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

19 August 2020

Half-yearly results for the six months to 30 June 2020 and interim dividend

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 half year results for the six month period ended 30 June 2020 ("H1 2020") and declares its interim dividend. The Company also provides updated full year ("FY") 2020 guidance.

Statement from Michael Carvill, Managing Director:

"Our performance during the first half of 2020 demonstrated Kenmare's resilience and agility, effectively managing many challenges posed by the COVID-19 pandemic to continue to produce and ship our products safely. Although production was weaker in H1 2020 than in the corresponding period last year, our business remained profitable and I am pleased to announce an interim dividend of USc2.31 per share. This represents 20% of profit after tax, in line with our dividend policy.

Market conditions for titanium feedstocks continued to strengthen in H1 2020, driving a 28% increase in received ilmenite prices, to US$217 per tonne, compared to last year. We have agreements for the majority of our H2 2020 ilmenite production, although market conditions are expected to become more subdued in the second half of the year.

We continue to actively manage COVID-19-related disruption to the relocation of Wet Concentrator Plant B. The first group of specialist contractors required for the move have been through quarantine and are now working on site and we remain on track to begin mining at Pilivili in Q4. With close to US$100 million of cash at the end of June, we are financially well-resourced to complete the WCP B move and continue to pay dividends."

H1 2020 overview

Operations

- Strict access controls, hygiene protocols and social distancing measures have been in place at the Mine since March, with production and shipments continuing
- Lost time injury frequency rate ("LTIFR") of 0.32 per 200,000 work-hours for the 12 months to 30 June 2020 (30 June 2019: 0.12) – safety review underway to reinforce safety culture
- Excavated ore volumes of 18.5 million tonnes, including a new quarterly record of 10.3 million tonnes in Q2 2020
- Heavy Mineral Concentrate ("HMC") production of 558,400 tonnes, a 12% decrease compared to H1 2019 (633,400 tonnes), due primarily to anticipated lower ore grades
- Total finished product production of 410,600 tonnes, a 19% decrease compared to H1 2019 (505,200 tonnes) due primarily to reduced HMC supply as a result of lower production
- Total shipments of 413,700 tonnes, a 14% decrease (H1 2019: 483,500 tonnes), due to lower production volumes – shipment volumes are expected to be stronger in H2 2020
- Wet Concentrator Plant ("WCP") C delivered throughput of 500 tonnes per hour ("tph") on a consistent basis in Q2 2020, a rate that is expected to be maintained
- Project execution for the relocation of WCP B to Pilivili is approximately 70% complete based on the work plan - mining continues to be expected to begin at Pilivili in Q4 2020
- Updated FY 2020 guidance provided in this announcement, following improved clarity regarding the expected WCP B move timing and the impact of COVID-19-related restrictions

Financials and markets

- Interim dividend of USc2.31 per share, in line with Kenmare's dividend policy to deliver 20% of profit after tax as shareholder returns
- Average received free on board ("FOB") price for all finished products of US$269 per tonne in H1 2020, a 13% increase compared to H1 2019 (US$239 per tonne), reflecting stronger market conditions for ilmenite
- Total operating costs of US$96.9 million, in line with H1 2019 (US$96.6 million), but unit costs of US$183 per tonne, representing a 20% increase compared to H1 2019 (US$152 per tonne) driven by lower production volumes and a largely fixed cost base
- Revenues of US$116.8 million in H1 2020, down 5% compared to H1 2019 (US$122.7 million), due to reduced shipment volumes and lower freight costs, partially offset by higher average FOB prices
- EBITDA of US$37.2 million, a 13% decrease compared to H1 2019 (US$42.8 million), due to lower revenues. Profit after tax of US$12.7 million (H1 2019: US$21.9 million)
- At the end of H1 2020, cash and cash equivalents were US$98.6 million and gross debt was US$151.3 million, resulting in net debt of US$52.7 million (31 December 2019: US$13.7 million net cash) due primarily to scheduled capital expenditure
- Strong ilmenite market conditions continued in H1 2020 and Kenmare has secured offtake agreements for the majority of ilmenite production in H2 2020
- Oversupply in the zircon market continued in H1 2020, however the medium-term outlook continues to be positive due to reducing production from major zircon producers

Results webcast

Kenmare will host a webcast for analysts, institutional investors and media today at 9:00am UK time.

To access the webcast, please register in advance by clicking here.

If you wish to ask a question during the Q&A portion of the webcast, please log-in via the link as it will not be possible to ask a question if you dial in via the numbers below.

Dial-in numbers for the webcast are as follows:

UK:	+44 131 460 1196
Ireland:	+353 1 536 9320
Webcast ID	851 8599 2555

The Half Yearly Financial Report for the period ended 30 June 2020 is also available at www.kenmareresources.com/investors/reports-and-presentations.

Private investor webinar

Additionally, Michael Carvill, Managing Director, will host a webinar for private investors at 4:00pm UK time on Monday 24 August 2020.

To register for the webinar, which is being hosted by Yellowstone Advisory, please click here.

For further information, please contact:

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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 7% of global titanium feedstocks. The Company supplies customers operating 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.

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.

INTERIM MANAGEMENT REPORT

Group Results

Operational and financial results for H1 2020 were as follows:

	H1 2020	H1 2019	% Change
Production (tonnes)			
Heavy mineral concentrate[1] production	558,400	633,400	-12%
Heavy mineral concentrate[1] consumption	558,600	627,300	-11%
Ilmenite[1]	368,900	458,200	-19%
Primary zircon[1]	21,200	23,100	-8%
Rutile[1]	2,900	4,400	-34%
Concentrates[1,2]	17,600	19,500	-10%
Total finished products[1]	410,600	505,200	-19%
Financials			
Revenue (US$ million)	116.8	122.7	-5%
Freight (US$ million)	5.6	7.3	-23%
Revenue FOB (US$ million)[1]	111.2	115.4	-4%
Finished products shipped (tonnes)[1]	413,700	483,500	-14%
Average price (FOB) per tonne (US$/t)	269	239	13%
Total operating costs (US$ million)[3]	96.9	96.6	0%
Total cash operating costs (US$ million)[4]	75.2	76.9	-2%
Cash operating cost per tonne of finished product (US$/t)[1]	183	152	20%
Cash operating cost per tonne of ilmenite (net of co-products) (US$/t)[1]	119	78	53%
EBITDA (US$ million)[1]	37.2	42.8	-13%
Profit before tax	16.0	22.8	-30%
Profit after tax	12.7	21.9	-42%

Notes

1. Additional information in relation to Alternative Performance Measures ("APMs") is disclosed in the Glossary.
2. Concentrates includes secondary zircon and mineral sands concentrate.
3. Total operating costs consists of cost of sales and other operating costs as reported in the income statement. Included in operating costs are depreciation and amortisation.
4. Total cash costs consists of total operating costs less freight and non-cash costs, including inventory movements.

Operations

Kenmare's rolling 12 month LTIFR was 0.32 per 200,000 work-hours at 30 June 2020 (30 June 2019: 0.12) and five lost time injuries were recorded during the first half of the year. As a result, the Company is conducting a safety review and re-evaluating its strategies to reinforce a strong safety culture. This included a full review of its hazard identification and risk assessment process, and improvements in safety leadership inspection and coaching programmes.

During H1 2020, Kenmare mined 18.5 million tonnes of ore at an average grade of 3.33%. Although excavated ore tonnes declined by 4% compared to H1 2019 (19.2 million tonnes), Q2 2020 represented a new quarterly record, with 10.3 million tonnes mined, benefitting from the contribution of WCP C. Excavated ore tonnes increased by 5% compared to H2 2019 (17.6 million tonnes).

As anticipated, ore grades declined by 28% in H1 2020 compared to H1 2019 (4.60%) as WCP B approached the end of its mine path. WCP A was also mining a lower grade area with high slimes during the period. Combined with the lower excavated ore volumes, these reduced ore grades led to a 12% decrease in HMC production to 558,400 tonnes (H1 2019: 633,400 tonnes). Ore grades are expected to increase in H2 2020 as WCP B begins mining at Pilivili in Q4 2020, WCP A is scheduled to mine higher grades, and WCP C contributes a full half year of production.

Production of all finished products decreased in H1 2020 compared to H1 2019 due to an 11% reduction in HMC availability and HMC produced at a lower heavy mineral grade resulting in higher mine recoveries during a period of lower HMC production. Ilmenite production was 368,900 tonnes in H1 2020, representing a 19% decrease compared to H1 2019 (458,200 tonnes). Ilmenite production was further impacted by reduced retreatment of spillage and a write-off of final ilmenite product due to contamination as a result of outdoor stockpiling.

Primary zircon production was 21,200 tonnes, representing an 8% decrease compared to H1 2019 (23,100 tonnes). Production benefitted from the processing of stockpiled non-magnetic concentrates, partially offsetting the lower HMC supply. Rutile production was 2,900 tonnes, a 34% decrease (H1 2019: 4,400 tonnes), due to weaker recoveries in H1 2020. Concentrates production was 17,600 tonnes, representing a 10% decrease compared to H1 2019 (19,500 tonnes).

Kenmare shipped 413,700 tonnes of finished products during the period, which represents a 14% decrease compared to H1 2019 (483,500 tonnes). This comprised 370,500 tonnes of ilmenite, 20,200 tonnes of primary zircon, 3,100 tonnes of rutile and 19,900 tonnes of concentrates. H1 2020 shipments were impacted by lower production levels, adverse weather conditions, and the scheduled replacement of the thruster control system on the Bronagh J transhipment vessel in Q1 2020.

Shipping volumes in Q2 2020 increased by 13% compared to Q1 2020 and Kenmare expects shipping volumes to strengthen further in H2 2020, as although sea conditions continued to be challenging during July, they have improved since the start of August. Historically sea conditions have been calmer in Q4, and as a result Kenmare expects a strong Q4, benefitting from the additional capacity of Kenmare's export facilities. Improvement works are also scheduled during H2 2020 for both transhipment vessels to increase their loading capacity, which will support shipments at the increased production rate from 2021.

Closing stock of HMC at the end of H1 2020 was 6,800 tonnes, compared with 7,000 tonnes at the end of 2019. Closing stock of finished products at the end of H1 2020 was 157,000 tonnes, compared to 159,000 tonnes at the end of 2019.

COVID-19 health update

As announced in the H1 and Q2 2020 Production Report on 14 July 2020, one positive test result was received at the Mine in early July. Following further testing by the Ministry of Health, limited additional positive test results have since been received for employees and contractors. All individuals with confirmed positive tests are required to self-isolate in the Moma camp and are given appropriate care.

Due to the global nature of the pandemic, Kenmare has been preparing for COVID-19 to reach the Moma Mine. As such, procedures have been in place for several months to allow the medical team on site to care for any individuals who test positive and to limit the spread of the virus amongst our employees and the villages close to the Mine. These include the establishment of an on-site testing facility, which is underway and expected to be approved by the Mozambique Ministry of Health later in Q3 2020. Kenmare has also purchased two ventilators for the camp health clinic.

Although there may be further positive test results in the future, Kenmare believes that the mitigation processes and systems in place should allow production and shipments to continue safely, in addition to the relocation of WCP B.

The Government of Mozambique declared a state of emergency on 30 March 2020, which included a 14-day quarantine for anyone entering the country. The next review is scheduled for 6 September 2020.

Capital projects

Kenmare has been progressing three development projects that together have the objective of increasing ilmenite production to 1.2 million tonnes (plus co-products) per annum on a sustainable basis. The first development project, a 20% expansion of WCP B, was commissioned successfully in late 2018.

The second development project, the construction of WCP C, delivered throughput of 500 tph on a consistent basis during Q2 2020. Although the project is operating and expected to be completed within its US$45 million budget, formal project completion has been delayed due to travel restrictions.

Project execution for the relocation of WCP B, the third development project, is now approximately 70% complete based on the work plan. The project has been impacted by global restrictions relating to COVID-19 and consequently Kenmare has implemented a series of initiatives to ensure that WCP B is moved safely, while minimising effects to the project schedule and capital costs, which are explained below.

As stated in the H1 and Q2 Production Report, on 10 July 2020 Kenmare was informed that the Government of Mozambique had authorised the issuance of business visas required for specialist contractors. These key personnel arrived in Mozambique in late July and after the mandatory quarantine period, began work on site on 10 August. Despite this delay and with other mitigation plans underway, the Company continues to target the move of WCP B to Pilivili in Q3, with mining expected to commence in Q4 2020.

Importantly, construction of the 23km, purpose-built road and infrastructure has continued uninterrupted and is progressing well. The relocation pond at Namalope is now complete and flooding of the pond began in mid-August. The majority of the self-propelled modular transporters (SPMTs), which will transport the WCP and dredge, have now arrived at the Moma Mine, and testing of the load-bearing capacity of the road, using the SPMTs, is underway.

The statcom, which is a power regulating device that forms part of the electrical infrastructure, has arrived on site, and the electricity pylons for the overhead powerline continue to arrive. However, due to manufacturing delays and restrictions in South Africa relating to COVID-19, it is not expected that the overhead powerline will be installed on schedule, so initially power is anticipated to be provided at Pilivili by diesel generators.

The positive displacement pumps have been fabricated and are expected to be shipped from Germany in August. Due to the COVID-19 outbreak in China, the decision was taken to move HMC piping fabrications to Italy, Germany and Bahrain. Shipping of the completed pipeline sections to site is expected from early September.

Similar to the overhead powerline, the installation of the positive displacement pumping system is expected to be delayed and therefore Kenmare will truck HMC from Pilivili to the Mineral Separation Plant initially. Although this will increase operating costs on a temporary basis, it reduces the commissioning risk of the project and ensures that mining can begin at Pilivili as soon as possible, allowing Kenmare to access higher grade ore. The water pipelines have now arrived at Moma and installation is anticipated to be completed in August.

While the original project scope remains on budget (US$106 million), the additional initiatives required to mitigate the impacts of COVID-19-related delays are currently anticipated to increase overall project costs by approximately 10%. Approximately 15% of these additional costs are likely to be categorised as operating costs (for example, the fuel to power the temporary diesel generators and the costs of hauling HMC by road until the pipeline is completed) and as such, they have been reflected in the updated total cash operating cost and unit cost guidance.

Guidance update and outlook

In April 2020 Kenmare suspended its guidance due to the uncertain timing of the WCP B move and its impact on production. In early July 2020, as the Company gained more clarity regarding the timing of the move, Kenmare updated guidance for ilmenite production to 700,000 to 800,000 tonnes.

Since July, the first group of specialist contractors have arrived on site and the Company gained a greater understanding of the likely impact of COVID-19. FY 2020 guidance for production and operating costs is updated as follows:

	Unit	Updated FY 2020 Guidance	Suspended FY 2020 Guidance
Production			
Ilmenite	tonnes	700,000-800,000	800,000-900,000
Primary zircon	tonnes	38,400-43,900	44,500-50,100
Rutile	tonnes	5,600-6,400	7,700-8,700
Concentrates[1]	tonnes	31,400-35,900	34,700-39,000
Costs			
Total cash operating costs	US$m	152-160	153-172
Cash costs per tonne of finished product	US$/t	180-196	162-182

1. *Concentrates include secondary zircon and mineral sands concentrate.*

The move of WCP B is anticipated to reduce production in H2 2020, although WCP A is expected to mine higher grade ore in H2 2020 than in the previous half and WCP C will make a larger contribution to production. Once WCP B begins mining at Pilivili, it will be mining significantly higher grade ore than during H1 2020 in Namalope.

Kenmare expects shipment volumes to be higher than updated production volumes in 2020, continuing the trend of H1 2020. Historically, the second half of the year sees seasonally calmer sea conditions, whilst scheduled improvement works to the two transhipment vessels have the objective of increasing their combined loading capacity, ahead of higher forecast production in 2021.

Total capital expenditure in FY 2020 is expected to be US$142 million, in line with previous guidance of US$141.5 million. Of this, US$59 million was incurred in H1 2020. While development capital expenditure is expected to be US$125 million, representing a 5% increase compared to the previous guidance (US$119.5 million), this is offset by 23% lower sustaining capital cost guidance of US$17 million (previously US$22 million), as a result of deferral of some expenditure to 2021.

Total cash operating costs in FY 2020 are expected to be lower than previously guided at US$152 to 160 million due to lower production volumes and fuel price and exchange rate savings, offset by the expected additional costs relating to HMC trucking and power generation for WCP B, following the commencement of production at Pilivili. Cash operating costs per tonne are anticipated to be US$180-196 per tonne, due to lower production volumes and a largely fixed cost base.

Market update

The ilmenite market remained strong in H1 2020, continuing the momentum of 2019. This led to a fifth consecutive quarter of higher average prices received in Q2 2020. Demand for Kenmare’s ilmenite products continues to be stable and Kenmare has secured offtake agreements for the majority of its ilmenite production in H2 2020.

The effects of COVID-19 are uncertain for the ilmenite market. Downstream demand for titanium pigment has been negatively impacted by lower global economic activity as a result of the pandemic. Some pigment producers reduced production in Q2 2020, which was driven by lower sales, and although downstream market conditions improved as the quarter progressed and into early Q3, pigment production is expected to remain below 2019 levels in H2 2020.

Pigment demand in China strengthened in Q2 as the country emerged from its lockdown, but pigment exports towards the end of the quarter were limited by restrictions relating to COVID-19 in other countries around the world.

Global ilmenite supply remained constrained in H1 2020. This was exacerbated by reduced feedstock supply from China, India and South Africa, as a result of lockdowns, although this was more than offset by reduced demand. As a result of the reduced demand, ilmenite market conditions are expected to become more subdued in H2 2020.

While the pricing outlook for 2021 is uncertain, Kenmare expects to be able to secure contracts for all of its increased production. The medium-term outlook for Kenmare's ilmenite products remains solid, with demand expected to outstrip supply and additional sources of production required to balance the market in the coming years.

The oversupply in the zircon market continued in H1 2020. This resulted in lower achieved zircon prices compared to Q4 2019, although prices began to stabilise in June and into Q3. As with the ilmenite market, downstream demand for zircon has been impacted by the COVID-19 outbreak, although this has been partly offset by the disruption to supply, particularly in South Africa.

Kenmare expects challenging zircon market conditions to persist in the short term but to improve in the medium term, with global supply deficits emerging due to depleting production from the major mines.

Financial review

Kenmare generated EBITDA of US$37.2 million in H1 2020 (H1 2019: US$42.8 million) and finished the half year with cash and cash equivalents of US$98.6 million, ensuring that the Company is well-resourced to complete the WCP B move and to pay its dividend, in line with its policy to return 20% of profit after tax to shareholders.

Revenue

Revenue decreased by 5% in H1 2020 to US$116.8 million compared to H1 2019 (US$122.7 million), driven by a 14% decrease in in tonnes of finished products sold offset by a 13% increase in the average received price per tonne (FOB). Freight costs in H1 2020 decreased to US$5.6 million (H1 2019: US$7.3 million), reflecting lower shipment volumes during the period. Shipments comprised 370,500 tonnes of ilmenite, 20,200 tonnes of primary zircon, 19,900 tonnes of concentrates and 3,100 tonnes of rutile.

Ilmenite revenue (FOB) increased by 8% to US$80.3 million in H1 2020 (H1 2019: US$74.2 million), as a result of a 28% price increase to US$217 per tonne (H1 2019: US$169 per tonne). This was offset by a 16% reduction in shipment volumes. Primary zircon revenue (FOB) decreased by 30% to US$20.2 million (H1 2019: US$24.3 million) due to a 16% price decrease and a 17% decrease in shipment volumes. The zircon market is expected to remain subdued in the second half of 2020 as the oversupply persists in the short-term.

Operating costs

Total operating costs remained unchanged in H1 2020 at US$96.9 million (H1 2019: US$96.6 million), despite WCP C beginning production in February. These additional costs associated with WCP C were offset by lower logistics costs and staff travel costs to the Mine in H1 2020 due to COVID-19 restrictions, net of additional COVID-19 related costs. H1 2019 costs also included a once-off negative stock consumables adjustment. Total cash operating costs decreased to US$75.2 million (H1 2019: US$76.9 million). Due to a 19% decrease in production of finished products, there was a 20% increase in cash operating costs per tonne to US$183 per tonne in H1 2020 (H1 2019: US$157 per tonne).

Finance income and costs

The Group recognised finance income of US$0.5 million in H1 2020 (H1 2019: US$0.9 million), consisting of interest on bank deposits. Finance costs were US$5.1 million in H1 2020 (H1 2019: US$3.7 million), including loan interest of US$4.0 million (H1 2019: US$2.8 million). The increase in loan interest year-on-year reflects the higher gross debt, as the balance of the Term Loan of US$42.7 million and the full amount of the Revolving Credit Facility of US$40 million were drawn in the period. The interest amount was partially offset by lower US LIBOR interest rates. The unwinding of the mine closure provision amounted to US$0.3 million (H1 2019: US$0.2 million) in the period.

Commitment fees under the new debt facilities were US$0.3 million and lease interest was US$0.2 million (H1 2019: US$0.2 million) in the period.

Exchange movements

An exchange gain of US$0.7 million (H1 2019: loss US$0.5 million) arose during H1 2020. This primarily relates to operating and capital costs denominated in Mozambique Metical and South African Rand, which weakened against the US Dollar during the period.

Tax

The tax charge for H1 2020 amounted to US$3.3 million (H1 2019: US$0.9 million). Kenmare's subsidiary, Kenmare Moma Mining (Mauritius) Limited, incurred a Mozambican tax charge of US$3.1 million (H1 2019: US$2.0 million). As at 30 June 2020, Kenmare had unutilised tax losses of US$1.6 million (H1 2019: US$9.6 million) and a deferred tax asset of US$0.2 million was recognised (H1 2019: US$1.2 million).

Cash flows

Net cash used in operations in H1 2020 was US$0.03 million (H1 2019: Net cash from operations US$10.4 million).

Investing activities of US$59.4 million (H1 2019: US$20.2 million) during the period represented additions to property, plant and equipment. US$82.7 million of debt was drawn in the period (H1 2019: debt repayment US$9.5 million) and a final dividend for 2019 of US$6.0 million (H1 2019: US$ nil), representing USc5.52 per share, was paid in May 2020. Lease repayments of US$0.5 million (H1 2019: US$0.7 million) were also made in the period.

Consequently, Kenmare finished the period with US$98.6 million of cash and cash equivalents, representing an increase of US$17.4 million compared to year-end 2019 (US$81.2 million).

Balance sheet

In H1 2020 there were additions to property, plant and equipment of US$59.2 million (H1 2019: US$24.8 million). Additions consisted of US$6.5 million for the construction of WCP C, US$42.0 million for project execution costs for the relocation of WCP B to the high grade Pilivili ore zone, and US$10.7 million on sustaining capital and other capital projects.

Depreciation increased to US$17.3 million in H1 2020 (H1 2019: US$16.7 million), primarily as a result of WCP C, which began operations in late February 2020. The mine closure provision was increased by US$10.8 million in H1 2020 (H1 2019: US$3.6 million). This was due to a reduction in the discount rate used to estimate the closure cost provision from 2.8% to 1.8%. Asset disposals during the year amounted to US$7.4 million (H1 2019: US$4.9 million).

The Group conducted an impairment review of property, plant and equipment at the period end and the key assumptions of this review are set out in Note 10 of the financial statements. No impairment provision is required as a result of this review.

Inventory at period-end amounted to US$58.3 million (H1 2019: US$58.6 million), consisting of intermediate and finished mineral products of US$28.7 million (H1 2019: US$36.2 million) and consumables and spares of US$29.6 million (H1 2019: US$22.4 million). Closing stock of HMC at the end of June 2020 was 6,800 tonnes compared with 25,600 tonnes at the end of June 2019. Closing stock of finished products at the end of June 2020 was 157,000 tonnes (H1 2019: 222,200 tonnes).

Trade and other receivables amounted to US$60.5 million (H1 2019: US$46.6 million), of which US$45.6 million (H1 2019: US$39.1 million) were trade receivables from the sale of mineral products and US$14.9 million (H1 2019: US$7.5 million) was comprised of supplier prepayments and other miscellaneous debtors. Trade receivables are a function of shipments made before period-end and credit terms specific to the relevant customer. There have been no bad debts during the period. An expected credit loss of US$0.08 million (H1 2019: US$0.04 million) was recognised during the period.

Cash and cash equivalents increased by US$17.4 million (H1 2019: decrease of US$20.0 million) and at 30 June 2020 amounted to US$98.6 million (H1 2019: US$77.0 million).

Lease liabilities amounted to US$3.9 million (H1 2019: US$5.0 million) at period-end.

Tax liabilities and trade and other payables amounted to US$1.8 million (H1 2019: US$1.5 million) and US$32.1 million (H1 2019: US$27.3 million) respectively at period-end.

Debt facilities

The debt facilities comprise a US$110 million Term Loan Facility and a US$40 million Revolving Credit Facility. The balance of the Term Loan of US$42.7 million and the full amount of the Revolving Credit Facility of US$40 million were drawn in H1 2020 to provide the Group with enhanced liquidity during the period of uncertainty posed by the COVID-19 pandemic.

The first principal repayment under the new term facility is in March 2022, providing a repayment holiday during the current period of development capital expenditure.

At period-end, reported debt amounted to US$145.2 million (H1 2019: US$73.5 million). This consists of debt drawn of US$150.0 million and loan interest and amortisation of US$1.7 million, net of transaction costs of US$6.5 million. The weighted average interest rate on Group debt at period end was 6.1% (H1 2019: 7.6%). The Group is in compliance with all debt covenants as at 30 June 2020.

Financial outlook

The COVID-19 pandemic has created uncertainty with respect to Kenmare's financial outlook and the extent of the impact continues to be difficult to predict. The Group has taken appropriate actions to mitigate the impact of the pandemic, such as the drawing of its debt facilities, in order to provide downside protection. Further detail covering the risks associated with COVID-19 are outlined under principal risks and uncertainties.

With first HMC production from WCP C in February 2020, Kenmare is now focused on the Company's final development project. The relocation of WCP B to Pilivili is expected to be completed during H2 2020 and consequently development capital expenditure is expected to decrease significantly thereafter.

Kenmare expects to be producing 1.2 million tonnes per annum of ilmenite from 2021, with significantly lower cash operating costs per tonne (in 2020 real terms) of US$125 to US$135 per tonne. This is anticipated to increase margins, with the Mine's largely fixed operating costs being spread over a greater number of tonnes produced.

Consequently, from 2021 the Group expects to be positioned in the first quartile of the industry revenue to cost (or margin) curve. Kenmare anticipates stronger free cash flow generation, providing for increased shareholder returns.

Interim dividend

Providing shareholder returns is one of the three pillars of Kenmare's strategy. The Group's dividend policy is to return a minimum of 20% of profit after tax to shareholders per annum, subject to prevailing product market conditions.

Kenmare generated profit after tax of US$12.7 million in H1 2020 (H1 2019: US$21.9 million) and as such, the Board is recommending an interim 2020 dividend of USc2.31 per share, for a total distribution of US$2.5 million. This represents 20% of profit after tax. The financial statements do not reflect this interim dividend.

The Company proposes to pay the interim dividend on 23 October 2020 to shareholders of record at the close of business on 25 September 2020.

The dividend timetable is as follows:

Announcement of interim dividend	19 August 2020
Ex-Dividend Date	24 September 2020

Record Date	25 September 2020
Currency election cut-off date	28 September 2020
Payment Date	23 October 2020

Following completion of the WCP B move, Kenmare expects to be positioned to make higher shareholder returns. These may take the form of a special dividend or share buy backs.

Community update

Kenmare is committed to supporting the Mine's host communities in the fight against COVID-19. During H1 2020 the Company donated hand sanitation kits and over 23,000 masks to local villages. Kenmare Moma Development Association ("KMAD") volunteers also conducted door-to-door campaigns to raise awareness about how to prevent the spread of the virus.

Kenmare donated eight ventilators and 50 CPAP (non-invasive ventilation with oxygen) machines to the health authorities in Nampula, which is the nearest city to the Moma Mine. Additionally, Kenmare donated personal protective equipment and digital thermometers to local health facilities.

Through KMAD, the Company also continued to progress its other community initiatives during H1 2020, where possible. This included submitting plans to the provincial government authorities for development projects in Pilivili, including new school blocks, an extension to the Pilivili health centre and new water systems. The KMAD team have also started gathering submissions for income-generating projects in the Pilivili area as part of the organisation's focus on livelihoods and economic development.

For regular updates on KMAD's community initiatives, please follow Kenmare on social media: Facebook (https://www.facebook.com/KenmareResourcesplc), LinkedIn (https://www.linkedin.com/company/kenmare-resources-plc) and Twitter (https://twitter.com/KenmareRes).

Principal risks and uncertainties

There are a number of potential risks and uncertainties, which could have a material impact on Kenmare's performance over the remaining six months of the financial year, and could cause actual results to differ materially from expected and historic results.

A detailed explanation of the principal risks and uncertainties and how Kenmare seeks to mitigate these risks, can be found on pages 46 to 51 of the Annual Report for the year ended 31 December 2019 under the following headings: loss of licence, development project risk, country risk, geotechnical risk, severe weather events, uncertainty over physical characteristics of the ore body, power supply and transmission risk, asset damage or loss, Health, Safety and Environment (HSE), mineral resource statement risk, IT security risk, industry cyclicality, customer concentration, foreign currency risk and loan default risk.

The COVID-19 pandemic has increased the potential likelihood and/or impact of the following principal risks and uncertainties identified in the 2019 Annual Report, each of which could have a material impact on Kenmare's performance over the remaining six months of the financial year:

Risk Title	Impact of COVID-19 pandemic	Management and Mitigation
Development Project Risk	The COVID-19 pandemic has increased the risk of the development projects being completed behind schedule or over budget as a result of restrictions on the movement of people and goods, the risk of relevant personnel being otherwise unavailable (as a result of infection or quarantine), and disruptions in the supply chain for equipment required for the development projects.	• Close working relationship with relevant Mozambican governmental authorities to ensure specialist overseas contractors can mobilise to site, in order to continue with completion of the WCP B relocation project. • Remote supervision of on-site personnel to reduce travel to site (and related quarantining). • Agile procurement and project management to reduce potential impact of lockdowns and restrictions on transport in various locations

Risk Title	Impact of COVID-19 pandemic	Management and Mitigation
		on manufacture and transport of goods to the Mine.
Health, Safety & Environment (HSE)	The COVID-19 pandemic has both increased and broadened the risk profile in this area.	• Development and implementation of a COVID-19 management plan – with regular revision of the plan. • Implementation of social distancing rules, reduction in occupancy of Mine vehicles, compulsory face masks, compulsory handwashing regime, closure of dine-in facilities. • Requirement that all arrivals to site undergo a 14-day self-isolation period. • Construction of a PCR laboratory for coronavirus testing, which is expected to be approved by the authorities and operational in Q3 2020.
Industry Cyclicality	The COVID-19 pandemic is expected to contribute to subdued market conditions for ilmenite and challenging market conditions for zircon in H2 2020.	As disclosed in the 2019 Annual Report.
Customer Concentration	The COVID-19 pandemic further raises the risk profile in this area as there is a risk that major existing customers may not be able to continue to take the Group's products as a result of disruptions to their own operations or a reduction in demand for their products.	Kenmare has several offtake agreements in place for the majority of H2 2020 production, providing some security over the short-term outlook regarding the impact of COVID-19.

Please refer to the Operational/COVID-19 update sections of this report for more information regarding the impact COVID-19 has had on the Moma Mine and the mitigation measures the Group has implemented.

Related party transactions

There have been no material changes in the related party transactions affecting the financial position or the performance of the Group in the period since publication of the 2019 Annual Report other than those disclosed in Note 19 to the condensed consolidated financial statements.

Going Concern

As stated in Note 1 to the condensed consolidated financial statements, based on the Group's forecasts and projections the Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than twelve months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the condensed consolidated financial statements.

Events after the Statement of Financial Position Date

An interim dividend for the year ended 31 December 2020 of US$c2.31 per share has been declared on 19 August 2020. The dividend payable of US$2.5 million has not been included as a liability in these financial statements. The interim dividend is payable to all shareholders on the Register of Members on 25 September 2020.

There have been no other significant events since 30 June 2020 which would have a significant impact on the financial statements of the Group.

Forward-looking statements

This report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report, and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

On behalf of the Board,

Managing Director	Financial Director
Michael Carvill	Tony McCluskey
19 August 2020	19 August 2020

INDEPENDENT REVIEW REPORT TO KENMARE RESOURCES PLC

Introduction

We have been engaged by Kenmare Resources plc ("the Company") to review the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2020 which comprises the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of cash flows, the condensed consolidated statement of changes in equity and the related explanatory notes. Our review was conducted having regard to the Financial Reporting Council's International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2020 is not prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU, the Transparency (Directive 2004/109/EC) Regulations 2007 ("Transparency Directive"), and the Transparency Rules of the Central Bank of Ireland.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Transparency Directive and the Transparency Rules of the Central Bank of Ireland. As disclosed in Note 1, annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for ensuring that the condensed set of consolidated financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of consolidated financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review having regard to the Financial Reporting Council's International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We read the other information contained in the half-yearly financial report to identify material inconsistencies with the information in the condensed set of consolidated financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the review. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Transparency Directive and the Transparency Rules of the Central Bank of Ireland. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

David Meagher
For and on behalf of KPMG
Chartered Accountants, Statutory Audit firm
1 Stokes Place
St. Stephens Green
Dublin 2

19 August 2020

Group condensed consolidated statement of comprehensive income
For the financial period ended 30 June 2020

	Notes	**Unaudited 6 Months 30 June 2020 US$'000**	Unaudited 6 Months 30 June 2019 US$'000	Audited 12 Months 31 Dec 2019 US$'000
Revenue	2	**116,803**	122,706	270,944
Cost of sales	4	**(82,722)**	(79,606)	(178,432)
Gross profit		**34,081**	43,100	92,512
Other operating costs	5	**(14,190)**	(17,028)	(33,289)
Operating profit		**19,891**	26,072	59,223
Finance income		**493**	853	1,536
Finance costs	7	**(5,133)**	(3,653)	(8,920)
Foreign exchange gain/(loss)		**728**	(507)	(1,884)
Profit before tax		**15,979**	22,765	49,955
Income tax expense	8	**(3,324)**	(864)	(5,152)
Profit for the financial period and total comprehensive income for the financial period		**12,655**	21,901	44,803
Attributable to equity holders		**12,655**	21,901	44,803

		US$ per share	US$ per share	US$ per share
Profit per share: Basic	9	**0.12**	0.20	0.41
Profit per share: Diluted	9	**0.11**	0.20	0.40

The accompanying notes form part of these financial statements.

Group condensed consolidated statement of financial position

As at 30 June 2020

	Notes	**Unaudited 30 June 2020 US$'000**	Unaudited 30 June 2019 US$'000	Audited 31 Dec 2019 US$'000
Assets				
Non-current assets				
Property, plant and equipment	10	**904,617**	823,224	852,035
Deferred tax asset		**198**	1,170	469
		904,815	824,394	852,504
Current assets				
Inventories	11	**58,288**	58,568	51,846
Trade and other receivables	12	**60,470**	46,577	41,177
Cash and cash equivalents		**98,591**	77,047	81,177
		217,349	182,192	174,200
Total assets		**1,122,164**	1,006,586	1,026,704
Equity				
Capital and reserves attributable to the Company's equity holders				
Called-up share capital	13	**120**	215,046	215,046
Share premium		**545,950**	545,644	545,729
Other reserves		**230,867**	36,524	37,202
Retained earnings		**121,567**	73,975	93,851
Total equity		**898,504**	871,189	891,828
Liabilities				
Non-current liabilities				
Bank loans	14	**143,886**	51,948	60,736
Lease liabilities		**2,569**	3,929	3,091
Provisions	16	**39,915**	26,706	28,351
		186,370	82,583	92,178
Current liabilities				
Bank loans	14	**1,294**	21,558	167
Lease liabilities		**1,361**	1,043	1,363
Trade and other payables	15	**32,069**	27,277	36,044
Tax liabilities		**1,823**	1,499	4,381
Provisions	16	**743**	1,437	743
		37,290	52,814	42,698
Total liabilities		**223,660**	135,397	134,876
Total equity and liabilities		**1,122,164**	1,006,586	1,026,704

The accompanying notes form part of these financial statements.

On behalf of the Board:

M. CARVILL
Director
19 August 2020

T. MCCLUSKEY
Director
19 August 2020

Group condensed consolidated statement of changes in equity

For the financial period ended 30 June 2020

	Called-Up Share Capital US$'000	Share Premium US$'000	Retained Earnings US$'000	Undenominated Capital US$'000	Share-Based Payment Reserve US$'000	Total US$'000
Balance at 1 January 2019	215,046	730,897	(133,179)	11,336	24,335	848,435
Profit for the financial period	–	–	21,901	–	–	21,901
Capital reduction	–	(185,253)	185,253	–	–	–
Transactions with owners of the Company						
Share-based payments	–	–	–	–	853	853
Balance at 30 June 2019	215,046	545,644	73,975	11,336	25,188	871,189
Profit for the financial period	–	–	22,902	–	–	22,902
Transactions with owners of the Company						
Share-based payments	–	–	–	–	934	934
Shares issued	–	85	–	–	(256)	(171)
Dividends	–	–	(3,026)	–	–	(3,026)
Balance at 31 December 2019	215,046	545,729	93,851	11,336	25,866	891,828
Profit for the financial period	–	–	12,655	–	–	12,655
Transactions with owners of the Company						
Share-based payments (Note 18)	–	–	–	–	47	47
Unvested and expired share-based payments (Note 18)	–	–	21,087	–	(21,087)	–
Shares issued (Note 13)	–	221	–	–	(221)	–
Deferred shares	(214,926)	–	–	214,926	–	–
Dividends	–	–	(6,026)	–	–	(6,026)
Balance at 30 June 2020	120	545,950	121,567	226,262	4,605	898,504

Retained earnings

Retained earnings comprise the expenses on the issue of equity in July 2016 and accumulated profit and losses in the current and prior financial years. On 19 May 2020, the Company paid a final 2019 dividend of US$6.0 million representing USc5.52 per share.

Undenominated capital

Capital Conversion Reserve Fund

The Capital Conversion Reserve Fund totalling US$0.8 million arose from the renominalisation of the Company's share capital from Irish Punts to Euros.

Capital Redemption Reserve Fund

The Capital Redemption Reserve Fund totalling US$10.6 million arose from the issue and subsequent redemption of deferred shares. The deferred shares of €0.059995 were created in 2016 by subdividing each existing ordinary share of €0.06 pence into one deferred share of €0.059995 and one intermediate ordinary share of €0.000005 (such intermediate ordinary shares were subsequently consolidated into new ordinary shares of €0.001 each).The deferred shares were non-voting, carried no dividend rights, and the Company had the right to purchase any or all of these shares otherwise than for valuable consideration in accordance with the Companies Act 2014 and without the sanction of the holders thereof.

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.

Share-based payment reserve

The share-based payment reserve arises on the grant of share options and shares to certain Directors, employees and consultants under the share-based payment schemes.

Group condensed consolidated statement of cash flows

For the financial period ended 30 June 2020

	Notes	**Unaudited 6 Months 30 June 2020 US$'000**	Unaudited 6 Months 30 June 2019 US$'000	Audited 12 Months 31 Dec 2019 US$'000
Operating activities				
Profit for the financial period/year after tax		**12,655**	21,901	44,803
Adjustment for:				
Foreign exchange movement		**(728)**	507	1,884
Share-based payments	18	**1,014**	853	1,616
Finance income		**(493)**	(853)	(1,536)
Finance costs	7	**5,133**	3,653	8,920
Income tax expense	8	**3,324**	864	5,152
Depreciation	10	**17,269**	16,654	33,381
		38,174	43,579	94,220
Change in:				
Financial liabilities		**–**	–	(1)
Provisions	16	**408**	477	(654)
Inventories	11	**(6,442)**	(4,696)	2,027
Trade and other receivables		**(19,546)**	(24,610)	(20,228)
Trade and other payables	15	**(3,542)**	(431)	7,873
Cost of equity settled share-based payments	18	**(967)**	–	–
Cash generated from operating activities		**8,085**	14,319	83,237
Debt commitment and other fees paid		**(343)**	–	–
Income tax paid		**(5,611)**	(1,605)	(2,310)
Interest received		**493**	853	1,536
Interest paid		**(2,653)**	(3,189)	(6,094)
Net cash (used in)/from operating activities		**(29)**	10,378	76,369
Investing activities				
Additions to property, plant and equipment	10	**(59,424)**	(20,183)	(64,750)
Net cash used in investing activities		**(59,424)**	(20,183)	(64,750)
Financing activities				
Dividends paid		**(6,026)**	–	(3,026)
Repayment of debt	14	**–**	(9,524)	(84,168)
Drawdown of debt	14	**82,742**	–	67,258
Debt transaction fees paid	14	**–**	–	(6,522)
Payment of lease liabilities		**(523)**	(677)	(967)
Net cash from/(used in) financing activities		**76,193**	(10,201)	(27,425)
Net increase/(decrease) in cash and cash equivalents		**16,740**	(20,006)	(15,806)
Cash and cash equivalents at the beginning of the financial period/year		**81,177**	97,030	97,030
Effect of exchange rate changes on cash and cash equivalents		**674**	23	(47)
Cash and cash equivalents at the end of the financial period/year		**98,591**	77,047	81,177

Notes to the group condensed consolidated financial statements
For the financial period ended 30 June 2020

1. Basis of preparation and going concern

Basis of preparation

The annual financial statements of Kenmare Resources plc ('the Group') are prepared in accordance with IFRSs as adopted by the European Union. The Group Condensed Consolidated Financial Statements for the six months ended 30 June 2020 have been prepared in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, as amended, the Transparency Rules of the Central Bank of Ireland and with IAS 34 'Interim Financial Reporting', as adopted by the European Union.

The financial information presented in this document does not constitute statutory financial statements. The amounts presented in the half yearly financial statements for the six months ended 30 June 2020 and the corresponding amounts for the six months ended 30 June 2019 have been reviewed but not audited. The independent review report is on pages 13 and 14. The preparation of the half yearly financial statements requires the Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of certain assets, liabilities, revenues and expenses together with disclosure of assets and liabilities. Estimates and underlying assumptions relevant to these financial statements are disclosed in the notes.

The financial information for the year ended 31 December 2019, presented herein, is an abbreviated version of the annual financial statements for the Group in respect of the year ended 31 December 2019. The Group's annual financial statements in respect of the year ended 31 December 2019 have been filed in the Companies Registration Office and the independent auditors issued an unqualified audit report thereon. The annual report is available on the Company's website at www.kenmareresources.com.

Going Concern

The Directors have a reasonable expectation based on the Group's cash flow forecast (the "Group Forecast") that the Group has adequate resources for the foreseeable future and continue to adopt the going concern basis of accounting in preparing these financial statements.

The Group Forecast has been prepared by management with best estimates of production, pricing and cost assumptions over the period. The Group recognises the uncertainty surrounding the potential global impacts from the COVID-19 virus. The Group have forecast reduced production and increased capital costs in H2 2020 to factor in a potential delay of completion of the WCP B move to Pilivili based on the risk that entry to Mozambique by key specialist contractors has be delayed. In addition to allow for an expected global economic downturn compared to the forecast as at 31 December 2019 and updated market analysis, shipment volumes and prices, have been reduced over the medium term.

Key assumptions upon which the Group Forecast is based include a mine plan covering production using the Namalope, Nataka, Pilivili and Mualadi reserves and resources. Specific resource material is included only where there is a high degree of confidence in its economic extraction. Production levels for the purpose of the forecast are approximately 1.1 million tonnes per annum of ilmenite plus co-products, zircon, concentrates and rutile over the next year. Assumptions for product sales prices are based on contract prices as stipulated in marketing agreements with customers or, where contract prices are based on market prices or production is not presently contracted, prices are forecast taking into account independent titanium mineral sands expertise and management expectations. Operating costs are based on approved budget costs for 2020, taking into account the current running costs of the Mine and escalated by 2% per annum thereafter. Capital costs are based on the capital plans and include escalation at 2% per annum.

Sensitivity analysis is applied to the assumptions above to test the robustness of the cash flow forecasts for changes in market prices, shipments and 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 forecasts. As a result of this assessment, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due for the foreseeable future, a period of not less than twelve months from the date of this report.

Accounting policies

The accounting policies applied in the half yearly financial statements are those set out in the annual financial statements for the year ended 31 December 2019.

The cost of property, plant and equipment comprises any costs directly attributable to bringing an asset to the location and condition necessary for it to be capable of operating in the manner intended by management. This includes the cost of moving plant and associated infrastructure to the orebodies under the Group's mining concessions which form part of the Group's life of mine plan. In H2 2020, the Group is moving the WCP B plant, Deirdre dredge and its mining infrastructure from the Namalope orebody where it has finished mining to the Pilivili orebody. The costs associated with this move are capitalised in property, plant and equipment and depreciated over the life of the life.

A number of new standards are effective from 1 January 2020 but they do not have a material effect on the Group's financial statements.

2. Revenue

	Unaudited 30 June 2020 US$'000	Unaudited 30 June 2019 US$'000	Audited 31 Dec 2019 US$'000
Sale of mineral products	**116,803**	122,706	270,944

During the financial period, the Group sold 413,700 tonnes (2019: 483,500 tonnes) of finished products ilmenite, rutile, zircon and concentrates to customers at a sales value of US$116.8 million (2019: US$122.7 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

	Unaudited 30 June 2020 US$'000	Unaudited 30 June 2019 US$'000	Audited 31 Dec 2019 US$'000
Ilmenite	**82,875**	79,806	182,980
Zircon	**22,026**	30,866	60,545
Concentrates	**8,837**	8,675	19,372
Rutile	**3,065**	3,359	8,047
Total	**116,803**	122,706	270,944

Geographical information

	Unaudited 30 June 2020 US$'000	Unaudited 30 June 2019 US$'000	Audited 31 Dec 2019 US$'000
Revenue from external customers			
China	**48,127**	51,814	127,333
USA	**12,266**	20,302	27,500
Italy	**8,522**	12,319	31,177
Rest of the world	**47,888**	38,271	84,934
Total	**116,803**	122,706	270,944

All revenues are generated by the Moma Titanium Minerals Mine.

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

	Unaudited 30 June 2020 US$'000	Unaudited 30 June 2019 US$'000	Audited 31 Dec 2019 US$'000
Moma Titanium Minerals Mine			
Revenue	**116,803**	122,706	270,944
Cost of sales	**(82,722)**	(79,606)	(178,432)
Gross profit	**34,081**	43,100	92,512
Other operating costs	**(11,335)**	(13,869)	(28,260)
Segment operating profit	**22,746**	29,231	64,252
Other corporate operating costs	**(2,855)**	(3,159)	(5,029)
Group operating profit	**19,891**	26,072	59,223
Finance income	**493**	853	1,536
Finance expenses	**(5,133)**	(3,653)	(8,920)
Foreign exchange gain/(loss)	**728**	(507)	(1,884)
Profit before tax	**15,979**	22,765	49,955
Income tax expense	**(3,324)**	(864)	(5,152)
Profit for the financial period/year	**12,655**	21,901	44,803
Segment assets			
Moma Titanium Minerals Mine assets	**1,060,730**	953,475	976,077
Corporate assets	**61,434**	53,111	50,627
Total assets	**1,122,164**	1,006,586	1,026,704
Segment liabilities			
Moma Titanium Minerals Mine liabilities	**219,148**	129,681	129,808
Corporate liabilities	**4,512**	5,716	5,068
Total assets	**223,660**	135,397	134,876

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.

4. Cost of sales

	Unaudited 30 June 2020 US$'000	Unaudited 30 June 2019 US$'000	Audited 31 Dec 2019 US$'000
Opening stock of mineral products	**26,493**	31,037	31,037
Production costs	**69,918**	70,331	145,058
Depreciation	**15,009**	14,426	28,830
Closing stock of mineral products	**(28,698)**	(36,188)	(26,493)
Total	**82,722**	79,606	178,432

Mineral products consist of finished products and heavy mineral concentrate.

5. Other operating costs

	Unaudited 30 June 2020 US$'000	Unaudited 30 June 2019 US$'000	Audited 31 Dec 2019 US$'000
Distribution costs	**4,795**	4,813	9,398
Freight and demurrage costs	**6,463**	8,630	17,603
Administration costs	**2,932**	3,585	6,288
Total	**14,190**	17,028	33,289

Distribution costs of US$4.8 million (2019: US$4.8 million) represent the cost of running the Mine's finished product storage, jetty and marine fleet. Included in distribution costs is depreciation of US$2.1 million (2019: US$2.2 million). Freight costs of US$5.7 million (2019: US$7.3 million) arise from sales to customers on a CIF or CFR basis. Demurrage costs were US$0.8 million (2019: US$1.3 million) during the financial period. Administration costs of US$2.9 million (2019: US$3.6 million) are the Group administration costs and include depreciation of US$0.2 million (2019: US$0.2 million) and a share-based payment expense of US$1.0 million (2019: US$0.9 million).

6. Seasonality of sale of mineral products

Sales of the Group's mineral products are not seasonal in nature.

7. Finance costs

	Unaudited 30 June 2020 US$'000	Unaudited 30 June 2019 US$'000	Audited 31 Dec 2019 US$'000
Interest on bank borrowings	**4,042**	2,756	5,031
Fees on debt redemption	**–**	–	1,555
Interest on lease liabilities	**156**	189	378
Factoring fees	**253**	478	1,496
Commitment and other fees	**343**	–	–
Unwinding of discount on mine closure provision	**339**	230	460
Total	**5,133**	3,653	8,920

All interest has been expensed in the financial year.

8. Income tax expense

	Unaudited 30 June 2020 US$'000	Unaudited 30 June 2019 US$'000	Audited 31 Dec 2019 US$'000
Corporation tax	**3,053**	2,034	5,621
Deferred tax	**271**	(1,170)	(469)
Total	**3,324**	864	5,152

During the period the KMML Mozambique Branch had taxable profits of US$8.7 million (2019: US$5.8 million) resulting in an income tax expense of US$3.1 million (2019: US$2.0 million) being recognised. The income tax rate applicable to taxable profits of KMML Mozambique Branch is 35% (2019: 35%).

KMML 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.

During the period Kenmare Resources plc had taxable profits of US$2.2 million (2019: US$15.4 million) which were offset against tax losses. At 30 June 2020, the Company has estimated unused tax losses of US$1.6 million

(2019: US$9.4 million) resulting in the recognition of a deferred tax asset of US$0.2 million (2019: US$1.2 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:

	Unaudited 30 June 2020 US$'000	Unaudited 30 June 2019 US$'000	Audited 31 Dec 2019 US$'000
Profit for the financial period/year attributable to equity holders of the Company	**12,655**	21,901	44,803

	2020 Number of shares	2019 Number of shares	2019 Number of shares
Average number of issued ordinary shares	**109,657,480**	109,601,551	109,601,551
Weighted number of shares issued during the financial period/year	**14,916**	–	18,541
Weighted average number of issued ordinary shares for the purpose of basic earnings per share	**109,672,396**	109,601,551	109,620,092
Effect of dilutive potential ordinary shares: Share awards	**1,855,011**	1,550,567	1,554,807
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**111,527,407**	111,152,118	111,174,899

	US$ per share	US$ per share	US$ per share
Earnings per share: basic	**0.12**	0.20	0.41
Earnings per share: diluted	**0.11**	0.20	0.40

10. Property, plant and equipment

	Plant & Equipment US$'000	Development Expenditure US$'000	Construction In Progress US$'000	Other Assets US$'000	Total US$'000
Cost					
At 31 December 2018	795,871	250,326	41,638	63,451	1,151,286
Adjustment on initial application of IFRS 16 Leases	3,321	–	–	1,722	5,043
At 1 January 2019	799,192	250,326	41,638	65,173	1,156,329
Transfer from construction in progress	5,697	–	(10,264)	4,567	–
Additions during the financial year	(231)	–	24,905	125	24,799
Additions of right-of-use asset under lease	–	–	–	386	386
Disposals	(92)	–	–	(4,850)	(4,942)
Adjustment to mine closure cost	3,639	–	–	–	3,639
At 30 June 2019	808,205	250,326	56,279	65,401	1,180,211
Transfer from construction in progress	6,461	–	(10,515)	4,054	–
Additions during the financial year	1,060	–	42,406	219	43,685
Disposals	–	–	–	(317)	(317)
Adjustment to mine closure cost	1,853	–	–	–	1,853
At 31 December 2019	817,362	250,326	88,170	69,357	1,225,432
Transfer from construction in progress	41,002	–	(41,020)	18	–
Additions during the financial year	–	–	59,224	–	59,224
Disposals	(36)	–	–	(7,620)	(7,656)
Adjustment to mine closure cost	10,817	–	–	–	10,817
At 30 June 2020	869,717	250,326	106,374	61,755	1,287,817
Accumulated Depreciation					
At 1 January 2019	186,999	126,523	–	31,753	345,275
Charge for the financial period	11,219	2,111	–	3,324	16,654
Disposals	(92)	–	–	(4,850)	(4,942)
At 30 June 2019	198,126	128,634	–	30,227	356,987
Charge for the financial period	11,210	1,992	–	3,525	16,727
Disposals	–	–	–	(317)	(317)
At 31 December 2019	209,336	130,626	–	33,435	373,397
Charge for the financial period	11,145	1,895	–	4,229	17,269
Disposals	(36)	–	–	(7,430)	(7,466)
At 30 June 2020	220,445	132,521	–	30,234	383,200
Carrying Amount					
At 30 June 2020	648,917	117,805	106,374	31,512	904,617
At 30 June 2019	610,079	121,692	56,279	35,174	823,224
At 31 December 2019	608,243	119,700	88,170	35,922	852,035

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 30 June 2020, 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 30 June 2020. 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 pre-tax, pre-finance cash flows discounted at 11%.

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 end review, in particular the estimated risk-free rate, resulting in a discount rate of 11% (31 December 2019: 11.5%). 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 appropriate 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. The impairment review has specifically considered the potential impact of COVID-19 and the cashflows included in the impairment forecast has been adjusted accordingly. Therefore, no risk adjustment to the discount rate has been made.

Using a discount rate of 11%, the recoverable amount is greater than the carrying amount by US$96.4 million (31 December 2019: US$139.0 million). The discount rate is a significant factor in determining the recoverable amount. A 1.0% increase in the discount rate to 12.0% reduces the recoverable amount by US$96.4 million. The reduction in the recoverable amount from the prior year is a result of reduced life of mine cash flows due to the factors detailed below net of the reduction in the discount rate from 11.5% to 11.0%.

- A mine plan based on the Namalope, Nataka, Pilivili and Mualadi proved and 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 1.1 million tonnes (2019: 1.1 million tonnes) of ilmenite and co-products zircon, rutile and concentrates over the life of the mine. This mine plan does not include investment in additional mining capacity. Certain minimum stocks of final and intermediate products are assumed to be maintained at period ends. The average annual production of final products has increased from the prior year due to additional production from WCP C.
- 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 by the Group with other external sources of information. Average forecast product sales prices have decreased over the life of mine from the prior year end review as a result of revised forecast pricing. A 2% reduction in average sales prices over the life of mine reduces the recoverable amount by US$96.4 million.
- Operating costs are based on approved budget costs for 2020 taking into account the current running costs of the Mine and escalated by 2% per annum thereafter. Average forecast operating costs have increased from the prior year end review as a result of revised forecast operating costs over the life of mine. A 5% increase in operating costs over the life of mine reduces the recoverable amount by US$96.4 million.
- Capital costs are based on a life of mine capital plan including inflation at 2% per annum from 2020. Average forecast capital costs have remained relatively unchanged from the prior year end review and are based on the 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.

As a result of the impairment review no impairment provision was recognised in the current financial period. No impairment was recognised in the prior financial year. Given the sensitivities of the forecast to the discount rate, pricing and to a lesser extent operating costs, the impairment loss of US$64.8 million which was recognised in the Consolidated Statement of Comprehensive Income in 2014 is not reversed.

Included in construction in progress at 30 June 2020 are costs associated with the move of the WCP B plant to Pilivili of US$68.3 million. The move is scheduled to take place in Q3 2020 with mining resuming in Q4 2020. The costs of this project include all costs necessary to bring the WCP B plant to a working condition for mining in the high grade Pilivili orebody as detailed in the Group's mine plan. These costs include the Pilivili mine site preparation, delivery to this orebody, installation, and related professional fees for engineers and project managers.

An adjustment to the mine closure cost of US$10.8 million (2019: US$3.6 million) was made during the year as a result of a change in the estimated closure cost as a result of a reduction in the related discount rate.

11. Inventories

	Unaudited 30 June 2020 US$'000	Unaudited 30 June 2019 US$'000	Audited 31 Dec 2019 US$'000
Mineral products	**28,698**	36,188	26,493
Consumable spares	**29,590**	22,380	25,353
	58,288	58,568	51,846

At 30 June 2020, total final product stocks were 157,000 tonnes (2019: 222,200 tonnes). Closing stock of heavy mineral concentrate was 6,800 tonnes (2019: 25,600 tonnes).

Net realisable value is determined with reference to forecast prices of finished products expected to be achieved. There is no guarantee that these prices will be achieved in the future, particularly in weak product markets. During the financial period there was a write-down of US$0.2 million (2019: nil) to mineral products to value them at net realisable value.

12. Trade and other receivables

	Unaudited 30 June 2020 US$'000	Unaudited 30 June 2019 US$'000	Audited 31 Dec 2019 US$'000
Trade receivables	45,558	39,071	32,245
Prepayments	14,912	7,506	8,932
	60,470	46,577	41,177

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 US$30 million with limits on the maximum amount that can be factored for each of the customers named in the facility. Given the funding available to the Group it amended its trade finance facility with Absa Bank effective 1 May 2020 to suspend its use so that no fees are payable from such date until the date of re-activation of the facility. The Group is required to provide Absa with at least 7 days' notice of re-activation of the facility.

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 also discounts these letters of credit thereby providing early payment of receivables to the Group. There is no limit under the Barclays Bank facility.

All trade receivables are current (i.e. not overdue). There has been no impairment in trade receivables during the financial period. An expected credit loss of US$0.08 million (H1 2019: US$0.04 million) has been recognised in the financial period.

13. Share capital

Share capital as at 30 June 2020 amounted to US$0.12 million (2019: US$215.0 million). During the period, 78,902 ordinary shares in the Company were issued as a result of the exercise of shares under the 2016 KIP award as detailed in Note 18.

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.

14. Bank loans

	Unaudited 30 June 2020 US$'000	Unaudited 30 June 2019 US$'000	Audited 31 Dec 2019 US$'000
Borrowings	**145,180**	73,506	60,903
The borrowings are repayable as follows:			
Less than one year	**1,294**	21,558	167
Between two and five years	**150,000**	51,948	57,651
More than five years	**–**	–	9,608
	151,294	73,506	67,426
Future finance charges	**(6,114)**	–	(6,523)
Amount due for settlement	**145,180**	73,506	60,903

Borrowings

On 11 December 2019, the Group entered into a senior facilities agreement 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 US$110 million Term Loan Facility and a US$40 million Revolving Credit Facility. The debt facilities accommodate a future Mine Closure Guarantee Facility of up to US$40 million. The total debt facility over which security is in place is up to US$190 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.

In addition, the facilities accommodate the later inclusion of a Mine Closure Guarantee Facility of up to US$40 million (increasing from US$3 million to a maximum of US$40 million over five years), which can share 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 pledge of the shares of Kenmare Moma Processing (Mauritius) Limited and Kenmare Moma Mining (Mauritius) Limited, a pledge of intercompany loans, a security interest in Group bank accounts located outside of Mozambique and China, and conditional assignments of certain contractual rights of the borrowers.

During the period US$82.7 million was drawn down under the above facilities. At 30 June 2020 total debt of US$145.2 million was recognised by the Group, being the drawdown of US$150.0 million before transaction costs of US$6.5 million plus interest amortised of US$1.7 million.

Reconciliation of movements of debt to cashflows arising from financing activities	**Unaudited 30 June 2020 US$'000**	Unaudited 30 June 2019 US$'000	Audited 31 Dec 2019 US$'000
Balance at 1 January	60,903	83,463	83,463
Cash movements			
Loan interest paid	(2,497)	(3,189)	(5,716)
Principal paid	-	(9,524)	(82,613)
Loan drawn down	82,742	–	67,258
Transaction costs	–	–	(6,522)
Non-cash movements			
Loan interest accrued	4,032	2,756	5,033
Balance at 30 June/31 December	145,180	73,506	60,903

Financial Covenants

The key financial covenants as at 30 June 2020 are detailed below. In accordance with the senior facilities agreement, covenant compliance is assessed over the 12-month period ending 30 June 2020 or, where applicable as at such date.

	As at 30 June 2020	Covenant requirement
Interest Coverage Ratio	11.53:1	Min 4.00:1
Net Debt to EBITDA	0.59:1	Max 2.00:1
Debt Service Coverage Ratio	35.97:1	Min 1.20:1
Liquidity (million)	US$98.6	Min US$15.0

As at 30 June 2020 the Group is in compliance with the financial covenants.

Interest Coverage Ratio is the ratio of EBITDA to net interest cost over the 12-month period.

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 the 12-month period plus available facilities plus cash generated in the period to debt payments (including principal and interest) in the period.

Liquidity is defined as consolidated cash and cash equivalents (other than cash used as collateral) plus undrawn amounts of the Revolving Credit Facility.

Reserve Tail Covenant

As at 31 December and 30 June or any other date as at which the Group updates its Reserves Report, the Reserve Tail Ratio must exceed 30%. The Reserve Tail Ratio was 79% as at the 30 June 2020.

Borrowings interest, currency and liquidity risk

The loan facilities are arranged at variable rates and expose the Group to cash flow interest rate risk. Variable rates are based on six-month LIBOR. The borrowing rate at financial period end was 6.1% (2019: 7.6%). The interest rate profile of the Group's loan balances at the financial year end was as follows:

	Unaudited 30 June 2019 US$'000	Unaudited 30 June 2019 US$'000	Audited 31 Dec 2019 US$'000
Variable rate debt	**145,180**	73,506	60,903

The fair value of the Group's borrowings of US$145.0 million (2019: US$73.2 million) has been calculated by discounting the expected future cash flows at a market rate of 6.1% (2019: 6.0%).

Under the assumption that all other variables remain constant, a 1% change in the six-month LIBOR rate results in a US$1.5 million (2019: US$0.4 million) change in finance costs for the financial year.

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

	Unaudited 30 June 2019 US$'000	Unaudited 30 June 2019 US$'000	Audited 31 Dec 2019 US$'000
US Dollars	**145,180**	73,506	60,903

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.

15. Trade and other payables

Included in trade and other payables at the period end is US$6.6 million (31 December 2019: US$6.1 million) for amounts payable for additions to property, plant and equipment. During the period there were foreign exchange movements of US$0.05 million in relation to non-US Dollar payables. Excluding the above from the movement in the statement of financial position of US$3.9 million results in the US$3.6 million disclosed in the statement of cash flows.

16. Provisions

	Unaudited 30 June 2020 US$'000	Unaudited 30 June 2019 US$'000	Audited 31 Dec 2019 US$'000
Mine closure provision	**36,973**	23,733	25,815
Mine rehabilitation provision	**3,685**	3,253	3,279
Legal provision	**–**	1,157	–
	40,658	28,143	29,094
Current	**743**	1,437	743
Non-current	**39,915**	26,706	28,351
	40,658	28,143	29,094

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 US$0.3 million (2019: US$0.3 million) has been recognised in the statement of comprehensive income for the financial period.

The main assumptions used in the calculation of the estimated future costs include:
- a discount rate of 1.8% (2019: 2.8%);
- an inflation rate of 2% (2019: 2%);
- an estimated life of mine of 40 years (2019: 40 years). It is assumed that the land licences will be extended on expiry in 2058; and
- an estimated closure cost of US$30.2 million (2019: US$28.8 million) and an estimated post-closure monitoring provision of US$3.9 million (2019: US$3.9 million).

The life of mine plan is based on the Namalope, Nataka, Pilivili and Mualadi reserves and resources. Specific resource material is included only where there is a high degree of confidence in its economic extraction. The Mine closure provision has been increased by US$10.8 million from 31 December 2019 to reflect a change in the discount rate from 2.6% at 31 December 2019 to 1.8% at 30 June 2020.

The discount rate is a significant factor in determining the Mine closure provision. The Group uses 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 money. Risks specific to the liability are included in the cost estimate.

The Mine rehabilitation provision represents the Directors' best estimate of the Company's liability for rehabilitating areas disturbed by mining activities. Rehabilitation costs are recognised based on the area disturbed and estimated cost of rehabilitation per hectare which is reviewed regularly against actual rehabilitation cost per hectare. Actual rehabilitation expenditure is incurred approximately twelve months after the area has been disturbed. During the financial year there was a release of US$0.3 million (2019: US$0.3 million) to reflect the actual mine rehabilitation costs incurred, and an addition to the provision of US$0.7 million (2019: US$0.8 million) for areas newly disturbed.

17. Financial Instruments

	Unaudited 30 June 2020			Unaudited 30 June 2019			Audited 31 Dec 2019		
	Carrying amount US$'000	**Fair value US$'000**		Carrying amount US$'000	Fair value US$'000		Carrying amount US$'000	Fair value US$'000	
Financial assets measured at fair value									
Trade receivables	32,294	32,294	Level 2	26,796	26,796	Level 2	18,585	18,585	Level 2
Financial assets not measured at fair value									
Trade receivables	13,264	13,264	Level 2	12,275	12,275	Level 2	13,660	13,660	Level 2
Cash and cash equivalents	98,591	98,591	Level 2	77,047	77,047	Level 2	81,177	81,177	Level 2
	144,149	144,149		116,118	116,118		113,422	113,422	
Financial liabilities not measured at fair value									
Bank loans	145,180	145,180	Level 2	73,506	73,200	Level 2	60,903	60,903	Level 2
	145,180	145,180		73,506	73,200		60,903	60,903	

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 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 measured at fair value are receivables which the Group may elect to receive early payment though its trade finance facilities with Absa Bank and Barclays Bank.

Trade receivables not measured at fair value are receivables whose payment is received under the sale contract credit terms.

The valuation techniques used in measuring Level 2 fair values are discounted cashflows which considers the expected receipts or payments discounted using adjusted market discount rates or where these rates are not available estimated discount rates.

18. Share-based payments

Share option scheme

The Company's share option scheme awarded shares up to 2014. Options were exercisable at a price equal to the quoted market price of the Company's shares on the date of grant. The options generally vested over a three-year period in equal annual amounts, or, if performance related, in the year the performance criteria are met. Where options remained unexercised for a period of seven years, they expired. During the period, options with a fair value of US$19.2 million which expired in prior years were transferred to retained earnings.

Kenmare Incentive Plan (KIP)

During the financial period, the Group recognised a share-based payment expense of US$0.1 million (2019: US$0.1 million) in relation to the KIP awards. In March 2020, 157,285 shares vested and were exercised under the 2016 KIP award. 78,902 shares at a value of US$0.2 million were issued as detailed in Note 13. The value of the remaining 78,383 shares was settled in cash to pay the employees' tax liability on the award (US$0.2 million). The final vesting date for awards under this scheme was 31 March 2020. Shares with a value of US$1.8 million did not vest and have been transferred to retained earnings.

Kenmare Restricted Share Plan (KRSP)

In 2020, 853,074 (2019: 558,396) shares were granted to employees under the 2020 KRSP award. The estimated fair value of the shares awarded is US$2.2 million (2019: US$2.8 million).

During the financial period, the Group recognised a share-based payment expense of US$0.9 million (2019: US$0.8 million) as a result of the KRSP awards.

In May 2020, 297,510 shares vested under the 2017 KRSP award. 281,766 of these shares were exercised at a cost of US$0.8 million.

19. Related party transactions

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

Apart from existing remuneration arrangements there were no material transactions or balances between the Group and its key management personnel or members of their close families during the period under review.

20. Events after the statement of financial position date

Proposed dividend

An interim dividend for the year ended 31 December 2020 of US$c2.31 per share has been declared on 19 August 2020. The dividend payable of US$2.5 million has not been included as a liability in these financial statements. The interim dividend is payable to all shareholders on the Register of Members on 25 September 2020.

There have been no other significant events since 30 June 2020 which would have a significant impact on the financial statements of the Group.

21. Information

The half yearly financial report was approved by the Board on 19 August 2020.

Copies are available from the Company's registered office at 4th Floor, Styne House, Hatch Street Upper, Dublin 2, D02 DY27, Ireland.

The report is also available on the Company's website at www.kenmareresources.com.

STATEMENT OF DIRECTORS RESPONSIBILITIES
For the half year ended 30 June 2020

The Directors are responsible for preparing the half-yearly financial report in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 ("Transparency Directive"), and the Transparency Rules of the Central Bank of Ireland. The names and functions of the Directors are as listed in the Group's 2019 Annual Report and Accounts. A list of the current Directors is maintained on the Kenmare Resources plc website: www.kenmareresources.com.

In preparing the condensed set of financial statements included within the half-yearly financial report, the Directors are required to:

- prepare and present the condensed set of financial statements in accordance with IAS 34 Interim Financial Reporting as adopted by the EU, the Transparency Directive and the Transparency Rules of the Central Bank of Ireland;
- ensure the condensed set of financial statements has adequate disclosures;
- select and apply appropriate accounting policies; and
- make accounting estimates that are reasonable in the circumstances.

The Directors are responsible for designing, implementing and maintaining such internal controls as they determine is necessary to enable the preparation of the condensed set of financial statements that is free from material misstatement whether due to fraud or error.

We confirm that to the best of our knowledge:

(1) the condensed set of consolidated financial statements included within the half-yearly financial report of Kenmare Resources plc for the six months ended 30 June 2020 ("the interim financial information") which comprises the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of cash flows, the condensed consolidated statement of changes in equity and the related explanatory notes, have been presented and prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU, the Transparency Directive and Transparency Rules of the Central Bank of Ireland.

(2) The interim financial information presented, as required by the Transparency Directive, includes:
   a. an indication of important events that have occurred during the first 6 months of the financial year, and their impact on the condensed set of consolidated financial statements;
   b. a description of the principal risks and uncertainties for the remaining 6 months of the financial year
   c. related parties' transactions that have taken place in the first 6 months of the current financial year and that have materially affected the financial position or the performance of the enterprise during that period; and
   d. any changes in the related parties' transactions described in the last annual report that could have a material effect on the financial position or performance of the enterprise in the first 6 months of the current financial year.

On behalf of the Board:

M. CARVILL
Director
19 August 2020

T. MCCLUSKEY
Director
19 August 2020

Glossary - Alternative Performance Measures

Certain financial measures set out in the half yearly financial report to 30 June 2020 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, 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

	H1 2020	H1 2019	H1 2018
	US$m	US$m	US$m
Revenue	**116.8**	122.7	140.1
Freight	**(5.6)**	(7.3)	(8.8)
Revenue (FOB)	**111.2**	115.4	131.3

EBITDA

	H1 2020	H1 2019	H1 2018
	US$m	US$m	US$m
Operating profit	**19.9**	26.1	32.2
Depreciation and amortisation	**17.3**	16.7	16.0
EBITDA	**37.2**	42.8	48.2

EBITDA margin

	H1 2020	H 1 2019	H1 2018
	US$m	US$m	US$m
EBITDA	**37.2**	42.8	48.2
Revenue (FOB)	**111.2**	115.4	131.3
EBITDA margin (%)	**33**	37	37

Cash operating cost per tonne of finished product

	H1 2020	H1 2019	H1 2018
	US$m	US$m	US$m
Cost of sales	**82.7**	79.6	92.5
Other operating costs	**14.2**	17.0	15.4
Total operating costs	**96.9**	96.6	107.9
Freight charges	**(5.6)**	(7.3)	(8.8)
Total operating costs less freight	**91.3**	89.3	99.1
Non-cash costs			
Depreciation and amortisation	**(17.3)**	(16.7)	(16.0)
Share-based payments	**(1.0)**	(0.9)	(0.6)
Mineral product inventory movements	**2.2**	5.2	(8.9)
Total cash operating costs	**75.2**	76.9	73.6
Final product production tonnes	**410,600**	505,200	487,300
Cash operating cost per tonne of finished product	**US$183**	US$152	US$151

Cash operating cost per tonne of ilmenite

	H1 2020	H1 2019	H1 2018
	US$m	US$m	US$m
Total cash operating costs	**75.2**	76.9	73.6
Less FOB revenue from co-products zircon, rutile and mineral sands concentrate	**(31.3)**	(41.2)	(34.2)
Total cash costs less co-product revenue	**43.9**	35.7	39.4
Ilmenite product production tonnes	**368,900**	458,200	449,500
Cash operating cost per tonne of ilmenite	**US$119**	US$78	US$88

Net debt/cash

	H1 2020	H1 2019	H 1 2018
	US$m	US$m	US$m
Bank debt	**(145.2)**	(73.5)	(93.3)
Transaction costs	**(6.1)**	–	–

Gross debt	**(151.3)**	(73.5)	(93.3)
Cash and cash equivalents	**98.6**	77.0	84.0
Net cash/(debt)	**(52.7)**	3.5	(9.3)

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.
the Company	Kenmare Resources plc
DFS	Definitive feasibility studies are the most detailed and will determine definitively whether to proceed with the project. A definitive feasibility study will be the basis for capital appropriation, and will provide the budget figures for the project. Detailed feasibility studies require a significant amount of formal engineering work and are accurate to within approximately 10-15%.
EdM	Electricidade de Moçambique
EPCM	Engineering, Procurement and Construction Management
FOB	This term means that the seller delivers when the goods pass the ship's rail at the named port of shipment. This means the buyer has to bear all costs and risks to the goods from that point. The seller must clear the goods for export. This term can only be used for sea transport.
Group or Kenmare	Kenmare Resources plc and its subsidiary undertakings
HMC	Heavy mineral concentrate extracted from mineral sands deposits and which include ilmenite, zircon, rutile and other heavy minerals and silica.
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	US$40 million debt facility dated 11 December 2019 between the Lenders and KMML Mozambique Branch and KMPL Mozambique Branch.
MITADER	Ministério de Terra, Ambiente e Desenvolvimento Rural or Ministry of Land, Environment and Rural Development.
MSP	Mineral Separation Plant
Mtpa	Million tonnes per annum
PFS	A feasibility study is an evaluation of a proposed mining project to determine whether the mineral resource can be mined economically. Pre-feasibility study is used to determine whether to proceed with a detailed feasibility study and to determine areas within the project that require more attention. Pre-feasibility studies are done by factoring known unit costs and by estimating gross dimensions or quantities once

	conceptual or preliminary engineering and mine design has been completed. Pre-feasibility studies have an accuracy within approximately 20-30%.
PM	Atmospheric particulate matter – also known as particulate matter (PM) or particulates – are microscopic solid or liquid matter suspended in the Earth's atmosphere.
Project Companies	Kenmare Moma Mining (Mauritius) Limited and Kenmare Moma Processing (Mauritius) Limited, wholly owned subsidiary undertakings of Kenmare Resources plc, who are incorporated in Mauritius.
Revolving Credit Facility	US$40 million debt facility pursuant to the Senior Facilities Agreement 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	US$110 million debt facility pursuant to the Senior Facilities Agreement 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