

AUDIT & RISK COMMITTEE REPORT



I would like to pay tribute to Tony McCluskey & thank him for his stewardship

DEIRDRE SOMERS

CHAIR OF THE AUDIT AND RISK COMMITTEE



ELAINE DORWARD-KING
COMMITTEE MEMBER



CLEVER FONSECA
COMMITTEE MEMBER

Dear Shareholder

I am pleased to present the report of the Audit & Risk Committee for 2022. During the year, the Committee met six times and the main areas of focus were as set out on page 114. This report describes how the Committee has fulfilled its responsibilities during the year under its terms of reference and under the relevant requirements of the UK Corporate Governance Code 2018.

Membership and meetings

The Audit & Risk Committee consists of myself, as Chair, Clever Fonseca and Elaine Dorward-King, all of whom are Independent Non-Executive Directors. As outlined in the Directors' biographical details, members bring considerable accounting, corporate financial and mining industry experience to the work of the Committee. I am a Chartered Accountant and have been designated by the Board as the Committee's financial expert. Details of the skills and experience of the Committee members are set out on page 84.

Committee membership

	Independent:	Date of Appointment	Meetings attended
Deirdre Somers Chair	Yes	19/08/2020	6
Clever Fonseca Member	Yes	13/05/2020	6
Elaine Dorward-King Member	Yes	31/12/2021	6

Principal responsibilities of the Committee

- Monitoring the integrity of the Group's financial statements and any formal announcements relating to the Group's financial performance and reviewing significant financial reporting judgements contained in them;
- Assessing whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's performance, business model and strategy;
- Monitoring the external auditor's independence and objectivity and, in particular, the appropriateness of the provision of non-audit services;
- Monitoring the effectiveness of the Group's internal control and risk management systems;
- Considering the appropriate risk appetite for the Group and overseeing the current and prospective risks faced by the Group and its strategy in relation to future risks;
- Ensuring the risk management function is properly resourced, with adequate information rights and sufficient independence such that it is free from management interference;
- Making recommendations for the Board to put to shareholders for their approval in General Meetings regarding the appointment, remuneration and terms of engagement of the external auditor;
- Monitoring the effectiveness of the internal audit function; and
- Reporting to the Board, identifying any matters in respect of which it considers that action or improvement is needed, and making recommendations as to the steps to be taken.

The Chair of the Audit & Risk Committee attends the Annual General Meeting to answer questions on the report on the Committee's activities and matters within the scope of the Committee's responsibilities.

See the Committee's terms of reference at www.kenmareresources.com/en/about-us/corporate-governance/audit-risk-committee.

External audit

Independence and non-audit services

The Committee is responsible for ensuring that the external auditor is independent and for implementing appropriate safeguards where the external auditor also provides non-audit services to the Group. The Committee closely monitors the level of audit and non-audit services that audit firms provide to the Group. The Committee has adopted a policy on the provision of non-audit services by the external auditor on the basis that they may provide such services only where the engagement will not compromise their audit objectivity and independence, they have the understanding of the Group necessary to provide the service and they are considered to be the most appropriate to carry out the work. All non-audit services provided by audit firms must be approved by the Committee.

KPMG is the Group's external auditor and has confirmed to the Committee that it is independent from the Group under the requirements of the Irish Auditing and Accounting Supervisory Authority's (IAASA) Ethical Standards for Auditors. The Committee reviews and approves any appointment of an individual, within three years of having previously been employed by the current external auditor, to a senior managerial position in the Group. No such appointments were made in 2022.

The Company Secretary, the external audit lead partner and, from time to time, the Financial Director attend meetings at the invitation of the Committee. Twice each year, the Committee and the external auditor discuss, without management present, matters relating to its remit and any issues.

KPMG was approved as auditor by the Company at the AGM in May 2019 and began its engagement in July 2019. The lead audit partner is Keith Watt who took over the role in 2021, having been involved as audit partner since 2019.

In 2022, KPMG provided a number of audit services and non-audit services. The non-audit services consisted mainly of audit-related assurance concerning the review of the half-yearly financial statements and Mozambican tax compliance services and other related matters. The Committee is satisfied that the external auditor's knowledge of the Group was an important factor in choosing it to provide these services. The fee paid to KPMG in 2022 in respect of audit services and non-audit services was \$180,000 and \$109,000 respectively, a ratio of 1.65:1. KPMG has stated that it does not consider that these fees create a self-interest threat since the level of fees is not significant to the firm as a whole. The Committee is therefore satisfied that the non-audit work did not compromise KPMG's independence or objectivity and that it was in the interests of the Group to retain KPMG for those services. As a result, the Company did not invite third parties to tender for these services. The Committee did not request the auditors to look at any specific areas in 2022. Details of the amounts paid to KPMG during the year for audit and other services are set out in Note 7 to the consolidated financial statements on page 178.



Read more about **the auditor's report** on page 153



AUDIT & RISK COMMITTEE REPORT CONTINUED



Read more about **our financial performance** on page 48

Effectiveness

The Committee, on behalf of the Board, is responsible for the relationship with the external auditor and for monitoring the effectiveness and quality of the external audit process. The Committee's primary means of assessing the effectiveness of the external audit process is by monitoring performance against the agreed audit plan. In addition, we consider the following:

- The experience and knowledge of the external audit team;
- The quality of presentations to the Board and Committee;
- The technical insights provided relevant to the Group;
- Demonstration of a clear understanding of the Group's business and key risks; and
- The results of post-audit interviews with management and the Audit & Risk Committee Chair.

Based on the above, the Committee is satisfied with the effectiveness of the external auditor for 2022 and is satisfied that the external auditor demonstrated professional scepticism and challenged management's assumptions, where necessary.

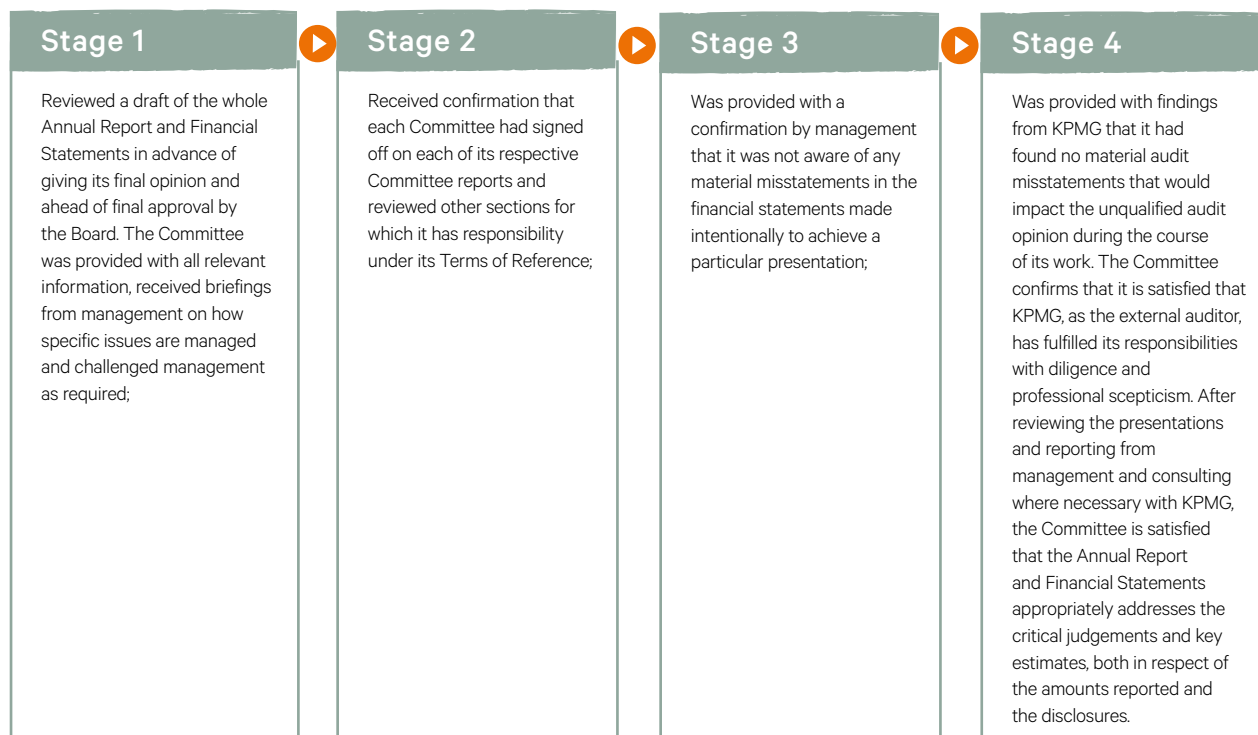
Financial reporting and significant financial judgements

A key responsibility of the Committee is to consider the significant areas of complexity, management judgement and estimation that have been applied in the preparation of the financial statements. The Committee has reviewed the suitability of the accounting policies which have been adopted and whether management has made appropriate judgements and disclosures. The table on pages 114-115 sets out the significant matters considered by the Committee in relation to the financial statements for the year ended 31 December 2022.

Fair, balanced and understandable report

At the request of the Board, the Committee considered whether, in its opinion, the 2022 Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and whether it provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

As part of this process, we considered the robust process in place to create the Annual Report and Financial Statements and the Committee:



Following its review, we believe that the 2022 Annual Report and Financial Statements is representative of the year and presents a fair, balanced and understandable overview, providing the necessary information for shareholders to assess the Group's position, performance, business model and strategy.

Risk management

The Group has identified and documented critical risks to the business, including key operational risks and related controls in its risk register. The Mine's operational risks to the business are reviewed quarterly and updated. The Group's operational risks are reviewed annually and the corporate and business risks on the Group's risk register are updated annually.

Following a review of the Group risk register by senior management, the principal risks identified for the Group and their mitigations are submitted to the Audit & Risk Committee and Board for review and approval. These risks are included in the principal risks and uncertainties facing the Group as set out on pages 71-79. As part of the internal audit function, controls identified in the risk register are tested to ensure they are operating effectively.

The Committee assessed the Group's risk management and internal control framework in line with the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting and reviewed the audit and review summary reports from the external auditor. The Committee, having assessed the above information, is satisfied that the internal control and risk management framework is operating effectively and has reported this opinion to the Board.

Internal audit

The Internal Auditor prepares an internal audit plan for each financial year proposing the audit areas to be covered and the timeframe for each. This is presented to the Committee for approval. The Internal Auditor updates the Committee on progress at regular intervals and presents reports to each Committee meeting. The Committee can question the Internal Auditor on the contents of the reports and the processes employed by him in investigations. These reports are considered by the Committee and material matters and recommendations are then reported to the Board.

The Committee is responsible for monitoring and reviewing the operation and effectiveness of the Internal Audit function including its focus, plans, activities and resources. To fulfil its duties during 2022, the Committee:

- Reviewed and approved the internal audit annual plan to ensure alignment with the Group's principal risks;
- Considered and was satisfied that the competencies, experience of and level of resources available to the Internal Auditor were adequate to achieve the proposed plan;
- Considered the role and effectiveness of internal audit in the overall context of the Group's risk management framework and was satisfied that the function has appropriate standing within the Group;
- Ensured that the Internal Auditor had access to the Chair of the Board if required; and
- Ensured co-ordination between internal audit and the external auditor to maximise the benefits from clear communication and co-ordinated activities.

On the basis of the above the Committee concluded that, for 2022, the internal audit function was performing well and is satisfied that the quality, experience and expertise of the function is appropriate for the Group.

Whistleblowing

The Company has a Whistleblowing Policy in place and a third-party service provider is engaged to provide a confidential 24/7 whistleblowing service available ("Safecall") to all stakeholders to report any wrongdoing in the workplace. The service does not replace the internal processes within the organisation, but seeks to provide an alternative for those employees who, for any reason, do not wish to use the internal processes. The Audit & Risk Committee Chair is also positioned to receive written complaints in confidence on accounting, risk issues, internal controls, auditing issues and related matters for reporting to the Audit & Risk Committee.

Five reports were received in 2022 and concerned alleged corruption in the procurement process, termination of a supplier contract and preferential treatment of an employee. All were investigated by the Internal Auditor in accordance with procedures and all investigations were closed with no material findings of misconduct.



Read more about **our principal risks** on page 71

AUDIT & RISK COMMITTEE REPORT CONTINUED



Read more about **our dividend policy** on page 33

Areas of focus in 2022

Area of focus	Audit and Risk committee action
Financial Reporting	<ul style="list-style-type: none"> Reviewed the 2021 Annual Report and Accounts in March 2022, the 2022 Half Yearly Financial Report issued in August 2022 and the regulatory announcements relating to these statements before submitting them to the Board of Directors with a recommendation to approve. Undertook a review of the 2021 Annual Report and Accounts and confirmed to the Board that it was the opinion of the Committee that, taken as a whole, the 2021 Annual Report and Accounts were fair, balanced and understandable and provided the information necessary for shareholders to assess the Group's position and performance, business model and strategy. Assessed the appropriateness of the Group's accounting policies, including the key estimates, judgements and disclosures made by management. Considered the Group's adoption of the requirements of the European Single Electronic Format and Regulatory Standards (ESEF).
Distributable Reserves	<ul style="list-style-type: none"> Reviewed the Company's distributable reserves to ensure these were sufficient to pay the 2021 final dividend, the 2022 interim dividend and to buy back shares pursuant to the Odd lot Offer.
Risk Management and Internal Control	<ul style="list-style-type: none"> Reviewed the Group's risk management and internal control framework (including procedures for detecting fraud) established for identifying, evaluating and managing key risks. The principal risks facing the Group were reviewed and considered and four specific strategic risks identified by the Committee as key to the outcome for the year were monitored. Reviewed the Company's risk appetite statement. Received and considered risk review updates. Received updates on insurance renewals. Reviewed the Anti-Bribery and Whistleblower policies to ensure they remained appropriate for the Group's business. Approved and monitored progress against a set of Treasury policy KPIs.



Areas of focus in 2022

Area of focus	Audit and Risk committee action
Internal Audit	<ul style="list-style-type: none"> Reviewed the internal audit charter and was satisfied that it remained appropriate for the Group. Approved the internal audit plan for 2022 and received quarterly updates on progress in this regard as well as in relation to ad hoc work undertaken during the year. Received quarterly reports from the internal auditor on Safecall (anonymous whistleblower line) reports received and resulting investigations. Reviewed internal audit reports during the year covering warehouse management, foreign currency conversion, radiation management, berm management, due diligence software, third party access to financial software and impersonation of Kenmare. Reviewed the effectiveness of the internal audit function.
External Audit	<ul style="list-style-type: none"> Agreed the audit plan of the external auditor, KPMG, for their audit of the 2022 Annual Report and Accounts and their review of the 2022 Half Yearly Financial Report. Reviewed the independence, objectivity and effectiveness of the external audit process including the safeguards designed to avoid the possibility that the auditor's objectivity and independence could be compromised. The Committee is satisfied that the appropriate policy is in place in respect of services provided by external auditors. Approved the non-audit services provided by KPMG to the Group in 2022. Post-completion of the 2021 audit and 2022 half year review, in conjunction with KPMG, review meetings were held with senior finance management and it was confirmed by both parties that no issues had arisen during the audit or review process. Met the external auditor without management present to discuss matters relating to the external audit process.
Climate Change	<ul style="list-style-type: none"> The Committee reviewed the proposed disclosures in the 2021 Annual Report against the recommendations of the Task Force on Climate Related Financial disclosures (TCFD) and EU Taxonomy. The Committee considered the impact of climate change on amounts reported in the financial statements including the potential financial impact of the physical and transitional risks and opportunities identified in accordance with the recommendations of the TCFD. The Committee received an update from external advisors and management on the changes required under the Corporate Sustainability Reporting Directive (CSRD). The Committee received an update on management's plans to ensure the Group is appropriately prepared for the main disclosure requirements of CSRD.
Taxation	<ul style="list-style-type: none"> Received regular updates on the Mozambican tax authority's audit of the tax obligations of KMML Mozambique Branch and its ultimate conclusion. Reviewed financial reporting disclosures pertinent to this audit.
Committee affairs	<ul style="list-style-type: none"> Considered its terms of reference to ensure they remain appropriate for the Group's needs. The terms of reference are available on the Kenmare website at www.kenmareresources.com/en/about-us/corporate-governance/audit-risk-committee Addressed the sections of the action plan arising from the 2021 external Board evaluation which were relevant to it.



Read more about [how we manage climate change](#) on page 60

AUDIT & RISK COMMITTEE REPORT CONTINUED

Estimates and judgements

The Committee reviewed in detail the following areas of significant judgement, complexity and estimation in connection with the 2022 financial statements. The Committee considered the report from the external auditor on the audit work undertaken and conclusions reached as set out in its audit report on pages 153-158.

Area of judgement	Audit and Risk committee considerations
Impairment of Property, plant and equipment	<ul style="list-style-type: none">• The Committee discussed the Group's impairment process with both management and KPMG.• The Committee reviewed management's impairment testing methodology and process, including key judgements and assumptions. The Committee found the process to be robust and was satisfied with the results of the testing process.• The Committee requested an external review of management's impairment assessment which confirmed that it was in accordance with market and industry practice. External advisors agreed with the approach taken by management.
Revenue recognition	<ul style="list-style-type: none">• The Committee gained comfort over revenue recognition through discussions with management in relation to the operation of key financial controls within the Revenue Process in order to prevent and detect material misstatements. In addition, the Committee gained an understanding of the substantive audit work performed by KPMG. As a result of this, the Committee is satisfied that there are appropriate controls and processes in place across the Group to ensure the completeness and accuracy of revenue.
Going Concern and Viability Statement	<ul style="list-style-type: none">• The Committee reviewed the going concern and viability statement including the underlying methodology, process and assumptions and recommended to the Board that it approve the going concern and viability statement.
Other matters	<ul style="list-style-type: none">• The Committee considered and is satisfied with a number of other judgements and estimates which have been made by management including provisioning for tax matters, the Mine closure and Mine rehabilitation provision, units of production depreciation, considerations of the impact of climate change on amounts reported in the financial statements and the carrying amounts of the Parent Company's investments in subsidiary undertakings.

Audit & Risk Committee effectiveness and priorities for 2023

As outlined in the Corporate Governance Report, during 2022 there was an internal evaluation of the Board and the performance and effectiveness of its Committees. I am pleased to confirm that the Chair found that the Committee is working well. During 2023, the Committee will continue to focus on preparedness for current and future compliance with EU ESG regulation in cooperation with our Sustainability Committee, close monitoring of impairment, in light of changing interest rate environment and operating costs and treasury KPIs in light of inflation, interest rates and future funding needs

The Committee would like to thank KPMG for their work on the 2022 financial statements. I would also like to thank my fellow Committee members for their commitment and input to the work of the Committee during 2022 and the financial team for their assistance, guidance and support.

Lastly, I would like to pay tribute to Tony McCluskey, our former Financial Director, and thank him for his stewardship of the Company's finances over a period of thirty years and for his assistance to the Committee. We were especially pleased to see that the transfer of his role to Tom Hickey was a smooth transition for both staff and our external stakeholders and Tony is to be commended for this. We wish him luck in his future endeavours.

DEIRDRE SOMERS
CHAIR OF THE AUDIT & RISK COMMITTEE

6 April 2023