estimated vesting period.

In 2018, 522,661 shares were granted to Executive Directors and employees under the 2018 KRSP award. The estimated fair value of these shares awarded is US$1.7 million. In 2017, 445,154 shares were granted to Executive Directors and employees under the 2017 KRSP award. The estimated fair value of these shares awarded is US$1.5 million.

During the financial year, the Group recognised a share-based payment expense of US$1.0 million (2017: US$0.3 million) as a result of the KRSP awards.

34. Related party transactions

Group

Remuneration of key management personnel

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

	2018 US$'000	2017 US$'000
Short-term employee benefits	**2,611**	2,701
Post-employment benefits	**116**	133
Share-based payments	**1,083**	913
Total benefits	**3,810**	3,747

Further information about the remuneration of individual Directors is provided in the Directors' Remuneration Report on pages 68 to 78 and is deemed to be incorporated in this note to the financial statements.

Company

The Project Companies are wholly owned subsidiary undertakings of Kenmare Resources plc. During the financial year, funding for the Moma Titanium Minerals Mine was provided to the Project Companies by Congolone Heavy Minerals Limited. At the financial year end the amount due to Congolone Heavy Minerals Limited from the Project Companies was US$677.4 million (2017: US$676.8 million).

Under the terms of a management services agreement with the Company, management services costing US$9.0 million (2017: US$8.5 million) were provided during the financial year to the Project Companies.

35. Kenmare Resources plc

Kenmare Resources Public Company Limited is a public limited company. The place of registration is Ireland and the registered office address is Styne House, Hatch Street Upper, Dublin 2. The registered number is 37550.

36. Events after the Statement of Financial Position date

On 5 December 2018, shareholders approved a resolution to reduce the capital of Kenmare Resources plc in order to eliminate historicial losses. On 1 February 2019, the High Court of Ireland confirmed this resolution. The reduction of capital and elimination of losses took effect on 5 February 2019.

On 28 February 2019 the Court of Appeal ruled that the High Court of Ireland jury award of damages, made in favour of a former director in November 2010 as detailed in Note 29, be substantially reduced from €10 million to €0.25 million.

37. Approval of financial statements

The financial statements were approved by the Board on 29 March 2019.

Shareholder profile

Based on the register as at 20 March 2019

Size of holdings

	No. of shareholders	No. of shares held
1–1,000	4,641	335,730
1,001–5,000	210	489,747
5,001–25,000	102	1,147,068
25,001–100,000	56	2,957,819
100,001–250,000	29	4,537,540
250,001–500,000	16	5,423,974
500,001–750,000	6	3,743,293
Over 750,000	19	90,966,380
Total	**5,079**	**109,601,551**

Geographic distribution of holdings

	No. of shareholders	No. of shares held
Republic of Ireland	1,967	2,138,931
Northern Ireland and Great Britain	2,998	75,508,484
Other	114	31,954,136
Total	**5,079**	**109,601,551**

Glossary – alternative performance measures

Certain financial measures set out in the Annual Report to 31 December 2018 are not defined under International Financial Reporting Standards (IFRSs), but represent additional measures used by the Board to assess performance and for reporting both internally and to shareholders and other external users. Presentation of these alternative performance measures (APMs) provides useful supplemental information which, when viewed in conjunction with the Company's IFRS financial information, allows for a more meaningful understanding of the underlying financial and operating performance of the Group.

These non-IFRS measures should not be considered as an alternative to financial measures as defined under IFRSs.

Descriptions of the APMs included in this report, as well as their relevance for the Group, are disclosed below.

APM	Description	Relevance
EBITDA	Operating profit/loss before depreciation and amortisation.	Eliminates the effects of financing, tax and depreciation to allow assessment of the earnings and performance of the Group.
Capital costs	Additions to property, plant and equipment in the period.	Provides the amount spent by the Company on additions to property, plant and equipment in the period.
Cash operating cost per tonne of finished product produced	Total costs less freight and other non-cash costs, including inventory movements, divided by final product production (tonnes).	Eliminates the non-cash impact on costs to identify the actual cash outlay for production and, as production levels increase or decrease, highlights operational performance by providing a comparable cash cost per tonne of product produced over time.
Net cash/debt	Bank loans before loan amendment fees and expenses net of cash and cash equivalents.	Measures the amount the Group would have to raise through refinancing, asset sale or equity issue if its debt were to fall due immediately and aids in developing an understanding of the leveraging of the Group.
Mining – HMC produced	Heavy mineral concentrate extracted from mineral sands deposits and which include ilmenite, zircon, rutile and other heavy minerals and silica.	Provides a measure of heavy mineral concentrate extracted from the Mine.
Processing – finished products produced	Finished products produced by the mineral separation process.	Provides a measure of finished products produced from the processing plants.
Marketing – finished products shipped	Finished products shipped to customers during the period.	Provides a measure of finished products shipped to customers.
LTIFR	Lost time injury frequency rate.	Measures the number of injuries causing lost time per 200,000 man-hours worked on site.
AI	All injuries.	Provides the number of injuries at the Mine in the year.

EBITDA

	2013 US$m	2014 US$m	2015 US$m	2016 US$m	2017 US$m	2018 US$m
Operating profit/(loss)	4.7	(31.5)	(47.3)	(25.4)	28.5	**62.9**
Depreciation and amortisation	24.3	40.9	35.8	30.6	32.0	**30.4**
EBITDA	29.0	9.4	(11.5)	5.2	60.5	**93.3**

Glossary – alternative performance measures continued

Cash operating cost per tonne of finished product

	2013 US$m	2014 US$m	2015 US$m	2016 US$m	2017 US$m	2018 US$m
Cost of sales	113.7	173.4	168.1	144.0	156.6	**168.3**
Other operating costs	19.5	32.4	21.8	22.8	23.2	**31.0**
Total operating costs	133.2	205.8	189.9	166.8	179.8	**199.3**
Freight charges	(3.4)	(8.2)	(3.7)	(5.4)	(5.5)	**(16.3)**
Total operating costs less freight	129.8	197.6	186.2	161.4	174.3	**183.0**
Non-cash costs						
Depreciation and amortisation	(24.3)	(40.9)	(35.8)	(30.6)	(32.0)	**(30.4)**
Share-based payments	(0.6)	(1.4)	0.7	(0.4)	(1.0)	**(1.4)**
Costs capitalised	27.2	—	—	—	—	**—**
Mineral product movements	18.3	17.7	(14.7)	3.0	0.3	**0.1**
Adjusted cash operating costs	150.4	173.0	136.4	133.4	141.6	**151.3**
Final product production tonnes	755,500	911,500	821,300	979,300	1,081,300	**1,043,300**
Cash operating cost per tonne of finished product	US$199	US$190	US$166	US$136	US$131	**US$145**

Net cash/debt

	2013 US$m	2014 US$m	2015 US$m	2016 US$m	2017 US$m	2018 US$m
Bank loans	(355.2)	(337.7)	(341.9)	(102.6)	(102.9)	**(83.5)**
Loan amendment fees and expenses	(6.7)	(12.4)	(25.9)	—	—	**—**
Gross debt	(361.9)	(350.1)	(367.8)	(102.6)	(102.9)	**(83.5)**
Cash and cash equivalents	67.5	21.8	14.4	57.8	68.8	**97.0**
Net cash/(debt)	(294.4)	(328.3)	(353.4)	(44.8)	(34.1)	**13.5**

Glossary – terms

"CIF"	The seller delivers when the goods pass the ship's rail in the port of shipment. Seller must pay the cost and freight necessary to bring goods to named port of destination. Risk of loss and damage are the same as CFR. Seller also has to procure marine insurance against buyer's risk of loss/damage during the carriage. Seller must clear the goods for export. This term can only be used for sea transport.
"CFR"	This term means the seller delivers when the goods pass the ship's rail in port of shipment. Seller must pay the costs and freight necessary to bring the goods to the named port of destination, but the risks of loss or damage, as well as any additional costs due to events occurring after the time of delivery, are transferred from seller to buyer. Seller must clear goods for export. This term can only be used for sea transport.
"the Company"	Kenmare Resources plc.
"DFS"	Definitive feasibility studies are the most detailed and will determine definitively whether to proceed with the project. A definitive feasibility study will be the basis for capital appropriation, and will provide the budget figures for the project. Detailed feasibility studies require a significant amount of formal engineering work and are accurate to within approximately 10-15%.
"EdM"	Electricidade de Moçambique.
"EPCM"	Engineering, Procurement and Construction Management.
"FOB"	This term means that the seller delivers when the goods pass the ship's rail at the named port of shipment. This means the buyer has to bear all costs and risks to the goods from that point. The seller must clear the goods for export. This term can only be used for sea transport.
"Group" or "Kenmare"	Kenmare Resources plc and its subsidiary undertakings.
"HMC"	Heavy mineral concentrate extracted from mineral sands deposits and which include ilmenite, zircon, rutile and other heavy minerals and silica.
"MITADER"	Ministério de Terra, Ambiente e Desenvolvimento Rural or Ministry of Land, Environment and Rural Development.
"Moma", "Moma Mine" or "the Mine"	The Moma Titanium Minerals Mine, consisting of a heavy mineral sands, processing facilities and associated infrastructure, which is located on the north east coast of Mozambique under licence to the Project Companies.
"MSP"	Mineral separation plant.
"Mtpa"	Million tonnes per annum.
"PFS"	A feasibility study is an evaluation of a proposed mining project to determine whether the mineral resource can be mined economically. Pre-feasibility study is used to determine whether to proceed with a detailed feasibility study and to determine areas within the project that require more attention. Pre-feasibility studies are done by factoring known unit costs and by estimating gross dimensions or quantities once conceptual or preliminary engineering and mine design has been completed. Pre-feasibility studies have an accuracy within approximately 20-30%.
"PM"	Atmospheric particulate matter – also known as particulate matter (PM) or particulates – are microscopic solid or liquid matter suspended in the Earth's atmosphere.
"Project Companies"	Kenmare Moma Mining (Mauritius) Limited and Kenmare Moma Processing (Mauritius) Limited, wholly owned subsidiary undertakings of Kenmare Resources plc, which are incorporated in Mauritius.
"SGRF"	The State General Reserve Fund of the Sultanate of Oman.
"THM"	Total heavy minerals in the ore of which ilmenite (typically 82%), rutile (typically 2.0%) and zircon (typically 5.5%) total approximately 90%.
"WCP"	Wet Concentrator Plant.
"WCP A"	The original WCP which started production 2007.
"WCP B"	The second WCP which started production in 2013.
"WCP C"	The third WCP being built and commissioned in 2019.
"WHIMS"	Wet-high-intensity magnetic separation plant.

General information

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Image:
Kenmare's transhipment vessel the Peg loading product at the jetty with the Bronagh J and Sofia III in the background.

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The Group's commitment to environmental issues is reflected in this Annual Report which has been printed on Symbol Freelife Satin which is a mixed source FSC® certified and ECF (Elemental Chlorine Free) material. Printed in the UK by Park Communications, using their environmental printing technology; vegetable inks were used throughout. Both the manufacturing mill and the printer are registered to the Environmental Management System ISO14001 and are Forest Stewardship Council® (FSC) chain-of-custody certified.