

Kenmare Resources plc
("Kenmare" or "the Company" or "the Group")

23 March 2022

2021 PRELIMINARY RESULTS

Kenmare Resources plc (LSE:KMR, ISE:KMR), one of the leading global producers of titanium minerals and zircon, which operates the Moma Titanium Minerals Mine (the "Mine" or "Moma") in northern Mozambique, today announces its preliminary results for the twelve months to 31 December 2021.

Statement from Michael Carvill, Managing Director:

"2021 was a record year for Kenmare on all fronts. Our financial results were driven by record production volumes and higher average prices received for our products, with revenues up 87% and EBITDA up 182%. Following our lowest ever Lost Time Injury Frequency Rate in 2021, we have continued to achieve new safety milestones, passing eight million hours without a Lost Time Injury in early March 2022. Production in Q1 2022 has been impacted by poor weather conditions but we remain on track to achieve our 2022 guidance.

We are pleased to be publishing our first Climate Strategy Report in the coming weeks, along with our second Sustainability Report. In addition to setting a short-term carbon reduction target, the Board has also approved our ambition to be Net Zero by 2040.

The positive momentum we saw in all our product markets in 2021 has continued into 2022. Global demand for ilmenite, our primary product, continues to exceed supply and our production volumes are being well received by the market.

In light of this continuing market strength and our record performance, the Board is recommending a 2021 dividend of US\$32.71 per share, up from US\$10.00 per share in 2020. This is in line with our 2021 dividend target payout of 25% of profit after tax and follows the \$81.6 million share buy-back we completed in December as part of our strategy to deliver compelling shareholder returns."

2021 overview

Financial

- Recommended 2021 dividend of \$32.1 million or US\$32.71 per share (2020: US\$10.00), up 227% on 2020, comprising an interim dividend of US\$7.29 per share (paid in October 2021) and a final dividend of US\$25.42 per share (expected to be paid in June 2022)
- 87% increase in revenue to \$455.9 million in 2021 (2020: \$243.7 million), driven by record shipments and a 21% increase in the average price received for Kenmare's products
- 20% increase in total cash operating costs to \$189.7 million (2020: \$158.0 million) as a result of a 46% increase in finished product production, plus increased costs relating to repairs and maintenance, Heavy Mineral Concentrate ("HMC") haulage from the Pivivili operations, and COVID-19 management
- 18% decrease in cash operating costs per tonne to \$154 per tonne (2020: \$188 per tonne), benefitting from increased product volumes. 26% decrease in net ilmenite unit costs to \$93 per tonne (2020: \$125 per tonne), due to increased ilmenite production and higher co-product revenues
- 182% increase in EBITDA to \$216.1 million (2020: \$76.7 million), due to increased production, stronger product pricing and lower unit costs, representing a 51% EBITDA margin (2020: 33%)
- 669% increase in profit after tax to \$128.5 million (2020: \$16.7 million) due to higher EBITDA, partially offset by increased depreciation charges
- Net debt position of \$82.8 million at year-end 2021, compared to \$64.0 million at year-end 2020, following the completion of the \$81.6 million share buy-back

Operational

- Record annual HMC production of 1,555,900 tonnes, representing a 30% increase compared to 2020 (1,201,100 tonnes), benefitting from increased tonnes mined and higher ore grades
- 48% increase in ilmenite production to 1,119,400 tonnes (2020: 756,000 tonnes) benefitting from increased HMC processed
- 51% increase in shipments of finished products to 1,285,300 tonnes (2020: 853,100 tonnes), reflecting increased production and benefitting from improved transshipment capacity
- Commissioning commenced of Rotary Uninterruptible Power Supply (“RUPS”), which is expected to deliver benefits in terms of power stability, operating cost reductions, and lower carbon emissions through reduced usage of diesel generators
- Kenmare is on track to achieve 2022 guidance, although production in Q1 2022 is expected to be below the anticipated annual run rate due to poor weather conditions during the quarter

Dividend timetable

The Company confirms the dates for the 2021 final dividend are as follows:

Ex-dividend date	28 April 2022
Record date	29 April 2022
Currency election date	4 May 2022 at noon
AGM date for shareholder approval	26 May 2022
Payment date	1 June 2022

Irish Dividend Withholding Tax (25%) must be deducted from dividends paid by the Company, unless a shareholder is entitled to an exemption and has submitted a properly completed exemption form to the Company’s Registrar.

Analyst and investor briefing and conference call

Kenmare will host a briefing and a conference call for analysts, institutional investors, and media today at 9:00am UK time. The briefing will be held at the Royal Institution of Great Britain, 21 Albemarle Street, London, W1S 4BS, UK and participant dial-in numbers for the conference call are as follows (a pin code is not required to access the call):

UK: +442086103526

Ireland: +35315822030

US +12407892714

The webcast will be available at www.kenmareresources.com and playback of the webcast will be available at: www.kenmareresources.com/investors/reports-and-presentations.

Private investor webinar

There will also be a separate webinar for private investors today at 12:30 UK time. To access the webcast, please register in advance by clicking [here](#).

For further information, please contact:

Kenmare Resources plc

Jeremy Dibb / Katharine Sutton

Investor Relations

ir@kenmareresources.com

Tel: +353 1 671 0411

Mob: +353 87 943 0367 / +353 87 663 0875

Murray Group (PR advisor)

Doug Keatinge

dkeatinge@murraygroup.ie

Tel: +353 1 498 0300

Mob: +353 86 037 4163

About Kenmare Resources

Kenmare Resources plc is one of the world's largest producers of mineral sands products. Listed on the London Stock Exchange and the Euronext Dublin, Kenmare operates the Moma Titanium Minerals Mine in Mozambique. Moma's production accounts for approximately 8% of global titanium feedstocks and the Group supplies to customers in more than 15 countries. Kenmare produces raw materials that are ultimately consumed in everyday "quality-of life" items such as paints, plastics and ceramic tiles.

All monetary amounts refer to United States dollars unless otherwise indicated.

Forward Looking Statements

This announcement contains some forward-looking statements that represent Kenmare's expectations for its business, based on current expectations about future events, which by their nature involve risks and uncertainties. Kenmare believes that its expectations and assumptions with respect to these forward-looking statements are reasonable. However, because they involve risk and uncertainty, which are in some cases beyond Kenmare's control, actual results or performance may differ materially from those expressed or implied by such forward-looking information.

CHAIRMAN'S STATEMENT

Dear shareholders,

2021 was the first full year of operations at the high grade Pilivili ore zone, in addition to our original Namalope area. Significant increases in production and shipments were achieved, while our product markets exhibited strong demand throughout the year. As a result, revenue increased by 87% to \$455.9 million, and profit after tax by 669% to \$128.5 million, vindicating our strategy of investing in additional production capacity in anticipation of a tight market.

As we began 2021, while we had largely completed the last of our three growth projects, operational effectiveness continued to be impacted by COVID-19. Our vaccination, testing, and quarantine protocols mitigated the worst effects of the virus, however, and we also achieved a truly outstanding safety performance. Nevertheless, we remain vigilant as the pandemic continues to evolve. The health and safety of our colleagues and host communities remain our highest priorities.

Shareholder returns

Kenmare committed to increase shareholder returns after the completion of the major capital projects executed during 2018-2020. Accordingly, we have recommended a dividend payout of 25% of profit after tax for 2021, higher than the 20% minimum policy. Subject to shareholder approval, our 2021 full year dividend will be US\$32.71, an increase of 227% compared to 2020.

Despite robust operational and financial performance, our share price during 2021 did not fully reflect Kenmare's intrinsic value, and the Board concluded that a share buy-back was therefore a prudent use of capital. A share buy-back was completed in December 2021, returning \$81.6 million to eligible shareholders while reducing the number of shares in issue by 13.5%.

I am pleased that Kenmare has been able to return almost \$100 million in aggregate to shareholders during 2021, through dividends and the share buy-back, whilst also maintaining a robust balance sheet.

At the 2022 Annual General Meeting ("AGM") Kenmare will ask shareholders to approve resolutions to implement an Odd-lot Offer at some point during the next 18 months. This will enable the Company to purchase, at a 5% premium, the shares held by eligible certificated shareholders who hold fewer than 200 shares in the Company. This will help small shareholders who would otherwise have difficulty selling their holdings due to disproportionate trading costs. Further details of the Odd-lot Offer scheme will be included in the Notice of AGM to be distributed to shareholders in due course.

Outlook and strategy

In 2021 we benefitted from strong product markets for all our products and this positive momentum has continued into 2022. Our increased production has been well absorbed by our markets and demand for Kenmare ilmenite remains strong. However, the tragic conflict in Ukraine has created significant uncertainties in global trade routes and the wider economy. It is too soon to speculate on the overall effects on our business, but Ukraine is a significant supplier of titanium feedstocks, while lower global growth could reduce demand for our products.

In 2025, Wet Concentrator Plant ("WCP") A will move to the Nataka ore zone. Field tests of mining methods and planning studies are making good progress and a Pre-Feasibility Study for the move is expected to be completed later in 2022. This will include details of the mining method, relocation, provision of water and power, an HMC pumping system, and plans for tailings disposal.

Our overall strategy is to operate responsibly to deliver long-life low-cost production, allocating capital efficiently, including towards developing accretive growth opportunities. The Kenmare team is committed to achieving these strategic goals, while also becoming a first quartile producer on the industry revenue to cost curve. Achievement of these long-term strategic goals will support further increases in free cash flow and higher dividends, as well as improving resilience in case of potential cyclical commodity market downturns.

Sustainability

Kenmare has always placed sustainability at the heart of its business practices, working responsibly to achieve ambitious environment, social, and governance goals. In 2021, we published our inaugural Sustainability Report, which set out guiding principles, together with some examples of our approach to responsible environmental management, and constructive community and other stakeholder relations. We will publish our second Sustainability Report in the coming weeks, including commentary on our performance against public sustainability targets for the first time.

The Board has ratified an inaugural Climate Policy and we will shortly publish our first Climate Strategy Report, aligned with the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD").

During 2021 we launched a Portuguese version of our corporate website to ensure all information is easily accessible for Mozambicans. For the second consecutive year, we were pleased to be named as the most transparent extractive industry company in Mozambique by the Centre for Public Integrity's Extractive Industry Transparency Index.

Board development

In 2021, an external performance evaluation of the Board and all of its Committees was conducted by Board Excellence, in accordance with the provisions of the 2018 UK Corporate Governance Code. I am pleased to report that the evaluation concluded that Kenmare's Board operates efficiently, "with a deep commitment to do the right thing and excel on behalf of shareholders, employees and stakeholders." A summary of outcomes and actions from the evaluation will be published in our 2021 Annual Report.

A number of important changes in the composition of the Board took place during the year, and further changes will occur in 2022 when I plan to retire, after nine years on Kenmare's Board, almost eight of them as Chairman.

Gabriel Smith, Tim Keating, and Peter Bacchus stepped down and I would like to thank them sincerely for their important contributions to Kenmare's success in recent years. Graham Martin has assumed the role of Senior Independent Director following Peter's departure.

In March 2021, we were pleased to welcome Sameer Oundhakar to replace Tim as the representative Director of our largest shareholder, African Acquisition S.à.r.l., an investment vehicle owned by the Oman Investment Authority.

In October 2021, we announced that Mette Dobel had agreed to join the Board as an independent Non-Executive Director effective 1 January 2022. Her significant leadership experience both as a senior executive and director of FLSmidth A/S, at the cutting edge of mining technology and automation, will be invaluable as we strive to achieve further operational efficiencies and build a positive social and environmental legacy.

In December 2021, Andrew Webb joined the Board as an independent Non-Executive Director and Chair Designate. Andrew brings extensive natural resources and financial advisory experience, having previously served as a Managing Director at Rothschild & Co in the Global Advisory team, where he worked for 25 years. I have enjoyed working with him through the transition period and am confident that Andrew's skills and enormous mining industry and finance experience position him well to play a key role in driving the future success of the business.

I plan to step down following the 2022 AGM and Andrew will become Chairman. I look forward with confidence to Andrew and the rest of the Board taking Kenmare to even higher levels of achievement in future years

After these changes, the composition of the Board will provide a strong and diverse mix of talents, skills and experience, well suited to the business and challenges ahead, while achieving our gender diversity target with female Directors representing one third of the Board.

Acknowledgements

I would like to end my final statement as Chairman by thanking all of Kenmare's key stakeholders for their support and commitment to the Company and the Board, not only during the unprecedented challenges we have all experienced during the past two years of COVID-19 disruption, but also throughout my nine-year tenure. I look back on the Company's achievements with a sense of pride and I am pleased to be leaving Kenmare in the strongest position in its history.

It has been a privilege to work with my fellow Board members, and particularly Michael Carvill who founded the company and has led it selflessly and courageously for more than 20 years. Kenmare has an outstanding management team and a remarkable workforce. I feel privileged to have worked with such a talented group and I will follow the Company's continued progress with keen interest.

With capacity to deliver 1.2 million tonnes per annum ("Mtpa") of ilmenite on a sustainable basis, buoyant product markets, and a first class team, I am confident that Kenmare will continue to generate value for all stakeholders in 2022 and beyond.

Steven McTiernan
Chairman

MANAGING DIRECTOR'S STATEMENT

Kenmare delivered a record year for safety, production, and shipments in 2021. The Company demonstrated its resilience and agility, protecting our employees and host communities against a second year of heightened risk due to COVID-19. I would like to thank all our team for their hard work and dedication, particularly during H1 2021 when we faced huge challenges as a result of the virus.

Our record operational performance in 2021 was supported by strong market conditions for all our products. We increased production of ilmenite, our main product, by almost 50% compared to 2020 and this was well received by the product market, with quarter-on-quarter price increases. This enabled us to generate EBITDA of \$216.1 million, up 182% on 2020, and gave us the confidence to return almost \$100 million to shareholders during the year, increasing our 2021 dividend payout to 25% of profit after tax, above the 20% minimum policy, and completing a share buy-back of 13.5% of our issued share capital.

We are targeting production of 1.2 Mtpa of ilmenite, plus co-products, on a sustainable basis and reduced unit costs. We remain focused on delivering strong free cash flow and shareholder returns, while continuing to raise the standards to which we hold ourselves in terms of environment, social, and governance performance. We believe we are achieving our purpose of *responsibly meeting global demand for quality-of-life minerals*.

Safety

It is testimony to our strong safety culture that Kenmare reported its best ever safety performance in 2021. This achievement is particularly significant given the additional pressure put on our mining operations by COVID-19, which had the potential to increase safety risks.

We delivered our lowest ever Lost Time Injury Frequency Rate of 0.03 per 200,000 hours worked for the 12 months to 31 December 2021, which also represented more than six million hours worked without a Lost Time Injury ("LTI") and an 88% reduction compared to 2020. Our Total Recordable Injury Frequency Rate ("TRIFR") relative to the 2020 International Council on Mining and Metals TRIFR was in the top quintile. On 6 January 2022 we achieved one year without a LTI and we are working hard to maintain this record performance. We also retained our five-star NOSA safety accreditation for the sixth consecutive year.

Sustainability

Our commitment to working responsibly is enshrined in Kenmare's purpose and we are particularly focused on protecting our employees and our host communities in Mozambique. In mid-2021 we began vaccinating our workforce against COVID-19 and by the end of the year, 96% had been double vaccinated. We also donated 12,000 vaccines to local communities.

Through the Kenmare Moma Development Association ("KMAD"), we completed the construction of a new health centre for the communities living near our Piliwili operations and constructed seven school blocks in the Namalope and Piliwili areas. By the end of the year, over 1,000 farmers were registered in our Conservation Agriculture programme to improve crop yields and 75 small businesses were benefitting from KMAD support.

We recognise the role and responsibility all businesses must take in reducing global greenhouse gas emissions and as such, in December 2021, the Board approved Kenmare's Climate Policy. We will publish our first Climate Strategy Report in the coming weeks, which follows recommendations made by the TCFD. We have an ambition of becoming Net Zero (Scope 1 and 2) by 2040, with a short-term carbon emissions reduction target of 12% by 2024, contingent on receiving a reliable power supply from the Mozambican state power provider, Electricidade de Moçambique.

In early 2021 we approved the development of a RUPS. It is expected to deliver increased power stability for the Mineral Separation Plant, an important risk mitigation measure, and is anticipated to be the main contributor towards our reduced emissions through lower diesel consumption. At an estimated cost of \$18 million, the RUPS is a Net Present Value positive project, using conservative assumptions, and commissioning commenced in Q1 2022.

We also continued to invest in our people. The Moma workforce received 21,100 hours of training during the year as we believe that providing continuous development opportunities is key to attracting and retaining the best people and maintaining our strong safety culture. At the end of 2021, we had 1,551 employees at the Moma Mine and over 97% of them were Mozambican, with 70% from the local district or province. 12.5% of our Moma employees were women, compared with 10.6% in 2020, reflecting our successful initiatives to encourage women to join and remain in our workforce.

Operational performance

2021 was a record year for production and the first time we have produced more than one million tonnes of ilmenite. Total production of finished products was up 46% compared to 2020, driven by the higher ore grades mined in Piliwili by WCP B following its relocation in Q3 2020. We achieved Moma's nameplate capacity of 1.2 Mtpa ilmenite production in Q3 2021, which set a new quarterly production record, and demonstrated our ability to produce at our targeted rate. We are now focused on achieving this run rate on a consistent basis. 2021 was also a record year for shipments, which were up 51% compared to 2020.

We achieved this compelling performance despite the impact of COVID-19 on our operations, particularly in H1 2021. Ilmenite production was below the midpoint of guidance due to the challenges of operating with a reduced workforce, including senior management, and power supply disruptions in Q4. Operating costs per tonne were 3% above the top end of our guidance range due mainly to additional costs associated with repairs and maintenance, HMC haulage, and COVID-19 management. In 2022, we will look to progress towards becoming a first quartile producer on the industry revenue to cost curve.

Product market

Kenmare is the world's largest supplier of ilmenite and the Moma Mine is one of the largest titanium minerals deposits globally. The titanium feedstocks we produce are principally used to make pigment, which is essential for imparting whiteness and opacity in the production of paints, paper, plastic, and a range of other items we use in our everyday lives.

2021 was a strong year for all of Kenmare's product markets, with increased volumes sold at a 21% higher average price than in 2020. Robust demand for titanium feedstocks, like ilmenite, was driven primarily by global pigment production reaching a record high and the titanium metal market improving. Following softer demand in 2020, the market for zircon, our main co-product, stabilised in Q1 2021 and then saw price increases throughout the remainder of 2021. The positive pricing momentum for all our products has continued into 2022, with global inventories remaining low.

Outlook

Although the pandemic continued to create huge challenges in 2021, I believe we have built a stronger business. The past two years have shown us what we are all capable of, particularly when we pull together and look out for each other. I would like to thank all our stakeholders, particularly those in Mozambique, for their invaluable support.

I would also like to thank Steven McTiernan for his outstanding contribution to Kenmare. He led the Company as Chairman during a period of significant change, providing constructive challenge, wise counsel, and strong support. I look forward to working with Andrew Webb and ensuring we continue to deliver positive returns and create value for all our stakeholders.

As we look to the months and years ahead, we know we have a lot of hard work ahead of us to live up to our strategy of operating responsibly, delivering long-life, low-cost production, and allocating capital efficiently, including developing accretive growth opportunities. However, we can be proud that our operations are safe and performing well, our balance sheet is strong, our product markets are tight, and our employees have proven they can succeed even in the most difficult conditions.

Michael Carvill
Managing Director

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Notes	2021 \$'000	2020 \$'000
Revenue	2	455,944	243,746
Cost of sales	4	(244,986)	(179,103)
Gross profit		210,958	64,643
Other operating costs	5	(57,977)	(30,250)
Operating profit		152,981	34,393
Finance income	6	265	642
Finance costs	7	(12,053)	(11,301)
Foreign exchange loss		(3,897)	(980)
Profit before tax		137,296	22,754
Income tax expense	8	(8,770)	(6,015)
Profit for the financial year and total comprehensive income for the financial year		128,526	16,739
Attributable to equity holders		128,526	16,739
		\$ per share	\$ per share
Profit per share: Basic	9	1.18	0.15
Profit per share: Diluted	9	1.16	0.15

The accompanying notes form part of these financial statements.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	2021 \$'000	2020 \$'000
Assets			
Non-current assets			
Property, plant and equipment	10	954,558	958,508
Right of use assets	11	2,136	3,220
Deferred tax asset		-	202
		956,694	961,930
Current assets			
Inventories		60,219	63,670
Trade and other receivables	12	74,747	29,915
Cash and cash equivalents	13	69,057	87,244
		204,023	180,829
Total assets		1,160,717	1,142,759
Equity			
Capital and reserves attributable to the Company's equity holders			
Called-up share capital	14	104	120
Share premium		545,950	545,950
Other reserves		230,539	231,350
Retained earnings		154,050	123,083
Total equity		930,643	900,503
Liabilities			
Non-current liabilities			
Bank loans	15	74,757	144,554
Lease liabilities	11	971	2,028
Provisions	16	38,999	40,430
		114,727	187,012
Current liabilities			
Bank loans	15	73,342	1,217
Lease liabilities	11	1,207	1,360
Trade and other payables		32,768	50,122
Current tax liabilities		4,808	1,631
Provisions	16	3,222	914
		115,347	55,244
Total liabilities		230,074	242,256
Total equity and liabilities		1,160,717	1,142,759

The accompanying notes form part of these financial statements.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Called-Up Share Capital \$'000	Share Premium \$'000	Retained Earnings \$'000	Undenominated Capital \$'000	Share-Based Payment Reserve \$'000	Total \$'000
Balance at 1 January 2020	215,046	545,729	93,851	11,336	25,866	891,828
Total comprehensive income for the year						
Profit for the financial year	-	-	16,739	-	-	16,739
Total comprehensive income for the year	-	-	16,739	-	-	16,739
Transactions with owners of the Company						
Share-based payments	-	-	-	-	530	530
Unvested and expired share-based payments	-	-	21,087	-	(21,087)	-
Shares issued	-	221	-	-	(221)	-
Deferred shares cancelled	(214,926)	-	-	214,926	-	-
Dividends paid	-	-	(8,594)	-	-	(8,594)
Total contributions and distributions	(214,926)	221	12,493	214,926	(20,778)	(8,064)
Balance at 1 January 2021	120	545,950	123,083	226,262	5,088	900,503
Total comprehensive income for the year						
Profit for the financial year	-	-	128,526	-	-	128,526
Total comprehensive income for the year	-	-	128,526	-	-	128,526
Transactions with owners of the Company						
Share-based payments	-	-	-	-	1,137	1,137
Unvested and expired share-based payments	-	-	1,964	-	(1,964)	-
Share buy back	(16)	-	(81,589)	16	-	(81,589)
Share buy back transaction costs	-	-	(1,540)	-	-	(1,540)
Dividends paid	-	-	(16,394)	-	-	(16,394)
Total contributions and distributions	(16)	-	(97,559)	16	(827)	(98,386)
Balance at 31 December 2021	104	545,950	154,050	226,278	4,261	930,643

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Notes	2021 \$'000	2020 \$'000
Cashflows from operating activities			
Profit for the financial year after tax		128,526	16,739
Adjustment for:			
Foreign exchange movement		3,897	980
Share-based payments		3,420	1,759
Finance income	6	(265)	(642)
Finance costs	7	12,053	11,301
Income tax expense	8	8,770	6,015
Depreciation	10/11	63,136	42,294
		219,537	78,446
Change in:			
Provisions	16	2,372	614
Inventories		3,451	(11,824)
Trade and other receivables		(44,832)	10,536
Trade and other payables		(15,681)	10,675
Cost of equity-settled share-based payments		(2,283)	(1,229)
Cash generated from operating activities		162,564	87,218
Income tax paid		(6,284)	(8,498)
Interest received		265	642
Interest paid		(7,147)	(7,474)
Factoring and other fees	7	(1,431)	(720)
Debt commitments fees paid	7	(161)	(317)
Net cash from operating activities		147,806	70,851
Investing activities			
Additions to property, plant and equipment	10	(60,342)	(139,347)
Net cash used in investing activities		(60,342)	(139,347)
Financing activities			
Dividends paid		(16,394)	(8,594)
Share buy back	14	(81,589)	-
Share buy back transaction costs	14	(1,540)	-
Drawdown of debt	15	20,000	82,742
Repayment of debt	15	(20,000)	-
Payment of lease liabilities	15	(1,449)	(1,065)
Net cash generated (used in)/from financing activities		(100,972)	73,083
Net (decrease)/increase in cash and cash equivalents		(13,508)	4,587
Cash and cash equivalents at the beginning of the financial year		87,244	81,177
Effect of exchange rate changes on cash and cash equivalents		(4,679)	1,480
Cash and cash equivalents at the end of the financial year	13	69,057	87,244

UNAUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

1. Statement of accounting policies

Kenmare Resources plc (the "Company") is domiciled in the Republic of Ireland. The Company's registered address is Styne House, Hatch Street Upper, Dublin 2. The Company has a premium listing on the Main Market of the London Stock Exchange and a secondary listing on Euronext Dublin. These unaudited consolidated financial statements comprise the Company and its subsidiary undertakings (the "Group"). The principal activity of the Group is the operation and further development of the Moma Titanium Minerals Mine in Mozambique.

On 22 March 2022, the Directors approved the preliminary results for publication. While the consolidated financial statements for the year ended 31 December 2021, from which the preliminary results have been extracted, are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, these preliminary results do not contain sufficient information to comply with IFRS. The Directors expect to publish on 7 April 2022 the full financial statements that comply with IFRS as adopted by the European Union.

The auditor, KPMG, has not yet issued their audit opinion on the financial statements in respect of the year ended 31 December 2021. The financial information included within this unaudited preliminary results statement for the year ended 31 December 2021 does not constitute the statutory financial statements of the Group within the meaning of section 293 of the Companies Act 2014. The Group financial information in this preliminary statement for the year ended 31 December 2021 is unaudited. A copy of the statutory financial statements in respect of the year ended 31 December 2021 will be annexed to the next annual return and filed with the Registrar of Companies.

The Group financial information for the year ended 31 December 2020 included in this preliminary statement represents an abbreviated version of the Group's financial statements for that year. The statutory financial statements for the Group for the year ended 31 December 2020, upon which the auditor, KPMG, has issued an unqualified opinion, were annexed to the annual return of the Company and filed with the Registrar of Companies.

None of the new and revised standards and interpretations which are effective for accounting periods beginning on or after 1 January 2021, have a material effect on the Group's financial statements.

Going concern

The Directors have evaluated the appropriateness of the going concern basis in preparing the 2021 Consolidated Financial Statements for a period of at least twelve months from the date of approval of these financial statements (the 'period of assessment'). The evaluation is based on the Group's cash flow forecast ("the Group Forecast").

The Group Forecast has been prepared by management with best estimates of production, pricing and cost assumptions over the period of assessment. The Group recognises the principal risks which can impact on the outcome of the Group Forecast and have therefore applied sensitivity analysis to the assumptions to test the robustness of the cash flow forecast for changes in market prices, shipments, operating and capital cost assumptions.

Changes in these assumptions affect the level of sales and profitability of the Group and the amount of capital required to deliver the projected production levels. Debt covenants are complied with and Group liquidity is maintained, although at lower levels, in each of these scenarios.

Having assessed the principal risks facing the Group, together with the Group's cash flow forecast, the Directors have a reasonable expectation that the Group has adequate resources for the foreseeable future and can continue to adopt the going concern basis of accounting in preparing the annual financial statements.

UNAUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. Revenue

	2021 \$'000	2020 \$'000
Sale of mineral products	455,944	243,746

During the financial year, the Group sold 1,285,300 tonnes (2020: 853,100 tonnes) of finished products ilmenite, rutile, zircon and concentrates to customers at a sales value of \$455.9 million (2020: \$243.7 million). The principal categories for disaggregating revenue are by product type and by country of the customer's location. The product types are ilmenite, zircon, rutile and concentrates. Concentrates includes secondary zircon and mineral sands concentrates.

Revenue from major products

	2021 \$'000	2020 \$'000
Ilmenite	359,135	175,587
Zircon	87,372	45,708
Concentrates	5,529	16,320
Rutile	3,908	6,131
Total	455,944	243,746

Geographical information

In the following table, revenue is disaggregated by primary geographical market. The Group allocates revenue from external customers to individual countries and discloses revenues in each country where revenues represent 10% or more of the Group's total revenue. Where total disclosed revenue disaggregated by country constitutes less than 75% of total Group revenue, additional disclosures are made on a region basis until at least 75% of the Group's disaggregated revenue is disclosed. There were no individual countries within Europe or the Rest of the World with revenues amounting to greater than \$46 million during the year.

	2021 \$'000	2020 \$'000
Revenue from external customers		
China	222,351	107,824
Europe	81,754	61,697
USA	44,312	19,955
Rest of the world	107,527	54,270
Total	455,944	243,746

Information about major customers

	2021 \$'000	2020 \$'000
Revenue from external customers		
Largest customer	65,500	40,299
Second largest customer	62,285	32,979
Third largest customer	50,642	30,179
Fourth largest customer	42,029	24,725
Total	220,456	128,182

All Group revenues from external customers are generated by the Moma Titanium Minerals Mine in Mozambique, the non-current assets of which are \$952.2 million (2020: \$959.7 million). Sales to and from Ireland were \$nil (2020: \$nil) in the year.

UNAUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3. Segment reporting

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

Segment revenues and results

	2021 \$'000	2020 \$'000
Moma Titanium Minerals Mine		
Revenue	455,944	243,746
Cost of sales	(244,986)	(179,103)
Gross profit	210,958	64,643
Other operating costs	(44,596)	(24,441)
Segment operating profit	166,362	40,202
Other corporate operating costs	(13,381)	(5,809)
Group operating profit	152,981	34,393
Finance income	265	642
Finance expenses	(12,053)	(11,301)
Foreign exchange loss	(3,897)	(980)
Profit before tax	137,296	22,754
Income tax expense	(8,770)	(6,015)
Profit for the financial year	128,526	16,739
Segment assets		
Moma Titanium Minerals Mine assets	1,153,919	1,101,808
Corporate assets	6,798	40,951
Total assets	1,160,717	1,142,759
Segment liabilities		
Moma Titanium Minerals Mine liabilities	225,853	236,695
Corporate liabilities	4,221	5,561
Total liabilities	230,074	242,256
Other segment information		
Depreciation		
Moma Titanium Minerals Mine	62,841	41,958
Corporate	295	336
Total	63,136	42,294
Additions to non-current assets		
Moma Titanium Minerals Mine	60,342	141,466
Corporate	-	-
Total	60,342	141,466

Corporate assets consist of the Company's and other subsidiary undertakings' property, plant and equipment including right-of-use assets, cash and cash equivalents and prepayments at the reporting date. Corporate liabilities consist of trade and other payables at the reporting date.

4. Cost of sales

	2021 \$'000	2020 \$'000
Opening stock of mineral products	31,373	26,493
Production costs	179,214	146,431
Depreciation	56,426	37,552
Closing stock of mineral products	(22,027)	(31,373)
Total	244,986	179,103

UNAUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

4. Cost of sales (continued)

Mineral products consist of finished products and heavy mineral concentrate as detailed. Mineral stock movement in the year was a decrease of \$9.3 million (2020: \$4.9 million decrease). Included in production costs are \$0.4 million (2020: \$0.1 million) share-based payments relating to staff of the mine.

5. Other operating costs

	2021 \$'000	2020 \$'000
Distribution costs	11,631	9,820
Freight and demurrage costs	37,248	14,185
Administration costs	9,098	6,245
Total	57,977	30,250

Distribution costs of \$11.6 million (2020: \$9.8 million) represent the cost of running the Mine's finished product storage, jetty and marine fleet. Included in distribution costs is depreciation of \$6.4 million (2020: \$4.4 million). Freight costs of \$35.4 million (2020: \$12.2 million) arise from sales to customers on a CIF or CFR basis. Demurrage costs were \$1.8 million (2020: \$2.0 million) during the financial year. Administration costs of \$9.1 million (2020: \$6.2 million) include depreciation of \$0.3 million (2020: \$0.3 million) and a share-based payment expense of \$3.0 million (2020: \$1.7 million).

6. Finance income

	2021 \$'000	2020 \$'000
Interest on bank deposits	265	642

7. Finance costs

	2021 \$'000	2020 \$'000
Interest on bank borrowings	9,475	9,288
Interest on lease liabilities	239	312
Factoring and other fees	1,431	720
Commitment and other fees	161	317
Unwinding of discount on mine closure provision	747	664
Total	12,053	11,301

All interest has been expensed in the financial year. In 2021, the Group changed the classification of cashflows in the Consolidated Statement of Cashflows arising from fees associated with the use of the ABSA and Barclay's financing facilities in order to disclose separately.

UNAUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

8. Income tax expense

	2021 \$'000	2020 \$'000
Corporation tax	8,770	5,748
Deferred tax	-	267
Total	8,770	6,015
Reconciliation of effective tax rate		
Profit before tax	137,296	22,754
Profit before tax multiplied by the applicable tax rate (12.5%)	17,162	2,844
Non-deductible expenses	331	315
Differences in effective tax rates on overseas earnings	(8,723)	2,589
Recognition of deferred tax asset	-	267
Total	8,770	6,015

During the year, Kenmare Moma Mining Limited - Mozambique Branch had taxable profits of \$16.2 million (2020: \$16.4 million) resulting in an income tax expense of \$5.7 million (2020: \$5.7 million) being recognised. The income tax rate applicable to taxable profits of KMML Mozambique Branch is 35% (2020: 35%).

Kenmare Moma Mining Limited - Mozambique Branch 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 may be carried forward for three years. There are no tax losses carried forward at 31 December 2021.

During the year, Kenmare Resources plc had taxable profits of \$8.5 million (2020: \$4.2 million) resulting in an income tax expense of \$3.1 million.

9. Earnings per share

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

	2021 \$'000	2020 \$'000
Profit for the financial year attributable to equity holders of the Company	128,526	16,739

	2021 Number of shares	2020 Number of shares
Weighted average number of issued ordinary shares for the purpose of basic earnings per share	108,843,459	109,709,003
Effect of dilutive potential ordinary shares:		
Share awards	2,185,857	1,993,422
Weighted average number of ordinary shares for the purposes of diluted earnings per share	111,029,316	111,702,425

UNAUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

9. Earnings per share (continued)

	\$ per share	\$ per share
Earnings per share: basic	1.18	0.15
Earnings per share: diluted	1.16	0.15

The denominator for the purposes of calculating both basic and diluted earnings per share has been adjusted to reflect shares acquired during the year.

10. Property, plant and equipment

	Plant & Equipment \$'000	Development Expenditure \$'000	Construction In Progress \$'000	Other Assets \$'000	Total \$'000
Cost					
At 1 January 2020	814,258	250,326	88,170	67,249	1,220,003
Additions during the financial year	1,831		139,635		141,466
Transfer from construction in progress	171,004	(355)	(175,389)	4,740	-
Disposals	(2,209)			(8,875)	(11,084)
Adjustment to mine closure cost	10,972				10,972
At 31 December 2020	995,856	249,971	52,416	63,114	1,361,357
Additions during the financial year	784	-	59,558	-	60,342
Transfer from construction in progress	29,586	8,201	(50,544)	12,757	-
Disposals	(6,557)	-	-	(11,440)	(17,997)
Adjustment to mine closure cost	(2,240)	-	-	-	(2,240)
At 31 December 2021	1,017,429	258,172	61,430	64,431	1,401,462
Accumulated Depreciation					
At 1 January 2020	208,506	130,626	-	33,143	372,275
Charge for the financial year	25,992	4,527	-	10,688	41,207
Disposals	(2,057)	-	-	(8,576)	(10,633)
At 31 December 2020	232,441	135,153	-	35,255	402,849
Charge for the financial year	44,229	6,336	-	11,487	62,052
Disposals	(6,557)	-	-	(11,440)	(17,997)
At 31 December 2021	270,113	141,489	-	35,302	446,904
Carrying Amount					
At 31 December 2021	747,316	116,683	61,430	29,129	954,558
At 31 December 2020	763,415	114,818	52,416	27,859	958,508

In 2021, the Group changed the classification of right of use assets in order to disclose separately from property, plant and equipment in Note 11. An adjustment to the mine closure cost of \$2.2 million (2020: \$11.0 million) was made during the year as a result of an update in the discount rate as detailed in Note 16.

At each reporting date, the Group assesses whether there is any indication that property, plant and equipment may be impaired. The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators for impairment. As at 31 December 2021, the market capitalisation of the Group was below the book value of net assets which is considered an indicator of impairment of assets. The Group carried out an impairment review of property, plant and equipment as at 31 December 2021. As a result of the review and given the performance and outlook of the Group no impairment provision was recognised in the current financial year. No impairment was recognised in the prior financial year. Given the historic volatility in product pricing and sensitivities of the forecast to the discount rate and to a lesser extent operating costs, the impairment loss of \$64.8 million which was recognised in the Consolidated Statement of Comprehensive Income in 2014 was not reversed.

The cash-generating unit for the purpose of impairment testing is the Moma Titanium Minerals Mine. The basis on which the 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 discounted pre-tax, pre-finance cash flows discounted at 10.5% (2020: 10.0%).

UNAUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

10. Property, plant and equipment (continued)

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 (in particular the risk-free rate) resulting in a discount rate of 10.5% (2020: 10.0%). The Group's estimation of the country risk premium included in the discount rate has remained unchanged from the prior year. The Group does not consider it appropriate to apply the full current country risk premium for Mozambique to the calculation of the Group's weighted average cost of capital as it believes the specific circumstances which have resulted in the risk premium increase over the past number of years are not relevant to the specific circumstances of the Moma Mine. Hence, country risk premium applicable to the calculation of the cost of equity has been adjusted accordingly. Using a discount rate of 10.5%, the recoverable amount is greater than the carrying amount by \$384.0 million (2020: \$260.2 million). The discount rate is a significant factor in determining the recoverable amount. A 5.8% increase in the discount rate to 16.3% reduces the recoverable amount by \$384 million. The increase in the recoverable amount from the prior year is a result of increased cash flows over the life of mine due to the factors detailed below partially offset by an increase in the discount rate from 10.0% to 10.5%.
- A mine plan is based on the Namalope, Nataka, Pilivili and Mualadi proved probable reserves and resources. Specific resource material is included only where there is a high degree of confidence in its economic extraction. The Mine life assumption of 40 years has not changed from the prior year review. Average annual production is approximately 1.2 million tonnes (2020: 1.2 million tonnes) of ilmenite and co-products zircon, rutile and concentrates over the life of the Mine and remains unchanged from the prior year review. 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.
- 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 currently contracted, prices are forecast by the Group taking into account independent titanium mineral sands expertise provided by TiPMC Solutions and management expectations including general inflation of 2% per annum. Forecast prices provided by TiPMC Solutions have been reviewed and found to be consistent with other external sources of information. Average forecast product sales prices have increased over the life of mine from the prior year end review as a result of revised forecast pricing. A 12% reduction in average sales prices over the life of mine reduces the recoverable amount by \$384.0 million.
- Operating costs are based on approved budget costs for 2022 taking into account the current running costs of the Mine and estimated forecast inflation for 2022. From 2023 onwards operating costs are escalated by 2% per annum. Average forecast operating costs have increased from the prior year end review as a result of increased production and inflation. A 14% increase in operating costs over the life of mine reduces the recoverable amount by \$384.0 million.
- Capital costs are based on a life of mine capital plan including inflation at 2% per annum from 2022. Average forecast capital costs have increased from the prior year end review based on updated sustaining and development 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 which would give rise to a reduction in the recoverable amount has not been applied.

11. Right of use assets and lease liabilities

	Plant & Equipment \$'000	Land and Buildings \$'000	Total \$'000
At 1 January 2020	2,491	1,816	4,307
Depreciation expense	(831)	(256)	(1,087)
At 31 December 2020	1,660	1,560	3,220
Depreciation expense	(830)	(254)	(1,084)
At 31 December 2021	830	1,306	2,136

On 1 January 2019, the Group recognised lease liabilities of \$5.0 million in respect of right-of-use assets being its head office at Styne House, Dublin and the electricity generators at the Mine. The Styne House lease has a term of ten years commencing August 2017 and rental payments are fixed for five years. This lease obligation is denominated in Euros.

The lease for the electricity generators was renewed in November 2017 for a five-year period and rental payments are fixed for the five years. This lease obligation is denominated in US Dollars.

UNAUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

11. Right of use assets and lease liabilities (continued)

In February 2019, the Group recognised a lease liability of \$0.4 million for its Mozambican country office in Maputo. The lease has a seven-year term commencing February 2019 and rental payments are fixed for seven years. This lease obligation is denominated in US Dollars. The Group has discounted lease payments using its incremental borrowing rates. The weighted average rate applied is 7%.

At each reporting date, the Company assesses whether there is any indication that right of use assets may be impaired. No impairment indicators were identified as at 31 December 2021 or 31 December 2020.

Set out below are the carrying amounts of lease liabilities at each reporting date:

	2021 \$'000	2020 \$'000
Current	1,207	1,360
Non-current	971	2,028
Total	2,178	3,388

The consolidated income statement includes the following amounts relating to leases:

	2021 \$'000	2020 \$'000
Depreciation expense	1,084	1,087
Interest expense on lease liabilities	239	312
Total	1,323	1,399

12. Trade and other receivables

	2021 \$'000	2020 \$'000
Trade receivables	66,204	23,112
VAT receivable	790	-
Prepayments	7,753	6,803
Total	74,747	29,915

13. Cash and cash equivalents

	2021 \$'000	2020 \$'000
Cash and cash equivalents	69,057	87,244

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.

UNAUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

14. Called-up share capital

	2021 €'000	2020 €'000
Authorised share capital		
181,000,000 ordinary shares of €0.001 each	181	181
	181	181

	2021 \$'000	2020 \$'000
Allotted, called up and fully paid		
Opening balance		
109,736,382 (2020: 109,657,480) ordinary shares of €0.001 each	120	120
Nil (2019: 2,781,905,503) deferred shares of €0.059995 each	–	214,926
Total called-up share capital	120	215,046
Issued during the year		
Nil (2020: 78,902) ordinary shares of €0.001 each	–	–
Acquired and cancelled		
14,814,412 (2020: Nil) ordinary shares of €0.001 each	(16)	–
Nil (2020: 2,781,905,503) deferred shares of €0.059995 each	–	(214,926)
Closing balance		
94,921,970 (2020: 109,736,382) ordinary shares of €0.001 each	104	120
Total called-up share capital	104	120

No ordinary shares were issued during the year (2020: 78,902).

On 10 December 2021, under the authority granted at the Company's extraordinary general meeting held on 9 December 2021 and in accordance with Section 105(1) and Section 106(1) of the Companies Act 2014 and article 47 and article 48 of the Articles of Association, the Company completed a tender offer buyback of 14,814,412 Ordinary shares of €0.001 each in the capital of the Company representing 13.5% of the then called up share capital of the Company for a total cash consideration of \$81.6 million. All ordinary shares acquired by the Company were subsequently cancelled. Transaction costs associated with the transaction amounted to \$1.5 million and were accounted for as a deduction from retained earnings.

On 10 March 2020, the Company acquired and cancelled all of the 2,781,905,503 deferred shares of €0.059995 each in the capital of the Company in issue by transfer otherwise than for valuable consideration in accordance with Section 102(1)(a) and Section 106(1) of the Companies Act 2014 and Article 3(b) of the Articles of Association of the Company. At the Annual General Meeting of the Company held on 13 May 2020, all of the unissued deferred shares of €0.059995 each in the capital of the Company were cancelled.

UNAUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

15. Bank loans

	2021 \$'000	2020 \$'000
Borrowings	148,099	145,771
The borrowings are repayable as follows:		
Less than one year	73,342	1,217
Between two and five years	78,572	150,000
More than five years	-	-
	151,914	151,217
Transaction costs	(3,815)	(5,446)
Total carrying amount	148,099	145,771

Borrowings

On 11 December 2019, the Group entered into debt facilities with Absa Bank Limited (acting through its Corporate and Investment Banking Division) ("Absa"), The Emerging Africa Infrastructure Fund (part of the Private Infrastructure Development Group) ("EAIF"), Nedbank Limited (acting through its Nedbank Corporate and Investment Banking division) ("Nedbank"), Rand Merchant Bank and Standard Bank Group ("Standard Bank").

The debt facilities comprise a \$110 million Term Loan Facility and a \$40 million Revolving Credit Facility that share common terms and a common security package. The finance documentation also contemplates a Mine Closure Guarantee Facility (provided by either the existing lenders or other finance providers) of up to \$40 million, with the provider(s) of such a facility sharing in the common security package. The potential total aggregate principal amount of indebtedness secured under the finance documentation is therefore \$190 million. The transaction costs for arrangement of the debt facilities amounted to \$6.5 million.

The Term Loan Facility has a final maturity date of 11 March 2025. Interest is at LIBOR plus 5.40% per annum. Repayment is in seven equal semi-annual instalments, beginning 11 March 2022.

The Revolving Credit Facility has a final maturity date of 11 December 2022 extendable by up to 24 months at the lenders' discretion. Interest is at LIBOR plus 5.00% per annum.

During the period the Group entered into a mine closure guarantee with Absa Bank Moçambique SA for \$11.4 million. This guarantee shares the security package with the Term Loan Facility and Revolving Credit Facility on a pro rata and pari passu basis.

The security package consists of (a) security over the Group's bank accounts (subject to certain exceptions), (b) pledges of the shares of Kenmare Moma Processing (Mauritius) Limited and Kenmare Moma Mining (Mauritius) Limited (the "Project Companies"), (c) security over intercompany loans and (d) Mozambican law security interests over certain rights and agreements with Mozambican authorities, including over the Implementation Agreement, the Mineral Licensing Contract and the Mining Licence.

The carrying amount of the secured bank accounts of the Group was \$66.9 million as at 31 December 2021 (2020:\$87.0 million). The shares of the Project Companies and intercompany loans are not included in the consolidated statement of financial position as they are eliminated on consolidation. They therefore do not have a carrying amount but, upon enforcement of the pledges on behalf of the lender group, the shares in the Project Companies would cease to be owned or controlled by the Group. The secured rights and agreements do not have a carrying amount. They are, however, necessary for the Project Companies to operate the Mine in Mozambique.

The finance documents contain a number of representations, covenants and events of default on customary terms, the breach of which could lead to the secured parties under the finance documentation accelerating the outstanding loans and taking other enforcement steps, such as the enforcement of some or all of the security interests, which could lead, in extremis, with the Group losing its interest in the Mine. The most salient of the relevant terms that could lead to acceleration of the loans and/or enforcement of security are the financial covenants.

At 31 December 2021 total debt of \$148.1 million (2020: \$145.8 million) was recognised by the Group, being the drawdown of \$150.0 million before unamortised transaction costs of \$3.8 million (2020: \$5.4 million) plus interest amortised of \$2.0 million (2020: \$1.2 million).

UNAUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

15. Bank loans (continued)

	2021 \$'000	2020 \$'000
Reconciliation of movements of debt to cashflows arising from financing activities		
Bank Loans		
Balance at 1 January	145,771	60,903
Cash movements		
Loan interest paid	(7,147)	(7,162)
Principal paid	(20,000)	–
Loan drawn down	20,000	82,742
Non-cash movements		
Loan interest accrued	9,475	9,288
Balance at 31 December	148,099	145,771

Covenants

All covenants have been complied with during the year. The key financial covenants as at 31 December 2021 are detailed below:

	As at 31 December 2021	As at 31 December 2020		Covenant
Interest Coverage Ratio	21.8:1	9.75:1	Not less than	4.00:1
Net Debt to EBITDA	0.38	0.83:1	Not greater than	2.00:1
Debt Service Coverage Ratio	22.3:1	11.55:1	Not less than	1.20:1
Liquidity	\$69,057,000	\$87,244,000	Not less than	\$15,000,000
Reserve Tail Ratio	78%	79%	Not less than	30%

The definition of the covenants under the debt facilities are set out below:

- Interest Coverage Ratio is defined as the ratio of EBITDA to Net Interest Cost.
- Net Debt is defined as total financial indebtedness excluding leases less consolidated cash and cash equivalents.
- The Debt Service Coverage Ratio is the ratio of cash and cash equivalents at the beginning of a reporting period plus available facilities plus cash generated in the period to debt repayments in the period.
- Liquidity is defined as consolidated cash and cash equivalents plus undrawn amounts of the Revolving Credit Facility.
- Reserve Tail Ratio means the reserve tail ratio, expressed as a percentage of the termination date reserves (estimated remaining reserves in March 2025) divided by the initial reserves (estimated reserves in December 2019).

16. Provisions

	2021 \$'000	2020 \$'000
Mine closure provision	35,959	37,451
Mine rehabilitation provision	3,998	3,893
Other provisions	2,264	–
	42,221	41,344
Current	3,222	914
Non-current	38,999	40,430
	42,221	41,344

UNAUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

16. Provisions (continued)

	Mine Closure Provision \$'000	Mine Rehabilitation Provision \$'000	Other Provisions	Total \$'000
At 1 January 2020	25,815	3,279	-	29,094
Increase in provision during the financial year	10,972	1,406	-	12,378
Provision utilised during the financial year	-	(792)	-	(792)
Unwinding of the discount	664	-	-	664
At 1 January 2021	37,451	3,893	-	41,344
(Decrease)/Increase in provision during the financial year	(2,239)	470	2,264	495
Provision utilised during the financial year	-	(365)	-	(365)
Unwinding of the discount	747	-	-	747
At 31 December 2021	35,959	3,998	2,264	42,221

The Mine closure provision represents the Directors' best estimate of the Project Companies' 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 \$0.7 million (2020: \$0.7 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 2.9% (2020: 2.0%);
- an inflation rate of 2% (2020: 2%);
- an estimated life of mine of 40 years (2020: 40 years). It is assumed that all licences and permits required to operate will be renewed or extended during the life of mine; and
- an estimated closure cost of \$34.1 million (2020: \$34.1 million) and an estimated post-closure monitoring provision of \$3.9 million (2020: \$3.9 million).

The life of mine plan is based on the Namalope, Nataka, Pilibili and Mualadi Ore Reserves and Mineral Resources as set out in the Ore Reserve and Mineral Resources table. Specific resource material is included only where there is a high degree of confidence in its economic extraction. The Mine closure provision has decreased by \$1.0 million to reflect a change in the discount rate from 2.0% to 2.9%.

The discount rate is a significant factor in determining the Mine closure provision. The discount rate increased to 2.9% (2020: 2.0%) as a result of movements in the US Treasury rates. 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 of the increase in yield from ten to twenty years and the increase in yield from twenty to thirty years and adding this average to the thirty-year treasury rate to arrive at an estimated extrapolated rate for forty years. This discount rate is deemed to provide the best estimate of the current market assessment of risk-free time value of the money. Risks specific to the liability are included in the cost estimate. A reasonable possible increase of 1% in the estimated discount rate results in the Mine closure provision decreasing to \$24.0 million. A 1% decrease in the estimated discount rate results in the Mine closure provision increasing to \$54.0 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 \$0.4 million (2020: \$0.8 million) to reflect the actual mine rehabilitation costs incurred, and an addition to the provision of \$0.4 million (2020: \$1.4 million) for areas newly disturbed.

Other provisions comprise an amount of \$2.3 million (2020: \$nil million) in relation to a potential indirect tax liability. As the matter is still outstanding it is possible that on conclusion the final outcome may differ from management's estimate.

UNAUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

17. Financial Instruments

	2021			2020		
	Carrying amount \$'000	Fair value \$'000		Carrying amount \$'000	Fair value \$'000	
Financial assets measured at fair value through profit and loss						
Trade receivables	37,086	37,086	Level 2	6,202	6,202	Level 2
Financial assets measured at fair value through OCI						
Trade receivables	14,539	14,539	Level 2	8,871	8,871	Level 2
Financial assets not measured at fair value						
Trade receivables	14,579	14,579	Level 2	8,039	8,039	Level 2
Cash and cash equivalents	69,057	69,057	Level 2	87,244	87,244	Level 2
	135,261	135,261		110,356	110,356	
Financial liabilities not measured at fair value						
Bank loans	148,099	148,827	Level 2	145,771	146,247	Level 2

The carrying amounts and fair values of financial assets and financial liabilities including their levels in fair value hierarchy are detailed above. The table does not include fair value information for other receivables, prepayments, trade payables and accruals as these are not measured at fair value as the carrying amount is a reasonable approximation of their fair value. Trade receivables which are factored through the Absa Bank facility or letters of credit which are always confirmed and discounted through the Barclays Bank facility are initially measured at fair value and subsequently measured at fair value through profit or loss (FVTPL). Trade receivables or letters of credit where it is not known at initial recognition if they will be factored are classified as fair value through other comprehensive income (FVOCI). The Group derecognises the original receivable to which the arrangement applies when payment is received from the bank as the terms of the arrangement are non-recourse. The payment to the bank by the Group's customers are considered non-cash transactions. Trade receivables not measured at fair value are receivables whose payment is received under the sale contract credit terms.

The valuation technique used in measuring Level 2 fair values is discounted cash flows which considers the expected receipts or payments discounted using adjusted market discount rates or where these rates are not available estimated discount rates. The Group has exposure to credit risk, liquidity risk and market risk arising from financial instruments.

Risk management framework

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 & Risk Committee. The Board and Audit & Risk Committee receive reports from executive management on the key risks to the business and the steps being taken to mitigate such risks. The Audit & Risk Committee is assisted in its role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee.

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade receivables from customers. The carrying amount of financial assets represents the maximum credit exposure.

Trade receivables

The Group's exposure to credit risk is influenced by the individual circumstances of each customer. The Group also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. 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.

The Group's customers have been transacting with the Group for a significant number of years, and no customers' balances have been written off or are credit-impaired at the financial year end. In monitoring customer credit risk, customers are reviewed individually and the Group has not identified any factors which would merit reducing exposure to any particular customer. The Group does not require collateral in respect of trade receivables.

At 31 December 2021, \$41.3 million (2020: \$7.2 million) is due from the Group's three largest customers. The exposure to credit risk for trade receivables by geographic region was as follows:

UNAUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

17. Financial Instruments (Continued)

	2021 \$'000	2020 \$'000
China	36,836	8,625
Europe	15,410	7,180
USA	8,547	1,583
Rest of the world	5,411	5,724
Total	66,204	23,112

The movement in the allowance for impairment in respect of trade receivables where measured at amortised cost or fair value through other comprehensive income during the year was as follows.

	2021 \$'000	2020 \$'000
Balance at 1 January	199	215
Net remeasurement of loss allowance	225	(16)
Balance at 31 December	424	199

Cash and cash equivalents

The credit risk on cash and cash equivalents is limited because funds available to subsidiaries are deposited with banks with high credit ratings assigned by international credit rating agencies. For deposits in excess of \$50 million the Group requires that the institution has an A- (S&P)/A3 (Moody's) long-term rating. For deposits in excess of \$15 million, the Group requires that the institution has a BB- (S&P)/Ba3 (Moody's) long-term rating.

At 31 December 2021 and 2020 cash was deposited with the following banks:

	2021			2020		
	Long-term credit rating			Long-term credit rating		
	\$ million	S&P	Moody's	\$ million	S&P	Moody's
Barclays Bank plc	60.8	A Positive	A-1 Stable	60.0	A Negative	A-1 Stable
FirstRand Bank Limited	5.1	BBB - Stable	Ba2 Negative	15.0	BBB- Stable	Ba2 Negative
Nedbank Limited	-	BB- Stable	Ba2 Negative	10.0	BB- Stable	Ba2 Negative
HSBC Bank plc	0.8	A+ Stable	A1 Stable	1.7	A+ Stable	A1 Stable
Absa Bank Limited	2.0	BBB- Stable	Ba2 Negative	-	BBB- Stable	Ba2 Negative

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled in cash payments. The Group's objective when managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when they are due.

The Group monitors mine payment forecasts, both operating and capital, which assist it in monitoring cash flow requirements and optimising its cash return on investments. The Group aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities. The Group monitors the level of expected cash inflows on trade receivables together with expected cash outflows on trade and other payables.

The Group has a trade finance facility with Absa Bank for three of the Group's largest customers. In accordance with this facility the bank purchases 80% of the receivable without recourse and so the bank takes on the credit risk. The facility is \$30 million with limits on the maximum amount that can be factored for each of the customers named in the facility. During the period no trade receivables were factored under this agreement. At the year end, trade receivables amounting to \$14.5 million (2020: \$8.9 million) may be factored under this facility and are therefore included in trade receivables as at 31 December 2021. The cost of this facility for the period, which amounted to \$0.2 million (2020: \$0.2 million), is included in finance costs in the statement of comprehensive income and in net cash from operating activities in the statement of consolidated cash flows.

UNAUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

17. Financial Instruments (continued)

The Group has a trade facility with Barclays Bank for customers which it sells to under letter of credit terms. Under this facility, Barclays Bank confirms the letter of credit from the issuing bank and therefore takes the credit risk that the issuing bank will not pay. Barclays Bank can also discount these letters of credit thereby providing early payment of receivables to the Group. There is no limit under the Barclays Bank facility. During the period trade receivables of \$224.4 million (2020: \$88.3 million) were discounted under this facility. At the year-end there were \$37.1 million (2020: \$6.2 million) which may be discounted under this facility. The cost of this facility for the period, which amounted to \$0.1 million (2020: \$0.1 million), is included in finance costs in the condensed statement of comprehensive income and in net cash from operating activities in the condensed statement of consolidated cash flows.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2021 based on the gross contractual undiscounted payments:

Financial liabilities	Total \$'000	Less than one year \$'000	Between 2 and 5 years \$'000	More than 5 years \$'000
Bank loans	164,331	79,136	85,195	-
Lease liabilities	2,684	1,207	1,317	160
Trade & other payables	32,768	32,768	-	-
	199,783	113,111	86,512	160

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2020 based on the gross contractual undiscounted payments:

Financial liabilities	Total \$'000	Less than one year \$'000	Between 2 and 5 years \$'000	More than 5 years \$'000
Bank loans	171,479	7,149	164,330	-
Lease liabilities	4,044	1,359	2,251	434
Trade & other payables	50,122	50,122	-	-
	225,645	58,630	166,581	434

As disclosed in Note 15 the Group has bank loans that contain loan covenants. A future breach of covenant may require the Group to repay the loan earlier than indicated in the above table. Under the loan agreement, the covenants are monitored on a regular basis by Group finance and regularly reported to management and the lenders to ensure compliance with the agreement.

Risk Concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets. Details of concentration of revenue are included in Note 2.

Market risk

Market risk is risk that changes in market prices for foreign exchange rates and interest rates will affect the Group's income statement. The objective of market risk management is to manage and control market risk exposures while optimising returns.

Currency risk

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings are denominated and the respective functional currencies of Group companies. The functional currencies of all Group are US Dollars. The presentational currency of the Group is US Dollars. Sales and bank loans are denominated in US Dollars which significantly reduces the exposure of the Group to foreign currency risk. Payables transactions are denominated in Mozambican Metical, South African Rand, Euro, Sterling, Australian Dollar and Renminbi.

UNAUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

17. Financial Instruments (continued)

The Group's risk management policy is to match the estimated foreign currency exposure in respect of forecast purchases over the following three to six months at any point in time to the extent that funds are available to do so.

Exposure to currency risk

The Group's exposure to currency risk as at 31 December 2021 is as follows.

	US Dollar \$'000	Mozambican Metical \$'000	South African Rand \$'000	Euro \$'000	Sterling \$'000	Australian Dollar \$'000	Renminbi \$'000
Trade and other receivables	69,408	2,717	1,275	928	55	364	-
Cash and cash equivalents	64,837	1,030	2,337	479	338	6	36
Bank loans	(151,914)	-	-	-	-	-	-
Leases	(650)	-	-	(1,528)	-	-	-
Trade & other payables	(14,283)	(14,082)	(1,905)	(2,395)	(35)	(68)	-
Net exposure	(32,602)	(10,335)	1,707	(2,516)	358	302	36

The Group's exposure to currency risk as at 31 December 2020 is as follows.

	US Dollar \$'000	Mozambican Metical \$'000	South African Rand \$'000	Euro \$'000	Sterling \$'000	Australian Dollar \$'000	Renminbi \$'000
Trade and other receivables	28,059	-	444	740	38	634	-
Cash and cash equivalents	81,969	130	4,406	441	256	21	21
Bank loans	(151,217)	-	-	-	-	-	-
Leases	(2,217)	-	-	(1,815)	-	-	-
Trade & other payables	(31,185)	(8,371)	(8,186)	(712)	(62)	(1,606)	-
Net exposure	(74,591)	(8,241)	(3,336)	(1,346)	232	(951)	21

Sensitivity analysis

A reasonably possible strengthening or weakening of the Mozambique Metical, South African Rand, Euro, Sterling, Australian Dollar and Renminbi by 1% against US Dollar would have affected profit or loss by the amounts shown below. The analysis assumes that all other variables remain constant.

	Mozambican Metical \$'000	South African Rand \$'000	Euro \$'000	Sterling \$'000	Australian Dollar \$'000	Renminbi \$'000
Profit or loss						
31 December 2021						
Strengthening	(103)	17	(25)	4	3	-
Weakening	103	(17)	25	(4)	(3)	-
31 December 2020						
Strengthening	(82)	(33)	(13)	2	(9)	-
Weakening	82	33	13	2	9	-

UNAUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

17. Financial Instruments (continued)

Interest rate 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 borrowing rate at financial year end was 5.8% (2020: 5.8%). The interest rate profile of the Group's loan balances at the financial year end was as follows:

	2021 \$'000	2020 \$'000
Variable rate debt	151,914	151,217

Under the assumption that all other variables remain constant, a reasonable possible change of 1% in the six-month LIBOR rate results in a \$1.5 million (2020: \$1.5 million) change in finance costs for the financial year.

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

Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as "IBOR reform"). The group has exposure to IBORs on its financial instruments that will be reformed as part of these market-wide initiatives. The Group's main IBOR exposure at the reporting date is US LIBOR, which is administered by ICE Benchmark Administration (IBA). The alternative reference rate for US LIBOR is the US Secured Overnight Financing Rate (SOFR).

On 5 March 2021, IBA stated that it will cease the publication of (i) the overnight and 1, 3, 6 and 12 months USD LIBOR settings immediately following the LIBOR publication on Friday, June 30, 2023 and (ii) all other LIBOR settings, including the 1 week and 2 months USD LIBOR settings, immediately following the LIBOR publication on Friday, December 31, 2021. IBA stated that it will not have access to input data necessary to calculate LIBOR settings on a representative basis after those dates. The UK Financial Conduct Authority (FCA) issued a separate announcement confirming that IBA had notified the FCA of its intent to cease providing all LIBOR settings. The FCA confirmed that all 35 LIBOR settings will either cease to be provided by any administrator or will no longer be representative as of the dates set out by IBA.

The Group anticipates that IBOR reform will impact its operational and risk management processes. The main risk to which the Group is exposed as a result of IBOR reform is in the amendment to the Senior Facility Agreement with negotiation with the lender group to reflect the migration from USD LIBOR to SOFR, updating contractual terms and revising operational controls related to the migration. Financial risk is predominantly limited to interest rate risk.

The Audit & Risk Committee monitors while the executive and senior management manages the migration to alternative rates. Such management includes evaluation of the extent to which contracts reference IBOR, whether such contracts will need to be amended as a result of IBOR reform and how to manage communication about IBOR reform to counterparties.

The Group plans to amend contractual terms for purposes of migrating from USD LIBOR to SOFR prior to the discontinuance of the administration and publication of the relevant LIBOR rates by IBA.

The carrying amount of financial liabilities with unreformed contracts at 31 December 2021 was \$148.1 million (31 December 2020: \$145.8 million).

18. Contingent liabilities

The Group, like other businesses operating in Mozambique, is subject to tax audits by the Mozambican Tax Authorities. These audits may review a range of matters including corporate income tax, indirect taxes and transaction related issues, and can take a number of years to complete. The Mozambican Tax Authority conducted an audit of the tax obligations of the Branch in relation to the years 2015 to 2017. The Group is liaising with the Tax Authority to address matters raised during the audit. It is not possible to estimate with certainty the timing of any future resolution or possible outcomes.

A provision of \$2.3 million (2020: \$nil) is included in the financial statements in relation to a potential indirect tax liability. As the matter is still outstanding it is possible that on conclusion the outcome may differ from management's estimates. Other tax matters raised during the audit are likewise still outstanding. No provision has been made in these financial statements in relation to the other tax matters as the Group does not consider that there is any material future probable loss.

GLOSSARY – ALTERNATIVE PERFORMANCE MEASURES

Certain financial measures set out in the 2021 Preliminary Results 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 Group'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
Revenue (FOB)	Revenue excluding freight	Eliminates the effects of freight to provide the product price
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
EBITDA margin	Percentage of EBITDA to Revenue (FOB)	Provides a group margin for 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 and the indirect tax provision 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
Cash operating cost per tonne of ilmenite net of co-products	Cash operating costs less FOB revenue of zircon, rutile and mineral sands concentrates, divided by ilmenite 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 ilmenite produced over time
Net cash/debt	Bank loans before transaction costs, 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, concentrates 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

Revenue	2017	2018	2019	2020	2021
	\$m	\$m	\$m	\$m	\$m
Revenue	208.3	262.2	270.9	243.7	455.9
Freight	(5.4)	(16.3)	(15.4)	(12.2)	(35.4)
Revenue (FOB)	202.9	245.9	255.5	231.5	420.5

GLOSSARY – ALTERNATIVE PERFORMANCE MEASURES CONTINUED

EBITDA

	2017	2018	2019	2020	2021
	\$m	\$m	\$m	\$m	\$m
Operating profit/(loss)	28.5	62.9	59.2	34.4	153.0
Depreciation	32.0	30.4	33.4	42.3	63.1
EBITDA	60.5	93.3	92.6	76.7	216.1

EBITDA margin

	2017	2018	2019	2020	2021
	\$m	\$m	\$m	\$m	\$m
EBITDA	60.5	93.3	92.6	76.7	216.1
Revenue (FOB)	202.9	245.9	255.5	231.5	420.5
EBITDA margin (%)	30	38	36	33	51

Cash operating cost per tonne of finished product

	2017	2018	2019	2020	2021
	\$m	\$m	\$m	\$m	\$m
Cost of sales	156.6	168.3	178.4	179.1	245.0
Other operating costs	23.2	31.0	33.3	30.3	58.0
Total operating costs	179.8	199.3	211.7	209.4	303.0
Freight charges	(5.5)	(16.3)	(15.4)	(12.2)	(35.4)
Total operating costs less freight	174.3	183.0	196.3	197.2	267.6
Non-cash costs					
Depreciation and amortisation	(32.0)	(30.4)	(33.4)	(42.3)	(63.1)
Share-based payments	(1.0)	(1.4)	(1.8)	(1.8)	(3.5)
Mineral product inventory movements	0.3	0.1	(4.5)	4.9	(9.3)
Indirect tax provision	-	-	-	-	(2.0)
Total cash operating costs	141.6	151.3	156.6	158.0	189.7
Final product production tonnes	1,081,300	1,043,300	988,300	840,500	1,228,500
Cash operating cost per tonne of finished product	\$131	\$145	\$158	\$188	\$154

Cash operating cost per tonne of ilmenite

	2017	2018	2019	2020	2021
	\$m	\$m	\$m	\$m	\$m
Total cash operating costs	141.6	151.3	156.6	158.0	189.7
Less FOB revenue from co-products zircon, rutile and mineral sands concentrate	(50.4)	(75.1)	(84.5)	(63.2)	(85.8)
Total cash costs less co-product revenue	91.2	76.2	72.1	94.8	103.9
Ilmenite product production tonnes	998,200	958,500	892,900	756,000	1,119,400
Cash operating cost per tonne of ilmenite	\$91	\$79	\$81	\$125	\$93

Net cash/debt

	2017	2018	2019	2020	2021
	\$m	\$m	\$m	\$m	\$m
Bank debt	(102.9)	(83.5)	(60.9)	(145.8)	(148.1)
Transaction costs	-	-	(6.6)	(5.4)	(3.8)
Gross debt	(102.9)	(83.5)	(67.5)	(151.2)	(151.9)
Cash and cash equivalents	68.8	97.0	81.2	87.2	69.1
Net cash/(debt)	(34.1)	13.5	13.7	(64.0)	(82.8)

GLOSSARY – TERMS

Term	Description
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.
FOB	Free on Board 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.
Free Cash Flow	Free Cash Flow is the cash generated by the Group in a reporting period before distributions to shareholders.
Group or Kenmare or the Company	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.
KMML Mozambique Branch	Mozambique branch of Kenmare Moma Mining (Mauritius) Limited (KMML).
KMPL Mozambique Branch	Mozambique branch of Kenmare Moma Processing (Mauritius) Limited (KMPL).
Lenders	Absa Bank Limited (acting through its Corporate and Investment Banking Division) ("Absa"), The Emerging Africa Infrastructure Fund (part of the Private Infrastructure Development Group ("PIDG")) ("EAIF"), Nedbank Limited (acting through its Nedbank Corporate and Investment Banking division) ("Nedbank"), Rand Merchant Bank and Standard Bank Group ("Standard Bank").
Moma, Moma Mine or the Mine	The Moma Titanium Minerals Mine consisting of a heavy mineral sands, processing facilities and associated infrastructure, which mine is located in the north east coast of Mozambique under licence to the Project Companies.
Mine Closure Guarantee Facility	\$40 million debt facility dated 11 December 2019 between the Lenders and KMML Mozambique Branch and KMPL Mozambique Branch.
MSP	Mineral Separation Plant.
Mtpa	Million tonnes per annum.
OIA	Oman Investment Authority formerly the State General Reserve Fund of the Sultanate of Oman.
Pre-Feasibility Study	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%.
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.
Revolving Credit Facility	\$40 million debt facility dated 11 December 2019 between the Lenders and KMML Mozambique Branch and KMPL Mozambique Branch.
TSR	Total Shareholder Return is Kenmare Resources plc share price at the end of a reporting period adjusted for dividends paid in the period compared to share price at the beginning of the reporting period.
Term Loan Facility	\$110 million debt facility dated 11 December 2019 between the Lenders and KMML Mozambique Branch and KMPL Mozambique Branch.
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 in 2007.
WCP B	The second WCP which started production in 2013.
WCP C	The third WCP which started production in 2020.
WHIMS	Wet High Intensity Magnetic Separation Plant.

