ANNUAL REPORT & ACCOUNTS **2016**

KENMARE

Performance Highlights

Lost time injury frequency rate improved from 0.47 to 0.20 per 200,000 man hours worked in 2016

Net debt declined by 88% at the end of 2016 to US$44.8 million following the recapitalisation

EBITDA increased to US$5.2 million in 2016 from negative US$11.5 million in 2015

Record annual production of ilmenite, rutile and zircon

HMC production increased 28% to 1,405,500 tonnes

Ilmenite production increased 18% to 903,300 tonnes

Zircon production increased 32% to 68,200 tonnes

Total shipments of finished products increased 28%, setting a record of 1,024,200 tonnes shipped

Cash operating costs declined 18% to US$136 per tonne of final product

Demand for ilmenite has grown strongly through 2016, resulting in significant price increases since the market bottomed in Q2 2016

Contents

Business & Strategy Review	**3**
Group Overview	4
Marketing	5
Operations	6
Key Performance Indicators	8
Chairman's Statement	10
Managing Director's Statement	14
Mineral Reserves & Resources Review	18
Operational Review	22
Marketing Review	30
Finance & Risk Review	**35**
Finance Review	36
Principal Risks and Uncertainties	44
Corporate Governance Report	**51**
Board of Directors	52
Corporate Governance Report	54
Audit Committee Report	58
Directors' Remuneration Report	62
Nomination Committee Report	84
Corporate Social Responsibility Statement	**87**
Directors' Report & Financial Statements	**99**
Directors' Report	100
Directors' Responsibilities Statement	107
Independent Auditors' Report	109
Consolidated Statement of Financial Position	115
Consolidated Statement of Comprehensive Income	116
Consolidated Statement of Changes In Equity	117
Consolidated Statement of Cash Flows	118
Parent Company Statement of Financial Position	119
Parent Company Statement of Changes in Equity	120
Parent Company Statement of Cash Flows	121
Notes to the Financial Statements	122
Shareholder Profile	167
General Information	168
Glossary	169

Gito Ramadane,
Superintendent MSP,
overviewing quality of his
HMC stockpile. “Kenmare
helped me to build a career
here, I love the diversity of
cultures at the MSP”

Business & Strategy Review

Group Overview	4
Marketing	5
Operations	6
Key Performance Indicators	8
Chairman’s Statement	10
Managing Director’s Statement	14
Mineral Reserves & Resources Review	18
Operational Review	22
Marketing Review	30

Group Overview

Kenmare Resources plc is a well-established and recognised major global supplier of titanium mineral sand products with a customer base operating in over fifteen countries. The output from the Mine operation consists of several grades of the titanium dioxide (TiO_2) minerals, ilmenite and rutile, as well as the zirconium mineral, zircon. Kenmare's products are key raw materials that are processed into intermediate products and ultimately consumed in everyday 'quality-of-life' products such as paints, plastics and ceramic tiles.

1. Group Strategy

Kenmare's strategy is to create long-term shareholder value through the production and marketing of products derived from its extensive titanium minerals resources whilst maintaining a structured and disciplined approach to capital management.

ST Short Term

01 **Maintain robust balance sheet and generate free cash flow**

02 **Increase utilisation rates and revenue capture**

03 **Continue to drive down cash costs**

MT Medium Term

01 **Optimise mining fleet for market conditions**

02 **Delivery of shareholder returns**

03 **Balance sheet optimisation**

LT Longer Term

01 **Capture 100+ year life of mine**

02 **Potential industry consolidation/synergies**

03 **Continued development of employees and community relations**

2. Business Model

Kenmare implements its business strategy through the development and operation of the Mine (details of which are set out in the Operation Flowsheet on pages 6 to 7), the marketing of our products to meet customers' needs and the relationship it maintains with the Government and local community surrounding the Mine. To optimise the value of the Mine Kenmare pursues opportunities for productivity improvements, cost reductions, and growth. Kenmare is committed to running the Mine in ways that are safe and sustainable. Kenmare invests in its employees throughout their careers, offering opportunities for development, training and competitive rewards that are linked to performance.

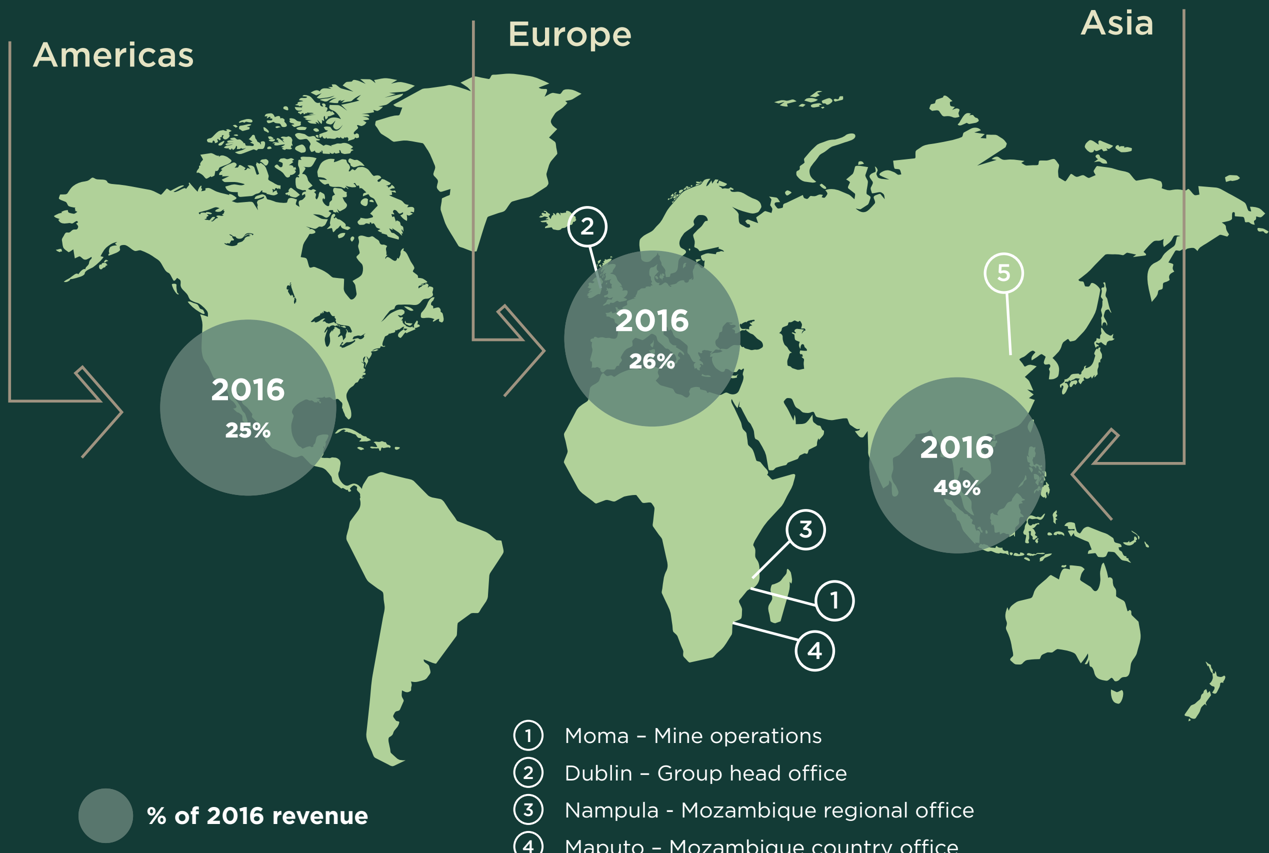
Marketing

What we produce, where we operate and where we export

Ilmenite and **rutile** are used as feedstocks to produce TiO_2 pigment which accounts for about 90% of global titanium feedstock consumption. TiO_2 pigment is a non-toxic inert product with one of the highest refractive indices that gives it a superior ability to disperse light. This makes it the preferred pigment to impart a brilliant white colour and offer ultraviolet protection and opacity when included in final products. TiO_2 pigment is consumed in the manufacture of paints and other coatings, plastics and paper, as well as a number of other applications, including cosmetics, food additives, ceramics, inks and textiles.

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

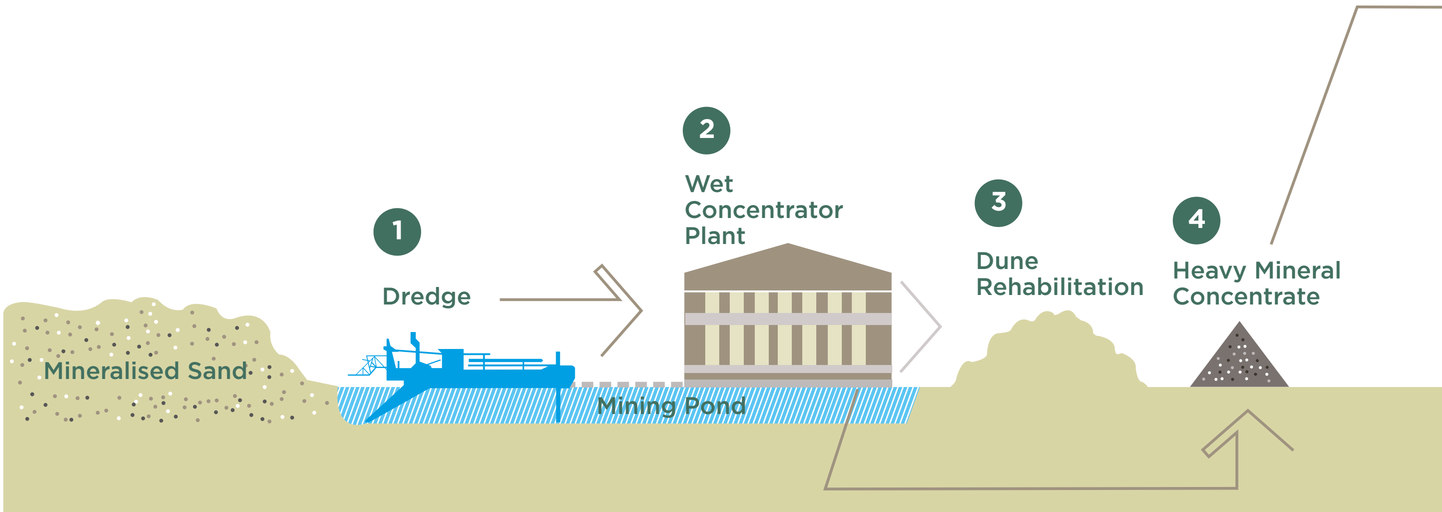
Zircon is a zirconium mineral produced as a co-product of titanium minerals mining and is an important raw material for the ceramics industry as an opacifier and frit compound for decorative wall and floor tiles and sanitary ware. It is also consumed in the foundry and refractory industries and in a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



% of 2016 revenue

1. Moma – Mine operations
2. Dublin – Group head office
3. Nampula - Mozambique regional office
4. Maputo – Mozambique country office
5. Beijing – Asian regional office

Operations



Mining – two mining operations concentrate ore using spirals (gravity separation)

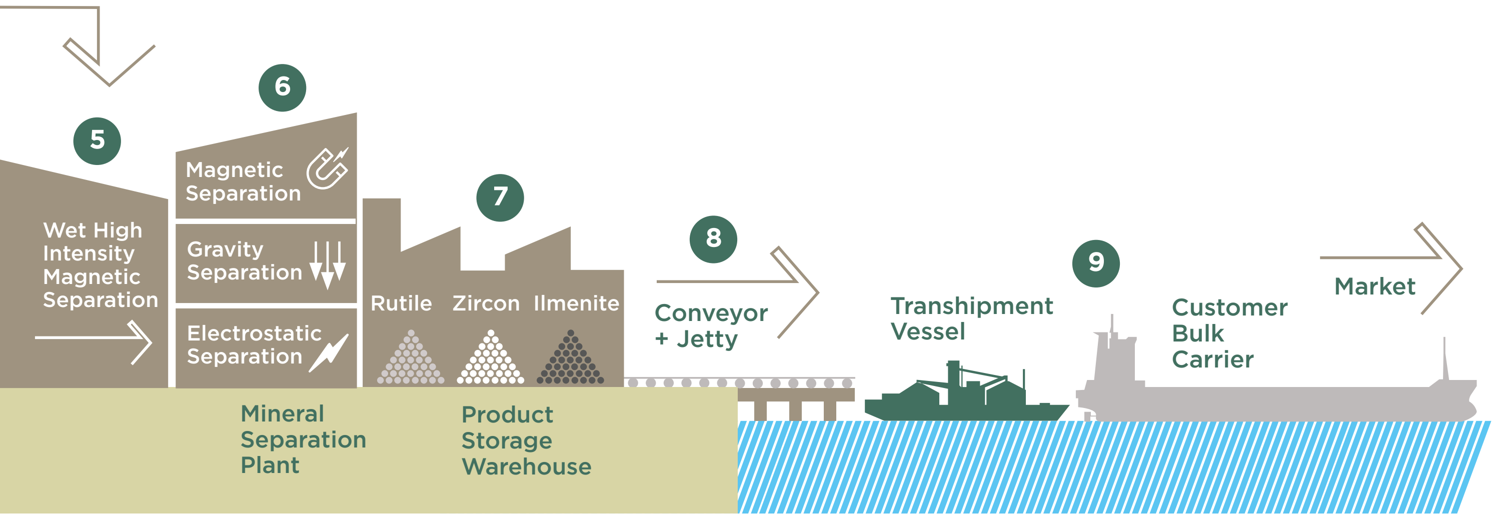
1. Dredging takes place in two separate artificial freshwater ponds where three dredges feed two floating Wet Concentrator Plants ("WCP A" and "WCP B"). Before dredging starts the dredge path is cleared of vegetation and topsoil. The dredges cut into the ore at the base of the pond, causing the mineralised sand to slump into the mining pond where they are pumped to a WCP. The dredges are supplemented by dry mining using standard surface mining equipment which is then slurried and pumped to a WCP for processing.

2. The first processing stage at the WCP consists of rejecting oversize material before feeds are passed over progressive stages of gravity spirals which separate the Heavy Mineral Concentrate ("HMC") from silica sand and clay tailings.

3. Tailings consist of a coarse fraction (silica sand) that settles immediately and a fine fraction (clay) that settles less quickly. Both fractions are co-deposited into a series of settling ponds. Thickened fine tails are pumped from these settling ponds to drying paddocks located in the rehabilitation zone where the dried material helps the subsoil retain moisture and nutrients to aid re-vegetation. Tailings are then re-contoured and the previously removed topsoil is redeposited. Rehabilitation is completed by seeding or planting with a variety of native and/or other species of vegetation as well as food crops. The area is then transferred back to the local communities.

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

What we do – mining, processing & transportation



Mineral separation

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

6. The MSP uses a series of magnetic, electrostatic and gravity separation circuits to separate valuable minerals and also to separate ilmenite, rutile and zircon product grades to meet specific customer requirements. The magnetic stream is dried and processed by electrostatic separation in either of two ilmenite plants to produce final ilmenite products. The non-magnetic fraction of the WHIMS output passes to the wet gravity separation circuit to remove silica and trash minerals. Electrostatic separators are then used to separate the conducting mineral rutile from the non-conducting mineral zircon.

Storage and transportation

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

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

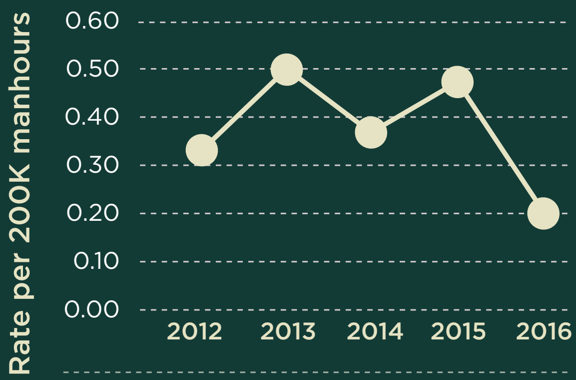
9. The vessels then transport the products to a deep water transhipment point 10km offshore, where they self-discharge into customer vessels. Customer vessels then transport final products to multiple destinations around the world.

Other infrastructure

The other infrastructure on site includes a 170km 110kV power transmission line, a sub-station, a leased 9.6 MW diesel generator plant, an additional 6 MW of standby diesel power generation capacity, an accommodation village, offices, laboratory, a jet-capable airstrip, water supply and sewage treatment plants.

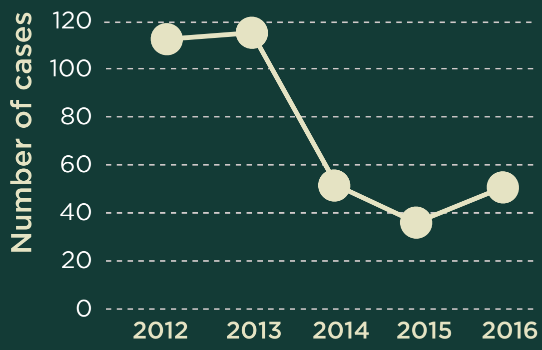
Key Performance Indicators

1. Health & Safety



LTIFR	0.33	0.50	0.37	0.47	0.20

LTIFR — Lost Time Injury Frequency Rate

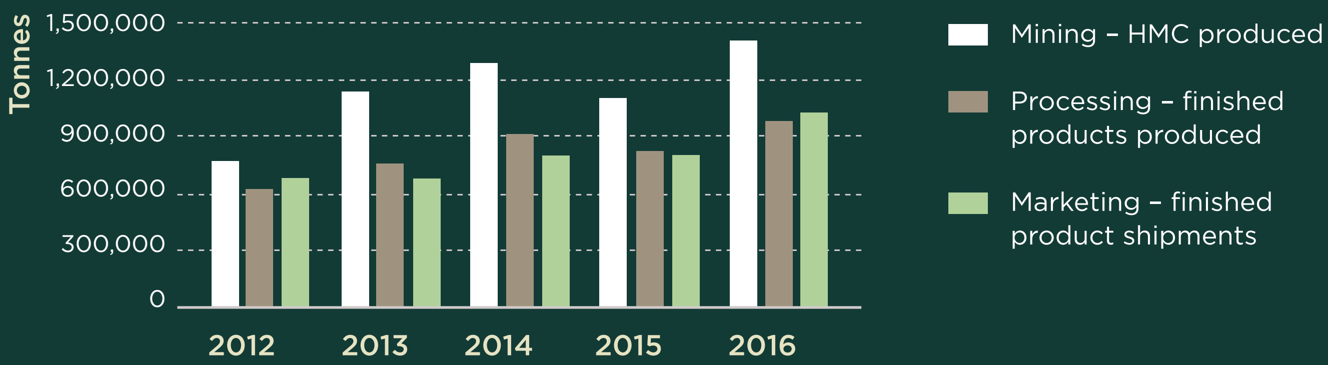


AI	113	115	52	36	51

AI — All Injuries

2. Production

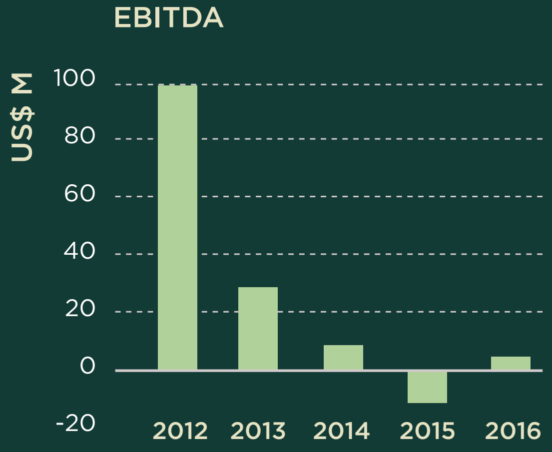
	2012 Tonnes	2013 Tonnes	2014 Tonnes	2015 Tonnes	2016 Tonnes
Mining - HMC produced	772,300	1,137,200	1,287,300	1,100,600	1,405,500
Processing – finished products produced	626,400	755,500	911,500	821,300	979,300
Marketing – finished product shipments	680,800	677,900	800,000	800,400	1,024,200

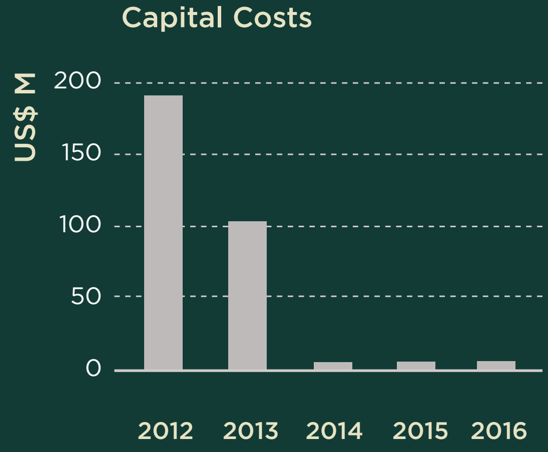


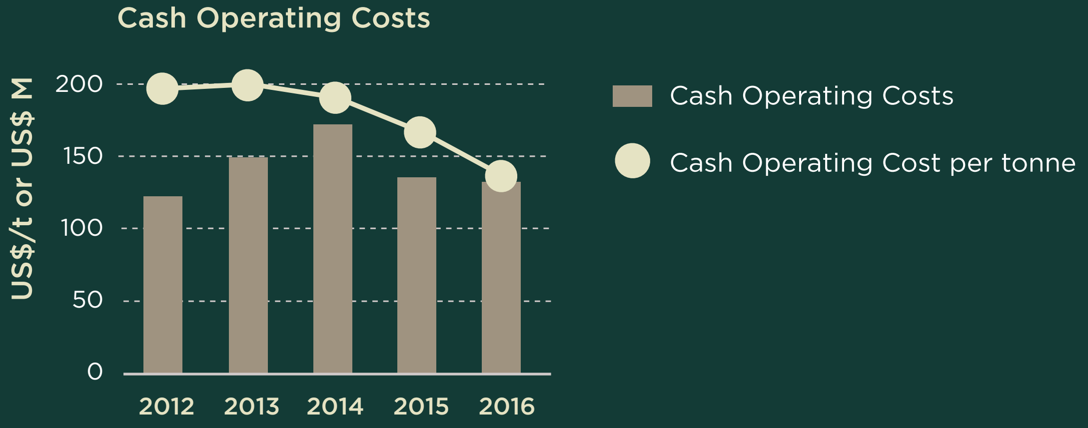
Note: Additional information in relation to these Alternative Performance Measures ("APMs) is disclosed in the glossary

The Mine has a mineral resource large enough to support a very long mine life – over one hundred years

3. Financial







	2012 US$m	2013 US$m	2014 US$m	2015 US$m	2016 US$m
EBITDA	98.9	29.0	9.4	-11.5	5.2
Capital costs	191.9	103.9	5.2	5.6	6.7
Cash operating costs	123.4	150.4	173.0	136.4	133.4
	US$	US$	US$	US$	US$
Cash operating cost per tonne of finished product produced	197.0	200.0	189.8	166.1	136.2

Chairman's Statement

Dear Shareholders,
I am pleased to report that the capital restructuring and recapitalisation I outlined in last year's statement were successfully implemented in July 2016, reducing net debt by 88% from June 2016 to year end and securing a stronger balance sheet for the Company.

The Kenmare Board is extremely grateful for the commitment shown by SGRF and longstanding major shareholders who underpinned the recapitalisation, alongside our supportive bank group. We would like to thank all shareholders, large and small, for their outstanding support and welcome SGRF as our largest shareholder and partner for the future.

Progress on the ground at Moma has been excellent in 2016, resulting in record production and declining costs. The Company has weathered a severe and lengthy commodity downturn, while materially improving efficiency, and continues to target further operational and strategic refinements and longer term growth.

Growth in demand

Global economic growth, increasing wealth and urbanisation are driving sustained increases in demand for the minerals we produce. The large Moma resource base can supply the world with these essential minerals for decades to come.

Productivity improvements

After continuous and successful efforts to optimise operations during the cyclical downturn, Kenmare is now a more robust company, with more reliable performance at higher levels throughout the Mine. Underpinned by a strengthening commodity market and a disciplined approach to cost management, Kenmare was within guidance for the year and set records for production and shipment of each product.

Shareholder Return

As the outlook continues to brighten, the Board and management of Kenmare are committed to providing a return to our shareholders. Kenmare now has a stronger balance sheet, thanks to the commitment of our stakeholders. However, the upswing in commodity prices needs to progress somewhat further to allow Kenmare to generate the high returns commensurate with that commitment.

We live in uncertain times, so prudent capital management remains essential. A balance must be struck between further debt retirement, investment to maintain production, and initiating a dividend. These matters will be at the forefront of discussion for the Board in 2017 and I look forward to providing you with an update at the right time.

After continuous and successful efforts to optimise operations during the cyclical downturn, Kenmare is now a more robust company.

Net Debt

WCPA operations with the MSP in background


Watering seedlings in the company nursery

I would like to thank all shareholders, large and small, for their outstanding support and welcome SGRF as our largest shareholder and partner for the future.

Corporate Governance & Board
The Board has ensured the Company embraces best practice corporate governance standards, and has remained cohesive and effective while implementing a complex balance sheet solution, despite the stresses resulting from exceptionally poor market conditions early in 2016.

Tony Lowrie retired as a Non-Executive Director at the 2016 AGM, having provided excellent stewardship and dedicated service to the Board and the Company for more than nine years. I would like to thank him for his considerable contribution and sage advice throughout those years.

Following the successful completion of the recapitalisation of Kenmare, John Ensall stepped down from his role as Lender Approved Non-Executive Director. I would like to thank John for his highly valuable and unique contribution during an extraordinary period.

Later in 2016, we welcomed both Tim Keating, who was nominated by SGRF, and Graham Martin to the Board as Non-Executive Directors, both of whom bring a wealth of African and natural resources experience.

Sofia Bianchi, our Senior Independent Director, will be stepping down from the Board at the 2017 AGM, when she will have served for nine years. I would like to thank her for the support and strategic vision that she has provided, especially during the critical recent period recapitalising the Company.

Moving forward with greater confidence
Finally, I would also like to offer personal thanks for the immense and successful efforts made by all employees, management, and Directors during this challenging but transformative year. These efforts, have put the business back into a position of stability that will enable shareholders to reap the rewards from our long life resource base in Mozambique, and improved market conditions.

Steven McTiernan
Chairman

Overhead conveyor discharging zircon product into the storage facility

Managing Director's Statement

2016 was a transformational year for Kenmare. The actions taken by the Board and delivered by the management team to restructure the Company's debt profile were challenging, but in the best interests of all stakeholders. As a result, we can now look to the future with the benefit of a stable and sustainable financial structure, and capitalise on improving market conditions.

Production for 2016 was at record levels, whilst unit cash operating costs were at the favourable end of expectations. These are excellent operating results and I want to thank all employees for the concerted efforts that made these improvements possible.

Recapitalisation

The capital restructuring and recapitalisation were deeply challenging, coming at a time when commodity prices were only beginning to stabilise. The Brexit vote created further market uncertainty, coming just days before the funding was secured. Throughout the process we were cognisant of the impact the restructuring would have on our stakeholders, but it was ultimately necessary to position the Company to benefit from the current resurgence in commodity prices. I would like to welcome SGRF as a significant shareholder and long term partner and thank them and our other shareholders for their support.

A total of US$275 million of new equity was issued via a placing, open offer and lender underwriting. US$200 million was applied to repay and discharge project debt, while US$75 million was used to increase cash reserves and pay fees. In addition, lenders received US$23.8 million in shares and wrote down US$68.6 million of debt. As a result, net debt declined from US$374.7 million at 30 June 2016 to US$44.8 million at the end of 2016.

Safety and Risk

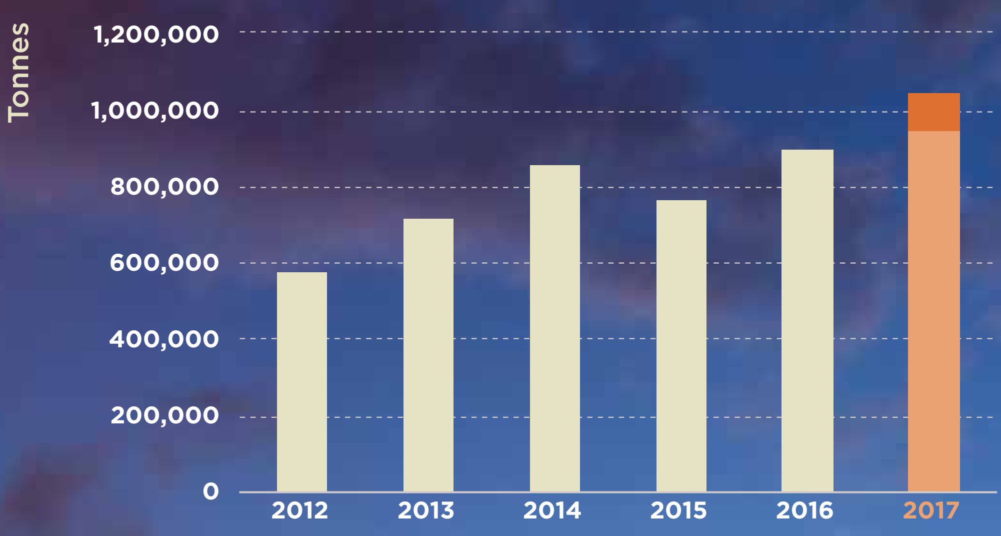
Improving our safety record is central to our strategic success and we continue to work towards making Kenmare a zero-accident workplace. Four lost time injuries occurred in 2016, with the Lost Time Injury Frequency Rate ("LTIFR") reducing to 0.20 per 200k man hours worked, a significant improvement on performance from 2015 (0.47).

In 2017, the drive to reduce incidents is continuing, further embedding and developing our safety strategy to improve hazard awareness and develop safety behaviours. Focus will be placed on incidents where injury was avoided but could have had significant negative outcomes.

Operations

I am delighted to report that 2016 was a record year of production for HMC, ilmenite, rutile and zircon but there is still more work to be done to lift production further in 2017.

Ilmenite production



2017 ilmenite production guidance ranges from 950kt to 1,050kt.

View of Ilmenite A Plant with intermediate magnetic stockpile in the foreground

WCPB operations with Deirdre dredge negotiating the Mavele Wetland and Servitude

Kenmare first began production at Moma in 2007 and has built a high level of specialised expertise in dredge mining, a low-cost method of extracting minerals that is well suited to the deposits in which we operate. Throughput can be affected by variations in the levels of slimes, the hardness or softness of the ore and the height of the dunes being mined. Over time we have developed the experience and skills to efficiently mine and more accurately forecast the impact of these fluctuations.

Kenmare mined over 30 million tonnes of ore in 2016, up 9% on 2015. Supplemental dry mining capacity was increased through the year, providing additional tonnes to the WCPs when required. Supplemental mining, though more costly than dredge mining, is highly flexible and can be altered to suit dredging conditions.

The improved stability of the power supply the Mine enjoyed in 2016 was primarily the result of the grid infrastructure improvements delivered by Electricidade de Moçambique (“EdM”) in late 2015 and throughout 2016. Supplementary diesel-powered generators remain on site for use when required.

Mechanical availability was a key focus for 2016, significantly improving utilisation. Several performance improvement projects were completed in the year and an enhanced maintenance system was commissioned, resulting in a steady increase in performance.

We have made significant progress in improving recoveries in the MSP non-magnetic circuit that produces our rutile and zircon products. Secondary zircon production increased as work from 2015 to recover valuable material from waste streams continued in 2016. Projects are underway to increase the proportion of primary zircon to further enhance revenues.

In 2017, we are targeting additional operating hours, taking advantage of the improved mechanical availability achieved in 2016 to further increase utilisation rates. Our operational strategy remains focussed on increasing production to the highest levels possible, while keeping absolute costs under a tight rein to ensure that unit costs continue to decline.

Mined grades have shown a steady improvement through 2016 but are expected to average at slightly lower levels for full year 2017. Despite this, we expect to increase production of ilmenite by 5-16%, zircon by 6-22% and rutile by 15-28% over the levels achieved in 2016. This is possible due to the operational performance improvements we have delivered at the Mine.

It is expected that the Mine will average production of approximately one million tonnes per annum of ilmenite, plus associated by-products, over the next three years. However, in the coming years the grade of ore mined at Namalope will decline which will require an increase in mining capacity to maintain final product production volume. Kenmare is exploring the most capital efficient ways to address these issues and work has begun on a series of feasibility studies. All assessments will be made in the context of market conditions and the maintenance of a strong balance sheet.

Costs

Cash operating costs per tonne of final product declined by 18% during the year as both production of final products increased and total cash operating costs declined.

As well as focusing on reducing total and unit cash operating costs, we are increasingly exploring the potential to enhance margins through increasing revenues by increasing the quality of products produced (particularly zircon) and maximising recoveries of valuable minerals.

In relation to the outstanding arbitration case with Aveng the Arbitral Tribunal made an award at the end of 2016 and we welcomed the Tribunal's endorsement of our position that Aveng caused significant losses to the Project Companies. We are pleased that the Tribunal awarded Kenmare the maximum amount allowable under our contracts as a deduction from Aveng's award. The net amount payable of US$4.9 million is significantly less than the amount claimed by Aveng and the US$19.4 million previously accrued on the Group's balance sheet.

Marketing

Prices for our products reached a multi-year low in early 2016 at a level below our cost of production, before debt servicing. Global production of ilmenite declined in 2015 as mineral sands prices were uneconomic and low iron ore prices reduced by-product ilmenite production in China.

Inventories throughout the value chain were drawn down to fill the supply gap and by Q2 2016, a supply deficit had emerged. Prices for ilmenite have shown strong and steady price improvements since this time and will result in a significantly higher average realised price for H1 2017.

Excess inventories persisted in the zircon market and contributed to prices declining by 10-15% in the first half of 2016. Producer supply discipline became evident in the second half of the year and inventories now look to be more tightly held. These improved market conditions have led to some major producers recently announcing price increases. Kenmare has achieved modest zircon price increases in the early months of 2017.

Outlook

We are very grateful for the support of all shareholders through the capital restructuring. It is only thanks to this support that Kenmare is now able to move forward with a position of strength. Keeping Kenmare in business during this downturn has also taken huge efforts by the staff and Board and I would like to thank them for their unwavering commitment. I remain optimistic that the positive industry supply/demand dynamics combined with the operational improvements and stability achieved during 2016, places Kenmare in an excellent position to deliver meaningful long term returns to shareholders.

Michael Carvill
Managing Director

Positive industry supply/demand dynamics combined with the operational improvements and stability achieved during 2016, places Kenmare in an excellent position to deliver meaningful long term returns to shareholders.

Mineral Reserves & Resources Review

Introduction

The Group's world-class resource is estimated to contain approximately 200 million tonnes of ilmenite (equivalent to around 140 years production from the current plant) and associated co-products rutile and zircon.

Ilmenite and rutile are titanium minerals used as feedstocks to produce titanium dioxide (TiO_2) pigment, titanium metal and welding electrodes. Zircon, a high value zirconium silicate mineral, is an important raw material for the ceramics industry, where it is used as an opacifier and frit compound for decorative wall and floor tiles and sanitary ware. Zircon is also used in the refractory and foundry industries and to produce zirconia and zirconium chemicals for a variety of applications.

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

Summary of Reserves and Resources

The total proved and probable ore reserves in the Namalope and Nataka mining concession allocated to Kenmare as at 31 December 2016 are estimated at 1,525 million tonnes, grading 2.6% ilmenite, 0.18% zircon and 0.058% rutile, containing 40 million tonnes of ilmenite, 2.7 million tonnes of zircon and 0.88 million tonnes of rutile. The total ore resource (excluding reserves) held by Kenmare under a combination of exploration licences and mining concessions as at 31 December 2016 is estimated at 6.5 billion tonnes, grading 2.4% ilmenite, 0.16% zircon and 0.051% rutile, containing 157 million tonnes of ilmenite, 11 million tonnes of zircon and 3.5 million tonnes of rutile. Details are set out in the Reserve-Resource table on page 21.

The Namalope Lease supports two mining operations. Reductions in the reserve statement relate to depletion from mining in 2016 and dredge path revisions that were made during the year to optimise the mine plan. The lease area comprises 277Mt of ore at 3.00% ilmenite representing 8.3Mt contained ilmenite, 0.21% zircon (0.58Mt) and 0.07% rutile (0.19Mt).

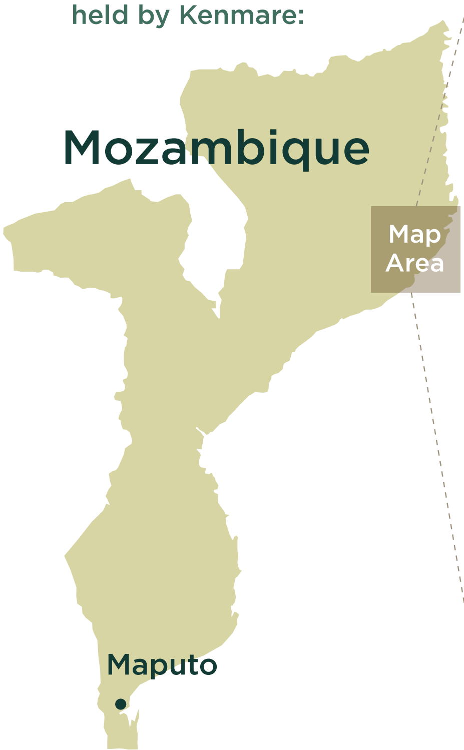
The Nataka Lease area remains the largest mining area. Reserve status was unchanged in 2016, with probable reserves of 1,248Mt of ore at 2.56% ilmenite, representing 32Mt of contained ilmenite, 0.17% zircon (2.1Mt) and 0.06% rutile (0.70Mt).

Significant progress was made in the definition of other resources in 2016, to assist with the consideration of potential alternatives to the long term mining plan. Drilling has continued to focus on the Pilivili and Congolone Lease areas which, through the previous 2015 drilling programme, highlighted larger deposits than previously known, and with higher valuable mineral grades. The 2016 drilling programme focussed on bringing these up from Inferred Resource classification to Indicated Resource classification so as to consolidate their potential value.

A total of 3,632m were drilled in the Pilivili Lease area in 2016 and drilling densities are now sufficient

Francisco Gabriel, Laboratory Technician, conducting a magnetic separation test on a HMC sample.

The map shows exploration licences and mining concessions held by Kenmare:



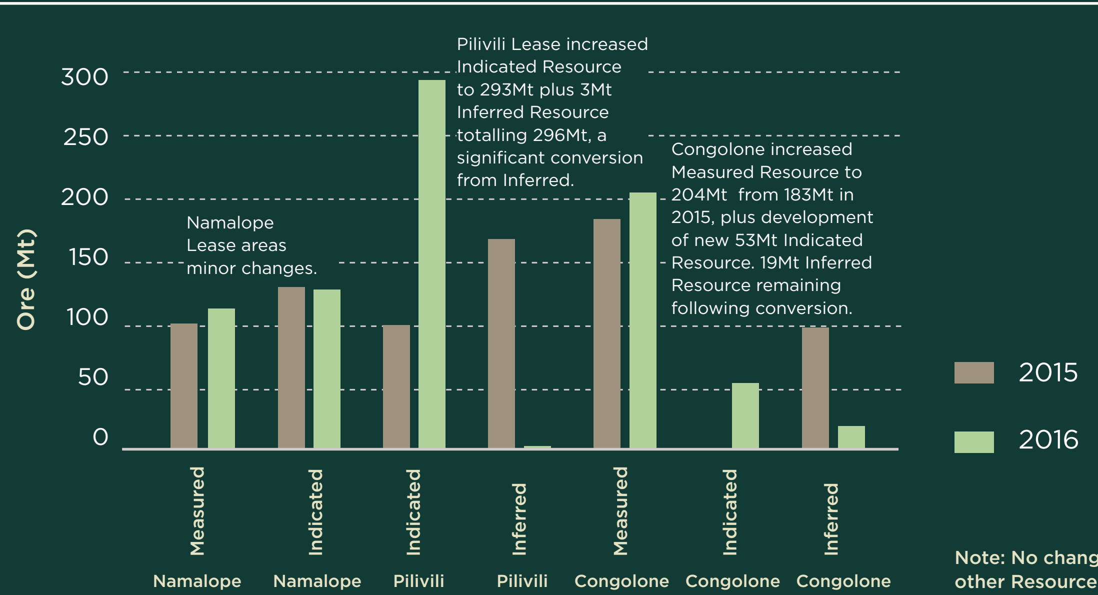
WCPA dredges mining the face at 3,350 tonnes per hour

for future conversion to Probable Reserve status. However, dredge paths and full economic analysis remain outstanding and are expected to be completed in 2017 as part of a pre-feasibility study. Resource tonnage has been almost completely converted to Indicated Resource classification from Inferred (37% to 99%) and an additional 30Mt (+11%) resource tonnage identified. In addition, the mineral grades have increased as further definition has been acquired, increasing contained ilmenite by 1Mt (16%) and zircon by 100kt (18%) over 2015 assessments.

A similarly detailed drilling programme was completed at the Congolone Lease area with 5,375m drilled. The previously ascertained 99Mt of Inferred Resource was converted to Indicated Resource and Measured Resource category. 93% of the tonnage now sits in these elevated classifications. The resource is 276Mt, a 1% fall from 2015. Historical drilling that had defined the previous Measured Resources was validated through a drill-hole twinning exercise and during this process ilmenite grades fell 7%, with the lease now constituting a 7.4Mt contained ilmenite resource and 0.59Mt zircon resource. Nevertheless, Congolone remains an attractive opportunity as it presents itself as high dunes with low slimes contents and is therefore expected to be highly dredgeable. Over and above this, the ilmenite is high quality.

Changes from 2015 to 2016 are highlighted in the graph below.

Changes to Resources 2015 to 2016



Note: No changes to other Resources

The following table sets out Kenmare's mineral resources and reserves as at 31 December 2016:

Reserve-Resource Table

Zones	Category	Ore (Mt)	% THM*	% Ilmenite in THM	% Ilmenite in ore	% Rutile in ore	% Zircon in ore	THM (Mt)	Ilmenite (Mt)	Rutile (Mt)	Zircon (Mt)
Reserves											
Namalope	Proved	201	3.8	81	3.1	0.071	0.22	8	6.2	0.14	0.44
Namalope	Probable	76	3.3	81	2.7	0.060	0.19	2.5	2.1	0.05	0.14
Nataka	Probable	1248	3.1	82	2.6	0.06	0.17	39	32	0.7	2.11
TOTAL RESERVES		1525	3.2	82	2.6	0.06	0.18	49	40	0.88	2.7

Zones	Category	Sand (Mt)	% THM*	% Ilmenite in THM	% Ilmenite in sand	% Rutile in sand	% Zircon in sand	THM (Mt)	Ilmenite (Mt)	Rutile (Mt)	Zircon (Mt)
Resources											
Congolone	Measured	204	3.3	80	2.7	0.069	0.22	6.8	5.4	0.14	0.44
Namalope	Measured	112	3.8	81	3.0	0.070	0.22	4.2	3.4	0.08	0.24
Namalope	Indicated	127	2.9	81	2.3	0.05	0.17	3.7	3.0	0.07	0.21
Congolone	Indicated	53	3.9	79	3.1	0.08	0.24	2.1	1.7	0.04	0.13
Nataka	Indicated	1321	3.2	84	2.7	0.05	0.17	42.9	36.0	0.7	2.23
Pilivili	Indicated	293	4.2	82	3.4	0.08	0.24	12.2	10.0	0.2	0.70
Congolone	Inferred	19	2.6	79	2.1	0.06	0.15	0.5	0.4	0.01	0.03
Pivilli	Inferred	3	2.3	78	1.8	0.04	0.13	0.1	0.0	0.00	0.00
Mualadi	Inferred	327	3.2	80	2.6	0.06	0.21	10	8.4	0.2	0.70
Nataka	Inferred	3,637	2.6	82	2.1	0.04	0.14	93	77	1.6	4.96
Mpitini	Inferred	287	3.6	80	2.9	0.07	0.24	10	8.3	0.2	0.70
Marrua	Inferred	54	4.1	80	3.3	0.19	0.19	2.2	1.8	0.1	0.10
Quinga North	Inferred	71	3.5	80	2.8	0.14	0.28	2.5	2.0	0.1	0.20
TOTAL RESOURCES		6,507	2.9	83	2.4	0.05	0.16	190	157	3.5	11

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

The competent person for the Namalope and Nataka Reserves and Resources and the Pilivili and Congolone Resources is Mr Paul Leandri (MAusIMM and MAIG). Mr Leandri is an employee of Kenmare and does not hold any shares in the Company. The competent person for the other resources is Dr Alastair Brown. Dr Brown is an independent consultant who is a shareholder in and former employee of Kenmare. Mr Leandri and Dr Brown have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the JORC Code 2012 edition. Mr Leandri and Dr Brown consent to the inclusion in this report of the matters based on their information in the form and context in which it appears.

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

Operational Review

Kenmare had a record year improving safety, production and cost results. HMC production increased 28% to 1,405,500 tonnes from 1,100,600 tonnes in 2015 whilst finished product production increased by 19% to 979,300 tonnes from 821,300 tonnes in 2015. Total shipments of finished products were up 28%, setting a record of 1,024,200 tonnes shipped. Tight cost control and increased production resulted in total cash operating costs decreasing by 18% to US$136 per tonne. Four lost time injuries were recorded in 2016 (with no fatalities), resulting in a record lost time injury frequency rate of 0.20.

Health and Safety

2016 was a significant improvement on the previous year's health and safety performance resulting from increased rigour in developing a zero harm workplace. A safety improvement strategy was launched focussing on increasing awareness around hazard identification and risk assessment, with the emphasis on care for self and colleagues.

All employees and contractors took part in an interactive safety training programme run throughout the year to promote this development. The increase in the FAI, AI and AIFR in 2016 is a reflection of improvements in reporting of minor injuries, as behaviours and opportunities to learn from incidents are further embedded. In addition, continued focus was placed on development of safety systems, and Kenmare achieved a NOSA 5 star rating, reflecting the improved operating standards and practices in place.

Malaria remains the key health challenge for the operation. 2016 saw increasing focus on prevention methods such as use of prophylaxis, sprays, and environmental fogging in the camp and surrounding villages. Education programmes were held throughout the year with the involvement of the local community and district health services. However a protracted rainy season meant that standing water and mosquito prevalence was heightened, resulting in an 8.8% increase in cases over 2015.

Mining

The Mine performance improved significantly in 2016, with record HMC production output, exceeding 2015 by 28%.

The year was characterised in two parts, where in the first three quarters, overall final products output was limited by constrained HMC production from the Mine. Feed grades and throughputs increased from Q4 onwards and allowed operations to move to a surplus of HMC. The latter part of the year was then characterised by MSP throughput becoming the limiting parameter for final product output. Even though MSP utilisations improved through the period, a healthy HMC stockpile of 66,500 tonnes had been developed by year end.

HMC production was constrained in the first three quarters as a result of lower mine throughputs as two periods of harder ore mining were seen due to:

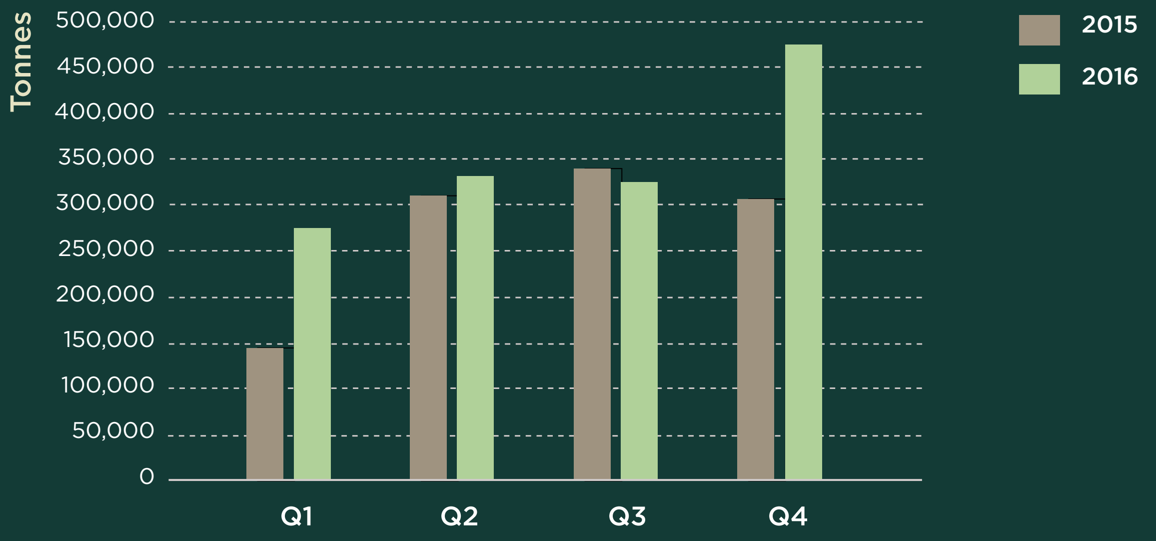
> non-identification of lithology in exploration drilling due to the reverse circulation method used; and


Alberto Ali Age, Plant Operator MSP, "I've been working at Kenmare for 12 years now and I have learnt a lot. It has helped me and my family prosper"

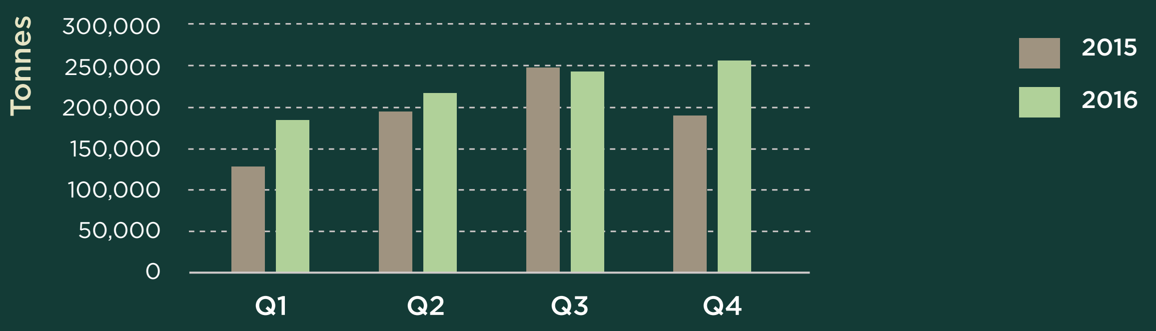
Health and Safety

	2016	2015	2014
Man-hours worked	4,037,186	3,852,283	4,302,702
Man-hours worked since last LTI	1,223,340	300,893	2,651,978
Lost Time Injuries ("LTI")	4	9	8
Fatalities (included in LTIs)	0	0	0
Medical Treatment Injuries ("MTI")	4	4	8
First Aid Injuries ("FAI")	43	23	36
All Injuries ("AI")	51	36	52
Man Days lost to injuries	291	391	361
AI Frequency Rate ("AIFR")	2.53	1.87	2.46
LTI Frequency Rate ("LTIFR")	0.20	0.47	0.37

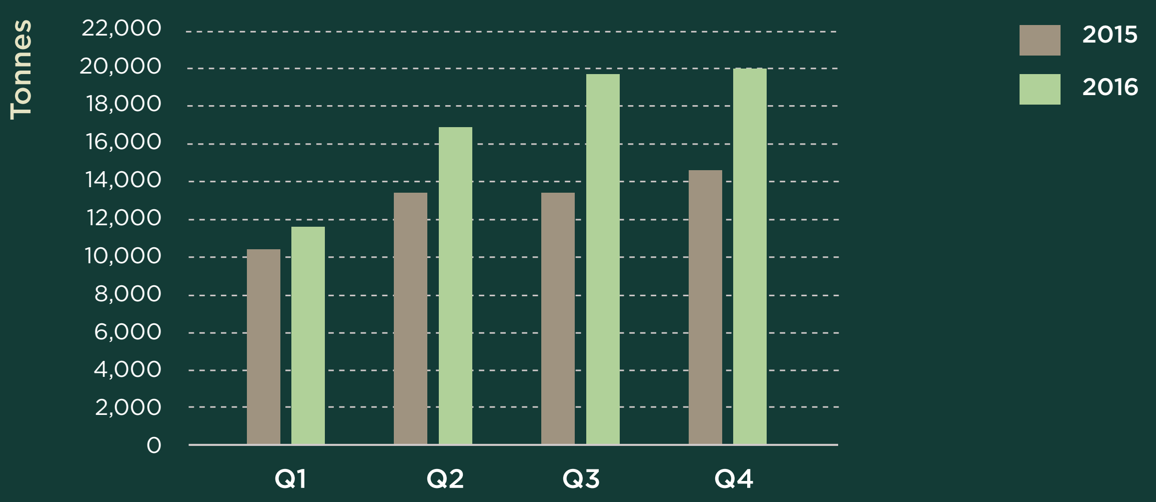
HMC Production



Ilmenite Production



Zircon Production



> the position and extent of high slimes ore in the mining face which prevented good slumping to the dredges, necessitating less productive bench mining.

This reduced the capacity of the dredges to deliver to the WCPs and as a result, the WCP A supplementary mining unit was recommissioned in March to improve HMC production. Thereafter, a second supplementary mining unit was commissioned in July at WCP B to further improve HMC production rates.

The methodology used to forecast dredge throughput has been revised and refined in light of the impacts experienced in 2016 through:

> Incorporating the effects of newly identified lithology and fine tuning known lithology effects

> Integrating new mining pond design parameters

> Changes to the mine design parameters for future hard mining zones, to reduce the need for bench mining

> Supplementary mining requirements are assessed and planned to mitigate periods of lower dredge throughputs.

> Validation of borehole information with test pits

Feed grades were higher than predicted as improvements in mining practice had a significant impact on mineral recoveries, helping to counter the impacts of harder mining conditions.

Mine operating time received extensive focus in 2016 both around maintenance and through maximising the utilisation of available time, as HMC production was a constraint to final product production.

Following the implementation of improvements in power reliability by EdM in 2015, a stable foundation for production allowed the building of capability in 2016. The implementation of an additional 60MW of electrical grid capacity and the contracting of a 100MW power barge by EdM to service the northern network of Mozambique prevented the frequent voltage collapses and associated black-outs that plagued the Mine previously. In addition, Kenmare's Dip Doctor, a synchronous condenser that counteracts power dips, performed well, remediating more than 80% of voltage dips.

Kenmare introduced an asset management system across the whole operation in 2016, a project that took over a year to implement. Improvements in inspections, management of maintenance work, and better maintenance tactics are already yielding additional operating time as well as cost savings. A new parts refurbishment programme is generating savings. Projects were completed to improve availabilities, particularly focussed on the dredges. These initiatives will continue into 2017 with more focus on embedding changes in maintenance practice, particularly through the training and competency programme that has been developed for all maintenance personnel through the use of a newly developed practical training centre.

Processing

Record ilmenite, zircon and rutile production was achieved for the year. The main focus for 2016 at the MSP was increasing mineral recovery and preparation for higher levels of HMC production in the second half of the year.

Mineral recoveries are trending in the right direction for all products, though there is more work to be done. Progress was made in reducing losses at the WHIMS plant, and steady improvements were made in both wet and dry separation processes.

The main focus in the MSP is to further improve zircon recoveries whilst at the same time increasing the recovery to primary grades that command higher revenue. In the interim, significantly more secondary zircon has been produced as the plant increased extraction of zircon from waste streams.

By the year end project plans were being generated to:

> Reduce levels of gangue mineral contaminants moving through the circuit

> Optimise electrical conductivity separation

> Improve sampling and measurement control

Shipping

Although average pricing for final products was poor, demand for Kenmare products grew strongly through the year. A total of 44 customer vessels visited Moma and a record 1,024,200 tonnes of product was despatched from Kenmare's dedicated jetty and trans-shipment vessels, representing an increase of 28% on 2015. This comprised 951,900 tonnes of ilmenite, 65,300 tonnes of zircon (including 22,300 tonnes of secondary zircon) and 7,000 tonnes of rutile.

Cost management

Cost management was particularly encouraging in 2016. The continuing uncertainty surrounding business liquidity in the first half of 2016 ensured that great focus was placed on the operating costs and sustaining capital for the business, with spending limitations in place. Furthermore, following the recapitalisation, continued discipline was applied to spend with further reductions in cost per tonne delivered. This reflects the sustainability of the savings made, establishing a new baseline for costs.

The total cash operating cost of finished product was US$136 per tonne. This significant reduction was brought about by the increasing product volumes from the operations and reduced absolute costs.

Capital expenditure was constrained in H1 2016 and this impacted the sustaining capital that had been budgeted. However, with balance sheet stability in H2, the Company was able to fund a programme to replace the aging heavy mobile equipment. By year end, capital expenditure reached US$6.7 million, with a further US$4 million of commitments through deposits and ongoing project orders in place. In the future, the Company expects to spend approximately US$20 million per annum on sustaining capital.

Mine Development

Kenmare seeks to maximise the cost effective production of ilmenite and co-products. Feed grades in the Namalope zone are expected to decline in the coming years and so work has begun on a series of studies to assess the potential of increasing mining capacity to offset this decline.

Studies are focussing firstly on the potential to upgrade and debottleneck WCP B, which was constructed with room for additional capacity when grades dictated. Secondly, studies are exploring options for the development of a third mining plant to offset the residual decline in grade.

Historically Kenmare's mine plan has been to move into the adjacent Nataka deposit after depletion of Namalope (2021/22 for WCP B and 2025/2026 for WCP A), primarily due to the size and proximity of Nataka. However, in recent years Kenmare has developed an increasing understanding of other resources within the Company's portfolio. Alternative mine plans to Nataka are now being explored which may help minimise capital costs, reduce production risks and maximise value for shareholders.

Approval of capital expenditure by management and the Board will be subject to, inter alia, positive outcomes from feasibility studies, attractive financial returns, and supportive market conditions. Should mining capacity not be increased, it is expected that ilmenite production will average approximately 1 million tonnes per annum (plus associated co-products) over at least the next three years.

Environment

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

EIA Services, Lda, on behalf of the Ministry of Land, Environment and Rural Development ("MITADER"), conducted an annual environmental audit at the Mine in 2016, measuring compliance with the Mozambican Government Decree 25/2011 of 15 June 2011 which requires companies to be audited annually by MITADER. No significant findings were registered.

Kenmare subscribes to the NOSA Occupational Health, Safety and Environmental Management System. Kenmare's second NOSA grading audit was conducted in November 2016 and Kenmare was awarded an improved rating of 5 stars (the second-highest rating possible), reflecting improvements in systems management in this area of the business. The objective of the environmental management system is to facilitate and achieve compliance with the commitments in the EMP as well as continual improvement of environmental performance. This involves monitoring to ensure applicable standards are being observed, and where deviations are encountered, reporting and mitigation occur promptly. The system is modelled in accordance with ISO 14001, which requires environmental objectives and targets to be set annually and regularly reviewed throughout the year, with performance tracked and checked through scheduled internal and external audits and inspections.

A joint community and company environmental monitoring practice, introduced in 2015, is working well. Community engagement is a developing area of focus to involve and educate communities on the needs for environmental management and ensure that the monitoring programmes underway are well understood by all stakeholders.

In the past year, external consultants were engaged to review the CO_2 emissions from the Mine. As a result of this review the factors used and general methodology for determining emissions were updated to reflect current best practice, with updates made to incorporate Kenmare's use of hydroelectric power as opposed to coal fired electricity; to reflect the removal of carbon contained in topsoil, as well as minor updates in the fuel and biomass factors per hectare mined. The emissions for 2014 and 2015 are re-stated using the updated factors and methodology. This resulted in a slight increase in estimated overall CO_2 contribution in 2015 as a result of increasing mining outputs impacting electricity and diesel fuel consumption and the associated increase in land disturbance through mining shallower dunes.

Water extraction increased in 2016 as a result of geological variability at the mining plants, with both mining ponds experiencing increased seepage due to elevated mining areas above the natural groundwater level at WCP A, and due to the lack of a clay-rich basal layer at WCP B.

Stockpile of HMC before processing in the MSP


WCP B spiral banks

For restoration of mined-out dredge paths, Kenmare continues to follow the programme approved by MITADER in the Management Plan and Rehabilitation Strategy, so that mined area can be handed over to local communities. In 2016, a total area of 153 hectares was rehabilitated with top-soil, with the natural seed content contributing to the development of mixed trees and grassland rehabilitation. Planting of indigenous trees has supplemented the development of these areas. A further 33 hectares were planted with casuarina trees, a future commercial forestry crop. The rehabilitation plan for 2016 focussed on developing a patchwork of alternative land uses post mining, including development of agricultural land, forestry, savannah and woodlands, with the tactics of rehabilitation developed according to topography, adjacent ecotypes, availability of topsoil and tailings characteristics. With the arrival of new mobile equipment fleet in the latter part of 2016, the focus in 2017 will be on increasing rates of land restoration, and reducing the open area required for mining activities.

Kenmare manages a number of environmental compliance programmes to manage and reduce our impact on the environment. In summary:

> Kenmare operates four sewerage treatment plants at the Mine and the quality of the effluent is continuously monitored. Adverse levels of mercury were noted in 2015 at the MSP sewerage plant, the source of which was identified back to a reagent containing traces of mercury used in the laboratory. Improved management practices now ensure that this reagent is contained.

> Further progress was made in the development of our waste segregation programme. Training and awareness campaigns were delivered, aimed at the promotion of waste management practices by minimising generation of waste and ensuring adequate segregation at source. Implementing the correct handling and disposal methods further reduced risks to the environment and human health. Further efforts to embed this programme will continue into 2017.

> Personal radiation exposures remain within required exposure limits. A comprehensive review of the radiation management was started in 2016 with an update to be submitted to the National Agency of Atomic Energy (ANEA) in 2017.

> Kenmare has increased focus in 2016 on the noise disturbance levels impacting communities close to the Moma operation. The results indicated that in the main noise levels are within the IFC standard limit of 45dBA, however non-mining related noise such as loud music and vehicular traffic could reach levels as high as 58dBA. A further noise survey will be conducted in March 2017.

> Kenmare's air monitoring programme measures particulates at multiple locations on the Mine on a monthly basis. These measurements are compared to MITADER, AfDB, and IFC standards. The results of the PM10 and PM2.5 tests remain within applicable guidelines.

Employees

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

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

Environmental monitoring statistics

	2016	2015	2014
Greenhouse gas (tonnes CO_2)	65,492	61,024	44,432
Water extraction (million cubic metres)	19. 95	13.48	19.68
Rehabilitation: Total (Ha)	186	188	39
- Topsoiling (Ha)	153	173	39
- Casuarina plantation (Ha)	33	15	0

Mine employee statistics at year end

	2016	2015	2014
Number of Employees	1,323	1,344	1,565
% Mozambican	93%	91%	90%
% Expatriates	7%	9%	10%

Improvements were made in 2016 to the induction processes on site with the introduction of additional focus on human rights, health, safety and the environment. All employees and contractors are subject to annual occupational medical surveillance.

Kenmare improved performance management methods in 2016 with the introduction of improved key performance indicator measurement processes for staff, linked and aligned to an incentive programme to stimulate performance.

In 2016, Kenmare continued to focus on the development of leadership behaviours and embedding of management systems helping to develop business maturity. Visual management processes were introduced to help align measures through the business, and to increase accountability for delivery of goals through engagement with teams.

The total Mine staff complement as at the end of December 2016 was 1,323 permanent employees. Of the permanent employees, Mozambicans represent 93% whilst expatriates represent 7%. 4% of the total workforce are female. The localisation of employees has progressed more rapidly than the localisation targets agreed with the Department of Labour.

Employee numbers fell 1.6% from 2015 through natural attrition and through not filling some vacant roles.

Labour relations were much improved in 2016. A renegotiation of bargaining unit salaries was agreed amicably and the implementation of improved communication channels was well received. No industrial action took place.

Kenmare's plans to promote Mozambicans to senior positions within the Mine are underpinned by its training and development programme. In 2016, particular focus was placed on developing artisan skills, with the building of a training facility. All engineering employees were assessed and development training plans established for the coming year. The intention is to gain accreditation for the new training centre in 2017. Kenmare continues to develop skills for other areas of the business with the continuation of an apprentice programme, a technical development programme, and a graduate recruitment programme amongst others. During 2016, 13 employees were taken on from these programmes.

Ben Baxter
Chief Operating Officer

Marketing Review

Titanium Feedstock Market

In 2016, ilmenite prices increased for the first time in four years. Spot prices for sulphate ilmenite bottomed at the end of Q1 2016, and nearly doubled by the end of the year. Increased demand for ilmenite was driven by strong global pigment demand growth, stimulated by improved global economic activity and continued urbanisation in emerging markets, which has been sustained into 2017.

Ilmenite production is characterised by a fragmented supplier base which exacerbated price declines from mid-2012 until early 2016, as new producers competed aggressively for sales in an oversupplied market. Global demand for titanium feedstocks is estimated to have exceeded primary mine supply from early 2015. Evidencing this, ilmenite inventory levels at Chinese ports fell by over 40% by the end of 2016, from the peak level in March 2015, and by mid-February 2017 were at the lowest levels seen since 2012. Nevertheless, ilmenite prices continued to decline until early Q2 2016 as sales from large global inventories kept the market in oversupply.

Pigment manufacturers experienced strong production and sales volume growth in 2016, which combined with a deficit in the global supply of sulphate ilmenite, resulted in steady spot market price increases for ilmenite. Kenmare increased ilmenite sales volumes in line with market demand, resulting in record shipments of 951,900 tonnes of finished product, up 28% on the volumes achieved in 2015.

China is the world's largest producer and consumer of pigment, as well as being a major exporter to all regional markets. Ilmenite is the dominant feedstock for pigment production in China and demand for imported ilmenite grew by approximately 40% in 2016. This strong growth was fuelled by excess inventory drawdown in the prior year, higher volumes of pigment production and a modest decline in Chinese domestic ilmenite production.

Market prices of sulphate ilmenite increased steadily over the course of 2016 and have continued to rise in the early part of 2017.

Chloride slag (produced by upgrading ilmenite) is also experiencing strong growth in China as a feedstock for new chloride pigment plants and for titanium sponge production used in the production of titanium metal. Kenmare's ilmenite is a preferred feedstock for Chinese slag production and Kenmare is a major supplier to this market.

Market prices of sulphate ilmenite increased steadily over the course of 2016 and have continued to rise in the early part of 2017. Chloride ilmenite prices did not experience the same level of decline as sulphate ilmenite prices in prior years and have not

Bronagh J vessel loading at the product transfer jetty

benefitted from recent price rises to the same extent. The outlook for ilmenite remains positive, supported by favourable supply/demand fundamentals and an improved demand outlook for titanium dioxide pigment. Titanium feedstock consumption for titanium metal accounts for a relatively small proportion of the market demand but is forecast to grow in the coming year, driven primarily by strong demand from the aerospace sector.

In the short term, the tight sulphate ilmenite market conditions and higher ilmenite prices are expected to incentivise the restart of some ilmenite production, notably from Vietnam and concentrates from Africa. We have already seen some Chinese producers restart the processing of stockpiled concentrates into final ilmenite product. However, a large proportion of the decline in ilmenite production in recent years was due

Contract structure

Kenmare is the largest merchant seller of ilmenite globally, selling products on a mixture of spot and contracted prices. Contract volumes are typically agreed for annual or multi-year periods with annual or six monthly price re-negotiations. In a falling market, the mix of contract and spot sales helps to reduce the volatility of received prices, giving the Company time to react to changing market conditions. In a rising market, as we are currently experiencing, contract prices lag the increases seen in the spot market.

Kenmare's realised prices rose in the H2 2016, but did not fully reflect the improved market conditions, due to previously contracted prices agreed at a time of lower spot pricing. Higher contract prices for ilmenite have been agreed for H1 2017 and incremental price increases are being achieved for each spot sale.

Rehabilitation planting programme with Enoque Joao, Superintendent Rehabilitation and Moises Sitoe, HR Practitioner, "I am transforming the environment by reusing topsoil and planting trees to create a valuable agricultural resource for the community"

Chinese domestic ilmenite production

Chinese domestic ilmenite production is almost exclusively a by-product of iron ore mining, concentrated in Sichuan province in central China. These iron ore mines only represent a small fraction of total Chinese iron ore production but Sichuan is unique in producing an ilmenite by-product. Domestic production of iron ore has been in decline, displaced by cheaper, better quality iron ore imports. This has been encouraged by the Chinese government in an effort to reduce emissions, due to significant air pollution issues in recent years.

However, average iron ore prices rose strongly in 2016 and the early part of 2017, resulting in the restart of some idled production of iron ore and by-product ilmenite in Sichuan province. Continued high iron ore prices and steel demand in the province are required to maintain the current domestic iron ore production levels. Simultaneously, the central government is planning to restructure the Chinese steel industry to remove excess capacity and reduce emissions. The consensus is for iron ore prices to fall in the coming years as new production is brought on stream in Australia and Brazil.

to resource depletion. Additionally, an increasing quantity of sulphate ilmenite will be required for slag production in the coming years, reducing the availability for the pigment sector. New mines will be required in the medium term to meet growing demand and resource depletion of existing mines. It is expected that higher prices will be needed to attract capital for the development of these projects and their required infrastructure.

Zircon Market

As with demand for titanium derived product consumption, zircon demand is closely co-related to GDP growth and construction activity. Zircon consumption declined by approximately 2% in 2016, with stronger conditions in Europe, India, and parts of Asia, offset by weaker conditions in China. Although construction activity in China improved in 2016, excess ceramic tile inventories had a dampening effect on tile prices and forced producers to curtail production. Stricter enforcement of environmental regulations on tile producers also negatively impacted Chinese tile production, thereby leading to reduced zircon offtake.

Growth is expected to resume in 2017 based on an improved outlook in China and continued recovery in other regions. European tile producers are seeing a revival in demand assisted by the weak Euro which is boosting exports, coupled with improved construction activity in Europe. India is also emerging as a strong growth market, albeit from a relatively low base.

Global zircon inventories were high at the start of 2016 but moderated over the course of the year. The softer market conditions and excess inventories contributed to a 10-15% price reduction in the first half of 2016 as large producers competed for market share, though supply discipline improved as inventories reduced, leading to stable pricing in the second half of the year. Although there remain some excess inventories or intermediate and finished product, these are largely held by a single large producer that is exercising supply discipline.

Kenmare has secured modest price increases for zircon in the early months of 2017 and is hopeful of further price increases over the course of 2017 based on improved supply/demand conditions and more disciplined pricing behaviour from the larger producers.

Summary

Kenmare is grateful for the strong support received from customers in 2016, leading to record sales volumes and will continue to target volume and price growth in line with market demand in 2017. Kenmare is the largest global merchant ilmenite supplier and produces a high quality suite of products for all end-use segments and regional markets, positioning the Company to benefit from the improving demand and pricing outlook.

Eamonn Keenan
Group General Manager, Sales and Marketing

Jose Baciao, Operations Specialist, "I enjoy optimising the dredges and wet plants to maximise HMC production"

Finance & Risk Review

Finance Review 36
Principal Risks and Uncertainties 44

Finance Review

Overview

The financial results for 2016 reflect a year of increasing production, tight cost control and an improving ilmenite market, all of which contributed to a reversal of a negative EBITDA in 2015 of US$11.5 million to a positive EBITDA in 2016 of US$5.2 million. These improvements are particularly evident in the latter half of the year. An equity raising and debt restructuring during the year significantly strengthened Kenmare's balance sheet.

During the year, production of HMC increased by 28% to 1,405,500 tonnes (2015: 1,100,600 tonnes) and production of final products increased by 19% to 979,300 tonnes (2015: 821,300 tonnes). Shipments in 2016 increased by 28% to 1,024,200 tonnes (2015: 800,400 tonnes).

Continued focus by management on cost control is evident from the decrease in group cash operating cost for the financial year by 2% to US$133.4 million (2015: US$136.4 million) despite the significant increases in volumes produced and shipped. Significant cost savings were achieved in payroll costs, reflecting the full year impact of the agreement reached with the trade union in Q2 2015, and in fuel, reflecting the reduced use of Moma-based generator sets and lower fuel price. Exchange gains also contributed to lower costs in 2016. The resultant full year cash operating cost per tonne of finished product reduced by 18% from US$166 per tonne in 2015 to US$136 per tonne, which represents the fourth consecutive year of reducing cash operating cost per tonne of production. Finance costs of US$28.0 million (2015: US$37.8 million) reflected the lower amount and cost of debt in H2 in accordance with the revised debt terms.

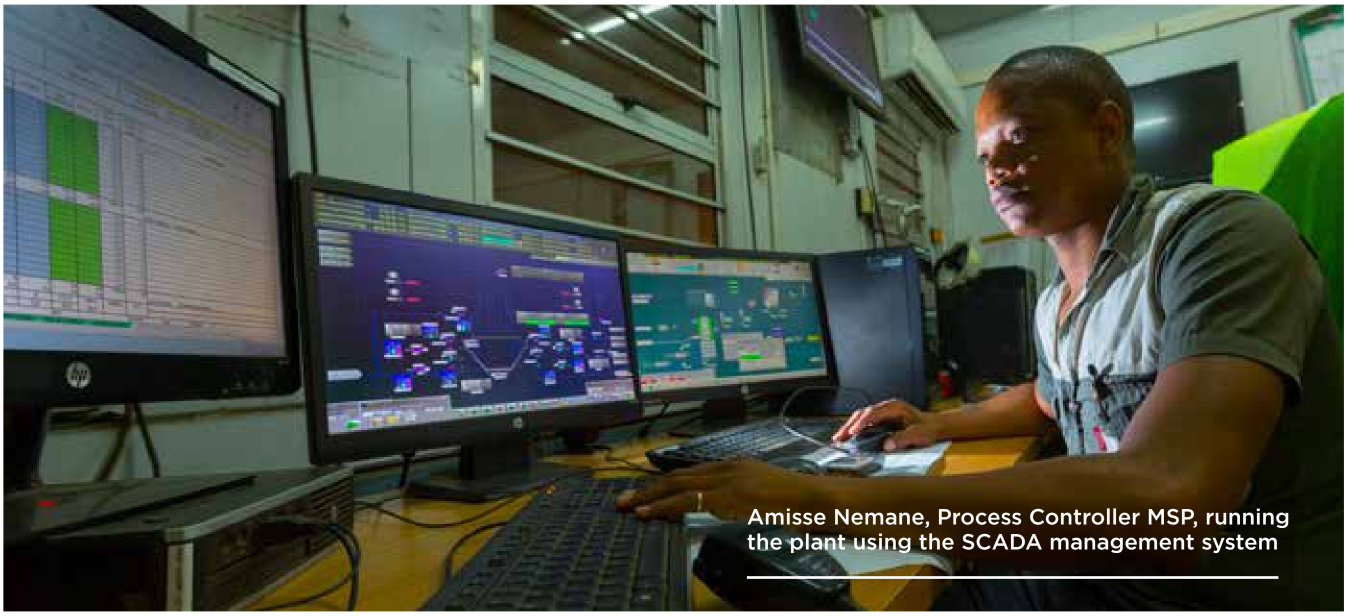
Capital expenditure on property, plant and equipment of US$6.7 million (2015: US$5.6 million) reflected tight cost control throughout the year and constrained available finance. However capital expenditure is planned to increase with sustaining capital commitments of US$4 million at the year end and a further capital equipment replenishment programme for 2017 of approximately US$20 million.

Revenue for 2016 was relatively flat at US$141.5 million (2015: US$142.6 million), notwithstanding increased volumes shipped, reflecting lower product prices mainly for ilmenite. Whilst the zircon market remains subdued, ilmenite prices increased by approximately 21% in H2 compared with H1, marking an inflection point following four consecutive years of price declines.

The loss for the year was US$15.2 million (2015: US$60.6 million), principally reflecting the depth to which the market price declined in H1.

The improvements in production, costs and market outlined above are clearly illustrated by comparing the 2016 H2 key metrics with H1, the cumulative effect of which contributed to a reversal of a H1 negative EBITDA of US$10.7 million to a H2 positive EBITDA of US$15.9 million, resulting in a positive EBITDA for the year of US$5.2 million (2015: negative US$11.5 million).

The equity funding and restructuring of debt reduced total debt from US$387.0 million at 30


Amisse Nemane, Process Controller MSP, running the plant using the SCADA management system

June 2016 to US$100 million and provided US$75 million working capital, gross of fees and expenses. In addition, the terms of the debt restructuring include a reduction in interest rate to LIBOR plus a margin of 4.75%, compared with an average interest rate at 30 June 2016 of 10%, with principal repayments commencing on 1 February 2018. We are very grateful for the shareholder and lender support that has enabled us to come through a very difficult period. Together with the production, cost and market improvements, the strengthened balance sheet resulting from the above measures represents a substantially improved position for Kenmare.

Production and revenue

HMC production increased by 28% in the year to 1,405,500 tonnes compared with 1,100,600 tonnes in 2015. In Q1 2015, HMC production was severely impacted by grid power outages, which were not repeated in 2016 when power stability and consistency greatly improved. Particularly in the latter half of 2016, HMC production benefitted from improved mining conditions and increased utilisation levels at both mining ponds. Mechanical reliability also showed significant improvement during 2016, increasing plant availability due to improvement projects completed in the year as well as from enhanced maintenance systems. Dry mining operations previously employed to supplement the dredges restarted in March 2016 at WCP A and in July 2016 at WCP B. Use of dry mining when required will ensure that HMC production can be maximised. WCP A dry mining shut down in November 2016 in response to improved dredge mining conditions.

The higher HMC production and improved operating times resulted in increased ilmenite production by 18% to 903,300 tonnes compared to 763,500 tonnes in 2015. Total zircon production includes a 14% increase in primary zircon production to 44,900 tonnes (2015: 39,400 tonnes). Secondary zircon volumes increased by 88% to 23,300 tonnes (2015: 12,400

Production and cost improvements achieved in 2016 provide a solid base upon which the management is building for the coming year.

tonnes) as recoveries from waste streams increased. Projects are underway to further increase the proportion of primary zircon to enhance revenues.

During 2016, Kenmare shipped 1,024,200 tonnes of finished products (2015: 800,400 tonnes), comprised of 951,900 tonnes of ilmenite, 65,300 tonnes of zircon (including 22,300 tonnes of secondary grade zircon) and 7,000 tonnes of rutile. Revenue for 2016 was US$141.5 million (2015: US$142.6 million), reflecting lower product prices in 2016, mainly for ilmenite. Average realised ilmenite prices lagged the spot market increases in 2016 as contracts had been agreed prior to the market resurgence. However, average received ilmenite prices in H2 2016 improved by 21% from H1 2016. As contracted ilmenite prices are typically agreed semi-annually, this increase does not fully reflect the continued price increases in the spot market through H2 2016. Ilmenite sales account for 72% of 2016 revenues.

Closing stock of HMC at the end of 2016 was 66,500 tonnes, compared with 11,800 tonnes at the start of the year. Closing stock of intermediate magnetic concentrate at the end of 2016 was

Results

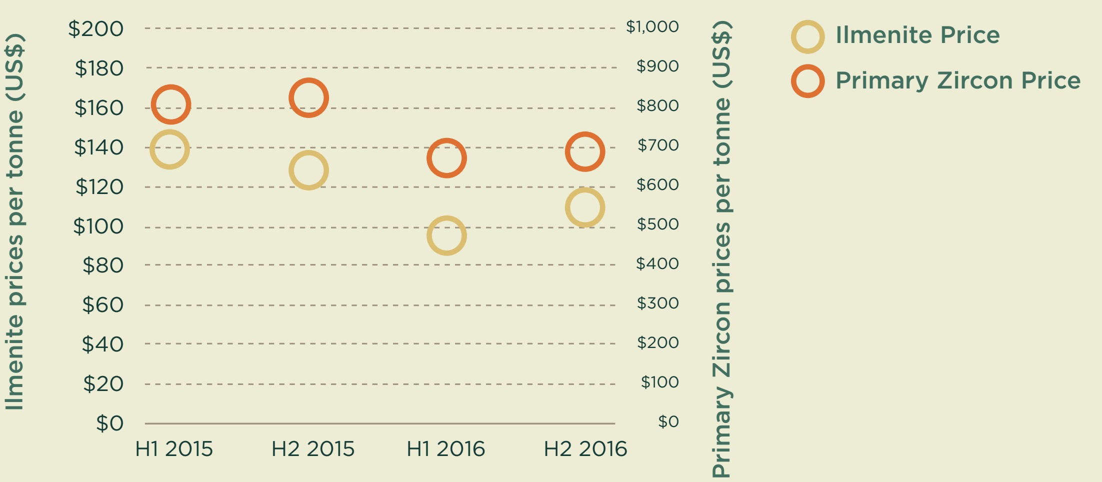
Production, revenue, cost and EBITDA results for 2016 and 2015 were as follows:

	H1 2016	H2 2016	FY 2016	H1 2015	H2 2015	FY 2015	FY Change %
Production (tonnes)							
Heavy mineral concentrate	606,100	799,400	1,405,500	454,500	646,100	1,100,600	28%
Ilmenite	402,900	500,400	903,300	324,100	439,400	763,500	18%
Zircon*	28,500	39,700	68,200	23,800	28,000	51,800	32%
Rutile	3,000	4,800	7,800	2,800	3,200	6,000	30%
Total final products	434,400	544,900	979,300	350,700	470,600	821,300	19%
Revenue (US$ million)	56.2	85.3	141.5	73.9	68.7	142.6	0%
Finished products shipped (tonnes)	441,700	582,500	1,024,200	412,000	388,400	800,400	28%
Average price per tonne (US$/t)	127	146	138	179	177	178	-22%
Total operating costs** (US$'000)	81.1	85.7	167.6	101.1	88.9	190.0	-12%
Total cash cost (US$'000)	66.6	66.8	133.4	69.1	67.4	136.4	-2%
Total cash cost per tonne finished product (US$/t)	153	123	136	197	143	166	-18%
EBITDA (US$ million)	(10.7)	15.9	5.2	(10.6)	(0.9)	(11.5)	-

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

*Included in zircon production is a secondary zircon product.
** Included in operating costs are depreciation and amortisation.

Prices per tonne



53,800 tonnes (2015: 70,500 tonnes). Closing stock of finished products at the end of 2016 was 192,300 tonnes (2015: 237,300 tonnes), of which 60,000 tonnes were being held for a customer who pre-paid for this product.

Operating costs

Notwithstanding increased production of HMC of 28% and final products of 19%, management continued to retain a tight control of operating costs during the year. Cost of sales for the financial year amounted to US$144.0 million (2015: US$168.1 million), including depreciation and amortisation of US$25.4 million (2015: US$30.8 million). Production costs reduced by US$3.0 million in the year as a result of cost saving initiatives, together with favourable foreign exchange gains. There was a lower depreciation and amortisation charge of US$5.4 million a result of the increased operating life of mine. Mineral stock value increased by US$3.0 million (2015: US$1.3 million increase) resulting in a net movement of US$1.7 million on the prior year. The net realisable value allowance in 2015 of US$16.0 million resulted from forecast declining product prices. As prices have increased during the year and to date in 2017 and as a result of lower unit costs achieved in 2016, no net realisable allowance is required at end of 2016. As a result of forecast improving product prices and lower unit costs, there was no write-down of mineral stocks to net realisable value (2015: US$16.0 million). Included as an offset to cost of sales in 2015 was a business interruption insurance receivable of US$2.0 million for production losses due to flood damage to the EdM power transmission line in Q1 2015.

Other operating costs amounted to US$22.8 million (2015: US$21.8 million), and included: freight costs of US$5.4 million (2015: US$3.7 million), which are either reimbursable by customers or factored into the sales price for product delivered to customers on a CIF (cost, insurance and freight) or CFR (cost and freight) basis; distribution costs of US$11.3 million (2015: US$12.5 million) inclusive of depreciation of US$5.3 million (2015: US$5.0 million); and administration costs of US$2.9 million (2015: US$1.5 million), including a charge of US$0.5 million (2015: US$0.5 million) for share-based payments. During the financial year, there were arbitration costs of US$3.2 million (2015: US$4.0 million).

Adjusting total operating costs for depreciation of US$30.6 million (2015: US$35.8 million), total Group share-based payments of US$0.4 million (2015: US$0.7 million credit), freight reimbursable by customers of US$5.4 million (2015: US$3.7 million) and the increase in mineral product inventory for the year of US$3.0 million (2015: US$14.7 million decrease), the group cash operating cost for the financial year decreased by 2% to US$133.4 million (2015: US$136.4 million). The resultant cash operating cost per tonne of finished product reduced by 18% from US$166 per tonne in 2015 to US$136 per tonne in 2016. This year represents the fourth consecutive year of reducing cash operating cost per tonne of production.

Finance income

Outstanding warrants are valued at each reporting date and the increase or decrease in the fair value is recognised as a finance cost or income in the statement of comprehensive income. The fair value of warrants at the statement of financial position date resulted in finance income of US$0.02 million (2015: US$0.5 million) being recognised in the statement of comprehensive income. Other finance income of US$0.07 million (2015: US$0.05 million) consisted of interest on bank deposits.

Finance costs

On 28 July 2016, the Group completed a capital restructuring to reduce debt to US$100 million (from US$392.4 million using agreed exchange rates) and to provide an additional US$75 million of cash for working capital and to meet fees and expenses. This was achieved by the raising of new equity from new and existing shareholders, the conversion of US$44.2 million from debt to equity in the Company and US$68.6 million in debt write-offs agreed by Lenders. The capital restructuring also provided for a reduction in the interest rates on outstanding debt, an extension to the term of that debt, and a principal repayment holiday until February 2018.

Loan interest and finance fees were US$27.9 million (2015: US$37.8 million). During the financial year there was loan interest of US$23.9 million (2015: US$32.7 million). The decrease of 27% reflects the capital restructure in July noted above.

Other financing fees of US$3.5 million (2015: US$4.4 million) consist of loan fees amortised prior to the capital restructuring.

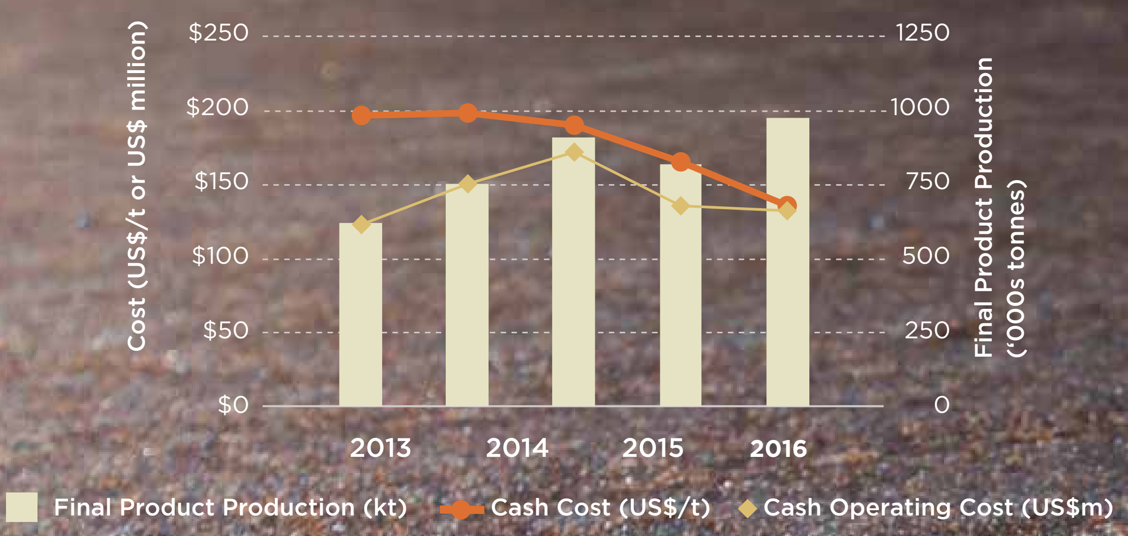
There was a mine closure provision increase of US$0.5 million (2015: US$0.6 million) and finance lease interest of US$0.08 million (2015: US$0.1 million).

Due to the debt restructuring, there was a gain of US$38.3 million on the extinguishment of the debt outstanding on 28 July 2016. This gain is comprised of debt written-off of US$68.6 million net of finance fees and expenses amortised of US$30.3 million. At 31 December 2016, Group total debt including accrued interest was US$102.6 million (2015: US$341.9 million). The weighted average interest rate on debt at financial year end was 5.4% (2015: 9.6%).

Exchange movements

An exchange loss of US$2.2 million (2015: US$22.7 million) arose during the financial year, as a result of losses on the retranslation of the Euro denominated loans net of gains on the retranslation of cash deposits and trade payables and accruals. The debt at the financial year end is US Dollar denominated, while euro-denominated loans at 31 December 2015 amounted to US$170.2 million, approximately 50% of total debt.

Operating Cost



Deferred tax
As at 31 December 2016, the statement of financial position date, Kenmare Moma Mining (Mauritius) Limited had unused tax losses of US$18.5 million (2015: US$7.5 million). A deferred tax asset was recognised of US$1.9 million (2015: US$1.3 million) as it is anticipated that the losses will be carried forward for offset against future profits. This resulted in a tax credit for the financial year of US$1.9 million (2015: US$1.3 million), resulting in a loss after tax for the financial year of US$15.2 million (2015: US$60.6 million) which has been carried to retained losses.

Operating cash flow
Net cash used in operations in 2016 was US$3.0 million (2015: US$8.6 million generated). Investing activities of US$6.7 million (2015: US$5.6 million) in the financial year represents additions to property, plant and equipment. The cash raised from the capital restructuring amounted to US$254.8 million and the cost of issue was US$12.5 million. These funds were used to repay debt of US$179.6 million (2015: nil). There was a net increase in cash and cash equivalents for the financial year of US$43.0 million (2015: US$10.5 million decrease).

Balance Sheet
During the financial year there were additions to property, plant and equipment of US$6.7 million (2015: US$5.6 million), which reflected tight cost control throughout the year and constrained available finance, particularly during the earlier part of the year. Depreciation during the year decreased to US$30.6 million (2015: US$35.8 million) as a result of the increase in life of mine in 2015. The mine plan, based on the Namalope and Nataka proved and probable reserves, runs to 2056. There was an adjustment of US$10.1 million to property plant and equipment as a result of the arbitral tribunal award detailed below which resulted in a reduction in the amount payable to Aveng and therefore a reduction in the amount previously capitalised. There was an adjustment to the mine closure provision of US$6.9 million during the year principally as result of a change in the estimated life of mine from 24 years to 40 years. Capital disposals during the year were US$0.2 million (2015: nil).

During the financial year the Group carried out an impairment review of property, plant and equipment. The Group Forecast employed for the value-in-use computation is from a life-of-mine financial model. The recoverable amount obtained from the financial model represents the present value of the future pre-tax, pre-finance cash flows discounted at 11%. 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 country risk premium has increased during 2016 as a result of a downgrading of the Mozambique Government's credit rating. Based on the Group's experience of operating in Mozambique the Board believe that it is inappropriate to apply the country risk premium in its entirety due to specific characteristics of the Mine. As a result a reduced country risk premium is used in the calculation of the weighted average cost of capital. Using a discount rate of 11%, the recoverable amount is greater than the carrying amount by US$133.0 million and as a result no impairment provision is required.

Inventory at the financial year end amounted to US$47.7 million (2015: US$46.2 million), consisting of

intermediate and final mineral products of US$30.6 million (2015: US$27.6 million) and consumables and spares of US$17.1 million (2015: US$18.6 million). Closing stock of finished products at 31 December 2016 was 192,300 tonnes (2015: 237,300 tonnes), including 60,000 tonnes (2015:40,000 tonnes) being held for a customer who pre-paid for this product. The revenue for this stock will be recognised in the statement of comprehensive income when all criteria for recognition as a sale are met, including delivery to the customer's vessel.

Trade and other receivables amounted to US$23.8 million (2015: US$20.9 million), of which US$19.1 million (2015: US$17.2 million) are trade receivables from the sale of mineral products and US$4.7 million (2015: US$3.7 million) is comprised of prepayments and other miscellaneous debtors. Trade debtors are a function of shipments made before the financial year end and credit terms specific to the relevant customer. All trade receivables are current and there has been no impairment in trade receivables during the financial year and no allowances for impairment have been provided for during or at the financial year end. The increase in prepayments is due to deposits paid on heavy mobile equipment at the year end, delivery of which are expected in the first quarter of 2017.

Trade and other payables amounted to US$30.3 million (2015: US$47.8 million) at the year end. Included in trade and other payables are US$9.1 million (2015: US$3.0 million) relating to stock being held for a customer and an amount payable to Aveng of US$4.9 million (2015: US$19.3 million). The amount payable to Aveng was payable in South African Rand and as result of the US Dollars strengthening against the South African Rand there was a foreign exchange gain of US$4.3 million recognised in the statement of comprehensive income on this payable. The arbitral tribunal award resulted in a reduction in the amount payable to Aveng of US$10.1 million which has been recognised in a reduction in property, plant and equipment.

The Project Companies have been engaged in arbitration proceedings initiated by certain members of the Aveng Group (those members, together, "Aveng") in relation to the performance and completion of certain engineering, procurement and construction management contracts entered into in 2010 in connection with the expansion of the mine facilities. Aveng claimed that it was owed certain amounts in respect of withheld professional fees, plus interest. The Project Companies counterclaimed for compensation for losses resulting from Aveng's contractual breaches substantially in excess of the amounts claimed by Aveng.

The arbitral tribunal notified its award on 23 December 2016. The tribunal determined that, due to Aveng's breaches, the final payment sought by Aveng should be reduced by the maximum amount allowable under the contracts, i.e. ZAR150 million. The net effect of the tribunal's finding resulted in the Project Companies making a payment of US$4.9 million (ZAR56 million plus interest accrued of ZAR11 million) in January 2017. Reflecting the award ruling, there is an amount accrued in trade and other payables of US$4.9 million (2015: US$19.3 million) payable to Aveng. The costs of the arbitration are the subject of further proceedings that will result in a separate award.

Cash and cash equivalents as at 31 December 2016 amounted to US$57.8 million (2015: US$14.4 million). The increase is a result of the capital restructuring in July 2016.

On 26 July 2016, 81,368,822 new ordinary shares were issued by way of a placing and open offer. On 28 July 2016, 14,131,631 new ordinary shares in aggregate were issued to lenders, comprising 7,603,860 new ordinary shares issued to lenders pursuant to the debt equitisation and 6,527,771 new ordinary shares issued to certain lenders pursuant to their underwriting of a portion of the placing and open offer. On 28 July 2016, 191,571 new ordinary shares were issued to Absa pursuant to a loan fee payable. The gross proceeds of the equity raising US$254.8 million was used in part to discharge the debt of the Group with US$75 million being available for working capital and costs and was recognised in share capital and share premium. The cost of the equity raise of US$12.5 million was recognised in retained losses.

Bank loans including accrued interest amounted to US$102.6 million (2015: US$341.9 million) at the end of the financial year. On 28 July 2016, the Group completed a capital restructuring to reduce debt to US$100 million (from US$392.4 million using agreed exchange rates) and to provide an additional US$75 million of cash for working capital and to meet fees and expenses of the capital restructuring. This was achieved by the raising of new equity from new and existing shareholders, the conversion of certain debt to equity in the Company, and certain debt write-offs agreed by Lenders. The capital restructuring also provided for a reduction in the interest rates on outstanding debt, an extension to the term of that debt (maturity February 1, 2022), and a principal repayment holiday until February 2018.

Events since the financial year-end

There have been no significant events since the 31 December 2016 which would have a significant impact on the financial statements of the Group.

Accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") adopted by the European Union; therefore the Group financial statements comply with Article 4 of the IAS Regulation. The financial statements have been prepared in compliance with Irish Companies Acts 2014. The Group's significant accounting policies and details of the significant accounting judgements and critical accounting estimates are disclosed in the notes to the financial statements. The Group did not make any material changes to its accounting policies in the financial year ended 31 December 2016.

Financial Outlook

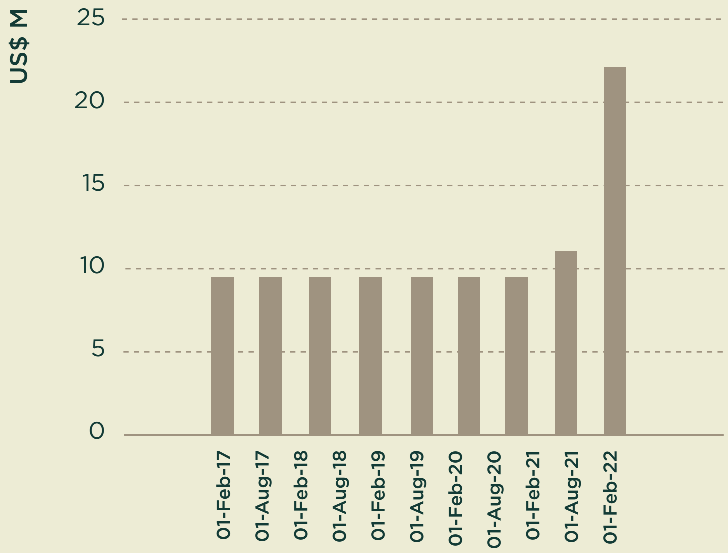
Following the equity funding and debt restructuring in 2016, Kenmare's net debt at the year-end was US$44.8 million (2015: US$353.4 million), which reflects a greatly strengthened balance sheet and positions the Company well for the future. Production and cost improvements achieved in 2016 provide a solid base upon which the management is building for the coming year. Whilst the zircon market remains subdued, the ilmenite market improvements that we have seen in the second half of 2016 represent an inflection point for Kenmare's main product following a sustained period of price decline. Current indications are that market improvements will continue in 2017. We will continue to work hard to generate cash for the long term development of the business and to provide an acceptable return to shareholders, whilst retaining the appropriate level of gearing for the Company.

Tony McCluskey
Financial Director

Loan Balances at 31 December 2016

	Loan principal	Loan interest	Total loan balance
	US$ '000	US$ '000	US$ '000
Senior Loans			
AfDB	4,273	76	4,349
Absa	14,651	265	14,916
EAIF	495	9	504
EIB	1,550	28	1,578
FMO	1,637	29	1,666
KfW IPEX-Bank (Hermes)	1,298	23	1,321
KfW IPEX-Bank (MIGA)	1,496	27	1,523
Total Senior Loans	**25,400**	**457**	**25,857**
Subordinated Loans			
EIB	43,877	1,271	45,148
EAIF	17,321	502	17,823
FMO	13,402	388	13,790
Total Subordinated Loans	**74,600**	**2,161**	**76,761**
Total Group Loans	**100,000**	**2,618**	**102,618**

Debt Repayment Profile



Note: Repayment profile reflects minimum agreed scheduled principal payments. In addition a cash sweep mechanism may result in earlier repayment of debt.

Principal Risks and Uncertainties

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

Risk Management Framework

An overview of the risk management and internal control framework, responsibilities within it and relationship between functions, is illustrated on page 45. While the Board is ultimately responsible for risk management within the Group, it has delegated responsibility for the monitoring of the effectiveness of the Group's risk management and internal control systems to the Audit Committee. The Board and Audit Committee receive reports from Executive Management on the key risks to the business and the steps being taken to mitigate such risks. The Audit Committee reviews the principal risks and uncertainties.

Risk Assessment Process

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

Departmental risk registers are consolidated into a Group Risk Register. Executive management provide input to ensure that there is a top-down view of the key risks facing the Group. Following a review of the Group Risk Register by senior management, the principal risks identified for the Group are submitted to the Audit Committee and Board for review and approval. These risks are included in the Principal Risks and Uncertainties facing the Group as set out on pages 46 to 49.

Principal Risks and Uncertainties

Under Section 327(1)(b) of the Companies Act 2014 and Regulation 5(4)(c)(ii) of the Transparency (Directive 2004/109/EC) Regulations 2007, the Group is required to give a description of the principal risks and uncertainties which it faces. These risks are similar to those faced by many companies in the mining industry. A description of the principal risks and uncertainties, together with any mitigating factors and controls, are set out on pages 46 to 49. This table is not an exhaustive list of all risks that may impact the Group, but rather the Board's view of principal risks at this point in time. There are additional risks which are not yet considered material or which are not yet known to the Board but which may assume greater importance in the future.

Assurance Flow

Board of Directors

Audit Committee

Executive Management

External Audit

Chief Operating Officer

Mine General Manager

Environmental Health & Safety

Department Management

General Counsel

Group Financial Controller

Internal Audit

1. First line of defence
The first line of defence, operational management, has ownership, responsibility and accountability for directly assessing, controlling and mitigating risks.

2. Second line of defence
The second line of defence monitors and facilitates the implementation of effective risk management practices by operational management and assists the risk owners in reporting adequate risk related information up and down the organisation.

3. Third line of defence
The third line of defence provides assurance to Executive Management and Board on how effectively the organisation assesses and manages its risks and will include assurance on the effectiveness of the first and second lines defence.

Risk Trend Key: ↔ = Risk is unchanged ↑ = Risk is increased ↓ = Risk is decreased

Risk	Description	Potential Impact	Risk Trend	How we manage the risk
Strategic				
Loss of Mining Licences	The Group's mining activities require licences and approvals to be in place in the relevant mining areas in Northern Mozambique. The Group may lose or not receive the necessary approvals for it to operate in current or future mining licence areas in Northern Mozambique.	A loss of or failure to maintain mining licence would significantly impact on the ability to operate, cash generation and valuation of the Company's assets.	↔	- Robust foundational agreement (Mineral Licensing Contract) provides the right to be issued licences and approvals - Maintenance of existing licences in good standing - The Group continually demonstrates its commitment to the future long term development of the Mine - The Group maintains a positive working relationship with the Government of Mozambique through regular contact promoting open and honest two-way communication - Engagement with local communities to ensure they are economic beneficiaries from the presence of the Mine - Ongoing actions to develop and maintain environmental and social licence to operate
Country Risk	The Group's operations are located entirely in Mozambique. There may be potential adverse financial or operational impacts from changes in the political, economic, fiscal or regulatory circumstances in Mozambique.	Kenmare has operated in Mozambique since 1987, however it remains subject to risks similar to those prevailing in many developing nations; economic and social instability, changing regulatory requirements and increased taxes etc. These events may cause significant disruption to the operation or cause an increase in costs in order to ameliorate their impact. The country risk is a factor in determining the economics of the Mine and a deteriorating country risk may have an affect on the Group's financial results.	↔	- Binding foundation agreements in place with stability clauses and international arbitration provisions - The Group maintains a positive working relationship with the Government of Mozambique - Kenmare keeps itself closely informed of any developments in the national environment
Operational				
Geotechnical Risk	An external berm failure at the Moma Mine could result in a major slimes/ water spill potentially impacting on local communities and production plant.	The nature of dredge mining gives rise to the creation of artificial ponds and a potential for failure of the berm system which surrounds the ponds. A failure of a berm could cause loss of life and cessation of the operation of the mining WCPs for a prolonged period.	↔	- Permanently employed geotechnical engineering skills - Prudent geotechnical design and controls - Daily inspections - Interlocking external audits from two separate and independent geotechnical consultants

Risk	Description	Potential Impact	Risk Trend	How we manage the risk
Severe Weather Events	The location of the Group's operations on the North Mozambican coast gives rise to risk from cyclone activity and severe flooding events. These events give rise to significant risk to the safety of mine staff, contractors and visitors, as well as to physical damage to the Mine.	In extreme weather circumstances, there is a risk to loss of life. There is a risk to physical damage to the mine plant which may result in an inability to operate the Mine. The probability of adverse weather events is considered low. They are also foreseeable so as to allow engagement of disaster planning. Less severe adverse weather could impact supply logistics to and from the Mine.	↔	- Mine and associated infrastructure has been designed to appropriate cyclone rating - Designated cyclone proofed buildings at the Mine - Ongoing weather/cyclone monitoring - Cyclone readiness plan in place - Disaster management programme in place - Insurance cover obtained - Adequate stock holdings of materials and supplies on site
Uncertainty over physical characteristics of the orebody	Future orebody characteristics may not conform to existing geological or other expectations.	An unexpected divergence in future physical characteristics of an orebody may cause reduced production levels or a necessity to incur increased production costs in order to maintain production at the intended level.	↓	- Extensive sample testing carried out - Extensive orebody drill programme in place - Test pits/trenching exist - Growing expertise in managing unexpected mining conditions - Supplemental mining operations available
Power supply and transmission risk	The Moma Mine is reliant on the delivery of stable and continuous electric power from the Cahora Bassa Dam via a power transmission line to the Mine.	Significant disruption to, or instability in, the power supply at the Moma Mine could have a material and adverse effect on the ability to operate the Mine or to operate it in the lowest cost manner, thereby adversely affecting production volumes and/or operating costs.	↓	- Recent significant investment by EdM in power supply and transmission - On-site diesel-powered generators to maintain part of the operations - Robust and open relationship with EdM, under long-term power supply agreement - Company's Synchronous Condenser ("Dip Doctor") to reduce power instability
Asset damage or loss	The operation of large mining and processing facility carries an inherent risk of technical failure of equipment, fires and other accidents.	An occurrence of these risks could result in damage to or destruction of key mining, processing or shipping facilities at the Moma Mine. Loss of key assets could result in disruption to production or shipping, significant replacement cost and consequential monetary losses.	↔	- Programme of inspections and planned maintenance - Standard operating procedures in place - Fire detection and suppression systems in place - Annual external risk assessment carried out - Insurance cover obtained

Risk	Description	Potential Impact	Risk Trend	How we manage the risk
Health, Safety & Environment (HSE)	The operation of large mining and processing facility carries a potential risk to the health and safety of mine staff, visitors and local community. A potential for environmental damage to the surrounding areas also exists.	The improper use of machinery, technical failure of certain equipment or failure to meet and maintain appropriate safety standards could result in significant injury, loss of life or significant negative impact on the surrounding environment and/or communities.	↔	- Prioritisation of HSE management - Trained staff - Standard operating procedures in place - Ongoing hazard identification programme - Health and Safety awareness programme for company and community - Mine clinic and evacuation procedures for staff in place - Community investment and programmes including health clinic and education programmes - Compliance with applicable HSE standards and legislation
Resource Statement Risk	A material misstatement in the Reserves and Resources statement.	A material misstatement could materially adversely impact on company valuation.	↔	- Competent person preparing JORC compliant statement - Ongoing drilling and sampling programme - Ongoing reconciliation of mining results to resource models
IT Security Risk	The Group is dependent on the employment of advanced information systems and is exposed to risks of failure in the operation of these systems. Further the Group is exposed to security threats through cyber-crime.	A failure in these systems could lead to: - disruption to critical business systems - loss or theft of confidential information, competitive advantage or intellectual property - financial and/or reputational harm	↑	- Analysis by third-party specialists of potential areas of weakness - Third party specialists provide network assurance - Ongoing strategic and tactical efforts to address the evolving nature of cyber threats
Financial				
Industry Cyclicality	The Group's revenue generation may be significantly and adversely affected by declines in the demand for and prices of the ilmenite, zircon and rutile products that it produces. During rising commodity markets, there may be upward pressure on operating and capital costs.	Failure of the Group to respond on a timely basis and/or adequately to unfavourable product market events beyond its control and/or pressure on operating or capital costs may adversely affect financial performance.	↔	- Global portfolio of customers - Long-term contracts with certain key customers - Ongoing cost control and disciplined financial management - Industry analysis to develop accurate assumptions in our commodity price forecasting used for planning purposes

Risk	Description	Potential Impact	Risk Trend	How we manage the risk
Customer Concentration	The customer base for the Group's ilmenite, zircon and rutile products is concentrated.	The Group's revenue generation may be significantly affected if there ceases to be demand for its products from existing customers and it is unable to further expand its customer base in respect of the relevant product.	↔	- The Group actively manages it existing customer relationships and seeks to develop new customers - Market intelligence to track developments in customer demand - Consideration of development of additional co-product stream (e.g. monazite) with different customer bases
Foreign Currency Risk	The Group's revenues are entirely denominated in US Dollars, whereas costs are denominated in a number of currencies including South African Rand, Mozambican Meticais and US Dollars.	The nature and location of the Mine and the intrinsic volatility within exchange rates markets, gives rise to an ongoing significant probability of occurrence. The impact of such fluctuation can be large across calendar years.	↓	- Since the recapitalisation, all project debt is denominated in US Dollars - A natural hedge exists between revenue receipts and US Dollar denominated costs - A natural hedge exists between the value of the US Dollar and commodity prices over a long time period. When commodity prices increase the Group's non-US Dollar denominated costs tend to increase in US Dollar terms. When commodity prices decrease the Group's non-US Dollar denominated cost tend to decrease in US Dollar terms.
Financing Risk	The inability to secure access to funding as required for future development capital expenditure.	Significant development capital expenditures may need to be funded in the medium-term horizon. A failure to generate sufficent operating cashflows or to obtain funding would lead to a failure or delay in executing development projects that could lead to sub optimal cash generation over the longer term.	↔	- Deferral of development capital expenditures - Exploration of potential alternative funding strategies explored
Loan Default Risk	The inability to meet existing loan repayment obligations as they become due or comply with loan covenants.	Given recent capital restructuring we do not believe a significant risk exists in meeting these current repayment obligations or to comply with loan covenants.	↓	- Low leverage - Repayment holiday until February 2018 - Single financial covenant (historic Debt Service Cover Ratio) - The Group continually monitors liquidity requirements and covenant compliance

Cameron Cloete, Diver, Marine Operations, "I'm proud to make sure that vessels can safely moor at the jetty"

Corporate Governance Report

Board of Directors	52
Corporate Governance Report	54
Audit Committee Report	58
Directors' Remuneration Report	62
Nomination Committee Report	84

Board of Directors

1. Sofia Bianchi
(Non-Executive Director)
Sofia Bianchi has extensive experience in banking, fund management and mergers & acquisitions (“M&A”). From 2007 to April 2016 she was at BlueCrest Capital Management where she was Head of Special Situations. She held the position of Deputy Managing Director of the Emerging Africa Infrastructure Fund with Standard Bank London from 2002 to 2007. She previously held a senior position with the European Bank for Reconstruction & Development. From 1987 to 1992, she was a member of a global M&A advisory team, Prudential Bache Capital Funding, where she initiated, structured and executed cross-border M&A transactions. She holds a BA in Economics (George Washington University, Washington, D.C.) and an MBA (Wharton School, University of Pennsylvania). She was appointed to the Board as a Non-Executive Director in May 2008 and is a member of the Audit, Nomination and Remuneration Committees.

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

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

4. Elizabeth Headon
(Non-Executive Director)
Elizabeth Headon has over 20 years’ experience in corporate affairs and social responsibility. Based in Dublin, she sits on boards of a number of non-listed and state companies. She was Chief Executive of the Digicel Foundation Haiti. Previously she was a Director of Ireland’s leading communications consultancy and worked in Mozambique on the Kenmare-Moma Development Association. She has a BA, MA and MBA from the National University of Ireland. She was elected to the Board as a Non-Executive Director in May 2011 and is a member of the Audit, Nomination and Remuneration Committees.

5. Tim Keating
(Non-Executive Director)
Tim Keating is Head of Mining Investment Private Equity at the State General Reserve Fund (SGRF), a sovereign wealth fund of the Sultanate of Oman. He joined SGRF in 2015 from Madini Mineral Resources, where he was head of new business development and responsible for identifying, negotiating and structuring acquisitions and investments in private and listed companies. Prior to Madini, he was CEO of African Nickel Limited (2010-2013), where he grew the business through various transactions and fund raisings. He also worked at Investec Bank for the Commodities and Resource Finance Team (2004-2010), and in the Black Mountain Mine owned by Anglo American plc, in South Africa. He is a Non-Executive Director of Kore Potash Limited. He has a Bachelor of Science in Mining Engineering from West Virginia University, USA and a Bachelor of Commerce (Economics & Law) from University of the Witwatersrand, South Africa. He was appointed to the Board as a Non-Executive Director in October 2016.

6. Graham Martin
(Non-Executive Director)
Graham Martin is an experienced natural resources executive and brings a wealth of relevant expertise having served as an Executive Director, General Counsel and Company Secretary at Tullow Oil plc, an oil and gas exploration and production company listed on the London, Irish and Ghanaian Stock Exchanges. From 1997 until 2016, he was heavily involved in the growth of Tullow into a FTSE100 business, and in the company’s active M&A programme, including the US$2.9 billion disposal of assets in Uganda. Prior to Tullow, he was a partner at the US energy law firm Vinson & Elkins LLP, having started his legal career in Scotland. He was appointed to the Board as a Non-Executive Director in October 2016 and is Chairman of the Remuneration Committee.

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

8. Steven McTiernan
(Chairman and Non-Executive Director)
Steven McTiernan has over 45 years of diverse natural resources industry and investment banking experience with Amoco, BP, NatWest Markets, CIBC and the Chase Manhattan Bank where he was Senior Vice President. He served as Senior Independent Director at Tullow Oil plc and was a Non-Executive Director of that company for 11 years until January 2013, was an Independent Director at First Quantum Minerals Ltd. until June 2012, and was an Independent Director at Songa Offshore SE until January 2014. He is currently a Non-Executive Director of Ajax Oil & Gas Limited. He received an MA in Natural Sciences from the University of Cambridge. He was appointed to the Board in March 2013. He is Chairman of the Nomination Committee and a member of the Remuneration Committee.

9. Gabriel Smith
(Non-Executive Director)
Gabriel Smith is a private investor. He has been on several boards of companies in different industries. He began his career as a loan officer at Citibank London. He was Managing Director of a technical trading company, before joining Tinfos, a Norwegian silicomanganese, pig iron and titanium dioxide producer as Chief Executive Officer from 1990 to 2007. From 2003 to 2006 he also held the position of Chairman of Pan Fish ASA, and from 2007 to 2009 he held the position of Chairman of Lighthouse Caledonia, both companies, in the seafood sector. He sits on the Board of Tinfos, now restructured as a hydro company, and from 2015 also on the Board of ECO Energi, one of the largest Norwegian hydro power companies. He received his undergraduate degree in Economics from Dartmouth College and has an MBA from Amos Tuck School in the US. He was appointed to the Board of Kenmare in March 2013 and is Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees.

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The Directors recognise the importance of corporate governance and have ensured that appropriate corporate governance procedures are in place.

Corporate Governance Report

Corporate Governance
The Directors recognise the importance of corporate governance and have ensured that appropriate corporate governance procedures are in place.

In the financial year under review, the Directors have applied the principles of the UK Corporate Governance Code (the "2014 Code") issued by the UK's Financial Reporting Council ("FRC") in September 2014, a copy of which can be obtained from the FRC website, www.frc.org.uk. The Directors have applied all the provisions of the Code.

In April 2016, the FRC issued a revised code (the "2016 Code") and also issued updated Guidance on Audit Committees. These changes take effect for financial years commencing on or after 17 June 2016, so for the year ending 31 December 2017 in Kenmare's case.

The changes to the UK Corporate Governance Code are minimal. There is now a provision that the audit committee as a whole is required to have competence relevant to the sector in which the company operates, and the Kenmare Audit Committee meets that requirement. Mr. G. Smith is Chairman of the Audit Committee, and has a wealth of relevant financial and operational experience, including from 1990 to 2007 as Chief Executive Officer of Tinfos, a Norwegian silicomanganese, pig iron and titanium dioxide producer. Ms. E Headon is a member of the Audit Committee and has previously worked for the Kenmare Moma Development Association at the Mine. Ms S. Bianchi has served for more than nine years on the Board as a Non-Executive Director and will not be seeking re-election at the next AGM. The Nomination Committee will be taking this new audit committee requirement into consideration in its future recruitment policies.

The changes to the Guidance on Audit Committees are more substantial and cover both audit committee activities and reporting. The Audit Committee will be reviewing its terms of reference and reporting requirements in light of these changes.

The Board of Directors
Kenmare Resources plc is led by a strong and effective Board of Directors. Directors' biographical details, including each Director's date of appointment, are set out on page 52. The Board consists of nine Directors, of which three are Executive and six are Non-Executive. The majority of the Board is made up of Non-Executive Directors. The Chairperson is required to be a Non-Executive. The Nomination Committee is responsible for reviewing the structure, size and composition of the Board and considers the size and composition to be appropriate. The Board recognises that after nine years' service Non-Executive Directors may be regarded as non-independent and may therefore be requested to step down at such time. The Board has delegated to the Nomination Committee the responsibility to identify any need to renew the Board, taking into account the challenges and opportunities facing the Company and the skills and expertise therefore needed on the Board in the future.

Mr. T. Lowrie who has served as a Non-Executive Director for more than nine years retired from the Board in July 2016. Following the completion of the recapitalisation of the Group in July 2016, Mr. J. Ensall, who was appointed as the Lender Approved Non-Executive Director in July 2015, resigned from the Board.

Communications with shareholders are given high priority and regular meetings take place with institutional shareholders.

In October 2016, Mr. T. Keating and Mr. G Martin were appointed to the Board. On 18 June 2016, African Acquisition Sarl and Kenmare Resources plc entered into a subscription agreement providing for the subscription of African Acquisition Sarl for new ordinary shares of US$100 million. The subscription agreement included an undertaking that a Non-Executive Director be appointed. Mr. T. Keating was appointed to the Board as Non-Executive Director in satisfaction of this requirement.

Ms. S. Bianchi has served for more than nine years on the Board as a Non-Executive Director and will not be seeking re-election at the next AGM.

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

The roles of the Non-Executive Chairman (Mr. S. McTiernan) and the Chief Executive (Mr. M. Carvill) are separate. Although Mr. S. McTiernan was appointed during 2016 as a Non-Executive Director of Ajax Oil & Gas Limited, the Board has satisfied itself that this does not impact on his role as Non-Executive Chairman.

Diversity

The Board seeks to ensure the right balance of skills, knowledge and experience is retained on our Board enabling us to maximise our corporate potential. Currently Kenmare's Board comprises 22% women, with women Directors making up 33% of the Non-Executives on the Board. The benefits of greater board diversity, not just gender specific, are clear but all appointments to the Board will continue to be made on merit and not subject to specific diversity targets.

Operation of the Board

The Board is responsible for the leadership, oversight, control, development and long-term success of the Group. It is also responsible for instilling the appropriate culture, values and behaviour throughout the organisation. The Board has delegated responsibility for the management of the Group through the Chief Executive to executive management, but has reserved certain items for its consideration and decision. These include approval of the strategic plans of the Group, financial statements, the annual budget, major acquisitions, significant contracts, major investments, interim and preliminary results announcements, circulars to shareholders, review of the Group's system of internal control, and appointment of Directors and the Company Secretary.

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

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

Meetings

The Board and its Committees met regularly throughout 2016. Details of Directors' and Secretary's attendance at Board and Committee meetings are set out on page 56. Additional non-formal Board meetings, to consider specific issues, were held as and when required.

In July 2015, the Board established the Strategic Options Committee, a requirement under the amendment to the Group's financing agreed with its Lenders on 29 April 2015. The Committee was chaired by Mr. J. Ensall, who was appointed to the Board as a Lender Approved Non-Executive Director on 27 July 2015. Following the capital restructuring in July 2016 the committee was disbanded.

In addition to formal meetings, the Executive Directors have regular contact with the Non-Executive Directors regarding developments within the Group. The Board and its Committees are circulated with Board or Committee papers, as appropriate, in advance of meetings.

Independence of Non-Executive Directors

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

In October 2016, Mr. T. Keating was appointed to the Board. On 18 June 2016, African Acquisition Sarl and Kenmare Resources plc entered into a subscription agreement providing for the subscription of African Acquisition Sarl for new ordinary shares of US$100 million. The subscription agreement included an undertaking that a Non-Executive Director be appointed. Mr. T. Keating was appointed to the Board as Non-Executive Director in satisfaction of this requirement. As a result, Mr. T. Keating is not considered to be independent.

All the other Non-Executive Directors fulfil the independence requirements of the Code. Mr. S. McTiernan has been Chairman of the Company since June 2014. On his appointment, Mr. S. McTiernan met the independence criteria as set out in the Code.

Meetings

	Full Board		Audit Committee		Remuneration Committee		Nomination Committee		Strategic Options Committee	
	A	B	A	B	A	B	A	B	A	B
Non-Executive Directors										
S. McTiernan(Chairman)	13	13			5	5	1	1		
S. Bianchi	13	12	4	3	5	4	1	1	9	9
J. Ensall	11	11							9	9
E. Headon	13	13	4	3	5	5	1	1		
T. Keating	2	2								
T. Lowrie	10	8								
G. Martin	2	2			2	2				
G. Smith	13	13	4	4	5	5	1	1		
Executive Directors										
M. Carvill	13	13							9	9
T. Fitzpatrick	13	13								
T. McCluskey	13	13								
Company Secretary										
D. Corcoran*	13	13	4	4	5	5	1	1	9	9

*In attendance only

Column A – indicates the number of meetings held during the period the Director was a member of the Board and/or Committee.
Column B – indicates the number of meetings attended during the period the Director was a member of the Board and/or Committee.

Performance Appraisal

The Board conducts an annual evaluation of its performance and that of its Committees. It also conducts an annual performance evaluation of individual Directors. The Chairman, Mr S. McTiernan, conducted a performance review of the Directors, and in consultation with the Directors, an evaluation of the Board and its Committees. This was achieved through discussions with each Director and the Company Secretary. It was concluded that all Directors continue to contribute effectively and to demonstrate commitment to their roles and that the Committees have functioned effectively in delivering their objectives during the year.

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

Internal control

The Board of Directors has responsibility for the Group's system of internal control. This involves an on-going process for identifying, evaluating and managing the significant risks faced by the Group and reviewing the effectiveness of the resultant system of internal control that has been in place throughout the financial year and up to the date of approval of the Annual Report and Accounts. The Board has delegated to management the planning and implementation of the system of internal control throughout the Group. The system of internal control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and accords with Guidance on Risk Management, Internal Control and Related Financial and Business Reporting (September 2014). The key elements of the system include the following:

> The Board, in conjunction with management, identifies the major risks faced by the Group and determines the appropriate course of action to manage these risks;

Orlando Natalo, Shore Services Operator, undergoing competency assessment for mobile equipment hydraulics at the Engineering Centre for Excellence

> Risk assessment and evaluation is an integral part of the management process throughout the Group. Risks are identified, evaluated and appropriate risk management strategies implemented;

> The Board maintains control and direction over appropriate strategic, financial, organisational and compliance issues, and has put in place an organisational structure with defined lines of responsibility and authority; and

> Capital expenditures are controlled centrally and, if in excess of predefined levels, are subject to approval by the Board.

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

Committees

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

SGRF Relationship Agreement

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

Communication with Shareholders

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

Steven McTiernan
Chairman
30 March 2017

Audit Committee Report

Composition of the Audit Committee

The Audit Committee consists of the Non-Executive Chairman, Mr. G. Smith and Non-Executive Directors Ms. S. Bianchi and Ms. E. Headon. During 2016, the Committee determined that Ms. S. Bianchi is the Committee's financial expert. As outlined in the Directors' biographical details, set out on page 52, members bring considerable financial and accounting experience to the work of the Committee.

Summary of role of the Audit Committee

The main responsibilities of the Committee include:

> monitoring the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance and reviewing significant financial reporting judgements contained in them;

> reviewing the Group's internal financial controls;

> reviewing the Group's internal control and risk management systems;

> making recommendations for the Board to put to the shareholders for their approval in general meeting regarding the appointment, remuneration and terms of engagement of the external auditor;

> reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements;

> developing and implementing policy on the engagement of external auditors to supply non-audit services, taking into account relevant ethics guidance regarding the provision of non-audit services by an external audit firm;

> review the plans, work and performance of the internal audit function and management's actions on findings to gain assurance as to the effectiveness of the internal controls in the Group; and

> reporting to the Board, identifying any matters in respect of which it considers that action or improvement is needed, and making recommendations as to the steps to be taken.

Meetings

The Committee met four times during the year ended 31 December 2016. Details of Directors' and Secretary's attendance at Audit Committee meetings are set out on page 56. Audit Committee meetings generally coincide with the release of the Group's preliminary results, AGM and half yearly results.

Significant issues related to the financial statements

The Committee reviewed the 2016 Annual Report in March 2017. The significant issues identified were:

> Recoverability of property, plant and equipment. The Committee reviewed the realisation of property, plant and equipment taking account of the cash flow forecast and assumptions

included in the cash flow forecast as detailed in Note 13 Property, plant and equipment. Based on this review, at the statement of financial position date, the recoverable amount of property, plant and equipment exceeded its carrying amount and as a result no impairment provision is required. The auditors have included an Emphasis of Matter paragraph in their audit report drawing the reader's attention to this issue.

The Committee has received a report from the external auditors on their audit of the financial statements. This report includes the auditor's review of the areas of audit risk and focus in relation to the financial statements.

The Committee reviewed the 2016 Half Yearly Financial Report issued by the Company in August 2016. As a result of capital restructuring in July 2016 the going concern issue highlighted in the 2015 Annual Report had been resolved and the significant issue identified was the recoverability of property, plant and equipment. The auditors included an Emphasis of Matter paragraph in their audit report drawing the reader's attention to this issue.

The Committee received a report from the external auditors on their review of the Half Yearly Financial Report. This report included the auditor's key areas of review.

External audit

The Company's external auditors are Deloitte. They have been the external auditors for over 25 years and during this time there has been no tender. The current engagement partner, Kevin Sheehan, is to rotate from this engagement in 2019. KPMG provide the external audit and taxation services to the subsidiary undertakings Kenmare Moma Mining (Mauritius) Limited and Kenmare Moma Processing (Mauritius) Limited and their respective branches.

The Committee plan to put the external audit contract to tender on or before 2019. There are no contractual obligations that restrict the choice of external auditor.

The Committee closely monitors the level of audit and non-audit services that the audit firms provide to the Group. The Committee has adopted a policy on the provision of non-audit services by the external auditors that the engagement will not compromise their audit objectivity and independence, that they have the understanding of the Group necessary to provide the service and that they are considered to be the most appropriate to carry out the work. All non-audit services provided by audit firms must be approved by the Committee. During 2015 and 2016 the Group was engaged with the Project Lenders in a significant capital restructuring. Deloitte provided the corporate finance services required to complete the restructuring. The Committee selected Deloitte for this engagement as they had the necessary understanding of the Group to provide this service and the committee is satisfied that this engagement does not compromise their audit objectivity.

The Committee agreed the fees and audit plan of the external auditors for their audit of the 2016 Annual Report and Accounts and their review of the 2016 Half Yearly Financial Report. The Committee reviewed the safeguards designed to avoid the possibility that the auditors' objectivity and independence could be compromised. The Committee is satisfied that the appropriate policy is in place in respect of services provided by external auditors.

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

Risk management

The Group has identified and documented critical risks to the business, including key operational risks and related controls in its risk register. The Mine operational risks to the business are reviewed quarterly and updated and the Group's risk register amended. The Group's operational risks are reviewed annually and the corporate and business risks on the Group's risk register are updated. The critical/high risks identified as a result of this process are reviewed by the Audit Committee. These risks are included in the Principal Risks and Uncertainties facing the Group as set out on pages 46 to 49. The risk register and risk management policy are reviewed and updated at least six-monthly. As part of the internal audit function, controls identified in the risk register are tested to ensure they are operating effectively.

The Company has a whistle-blowing policy in place and a third party service provider is engaged to provide a confidential 24/7 whistle-blowing service allowing all employees to contact them and report

> The Committee closely monitors the level of audit and non-audit services that the audit firms provide to the Group.

Trommel screening of dredge feed at WCP A any wrongdoing in the workplace. Two reports were received in 2016 and these were dealt with by the Internal Auditor. The service does not replace the internal processes within the organisation, but seeks to provide an alternative for those employees who for any reason do not wish to use the internal processes.

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

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

Internal audit

In December 2015 and September 2016, an internal audit of the financial controls in place at the Mine was conducted. The key findings from these reviews were reported to the Audit Committee in March 2016 and November 2016. The recommendations from these reviews are or have been implemented by management.

Financial reporting

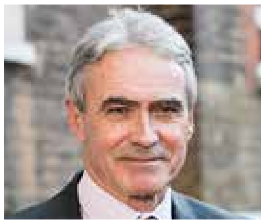
The Directors are responsible for preparing the Annual Report and the financial statements. The Directors have delegated to management the planning and implementation of the system of internal control over financial reporting. Internal control over financial reporting is a process designed by management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

The Audit Committee monitors the integrity of the financial statements of the Group and any formal announcement relating to the Group's financial performance, reviewing significant financial reporting judgements contained in them. The Audit Committee reviewed the 2016 Annual Report and the 2016 Half Yearly Financial Report and also the Committee received a report from the external auditors for the audit of the 2016 Annual Report and their review of the 2016 Half Yearly Financial Report. The Board reviews and approves the financial statements of the Company and the consolidated financial statements of the Group.

Gabriel Smith
Chairman of the Audit Committee
30 March 2017

Directors' Remuneration Report

**Dear Shareholders,
On behalf of the Board, I am very pleased to present to you the Remuneration Committee's report for 2016 on Directors' Remuneration.**



This is my first report as Chairman of the Committee. By way of introduction, I joined the Board of Kenmare in October 2016, becoming Chairman of the Remuneration Committee at the same time.

Prior to joining Kenmare I was for many years an Executive Director of Tullow Oil plc, where as well as gaining significant experience of the challenges facing extractive industries, particularly in Africa, I had extensive exposure to remuneration matters in the capacity at various times as Tullow's General Counsel and Company Secretary.

My predecessor as Chairman of Kenmare's Remuneration Committee, Elizabeth Headon, remains a member of the Committee and has been especially helpful to me in explaining the history of Kenmare's remuneration policies, performance measures and outcomes.

Summary of major decisions made in 2016
During 2016, the Committee continued to apply the approved remuneration policy (the Kenmare Incentive Plan ("KIP"), which was approved by shareholders in 2014), and as such the major work of the Committee involved monitoring the 2016 performance targets under the KIP, considering possible structures for a new remuneration policy to apply from 2017, engaging with the executives on those structures and consulting with our major shareholders on our proposals as they evolved.

Performance and reward for 2016
During 2016, the Executive Directors received a base salary (frozen since 2010 save for inflationary adjustments), pension contributions, certain other benefits and the opportunity to earn a cash and deferred share bonus under the KIP depending on certain performance criteria.

As noted by both the Chairman and the Managing Director in their reports, the Company had an excellent year in terms of achieving record production levels at year end and in reducing production costs, while continuing to improve health and safety performance. This was all the more remarkable when set against the stresses and strains leading up to the mid-year capital restructuring which required a very heavy commitment from the executives and all staff.

However, despite the year end record production levels, the performance criteria set for the year under the KIP were stretching and were only partially met. Ilmenite production came in above threshold but below target while zircon production failed to meet threshold. The costs and financial measure targets were met in full although only marginally so in the case of free cash flow. The LTIFR performance was, however, exceptional and there were no consequential environmental breaches. In addition, the Committee determined that the executives' personal targets (which in the case of the Managing

Director and the Financial Director were largely based on the successful capital raising), were met either in full or substantially. The above assessment resulted in the KIP performance outcome being 76.1% of the maximum opportunity in the case of the Managing Director and Finance Director and 69.85% in the case of the Technical Director.

However, taking into account the fact that the free cash flow measure was only marginally achieved, and ever cognisant of the recent losses suffered by Kenmare shareholders, the Committee agreed with the Executive Directors that it would be appropriate to scale back the outcome by around 13%, reflecting only half of the award for the financial measures. This was the third successive year in which the Remuneration Committee has engaged constructively with the executives and agreed a reduction in the formulaic outcome of the performance criteria in order to balance performance with shareholder experience. The Remuneration Committee firmly believes that this outcome is reflective of overall corporate performance in 2016 and the dedication of the executives in remaining focussed on the recapitalisation of the Company.

Under the KIP the maximum opportunity is 250% of salary in the case of the Managing Director and Finance Director, and 150% of salary in the case of the Technical Director. The performance outcome is delivered 30% in cash and 70% in deferred shares. 75% of the share award is subject to further performance conditions, all as set out in more detail on page 77.

Proposed Directors' Remuneration Policy

Following the successful capital raising in 2016 which put the Company on a firm financial footing and reduced debt substantially, it seemed a natural time to revisit the Company's incentivisation plans for both Executive Directors and senior management, particularly since we have the opportunity to put a new policy to shareholders in 2017.

We therefore undertook a review of the KIP considering both its effectiveness over the last three years and whether it remains appropriate for the Company's current circumstances.

The main conclusions from our review were:

> The current approach to measuring "in year" performance across a scorecard of financial, operational and strategic elements provides a balanced view of our overall performance and therefore should be retained;

> It was important for the Remuneration Committee to have the flexibility to make discretionary amendments to the outcome if the Committee believes the formulaic outcome of the scorecard does not reflect the true underlying performance of the Company or the experience of shareholders;

> The long-term elements of the KIP were too complicated (particularly the TSR underpin to the share award), difficult to value and therefore not having the motivational effect originally thought;

> A structure was needed that supports the Executive Directors and senior management in building up a meaningful equity holding in the Company over time in order to promote alignment with shareholders;

> The new scheme should be simple, easy to understand and flexible in order to reflect changing circumstances whether of the Company or the market; and

> The new scheme should also be capable of being cascaded down the organisation to senior management.

In designing our proposed new remuneration policy we took into account the views, and various remuneration structures proposed by, the Investment Association's Executive Remuneration Working Group and consulted with our major shareholders, as a result of which we modified certain aspects of our original proposals. The resultant proposed new policy, more details of which is set out in the Directors' Remuneration Policy Report on pages 74 to 83, has the following key features:

> No changes in 2017 to base salary, pensions and benefits;

> The KIP will be replaced by a separate annual bonus scheme and a long-term share award under a new plan, the Kenmare Restricted Share Plan ("KRSP");

> The maximum annual bonus opportunity will be 100% of salary, with amounts of bonuses over 75% being awarded in the form of restricted shares, under the KRSP;

> The bonus will be determined by performance under a scorecard of measures, reflecting a range of operational, strategic and financial targets, which will be set at the beginning of each year and which could be adjusted from year to year depending on circumstances and strategy;

> The long term share award under the KRSP will be an annual award of restricted shares under the rules of the KRSP, in normal circumstances of up to 75% of salary, with no performance conditions attached other than continued employment, fully vesting over five years; and

> The Directors will be required to build up over five years a shareholding of 250% of salary in the case of the Managing Director and the Financial Director and 150% of salary in the case of the Technical Director.

The primary purpose of this new remuneration framework is to support our business strategy, the Company's stage of development and the volatile operating environment and commodity cycle. Our strategy is focussed on the creation of long-term, sustainable shareholder value by exploiting our large mineral resource, our existing mine facilities and infrastructure, and relatively low costs of production to ensure we are in a position to take advantage of a recovery in titanium mineral prices after a prolonged period of adverse market conditions.

Our new remuneration arrangements are designed to support this strategy in a number of ways:

> The use of a balanced scorecard to measure annual performance enables us to provide a direct incentive focussed on the key activities which will increase our competitive advantage and hence sustainability;

> The annual performance targets set by the Committee will align with the Company's key annual corporate objectives, with a focus on increasing production and reducing costs while continuing to operate in a safe and environmentally sound manner, but at the same time they will also contain certain medium and longer term elements designed to ensure the long term viability of the Mine and the Company through properly considered capital expenditure decisions;

> Sustaining strong year on year performance against relevant annual metrics will drive long-term shareholder value. The Committee places more emphasis on the setting of annual metrics rather than long term metrics which can be overtaken by the commodity cycle and generate "boom or bust" outcomes;

> The KRSP provides management with the opportunity to build up a meaningful shareholding and the increased shareholding requirement provides additional alignment with the long term sustainable performance of the business; and

> The lower gearing in the incentive structure is consistent with our initiatives to reduce risk in the business while being more sympathetic to the external sensitivities around executive pay and the shareholder experience.

The new structure is simple, flexible and allows the Committee to exercise appropriate discretion or to make adjustments depending on prevailing circumstances. The KRSP structure can also be used as a retention tool for other senior staff which in a Company like Kenmare with a small, dedicated executive team is especially important. We firmly believe that our proposals are in the best interests of all shareholders and we hope you will support them.

Conclusion

I would like to thank my fellow members of the Remuneration Committee for their commitment throughout the year, particularly for their support and guidance to me on becoming Chairman, the Executive Directors for their positive and constructive engagement with the Committee, and Deirdre Corcoran for her invaluable support as Secretary to the Committee.

I hope you will vote in support of the Annual Report on Remuneration for 2016 and for the proposed new remuneration policy for 2017-2020. Should you have questions, comments or feedback on remuneration matters at Kenmare I would be very pleased to discuss them with you. I can be reached via the Company Secretary, Deirdre Corcoran at: dcorcoran@kenmareresources.com

Graham Martin
Chairman of the Remuneration Committee
30 March 2017

Annual Report On Remuneration 2016

Composition and Role of the Remuneration Committee

The Remuneration Committee comprises five independent Non-Executive Directors, Mr. G. Martin (Chairman), Ms. E. Headon, Ms. S. Bianchi, Mr. S. McTiernan and Mr. G. Smith. Further details regarding the members of the Remuneration Committee, including their biographies and length of service are set out on page 52. The Company Secretary acts as secretary to the Committee. The Managing Director may be invited to attend meetings of the Committee, except when his own remuneration is being discussed. No Director is involved in consideration of their own remuneration.

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

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

The Committee determines the remuneration packages of the Managing Director and the other Executive Directors, including salary, bonuses, share option awards, pension rights and other benefits. The Remuneration Committee seeks independent advice when necessary from external remuneration consultants. During the year, the Committee received independent external advice from Pricewaterhouse Coopers (PwC).

The Committee met five times during the year ended 31 December 2016. Details of Directors' and Secretary's attendance at Remuneration Committee meetings as well as individual attendance at all Board and Committee meetings are set out on page 56.

The main agenda items included remuneration policy, remuneration trends and benchmarking, performance metrics, KIP Awards, and the service contracts and remuneration packages of the Executive Directors.

Directors' remuneration (Audited)
The following table sets out the total remuneration for Directors for the year ended 31 December 2016 and the prior year. There was no increase in the base salary of Executive Directors during 2016 (differences in figures in the table reflect movements in conversion rates between Euros and US Dollars at the relevant dates).

There was no increase in the Non-Executive Directors' fees in 2016.

	Salary and fees		All taxable benefits (ii)		KIP (Cash & Deferred Shares) (v)		KIP (Performance Shares) (v)		Pension		Sub Total		Other (i)		Total	
	US$'000		US$'000		US$'000		US$'000		US$'000		US$'000		US$'000		US$'000	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
M. Carvill	609	610	10	10	488	28	-	-	61	61	1,168	709	172	35	1,340	744
T. Fitzpatrick	304	304	5	5	141	9	-	-	30	30	480	348	-	-	480	348
T. McCluskey	402	402	6	6	322	23	-	-	40	40	770	471	175	16	945	487
Sub Total	**1,315**	**1,316**	**21**	**21**	**951**	**60**	**-**	**-**	**131**	**131**	**2,418**	**1,528**	**347**	**51**	**2,765**	**1,579**
S. Bianchi	89	89													89	89
J. Ensall (iii) (iv)	54	63													54	63
E. Headon	83	85													83	85
T. Keating (iii)	13	-													13	-
A. Lowrie (iii)	37	63													37	63
G. Martin (iii)	16	-													16	-
S. McTiernan	208	208													208	208
G. Smith	91	91													91	91
Sub Total	**591**	**599**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**591**	**599**	**-**	**-**	**591**	**599**
Total	**1,906**	**1,915**	**21**	**21**	**951**	**60**	**-**	**-**	**131**	**131**	**3,009**	**2,127**	**347**	**51**	**3,356**	**2,178**

(i) The figures for 2016 includes payments in settlement of accrued and unused holiday leave which was built-up over a number of years and amounts in relation to life assurance and income protection.

(ii) The 2015 all taxable benefits figure for M. Carvill and T. McCluskey have been adjusted to exclude an amount of US$35k and US$16k respectively in relation to life assurance and income protection previously included in figures disclosed; the excluded amounts are included as benefits under the "Other" column.

(iii) Mr. T. Keating and Mr. G. Martin were appointed to the Board as Non-Executive Directors on 14 October 2016 and Mr. J. Ensall stepped down from the Board on that date. Mr. A. Lowrie retired from the Board on 25 July 2016. The fees are set out in the table above relate to the period of their directorship.

(iv) Mr. J. Ensall was appointed to the Board as a Non-Executive Director on 27 July 2015. The 2016 remuneration for Mr. J. Ensall relates to the period of his directorship. During 2016, US$0.06 million (2015: US$0.3 million) of fees were paid to Lemna Limited, a company connected with Mr. J. Ensall for services provided by him. Mr. J. Ensall is not a director or shareholder of Lemna Limited.

(v) KIP cash and deferred shares refers to incentives earned in the year. Awards under the KIP are normally delivered 30% in cash, and the balance in shares, with 75% of those shares being performance shares subject to further Total Shareholder Return ("TSR") performance conditions. The number of deferred shares are determined using the average share price for the year and are valued based on the share price at the year end. Performance shares awarded will be included in the Directors' Remuneration table in the year of vesting. For the 2015 award the Remuneration Committee exercised its discretion, as provided for under the KIP, to make an award of deferred shares of equivalent value in lieu of making the 30% cash award.

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

Executive and Non-Executive Directors' fees for services as Directors provided to the Company and the entities controlled by the Company are US$2.8 million (2015: US$1.6 million) and US$0.6 million (2015: US$0.6 million) respectively. These figures have been calculated based on the requirements of the Regulations. Consultancy fees paid to Ms. S. Bianchi and Mr. A. Lowrie are for non-executive services as Directors provided to the Group.

2016 KIP Award

The performance metrics of the 2016 KIP award sought to deliver ongoing performance in relation to operational performance, cost efficiency and capital expenditure management, health and safety initiatives, and corporate and personal development objectives. Different performance targets for corporate and personal development were set for each Executive Director according to the role of each individual and the remaining targets were in alignment for all Executives.

The maximum opportunity under the KIP for 2016 was 250% of salary for the Managing Director and Financial Director and 150% of salary for the Technical Director.

Performance targets and outcomes for the 2016 financial year were as follows:

2016 KIP outcome		Weighting	Performance needed for payout at			Performance achieved	Proportion of element vesting %	Formulaic level of award % maximum % (i)
			Threshold (25% of maximum Vests)	Target (50% of maximum Vests)	Stretch (100% of maximum Vests)			
Operational	Ilmenite production	12.5%	888,300	987,000	1,085,700	903,300	28.8	3.6
	Zircon production	12.5%	68,800	76,500	84,100	68,200	0	0
	Direct Production costs	20%	$157m	$143m	$129m	$123m	100	20
Financial	2016 EBITDA	10%	$2.7m	$3m	$3.3m	$5m	100	10
	Free cash flow (ii)	10%	N/A	$0m	>$0m	$1m	100	10
HSE	LTIFR	5%	0.44	0.4	0.36	0.2 per 200,00 man-hours	100	5
	Environmental breaches	5%	Qualitative Assessment			On target performance	50	2.5
Personal and Strategic	M. Carvill	25%	Qualitative Assessment			Stretch performance against completion of a $275 million capital raise to refinance the Company, development of management structures, management of process upgrades and key stakeholder relationships	100	25
	T. McCluskey		Qualitative Assessment			Stretch performance against completion of a $275 million capital raise to refinance the Company and management of process upgrades	100	25
	T. Fitzpatrick		Qualitative Assessment			In excess of target performance against maximisation of power supply to the Mine and evaluation of strategic options for long term mine development	75	18.8

(i) Formulaic level of award equates to the weighting multiplied by the proportion of element vesting.
(ii) For this purpose, free cash flow has been defined as receipts less adjusted group cash operating cost, calculated as set out on page 171, less capital costs.

Overall, the outcome of the scorecard for the individual Directors was between 70% and 76% of the maximum. The Committee then considered carefully whether this outcome fairly reflected both the contribution of the management team and the experience of shareholders. In light of the financial difficulties and the decline of the share price over the year, the Committee agreed with the Executive Directors that it would be appropriate to reduce the formulaic outcome of the balanced scorecard by 13%, effectively halving the outcome under the financial targets.

2016 KIP outcome

	Formulaic level of award % maximum	Agreed % reduction to formulaic level of award	2016 KIP outcome % maximum
M. Carvill	76%	13%	66%
T. McCluskey	76%	13%	66%
T. Fitzpatrick	70%	13%	61%

Awards under the KIP were delivered 30% in cash, with the balance being delivered in shares, with 75% of those shares subject to further Total Shareholder Return performance conditions.

WCP A dredging operations

Total pension entitlements (Audited)
Pension provision was made in 2016 in line with the Remuneration Policy. Mr. M. Carvill is entitled to a pension of 10% of base salary in respect of 2016. Mr. T. Fitzpatrick received a payment of 10% of his base salary into a private pension plan during 2016 and Mr. T. McCluskey received a payment of 10% of his base salary into an Executive Pension Plan. Fees paid to Non-Executive Directors are not pensionable. No Director has a prospective entitlement to a defined benefit pension by reference to their service as a Director.

Scheme interests awarded during the year (taking into account the share consolidation in July 2016)
During the year awards in respect of 2014 and 2015 were made under the KIP. The 2014 KIP awards were delayed as a result of dealing restrictions which were previously in place and so both the 2014 and 2015 KIP awards were made in July 2016. The table below sets out details of the scheme interests awarded to the Executive Directors during the year which are subject to TSR performance conditions. The number of shares awarded under the KIP in respect of a performance year is based on the average share price over the relevant performance year which was (after adjusting for the share consolidation) €7.56 for 2015 and €31.56 for 2014.

In addition, during the year deferred share awards in respect of 2014 and 2015 were made under the KIP to the Executive Directors which are subject to continued employment and no performance conditions. These total 20,650 deferred shares for M. Carvill, 16,519 deferred shares for T. McCluskey and 6,667 deferred shares for T. Fitzpatrick.

	Award	Date of grant	Number of shares	Share price at date of grant €	Face value of award €	Exercise price	Date to which performance is measured	Performance conditions*	Percentage of interests receivable if minimum performance is achieved (*)
M. Carvill	2014 KIP	06/07/2016	5,961	2.20	13,115	Nil	3 years to 31/12/2017	Absolute TSR and Relative TSR to FTSE 250 and FTSE/MSCI Mining Index	100%
	2015 KIP	06/07/2016	20,627	2.20	45,380	Nil	3 years to 31/12/2018	Absolute TSR and Relative TSR to FTSE 250 and FTSE/MSCI Mining Index	100%
T. McCluskey	2014 KIP	06/07/2016	4,576	2.20	10,067	Nil	3 years to 31/12/2017	Absolute TSR and Relative TSR to FTSE 250 and FTSE/MSCI Mining Index	100%
	2015 KIP	06/07/2016	16,573	2.20	36,460	Nil	3 years to 31/12/2018	Absolute TSR and Relative TSR to FTSE 250 and FTSE/MSCI Mining Index	100%
T. Fitzpatrick	2014 KIP	06/07/2016	1,818	2.20	4,000	Nil	3 years to 31/12/2017	Absolute TSR and Relative TSR to FTSE 250 and FTSE/MSCI Mining Index	100%
	2015 KIP	06/07/2016	6,699	2.20	14,738	Nil	3 years to 31/12/2018	Absolute TSR and Relative TSR to FTSE 250 and FTSE/MSCI Mining Index	100%

* Two thirds of the performance shares awarded under each of the 2014 and 2015 KIP awards are subject to performance against Absolute TSR performance targets, while one sixth are subject to the achievement of TSR performance targets relative to the FTSE 250 and the remaining one sixth are subject to the achievement of TSR performance targets relative to the FTSE/MSCI Mining index. In each case the performance condition is an underpin so that if it is met the award vests in full and if it is not met the award lapses.

Payments for loss of office (Audited)

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

Payments to Past Directors (Audited)

There were no payments to former Directors during the year.

Directors' and Secretary's Shareholdings (Audited)

The interests of the Secretary and Directors who held office at 31 December 2016, their spouses and minor children, in the Ordinary Share Capital of the Company were as follows:

	Shares Held 28 March 2017	Shares Held 31 Dec. 2016	Shares Held 1 Jan. 2016 (i)
S. Bianchi	374,484	374,484	8,018
M. Carvill (ii)	77,575	77,575	24,510
J. Ensall	N/A	N/A	-
T. Fitzpatrick	10,122	10,122	544
E. Headon	5,033	5,033	243
T. Keating	-	-	N/A
A. Lowrie	N/A	N/A	26,854
G. Martin	19,230	19,230	N/A
T. McCluskey	35,334	35,334	3,406
S. McTiernan	69,596	69,596	1,144
G. Smith	10,078	10,078	500
D. Corcoran (Secretary)	6,334	6,334	281

(i) Shares held as at 1 January 2016 have been adjusted to take account of the 1 for 200 share consolidation that took place in July 2016.

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

(iii) Shareholding requirements of 250% of salary apply for the Managing Director and Financial Director and a shareholding requirement of 150% of salary applies for the Technical Director, based on the revised remuneration policy.

Directors' and Secretary's Share Options and KIP (Audited)

Details of the share options of the Secretary and Executive Directors who held office at 31 December 2016, granted in accordance with the rules of the Share Option Scheme and taking into account the 1 for 200 share consolidation that took place in July 2016, are as follows:

	1 Jan 2016	Granted during 2016	Exercised or transferred during 2016	Lapsed during 2016	31 Dec 2016	Average option price	Option Price range From	Option Price range To
						€	€	€
M. Carvill	57,473	-	-	17,500	39,973	76.92	56.53	113.55
T. Fitzpatrick	17,500	-	-	10,000	7,500	92.60	56.53	113.55
T. McCluskey	39,767	-	-	12,500	27,267	76.32	56.53	113.55
D. Corcoran (Secretary)	16,750	-	-	3,750	13,000	63.21	47.25	92.43

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

The share price at the year-end was £2.51 and the share price range for the year was between £3.66 and £0.85.

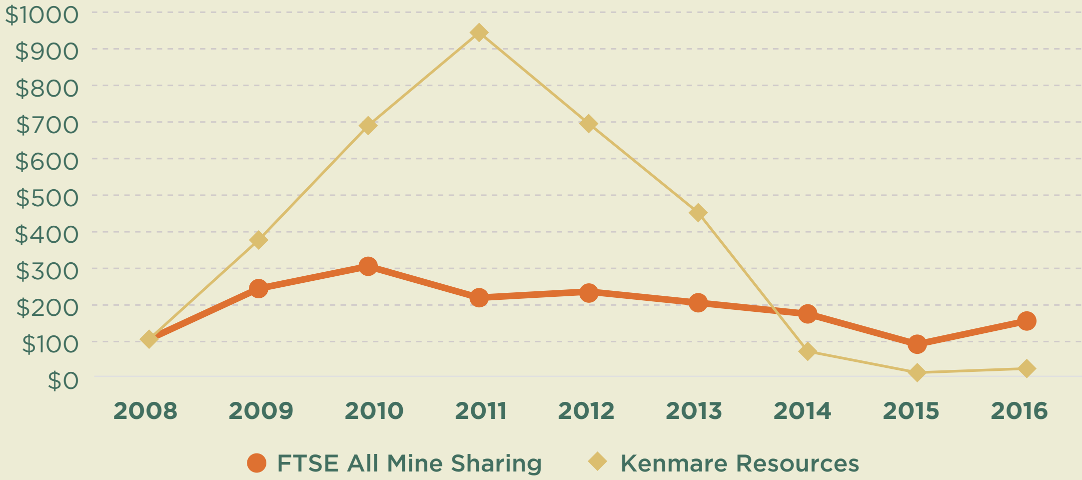
Details of the Executive Directors' outstanding KIP interests as at 31 December 2016 are as follows:

	Unvested KIP shares subject to performance conditions	Unvested KIP shares not subject to performance conditions	Vested KIP interests
M. Carvill	43,018	20,650	-
T. McCluskey	31,991	16,519	-
T. Fitzpatrick	15,622	6,667	-

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

Performance graph and table

The value at 31 December 2016 of US$100 invested in 2008 compared with the value of $100 invested in the FTSE All Share Mining Index is shown in the graph below.



The remuneration paid to the Managing Director in the past eight years is set out below:

Year	Name	Single figure of total remuneration US$000	Bonus pay-out (as % maximum opportunity)	Long term incentive vesting rates (as % maximum opportunity)
2016	M. Carvill	1,340	66% (i)	N/A
2015	M. Carvill	744	22% (i)	N/A
2014	M. Carvill	967	26% (i)	N/A
2013	M. Carvill	809	0%	0%
2012	M. Carvill	783	0%	N/A
2011	M. Carvill	1,035	37%	N/A
2010	M. Carvill	784	48%	N/A
2009	M. Carvill	896	86%	N/A

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

In line with UK Department for Business, Innovation and Skills Regulations (the "Regulations") figures shown in the table above relate to remuneration for performance each year.

For 2012 and 2013 a maximum bonus limit of 75% is applied in the table above for bonus pay-out percentage awards.

Percentage change in Managing Director remuneration

The table below compares the percentage change in the Managing Director's salary, taxable benefits and annual bonus with the whole employee population comparing 2016 with 2015.

	Salary % change	Taxable Benefits % change	Bonus % change
Managing Director	0	0	1,643 (i)
Average Employee pay	(17%)(ii)	-	360

(i) In 2015, the Remuneration Committee exercised its discretion, as provided under the KIP, to make an award of deferred shares of equivalent value in lieu of making a cash award.
(ii) Average employee pay includes amounts paid in Metical. The devaluation of the Metical to the US Dollar in 2016 has contributed to the percentage salary decrease.

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

Relative importance of spend on pay

Significant distributions	Disbursements from profit		Change
	2016 US$000	2015 US$000	US$000
Overall spend on pay including Directors	34,766	43,609	(8,843)
Profit distributed by way of dividend or share buyback	-	-	-
Group cash operating costs	133,400	136,400	(3,000)

Employee numbers throughout the Group decreased from 1,441 in 2015 to 1,344 in 2016.

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

Statement of implementation of policy in 2017

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

Executive Director	2017 US$000	2016 US$000	% change
M. Carvill	610	610	0
T. Fitzpatrick	304	304	0
T. McCluskey	402	402	0

The underlying currency of Mr. M. Carvill and Mr. T. Mc Cluskey's base salaries are Euro. The US Dollar figures shown above for 2017 have been calculated using the average 2016 Euro to US Dollar exchange rate. The final US Dollar figure for 2017 will vary depending on exchange rate movements.

Annual Bonus
Subject to the approval of relevant plan documentation at the 2017 AGM, the incentive opportunity for the Executive Directors under the new incentive scheme for 2017 will be as follows:

Executive Director	On-target incentive (% of salary)	Maximum incentive (% of salary)
M. Carvill	50%	100%
T. Fitzpatrick	30%	60%
T. McCluskey	50%	100%

The performance metrics for 2017 annual bonuses and their associated weightings are as follows:

Area	Measure	Weight
Operational	Ilmenite, rutile and zircon production volume	30%
Financial	EBITDA	15%
	Direct Production costs	10%
	Cost per tonne	5%
Safety & Environment	Safety – LTIFR and other	7.5%
	Environment	7.5%
Strategic	Qualitative	25%

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

Kenmare Restricted Share Plan (KRSP)

Subject to the approval of relevant plan documentation at the AGM, the award level for the Executive Directors under the KRSP for 2017 will be as follows:

Executive Director	Award level (% of salary)
M. Carvill	75%
T. Fitzpatrick	45%
T. McCluskey	75%

Consideration by Directors of matters relating to Directors' remuneration

The Committee seeks and considers advice from independent remuneration advisors where appropriate. PwC were appointed by the Committee as independent advisers following a review of advisers in 2013. PwC charges fees on a time and materials basis and during the year ended 31 December 2016 the total fees payable to PwC in respect of these services was £39,000. PwC is a member of the Remuneration Consultants Group and a signatory of the group's Code of Practice for remuneration consultants. The Committee reviews the services and advice provided by PwC each year and is satisfied that the advice it receives is independent and objective.

Statement of voting at general meeting

The table below shows the outcome of the advisory vote on the Directors' Remuneration Report and Directors' Remuneration Policy Report at the 2016 AGM.

Item	Votes for	%	Votes Against	%	Votes withheld
Advisory vote on 2015 DRR	1,066,889,862	99.9	1,073,041	0.10	101,582
Advisory vote on Directors' Remuneration Policy (2014)	1,896,915,196	97.3	51,639,025	2.7	28,924,913

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

Graham Martin
Chairman of the Remuneration Committee
30 March 2017

Directors' Remuneration Policy Report

Introduction

The Directors' Remuneration Policy (the 'Policy') as set out below will be put to a shareholder vote at the Annual General Meeting on 25 May 2017 and will apply for the period of three years from the date of approval.

Principles

Kenmare's remuneration policy is designed to provide levels of remuneration that attract, motivate and retain Executive Directors of the highest calibre who can contribute their experience to the Group's operations. The Board seeks to align the long term interests of Executive Directors with those of shareholders, within the framework set out in the UK Corporate Governance Code.

The Remuneration Committee seeks to ensure:

> that executives are rewarded in a fair and balanced way for their individual and team contribution to the Group's performance;

> that executives receive a level of remuneration that is appropriate to their scale of responsibility and individual performance;

> that the overall approach to remuneration has regard to the sector within which the Group operates and the markets from which it draws its executives; and

> that risk is properly considered in setting remuneration policy and in determining remuneration packages, with a focus on simplicity, transparency and the promotion of long term alignment with shareholders.

Changes to our Remuneration Policy

We are proposing some changes to our Remuneration Policy. The key changes to the policy are as follows:

> The Kenmare Incentive Plan 2014 will be withdrawn for 2017 and no further awards will be made under this plan.

> The KIP will be replaced by an annual bonus and a separate long-term share award under a new share plan, the Kenmare Restricted Share Plan ("KRSP"). The overall incentive opportunity under the new policy will be reduced from the current normal maximum of 250% of salary to 175% of salary.

> The annual bonus opportunity will be up to 100% of base salary with performance assessed using a scorecard of measures. The annual bonus will be paid in cash, though any bonus in excess of 75% of salary will be granted as restricted shares under the KRSP which will vest 3 years from the beginning of the annual bonus performance period.

> The long-term share award under the KRSP will be an annual award of up to 75% of salary in restricted shares with no performance conditions. The awarded shares will vest 60% after 3 years, 20% after 4 years and 20% after 5 years. For the current Executive Directors the share price used to determine the number of restricted shares to be awarded will not be less than the open offer price for the 2016 capital raise (Stg£2.32).

> The shareholding requirement for Executive Directors will be increased from 100% of salary to a maximum of 250% of salary, or in the case of the Technical Director, 150% of salary.

> In addition, all Executive Directors have entered into comprehensive written agreements covering their terms of service.

Shareholder Vote

The legislative framework that underpins the UK Directors Remuneration Regulations does not apply to Kenmare as an Irish company. However, the Company is listed on the London Stock Exchange and it is our policy to follow best practice corporate governance. As a result this policy will be put to an advisory vote of shareholders at the 2017 Annual General Meeting (AGM) and is intended to apply for three years beginning on the date of approval at the AGM.

Remuneration Policy for 2017 onwards

The remuneration policy set out on page 74 to 83 covers the three year period between the 2017 AGM and the 2020 AGM and complies, on a voluntary basis, with the regulations set out in the UK's Large and Medium-sized Companies and Groups (Accounts and Report) (Amendment) Regulations 2013 ("the Regulations").

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

Element of remuneration	How the element supports our strategic objectives	Operation of the element including any provision for malus or clawback	Maximum potential value	Performance metrics, weighting, minimum payout and time period (where applicable)
Base Salary	Supports the recruitment and retention of Executive Directors recognising the scope and responsibility of the roles and the individual's skills and experience.	Reviewed annually with increases generally effective from 1 January. When determining levels, consideration is given to: > Company performance; > the performance of the Executive over the previous twelve months; > the salary review budget for all employees for the coming year; > retention risk and the ability to replace higher value skills if needed in the market; > benchmarking data of other UK and Irish listed companies of similar market capitalisation and practice in the global mining sector; and > inflation.	Base salaries for Executive Directors are at the discretion of the Remuneration Committee but will generally be increased with the cost of living and with consideration to general Company increases. The only exceptions to this rule are where: > there is a significant movement in the benchmarking data for that role; or > an individual is brought in below market level with a view to increasing base pay over time to reflect proven competence in role; or > there is a material increase in scope or responsibility of the Executive Director's role.	None.
Annual Bonus	To ensure market competitive package and to incentivise Executive Directors to achieve the Company's business objectives.	Based on the level of performance over the financial year, the annual bonus will be paid in cash shortly after the end of the relevant financial year up to a maximum cash payment of 75% of base salary. Where the annual bonus achieved exceeds 75% of base salary, Executive Directors will, in respect of the excess, be granted restricted shares under the KRSP, which will vest three years from the start of the annual bonus performance period. The Remuneration Committee will have the discretion to adjust the results of the outcome of the scorecard if it believes this does not accurately reflect the underlying performance or align with the experience of shareholders. If the Remuneration Committee, in exceptional circumstances, believes that payment in cash is not appropriate it will instead be able to make an award of restricted shares of equivalent value. Such restricted shares would not be subject to forfeiture but would be subject to a minimum retention period. Clawback, in each case only if malus is applicable, will apply to cash annual bonus awards for two years from the date of payment. Annual bonus awards made in the form of restricted shares will be subject to malus during the vesting period. Clawback will apply to these for two years post-vesting.	The maximum annual opportunity is 100% of base salary or in the case of the Technical Director, 60% of base salary.	Performance is measured over the financial year. Performance metrics and targets are determined at the start of each year by the Remuneration Committee and will consist of a balanced scorecard of financial and non-financial measures. The Remuneration Committee has the discretion to vary the weighting of the metrics or to substitute different measures over the lifetime of the Policy to take account of changes in business strategy and/or external market conditions, but a significant proportion of the bonus scorecard weighted towards financial and operational metrics. The targets and actual levels of performance will be disclosed retrospectively within the implementation section of the Company's Directors' Remuneration Report.

Element of remuneration	How the element supports our strategic objectives	Operation of the element including any provision for malus or clawback	Maximum potential value	Performance metrics, weighting, minimum payout and time period (where applicable)
Share Awards under the Kenmare Restricted Share Plan ('KRSP')	To increase shareholder alignment by providing Executive Directors with longer-term interests in shares.	Annual awards of shares will be made under the Kenmare Restricted Share Plan. The first award will be made shortly following the approval of the revised policy at the 2017 AGM. The awards will vest subject to continued employment as follows: > 60% vests on the third anniversary of grant > 20% vests on the fourth anniversary of grant > 20% vests immediately after the fifth anniversary of grant Awards will be subject to malus during the vesting period. Clawback will apply for two years post-vesting in the case of malus. Awards made under the KRSP may carry an entitlement to dividend equivalents in respect of dividends paid between grant and vesting.	The maximum award level in any year is 75% of base salary or in the case of the Technical Director, 45% of base salary.	None. In relation to awards for 2018 onwards, the Remuneration Committee will use its discretion to consider the appropriate level of award (including making no award) if it believes this is appropriate in light of the Company's performance at the time of making of the award, including financial, operational or share price performance. The share price used to determine the award levels will normally be the share price shortly before the date of grant. However, for the current Executive Directors only, the share price used will not be less than the open offer price for the 2016 capital raise.
Pension	To provide a market competitive remuneration package by facilitating long-term saving for retirement.	Each Executive Director is entitled to receive a payment into the Company's group personal pension plan or their private pension arrangements.	The maximum pension contribution is 10% of salary.	None.
Other Benefits	Provides market competitive benefits to support Executive Directors in carrying out their duties.	Benefits include holiday and sick pay, family health insurance, permanent health insurance, life assurance and an annual health check. The Managing Director has a company car. The Group also reimburses the Executive Directors in respect of all expenses reasonably incurred by them in the proper performance of their duties. The Company may introduce new benefits that are, or become, prevalent in a jurisdiction in which it operates and in which a Director is located.	Set at a level appropriate to the individual's role and circumstances. The maximum opportunity will depend on the type of benefit and cost of its provision, which will vary according to the market and individual circumstances.	None.

Element of remuneration	How the element supports our strategic objectives	Operation of the element including any provision for malus or clawback	Maximum potential value	Performance metrics, weighting, minimum payout and time period (where applicable)
Shareholding requirement	To strengthen the alignment between the interests of Executive Directors and those of shareholders.	Executive Directors shareholding measured after the 5 year period from the 2017 AGM (or date of appointment if later).	> Managing Director: 250% of salary > Financial Director: 250% of salary > Technical Director: 150% of salary	
Legacy Incentive Awards				
Kenmare Incentive Plan 2014	To align the interests of Executive Directors with those of shareholders.	The Kenmare Incentive Plan will be replaced by the Annual Bonus and the Kenmare Restricted Share Plan from the date of the 2017 AGM. The final awards under the KIP will be made in respect of performance in 2016. Unvested share awards made under the KIP will continue under their original terms and conditions.	Maximum awards are: > Managing Director: 250% of salary > Financial Director: 250% of salary > Technical Director: 150% of salary	The share element vests after three years with part of the shares subject to a further two year holding period. The share element is subject to vesting conditions as follows: > Continuation of employment: 25% > Median relative total shareholder return ("TSR"): 25% (equal weighting against FTSE 250 and FTSE/MSCI Mining Index) > Absolute TSR exceeding a future target: 50%

Notes to the future policy table

Performance measures and targets
The Remuneration Committee will select performance conditions for the Annual Bonus which reflect the Company's overall strategy and are the key metrics used by the Executive Directors to oversee the operation of the business. The performance targets are determined annually. The Remuneration Committee is of the opinion that the performance targets for the Annual Bonus are commercially sensitive in respect of the Company and that it would be detrimental to the interests of the Company to disclose them before the start of the financial year. The targets will therefore be disclosed after the end of the relevant financial year in that year's remuneration report.

Share Awards under the KRSP do not have explicit performance conditions, though in relation to share awards for 2018 onwards, the Remuneration Committee will use its discretion to consider the appropriate level of award (including making no award) if it believes this is appropriate in light of the Company's performance at the time of making the award, including financial, operational or share price performance.

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

Key changes to the Executive Directors' remuneration policy from the previous policy

Component	Previous policy	New policy	Reasons for change
Base Salary, benefits and allowances	Unchanged	Unchanged	N/A
Pension	Unchanged	Unchanged	N/A
Annual incentive	Annual awards with a cash element (30%) and a share element (70%) based on operational, financial, strategic, personal and HSE performance targets.	Annual bonus of up to 100% of base salary with the excess over 75% of base salary being granted as restricted shares which will vest 3 years from the beginning of the annual bonus performance period. Performance assessment remains on operational, financial, strategic and HSE performance targets over a 1 year period.	> A simplified structure which maintains the ability to set in year performance targets that present a balanced view of our overall performance > Assists the Executive Directors to rebuild meaningful shareholdings in the Company > The reduction in total quantum fairly reflects the greater certainty of payout relative to the 2014 KIP due to the nature of the restricted shares awarded
Long term incentive	The share element is subject to further vesting conditions based on continuation of employment and relative and absolute TSR. Maximum awards are 250% for the Managing Director and the Financial Director and 150% of salary for the Technical Director.	Annual grants of restricted shares which will vest subject to continued employment over 3 to 5 years. The maximum annual opportunity is 75% of base salary, or in the case of the Technical Director, 45% of base salary.	
Shareholding requirement	100% of base salary for all Executive Directors.	> Managing Director: 250% of salary > Financial Director: 250% of salary > Technical Director: 150% of salary	> The increased shareholding reflects the simpler structure and the desire to encourage Executive Directors to rebuild meaningful shareholdings.
Written Service Contracts	Comprehensive written contracts for terms of service had not been entered into.	All Executive Directors have entered into comprehensive written contracts for their respective terms of service.	> Contracts have been agreed with the Executive Directors as soon as practicable after the 2016 fund raising in order to rationalise their terms of service, reflecting good corporate governance practice.

Approach to recruitment remuneration

Components	Policy
General	The Committee's approach to recruitment remuneration is to pay competitively to attract the appropriate high calibre candidate to the role. Our principle is that the pay of any new recruit would be assessed following the same principles as for the existing Executive Directors.
Base salary and benefits	The base salary will be set taking into account the responsibilities of the individual and the salaries paid to similar roles in comparable companies as per our base salary policy. The Executive Director will be eligible to receive benefits in line with Kenmare's benefits policy as set out in the remuneration table.
Pension	The Executive Director will be eligible to receive pension benefits equal in value up to 10% of salary in line with our pension policy.
Annual bonus	No more than 100% of base salary in line with our policy.
Kenmare Restricted Share Plan	No more than 75% of base salary in line with our policy.
Sign on payments/ recruitment awards	Payments to an Executive Director may be made on a case-by-case basis and where considered by the Remuneration Committee to be necessary. Newly recruited Executive Directors will be entitled to a pro-rata annual bonus and an award of restricted shares of up to maximum of 150% of salary under the KRSP in their first year of employment.
Share buy outs/replacement awards	Awards may be granted to replace those forfeited by the Executive Director on taking up the appointment where considered by the Remuneration Committee to be appropriate. The Committee will seek to structure any replacement awards such that overall they are no more generous in terms of quantum or vesting period than the awards due to be forfeited. In determining quantum and structure of these commitments, the Committee will seek to replicate the value and, as far as practicable, the timing and performance requirements of remuneration foregone.
Relocation policies	In instances where the new Executive Director is required to relocate or spend significant time away from their normal residence, the Company may provide one-off compensation to reflect the cost of relocation for the Executive Director. The level of the relocation package will be assessed on a case-by-case basis but will take into consideration any cost of living differences / housing allowance / schooling.

Service contracts

The Company's policy is that Executive Directors should have a notice period of no more than 12 months. Other than in the case of termination by an Executive Director on change of control, the notice periods are, in the case of Mr. M. Carvill and Mr. T. McCluskey, 12 months' notice from the Company and 3 months' notice from the Executive Director and in the case of Mr. T. Fitzpatrick 6 months' notice from the Company and 3 months' notice from the Executive Director.

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

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

Upon a change of control, each Executive Director has the right to terminate his employment by notice and be entitled to receive an amount equal to 12 months' (or in the case of the Technical Director, 6 months') salary, cash equivalent of benefits and pension contributions, subject to such amount being reduced by the equivalent amounts in respect of any months worked by the Executive Director after his giving of notice. Such payment would be in settlement of all claims that the Executive Director may have against the Group, but shall not affect the Executive Director's entitlement to accrued but unpaid salary, deferred bonus or similar incentive payments and certain other amounts.

Mr. M. Carvill serves as a Non-Executive Director for a number of subsidiary undertakings in the Vico Group and Carvill Group Limited; he does not receive a fee for his services. The Company's consent for Mr. M. Carvill to serve as a Non-Executive Director was granted a number of years ago. Mr T. Fitzpatrick serves as a Director of Born2Run Events Limited. He does not receive a fee for his services. No other Executive Directors serve as Non-Executive Directors elsewhere.

Policy on payment for loss of office

Components	Policy
General	When determining any loss-of-office payment for a departing individual, the Committee will protect the Company's interests and reflect the circumstances in place at the time having taken into consideration terms of Executive Directors' service agreements.
Good leaver	In general, good leaver treatment will apply in the case of death, retirement, ill-health, disability or for any other reason determined by the Remuneration Committee. The current Executive Directors will also be treated as good leavers where they terminate their employment provided no gross misconduct or gross negligence has occurred and the Executive Director does not take up employment with a competitor within 3 months of termination.
Base salary, benefits and pension	In the event of termination, the Executive Director will be entitled to receive compensation equivalent to salary, benefits and company pension contribution they would have received if still in employment for the balance of the applicable notice period. Where appropriate, the Company may continue to provide benefits for a period post termination.
Annual Bonus	**Good leavers** If the participant is deemed to be a good leaver then the Annual Bonus will be pro-rated for time and performance. The Remuneration Committee will have the discretion to either: > assess performance and make a payment at the time of cessation of employment; or > assess performance and make a payment at the end of the relevant financial year in line with the operation of the annual bonus for other participants. **Bad leavers** For a bad leaver all annual bonus entitlements will lapse.
Deferred Annual Bonus	Deferred annual bonuses will normally vest in full in line with the original vesting schedule other than in cases of gross misconduct or negligence where deferred bonus awards will lapse.
Kenmare Restricted Share Plan	**Good leavers** For good leavers, unvested restricted share awards under the KRSP will usually vest at the original dates, but the number of shares will be reduced pro-rata to reflect the proportion of the vesting period elapsed. The Remuneration Committee will have the discretion to allow shares to vest immediately (e.g. in case of death) but still pro-rated for time elapsed. **Bad leavers** For a bad leaver all unvested restricted shares will lapse.
Kenmare Incentive Plan	**Good leavers** If the participant is deemed to be a good leaver then there will be a pro-rated incentive payment. The Remuneration Committee will have the discretion to either: > assess performance and make a payment at the time of cessation of employment; or > assess performance and make a payment at the end of the relevant financial year in line with the operation of the KIP for other participants. Unvested share awards will usually vest at the original dates and subject to the original performance conditions, but the number of shares will normally be reduced pro-rata to reflect the proportion of the performance period elapsed. The Remuneration Committee will have the discretion to allow shares to vest immediately (e.g. in case of death) but still subject to the outcome of the performance conditions. **Bad leavers** For a bad leaver all annual incentive payment entitlements and unvested shares will lapse.

Policy on payment for change of control

Components	Policy
General	When determining any change of control payment for a departing individual the Committee will protect the Company's interests and reflect the circumstances at the time, having taken into consideration terms of Executive Directors' service agreements.
Base salary, benefits and pension	In the event of termination of employment by the Company following a change of control, the Executive Director will be entitled to receive compensation equivalent to salary, benefits and company pension contribution they would have received if still in employment during the relevant notice period. In the event of termination by the Executive Director within 2 months of a change of control, the Executive Director will be entitled to receive an amount equal to 12 months' (or in the case of the Technical Director, 6 months') salary, cash equivalent of benefits and pension contributions, subject to such amount being reduced by the equivalent amounts paid in respect any months worked by the Executive Director after his giving of notice. Such payment would be in settlement of all claims that the Executive Director may have against the Group, but shall not affect the Executive Director's entitlement to accrued but unpaid salary, deferred bonus or similar incentive payments and certain other amounts.
Annual Bonus	The payment of the Annual Cash Bonus following a change of control will be based on achievement against the annual performance metrics as assessed by the Remuneration Committee up to the point of change of control. The Remuneration Committee will have the discretion to pro-rate for the proportion of the year elapsed.
Deferred Annual Bonus	All unvested deferred annual bonuses will vest immediately unless the Remuneration Committee agrees they should be rolled over into equivalent awards of the acquirer.
Kenmare Restricted Share Plan	All unvested restricted share awards under the KRSP will vest immediately unless the Remuneration Committee agrees they should be rolled over into equivalent awards of the acquirer. The number of shares vesting will usually be pro-rated to reflect the proportion of the service period elapsed, but the Remuneration Committee will have the discretion not to apply this pro-rating.
Kenmare Incentive Plan	On a change of control there will be a final incentive payment based on the relevant achievement against the annual performance metrics as assessed by the Remuneration Committee up to the point of change of control. The Remuneration Committee will have the discretion to pro-rate for the proportion of the year elapsed. Any incentive will be paid immediately in cash. All unvested share awards will vest immediately, and will normally be subject to satisfaction of any relevant performance conditions. The number of shares vesting will usually be pro-rated to reflect the proportion of the performance period elapsed, but the Remuneration Committee will have the discretion not to apply this pro-rating.

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

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

Other Remuneration Committee discretions

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

> Amending the outcome of relevant scorecard if the Committee believes the formulaic outcome of the scorecard does not reflect the true underlying performance of the Company or the experience of shareholders;

> Deciding whether some or all cash bonus amounts should be settled in restricted shares;

> Deciding whether to apply malus or clawback to an award;

> Determining whether a leaver is a 'good leaver' under the Company's incentive plans; and

> Amending performance conditions following a major corporate event or in circumstances in which the Committee considers that the impact of external influences is such that the original metrics are no longer appropriate.

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

Consideration of employment conditions elsewhere in the Company

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

Consideration of shareholder views

The Remuneration Committee considers shareholder feedback received in relation to the AGM each year and guidance from shareholder representative bodies more generally. This feedback, together with additional feedback received during meetings from time to time, is then considered as part of the Company's review of remuneration policy.

In formulating the policy for 2017, the Committee consulted with a number of the Company's significant shareholders regarding their views on remuneration practice and policies. The views expressed during these consultations were taken into consideration when setting the remuneration structure.

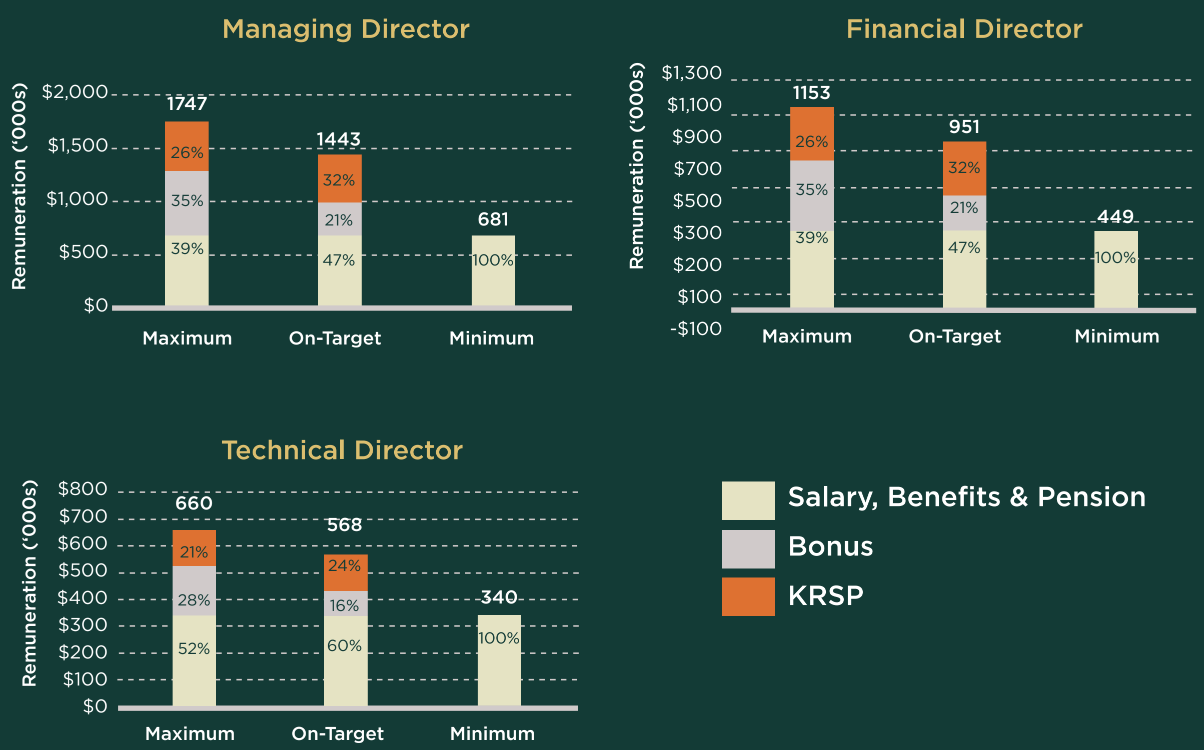
Supplementary mining operations at WCPA

Illustrations of application of remuneration policy

The total remuneration opportunity in 2017 for each of the Executive Directors is shown below under three different performance scenarios: (i) Minimum; (ii) On-target; and (iii) Maximum.

The elements of remuneration have been based on the proposed implementation policy for 2017 as set on page 74 to 82 and have been categorised into three components: (i) Salary, Benefits & Pension; (ii) Bonus; and (iii) share awards under the KRSP, with the assumptions set out below:

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



Non-Executive Directors' remuneration

The Non-Executive Directors are remunerated entirely through fees and associated benefits. They are not eligible to receive any performance-related remuneration nor do they hold share options. The fees paid to the Non-Executive Directors are set at a level to attract individuals with the necessary experience and ability to make a significant contribution to the Group's activities, while also reflecting the time commitment and responsibility of the role.

Additional per diem rates may be paid to Non-Executive Directors when the meeting load has significantly exceeded what would be expected in the normal course of business.

In addition, Ms S. Bianchi receives consultancy fees set out in an agreement between her and Congolone Heavy Minerals Limited, a subsidiary of Kenmare Resources plc.

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

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

Nomination Committee Report

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

Summary of role of the Nomination Committee

The main responsibilities of the Committee include:

> identifying and nominating for the approval of the Board candidates to fill Board vacancies as and when they arise;

> before making an appointment, evaluating the balance of skills, knowledge and experience on the Board and, in light of this evaluation, preparing a description of the role and capabilities required for a particular appointment;

> reviewing periodically the time required from a Non-Executive Director. Performance evaluation is used to assess whether the Non-Executive Director is spending enough time to fulfil his or her duties;

> giving full consideration to succession planning in the course of its work, taking into account the challenges and opportunities facing the Company and what skills and expertise are therefore needed on the Board in the future;

> regularly reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and making recommendations to the Board with regard to changes considered advisable; and

> keeping under review the leadership needs of the organisation, both Executive and Non-Executive, with a view to ensuring the continued ability of the Group to compete effectively in the marketplace.

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

Meetings

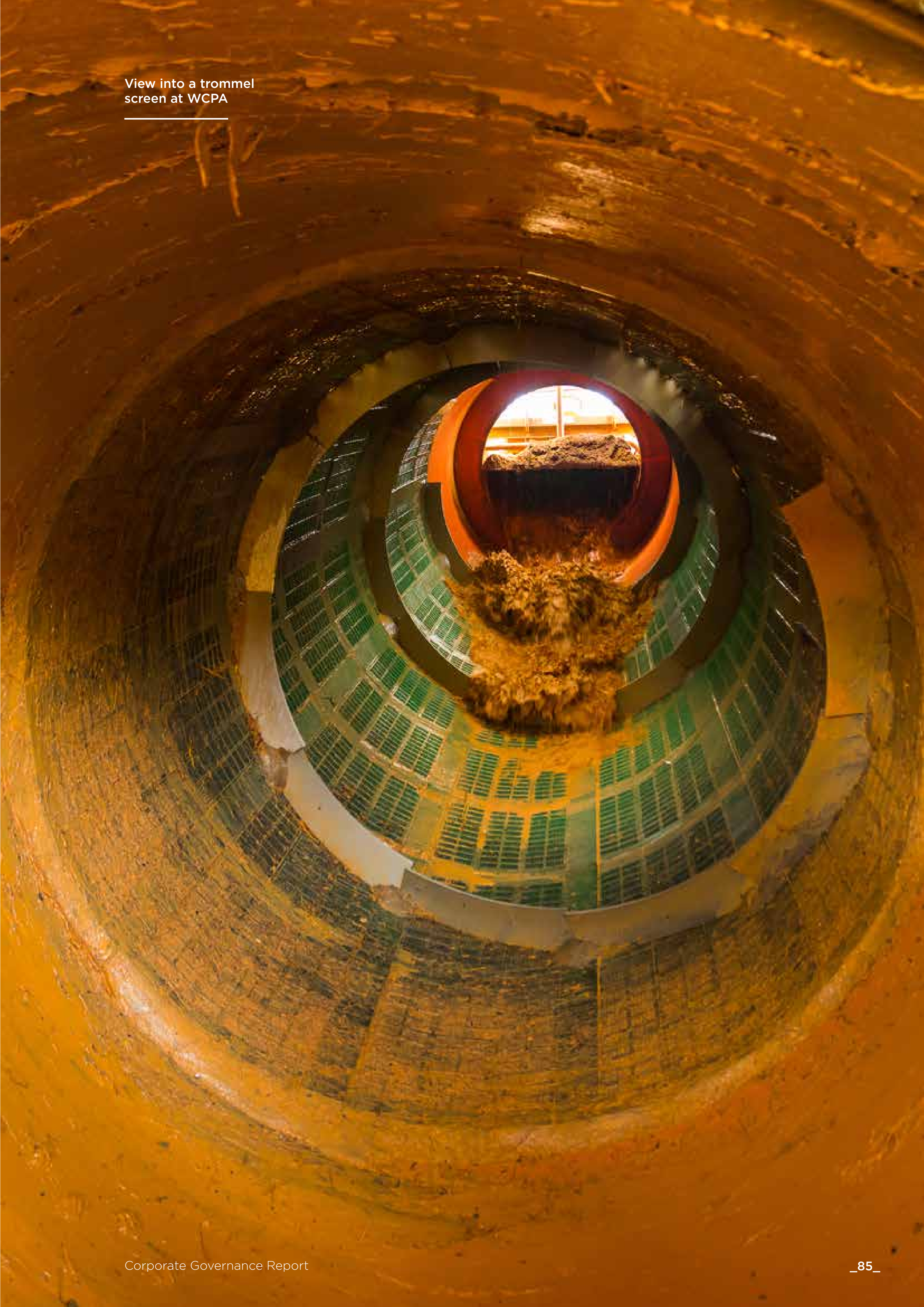
The Committee met once during the year ended 31 December 2016. Details of Directors' and Secretary's attendance at Nomination Committee meetings are set out of page 56.

The Committee considered the retirement of Mr. J. Ensall and Mr. T. Lowrie and the appointment of Mr. T. Keating and Mr. G. Martin as Non-Executive Directors. Pursuant to the terms of a subscription and relationship agreement, dated 18 June 2016, with African Acquisition Sarl, Mr. T. Keating was co-opted to the Board in October 2016. An external recruitment consultant, Cripps Sears and Partners (which has no other connection with the Company), was engaged to assist the Nomination Committee with a recruitment process the result of which was the co-option of Mr. G. Martin to the Board in October 2016.

The Committee also considered Board composition and succession planning including the experience required, the search process and the identification of candidates to fill the role of an independent Non-Executive Director. The Committee also discussed the process of Board training and induction.

Ms. S. Bianchi has served for more than nine years on the Board and she will not be seeking re-election at the next AGM.

Steven McTiernan
Chairman of the Nomination Committee
30 March 2017



View into a trommel screen at WCPA

Tina Faque, Rehabilitation Officer, "I'm passionate about nature and plants. I'm making sure we return land to the community after mining fit for their use"

Corporate Social Responsibility Statement

Corporate Social Responsibility Statement

Introduction

Kenmare is committed to operating in a sustainable and responsible manner and has a long-term strategic approach to the conduct of its business with corporate responsibility as a key priority. Kenmare recognises that its social license to operate derives from the relationships it has with its stakeholders, in particular the members of the community in the immediate vicinity of the Mine.

Community engagement

Ensuring effective communication and consultation with all stakeholders is one of the central pillars of Kenmare's operations. Kenmare aims to be a catalyst for positive social and economic improvements in the communities neighbouring its operations. One of the ways it achieves this is by supporting the Kenmare Moma Development Association ("KMAD"), an independent not-for-profit development organisation, established in 2004 to implement development programmes in these communities.

The community and its needs are at the centre of KMAD's programmes. KMAD's vision is to achieve a community of:

> Healthy people living in safe and dignified conditions, free of disease and hazards;

> An independent community, well-informed of Kenmare's on-going operating activity with access to education and opportunity for individuals to reach their potential;

> Cohesive social groups and networks contributing to sustainable development.

KMAD and the Mine have delivered significant improvements to local infrastructure, with all local villages now electrified, improved access to water and mobile phone coverage throughout the community. KMAD and the Mine have created direct and indirect employment opportunities, training initiatives have been implemented and numerous development activities started by KMAD have now matured.

2016 was the first year delivering on the KMAD 2016-2018 Strategic Plan. The plan, developed and finalised through extensive community consultation during the first quarter of 2016, and detailed in a Community Agreement, was signed by the local leaders, the District Government, the Provincial Government, the Provincial Assembly, NGOs and Kenmare in April 2016.

KMAD's goal is to work to:

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

KMAD's core values are:

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

KMAD operates in three main areas

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

Health development
This includes support of the health sector – capacity development of medical staff, equipment, materials and infrastructure improvements, community health and HIV awareness, water and sanitation.

Education development
This includes support to the education sector including support for capacity development of teachers, educational materials and equipment, school infrastructures and furniture, vocational training, community environmental awareness and sports.

Cross-cutting areas (included in and affecting all the above sectors) supported by KMAD are accountable/participatory governance and infrastructure development (as relevant to each sector).

Kenmare sponsored classroom with learning in progress in local village of Mtiticoma

Organisational Development

Operation

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

Sources of funding

The majority of funding to date has come from donations from Kenmare. Additional resources have been obtained through direct support from partner institutions. Donations have also been received from Kenmare employees through internal fundraising exercises. KMAD has leveraged indirect support by working with partners who have projects in the region and can extend their focus to include KMAD's target area with minimal additional effort.

Implementation Strategies

KMAD's approach to project implementation includes a mixture of direct, contracted, and collaborative implementation. We seek to utilise the appropriate blend of expertise to deliver the KMAD programme.

Direct implementation

KMAD has in some instances directly managed activities, such as construction projects and the promotion of small scale business opportunities. Direct implementation is generally the most rapid implementation method but is also very time consuming and, given the desire to maintain a lean operational structure, KMAD's capacity to carry out direct implementation projects is limited.

Contracted implementation

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

Collaborative implementation

KMAD increasingly seeks to develop long-term collaborative relationships with partners in the area. Such relationships are being pursued with government institutions and NGOs that have a long term interest in the region. Collaboration encompasses planning of activities and management of resources. While such arrangements take considerable time to develop and there are inevitable challenges in coordination, these have long term benefits to the community due to a greater level of assistance being provided. There has been significantly increased involvement of NGOs and the District Government in finalising the 2016-2018 Strategic Plan. They are responsible for implementing some of the activities and monitoring the implementation of the plan. Despite certain challenges and resource constraints, we believe that this type of integrated approach will be most successful in the long term.

Livelihood and Economic Development Projects

The process for developing new initiatives is as collaborative as the execution phase. KMAD receives business proposals from the community annually and these proposals are then reviewed for their economic viability.

In 2016, 16 new projects were funded (Topuito Egg Project, Bakery and Grocery shop, Mtiticoma Bakery, Tibane Fuel and Grocery shop, Naholoco Carpentry, Grocery and Salt plant, Isoua Grocery, Nathaca Fuel and Grocery, Nathuco Fishing Project, Cabula Fish Farming Project, Mulimuni Bakery Project and a Vegetable Production Project in Larde as part of the proposals submitted by the district government as per the Community Agreement). 10 were fully operational by year end, with a further five finalising construction and other preparatory activities. These new projects benefit 37 people, 20 of whom are women.

In general, 2016 was a very difficult year for the Mozambican economy. This was reflected in an increase in the Metical/Dollar exchange rate of almost 100%. As the vast majority of inputs into the small scale businesses are ultimately imported materials, this meant there was a significant increase in production costs. As well as the Tibane egg project, three others stopped operations during the year.

At year end, there were 37 operating small scale business projects supported by KMAD benefitting a total of 195 beneficiaries (and by extension their families). The businesses generated revenues of Mts7,806,565 (US$108,424) an increase of approximately 71% in Metical terms compared to 2015. Mts1,552,055 (US$21,556) was paid in salaries and Mts1,648,573 (US$22,900) generated as profit.

KMAD continued to support the farmers' associations at Nathaca, Nathuco and Mpago that produce vegetables for sale to both the Mine's catering company and the local market. There were some issues with the quality of vegetables being supplied. To some extent this was as a result of the disruption caused by flooding in 2015. The Mine kitchen has distributed a demand plan for 2017 to the producers to help them to better tailor their production with expected demand. Also 2,640 fruit trees were distributed to 34 individuals. The farmers sold a total of 8,992 kg of vegetables and

KMAD continued to support the farmers' associations at Nathaca, Nathuco and Mpago that produce vegetables for sale to both the Mine's catering company and the local market.

fruit (2015: 8,199 kg) generating revenue of Mts655,415 (US$9,102). Mts167,955 (US$2,333) was paid in salaries and Mts154,770 (US$2,150) was generated as profit.

An increase in material costs caused some difficulties for the sewing groups producing sample bags for the Mine laboratory during the year. They produced a total of 65,471 calico bags generating revenue of Mts2,461,480 (US$34,190). Mts857,950 (US$11,900) was paid as salaries and profits amounted to Mts429,465 (US$5,965). The various shops continued to perform well given the prevailing economic climate. The Naholoco broiler project continues to be well managed without much intervention from KMAD.

The contract with KPC Conservation Agriculture came to an end in July 2016. KMAD contracted another consultancy firm (Akhily Consultores) based in Nampula to continue the activities in conjunction with water and sanitation activities. The objective of this programme is to transfer skills to local farmers that will enable them to increase the productivity of their fields, reduce diseases and grow crops that were previously not viable in the area. 101 plots were opened by 167 farmers (at the end of 2015 there were 95 farmers) covering an area of 24.48Ha. As conservation agriculture aims to protect soil and water, KMAD is encouraging and supporting farmers to sow crops that help improve soil quality by naturally adding nutrients to it. Each farmer received a kit comprising seeds for ground nuts, beans, peas and maize. Topuito farmers also received cowpeas seeds as they are growing crops in the rehabilitated area and cowpeas will help to add more nutrients to the soil.

There was a reduction in the number of villages producing orange fleshed sweet potatoes from seven to five as a result of floods that affected the crops in 2015 (2 villages did not replant the fields destroyed) and also a reduction in the number of multipliers, from 19 to 5. This year KMAD purchased 5,000 vines from a multiplier in Mpaco and set up 1 new multiplier in Naholoco. The local multipliers distributed 50,030 vines to 194 families without KMAD intervention. 2 out of the 194 families are also multiplying vines for sale. The farmers produced a total of 2,267 Kg (2015: 2,548 kg) of sweet potatoes from which 1,240 Kg were sold, generating an income of Mts24,220.00 ($336). The balance was used by the families for consumption.

During 2016, KMAD restarted support to animal husbandry. Support had been stopped as in all three communities that received goats the programme was not adhered to. However, through discussions to finalise the 2016-2018 Strategic Plan at the beginning of the year all parties were very keen to restart the initiative. KMAD therefore agreed to a relatively small distribution with the clear understanding that if the programme conditions are not met as on previous occasions the support would stop. KMAD distributed 30 goats to 6 families in Nathuco. In addition to this, a hen repopulation project was started that is benefiting a total of 36 families in Nathuco, Cabula and Mulimuni villages.

Health Development Projects

Health Clinic

In 2016, the District Health Service allocated two additional nurses to the Health Clinic facility, which has reduced the waiting time for patients. The management of the local ambulance has been entrusted to the district health authorities.

A total of 13,803 (2015: 12,269) individuals attended the clinic for consultations. 6,744 (2015: 8,082) patients had malaria tests with 4,143 (1,490 adults and 2,653 children) testing positive compared with 5,747 (1,913 adults and 3,834 children) in 2015. 1,359 (2015: 1,301) patients were tested for STIs and 1,658 (2015: 1,141) patients were tested for HIV. All those that tested positive are now receiving the appropriate treatment and care.

There were 857 (2015: 1,845) pre-natal consultations in the maternity block and 507 (2015: 745) births in the maternity ward, a material reduction of concern to staff. The reasons for this reduction are still being investigated, but women have previously requested separate delivery rooms and this may be restricting pregnant women having institutional deliveries.

As part of the activity plan for 2016, the health department had asked for a child vaccination and consultation building to be built at the health centre. The health department provided a design; KMAD provided finance and awarded the construction to a local contractor who started work during the third quarter of the year under the supervision of the District Infrastructure Department. Construction will be completed in 2017.

Community Health Awareness

There are currently 31 active community health volunteers. They promote awareness campaigns on health, hygiene and sanitation either using door-to-door sessions or through group discussions. KMAD provide them with a monthly allowance and training. During the year there were a total of 990 group discussions covering 8,715 individuals. The volunteers visited 2,106 households and 11,402 individuals in door to door visits. The main topics addressed were water/sanitation, health, STIs, HIV and malaria prevention.

22 volunteers from the district were trained as Peer Educators, as per the current government policy. Peer Educators work on reaching those who quit HIV and AIDS treatment. Generally there are a number of reasons why HIV and AIDS patients give up treatment, such as stigma, belief that there is limited benefit in taking the medication if they are poorly nourished, and difficulty with managing what can be considerable distances from home to the Health Clinic. The number of patients giving up treatment nationally is so high that government and international partners have turned their attention to addressing this specific problem, and as a result the District asked for support from KMAD to train the activists for the whole district. These activists will then work with HIV positive individuals throughout the district to try and ensure they follow the recommended treatment plans.

Malaria

A broader community malaria program was implemented during the year that includes indoor spraying (quarterly), ultra-low volume spray (ULV) and fogging (fortnightly). The Larde District Health Authority are responsible for monitoring the spraying program and undertake the community awareness and education sessions that take place prior to spraying campaigns. Two villages, Tibane and Cabula, have indicated they do not want the fogging and ULV spraying because they do not believe it is safe, and despite a number of attempts, the health department has not been able to change this decision. Due to concerns about the continued high level of malaria cases, which may be due to a resistance having built up to the chemicals that have been used since 2011, the chemical used was changed in October 2016 to a larger spectrum chemical with high residual effect and low environmental impact.

Water and Sanitation

The Tibane water system (5 public water points with 20 taps in total) was concluded during the year and is being used by the village. This model will be replicated in other villages in coming years. A new borehole with hand pump was installed in Nathuco and Mulimuni villages.

All communities now have water committees, although some need to be re-structured and their management capabilities enhanced. It is encouraging that many are carrying out sensitisations on water usage and cleaning of the water points, and all villages have household contributions in progress.

General cleaning campaigns have been carried out involving the community and this programme aimed at changing sanitation behaviour is on-going.

Sports

The local men's soccer tournament this year had 10 teams and the female tournament 6 teams. Kits were provided for the women's teams and balls for the men's. The district recreational championship was also supported with football boots for referees, balls, whistles and referee cards.

Education Development Projects

As in prior years, at the beginning of the school year KMAD distributed school material to all the pupils attending school in the locality.

The crèche in Cabula was upgraded this year and declared a grade 1 school by the District Education Department, having enrolled 133 pupils, assisted by 2 teachers. KMAD was donated 36 new school desks.

The numbers of houses and other buildings sprayed during 2016 are presented below:

Campaign	Number of houses & other buildings sprayed	Number of houses that refused
January/February	5,414	120
April	5,816	144
July/August	5,381	201
October/November	5,300	294
Total	**21,911**	**759**

Paediatric consultation at the Health Clinic

KMAD constructed an additional classroom block in Mtiticoma primary school, equipped with 140 students' desks and 4 for teachers. The rehabilitation of the old block is in its final stage. Mtiticoma will then have 2 classroom blocks, totally equipped, in response to the annual increase in number of new students. In Topuito, 2 blocks were also rehabilitated and equipped with 174 pupil desks.

A Memorandum of Understanding between KMAD and the District Education Department for the construction of a technical school was initially signed in 2014. This envisaged KMAD financing the construction and equipping of the school in accordance with a Government approved design whilst the Government committed to staffing and running the school once complete. Given the size of the undertaking it was decided to split the implementation into three phases. The first phase of construction is now underway. This consists of a classroom block, a bathroom block, a double house for teachers, two blocks of workshops (one for Mechanics, one for Electricity and Civil Construction), an elevated water tank and a guard house. The project is expected to be concluded in the first half of 2017. The second phase will be started once phase one is fully staffed and operational.

A total of 53 scholarships were granted in 2016, 48 for Moma Secondary School and 5 for Carapira Technical School. This year, 64 students from grade 7 were submitted to an admission exam, and 24 new pupils accepted to the scholarship programme to start their studies in 2017. The selection process was handed over to the District Education Department with KMAD responsible to guarantee its funding as a measure to make the process more transparent. At the year end there were 77 students registered to receive bursaries in 2017. 72 will be attending secondary school in Moma and 5 attending the technical school in Carapira.

Population Influx Management

The development of the Mine has led to increased population in the area and significant growth in the size of some of the local villages. As a result of this Kenmare financed the development of an integrated urban management plan for the area to tackle issues such as public service provision, village expansion and waste management. Final approval of the influx management plan was given by the Government in 2015. It is now a District of Larde plan and they are responsible for its implementation. KMAD provides support in terms of materials and finance to ensure its implementation as it is in the interests of all parties to improve the physical planning of the area around the Mine.

In accordance with the urban plan, in 2016 a detailed town plan for the village of Mulimuni was drawn up by the Government. KMAD covered the costs of the technical team sent from the provincial government to establish the plan and undertake the required demarcation. 39 community leaders were trained on urban and land-use planning. This was to help local leaders understand the basics of territorial planning and ensure growth is managed according to national standards, with focus on the future implementation of social infrastructures such as roads, schools, health facilities, electric power line, water pipeline, etc and houses themselves.

Government Support

KMAD financed 1 District Council and 4 Locality Consultation Council meetings.

KMAD also financed the extension of the Moma Community Radio signal to Topuito. It is intended that programmes will be about the Topuito locality, with information on Kenmare's CSR activities and the minutes of the public meetings disseminated regularly.

2016-2018 KMAD Strategic Plan

Further extensive consultations were held with the community representatives, District and Provincial Government, Provincial Assembly representatives and NGOs to define both the three year plan and the specific 2016 activity plan. This culminated in a Community Agreement being signed at the end of April 2016. Two feedback sessions with all signatories were held in June and December, during which progress against plan was monitored. A further agreement was signed in December 2016 defining the specific activities to be undertaken in 2017 in the areas of livelihood and economic development, health development, and education development.

Company Community Interaction

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

The Company recognises that its license to operate requires a good relationship with the local community. Kenmare's Stakeholder Engagement Plan ("SEP") is updated annually and takes into account any changing dynamics in the relationship between the Mine and the community.

Kenmare recognises that the benefits of community engagement include:

> A strengthened sense of community;

> The development of a co-operative working environment;

> Communities that take a greater responsibility for what is happening in their areas;

> Increased conflict management capacities; and

> Informed policy-making with local government.

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

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

> Ensuring that a broad range of people and sectors participate in the process;

> Striving to resolve complex issues;

> Creating a vision that achieves results and creates change;

> Ensuring collaboration and social inclusion;

> Identifying local priorities together with communities; and

> Creating a balance between the community engagement process and the resulting actions required from both the Company and the community.

In order to manage its SEP, the Mine has a Community Liaison Department. The department is led by the CAM who has one Junior Community Relations Superintendent, one Community Liaison Officer and two community assistants working under them. The CAM reports to the Mine General Manager. The Community Liaison Department is mandated to deal with the issues raised by local communities. Typical issues dealt with include crop compensation, grave relocations, general grievances, employment opportunities, and water and sanitation issues. These are dealt with individually, if applicable, or in the regular community meetings facilitated by Kenmare.

While specific community relations programmes will change over time the overall goal is to align Kenmare Moma business and community actions to improve communication between the Company and the community.

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

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

Formal community meetings take place generally every two months. During the year there were five formal community meetings dealing with issues of crop compensation, environment, recruitment, KMAD projects, safety issues in the vicinity of the Mine and the Company's performance. There were also four ad-hoc meetings held not envisaged in the SEP – one on the choice of income generating projects to receive support from KMAD, two were KMAD progress feedback meetings, and one to discuss Monte Filipe. There were many ad-hoc meetings to discuss Monte Filipe and there was a series of seven public meetings, held in December 2016 as part of a land licensing process in Pilivili. There is constant interaction on a daily basis between the Community Liaison Department and the local community. The biggest challenge is ensuring that after the meetings feedback to the larger community is provided. In 2017, we intend to have the minutes of the meetings read out on the Moma community radio, whose signal KMAD have financed the strengthening of to cover the Topuito locality. Additionally, KMAD put two of its team members through a communication and marketing training so that from January 2017 KMAD can start the production of a quarterly newsletter to share information on its projects, which shall be distributed to the local communities, government and other stakeholders.

Monte Filipe

The WCP A dredge path is due to go through an area called Monte Filipe in 2017. When Kenmare went to undertake infill drilling in advance of the mining operations some members of the local community raised objections on spiritual grounds claiming Monte Filipe was a sacred site. Extensive community consultation exercises were carried out during both the environmental licensing process and the land licensing process. Exploratory drilling also took place on Monte Filipe in 2001 and 2002. At no prior time did any of the community leaders or representatives identify Monte Filipe as a sacred site and no objections to our original drilling programme were made.

Throughout 2016, extensive talks were held with the community to resolve the issues around Monte Filipe. An agreement was signed in August 2016, allowing the mining of Monte Filipe provided that; 1) Kenmare finance a technical study into the construction of a bridge over the river Larde, and once complete, discuss with Government financing options; 2) Kenmare finance the clearing of areas identified by the District Government for farm land; 3) the Government includes the tarring of the road to Nampula in its roads plan; and 4) that a traditional ceremony be held prior to mining the area. The traditional ceremony was held on 23 November 2016, and the crop compensation process is currently ongoing.

Corporate Responsibility

On page 97 we have disclosed our payments to governments. All of the payments disclosed have been made to national governments, either directly or through a ministry or department of the national government on a cash basis. Payroll taxes consist of income tax withheld at source and employer and employee social security tax.

Kenmare's Moma Titanium Minerals Mine is a major investment in the north of Mozambique, which we believe serves as a catalyst for further investment and actively supports the Government of Mozambique in promoting investment in the country.

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

Gareth Clifton
Mozambique Country Manager

Regina Macuacua
Mine Corporate Affairs Manager

Stand pipe in Topuito village directly connected to the Mine's water supply

Payments to Governments

	2016	2015	2014	2013
	US$'000	US$'000	US$'000	US$'000
Mozambique				
Mining royalty	2,371	2,826	3,563	3,860
IFZ royalty	1,538	1,486	1,868	
Payroll taxes	7,405	8,551	10,564	9,499
Withholding taxes	695	462	422	459
Licenses	24	123	215	77
Total	12,033	13,448	16,632	13,895
Ireland				
Payroll taxes	2,052	2,240	2,463	1,966
Corporation taxes	9	11	2	9
Total	2,061	2,251	2,465	1,975
UK				
Payroll taxes	234	169	162	119
Total	234	169	162	119
Total payments to governments	14,328	15,868	19,259	15,989

Walkway entrance to WCPA operation, Viro Ndlovu, Superintendent Mining, “I am enjoying using my experience to help the mine deliver on it’s HMC commitment”

Directors' Report & Financial Statements

Directors' Report	100
Directors' Responsibilities Statement	107
Independent Auditors' Report	109
Consolidated Statement of Financial Position	115
Consolidated Statement of Comprehensive Income	116
Consolidated Statement of Changes In Equity	117
Consolidated Statement of Cash Flows	118
Parent Company Statement of Financial Position	119
Parent Company Statement of Changes in Equity	120
Parent Company Statement of Cash Flows	121
Notes to the Financial Statements	122

Directors' Report

The Directors present their report and the audited financial statements for the financial year ended 31 December 2016.

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

Business and Strategy Review and Future Developments
A Business and Strategy Review, including likely future developments of the Group, set out on pages 3 to 34, forms part of the Directors' Report and is incorporated by reference.

Finance Review and Risks and Uncertainties
A Finance and Risk Review, including a description of the principal risks and uncertainties facing the Group, set out on pages 35 to 50, forms part of the Directors' Report and is incorporated by reference.

Risk Exposure
The exposure of the Group to price and credit risk is detailed in the trade and other receivables (Note 17), cash and cash equivalents (Note 18) and bank loans (Note 23) notes to the financial statements. The exposure of the Group to liquidity risk and cash flow risk is detailed in the capital and liquidity management (Note 28) note.

Key Performance Indicators
The Group's key performance indicators are detailed on pages 8 to 9 and a glossary of alternative performance measures are detailed on pages 170 to 172.

Location of information required pursuant to Listing Rule 9.8.4C

Listing Rule	Information to be included (i):
LR 9.8.4 (1)	Interest in an amount of US$5.5 million and € 8.4 million otherwise payable on 1 February 2016 on the Group's then-outstanding subordinated debt was capitalised in accordance with the Group's financing arrangements at that time. The capitalisation did not attract specific tax relief in Mozambique. However, the capitalised interest is treated as an expense of the Project Companies in the same manner as if the interest had been paid in cash, thereby reducing the corporation tax payable by Kenmare Moma Mining (Mauritius) Limited Mozambique Branch (at a rate of 17.5%) in relation to half of the capitalised amount. The other half of the capitalised amount is allocated to Kenmare Moma Processing (Mauritius) Limited Mozambique Branch which is exempted from corporation tax.
LR 9.8.4 (5)	Directors' Waivers of Emoluments Disclosure In relation to the Executive Directors' KIP awards for 2016, each of the Executive Directors agreed to reduce the formulaic outcome of the balanced scorecard for his respective 2016 KIP award by 13% of his respective maximum opportunity. See the Directors' Remuneration Report on pages 62 to 83.

(i) No information is required to be disclosed in respect of Listing Rules 9.8.4 (2), (3), (4), (6), (7), (8), (9), (10), (11), (12), (13) and (14).

Statement of Results
During 2016, the Group sold 1,024,200 tonnes of ilmenite, zircon and rutile to customers at a sales value of US$141.5 million (2015: US$142.6 million). Cost of sales for the financial year was US$144.0 million (2015: US$168.1 million), resulting in a gross loss of US$2.5 million (2015: US$25.6 million).

Other operating costs were US$22.8 million (2015: US$21.8 million) comprising distribution costs for the financial year of US$11.3 million (2015: US$12.5 million), freight and demurrage costs of US$5.4 million (2015: US$3.9 million), administration costs of US$2.9 million (2015: US$1.4 million), and arbitration costs of US$3.2 million (2015: US$4.0 million).

There was finance income of US$0.09 million (2015: US$0.5 million), resulting from a fair value adjustment of warrants at the statement of financial position date of US$0.02 million (2015: US$0.5 million) and deposit interest of US$0.07 million (2015: US$0.05 million).

Loan interest and finance fees were US$28.0 million (2015: US$37.8 million) during the financial year, the decrease as a result of the capital restructuring in July 2016 detailed in note 23. There was a gain of US$38.3 million on the extinguishment of debt outstanding on 28 July 2016. This gain is made up of debt written off of US$68.6 million net of finance fees amortised of US$30.3 million.

There was a foreign exchange loss for the financial year of US$2.2 million (2015: US$22.7 million gain), mainly as a result of losses on the retranslation of the Euro denominated loans net of gains on the retranslation of cash deposits and trade payables and accruals. The resultant loss before tax for the financial year was US$17.1 million (2015: US$61.9 million).

As at 31 December 2016, the statement of financial position date, Kenmare Moma Mining (Mauritius) Limited had unused tax losses of US$18.5 million (2015: US$7.4 million). A deferred tax asset was recognised of US$1.9 million (2015: US$1.3 million) as it is anticipated that the losses will be carried forward for offset against future profits. This resulted in a tax credit for the financial year of US$1.9 million (2015: US$1.3 million), resulting in a loss after tax for the financial year of US$15.2 million (2015: US$60.6 million) which has been carried to retained losses.

Additions to property, plant and equipment amounted to US$6.7 million (2015: US$5.6 million). There was an adjustment of US$10.1 million to property, plant and equipment as a result of the arbitral tribunal award detailed in note 27. There was an adjustment to the mine closure provision of US$6.9 million during the year principally as result of a change in the estimated life of mine in 2015 from 24 years to 40 years. Depreciation and amortisation reduced to US$30.6 million (2015: US$35.8 million) during the financial year as a result of the increase in the estimated life of mine.

On 28 July 2016, the Group completed a capital restructuring which reduced debt to US$100 million (from US$392.4 million using agreed exchange rates) and provided an additional US$75 million of cash for working capital and to meet fees and expenses of the capital restructuring. The capital restructuring consisted of raising US$254.8 million equity from new and existing shareholders of which US$179.6 million was used to repay debt, the conversion of US$44.2 million of debt to equity, and debt write-offs in the amount of US$68.6 million. US$0.6 million of shares were also issued to Absa to discharge an outstanding loan amendment fee. The capital restructuring also provided for a reduction in the interest rates on remaining debt, an extension to the term of such debt, and a principal repayment holiday until February 2018.

The Group had total debt of US$102.6 million as at 31 December 2016 (2015: US$367.8 million). During 2016, loan interest payments amounting to US$2.8 million (2015: US$5.7 million), interest accrued was US$23.9 million (2015: US$32.7 million), negative foreign exchange movements were US$6.2 million (2015: US$19.3 million positive) and loan repayments, equitisation and write-offs totalled US$292.4 million (2015: nil).

US$179.6 million of the proceeds from the capital raise was used to repay debt; US$20.4 million of shares were issued to Absa, EAIF, EIB and FMO, discharging that amount of subordinated debt under their US$40.8 million underwriting commitment; US$23.8 million of shares were issued to Absa, EAIF, EIB and FMO discharging that amount of senior and subordinated loans under the debt reduction equitisation, and US$68.6 million of debt was written off by the Subordinated Lenders.

Loan fees and expenses incurred in the year amounted to US$6.7 million (2015: US$17.3 million) of which US$2.7 million (2015: US$3.8 million) were amortised to the period ended 28 July 2016 and US$29.8 million were amortised on restructuring of the loans. US$0.6 million of shares were issued to Absa to discharge an outstanding loan amendment fee resulting in total loan fees amortised of US$30.4 million.

On 26 July 2016, there was a capital reorganisation which resulted in a 1 for 200 consolidation of the existing ordinary shares whereby the ordinary shares and the new ordinary shares have a nominal value of €0.001 each. 2,781,905,503 deferred shares of €0.059995 each were created by subdividing each existing ordinary share of €0.06 into one deferred share of €0.059995 and one new ordinary share of €0.001.
On 28 July 2016, 81,368,822 new ordinary shares of €0.001 were issued by way of a placing and open offer which raised US$254.8 million. 14,323,202 new ordinary shares were issued to lenders to discharge debt and

fees. US$0.1 million of the issue has been credited to share capital and US$299.5 million has been credited to share premium. The cost of issue of US$12.5 million has been recognised in retained losses.

The Project Companies have been engaged in arbitration proceedings initiated by certain members of the Aveng Group (those members, together, "Aveng") in relation to the performance and completion of certain engineering, procurement and construction management contracts entered into in 2010 in connection with the expansion of the mine facilities. Aveng claimed that it was owed certain amounts in respect of unpaid professional fees, plus interest. The Project Companies counterclaimed for compensation for losses resulting from Aveng's contractual breaches substantially in excess of the amounts claimed by Aveng.

The arbitral tribunal notified its award on the 23 December 2016. The tribunal determined that the final payment sought by Aveng should be reduced, due to Aveng's breaches, by the maximum amount allowable under the contracts, i.e. ZAR 150 million. The net effect of the tribunal's finding resulted in the Project Companies making a payment of US$4.9 million (ZAR56 million plus interest accrued of ZAR11 million) in January 2017. Reflecting the award ruling, there is an amount accrued in trade and other payables of US$4.9 million (2015: US$19.3 million) payable to Aveng. The costs of the arbitration are the subject of further proceedings that will result in a separate award.

Directors

The Directors who held office during 2016 were as follows:

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

Δ:Member of the Audit Committee chaired by Mr. G. Smith
+: Member of the Remuneration Committee chaired by Mr. G. Martin
*: Member of the Nomination Committee chaired by Mr. S. McTiernan

Mr. T. Lowrie, who served as a Non-Executive Director for more than nine years, retired from the Board in July 2016. Following the completion of the recapitalisation of the Group, Mr. J. Ensall, who was appointed as the Lender Approved Non-Executive Director in July 2015, resigned from the Board in October 2016.

In October 2016, Mr. T. Keating and Mr. G Martin were appointed to the Board as Non-Executive Directors. On 18 June 2016, African Acquisition Sarl and Kenmare Resources plc entered into a subscription agreement providing for the subscription of African Acquisition Sarl for new ordinary shares in the amount of US$100 million. The subscription agreement included an undertaking that a Non-Executive Director nominated by African Acquisition Sarl be appointed to the Company's board. Mr. T. Keating was appointed to the Board as a Non-Executive Director in satisfaction of this requirement.

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

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

Directors' and Secretary's Shareholdings and Share Options

The interests of the Directors and Secretary of the Company, their spouses and minor children, in the ordinary share capital of the Company, and details of the share options granted in accordance with the rules of the Share Option Scheme, are detailed in the Directors' Remuneration Report on pages 69 and 70.

Share Option Scheme and Kenmare Incentive Plan

It is the policy of the Company to award share options to certain employees and consultants. In the past share options were awarded to Executive Directors but this practice ceased with the introduction of the Kenmare Incentive Plan ("KIP") in 2014.

Any offer to grant options will specify the consideration payable on acceptance, the number of shares comprised in the option, and the mode of acceptance, together with the latest date for acceptance and for payment of the said consideration. Upon receipt by the Board of such acceptance and consideration, the option will be granted and the option certificate delivered. The options generally vest over a three year period, in equal annual amounts. At 31 December 2016, there were options in issue that had been granted under the share option scheme dated 15 May 1987 to persons (other than Directors and the Secretary) to subscribe for a total of 71,375 shares, exercisable at an average price of US$74 per share.

At 31 December 2016, 105,228 performance-based shares and 57,097 deferred shares the vesting of which is subject to continued employment have been awarded under the KIP. At 31 December 2016, the Company had provided for 471,855 performance-based shares and 157,285 deferred shares in relation to the 2016 award.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business and Strategy Review on pages 3 to 34. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are also described in the Finance Review on pages 35 to 50. In addition, Note 28 to the financial statements includes the Group's policy for managing its capital.

The loss for the year was US$15.2 million (2015: US$60.6 million), principally reflecting the depth to which the market price declined in the first half of 2016. Notwithstanding the Group making a loss for the year, the Group generated cash in the second half of the year resulting in a reversal of a negative EBITDA H1 2016 of US$10.7 million to a positive EBITDA H2 2016 of US$15.9 million. Whilst the zircon market remains subdued, the ilmenite market improvements that we have seen in the second half of 2016 represent an inflection point for Kenmare's main product following a sustained period of price decline. Current indications are that market improvements will continue in 2017.

Based on the Group's cash flow forecast ("Group Forecast"), the Directors believe that the Group has adequate resources for the foreseeable future and continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Viability Statement

The Directors have assessed the prospects of the business and its ability to meet its liabilities as they fall due over the three year period 2017 to 2019. The Directors concluded that three years is an appropriate period for the assessment as they have reasonable clarity over the cash flow forecast assumptions over this period.

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

Key assumptions upon which the Group Forecast is based include a mine plan covering production using the Namalope reserves as set out in the Reserve and Resources table. Production levels for the purpose of the forecast are approximately 1.0 million tonnes per annum of ilmenite plus co-products, zircon and rutile over the next three years. Assumptions for product sales prices are based on contract prices as stipulated in marketing agreements with customers, or where contract prices are based on market prices or production is not presently contracted, prices are forecast taking into account independent titanium mineral sands expertise and management expectations. Operating costs are based on approved budget costs for 2017 taking into account the current running costs of the Mine and escalated by 2% per annum thereafter. Capital costs are based on the capital plans and include escalation at 2% per annum.

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

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

Statutory Compliance Statement

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

The Directors confirm that they have:

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

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

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

Share Capital
As at 31 December 2016, Ordinary Shares with a nominal value of €0.001 each accounted for 0.06% and Deferred Shares with a nominal value of €0.059995 each accounted for 99.94% of the total share capital.

The Ordinary Shares of €0.001 rank equally in all respects and carry no special rights. They carry voting and dividend rights. There are no restrictions on the transfer of the Company's shares or voting rights.

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

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

Substantial Interests
As at 28 March 2017, the Company has been notified of the following shareholdings in excess of 3% of the issued ordinary shares of the Company:

	No. of Ordinary Shares	% of Issued Share Capital
African Acquisition Sarl	31,928,480	29.1%
Prudential	21,849,170	19.9%
Majedie Asset Management Limited	10,930,056	10.0%
The Capital Group Companies, Inc.	10,573,393	9.6%
European Investment Bank	7,839,031	7.2%

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

Other than as described in the Directors' Remuneration Report on pages 62 to 83, there are no agreements between the Company and its Directors or employees providing for pre-determined compensation for loss of office or employment that would occur in the event of a bid for the Company, save that certain executives, not being directors, have service contracts that either provide for extended notice periods or fixed payments on termination following a change in control of the Company.

Accounting Records
The Directors have employed appropriately qualified accounting personnel and have maintained appropriate accounting systems to ensure that proper accounting records are kept in accordance with Section 281 to 285 of the Companies Act, 2014. The books of account are kept at the Company's office at Chatham House, Chatham Street, Dublin 2, Ireland.

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

Subsidiary Undertakings
The subsidiary undertakings of the Company at 31 December 2016 are outlined in Note 16 to the financial statements. Each of the subsidiary undertakings Kenmare Moma Mining (Mauritius) Limited, Kenmare Moma Processing (Mauritius) Limited and Mozambique Minerals Limited operate branches in Mozambique.

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

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

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

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

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

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

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

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

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

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

Secondary Listing
Kenmare Resources plc has a premium listing on the Main Market of the London Stock Exchange. Kenmare Resources plc has a secondary listing on the Irish Stock Exchange. For this reason, the Company is not subject to the same ongoing listing requirements as those which would apply to an Irish company with a primary listing on the Irish Stock Exchange including the requirement that certain transactions require the approval of shareholders. For further information, shareholders should consult their own financial adviser. The Company is subject to the Listing Rules of the UK Listing Authority.

Corporate Governance
The annual Corporate Governance Report on pages 51 to 85 forms part of the Directors' Report and is incorporated by reference.

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

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

Environmental and Employee Matters
Information in relation to environmental and employee matters on pages 22 to 29 forms part of the Directors' Report and is incorporated by reference.

Events since the Financial Year End
There have been no significant events since 31 December 2016 which would have a significant impact on the financial statements of the Group.

Disclosure of Information to Statutory Auditors
In accordance with the provisions of section 330 of the Companies Act 2014, each of the persons who are Directors of the Company at the date of approval of this report confirms that:

> so far as the Director is aware, there is no relevant audit information (as defined in the Companies Act 2014) of which the statutory Auditor is unaware; and

> the Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information (as defined) and to ensure that the statutory Auditor is aware of such information.

Auditors
The Auditors, Deloitte, Chartered Accountants and Statutory Audit Firm, continue in office in accordance with Section 383(2) of the Companies Act 2014.

On behalf of the Board:

M. Carvill Director **T. McCluskey** Director
30 March 2017

Directors' Responsibilities Statement

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

Irish company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that period. Under that law the Directors are required to prepare Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Parent Company financial statements under IFRSs as adopted by the European Union as applied, in accordance with the Companies Acts 2014. In preparing the financial statements, the Directors are required to:

> select suitable accounting policies and apply them consistently;

> make judgements and estimates that are reasonable and prudent;

> state that the financial statements comply with IFRSs as adopted by the European Union;

> present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

> provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and

> prepare financial statements on a going concern basis unless it is inappropriate to presume the Company and Group will continue in business.

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

The Directors are responsible for keeping adequate accounting records which correctly explain and record the transactions of the Company, enable at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy and to enable them to ensure that the financial statements are prepared in accordance with IFRSs as adopted by the European Union and comply with the Companies Acts 2014 and as regards the consolidated financial statements, Article 4 of the IAS Regulation and enable the financial statements to be audited.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

Responsibility Statement
Each of the Directors whose names and functions appear on pages 52 and 53 of the Annual Report confirms to the best of such person's knowledge and belief:

> the consolidated financial statements for the financial year ended 31 December 2016, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position of the Group and the undertakings included in the consolidation taken as a whole, as at that date and its loss for the financial year then ended;

> the Company financial statements for the financial year ended 31 December 2016, prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2014, give a true and fair view of the assets, liabilities, financial position of the Company;

> the Business and Strategy Review and Principal Risks and Uncertainties, which are incorporated into the Directors' Report, include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and

> the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

On behalf of the Board:

M. Carvill Director **T. McCluskey** Director
30 March 2017

Independent Auditors' Report

Deloitte.

To the Members of Kenmare Resources Plc

Opinion on financial statements of Kenmare Resources plc
In our opinion, the financial statements:

> give a true and fair view of the assets, liabilities and financial position of the Group and the Company as at 31 December 2016 and of the Group's loss for the financial year then ended; and

> have been properly prepared in accordance with the relevant financial reporting framework and in particular, with the requirements of the Companies Act 2014 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise:

> the Consolidated Statement of Financial Position;

> the Consolidated Statement of Comprehensive Income;

> the Consolidated Statement of Changes in Equity;

> the Consolidated Statement of Cash Flows;

> the Parent Company Statement of Financial Position;

> the Parent Company Statement of Changes in Equity;

> the Parent Company Statement of Cash Flows; and

> the related notes 1 to 37.

The relevant financial reporting framework that has been applied in the preparation of the Group and parent company financial statements is Irish law and International Financial Reporting Standards (IFRS) as adopted by the European Union (IFRSs as adopted by the EU), and in the case of the parent company financial statements IFRSs as applied in accordance with the Companies Act 2014.

Deloitte.

Emphasis of matter – Recoverability of assets of the Group
Without modifying our opinion on the financial statements, we have considered the adequacy of the disclosures made in notes 13 and 16 of the financial statements concerning the recoverability of property, plant and equipment of US$793.9 million included in the Consolidated Statement of Financial Position and investments in and amounts due from subsidiary undertakings of US$774.8 million in the Parent Company's Statement of Financial Position all of which are dependent on the successful operation of the Mine and the realisation of the cash flow forecast assumptions as set out in note 13. The financial statements do not include any adjustments relating to the uncertainties concerning the realisation of assets as the ultimate outcome cannot at present be determined.

Summary of our audit approach

Key risks	The key risks that we identified in the current year related to: > the carrying value of property, plant and equipment assets; > the going concern assumption; and > accounting and disclosure in relation to the capital restructuring programme.
Materiality	The materiality that we used in the current year was US$13 million which is less than 2% of equity.
Scoping	The Group audit scope included full audits of the parent company and two principal subsidiary undertakings.

Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group
As required by the Listing Rules we have reviewed the directors' statement contained within the Directors' Report on page 103 that the Group is a going concern.

We have nothing material to add or draw attention to in relation to:

> the directors' confirmation on page 44 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;

> the disclosures on pages 44 to 49 that describe those risks and explain how they are being managed or mitigated;

> the directors' statement in note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and

> the directors' explanation on page 103 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

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

Risk of material misstatement	Our audit response to the risk
Carrying value of property, plant and equipment assets The carrying value of the Group's property, plant and equipment assets as at 31 December 2016 is US$793.9 million, which represents approximately 86% of the Group's total assets at year end. There is a risk that the net present value of future cash flows within the Cash Generating Unit (CGU) will not be sufficient to recover the Group's carrying value of property, plant and equipment assets, leading to an impairment charge that has not been recognised in the financial statements. Management's impairment assessment involves significant judgement in relation to the assumptions used in their impairment model. Key assumptions used in the model include the useful life of mine, future sales prices, cost of production and sustaining capital expenditure and the discount rate. *Refer also to page 58 (Audit Committee Report), page 126 (Property, plant and equipment accounting policy), page 129 (Critical accounting estimates and judgements), and note 13 to the financial statements.*	The Group audit team, which included valuation specialists, obtained an understanding of the Group's impairment review methodology and we challenged the underlying key assumptions. Our work included the following procedures: > agreement of proved and probable reserves to a competent expert's report; > reviewed mine extraction and operating licences to evaluate the Group is operating within the licence terms; > benchmarked sales price assumptions against contracted prices and available market data; > reviewed estimated future operating and sustaining capital costs by agreement to approved budgets and assessed reasonableness by review of historic costs incurred; and > recalculation and benchmarking of discount rate applied with involvement of valuation specialists. We evaluated management's sensitivity analysis and performed our own sensitivity analysis on the key assumption to assess whether a reasonably possible change in the discount rate would result in the carrying value of assets within the CGU exceeding the recoverable amount, resulting in impairment. We assessed whether the disclosures in relation to property, plant and equipment assets were appropriate and met the requirements of the relevant accounting standards.
Going concern During 2016, the Group successfully completed a capital restructuring programme which resulted in a reduction of debt to US$100 million and net proceeds from a share issue, after the repayment of debt of US$75 million. The Group continues to operate in an environment where sales prices are volatile, which has resulted in operating losses of US$25.4 million in 2016. As part of our assessment that the adoption of the going concern basis of accounting by the directors was appropriate, we assessed the risks in relation to the Group's cash flow projections. We identified the risk that continued sales price volatility could result in the Group not generating sufficient cash inflows from operations to enable it to successfully operate and develop the mine into the future, as a key risk. *Refer also to page 59 (Audit Committee Report), pages 44 to 49 (Principal Risks and Uncertainties) and note 1 to the financial statements.*	We reviewed management's process for assessing future demand for the Group's products, related revenue, including pricing, operating costs and cash flows included in their cash flow projections. We challenged assumptions used in determining future demand volumes, product pricing, operating costs including capital expenditure, and financing costs. We benchmarked sales price assumptions used against contracted prices and external market data. We also carried out a retrospective review of prior cash flow projections to assess management's ability to determine reasonable assumptions for forecasting purposes. We assessed the adequacy of the disclosures in relation to these matters and whether they met the requirements of the relevant accounting standards.

Risk of material misstatement	Our audit response to the risk
Accounting and disclosure in relation to the capital restructuring programme During 2016, the Group completed a capital restructuring programme which included raising funds from the issue of equity to new and existing shareholders and the reduction of debt to US$100 million. The debt reduction was achieved through repayment, debt to equity conversion and debt write off. The Group incurred transaction costs of US$12.5 million in relation to the capital restructuring programme. There is a risk that an incorrect accounting treatment may have been adopted and that insufficient disclosure on the restructuring is included in the financial statements. *Refer also to note 19 and note 23 to the financial statements.*	We obtained an understanding of the capital restructuring transactions by reviewing underlying agreements, board minutes and company resolutions and through discussion with management. We assessed the accounting for the underlying transactions including transaction costs incurred for compliance with accounting standards. We assessed whether the disclosures in relation to capital restructuring transactions were appropriate and met the requirements of the relevant accounting standards.

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

Our application of materiality

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

We determined materiality for the Group to be US$13 million, which is less than 2% of equity. We agreed with the Audit Committee that we would report to them all audit differences in excess of US$650,000 as well as differences below this threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.

An overview of the scope of our audit

The Group audit scope focused on the parent company and two principal subsidiary undertakings operating the mining and processing facilities in Mozambique. These three components account for 100% of the Group's total revenue and 99% of the Group's total assets. The subsidiary undertakings were subject to full scope audits. We determined the materiality level for each component with reference to the size of the entity involved and materiality ranged from US$6.5 million to US$10.4 million.

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

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit.

Opinion on other matters prescribed by the Companies Act 2014

> We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

> In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited.

> The parent Company statement of financial position is in agreement with the accounting records.

> In our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report, in relation to information given in the Corporate Governance Report on pages 51 to 86, that:

> Based on knowledge and understanding of the Company and its environment obtained in the course of our audit, no material misstatements in the information identified above have come to our attention;

> Based on the work undertaken in the course of our audit, in our opinion:

  > The description of the main features of the internal control and risk management systems in relation to the process for preparing the Group Financial Statements, and information relating to voting rights and other matters required by the European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006 and specified by the Companies Act 2014 for our consideration, are consistent with the Financial Statements and have been prepared in accordance with the Companies Act 2014; and

  > The Corporate Governance Report contains the information required by the Companies Act 2014.

Matters on which we are required to report by exception

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

> materially inconsistent with the information in the audited Financial Statements; or

> apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or

> otherwise misleading.

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

Under the Listing Rules of the Irish Stock Exchange, we are required to review the six specified elements of disclosures in the report to shareholders by the board on directors' remuneration. Under the Companies Act 2014, we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made. We have nothing to report arising from our review of these matters.

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

Deloitte.

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Restriction on use
This report is made solely to the Company's members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Kevin Sheehan
For and on behalf of Deloitte
Chartered Accountants and Statutory Audit Firm
Dublin

30 March 2017

Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	2016 US$'000	2015 US$'000
Assets			
Non-current assets			
Property, plant and equipment	13	793,875	834,961
Deferred tax asset	14	3,237	1,320
Other receivables	17	278	649
		797,390	836,930
Current assets			
Inventories	15	47,747	46,228
Trade and other receivables	17	23,558	20,268
Cash and cash equivalents	18	57,786	14,352
		129,091	80,848
Total assets		**926,481**	**917,778**
Equity			
Capital and reserves attributable to the Company's equity holders			
Called-up share capital	19	215,046	214,941
Share premium	20	730,897	431,380
Retained losses	21	(203,424)	(175,651)
Other reserves	22	33,247	32,804
Total equity		775,766	503,474
Liabilities			
Non-current liabilities			
Bank loans	23	100,000	–
Obligations under finance lease	24	–	264
Provisions	25	15,855	22,100
		115,855	22,364
Current liabilities			
Bank loans	23	2,618	341,943
Obligations under finance lease	24	264	479
Provisions	25	1,720	1,714
Other financial liabilities	26	4	22
Trade and other payables	27	30,254	47,782
		34,860	391,940
Total liabilities		150,715	414,304
Total equity and liabilities		**926,481**	**917,778**

The accompanying notes form part of these financial statements.

On behalf of the Board:

M. Carvill Director **T. McCluskey** Director
30 March 2017

Consolidated Statement of Comprehensive Income

For the Financial Year Ended 31 December 2016

	Notes	2016 US$'000	2015 US$'000
Revenue	2	141,491	142,583
Cost of sales	4	(144,014)	(168,138)
Gross loss		(2,523)	(25,555)
Other operating costs	5	(22,835)	(21,780)
Operating loss		(25,358)	(47,335)
Finance income	8	94	543
Finance costs	9	(27,960)	(37,805)
Gain on extinguishment of debt	6	38,255	–
Foreign exchange (loss)/gain		(2,175)	22,658
Loss before tax		(17,144)	(61,939)
Income tax credit	10	1,917	1,320
Loss for the financial year and total comprehensive income for the financial year		(15,227)	(60,619)
Attributable to equity holders		(15,227)	(60,619)
		US$ per share	**US$ per share**
Loss per share: Basic	11	(0.28)	(4.36)
Loss per share: Diluted	11	(0.28)	(4.36)

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes In Equity

For the Financial Year Ended 31 December 2016

	Called–Up Share Capital US$'000	Share Premium US$'000	Capital Conversion Reserve Fund US$'000	Capital Redemption Reserve Fund US$'000	Retained Losses US$'000	Share Based Payment Reserve US$'000	Total US$'000
Balance at 1 January 2015	225,523	431,380	754	–	(115,032)	22,142	564,767
Loss for the financial year	–	–	–	–	(60,619)	–	(60,619)
Share-based payments	–	–	–	–	–	(674)	(674)
Redemption of deferred shares	(10,582)	–	–	10,582	–	–	–
Balance at 1 January 2016	214,941	431,380	754	10,582	(175,651)	21,468	503,474
Loss for the financial year	–	–	–	–	(15,227)	–	(15,227)
Share-based payments	–	–	–	–	–	443	443
Equitisation of loans and loan fees	16	44,244	–	–	–	–	44,260
Equity issued	89	255,273	–	–	(12,546)	–	242,816
Balance at 31 December 2016	215,046	730,897	754	10,582	(203,424)	21,911	775,766

Capital Conversion Reserve Fund

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

Capital Redemption Reserve Fund

The Deferred Shares of €0.25 were created in 1991 by subdividing each existing Ordinary Share of IR25p into one Deferred Share of IR20p and one new Ordinary Share of IR5p. The Deferred Shares were non-voting, carried no dividend rights, and the Company had the right to purchase any or all of these shares at a price not exceeding €0.01 per share for all the deferred shares so purchased or could execute a transfer of such shares without making any payment to the holders.

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

Retained Losses

Retained losses comprise the cost of the equity issued in July 2016 and accumulated profit and losses in the current and prior financial years.

Share-Based Payment Reserve

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

Consolidated Statement of Cash Flows

For the Financial Year Ended 31 December 2016

	Notes	2016 US$'000	2015 US$'000
Operating activities			
Loss for the financial year before tax		(17,144)	(61,939)
Adjustment for:			
Foreign exchange movement		2,175	(22,658)
Share-based payments	5	443	(674)
Finance income	8	(76)	(45)
Finance costs	9	27,960	37,805
Gain on extinguishment of debt	6	(38,255)	–
Depreciation	13	30,613	35,820
Disposals of property, plant and equipment	13	224	–
Decrease in other financial liabilities	26	(18)	(498)
Increase/(decrease) in provisions	25	113	(742)
Operating cash flow		6,035	(12,931)
(Increase)/decrease in inventories	15	(1,519)	16,224
(Increase)/decrease in trade and other receivables	17	(2,919)	7,222
Decrease in trade and other payables	27	(4,573)	(1,901)
Cash (used in)/from operations		(2,976)	8,614
Interest received	8	76	45
Interest paid	23	(2,775)	(5,700)
Net cash (used in)/from operating activities		(5,675)	2,959
Investing activities			
Additions to property, plant and equipment	13	(6,697)	(5,564)
Net cash used in investing activities		(6,697)	(5,564)
Financing activities			
Proceeds from the issue of shares	19	254,762	–
Cost of the issue of shares	21	(12,546)	–
Repayment of borrowings	23	(179,555)	–
Increase in borrowings	23	–	10,000
Loan fees and expenses	23	(6,699)	(17,330)
Payment of obligations under finance leases	24	(560)	(560)
Net cash from/(used in) financing activities		55,402	(7,890)
Net increase/(decrease) in cash and cash equivalents		43,030	(10,495)
Cash and cash equivalents at the beginning of the financial year		14,352	21,795
Effect of exchange rate changes on cash and cash equivalents		404	3,052
Cash and cash equivalents at the end of the financial year	18	57,786	14,352

Parent Company Statement of Financial Position

As at 31 December 2016

	Notes	2016 US$'000	2015 US$'000
Assets			
Non-current assets			
Investments in and amounts due from subsidiary undertakings	16	774,762	558,541
Current assets			
Trade and other receivables	17	123	173
Cash and cash equivalents	18	52,559	99
		52,682	272
Total assets		827,444	558,813
Equity			
Capital and reserves attributable to the Company's equity holders			
Called-up share capital	19	215,046	214,941
Share premium	20	730,897	431,380
Retained losses	21	(154,916)	(123,596)
Other reserves	22	33,247	32,804
Total equity		824,274	555,529
Current liabilities			
Provisions	25	1,444	1,444
Other financial liabilities	26	4	22
Trade and other payables	27	1,722	1,818
		3,170	3,284
Total liabilities		3,170	3,284
Total equity and liabilities		827,444	558,813

The accompanying notes form part of these financial statements.

On behalf of the Board:

M. Carvill Director **T. McCluskey** Director

30 March 2017

Parent Company Statement of Changes in Equity

For the Financial Year Ended 31 December 2016

	Called-Up Share Capital US$'000	Share Premium US$'000	Capital Conversion Reserve Fund US$'000	Capital Redemption Reserve Fund US$'000	Retained Losses US$'000	Share Based Payments Reserve US$'000	Total US$'000
Balance at 1 January 2015	225,523	431,380	754	–	(60,277)	22,142	619,522
Loss for the financial year	–	–	–	–	(63,319)	–	(63,319)
Share based payments	–	–	–	–	–	(674)	(674)
Redemption of deferred shares	(10,582)	–	–	10,582	–	–	–
Balance at 1 January 2016	214,941	431,380	754	10,582	(123,596)	21,468	555,529
Loss for the financial year	–	–	–	–	(18,774)	–	(18,774)
Share based payments	–	–	–	–	–	443	443
Equitisation of loans and loan fees	16	44,244	–	–	–	–	44,260
Equity issued	89	255,273	–	–	(12,546)	–	242,816
Balance at 31 December 2016	215,046	730,897	754	10,582	(154,916)	21,911	824,274

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

Capital Redemption Reserve Fund
The Deferred Shares of €0.25 were created in 1991 by subdividing each existing Ordinary Share of IR25p into one Deferred Share of IR20p and one new Ordinary Share of IR5p. The Deferred Shares were non-voting, carried no dividend rights, and the Company had the right to purchase any or all of these shares at a price not exceeding €0.01 per share for all the deferred shares so purchased or could execute a transfer of such shares without making any payment to the holders.

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

Retained Losses
Retained losses comprise the cost of equity issued in July 2016 and accumulated profit and losses in the current and prior financial years.

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

Parent Company Statement of Cash Flows

For the Financial Year Ended 31 December 2016

	Notes	2016 US$'000	2015 US$'000
Operating activities			
Loss for the financial year before tax	31	(18,774)	(63,319)
Adjustment for:			
Foreign exchange movement		791	(66)
Share-based payments	5	443	580
Finance income	8	(49)	–
Finance cost	23	–	1,441
Gain on extinguishment of debt	6	(38,255)	–
Decrease in other financial liabilities	26	(18)	(498)
Increase in provision for amounts due from subsidiary undertakings	16	53,482	60,619
Decrease in provisions	25	–	(629)
Operating cash flow		(2,380)	(1,872)
Decrease/(increase) in receivables	17	50	(4)
Increase in trade and other payables	27	(96)	(839)
Cash used in operations		(2,426)	(2,715)
Interest received	8	49	–
Interest paid	23	–	(1,458)
Net cash used in operating activities		(2,377)	(4,173)
Investing activities			
Investments in and amounts due from subsidiary undertakings	16	(7,033)	4,044
Net cash (used in)/from investing activities		(7,033)	4,044
Financing activities			
Proceeds from the issue of shares	19	254,762	–
Cost of the issue of shares	21	(12,546)	–
Repayment of borrowings	23	(179,555)	–
Net cash from financing activities		62,661	–
Net increase/(decrease) in cash and cash equivalents		53,251	(129)
Cash and cash equivalents at beginning of the financial year		99	195
Effect of exchange rate changes on cash and cash equivalents		(791)	33
Cash and cash equivalents at the end of the financial year	18	52,559	99

1. Statement of Accounting Policies

Group

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

Adoption of New and Revised Standards

The following new and revised Standards and Interpretations all of which are effective for accounting periods beginning on or after 1 January 2016, have been adopted in the current financial year:

> IFRS 5 (amendment) Non-current Assets Held for Sale and Discontinued Operations;

> IFRS 7 (amendment) Financial Instruments: Disclosures;

> IFRS 10 (amendments) Consolidated Financial Statements;

> IFRS 11 (amendment) Joint Arrangements;

> IFRS 12 (amendment) Disclosure of Interests in Other Entities;

> IAS 1 (amendment) Presentation of Financial Statements;

> IAS 16 (amendments) Property, Plant and Equipment;

> IAS 19 (amendment) Employee Benefits;

> IAS 27 (amendment) Consolidated and Separate Financial Statements;

> IAS 28 (amendments) Investments in Associates;

> IAS 34 (amendment) Interim Financial Reporting;

> IAS 38 (amendment) Intangible Assets;

> IAS 41 (amendment) Agriculture.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective. The Group will apply the relevant standards from their effective dates. The standards are mandatory for future accounting periods but are not yet effective and have not been early adopted by the Group.

> Annual Improvements to IFRS 2014-2016 Cycle (effective for accounting periods on or after 1 January 2018);

> IFRS 2 (amendments) Classification and Measurement of Share-based payment transactions (effective for accounting periods on or after 1 January 2018);

> IFRS 9 Financial Instruments (effective for accounting periods beginning on or after 1 January 2018);

> IFRS 15 Revenue from Contracts with Customers (effective for accounting periods beginning on or after 1 January 2018);

> IFRS 16 Leases (effective for accounting periods beginning on or after 1 January 2019);

> IAS 7 (amendments) Statement of cash flows (effective for accounting periods beginning on or after 1 January 2017);

> IAS 12 (amendments) Income taxes (effective for accounting periods beginning on or after 1 January 2017);

> IAS 40 (amendments) Transfers of Investment Property (effective for accounting periods beginning on or after 1 January 2018);

> IFRIC 22 Foreign Currency Translation and Advance Consideration (effective for accounting periods beginning on or after 1 January 2018).

1. Statement of Accounting Policies (continued)

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

Basis of Preparation
The financial statements have also been prepared in accordance with International Financial Reporting Standards ("IFRSs") adopted by the European Union and therefore the Group financial statements comply with Article 4 of the IAS Regulation. The financial statements have been prepared in accordance with Companies Acts 2014.

Going Concern
The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have or will have adequate resources to continue in operational existence for the foreseeable future. Therefore they continue to adopt the going concern basis of accounting in preparing the financial statements. Further information in relation to the Directors' assessment of going concern is set out in the Directors report on page 103.

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

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

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

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

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

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

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets, less liabilities of the subsidiary. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets and liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement, when applicable, the costs on initial recognition of an investment in an associate or a joint venture.

1. Statement of Accounting Policies (continued)

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

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

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

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

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

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

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

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

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

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

1. Statement of Accounting Policies (continued)

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

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

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

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

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

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

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

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

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

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

1. Statement of Accounting Policies (continued)

Property, Plant and Equipment

The cost of property, plant and equipment comprises any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the estimated closure costs associated with the asset.

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

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

Plant & Equipment	Units of production basis
Development Expenditure	Units of production basis

Other Assets

Buildings & Airstrip	20 years
Mobile Equipment	3 to 5 years
Fixtures & Equipment	3 to 10 years

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

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

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

Development Expenditure

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

Impairment of Non-current Assets

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

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

1. Statement of Accounting Policies (continued)

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

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

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

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

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

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

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

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

The warrants, which are not listed or admitted to trading and which have limited transferability rights, have an exercise price, denominated in a currency not being the Company's or Group's functional currency, of Stg£58.18 and Stg£22.00, and an exercise period of five years commencing 16 November 2014 and seven years commencing 16 November 2014 respectively. As the warrants are not issued in the entity's reporting currency, they do not meet the IAS 32 requirements of settlement in a fixed amount of the value of equity, and therefore are recorded at fair value. As a result, the warrants are re-measured at each reporting date and the increase or decrease in the fair value is recognised as a finance cost or income respectively in the statement of comprehensive income.

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

1. Statement of Accounting Policies (continued)

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

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

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

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

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

Mine Closure Provision
The mine closure provision represents the Directors' best estimate of the Group's liability for close-down, dismantling and restoration of the mining and processing site, but excluding reclamation of areas disturbed by mining activities, which is covered under the mine rehabilitation provision. A corresponding amount equal to the provision is recognised as part of property, plant and equipment and depreciated over its estimated useful life. The costs are estimated on the basis of a formal closure plan and are subject to regular review. The mine closure provision is determined as the net present value based on a risk free rate of such estimated costs. The Group uses rates as provided by the US Treasury and extrapolates it to the duration of the mine life. This is deemed the best estimate to reflect the current market assessment of the time value of money and the risks specific to this liability. Risks specific to the liability are included in the cost estimate. Changes in the estimated timing or costs are recorded by an adjustment to the provision and corresponding adjustment to property, plant and equipment. The unwinding of the discount on the mine closure provision is recognised as a finance cost and capitalised if eligible.

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

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

Executive Director Bonus Provision
Prior to 2014 there was an Annual Bonus Scheme for the Executive Directors in place. The key feature of the scheme was the payment of a bonus earned for target performance which was provided for in full in the relevant financial year with payment of a proportion deferred for three years.

1. Statement of Accounting Policies (continued)

Share-based Payments

The Group issues share options to certain employees and consultants. In the past share options were awarded to Executive Directors but this practice ceased with the introduction of the Kenmare Incentive Plan in 2014. Share options are measured at fair value at the date of grant. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non-market based vesting conditions. Fair value is measured using a Black-Scholes pricing model. Share options granted to employees of subsidiary undertakings of the Company are recognised as an expense in the statement of comprehensive income of the subsidiary undertaking and as a capital contribution in the statement of financial position. Where a share-based payment is directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, its fair value is added to the cost of those assets until such time as the assets are substantially ready for their intended use. The policy described above is applied to all equity-settled share-based payments.

Annual awards under the Kenmare Incentive Plan (the "KIP") have a cash element and a share element. Both the cash element and the share element are based on a number of in-year performance targets. Based on the level of achievement against these targets, the cash element will be paid shortly after the end of the relevant year. The share element will vest, subject to certain vesting conditions, after a further three years with part of the shares subject to a further two year holding period. The value of the shares is measured as fair value at the date of grant, based on the Group's estimate of the shares that will eventually vest, and adjusted for the effect of non-market based vesting conditions. The fair value at the grant date is expensed on a straight-line basis over the vesting period. Fair value is measured using a Monte Carlo pricing model.

Parent Company

The separate financial statements of the Company are presented as required by the Companies Act 2014. The separate financial statements have been prepared in accordance with IFRSs as applied in accordance with the Companies Act 2014.

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

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

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

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Critical Judgements in Applying the Group's Accounting Policies

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

Property, Plant and Equipment

The recovery of property, plant and equipment is dependent upon the successful operation of the Mine; the realisation of cash flow forecast assumptions as set out in Note 13 would result in the recovery of such amounts.

During the financial year the Group carried out an impairment review of property, plant and equipment. The cash generating unit for the purpose of impairment testing is the Moma Titanium Minerals Mine. The basis on which the recoverable amount of the Moma Titanium Minerals Mine is assessed is its value-in-use. The cash flow forecast employed for the value-in-use computation is from a life-of-mine financial model. The recoverable amount obtained from the financial model represents the present value of the future pre-tax, pre-finance cash flows discounted at 11%.

1. Statement of Accounting Policies (continued)

Key assumptions include the following:

> The discount rate is based on the Group's weighted average cost of capital. This rate is a best estimate of the current market assessment of the time value of money and the risks specific to the Mine, taking into consideration country risk, currency risk and price risk. The discount rate has increased to 11% from 10% in the prior year review. The increase is a result of changes to the assumptions used in the calculation of the cost of equity and debt. The country risk premium has increased during 2016 as a result of a downgrading of the Mozambique Government's credit rating. Based on the Group's experience of operating in Mozambique, the Board believe that it is inappropriate to apply the country risk premium in its entirety due to specific characteristics of the Mine. As a result a reduced country risk premium is used in the calculation of the weighted average cost of capital.

  Using a discount rate of 11%, the recoverable amount is greater than the carrying amount by US$133.0 million. The discount rate is a significant factor in determining the recoverable amount. A 1% increase in the discount rate to 12% which management believes could be a reasonably possible change in this assumption, would result in the recoverable amount being greater than the carrying amount by US$47.5 million. A 1% increase in the discount rate in the prior year to 11% would have resulted in an impairment charge of US$19.3 million. The improvement in the recoverable amount from the prior year is a result of increased forecast pricing and reduced operating and sustaining capital costs for the life of mine.

> A mine plan is based on the Namalope and Nataka proved and probable reserves which runs to 2056. The life of mine assumption has not changed from the prior year end review.

> Average annual production is approximately 0.9 million tonnes (2015: 1.0 million tonnes) of ilmenite plus co-products zircon and rutile over the life of the mine. This mine plan does not include investment in additional mining capacity. Minimum stock quantities are forecast to be maintained at period ends. The average annual production has decreased slightly from the prior year but this change does not have a significant effect on the recoverable amount of the assets.

> Product sales prices are based on contract prices as stipulated in marketing agreements with customers, or where contracts are based on market prices or production is not presently contracted, prices are forecast by the Group taking into account independent titanium mineral sands expertise and management expectations including general inflation of 2% per annum. Average forecast product sales prices have increased slightly over the life of mine from the prior year end review. Management do not believe that reducing forecast sales prices would be a reasonable change given the upturn in the market and therefore a sensitivity to this assumption has not been applied which would give rise to a reduction in the recoverable amount.

> Operating costs are based on approved budget costs for 2017 taking into account the current running costs of the Mine and escalated by 2% per annum thereafter. Average forecast operating costs have decreased from the prior year end review as a result of reduced operating costs achieved in 2016, which formed the basis for the 2017 budget and life of mine forecast thereafter. The forecast takes into account reasonable cost increases and therefore a sensitivity to this assumption has not been applied which would give rise to a reduction in the recoverable amount.

> Sustaining capital costs are based on a life of mine capital plan considering inflation at 2% per annum from 2017. Average forecast sustaining capital costs have decreased from the prior year end review as a result of a revision to the sustaining capital required to maintain the existing plant over the life of mine. The forecast takes into account reasonable cost increases and therefore a sensitivity to this assumption has not been applied which would give rise to a reduction in the recoverable amount.

Investments in and Amounts Due from Subsidiary Undertakings

The recovery of investments in and amounts due from subsidiary undertakings is dependent upon the successful operation of the Mine; the realisation of cash flow forecast assumptions as set out in Note 13 would result in the recovery of such amounts.

The Directors are satisfied that, at the statement of financial position date, the recoverable amount of investments in and amounts due from subsidiary undertakings exceeds its carrying amount and that, based on planned mine production levels, the Mine will achieve positive cash flows. An impairment loss of US$53.5 million (2015: US$60.6 million) has been recognised in the Company's statement of comprehensive income, in respect of investments in and amounts due from subsidiary undertakings.

1. Statement of Accounting Policies (continued)

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

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

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

> a discount rate of 3.3% (2015: 3%);

> an inflation rate of 2% (2015: 2%);

> an estimated life of mine based on approximately 40 years (2015: 24 years); and

> an estimated closure cost of US$21.7 million (2015: US$20.4 million) and an estimated post-closure monitoring provision of US$1.7 million (2015: US$1.9 million).

The discount rate is a significant factor in determining the mine closure provision. The Group uses rates as provided by the US Treasury. 30-year US Treasury yields are the longest period for which yields are quoted. A 40 year rate to align with the estimated life of mine has been calculated by taking the average increase in yield from 10 to 20 years and from 20 to 30 years and adding this to the 30 year treasury to arrive at an estimated extrapolated rate for 40 years. This discount rate is deemed to provide the best estimate to reflect current market assessment of the time value of the money and the risks specific to the liability. A 1% increase in the estimated discount rate results in the mine closure provision decreasing to US$8.7 million. A 1% decrease in the estimated discount rate results in the mine closure provision increasing to US$19.7 million.

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

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

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

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

Share-based Payments
The Group issues share options to certain employees and consultants. In the past share options were awarded to Executive Directors but this practice ceased with the introduction of the Kenmare Incentive Plan in 2014. Share options are measured at fair value at the date of grant. Fair value is measured using a Black-Scholes pricing model. Assumptions included in this model include: expected volatility, as determined by calculating the historical volatility of the Company's share price over the previous year, as this is deemed the most reliable indicator of the Company's share price volatility; a risk-free rate; and expected life of seven years.

1. Statement of Accounting Policies (continued)

The Group has made share awards under the KIP. The value of these shares is measured as fair value at the date of grant. Fair value is measured using a Monte Carlo pricing model. Assumptions made in this model include: expected volatility of the Company's share price, as determined by calculating the historical volatility of the Company's share price over the historic period immediately prior to the date of grant and commensurate with the expected life of the awards; comparator group constituents and indices, their individual volatilities calculated using total shareholder return data for each company over a period commensurate with the expected life of the award; dividend yield; expected life of the awards of three years; risk-free rates; and correlation between comparators.

Deferred Tax
A deferred tax asset has been recognised where previous tax losses can be utilised to reduce taxes on future taxable profits and it is considered probable that a portion of such losses can be applied before expiry. Future taxable profits are based on cash flow projections using a life of mine financial model for the Mine. Key assumptions in the cash flow projections include a mine production schedule based on the Namalope and Nataka proved and probable reserves. Average annual production levels over the life of the mine are approximately 0.9 million tonnes of ilmenite plus co-products, zircon and rutile. Product sales prices are based on contract prices as stipulated in marketing agreements with customers, or where contracts are based on market prices or production is not presently contracted, prices are forecast taking into account independent titanium mineral sands expertise and management expectations including general inflation at 2% per annum. Management do not believe that reducing forecast sales prices would be a reasonable change given the upturn in the market and therefore sensitivity to this assumption has not been applied which would give rise to a reduction in forecast future profits. Operating costs are based on approved budget costs for 2017 and escalated by 2% per annum thereafter and capital costs are based on a life of mine capital plan considering inflation at 2% per annum. The forecast takes into account reasonable cost increases and therefore sensitivities to these assumptions have not been applied which would give rise to a reduction in forecast future profits. The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced if and to the extent that it is no longer probable that sufficient taxable profit will be available to allow the asset to be recovered.

Financial Liability
On 16 October 2013, 1,251,500 (pre-share consolidation: 250,300,000) new ordinary shares were issued by way of a placing. In addition to ordinary shares, participants in the placing were issued warrants on the basis of one warrant to subscribe for one ordinary share in the Company for every five placing shares. In total 250,300 (pre-share consolidation: 50,060,000) warrants were issued. The warrants, which are not listed or admitted to trading and which have limited transferability rights, have an exercise price of Stg58.18 (pre-share consolidation: Stg29.09p) and an exercise period of five years, commencing 16 November 2014.

On 1 September 2014, the Company issued 36,289 (pre-share consolidation: 7,257,850) warrants to Absa Bank Limited ("Absa") in discharge of the US$800,000 extension fee due to Absa as part of a loan amendment. These warrants have an exercise price of Stg£22.00 (pre-share consolidation: Stg11p), an exercise period of seven years from 16 November 2014 and are otherwise on substantially the same terms as the warrants detailed above.

The warrants are measured at fair value at the statement of financial position date. Fair value is measured using a Black-Scholes pricing model. Assumptions included in this model include: expected volatility, as determined by calculating the historical volatility of the Company's share price over the previous year, this being deemed the most reliable indicator of the Company's share price volatility; a risk-free rate; and an expected life of six to seven years.

Inventories
Product inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour costs and overheads, including depreciation incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs necessary to make the sale. Net realisable value is determined with respect to forecast prices estimated to be achieved for finished products. There is no guarantee that these prices will be achieved in the future, particularly in weak product markets.

2. Revenue

	2016 US$'000	2015 US$'000
Sale of mineral products	141,491	142,583

During the financial year, the Group sold 1,024,200 tonnes (2015: 800,400 tonnes) of finished products ilmenite, rutile and zircon to customers at a sales value of US$141.5 million (2015: US$142.6 million).

3. Segment Reporting

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

Segment Revenues and Results

	2016 US$'000	2015 US$'000
Moma Titanium Minerals Mine		
Revenue	141,491	142,583
Cost of sales	(144,014)	(168,138)
Gross loss	(2,523)	(25,555)
Other operating costs	(20,051)	(20,529)
Segment operating loss	(22,574)	(46,084)
Other corporate operating costs	(2,784)	(1,251)
Group operating loss	(25,358)	(47,335)
Finance income	94	543
Finance expenses	(27,960)	(37,805)
Gain on extinguishment of debt	38,255	–
Foreign exchange (loss)/gain	(2,175)	22,658
Loss before tax	(17,144)	(61,939)
Income tax credit	1,917	1,320
Loss for the financial year	(15,227)	(60,619)

3. Segment Reporting (continued)

	2016 US$'000	2015 US$'000
Segment assets		
Moma Titanium Minerals Mine assets	868,400	905,795
Corporate assets	58,081	11,983
Total assets	926,481	917,778
Segment liabilities		
Moma Titanium Minerals Mine liabilities	146,070	409,500
Corporate liabilities	4,645	4,804
Total liabilities	150,715	414,304
Other segment information		
Depreciation and amortisation		
Moma Titanium Minerals Mine	30,610	35,805
Corporate	3	15
Total	30,613	35,820
Additions to non-current assets		
Moma Titanium Minerals Mine	6,697	5,564
Corporate	–	–
Total	6,697	5,564

Revenue from Major Products

	2016 US$'000	2015 US$'000
Mineral products (ilmenite, zircon and rutile)	141,491	142,583

Geographical Information

	2016 US$'000	2015 US$'000
Revenue from external customers		
Europe	36,502	49,653
Asia	69,164	43,691
North America	35,825	40,230
Rest of World	–	9,009
Total	141,491	142,583

The Group's revenue from external customers is generated by the Moma Titanium Minerals Mine, the non-current assets of which are US$797.4 million (2015: US$836.9 million).

Cost of sales for the financial year amounted to US$144.0 million (2015: US$168.1 million), including depreciation and amortisation of US$25.3 million (2015: US$30.8 million).

3. Segment Reporting (continued)

Information about Major Customers

Included in revenues are US$35.8 million (2015: US$39.9 million) from sales to the Group's largest customer, US$20.5 million (2015: US$23.2 million) from sales to the Group's second largest customer, US$18.3 million (2015: US$20.5 million) from sales to the Group's third largest customer and US$17.5 million from sales to the Group's fourth largest customer. All revenues are generated by the Moma Titanium Minerals Mine.

4. Cost of Sales

	2016 US$'000	2015 US$'000
Opening stock of mineral products	27,643	42,312
Production costs	121,684	122,651
Depreciation	25,318	30,818
Closing stock of mineral products	(30,631)	(27,643)
Total	144,014	168,138

Mineral products consist of finished products, intermediate magnetic concentrate and heavy mineral concentrate as detailed in Note 15. There was a lower depreciation and amortisation charge as a result of the increased operating life of mine. Mineral stock value increased by US$3.0 million (2015: US$1.3 million increase). The net realisable value allowance in 2015 of US$16.0 million resulted from forecast declining product prices. As prices have increased during the year and to date in 2017 and as a result of lower unit costs achieved in 2016, no net realisable allowance is required at end of 2016. Included as an offset to cost of sales in 2015 was a business interruption insurance receivable of US$2.0 million for production losses due to flood damage to the EdM power transmission line in the first quarter of 2015.

5. Other Operating Costs

	2016 US$'000	2015 US$'000
Distribution costs	11,287	12,504
Freight and demurrage costs	5,410	3,856
Administration costs	2,893	1,449
Arbitration costs	3,245	3,971
Total	22,835	21,780
Included in administration costs are:		
Share-based payments	473	580

Distribution costs of US$11.3 million (2015: US$12.5 million) represent the cost of running the Mine's finished product storage, jetty and marine fleet. Included in distribution costs is depreciation of US$5.3 million (2015: US$5.0 million). Freight costs of US$5.4 million (2015: US$3.7 million) are reimbursable by customers or factored into the sales price for product delivered to customers on a CIF or CFR basis. Demurrage costs were US$0.01 million (2015: US$0.1 million) during the financial year. Administration costs of US$2.9 million (2015: US$1.4 million) are the group administration costs and include a share-based payment of US$0.5 million (2015: US$0.5 million). There were arbitration costs incurred in the financial year of US$3.2 million (2015: US$4.0 million).

Total share-based payments for 2016 amounted to US$0.44 million (2015: US$0.7 million credit), of which a US$0.03 million credit (2015: US$1.2 million credit) relates to staff at the Mine as a result of share options lapsing in the financial year and is included as an offset to production cost of inventories, and an expense of US$0.47 million (2015: US$0.5 million) is included in administration costs in the statement of comprehensive income.

6. Loss for the Financial Year

The loss for the financial year has been arrived at after charging/(crediting) items detailed below. Depreciation and amortisation and staff costs noted below have been included in cost of sales for the financial year or inventory at 31 December 2016.

	2016 US$'000	2015 US$'000
Staff costs	34,766	43,609
Repairs and maintenance	29,360	24,687
Power and fuel	22,390	23,969
Other operating costs	52,708	47,134
(Increase)/decrease in value of mineral products inventory	(2,988)	14,699
Depreciation and amortisation of property, plant and equipment	30,613	35,820
Finance income	(94)	(543)
Finance costs	27,960	37,805
Gain on the extinguishment of debt	(38,255)	–
Foreign exchange loss/(gain)	2,175	(22,658)
Total	158,635	204,522

The extinguishment of debt resulted in a gain which was recognised in the statement of comprehensive income of US$38.2 million being the write of debt of US$68.6 million, the amortisation of fees and expenses of US$29.8 million and the US$0.6 million of shares issued to Absa in settlement of an outstanding fee.

7. Auditors' Remuneration

The analysis of the auditors' remuneration is as follows:

	2016 US$'000	2015 US$'000
Company		
Audit of the Company's financial statements	15	15
Other assurance services	-	-
Tax advisory services	5	5
Other non-audit services	-	-
Total	20	20
Group		
Audit of the Group's financial statements	94	60
Other assurance services	27	33
Tax advisory services	-	-
Other non-audit services	324	119
Total	445	212
Total fees	465	232

The Company's auditors are Deloitte. The Project Companies' auditors are KPMG and during the year fees payable to them amounted to US$0.1 million (2015: US$0.1 million). Details of the Company's policy on the use of auditors for non-audit services, the reasons why the Company auditor was used rather than another supplier and how the auditors' independence and objectivity was safeguarded are set out in the Audit Committee Report on pages 58 to 61.

8. Finance Income

	2016 US$'000	2015 US$'000
Interest on bank deposits	76	45
Change in fair value of warrants	18	498
Total	94	543

Finance income of the Company consisted of US$0.05 million (2015: nil) of interest on bank deposits.

9. Finance Costs

	2016 US$'000	2015 US$'000
Interest on bank borrowings	23,888	32,705
Other financing fees	3,486	4,379
Finance lease interest	81	145
Mine closure provision unwinding of the discount	505	576
Total	27,960	37,805

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

10. Income Tax Expense

	2016 US$'000	2015 US$'000
Corporation tax	–	–
Deferred tax	1,917	1,320
Total	1,917	1,320
Reconciliation of effective tax rate		
Loss before tax	(17,144)	(61,939)
Loss before tax multiplied by the applicable tax rate (12.5%)	(2,143)	(7,742)
Differences in effective tax rates on overseas earnings	2,143	7,742
Applied losses	–	–
Recognition of deferred tax asset	1,917	1,320
Total	1,917	1,320

10. Income Tax Expense (continued)

Group
No charge to corporation tax arises in the financial years ended 31 December 2016 and 31 December 2015 as there were no taxable profits in either financial year.

At the statement of financial position date Kenmare Moma Mining (Mauritius) Limited had unused tax losses of US$18.5 million (2015: US$7.5 million) available for offset against future profits. A deferred tax asset of US$1.9 million (2015: US$1.3 million) has been recognised for losses available for offset against future profits. Based on the forecast at the year end for Kenmare Moma Mining (Mauritius) Limited these profits are expected to materialise within the next three years.

The fiscal regime applicable to the mining activities of Kenmare Moma Mining (Mauritius) Limited allows for a 50% reduction in the corporate tax in the initial ten year period of production following start-up (2007) and charges a royalty of 3% based on heavy mineral concentrate sold to Kenmare Moma Processing (Mauritius) Limited. The royalty charge payable to the Government of Mozambique for the financial year ended 31 December 2016 was US$2.5 million (2015: US$2.6 million). Under the fiscal regime applicable to mining activities, Kenmare Moma Mining (Mauritius) Limited is exempted from import and export taxes and VAT on imports, and accelerated depreciation is permitted. Whilst withholding tax is levied on certain payments to non-residents, mining companies are exempt from withholding tax on dividends for the first ten years or until their investment is recovered whichever is earlier. The withholding tax charge payable to the Government of Mozambique for the financial year ended 31 December 2016 was US$0.7 million (2015: US$0.4 million).

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

Kenmare Moma Processing (Mauritius) Limited has Industrial Free Zone (“IFZ”) status. As an IFZ company, it is exempted from import and export taxes, VAT and other corporation taxes. A revenue tax of 1% is charged after six years of operation, which became payable in 2013. The revenue tax payable to the Government of Mozambique for the financial year ended 31 December 2016 was US$1.4 million (2015: US$1.4 million). There is no dividend withholding tax under the IFZ regime.

Company
No charge to taxation arises in the financial years ended 31 December 2016 or 31 December 2015 as there were no taxable profits in either financial year.

At the statement of financial position date, the Parent Company has unused tax losses. Due to the uncertainty over the existence of future taxable profits, a deferred tax asset of US$2.9 million at 31 December 2016 (2015: US$2.0 million) calculated at a rate of 12.5% for tax losses has not been recognised in the statement of financial position.

11. Loss Per Share

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

	2016 US$'000	2015 US$'000
Loss for the financial year attributable to equity holders of the parent	(15,227)	(60,619)

	2016 Number of shares	2015 Number of shares
Weighted average number of issued ordinary shares for the purpose of basic loss per share	55,253,893	13,909,528
Effect of dilutive potential ordinary shares:		
Shares, share options and warrants	–	–
Weighted average number of ordinary shares for the purposes of diluted loss per share	55,253,893	13,909,528

	US$ per share	US$ per share
Loss per share: basic	(0.28)	(4.36)
Loss per share: diluted	(0.28)	(4.36)

In 2016, the basic loss per share and the diluted loss per share are the same as the effect of the outstanding share options, share awards and warrants are anti-dilutive.

On 26 July 2016, there was a capital reorganisation which resulted in a 1 for 200 consolidation of the existing ordinary shares whereby the ordinary shares and the new ordinary shares have a nominal value of €0.001 each. 2,781,905,503 deferred shares of €0.059995 each were created by subdividing each existing ordinary share of €0.06 into one deferred share of €0.059995 and one new ordinary share of €0.001.
On 26 July 2016, 81,368,822 new ordinary shares of €0.001 were issued by way of a placing and open offer which raised US$254.8 million. On the 28 July 2016, 14,323,202 new ordinary shares were issued to lenders to discharge debt and fees.

12. Employee Numbers and Benefits

The average number of persons employed by the Group (including Executive Directors) in 2016 was 1,344 (2015: 1,441) and is analysed below:

	2016	2015
Management and administration	311	398
Operations	1,033	1,043
	1,344	1,441

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

	2016 US$'000	2015 US$'000
Wages and salaries	32,303	41,817
Share-based payments	443	(674)
Social insurance costs	1,653	2,156
Retirement benefit costs	367	310
	34,766	43,609

All costs disclosed above were expensed in the current and prior financial years.

Included in wages and salaries are payroll taxes of US$5.9 million (2015: US$7.1 million) payable to the Government of Mozambique, US$1.5 million (2015: US$1.6 million) payable to Irish Revenue and US$0.2 million (2015: US$0.1 million) payable to Her Majesty's Revenue & Customs of the UK.

Included in the social insurance costs is US$1.1 million (2015: US$1.6 million) payable to the Government of Mozambique, US$0.5 million (2015: US$0.5 million) payable to Irish Revenue and US$0.1 million (2015: US$0.1 million) payable to Her Majesty's Revenue & Customs of the UK.

Included in the payroll cost above are Executive and Non-Executive emoluments (inclusive of the share-based payments) of US$3.4 million (2015: US$2.2 million).

13. Property, Plant and Equipment

	Plant & Equipment US$'000	Development Expenditure US$'000	Construction In Progress US$'000	Other Assets US$'000	Total US$'000
Group					
Cost					
At 1 January 2015	776,953	249,984	9,808	52,917	1,089,662
Transfer from construction in progress	9,104	–	(9,875)	771	–
Additions during the financial year	–	–	5,564	–	5,564
At 1 January 2016	786,057	249,984	5,497	53,688	1,095,226
Transfer from construction in progress	5,897	–	(6,776)	879	–
Additions during the financial year	–	–	6,697	–	6,697
Disposals	(263)	–	–	(731)	(994)
Adjustments*	(16,946)	–	–	–	(16,946)
At 31 December 2016	774,745	249,984	5,418	53,836	1,083,983
Accumulated depreciation					
At 1 January 2015	96,745	105,163	–	22,537	224,445
Charge for the financial year	25,609	4,912	–	5,299	35,820
At 1 January 2016	122,354	110,075	–	27,836	260,265
Charge for the financial year	21,372	4,905	–	4,336	30,613
Disposals	(91)	–	–	(679)	(770)
At 31 December 2016	143,635	114,980	–	31,493	290,108
Carrying amount					
At 31 December 2016	631,110	135,004	5,418	22,343	793,875
At 31 December 2015	663,703	139,909	5,497	25,852	834,961

During the financial year the Group carried out an impairment review of property, plant and equipment. The cash generating unit for the purpose of impairment testing is the Moma Titanium Minerals Mine. The basis on which the recoverable amount of the Moma Titanium Minerals Mine is assessed is its value-in-use. The cash flow forecast employed for the value-in-use computation is from a life of mine financial model. The recoverable amount obtained from the financial model represents the present value of the future pre-tax, pre-finance cash flows discounted at 11%.

13. Property, Plant and Equipment (continued)

Key assumptions include the following:

> The discount rate is based on the Group's weighted average cost of capital. This rate is a best estimate of the current market assessment of the time value of money and the risks specific to the Mine, taking into consideration country risk, currency risk and price risk. The discount rate has increased to 11% from 10% in the prior year review. The increase is a result of changes to the assumptions used in the calculation of the cost of equity and debt. The country risk premium has increased during 2016 as a result of a downgrading of the Mozambique Government's credit rating. Based on the Group's experience of operating in Mozambique the Board believe that it is inappropriate to apply the country risk premium in its entirety due to specific characteristics of the Mine. As a result a reduced country risk premium is used in the calculation of the weighted average cost of capital.

Using a discount rate of 11% the recoverable amount is greater than the carrying amount by US$133.0 million. The discount rate is a significant factor in determining the recoverable amount. A 1% increase in the discount rate to 12%, which management believe could be a reasonably possible change in this assumption, would result in the recoverable amount being greater than the carrying amount by US$47.5 million. A 1% increase in the discount rate in the prior year to 11% would have resulted in an impairment charge of US$19.3 million. The improvement in the recoverable amount is a result of increased forecast pricing and reduced operating and sustaining capital costs for the life of mine as noted below.

> A mine plan based on the Namalope and Nataka proved and probable reserves which runs to 2056. The life of mine assumption has not changed from the prior year end review.

> Average annual production is approximately 0.9 million tonnes (2015: 1.0 million tonnes) of ilmenite plus co-products, zircon and rutile over the life of the mine. This mine plan does not include investment in additional mining capacity. Minimum stock quantities are forecast to be maintained at period ends. The average annual production has decreased slightly from the prior year but this change does not have a significant effect on the assets recoverable amount.

> Product sales prices are based on contract prices as stipulated in marketing agreements with customers, or where contracts are based on market prices or production is not presently contracted, prices are forecast by the Company taking into account independent titanium mineral sands expertise and management expectations including general inflation of 2% per annum. Average forecast product sales prices have remained relatively unchanged over the life of mine from the prior year end review. Management do not believe that reducing forecast sales prices would be a reasonable change given the upturn in the market and therefore a sensitivity to this assumption has not been applied which would give rise to a reduction in the recoverable amount.

> Operating costs are based on approved budget costs for 2017 taking into account the current running costs of the Mine and escalated by 2% per annum thereafter. Average forecast operating costs have decreased from the prior year end review as a result of reduced costs in running the mine in 2016 forming the basis for 2017 budget and life of mine forecast thereafter. The forecast takes into account reasonable cost increases and therefore a sensitivity to this assumption has not been applied which would give rise to a reduction in the recoverable amount.

> Sustaining capital costs are based on a life of mine capital plan considering inflation at 2% per annum from 2017. Average forecast sustaining capital costs have decreased from the prior year end review as a result of a revision to the sustaining capital required to maintain the existing plant over the life of mine. The forecast takes into account reasonable cost increases and therefore a sensitivity to this assumption has not been applied which would give rise to a reduction in the recoverable amount.

As a result of the review no impairment provision is required.

Depreciation during the year decreased to US$30.6 million (2015: US$35.8 million) as a result of the increase in life of mine in 2015. The mine plan, based on the Namalope and Nataka proved and probable reserves, runs to 2056.

* Kenmare Resources plc's operating subsidiaries Kenmare Moma Mining (Mauritius) Limited and Kenmare Moma Processing (Mauritius) Limited (together, the "Project Companies") have been engaged in arbitration proceedings initiated by certain members of the Aveng Group (those members, together, "Aveng") in relation to the performance and completion of certain engineering, procurement and construction management contracts entered into in 2010 in connection with the expansion of the mine facilities. Aveng claimed that it was owed certain amounts in respect of unpaid professional fees, plus interest. The Project Companies counterclaimed for compensation for losses resulting from Aveng's contractual breaches substantially in excess of the amounts claimed by Aveng.

13. Property, Plant and Equipment (continued)

The Arbitral Tribunal notified its award on the 23 December 2016. The tribunal determined that, due to Aveng's breaches, the final payment sought by Aveng should be reduced by the maximum amount allowable under the contracts, i.e. ZAR 150 million. The net effect of the Tribunal's finding resulted in the Project Companies making a payment of US$4.9 million (ZAR56 million plus interest accrued of ZAR11 million) in January 2017. There was an adjustment of US$10.1 million to property plant and equipment as a result of the arbitral tribunal award which resulted in a reduction in the amount payable to Aveng and therefore a reduction in the amount previously capitalised.

There was also an adjustment to the mine closure cost of US$6.9 million during the year as result of a change in estimated life of mine increasing from 24 years to 40 years, details of which are set out in Note 25.

The aggregate of the US$10.1 million adjustment to plant and equipment and the US$6.9 million adjustment to the mine closure cost is US$17.0 million.

Included in plant and equipment are capital spares of US$2.1 million (2015: US$2.9 million).

During the year there were disposals of property, plant and equipment of US$0.2 million (2015: nil).

Substantially all the property, plant and equipment of the Group is or will be mortgaged, pledged or otherwise secured to provide collateral for the Group's Senior and Subordinated Loans as detailed in Note 23.

The carrying amount of the Group's plant and equipment includes an amount of US$0.9 million (2015: US$0.7 million) in respect of assets held under finance lease, detailed in Note 24.

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

14. Deferred Tax

	US$'000
Group	
At 1 January 2015	–
Credit to statement of comprehensive income	1,320
At 1 January 2016	1,320
Credit to statement of comprehensive income	1,917
At 31 December 2016	3,237

At the statement of financial position date, Kenmare Moma Mining (Mauritius) Limited had unused tax losses of US$18.5 million (2015: US$7.5 million) available for offset against future profits. A deferred tax asset of US$3.2 million (2015: US$1.3 million) has been recognised for losses which are available for offset against future profits. Tax losses of nil (2015: nil) expired in the financial year. Tax losses may be carried forward for three years. No deferred tax liability is recognised on temporary differences arising in connection with accelerated tax depreciation as the differences are not significant. Revenues of Kenmare Moma Mining (Mauritius) Limited are determined with reference to cost incurred in producing heavy mineral concentrate plus a margin which is related to prices earned by Kenmare Moma Processing (Mauritius) Limited.

15. Inventories

	2016 US$'000	2015 US$'000
Group		
Mineral products	30,631	27,643
Consumable spares	17,116	18,585
	47,747	46,228

At 31 December 2016, total final product stocks were 192,300 tonnes (2015: 237,300 tonnes), of which 60,000 tonnes (2015: 40,000 tonnes) were being held for a customer who has paid for them. The revenue for this stock will be recognised in the statement of comprehensive income when all criteria for recognition as a sale are met, including delivery to the customer's vessel.

Closing stock of intermediate magnetic concentrate at the end of 2016 was 53,800 tonnes (2015: 70,500 tonnes). Closing stock of heavy mineral concentrate was 66,500 tonnes (2015: 11,800 tonnes).

Net realisable value is determined with reference to forecast prices of finished products expected to be achieved. There is no guarantee that these prices will be achieved in the future, particularly in weak product markets. During the financial year there was a write down of US$0.5 million (2015: US$16.0 million) to mineral products to value them at net realisable value.

16. Investments in and Amounts Due from Subsidiary Undertakings

	2016 US$'000	2015 US$'000
Company		
Opening balance	558,541	643,840
Funding/(repayments) during the year	7,033	(4,680)
Novated Project Loans	262,670	–
Novated Company Loans	–	(20,000)
Provision	(53,482)	(60,619)
Closing balance	774,762	558,541

The investments in subsidiary undertakings are US$373.0 million (2015: US$110.3 million). The investment is made up of the novation of the Project Loans of US$262.7 million, the investment during 2013 in Kenmare Resources Jersey Limited as part of the equity placing of US$104.4 million, initial investments of less than US$500 in the other subsidiary undertakings of the Group and share-based payments of US$5.9 million (2015: US$5.9 million) relating to staff of the subsidiary undertakings Kenmare Moma Mining (Mauritius) Limited and Kenmare Moma Processing (Mauritius) Limited.

As part of the loan restructuring detailed in Note 23, US$262.7 million of the Project Loans were novated to Kenmare Resources plc, made up of US$292.5 million of loan balance outstanding less unamortised loan fees and expenses of US$29.8 million. During the financial year there were share-based payments of which US$0.03 million credit (2015: US$1.2 million credit) related to the subsidiary undertakings Kenmare Moma Mining (Mauritius) Limited and Kenmare Moma Processing (Mauritius) Limited.

The balance of US$455.3 million (2015: US$448.2 million) represents funds transferred to subsidiary undertakings. During 2016 there was a net movement of US$7.0 million (2015: US$4.7 million) relating to funding of subsidiary undertakings. An allowance was provided against the amounts due from subsidiary undertakings of US$53.5 million (2015: US$60.6 million) at the financial year end.

The loans due from the subsidiary undertakings Kenmare Moma Mining (Mauritius) Limited and Kenmare Moma Processing (Mauritius) Limited are not repayable on demand as this is a retricted payment which under the Project loan agreements has certain conditions. All other subsidiary undertaking loans are repayable on demand.

16. Investments in and Amounts Due from Subsidiary Undertakings (continued)

Credit Risk

The carrying amount of investments in and amounts due to subsidiary undertakings represents the maximum credit exposure. Amounts due from subsidiary undertakings are current (i.e. not overdue). An impairment provision of US$53.5 million (2015: US$60.6 million) has been recognised in the statement of comprehensive income. The amounts due from subsidiary undertakings are unsecured and interest free.

The subsidiary undertakings of the Company as at 31 December 2016 are as follows:

	Place of Incorporation	Place of Operation	Percentage Ownership
Kenmare (U.K.) Company Limited	Northern Ireland	Northern Ireland	100%
Kenmare Minerals Company Limited	Republic of Ireland	Republic of Ireland	100%
Kenmare C.I. Limited	Jersey	Jersey	100%
Congolone Heavy Minerals Limited	Jersey	Mozambique	100%
Kenmare Resources (Jersey) Limited	Jersey	Jersey	100%
Kenmare Moma Mining (Mauritius) Limited	Mauritius	Mozambique	100%
Kenmare Moma Processing (Mauritius) Limited	Mauritius	Mozambique	100%
Mozambique Minerals Limited	Jersey	Mozambique	100%

Each of the subsidiary undertakings with the exception of Kenmare Resources (Jersey) Limited has issued ordinary shares only. Kenmare Resources (Jersey) Limited has both ordinary and preference shares, all 100% owned by Kenmare Resources plc. The activities of the above undertakings are mining, mineral exploration, management and development.

The registered office of the Northern Ireland company is Terence McCourt Solicitors, 19 Bachelors Walk, Lisburn BT28 1XJ. The registered office of the Republic of Ireland company is Chatham House, Chatham Street, Dublin 2. The registered office of the Jersey companies is Zedra Trust Company (Jersey) Limited, 50 La Colomberie, St. Helier, Jersey JE2 4QB except for Kenmare Resources Jersey Limited whose registered office is Ogier House, The Esplanade, St. Helier, Jersey. The registered office of the Mauritius companies is 10th Floor Standard Chartered Tower, 19 Cybercity, Ebene, Mauritius.

The recovery of amounts due from subsidiary undertakings is dependent on the successful operation of the Moma Titanium Minerals Mine; the realisation of cash flow forecast assumptions as set out in Note 13 would result in the recovery of such amounts.

17. Trade and Other Receivables

	Group		Company	
	2016 US$'000	2015 US$'000	2016 US'000	2015 US$'000
Trade receivables	19,069	17,220	–	–
EdM receivable	650	1,020	–	–
Other receivables	61	193	20	77
Prepayments	4,056	2,484	103	96
	23,836	20,917	123	173
Amounts due within one year	23,558	20,268	123	173
Amounts due after one year	278	649	–	–
	23,836	20,917	123	173

17. Trade and Other Receivables (continued)

EdM Receivable

Kenmare Moma Processing (Mauritius) Limited (Mozambique Branch) and Electricidade de Mocambique ("EdM") amended the power supply agreement in 2013 to cater for the increased power requirement of the Mine as result of the expansion. As part of this amendment EdM agreed to reimburse part of the capital costs incurred to upgrade the power grid to accommodate the increased power requirement. These costs were finalised in 2014 with EdM's share being US$1.4 million. This is repayable in 48 monthly instalments by means of a credit to the electricity bill. During 2016 repayments totalled US$0.4 million (2015: US$0.4 million).

Credit Risk

The carrying amount of the trade and other receivables represents the maximum credit exposure. Before entering into sales contracts with new customers, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed regularly during the year. Of the trade receivables balance at the end of the financial year, US$11.0 million (2015: US$9.8 million) is due from the Group's four largest customers. The external credit scoring system used by the Group gives each of these customers the highest score in their financial strength credit index and their risk indictor represents a minimum risk of business failure.

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

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

Currency Risk

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

	2016 US$'000	2015 US$'000
Group		
US Dollars	20,935	20,231
Mozambican Metical	1,429	165
South African Rand	1,258	217
Euro	174	257
Sterling	30	9
Australian Dollar	10	38
	23,836	20,917

	2016 US$'000	2015 US$'000
Company		
Euro	116	84
Sterling	7	9
US Dollars	–	80
	123	173

Fluctuations in the currencies noted above will impact on the Group's financial results.

18. Cash and Cash Equivalents

	Group		Company	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Immediately available without restriction	53,810	9,658	52,559	99
Contingency Reserve Account	2	2	–	–
Project Companies' Accounts	3,974	4,692	–	–
	57,786	14,352	52,559	99

Cash and cash equivalents comprise cash balances held for the purposes of meeting short-term cash commitments and investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. Where investments are categorised as cash equivalents, the related balances have a maturity of three months or less from the date of investment.

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

Interest Rate Risk

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

	2016 US$'000	2015 US$'000
Cash and cash equivalents at variable interest rate	56,634	13,843
Cash at bank on which no interest is received	1,152	509
	57,786	14,352

18. Cash and Cash Equivalents (continued)

Currency Risk

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

	2016 US$'000	2015 US$'000
Group		
US Dollars	52,187	7,976
Euro	2,699	1,411
Sterling	2,563	4,710
Mozambican Metical	276	214
Renminbi	32	19
Australian Dollars	20	18
South African Rand	9	4
	57,786	14,352

	2016 US$'000	2015 US$'000
Company		
US Dollars	47,304	1
Renminbi	32	19
Euro	2,677	71
Sterling	2,546	8
	52,559	99

Fluctuations in the currencies noted above will impact on the Group's financial results.

Credit Risk

The credit risk on cash and cash equivalents is limited because funds available to the Group are deposited with banks with high credit ratings assigned by international credit rating agencies. For deposits in excess of US$50 million the Group requires that the institution have an A (S&P)/A2 (Moody's) long term rating. For deposits in excess of US$20 million or South African Rand denominated deposits the Group requires that the institution have a BBB+ (S&P)/Baa1 (Moody's) long term rating. US$56.1 million of the bank deposits are with Barclays Bank which has a long-term credit rating of A- (S&P)/A1 Negative (Moody's).

19. Called-up Share Capital

	2016 €'000
Group & Company	
Authorised share capital	
181,000,000 Ordinary Shares of €0.001 each	181
4,000,000,000 Deferred Shares of €0.059995 each	239,980
	240,161

	2016 US$'000
Allotted, called-up and fully paid	
Ordinary Shares	
Opening balance	
2,781,905,503 Ordinary Shares of €0.06 each	214,941
Share consolidation	
13,909,527 Ordinary Shares of €0.001 each	15
2,781,905,503 Deferred Shares of €0.059995 each	214,926
Shares issued	
95,692,024 Ordinary Shares of €0.001 each	105
Closing balance	
109,601,551 Ordinary Shares of €0.001 each	120
2,781,905,503 Deferred Shares of €0.059995 each	214,926
Closing balance	215,046
Total Called-Up Share Capital	215,046

On 26 July 2016, 81,368,822 new ordinary shares of €0.001 were issued by way of a placing and open offer which raised US$254.8 million. US$0.1 million of the issue has been credited to share capital and US$255.3 million has been credited to share premium. The cost of issue of US$12.5 million has been recognised in retained losses.

On 28 July 2016, 6,527,771 new ordinary shares of €0.001 were issued to Absa, EAIF, EIB and FMO, discharging US$20.4 million of debt under their US$40.8 million underwriting commitment. 7,603,860 new ordinary shares of €0.001 each were issued to Absa, EAIF, EIB and FMO discharging US$23.8 million of senior and subordinated loans under the debt reduction equitisation. 191,571 new ordinary shares of €0.001 each were also issued to Absa discharging a loan amendment fee of US$0.6 million. US$0.01 million of the issue has been credited to share capital and US$44.8 million has been credited to share premium.

On 26 July 2016, there was a capital reorganisation which resulted in a 1 for 200 consolidation of the existing ordinary shares whereby the ordinary shares and the new ordinary shares have a nominal value of €0.001 each. 2,781,905,503 deferred shares of €0.059995 each were created as part of the capital restructuring by subdividing each existing ordinary share of €0.06 into one deferred share of €0.059995 and one new ordinary share of €0.001. The deferred shares have no voting rights, dividend rights and, in effect, no rights on a return of capital. The deferred shares may be acquired by the Company for no consideration and cancelled.

19. Called-up Share Capital (continued)

	2015 €'000
Group & Company	
Authorised share capital	
4,000,000,000 Ordinary Shares of €0.06 each	240,000
100,000,000 Deferred Shares of €0.25 each	25,000
	265,000

	2015 US$'000
Allotted, called-up and fully paid	
Ordinary Shares	
Opening & closing balance	
2,781,905,503 Ordinary Shares of €0.06 each	214,941
Deferred Shares	
Opening balance	
48,031,467 Deferred Shares of €0.25 each	10,582
Redemption of deferred shares	(10,582)
Closing balance	–
Total Called-Up Share Capital	214,941

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

The Deferred Shares of €0.25 per share were created in 1991 by subdividing each existing Ordinary Share of IR25p into one Deferred Share of IR20p and one new Ordinary Share of IR5p. The Deferred Shares were non-voting, carried no dividend rights, and the Company had the right to purchase any or all of these shares at a price not exceeding €0.01 per share for all the deferred shares so purchased.

20. Share Premium

	2016 US$'000	2015 US$'000
Group & Company		
Opening balance	431,380	431,380
Shares issued during the year	299,517	–
Closing balance	730,897	431,380

Share premium of US$730.9 million (2015: US$431.4 million) relates to the share premium arising on shares issued. The increase in share premium is a result of the placing and open offer as detailed in Note 19.

21. Retained Losses

	US$'000
Group	
Balance at 1 January 2015	(115,032)
Loss for the financial year attributable to equity holders of the parent	(60,619)
Balance at 1 January 2016	(175,651)
Loss for the financial year attributable to equity holders of the parent	(15,227)
Cost of equity issue	(12,546)
Balance at 31 December 2016	(203,424)

	US$'000
Company	
Balance at 1 January 2015	(60,277)
Loss for the financial year attributable to equity holders of the parent	(63,319)
Balance at 1 January 2016	(123,596)
Loss for the financial year attributable to equity holders of the parent	(18,774)
Cost of equity issue	(12,546)
Balance at 31 December 2016	(154,916)

During the financial year nil (2015: nil) share options were exercised.

22. Other Reserves

	Share Based Payment Reserve US$'000	Capital Conversion Reserve Fund US$'000	Capital Redemption Reserve Fund US$'000	Total US$'000
Group & Company				
Balance at 1 January 2015	22,142	754	–	22,896
Recognition of share-based payments	(674)	–	–	(674)
Redemption of deferred shares	–	–	10,582	10,582
Balance at 1 January 2016	21,468	754	10,582	32,804
Recognition of share-based payments	443	–	–	443
Balance at 31 December 2016	21,911	754	10,582	33,247

The share based payment reserve arises on the grant of share options and shares to certain Directors, employees and consultants under the share option scheme and Kenmare Incentive Plan. Details of share-based payments are given in Note 34.

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

The Deferred Shares of €0.25 per share were created in 1991 by subdividing each existing Ordinary Share of IR25p into one Deferred Share of IR20p and one new Ordinary Share of IR5p. The Deferred Shares were non-voting, carried no dividend rights, and the Company had the right to purchase any or all of these shares at a price not exceeding €0.01 per share for all the deferred shares so purchased.

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

23. Bank Loans

	2016 US$'000	2015 US$'000
Project loans		
Super Senior Loans	–	10,417
Senior Loans	25,857	79,178
Subordinated Loans	76,761	278,216
Total	102,618	367,811
Project Loan fees and expenses	–	(25,868)
Total Project Loans	102,618	341,943
The borrowings are repayable as follows:		
Within one year	2,618	341,943
In the second year	19,048	–
In the third to fifth years inclusive	58,730	–
After five years	22,222	–
	102,618	341,943
Less: amount due for settlement within 12 months	(2,618)	(341,943)
Amount due for settlement after 12 months	100,000	–
Project loans		
Balance at 1 January	367,811	330,055
Loan interest accrued	23,888	31,264
Loan interest paid	(2,775)	(4,242)
Loan drawdown	–	10,000
Project loans novated to Kenmare Resources plc	(292,449)	–
Novated corporate loan	–	20,000
Foreign exchange movement	6,186	(19,266)
Other finance fees	(43)	–
Balance at 31 December	102,618	367,811
Project loan amendment fees		
Balance at 1 January	25,868	11,780
Loan fees and expenses	6,656	17,303
Loan fees and expenses amortised	(2,746)	(3,215)
Project loan fees and expenses novated to Kenmare Resources plc	(29,778)	–
Balance at 31 December	–	25,868
Corporate loan		
Balance at 1 January	–	19,399
Project loans novated to Kenmare Resources plc	292,449	–
Project loan fees and expenses novated to Kenmare Resources plc	(29,778)	–
Cash repayment of loans	(179,555)	–
Equitisation of loans and loan fees	(44,260)	–
Write-off of loans	(68,634)	
Amortisation of loan fees and expenses	29,778	
Loan interest accrued	–	1,441
Loan interest paid	–	(1,458)
Loan arrangement fees amortised	–	618
Novated corporate loan	–	(20,000)
Balance at 31 December	–	–

23. Bank Loans (continued)

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

On 22 June 2016, the Group and the Lenders entered into an Amendment, Repayment and Equitisation Agreement (the "AREA") for purposes of a group capital restructuring and debt equitisation. The Group also entered into Amended Financing Agreements setting out the terms and conditions applicable to the US$100 million residual debt following the debt restructuring. Details of these agreements are set out below.

Amendment, Repayment and Equitisation Agreement
The AREA, amongst other things, set out the Group's and Lenders' respective rights and obligations related to the implementation of the capital restructuring.

The AREA had the effect that the debt balance of US$392.4 million as at 28 July 2016, using agreed exchange rates and without deducting fees and expenses, was repaid as follows: US$179.6 million of the proceeds from the capital raise was used to repay debt; US$20.4 million of shares were issued to Absa, EAIF, EIB and FMO (the "Subscribing Lenders"), discharging that amount of debt under their US$40.8 million underwriting commitment; US$23.8 million of shares were issued to Absa, EAIF, EIB and FMO discharging that amount of senior and subordinated loans under the debt reduction equitisation; and US$68.6 million of debt was written off by the Senior and Subordinated Lenders. In consideration for providing the underwriting, the Subscribing Lenders were paid a fee of 1.75% of their US$40.8 million underwriting commitment. Following completion of the capital restructuring on 28 July 2016, residual Group debt was US$100 million. In addition, US$0.6 million of shares were issued to Absa in settlement of an outstanding fee in the amount of US$0.8 million.

The extinguishment of debt resulted in a gain which was recognised in the statement of comprehensive income of US$38.2 million being the write off of debt of US$68.6 million, the amortisation of fees and expenses of US$29.8 million and the US$0.6 million of shares issued to Absa in settlement of an outstanding fee.

The Group applied a portion of the US$75 million in equity proceeds retained for working capital and expenses of the equity issue towards payment of all accrued and unpaid restructuring fees and expenses and commitment fees of the Super Senior Facilities.

Subject to certain exceptions, Lenders are not permitted to dispose of ordinary shares issued to them for a period of 179 days after 28 July 2016, being 23 January 2017.

Amended Financing Agreements
On 28 July 2016, the debt restructuring was implemented pursuant to which the terms of the residual debt of US$100 million became effective.

The residual debt is in two tranches: US$25.4 million is senior debt and US$74.6 million is subordinated debt.

Senior debt ranks in priority to subordinated debt in repayment, subject to the waterfall provision summarised below, on insolvency of the Group and on enforcement of security.

Voting thresholds are calculated on the basis of aggregate outstanding debt, being the aggregate of outstanding senior debt and outstanding subordinated debt. Decisions are taken by majority Lenders (Lenders whose principal amount of outstanding debt aggregate more than 50.1% of all outstanding debt) or supermajority Lenders (Lenders whose principal amount of outstanding debt aggregate more than 66.7% of all outstanding debt).

23. Bank Loans (continued)

Senior Debt
The final maturity date of the senior debt is 1 February 2022. Interest on the senior debt is payable in cash on each semi-annual payment date (1 February and 1 August). The interest rate on each tranche of senior debt is LIBOR plus a margin of 3.00% from and including 28 July 2016 to and including 31 January 2020, and 3.75% thereafter.

Scheduled repayment of the senior debt and subordinated debt is based on the following repayment schedule, the percentage being applied to total senior and subordinated debt outstanding on 28 July 2016 of US$100 million, in each case subject to the waterfall provisions summarised below:

	Principal amount to be repaid (%)
Payment date	
1 Feb 2018	9.52381
1 Aug 2018	9.52381
1 Feb 2019	9.52381
1 Aug 2019	9.52381
1 Feb 2020	9.52381
1 Aug 2020	9.52381
1 Feb 2021	9.52381
1 Aug 2021	11.11111
1 Feb 2022	22.22222

Each principal instalment is allocated 50% to senior debt until senior debt is fully repaid (provided that once the amount of Absa senior debt is reduced to US$10 million, Absa ceases to participate in the senior debt instalment and thereafter participates in the subordinated instalment) with the balance being applied to subordinated debt. The effect of the sharing provision is that senior debt, other than Absa's senior debt, will be repaid by 1 August 2019 under the agreed amortisation schedule.

In addition to the scheduled instalments of senior debt, prepayments based on 25% of cash available for restricted payments are required under a cash sweep mechanism, commencing 1 February 2018. Until the senior debt has been repaid in full, 50% of the prepayments will be allocated to senior debt (provided that once the amount of Absa senior debt is reduced to US$10 million, Absa ceases to participate in the senior debt prepayments and thereafter participates in the subordinated debt prepayments) with the balance applied to prepayments of subordinated debt. Senior debt prepayments are applied in inverse order of maturity.

Subordinated Debt
The final maturity date of the subordinated debt is 1 February 2022. Interest on the subordinated debt is payable in cash on 1 February and 1 August. The interest rate on subordinated debt is LIBOR plus a margin of 4.75% from and including 28 July 2016 to and including 31 January 2020 and 5.50% thereafter. Subordinated Lenders will receive additional interest allocated pro rata to principal amounts outstanding equal to the difference between (i) interest on the senior loans calculated on the basis of subordinated loan margins and (ii) actual interest on the senior loans. Taken together, the margin on the senior and subordinated loans is thus 4.75% from and including 28 July 2016 to and including 31 January 2020, and 5.50% thereafter.

As mentioned above, scheduled principal instalments on subordinated loans will equal the total principal instalment due on a payment date less the principal instalment on senior loans. In addition to the scheduled instalments, prepayments based on 25% cash available for restricted payments less senior debt prepayments are required under a cash sweep mechanism, commencing 1 February 2018. Subordinated debt prepayments are applied in inverse order of maturity.

23. Bank Loans (continued)

Group Borrowings Interest, Currency and Liquidity Risk

Loan facilities arranged at fixed interest rates expose the Group to fair value interest rate risk. Loan facilities arranged at variable rates expose the Group to cash flow interest rate risk. Variable rates are based on six month LIBOR. The average effective borrowing rate at financial year end was 5.2% (2015: 9.6%). The interest rate profile of the Group's loan balances at the financial year end was as follows:

	2016 US$'000	2015 US$'000
Fixed rate debt	–	294,932
Variable rate debt	102,618	47,011
Total debt	102,618	341,943

The fair value of the Group borrowings of US$103.1 million (2015: US$333.3 million) has been calculated by discounting the expected future cash flows at a rate of 6%. The 6% market rate was estimated by looking at what the mining sector is borrowing at and relevant market yield. For B+ to B- rated debt the borrowing rates are in the range of 5 to 6%. Given the recent restructuring, the Group would be deemed to be in this range of credit rating.

Under the assumption that all other variables remain constant, a 1% change in the 6 month LIBOR rate will result in a US$1.0 million (2015: US$0.5 million) change in finance costs for the financial year.

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

	2016 US$'000	2015 US$'000
Euro	–	170,195
US Dollars	102,618	171,748
Total Debt	102,618	341,943

On 28 July 2016, the debt restructuring was implemented pursuant to which all debt is now denominated in US Dollars.

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

24. Finance Lease

	Minimum lease payments		Present value of minimum lease payments	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Amounts payable under finance lease				
Within one year	280	560	264	479
In the second to fifth year	–	280	–	264
Less future finance charges	(16)	(97)	–	–
Present value of lease payments	264	743	264	743
Less amounts due for settlement within 12 months			(264)	(479)
Amounts due for settlement after 12 months			–	264

The Group has leased equipment for the receipt, storage and dispensing of diesel fuel under a finance lease. The lease term is ten years from the commencement date (2007) with an option to purchase the assets after one year from the commencement date of the lease. For the financial year ended 31 December 2016, the average effective borrowing rate was 9.6%. The lease is on a fixed repayment basis and the lease obligation is denominated in US Dollars. The fair value of the Group's lease obligation approximates to its carrying amount. The fair value has been calculated by discounting the expected future lease payments over the life of the lease at the discount rate.

25. Provisions

	2016 US$'000	2015 US$'000
Group & Company		
Mine closure provision	13,538	19,890
Mine rehabilitation provision	2,593	2,480
Legal provision	1,444	1,444
Executive Directors' bonus provision	–	–
	17,575	23,814
Current	1,720	1,714
Non-current	15,855	22,100
	17,575	23,814

25. Provisions (continued)

	Mine Closure Provision US$'000	Mine Rehabilitation Provision US$'000	Legal Provision US$'000	Bonus Provision US$'000	Total US$'000
At 1 January 2015	19,314	2,590	1,444	663	24,011
Additional provision in the financial year	–	709	–	–	709
Provision released in the financial year	–	(819)	–	(663)	(1,482)
Unwinding of the discount	576	–	–	–	576
At 1 January 2016	19,890	2,480	1,444	–	23,814
Additional /(reduction in) provision in the financial year	(6,857)	826	–	–	(6,031)
Provision released in the financial year	–	(713)	–	–	(713)
Unwinding of the discount	505	–	–	–	505
At 31 December 2016	13,538	2,593	1,444	–	17,575

The mine closure provision represents the Directors' best estimate of the Group's liability for close-down, dismantling and restoration of the mining and processing site. A corresponding amount equal to the provision is recognised as part of property, plant and equipment. The costs are estimated on the basis of a formal closure plan, are subject to regular review and are estimated based on the net present value of estimated future cost. Mine closure costs are a normal consequence of mining, and the majority of close-down and restoration expenditure is incurred at the end of the life of the mine. The unwinding of the discount is recognised as a finance cost and US$0.5 million (2015: US$0.6 million) has been recognised in the statement of comprehensive income for the financial year.

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

> a discount rate of 3.3% (2015: 3%);

> an inflation rate of 2% (2015: 2%);

> an estimated life of mine of 40 years (2015: 24 years); and

> an estimated closure cost of US$21.7 million (2015: US$20.4 million) and an estimated post-closure monitoring provision of US$1.7 million (2015: US$1.9 million).

The life of mine plan is based on the Namalope and Nataka proved and probable reserves as set out in the Reserve and Resources table. In 2015, 776 million tonnes of Nataka orebody resource were reclassified as reserves. Inclusion of these additional reserves extends the last year of operations from 2033 to 2056. The mine closure provision has been reduced by US$6.9 million to reflect the increased life of mine.

The discount rate is a significant factor in determining the mine closure provision. The Group uses rates as provided by the US Treasury. 30-year US Treasury yields are the longest period for which yields are quoted. A 40 year rate to align with the estimated life of mine has been calculated by taking the average increase in yield from 10 to 20 years and from 20 to 30 years and adding this to the 30 year treasury rate to arrive at an estimated extrapolated rate for 40 years. This discount rate is deemed to provide the best estimate to reflect current market assessment of the time value of the money and the risks specific to the liability. Risks specific to the liability are included in the cost estimate. A 1% increase in the estimated discount rate results in the mine closure provision decreasing to US$8.7 million. A 1% decrease in the estimated discount rate results in the mine closure provision increasing to US$19.7 million.

25. Provisions (continued)

The mine rehabilitation provision represents the Directors' best estimate of the Company's liability for rehabilitating areas disturbed by mining activities. Rehabilitation costs are recognised based on the area disturbed and estimated cost of rehabilitation per hectare which is reviewed regularly against actual rehabilitation cost per hectare. Actual rehabilitation expenditure is incurred approximately twelve months after the area has been disturbed. During the financial year there was a release of US$0.7 million (2015: US$0.8 million) to reflect the actual mine rehabilitation costs being incurred, and an additional provision of US$0.8 million (2015: US$0.7 million) for areas disturbed.

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

Employee bonuses including Executive Director bonuses for 2016 have been provided for in accruals at the financial year end.

26. Other Financial Liabilities

	2016 US$'000	**2015 US$'000**
Group & Company		
Warrants – equity	4	12
Warrants – corporate facility	–	10
	4	22

On 16 October 2013, 250,300,000 new ordinary shares were issued by way of a placing which raised US$101.9 million net of expenses. In addition to ordinary shares, participants in the placing were issued warrants on the basis of one warrant to subscribe for one ordinary share in the Company for every five placing shares. In total 50,060,000 warrants were issued. The warrants, which are not listed or admitted to trading and which have limited transferability rights, had an exercise price of Stg29.09p and an exercise period of five years commencing thirteen months after the date of issue.

The old ordinary shares of nominal value €0.06 per share of Kenmare Resources plc were subject to a share division and consolidation as of 26 July 2016, resulting in each 200 old ordinary shares being consolidated into one ordinary share with nominal value of €0.001.

As a result these warrants were adjusted in line with the relevant terms of the related warrant instrument to 250,300 warrants and an exercise price of Stg£58.18. The adjustment did not result in an alteration to any other terms of the warrants including, in particular, the subscription period.

On 31 July 2014, the Group agreed with corporate bank loan provider, Absa, an extension of the maturity date of the US$20 million corporate loan (the "Absa facility") from 31 March 2015 to 31 March 2016. An extension fee of US$800,000 was settled in 7,257,850 warrants for Kenmare Resources plc shares on 1 September 2014 which had an exercise price of Stg£11.00p. The warrants are exercisable for a period of seven years and are otherwise on substantially the same terms as the warrants issued on 16 October 2013 detailed above.

As a result of the share division and consolidation noted above these warrants were adjusted in line with the relevant terms of the related warrant instrument to 36,289 warrants and an exercise price of Stg£22.00. The adjustment did not result in an alteration to any other terms of the warrants including, in particular, the subscription period.

26. Other Financial Liabilities (continued)

A financial liability of US$0.004 million (2015: US$0.022 million) based on the fair value of the warrants at the statement of financial position date has been recorded as the cost of issuing the warrants with the reduction in value of US$0.018 million (2015:US$0.5 million) included in finance income in the statement of comprehensive income.

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

	2016	2015
Year end share price	£2.51	£0.92
Year end Stg£/US$ exchange rate	0.81	0.68
Warrant exercise price	£58.18 & £22.00	£58.18 & £22.00
Expected volatility	41%	94%
Expected life (years)	3 to 5	4 to 6
Risk free rate	2%	2%

For 2016 the volatility assumption was based on the historic data over the period following the debt restructuring and share issue as this is the Company's best estimate of future volatility. The risk free rate used is a 5 year US Treasury rate. This discount rate is deemed to provide the best estimate to reflect current market assessment of the time value of the money and the risks specific to the liability. Significant factors in determining the warrant fair value are the Company share price and expected volatility. A 10% change in the Company share price results in a 32% change in the fair value of the warrants. A 10% change in expected volatility results in a 35% change in the fair value of the warrants. The 2015 share price and warrant exercise price has been adjusted by a factor of 200 to take account of the share consolidation which occurred on 26 July 2016.

27. Trade and Other Payables

Amounts Payable within One Year

	Group		Company	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Trade payables	5,426	8,415	3	300
Accruals	24,828	39,367	1,719	1,518
	30,254	47,782	1,722	1,818

Included in Group accruals at the financial year end is an amount of US$0.4 million (2015: US$0.9 million) and in the Company US$0.1 million (2015: US$0.1 million) for payroll and social insurance taxes.

The Project Companies have been engaged in arbitration proceedings initiated by certain members of the Aveng Group (those members, together, "Aveng") in relation to the performance and completion of certain engineering, procurement and construction management contracts entered into in 2010 in connection with the expansion of the mine facilities. Aveng claimed that it was owed certain amounts in respect of unpaid professional fees, plus interest. The Project Companies counterclaimed for compensation for losses resulting from Aveng's contractual breaches substantially in excess of the amounts claimed by Aveng.

27. Trade and Other Payables (continued)

The arbitral tribunal notified its award on the 23 December 2016. The tribunal determined that the final payment sought by Aveng should be reduced, due to Aveng's breaches, by the maximum amount allowable under the contracts, i.e. ZAR 150 million. The net effect of the tribunal's finding resulted in the Project Companies making a payment of US$4.9 million (ZAR56 million plus interest accrued of ZAR11 million) in January 2017. Reflecting the award ruling, there is an amount accrued in trade and other payables of US$4.9 million (2015: US$19.3 million) payable to Aveng. The amount payable to Aveng was payable in South African Rand and as result of the US Dollars strengthening against the South African Rand there was a foreign exchange gain of US$4.3 million recognised in the statement of comprehensive income on this payable. The arbitral tribunal award resulted in a reduction in the amount payable to Aveng of US$10.1 million which has been recognised in a reduction in property, plant and equipment.

Liquidity Risk

The amounts included in trade and other payables are due within one year. The average credit period on the purchase of goods and services is 30 days from the date of the invoice except for invoices which are being held as a result of disputes. The Group has financial risk management policies in place to ensure that all payables are paid within the relevant credit periods.

Currency Risk

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

	2016 US$'000	2015 US$'000
Group		
US Dollars	18,426	21,214
South African Rand	5,534	20,105
Mozambican Metical	3,063	2,771
Euro	1,750	1,956
Australian Dollar	1,474	1,498
Sterling	7	238
	30,254	47,782

	2016 US$'000	2015 US$'000
Company		
Euro	1,717	1,591
US Dollars	4	206
Sterling	1	21
	1,722	1,818

Fluctuations in the currencies noted above will impact on the Group's financial results.

28. Capital and Liquidity Management

The Group's capital management objective is to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The capital restructuring as set out in Note 23 was critical to the Group's capital and liquidity management.

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

As at 31 December 2016, the Group had total debt of US$102.6 million (2015: US$341.9 million), details of which are set out in Note 23.

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

The definition of capital/capital structure of the Group consists of debt, which includes bank borrowings as disclosed in Note 23, the finance lease as disclosed in Note 24, and equity attributable to equity holders of the Company, comprising issued capital, reserves, retained losses and other reserves as disclosed in Notes 19 to 22.

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

29. Capital Commitments

	2016 US$'000	2015 US$'000
Group		
Contracts for future expenditure authorised by the Board:		
Capital authorised and contracted	–	–
Capital authorised not contracted	29,005	2,824

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

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

30. Contingent Liabilities

On 17 November 2010, a High Court jury delivered a verdict of damages of €10 million in a defamation case taken by a former Company Director. The Company submitted an appeal to the Supreme Court with a view to setting aside both the verdict and the amount, with the intention of securing a retrial. The High Court granted a stay on the award subject to the payment of €0.5 million until the hearing of the appeal. The Company's legal team strongly advise that the award will be set aside on appeal and therefore no provision has been made in these financial statements for the award as the Company do not consider that there is any future probable loss. The Company has provided US$1.4 million for the costs associated with the defamation case appeal and retrial and further actions taken by the former Director, as detailed in Note 25.

The Project Companies have been engaged in arbitration proceedings with certain members of the Aveng Group (those members, together, "Aveng") in relation to the performance and completion of certain engineering, procurement and construction management contracts entered into in 2010 in connection with the expansion of the mine facilities. On 23 December 2016, the arbitral tribunal informed the Group of its award in relation to the merits of the case details of which are set out in Note 27. The costs of the arbitration are the subject of further proceedings, which will result in a separate award. Although the Project Companies' position is that they should not be liable for Aveng's costs, the outcome of the determination of costs is uncertain and it is possible that the Project Companies would be required to bear some or all of Aveng's costs, which have been estimated at US$7.0 million.

31. Parent Company, Kenmare Resources plc Statement of Comprehensive Income

In accordance with section 304(2) of the Companies Act, 2014 the Company is availing of the exemption from presenting its individual statement of comprehensive income to the Annual General Meeting and from filing it with the Companies Registration Office. The Company's loss for the financial year determined in accordance with IFRSs is US$18.8 million (2015: US$63.3 million). The loss is due to a gain on the extinguishment of debt of US$38.3 million (2015: nil) net of administration costs of US$2.4 million (2015: US$0.6 million), share-based payments expenses of US$0.5 million (2015: US$0.6 million), finance income from the fair valuation of warrants of US$0.07 million (2015: US$0.5 million), Absa corporate facility loan interest, fees and expenses of nil (2015: US$2.0 million), a provision for amounts due from subsidiary undertakings of US$53.5 million (2015: US$60.6 million) and a foreign exchange loss of US$0.8 million (2015: US$0.07 gain).

32. Operating Lease Arrangements

The Group as Lessee

	2016 US$'000	2015 US$'000
Group & Company		
Minimum lease payments under operating leases recognised as an expense in the financial year	–	102

Operating lease payments represent rentals payable by the Group for its office buildings. The lease expired in 2015 and the Company is currently negotiating with the landlord on a new lease. The Company is paying rent to the landlord on the expired lease terms. The underlying currencies of lease payments are Euro.

33. Retirement Benefit Plans

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

	2016 US$'000	2015 US$'000
Group & Company		
Contributions	367	310

34. Share-based Payments

Share Option Scheme
The Company has a share option scheme for employees and consultants. In the past share options were awarded to Executive Directors but this practice ceased with the introduction of the Kenmare Incentive Plan in 2014. Options are exercisable at a price equal to the quoted market price of the Company's shares on the date of grant. The options generally vest over a three year period in equal annual amounts, or if performance related, in the year the performance criteria are met. If options remain unexercised after a period of 7 years from the date of grant, the options expire. Option expiry periods may be extended at the discretion of the Board of Directors.

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

	2016		2015	
	Number of share options	Weighted average exercise price US$	Number of share options	Weighted average exercise price US$
Outstanding at the beginning of the financial year	230,448	90.55	283,532	94.00
Granted during the financial year	–	–	–	–
Exercised during the financial year	–	–	–	–
Expired/lapsed during the financial year	(71,333)	63.90	(53,084)	109.00
Outstanding at the end of the financial year	159,115	79.45	230,448	90.55
Exercisable at the end of the financial year	156,615		204,573	

The old ordinary shares of nominal value €0.06 per share of Kenmare Resources plc were subject to a share division and consolidation as of 26 July 2016, resulting in each 200 old ordinary shares being consolidated into one new ordinary share with nominal value of €0.001.

As a result the share options were adjusted in line with the relevant terms of the share option scheme by a reducing the number of share options by a factor of 200 and increasing the exercise price by a factor of 200. The adjustment did not result in an alteration to any other terms of the share options including, in particular, the exercise period.

No share options were issued or exercised during the financial year or 2015. The options outstanding at the end of the financial year have exercise prices which range from US$53.46 to US$118.91 and a weighted average remaining contractual life of 2.0 years (2015: 2.4 years).

During the financial year the Group recognised a share-based payment credit of US$0.01 million (2015: US$0.9 million credit) due to the number of share options which lapsed in the financial year.

34. Share-based Payments (continued)

Kenmare Incentive Plan ("KIP")
The Company has an incentive plan under which annual awards have a cash element and a separate share element. Both the cash element and the share element are based on a number of in-year performance targets. Based on the level of achievement against these targets, the cash element is paid shortly after the end of the relevant year. The share element vests after a further three years with part of the shares subject to a further two year holding period. The share element is subject to performance vesting conditions. The value of the shares is measured at fair value at the date of grant based on the Company's estimate of the shares that will eventually vest and adjusted for the effect of non-market based vesting conditions. The fair value determined at the grant date is expensed on a straight-line basis over the remaining estimated vesting period.

As at 31 December 2016, an allowance for the 2016 KIP award of 629,140 shares (2015: 111,534 shares) was created. The estimated fair value of these shares is US$1.3 million (2015: US$0.1 million). In 2015, 128,007 shares were granted to Executive Directors and an employee being 16,473 under the 2014 KIP award and 111,534 under the 2015 KIP award. The estimated fair value of these shares awarded is US$0.2 million.

The estimated fair values of the awards are calculated using a Monte Carlo pricing model. The inputs into the calculations were as follows:

	2016 award 31 December 2016	**2015 award 31 December 2015**
Date of grant		
Share price at date of grant	£2.51	£0.92
Company's share price volatility	62%	71%
FTSE 250 volatility	14%	12%
FTSE Mining Index volatility	36%	28%
Expected life	3 years	3 years
Risk free rate	0.19%	0.95%
FTSE 250 correlation to the Company	16%	17%
FTSE Mining correlation to the Company	16%	14%

In order to estimate the value of the 2016 award a financial year end valuation date of 31 December 2016 was used. In the prior year the expected volatility of the Company's share price was calculated over the prior three year period, commensurate with the expected life of the awards. For 2016, this gives a rate of 88%. However, during July 2016, the Group carried out a debt restructuring and shares issue to raise capital which led to increased volatility in the preceding month. The volatility assumption should reflect the Company's best estimate of future volatility and therefore this period of volatility has been excluded from the calculation assumption. A volatility assumption of 62% has been used for the 2016 KIP award calculation, based on historic data over the 6 month period following the end of the debt restructuring and share issue. The comparator group constituents and indices are calculated over their individual volatilities using total shareholder return ("TSR") data for each company over a three year period. The share award have a performance period of three years, so this is the assumption for expected life. The risk free rate assumption is based on a three year zero coupon UK government bond yield.

During the financial year, the Group recognised a share-based payment expense of US$0.5 million (2015: US$0.2 million) as a result of the above awards.

35. Related Party Transactions

Group

Remuneration of Key Management Personnel

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

	2016 US$'000	2015 US$'000
Short-term employee benefits	2,834	1,987
Long-term employee benefits	–	–
Post-employment benefits	131	131
Compensation on retirement	–	-
Share-based payments	391	60
Total benefits	3,356	2,178

In addition, during 2016, US$0.06 million (2015: US$0.3 million) of fees were paid to Lemna Limited, a company connected with Mr. J. Ensall, for services provided by him. Mr. J. Ensall is not a director or shareholder of Lemna Limited.

Company

The Project Companies, are wholly owned subsidiary undertakings of Congolone Heavy Minerals Limited, which in turn is a subsidiary undertaking of Kenmare Resources plc. During the financial year, funding for the Moma Titanium Minerals Mine was provided to the Project Companies by Congolone Heavy Minerals Limited. At the financial year end the amount due to Congolone Heavy Minerals Limited from the Project Companies was US$678.7 million (2015: US$665.8 million).

Under the terms of a management services agreement with the Company, management services costing US$6.9 million (2015: US$8.4 million) were provided during the financial year to the Project Companies.

On 28 July 2016, US$262.7 million of the Project Companies loans were novated to Kenmare Resources plc by way of a capital contribution to the Project Companies. This resulted in Kenmare Resources plc's investment in the Project Companies increasing by US$262.7 million as detailed in Note 16.

36. Events After the Statement of Financial Position Date

There have been no significant events since 31 December 2016 which would have a significant impact on the financial statements of the Group or Company.

37. Approval of Financial Statements

The financial statements were approved by the Board on 30 March 2017.

Shareholder Profile

Based on the register as at 28 March 2017

	No. of Shareholders	No. of Shares Held
Size of holdings		
1 - 1,000	4,914	375,819
1,001 - 5,000	221	506,055
5,001 - 25,000	91	1,041,657
25,001 - 100,000	48	2,442,985
100,001 - 250,000	21	3,578,815
250,001 - 500,000	10	3,508,817
500,001 - 750,000	3	1,946,390
over 750,000	14	96,201,013
Total	5,322	109,601,551

	No. of Shareholders	No. of Shares Held
Geographic distribution of holdings		
Republic of Ireland	2,064	1,331,276
Northern Ireland & Great Britain	3,146	73,308,472
Other	112	34,961,803
Total	5,322	109,601,551

General Information

Company Secretary and Registered Office
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D02 VP46

Registered Number
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Website
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Glossary

"the Company"	Kenmare Resources plc
"EdM"	Electricidade de Moçambique
"Gangue"	In mining, gangue is the commercially worthless material that surrounds, or is closely mixed with, a wanted mineral in an ore deposit.
"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 non valuable heavy minerals and silica
"Lithology"	the physical characteristics of the ore mined
"MITADER"	Ministério de Terra, Ambiente e Desenvolvimento Rural or Ministry of Land, Environment and Rural Development
"Moma", "Moma Mine" or the "Mine"	The Moma Titanium Minerals Mine consisting of a heavy mineral sands, processing facilities and associated infrastructure, which mine is located in the north east coast of Mozambique under licence to the Project Companies
"MSP"	Mineral Separation Plant
"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 indirect subsidiary undertakings of Kenmare Resources plc, who are incorporated in Mauritius
"Reverse circulation"	This is the method of drilling, used for its good accuracy of sample provision in terms of grades and some information on lithology in a productive and cost effective manner, however does not supply as much lithology information compared to core drilling which is much more expensive.
"SGRF"	The State General Reserve Fund of the Sultanate of Oman
"WCP"	Wet Concentrator Plant
"WCP A"	The original WCP
"WCP B"	The second WCP built for the Expansion
"WHIMS"	Wet High Intensity Magnetic Separation Plant

Glossary - Alternative Performance Measures

Certain financial measures set out in our Annual Report to 31 December 2016 are not defined under International Financial Reporting Standards (IFRSs), but represent additional measures used by the Board to assess performance and for reporting both internally and to shareholders and other external users. Presentation of these Alternative Performance Measures ("APMs") provides useful supplemental information which, when viewed in conjunction with the Company's IFRS financial information, allows for a more meaningful understanding of the underlying financial and operating performance of the Group.

These non-IFRSs measures should not be considered as an alternative to financial measures as defined under IFRSs.

Descriptions of the APMs included in this report, as well as their relevance for the Group, are disclosed below.

APM	Description	Relevance
EBITDA	Operating profit/loss before depreciation and amortisation	Eliminates the effects of financing and accounting decisions to allow assessment of the profitability and performance of the Group
Capital Costs	Additions to property, plant and equipment in the period	Provides the amount spent by the Company on additions to property, plant and equipment in the period
Cash operating cost per tonne of finished product produced	Total costs less freight and other non-cash costs, including inventory movements, divided by final product production (tonnes)	Eliminates the non-cash impact on costs to identify the actual cash outlay for production and, as production levels increase or decrease, highlights operational performance by providing a comparable cash cost per tonne of product produced over time
Net Debt	Bank loans before loan amendment fees and expenses net of cash and cash equivalents	Measures the Group's ability to repay its debts if they were to fall due immediately, and aids in developing an understanding of the leveraging of the Group. For comparability purposes the calculation of this APM has changed from the 2016 Half Yearly Financial Report to include gross debt before rather than after loan amendment fees and expenses.
Mining – HMC produced	Heavy mineral concentrate extracted from mineral sands deposits and which include ilmenite, zircon, rutile and other non-valuable 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 per 200,000 man hours worked on site
AI	All injuries	Provides the number of injuries at the Mine in the year

EBITDA

	2012	2013	2014	2015	2016
	US$m	US$m	US$m	US$m	US$m
Operating profit/(loss)	80.4	4.7	(31.5)	(47.3)	(25.4)
Depreciation and amortisation	18.5	24.3	40.9	35.8	30.6
EBITDA	98.9	29.0	9.4	(11.5)	5.2

Cash operating cost per tonne of finished product

	2012	2013	2014	2015	2016
	US$m	US$m	US$m	US$m	US$m
Cost of sales	134.5	113.7	173.4	168.1	144.0
Other operating costs	19.7	19.5	32.4	21.8	22.8
Total operating costs	154.2	133.2	205.8	189.9	166.8
Freight charges	(3.2)	(3.4)	(8.2)	(3.7)	(5.4)
Total operating costs less freight	151.0	129.8	197.6	186.2	161.4
Non cash costs					
Depreciation and amortisation	(18.5)	(24.3)	(40.9)	(35.8)	(30.6)
Share-based payments	(3.2)	(0.6)	(1.4)	0.7	(0.4)
Costs capitalised	-	27.2	-	-	-
Mineral Product Movements	(5.9)	18.3	17.7	(14.7)	3.0
Adjusted cash operating costs	123.4	150.4	173.0	136.4	133.4
Final product production tonnes	626,400	755,500	911,500	821,300	979,300
Cash operating cost per tonne of finished product	US$197	US$200	US$190	US$166	US$136

Net Debt

	2012	2013	2014	2015	Jun 2016	Dec 2016
	US$m	US$m	US$m	US$m	US$m	US$m
Bank loans	324.4	355.2	337.7	341.9	357.7	102.6
Loan Amendment Fees and Expenses	-	6.7	12.4	25.9	29.3	-
Gross Debt	324.4	361.9	350.1	367.8	387.0	102.6
Cash and cash equivalents	(46.1)	(67.5)	(21.8)	(14.4)	(12.3)	(57.8)
Net Debt	278.3	294.4	328.3	353.4	374.7	44.8

Half Yearly cash operating cost per tonne of finished product

	H1 2015	H2 2015	H1 2016	H2 2016
	US$m	US$m	US$m	US$m
Cost of sales	91.9	76.2	68.0	76.0
Other operating costs	9.1	12.7	13.1	9.7
Total operating costs	101.0	88.9	81.1	85.7
Freight charges	(1.5)	(2.2)	(2.4)	(3.0)
Total operating costs less freight	99.5	86.7	78.7	82.7
Non cash costs				
Depreciation and amortisation	(16.6)	(19.2)	(14.2)	(16.4)
Share-based payments	0.8	-	(0.1)	(0.3)
Mineral product movements	(14.6)	(0.1)	2.2	0.8
Adjusted cash operating costs	69.1	67.4	66.6	66.8
Final product production tonnes	350,700	470,600	434,400	544,900
Cash operating cost per tonne of finished product	US$197	US$143	US$153	US$123

Half yearly EBITDA

	H1 2015	H2 2015	H1 2016	H2 2016
	US$m	US$m	US$m	US$m
Operating loss	(27.2)	(20.1)	(24.9)	(0.5)
Depreciation and amortisation	16.6	19.2	14.2	16.4
EBITDA	(10.6)	(0.9)	(10.7)	15.9

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