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

13 March 2019

2018 Preliminary Results

Kenmare Resources plc (LSE:KMR, ISE:KMR), one of the leading global producers of titanium minerals and zircon, which operates the Moma Titanium Minerals Mine (the "Mine" or "Moma") in northern Mozambique, today announces its preliminary results for the twelve months to 31 December 2018.

Statement from Michael Carvill, Managing Director:
"2018 was Kenmare's third consecutive year of achieving our production guidance and delivering record shipment volumes. We recorded a 54% increase in EBITDA to US$93.3 million (up US$32.8 million) and a year-end net cash position of US$13.5 million, compared to US$34.1 million of net debt at the end of 2017 (up US$47.6 million). Importantly, we also achieved a significant improvement in our safety performance, with a Lost Time Injury Frequency Rate ("LTIFR") of 0.12 per 200,000 man hours worked in 2018, the lowest level to date.

In terms of our development programme, we made good progress towards our core objective of delivering an approximate 20% increase in our production rate to 1.2 million tonnes per annum of ilmenite by 2021. The first of our three development projects, the 20% expansion of Wet Concentrator Plant ("WCP") B, was commissioned during the year, more than 25% under budget. The second project, WCP C, is well underway and expected to commission in Q4 2019. The definitive feasibility study ("DFS") for the third project, the move of WCP B to the high grade Pilivili ore zone, is on track for completion in H1 2019.

Average received prices for our products were higher in 2018 compared to 2017 and we see a positive outlook due to continued demand growth, depletion of existing mines and limited supply from new mines in the coming years."

Overview

- 26% increase in revenues to US$262.2 million (2017: US$208.3 million), primarily due to increased volumes shipped and higher average received prices
- 54% increase in EBITDA to US$93.3 million (2017: US$60.5 million)
- 162% increase in profit after tax to US$50.9 million (2017: US$19.4 million)
- Net cash position of US$13.5 million achieved at the end of 2018, up from US$34.1 million net debt at the end of 2017
- Mid-point of original 2018 production guidance exceeded for all products
- 4% increase in Heavy Mineral Concentrate ("HMC") production to 1,370,800 tonnes (2017: 1,323,000 tonnes)
- Ilmenite production of 958,500 tonnes (2017: 998,200 tonnes) and primary zircon production of 48,400 tonnes (2017: 48,600 tonnes)
- 3% increase in total shipments of finished products to 1,074,400 tonnes, a new annual record (2017: 1,040,400 tonnes)
- 11% increase in cash operating costs to US$145 per tonne of final product (2017: US$131 per tonne) due in part to higher utilisation of diesel-powered electric generators
- Significant decrease in LTIFR to 0.12 per 200,000 man hours worked in 2018 (2017: 0.39)
- WCP B upgrade commissioned on time and more than 25% below budget, WCP C construction underway and DFS for WCP B move on track for completion in H1 2019

Results conference call
The Company will host a briefing and a conference call for analysts, investors and media today at 08:30am UK time. The briefing will be held at the offices of Buchanan (107 Cheapside, London, EC2V 6DN) and participant dial-in numbers for the conference call are as follows (a pin code is not required to access the call):

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CHAIRMAN'S STATEMENT

Dear Shareholders,

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

Shareholder return

Your Board is acutely aware of the need to deliver tangible returns to shareholders who have supported the Company through a number of difficult years. I am therefore pleased to report that in October 2018, Kenmare announced a dividend policy to return a minimum of 20% of profit after tax to shareholders. The Company is working towards paying modest dividends from 2019, with plans to increase capital returns materially from 2021 after our current development projects have been delivered. In December 2018, shareholders voted to eliminate Kenmare's historic losses and the capital reduction was subsequently confirmed by the High Court of Ireland. We are currently in process of completing the group rationalisation and addressing the applicable conditions for the payment of dividends.

Growth strategy

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

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

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

Sustainable and responsible operations

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

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

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

Corporate governance

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

We will be proposing to change our Group audit firm at the 2019 Annual General Meeting, in accordance with EU legislation. Hence 2018 is expected to be the last year that Deloitte, with whom we have had a positive working relationship for many years, will be auditing our annual report and accounts.

Board development

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

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

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

2019 outlook

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

Acknowledgements

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

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

Steven McTiernan
Chairman

MANAGING DIRECTOR'S STATEMENT

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

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

Safety

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

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

Sustainability

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

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

We also progressed our goal to increase the localisation of our workforce and at the end of 2018, 95% of our employees were Mozambican, compared to 93% the previous year. We also recognise that diversity is a key driver of success in modern business and as a result, at the end of 2018, women represented 7% of our workforce, up from 5% in 2017. Kenmare is focused on advancing the interests of women in Mozambique and by the end of 2020 we intend that 10% of our employees will be female.

Achieving new operational records

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

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

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

Expanding production to 1.2 million tonnes per annum

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

- WCP B expansion - commissioned and operating (delivered on time and more than 25% under budget);

- WCP C - major contracts have been awarded, construction is well underway and the project is on schedule for commissioning before the end of 2019; and

- WCP B move to Pilivili – the DFS will be completed in H1 2019, with the Environmental Impact and Social Action Plan under discussion with the Government of Mozambique and the local community. Commissioning is due before the end of 2020.

Robust product markets

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

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

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

Outlook

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

Michael Carvill
Managing Director

KENMARE RESOURCES PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	2018 US$'000	2017 US$'000
Assets			
Non-current assets			
Property, plant and equipment	9	806,011	793,630
Deferred tax asset		-	4,160
		806,011	797,790
Current assets			
Inventories		53,872	52,707
Trade and other receivables		22,445	25,412
Cash and cash equivalents	10	97,030	68,774
		173,347	146,893
Total assets		**979,358**	**944,683**
Equity			
Capital and reserves attributable to the Company's equity holders			
Called-up share capital	11	215,046	215,046
Share premium		730,897	730,897
Retained losses		(133,179)	(184,053)
Other reserves		35,671	34,251
Total equity		848,435	796,141
Liabilities			
Non-current liabilities			
Bank loans	12	61,905	81,174
Provisions		22,359	18,622
		84,264	99,796
Current liabilities			
Bank loans	12	21,558	21,693
Provisions		1,437	1,720
Other financial liabilities		1	8
Trade and other payables		23,663	25,325
		46,659	48,746
Total liabilities		130,923	148,542
Total equity and liabilities		**979,358**	**944,683**

KENMARE RESOURCES PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Notes	2018 US$'000	2017 US$'000
Revenue	2	262,199	208,299
Cost of sales	4	(168,251)	(156,622)
Gross profit		93,948	51,677
Other operating costs	5	(31,012)	(23,212)
Operating profit		62,936	28,465
Finance income		871	136
Finance costs	6	(7,751)	(7,680)
Foreign exchange gain/(loss)		48	(2,473)
Profit before tax		56,104	18,448
Income tax (expense)/credit	7	(5,230)	923
Profit for the financial year and total comprehensive income for the financial year		50,874	19,371
Attributable to equity holders		50,874	19,371
		US$ per share	US$ per share
Profit per share: Basic	8	0.46	0.18
Profit per share: Diluted	8	0.46	0.18

KENMARE RESOURCES PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Called-Up Share Capital	Share Premium	Capital Conversion Reserve Fund	Capital Redemption Reserve Fund	Retained Losses	Share-Based Payment Reserve	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2017	215,046	730,897	754	10,582	(203,424)	21,911	775,766
Profit for the financial year	-	-	-	-	19,371	-	19,371
Share-based payments	-	-	-	-	-	1,004	1,004
Balance at 1 January 2018	215,046	730,897	754	10,582	(184,053)	22,915	796,141
Profit for the financial year	-	-	-	-	50,874	-	50,874
Share-based payments	-	-	-	-	-	1,420	1,420
Balance at 31 December 2018	215,046	730,897	754	10,582	(133,179)	24,335	848,435

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

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

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

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

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

KENMARE RESOURCES PLC
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Notes	2018 US$'000	2017 US$'000
Operating activities			
Profit for the financial year before tax		56,104	18,448
Adjustment for:			
Foreign exchange movement		(48)	2,473
Share-based payments	5	1,420	1,004
Finance income		(871)	(136)
Finance costs	6	7,751	7,680
Depreciation	9	30,442	32,000
(Decrease)/increase in other financial liabilities		(7)	4
Increase/(decrease) in provisions		210	(315)
Operating cash flow		95,001	61,158
Increase in inventories		(1,165)	(4,960)
Decrease in trade and other receivables		1,556	(2,458)
Decrease in trade and other payables		(3,080)	(8,481)
Cash from operations		92,314	45,259
Interest received		871	136
Interest paid	12	(6,227)	(6,051)
Net cash from operating activities		86,958	39,344
Investing activities			
Additions to property, plant and equipment	9	(39,761)	(28,055)
Net cash used in investing activities		(39,761)	(28,055)
Financing activities			
Repayment of debt	12	(19,048)	-
Payment of obligations under finance leases		-	(280)
Net cash used in financing activities		(19,048)	(280)
Net increase in cash and cash equivalents		28,149	11,009
Cash and cash equivalents at the beginning of the financial year		68,774	57,786
Effect of exchange rate changes on cash and cash equivalents		106	(21)
Cash and cash equivalents at the end of the financial year	10	**97,030**	**68,774**

KENMARE RESOURCES PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

1. STATEMENT OF ACCOUNTING POLICIES

On 12 March 2019, the Directors approved the preliminary results for publication. While the unaudited consolidated financial statements for the year ended 31 December 2018, from which the preliminary results have been extracted, are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, these preliminary results do not contain sufficient information to comply with IFRS. The Directors expect to publish the full financial statements that comply with IFRS as adopted by the European Union in March 2018.

Based on the Group's cash flow 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.

The auditors have not yet issued their audit opinion on the financial statements in respect of the year ended 31 December 2018. The financial information included within this unaudited preliminary results statement for the years ended 31 December 2018 and 31 December 2017 does not constitute the statutory financial statements of the Company within the meaning of section 293 of the Companies Act 2014. The Group financial information in this preliminary statement for the year ended 31 December 2018 is unaudited. A copy of the statutory financial statements in respect of the year ended 31 December 2018 will be annexed to the next annual return and filed with the Registrar of Companies.

The Group financial information for the year ended 31 December 2017 included in this preliminary statement represents an abbreviated version of the Company's group financial statements for that year. The statutory financial statements for the Group for the year ended 31 December 2017, upon which the auditors have issued an unqualified opinion, but with an emphasis of matter drawing attention to the recoverability of assets of the Group, were annexed to the annual return of the company and filed with the Registrar of Companies.

In the current year the Group has applied IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. The impact of these accounting policies, method of computation and presentation applied by the Group are detailed below.

IFRS 9 Financial Instruments
IFRS 9 introduces new requirements for the classification and measurement and impairment for financial assets and general hedge accounting.

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

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

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

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

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

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

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

IFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

During the period the Group's marketing arrangements changed whereby ilmenite sales to China previously on an FOB basis were sold on a CFR basis. This resulted in freight recognised in revenue of US$16.3 million (2017: US$5.5 million). This change is not as a result of the adoption of IFRS15.

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

2. REVENUE

	2018	2017
	US$'000	US$'000
Sale of mineral products	262,199	208,299

During the financial year, the Group sold 1,074,400 tonnes (2017: 1,040,400 tonnes) of finished products ilmenite, rutile and zircon to customers at a sales value of US$262.2 million (2017: US$208.3 million).

3. SEGMENT REPORTING

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

Segment revenues and results

	2018	2017
Moma Titanium Minerals Mine	US$'000	US$'000
Revenue	262,199	208,299
Cost of sales	(168,251)	(156,622)
Gross profit	93,948	51,677
Other operating costs	(26,960)	(20,572)
Segment operating profit	66,988	31,105
Other corporate operating costs	(4,052)	(2,640)
Group operating profit	62 936	28,465
Finance income	871	136
Finance expenses	(7,751)	(7,680)
Foreign exchange gain/(loss)	48	(2,473)
Profit before tax	56,104	18,448
Income tax (expense)/credit	(5,230)	923
Profit for the financial year	50,874	19,371
Segment assets		
Moma Titanium Minerals Mine assets	922,652	885,892
Corporate assets	56,706	58,791
Total assets	979,358	944,683
Segment liabilities		
Moma Titanium Minerals Mine liabilities	125,656	143,575
Corporate liabilities	5,267	4,967
Total liabilities	130,923	148,542
Other segment information		
Depreciation and amortisation		
Moma Titanium Minerals Mine	30,307	31,997
Corporate	135	3
Total	30,442	32,000
Additions to non-current assets		
Moma Titanium Minerals Mine	39,606	28,550
Corporate	445	601
Total	40,051	29,151

Revenue from major products

	2018	2017
	US$'000	US$'000
Ilmenite	181,776	152,614
Zircon	75,385	51,703
Rutile	5,038	3,982
Total	262,199	208,299

Geographical information

Revenue from external customers	2018 US$'000	2017 US$'000
China	103,196	95,462
USA	27,760	31,957
Italy	22,871	22,249
Rest of the world	108,372	58,631
Total	262,199	208,299

The Group's revenue from external customers is generated by the Moma Titanium Minerals Mine, the non-current assets of which are US$802.2 million (2017: US$797.2 million).

Cost of sales for the financial year amounted to US$168.3 million (2017: US$156.6 million), including depreciation and amortisation of US$26.4 million (2017: US$27.1 million).

Information about major customers

Included in revenues are US$37.6 million (2017: US$72.5 million) from sales to the Group's largest customer, US$29.8 million (2017: US$37.0 million) from sales to the Group's second largest customer and US$28.5 million (2017: US$23.9 million) from sales to the Group's third largest customer. All revenues are generated by the Moma Titanium Minerals Mine.

4. COST OF SALES

	2018 US$'000	2017 US$'000
Opening stock of mineral products	30,882	30,631
Production costs	141,997	129,816
Depreciation	26,409	27,057
Closing stock of mineral products	(31,037)	(30,882)
Total	168,251	156,622

Mineral products consist of finished products, intermediate magnetic concentrate and heavy mineral concentrate. Mineral stock value increased by US$0.1 million (2017: US$0.3 million increase).

5. OTHER OPERATING COSTS

	2018 US$'000	2017 US$'000
Distribution costs	9,458	10,587
Freight and demurrage costs	16,873	5,538
Administration costs	4,681	3,321
Arbitration costs	-	3,766
Total	31,012	23,212
Included in administration costs are:		
Share-based payments	1,420	1,004

Distribution costs of US$9.5 million (2017: US$10.6 million) represent the cost of running the Mine's finished product storage, jetty and marine fleet. Included in distribution costs is depreciation of US$3.9 million (2017: US$4.9 million). Freight costs of US$16.3 million (2017: US$5.5 million) arise from sales to customers on a CIF or CFR basis. Demurrage costs were US$0.6 million (2017: US$0.05 million) during the financial year. Administration costs of US$4.7 million (2017: US$3.3 million) are the Group administration costs and include depreciation of US$0.1 million (2017: nil) and share-based payments of US$1.4 million (2017: US$1.0 million). There were arbitration costs incurred in 2017 of US$3.8 million.

6. FINANCE COSTS

	2018 US$'000	2017 US$'000
Interest on bank borrowings	5,871	6,300
Finance lease interest	-	16
Change in fair value of warrants	-	4
Factoring fees	1,409	882
Mine closure provision unwinding of the discount	471	478
Total	7,751	7,680

The interest on all Group borrowings has been expensed in the financial year.

7. INCOME TAX EXPENSE

	2018 US$'000	2017 US$'000
Corporation tax	1,070	-
Deferred tax	4,160	(923)
Total	5,230	(923)
Reconciliation of effective tax rate		
Profit before tax	56,104	18,448
Profit before tax multiplied by the applicable tax rate (12.5%)	7,013	(2,306)
Differences in effective tax rates on overseas earnings	(7,013)	2,306
Taxes on overseas earnings	1,070	-
Applied losses	4,160	1,157
Recognition of deferred tax asset	-	(2,080)
Total	5,230	(923)

GROUP

An income tax expense of US$5.2 million (2017: credit US$0.9 million) has been recognised during the year ended 31 December 2018. During the year the Group had taxable profits of US$14.6 million (2017: US$6.6 million). US$11.9 million (2017: US$6.6 million) of tax losses were offset against the taxable profit resulting in a tax charge of US$4.2 million being recognised. The income tax payable on the balance of the taxable profits was US$1.1 million.

The income tax rate applicable to taxable profits of Kenmare Moma Mining (Mauritius) Limited is 35%.

Kenmare Moma Mining (Mauritius) limited is charged a royalty of 3% based on heavy mineral concentrate sold to Kenmare Moma Processing (Mauritius) Limited. The royalty charge payable to the Government of Mozambique for the financial year ended 31 December 2018 was US$3.0 million (2017: US$2.9 million) and is recognised in cost of sales for the financial year or inventory at 31 December 2018. Under the fiscal regime applicable to mining activities, Kenmare Moma Mining (Mauritius) Limited is exempted from import and export taxes and VAT on imports. The Company has elected and the fiscal regime applicable to mining allows for the option to deduct as an allowable deduction depreciation of exploration and development expense and capital expenditure over the life of mine. Whilst withholding tax is levied on certain payments to non-residents, mining companies are exempt from withholding tax on dividends for the first ten years or until their investment is recovered, whichever is earlier. The withholding tax charge payable to the Government of Mozambique for the financial year ended 31 December 2018 was US$1.1 million (2017: US$0.9 million).

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the Statement of Financial Position liability method. 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. Kenmare Moma Processing (Mauritius) Limited is charged a revenue tax of 1%. The revenue tax payable to the Government of Mozambique for the financial year ended 31 December 2018 was US$2.6 million (2017: US$2.1 million) and is recognised in cost of sales for the financial year. There is no dividend withholding tax under the IFZ regime.

8. EARNINGS PER SHARE

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

	2018 US$'000	2017 US$'000
Profit for the financial year attributable to equity holders of the parent	50,874	19,371
	2018 Number of shares	2017 Number of shares
Weighted average number of issued ordinary shares for the purpose of basic earnings per share	109,601,551	109,601,551
Effect of dilutive potential ordinary shares:		
Share awards	1,061,983	412,101
Weighted average number of ordinary shares for the purposes of diluted earnings per share	110,663,534	110,013,652
	US$ per share	US$ per share
Earnings per share: basic	0.46	0.18
Earnings per share: diluted	0.46	0.18

9. PROPERTY, PLANT AND EQUIPMENT

	Plant & Equipment US$'000	**Development Expenditure US$'000**	**Construction In Progress US$'000**	**Other Assets US$'000**	**Total US$'000**
Cost					
At 1 January 2017	774,745	249,984	5,418	53,836	1,083,983
Transfer from construction in progress	1,786	342	(3,166)	1,038	-
Additions during the financial year	557	-	27,993	601	29,151
Disposals	-	-	-	(375)	(375)
Adjustment to mine closure cost	2,604	-	-	-	2,604
Reclassification of assets	479	-	-	(479)	-
At 1 January 2018	780,171	250,326	30,245	54,621	1,115,363
Transfer from construction in progress	13,690	-	(28,034)	14,344	-
Additions during the financial year	179	-	39,427	445	40,051
Disposals	(941)	-	-	(5,959)	(6,900)
Adjustment to mine closure cost	2,772	-	-	-	2,772
At 31 December 2018	795,871	250,326	41,638	63,451	1,151,286
Accumulated Depreciation					
At 1 January 2017	143,635	114,980	-	31,493	290,108
Charge for the financial year	22,264	6,043	-	3,693	32,000
Disposals	-	-	-	(375)	(375)
At 1 January 2017	165,899	121,023	-	34,811	321,733
Charge for the financial year	22,041	5,500	-	2,901	30,442
Disposals	(941)	-	-	(5,959)	(6,900)
At 31 December 2018	186,999	126,523	-	31,753	345,275
Carrying Amount					
At 31 December 2018	608,872	123,803	41,638	31,698	806,011

At 31 December 2017	614,272	129,303	30,245	19,810	793,630

During the financial year the Group carried out an impairment review of property, plant and equipment. The cash-generating unit for the purpose of impairment testing is the Moma Titanium Minerals Mine. The basis on which the recoverable amount of the Moma Titanium Minerals Mine is assessed is its value in use. The cash flow forecast employed for the value-in-use computation is from a life of mine financial model. The recoverable amount obtained from the financial model represents the present value of the future pre-tax, pre-finance cash flows discounted at 12%.

Key assumptions include the following:

- The discount rate is based on the Group's weighted average cost of capital. This rate is a best estimate of the current market assessment of the time value of money and the risks specific to the Mine, taking into consideration country risk, currency risk and price risk. The factors making up the cost of equity, cost of debt and capital structure have changed from the prior year review resulting in a discount rate of 12%. The Group does not consider it appropriate to apply the full current country risk premium to the calculation of the Group's weighted average cost of capital as it believes the specific circumstances which have resulted in the county risk increase over the past number of years are not appropriate to the specific circumstances of the Moma Mine. Hence, the calculation of country risk applicable to the calculation of the cost of equity has been adjusted accordingly.

  Using a discount rate of 12%, the recoverable amount is greater than the carrying amount by US$201.3 million. The discount rate is a significant factor in determining the recoverable amount. A 1% increase in the discount rate to 13% which management believes could be a reasonably possible change in this assumption, would result in the recoverable amount being greater than the carrying amount by US$114.7 million. A 1% increase in the discount rate in the prior year to 12.5% would have resulted in the recoverable amount being greater than the carrying amount by US$81.3 million. The improvement in the recoverable amount from the prior year is a result of increased production in the near term as a result of the change in mine plan assumptions detailed below.

- A mine plan based on the Namalope, Nataka and Pilivili proved and probable reserves which runs to 2058. The Mine life assumption of 40 years has not changed from the prior year review.

- Average annual production is approximately 1.1 million tonnes (2017: 0.9 million tonnes) of ilmenite plus co-products zircon and rutile over the life of the mine. This mine plan does not include investment in additional mining capacity. Certain minimum stocks of final and intermediate products are assumed to be maintained at period ends. The average annual production of final products has increased from the prior year due to the mine optimisation of WCP A in the Nataka orebody and an update of the production forecast for WCP B mining in the Pilivili orebody.

- Product sales prices are based on contract prices as stipulated in marketing agreements with customers, or where contracts are based on market prices or production is not presently contracted, prices are forecast by the Group taking into account independent titanium mineral sands expertise and management expectations including general inflation of 2% per annum. Average forecast product sales prices have decreased slightly over the life of mine from the prior year end review as a result of revised forecast pricing. An 8% reduction in average sales prices over the life of mine reduces the recoverable amount by US$201.3 million.

- Operating costs are based on approved budget costs for 2019 taking into account the current running costs of the mine and escalated by 2% per annum thereafter. Average forecast operating costs have increased from the prior year end review as a result of increased operating costs in 2018, which formed the basis for the 2019 budget and life of mine forecast thereafter. A 16% increase in operating costs over the life of mine reduces the recoverable amount by US$201.3 million.

- Sustaining capital costs are based on a life of mine capital plan considering inflation at 2% per annum from 2019. Average forecast sustaining capital costs have increased from the prior year end review as based on updated sustaining capital plans required to maintain the existing plant over the life of mine. The forecast takes into account reasonable cost increases and therefore a sensitivity to this assumption has not been applied which would give rise to a reduction in the recoverable amount.

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

Depreciation during the year was US$30.4 million (2017: US$32.0 million).

There was an adjustment to the mine closure cost of US$2.8 million (2017: US$2.6 million) during 2018 as a result of a change in the estimated closure cost.

Included in other assets is an amount of US$0.9 million (2017: US$0.6 million) in respect of leasehold property and motor vehicles of the Company. There was depreciation of US$0.1 million (2017: nil) during the year on these assets .

Included in plant and equipment are capital spares of US$2.9 million (2017: US$2.6 million).

During the year there were disposals of property, plant and equipment of US$6.9 million (2017: US$0.4 million).

Substantially, all the property, plant and equipment of the Group is or will be mortgaged, pledged or otherwise secured to provide collateral for the Group's Senior and Subordinated Loans as detailed in Note 12.

The recovery of property, plant and equipment is dependent upon the successful operation of the Moma Titanium Minerals Mine; the realisation of the cash flow forecast assumptions as set out in this note would result in the recovery of such amounts. The Directors are satisfied that at the Statement of Financial Position date, the recoverable amount of property, plant and equipment exceeds its carrying amount and, based on the planned mine production levels that, the Moma Titanium Minerals Mine will continue to achieve positive cash flows.

10. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2018	2017	2018	2017
	US$'000	US$'000	US$'000	US$'000
Immediately available without restriction	55,099	57,866	32,671	43,208
Contingency Reserve Account	2	2	-	-
Project Companies' Account	41,929	10,906	-	-
	97,030	68,774	32,671	43,208

Cash and cash equivalents comprise cash balances held for the purposes of meeting short-term cash commitments and investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. Where investments are categorised as cash equivalents, the related balances have a maturity of three months or less from the date of investment.

The Contingency Reserve Account ("CRA") is an account established under a cash collateral and shareholder funding deed to provide for shareholder funding to the Project Companies and to secure the obligations of the Company and Congolone Heavy Minerals Limited (a wholly-owned subsidiary undertaking) under the Completion Agreement.

Interest rate risk

Cash at bank earns interest at variable rates based on daily bank deposit rates, which may be zero. Short-term deposits are made for varying periods of between one day and three months, depending on the cash requirements of the Group, and earn interest at the respective short-term deposit rates. The interest rate profile of the Group's cash balances at the financial year end was as follows:

	2018	2017
	US$'000	US$'000
Cash and cash equivalents at variable interest rate	70,789	52,205
Cash at bank on which no interest is received	26,241	16,569
	97,030	68,774

Currency risk
The currency profile of cash and cash equivalents at the financial year end is as follows:

GROUP	2018 US$'000	2017 US$'000
US Dollar	94,556	66,721
South African Rand	1,956	10
Mozambican Metical	307	460
Euro	109	583
Sterling	51	957
Renminbi	33	24
Australian Dollars	18	19
	97,030	68,774

Fluctuations in the currencies noted above will impact on the Group's financial results.

Credit risk
The credit risk on cash and cash equivalents is limited because funds available to the Group are deposited with banks with high credit ratings assigned by international credit rating agencies. For deposits in excess of US$50 million the Group requires that the institution has an A (S&P)/A2 (Moody's) long-term rating. For deposits in excess of US$20 million or South African Rand-denominated deposits, the Group requires that the institution has a BBB+ (S&P)/Baa1 (Moody's) long-term rating. US$74.4 million of the bank deposits are with Barclays Bank plc, which has a long-term credit rating of A Stable (S&P)/A2 Stable (Moody's). US$22.4 million of the bank deposits are with HSBC plc which has a long-term credit rating of AA- Stable (S&P)/Aa3 Stable (Moody's).

11. CALLED-UP SHARE CAPITAL

	2018 €'000	2017 €'000
Authorised share capital		
181,000,000 ordinary shares of €0.001 each	181	181
4,000,000,000 deferred shares of €0.059995 each	239,980	239,980
	240,161	240,161

	2018 US$'000	2017 US$'000
Allotted, called up and fully paid		
Ordinary shares		
Opening and closing balance		
109,601,551 ordinary shares of €0.001 each	120	120
2,781,905,503 deferred shares of €0.059995 each	214,926	214,926
Total called-up share capital	215,046	215,046

12. BANK LOANS

	2018 US$'000	2017 US$'000
Project Loans		
Senior Loans	16,055	25,902
Subordinated Loans	67,408	76,965
Total Project Loans	83,463	102,867
The borrowings are repayable as follows:		
Within one year	21,558	21,693
In the second year	19,048	19,048
In the third to fifth years inclusive	42,857	62,126
	83,463	102,867
Less: amount due for settlement within twelve months	(21,558)	(21,693)
Amount due for settlement after twelve months	61,905	81,174

	2018 US$'000	2017 US$'000
Project Loans		
Balance at 1 January	102,867	102,618
Loan interest accrued	5,871	6,300
Loan interest paid	(6,227)	(6,051)
Principal paid	(19,048)	-
Balance at 31 December	83,463	102,867

Project Loans
Project Loans have been made to the Mozambique branches of Kenmare Moma Mining (Mauritius) Limited and Kenmare Moma Processing (Mauritius) Limited (the "Project Companies"). The Project Loans are secured by substantially all rights and assets of the Project Companies, and, amongst other things, the Group's shares in the Project Companies, substantially all of the Group's cash balances and substantially all of the Group's intercompany loans.

Senior debt ranks in priority to subordinated debt in repayment, subject to the waterfall provision summarised below, on insolvency of the Group and on enforcement of security.

Voting thresholds are calculated on the basis of aggregate outstanding debt, being the aggregate of outstanding senior debt and outstanding subordinated debt. Decisions are taken by majority Lenders (Lenders whose principal amount of outstanding debt aggregate more than 50.1% of all outstanding debt) or supermajority Lenders (Lenders whose principal amount of outstanding debt aggregate more than 66.7% of all outstanding debt).

In October 2018 the Company announced a dividend policy to return a minimum of 20% of profit after tax to shareholders and noted that the payment of a dividend would require the completion of a capital reduction to capitalise historic losses for Kenmare Resources plc as well as a group restructuring to put in place the internal mechanics to permit profits generated by the Project Companies to be paid as dividends to shareholders. The Group and the Lenders entered into a Conditional Consent Agreement on 15 October 2018 which, amongst other things, provided for the capital reduction of Kenmare Resources plc and restructuring of the Group. In relation to the capital reduction, on 5 December 2018 the shareholders approved the capital reduction, the High Court of Ireland confirmed the capital reduction at the start of February and the reduction became effective as of 5 February 2019. In relation to the group restructuring, many of these steps have been successfully completed. Kenmare is addressing with Lenders the remaining aspects of the group restructuring and conditions applicable to the making of "restricted payments" in relation to dividends.

Senior debt
The final maturity date of the senior debt is 1 February 2022. Interest on the senior debt is payable in cash on each semi-annual payment date (1 February and 1 August). The interest rate on each tranche of senior debt is LIBOR plus a margin of 3.00% from and including 28 July 2016 to and including 31 January 2020, and 3.75% thereafter.

Scheduled repayment of the senior debt and subordinated debt is based on the following repayment schedule, the percentage being applied to total senior and subordinated debt outstanding on 28 July 2016 of US$100 million, in each case subject to the waterfall provisions summarised below:

Payment date	Principal amount to be repaid (%)
1 Feb 2018	9.52381
1 Aug 2018	9.52381
1 Feb 2019	9.52381
1 Aug 2019	9.52381
1 Feb 2020	9.52381
1 Aug 2020	9.52381
1 Feb 2021	9.52381
1 Aug 2021	11.11111
1 Feb 2022	22.22222

Each principal instalment is allocated 50% to senior debt until senior debt is fully repaid (provided that once the amount of Absa senior debt is reduced to US$10 million, Absa ceases to participate in the senior debt instalment and thereafter participates in the subordinated instalment) with the balance being applied to subordinated debt. The effect of the sharing provision is that senior debt, other than Absa's senior debt, will be repaid by 1 August 2019 under the agreed amortisation schedule.

In addition to the scheduled instalments of senior debt, prepayments based on 25% of cash available for restricted payments are required under a cash sweep mechanism, 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.

Group borrowings interest, currency and liquidity risk

The loan facilities are arranged at variable rates and expose the Group to cash flow interest rate risk. Variable rates are based on six-month LIBOR. The average effective borrowing rate at financial year end was 7.3% (2017: 5.7%). The interest rate profile of the Group's loan balances at the financial year end was as follows:

	2018 US$'000	2017 US$'000
Variable rate debt	83,463	102,867

The fair value of the Group borrowings of US$83.2 million (2017: US$102.5 million) has been calculated by discounting the expected future cash flows at a market rate of 6%. The 6% market rate was estimated by reviewing borrowing rates of the mining sector and other relevant market yields. For B+ to B- rated debt the borrowing rates are in the range of 5 to 6%.

Under the assumption that all other variables remain constant, a 1% change in the 6-month LIBOR rate results in a US$0.8 million (2017: US$1.0 million) change in finance costs for the financial year.

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

	2018	2017
	US$'000	US$'000
US Dollars	83,463	102,867

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

13. 2018 ANNUAL REPORT AND ACCOUNTS

The Annual Report and Accounts will be posted to shareholders before 30 April 2019.

Glossary - Alternative Performance Measures

Certain financial measures set out in the Annual Report to 31 December 2018 are not defined under International Financial Reporting Standards (IFRSs), but represent additional measures used by the Board to assess performance and for reporting both internally and to shareholders and other external users. Presentation of these Alternative Performance Measures (APMs) provides useful supplemental information which, when viewed in conjunction with the Company's IFRS financial information, allows for a more meaningful understanding of the underlying financial and operating performance of the Group.

These non-IFRS measures should not be considered as an alternative to financial measures as defined under IFRS.

Descriptions of the APMs included in this report, as well as their relevance for the Group, are disclosed below.

APM	Description	Relevance
EBITDA	Operating profit/loss before depreciation and amortisation	Eliminates the effects of financing, tax and depreciation to allow assessment of the earnings and performance of the Group
Capital costs	Additions to property, plant and equipment in the period	Provides the amount spent by the Company on additions to property, plant and equipment in the period
Cash operating cost per tonne of finished product produced	Total costs less freight and other non-cash costs, including inventory movements, divided by final product production (tonnes)	Eliminates the non-cash impact on costs to identify the actual cash outlay for production and, as production levels increase or decrease, highlights operational performance by providing a comparable cash cost per tonne of product produced over time
Net cash/debt	Bank loans before loan amendment fees and expenses net of cash and cash equivalents	Measures the amount the Group would have to raise through refinancing, asset sale or equity issue if its debt were to fall due immediately, and aids in developing an understanding of the leveraging of the Group
Mining – HMC produced	Heavy mineral concentrate extracted from mineral sands deposits and which include ilmenite, zircon, rutile and other heavy minerals and silica	Provides a measure of heavy mineral concentrate extracted from the Mine
Processing – finished products produced	Finished products produced by the mineral separation process	Provides a measure of finished products produced from the processing plants
Marketing – finished products shipped	Finished products shipped to customers during the period	Provides a measure of finished products shipped to customers
LTIFR	Lost time injury frequency rate	Measures the number of injuries causing lost time per 200,000 man hours worked on site
AI	All injuries	Provides the number of injuries at the Mine in the year

EBITDA

	2013	**2014**	**2015**	**2016**	**2017**	**2018**
	US$m	US$m	US$m	US$m	US$m	US$m
Operating profit/(loss)	4.7	(31.5)	(47.3)	(25.4)	28.5	62.9
Depreciation and amortisation	24.3	40.9	35.8	30.6	32.0	30.4
EBITDA	29.0	9.4	(11.5)	5.2	60.5	93.3

Cash operating cost per tonne of finished product

	2013	**2014**	**2015**	**2016**	**2017**	**2018**
	US$m	US$m	US$m	US$m	US$m	US$m
Cost of sales	113.7	173.4	168.1	144.0	156.6	168.3
Other operating costs	19.5	32.4	21.8	22.8	23.2	31.0

Total operating costs	133.2	205.8	189.9	166.8	179.8	199.3
Freight charges	(3.4)	(8.2)	(3.7)	(5.4)	(5.5)	(16.3)
Total operating costs less freight	129.8	197.6	186.2	161.4	174.3	183.0
Non-cash costs						
Depreciation and amortisation	(24.3)	(40.9)	(35.8)	(30.6)	(32.0)	(30.4)
Share-based payments	(0.6)	(1.4)	0.7	(0.4)	(1.0)	(1.4)
Costs capitalised	27.2	-	-	-		
Mineral product movements	18.3	17.7	(14.7)	3.0	0.3	0.1
Adjusted cash operating costs	150.4	173.0	136.4	133.4	141.6	151.3
Final product production tonnes	755,500	911,500	821,300	979,300	1,081,300	1,043,300
Cash operating cost per tonne of finished product	US$199	US$190	US$166	US$136	US$131	US$145

Net cash/debt

	2013	2014	2015	2016	2017	2018
	US$m	US$m	US$m	US$m	US$m	US$m
Bank loans	(355.2)	(337.7)	(341.9)	(102.6)	(102.9)	(83.5)
Loan amendment fees and expenses	(6.7)	(12.4)	(25.9)	-	-	-
Gross debt	(361.9)	(350.1)	(367.8)	(102.6)	(102.9)	(83.5)
Cash and cash equivalents	67.5	21.8	14.4	57.8	68.8	97.0
Net cash/(debt)	(294.4)	(328.3)	(353.4)	(44.8)	(34.1)	13.5