Kenmare Resources plc

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

22 August 2017

Half-Yearly Results for the six months to 30 June 2017

Kenmare Resources plc (LSE:KMR, ISE:KMR), one of the leading global producers of titanium minerals and zircon, which operates the Moma Titanium Minerals Mine (the "Mine" or "Moma") in northern Mozambique, today announces its half year results for the six month period ended 30 June 2017 ("H1 2017").

Statement from Michael Carvill, Managing Director:

"Kenmare has produced a record one million tonnes of ilmenite in the twelve months to June 2017, whilst improving safety standards, and remains on target for 2017 production guidance. We have also produced record levels of zircon and are capturing more of it in higher quality products. Increased shipments, higher average received prices, and lower unit costs have resulted in H1 EBITDA increasing to US$29.8 million. We look forward to building on these achievements.

In relation to our medium-term objective of optimising mining capacity, several development options are under assessment some of which may significantly reduce or defer previously guided capex, whilst optimising production volumes. Capital investment decisions will be made in the context of market conditions and maintaining balance sheet strength."

Overview

- Ilmenite production in H1 2017 increased 25% to 504,800 tonnes compared to H1 2016, zircon production in H1 2017 increased 32% to 37,700 tonnes
- Total shipments of finished products in H1 2017 increased 21% to 535,700 tonnes
- Revenues increased 82% to US$102.4 million, as a result of increased prices and sales volumes
- Unit cash operating costs declined 14% in H1 2017 to US$131 per tonne (H1 2016: US$153 per tonne), a result of higher production and continued cost control
- EBITDA of US$29.8 million, compared with negative US$10.7 million in H1 2016, a US$40.5 million positive change
- Profits increased to US$9.4 million in H1 2017, from a US$47.1 million loss in H1 2016, a US$56.5 million positive change
- The ilmenite price recovery continued in H1 2017 but with some recent softening in the Chinese market

Results conference call & presentation

A conference call for analysts will be held at 09:00am BST on Tuesday, 22 August 2017. A presentation to accompany the conference call is available on the Company website, www.kenmareresources.com.

Participant dial-in numbers are as follows:

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Participant ID#	59473987#

The Half Yearly Financial Report for the period ended 30 June 2017 is available on the Company website, www.kenmareresources.com

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Forward Looking Statements

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

INTERIM MANAGEMENT REPORT

Group Results
Production, revenue, cost and EBITDA results for H1 2017 and H1 2016 were as follows:

	H1 2017	H1 2016	% Change
Production (tonnes)			
Heavy mineral concentrate [1]	712,700	606,100	18%
Ilmenite [1]	504,800	402,900	25%
Zircon [1, 2]	37,700	28,500	32%
Rutile [1]	4,400	3,000	47%
Total finished products [1]	546,900	434,400	26%
Revenue (US$ million)	102.4	56.2	82%
Finished products shipped (tonnes) [1]	535,700	441,700	21%
Average price per tonne (US$/t) [1]	191	127	50%
Total operating costs [3] (US$ million)	87.4	81.1	8%
Total cash costs [1] (US$ million)	71.4	66.6	7%
Total cash cost per tonne of finished product [1] (US$/t)	131	153	-14%
EBITDA (US$ million)	29.8	(10.7)	

1. Additional information in relation to these Alternative Performance Measures ("APMs") is disclosed in the Glossary on page 28
2. Zircon production includes a secondary zircon product H1 2017 12,000 tonnes; H1 2016 9,200 tonnes)
3. Included in operating costs are depreciation and amortisation

Operations

Kenmare Resources plc delivered strong production in H1 2017 with all production metrics up substantially over the prior year. Production of Heavy Mineral Concentrate ("HMC") and finished products (ilmenite, zircon and rutile) increased by 18% and 26% respectively compared to H1 2016, primarily due to improved mining reliability, supplementary mining and improved operating time at the Mineral Separation Plant ("MSP").

In H1 2017 the Group mined 17,383,000 tonnes (H1 2016: 14,447,600 tonnes) of ore at an average grade of 4.66% (H1 2016: 4.62%) and produced 712,700 tonnes (H1 2016: 606,100 tonnes) of HMC. Finished product volumes for the period included 504,800 tonnes (H1 2016: 402,900 tonnes) of ilmenite and 37,700 tonnes (H1 2016: 28,500 tonnes) of zircon (H1 2017 figure includes 12,000 tonnes of a lower grade secondary zircon product (H1 2016: 9,200 tonnes).

The tonnage of ore excavated was up 20% in comparison to H1 2016, as dredge mining reliability continued to improve and supplementary mining helped to boost throughputs. Grades are forecast to be lower in H2 2017, though HMC production volumes are expected to be broadly maintained as improvements in operating times and supplementary mining operations are expected to compensate for the grade decline.

Ilmenite production for the period was 504,800 tonnes, up 25% on H1 2016, reflecting the operating time improvements seen over the past year. Zircon production for the period increased 32% to 37,700 tonnes, with primary production increasing 33% and secondary production increasing 30% in comparison to H1 2016. Increased outputs of higher grade primary products are a result of improving recoveries, with further increases expected in H2 2017.

The Lost Time Injury Frequency Rate ("LTIFR") was 0.23 for the twelve months to 30 June 2017 as compared to 0.37 for the twelve months to 30 June 2016. There were two lost time injuries experienced in H1 2017 compared to one in H1 2016. Kenmare remains committed to providing a safe and healthy work environment for its employees, contractors and visitors.

Total cash costs increased 7% in H1 2017 to US$71.4 million, compared to US$66.6 million H1 2016, as a result of higher production volumes of finished products while total cash costs per tonne of finished product declined

14% over the same period to US$131 per tonne (H1 2016: US$153 per tonne).

Sales of total finished products were at record levels, and up 21% to 535,700 tonnes in H1 2017 compared to 441,700 tonnes in H1 2016. Sales in H1 2017 comprised 495,000 tonnes (H1 2016: 414,800 tonnes) of ilmenite, 36,700 tonnes (H1 2016: 24,300 tonnes) of zircon and 4,000 tonnes (H1 2016: 2,600 tonnes) of rutile. Shipping capacity will be reduced in Q3 2017, because one of the Company's two transhipment barges has been undergoing maintenance required every five years to comply with marine classification regulations. The vessel is expected to return to service in Q3. The scheduled maintenance of the barge is not expected to have a significant impact on shipping volumes for the full year.

Closing stock of HMC at 30 June 2017 was 59,300 tonnes, compared to 66,500 tonnes at 31 December 2016. Closing stock of finished products was 202,500 tonnes, up from 192,300 tonnes at 31 December 2016. The closing stock of finished products includes 49,300 tonnes for which the Group received advance payment from a customer (31 December 2016: 60,000 tonnes).

Market

Global pigment market conditions were favourable in H1 2017 leading to strong ilmenite offtake for Kenmare. Ilmenite prices have increased strongly in the past 18 months and Kenmare has agreed further price increases for contracted volumes in H2 2017, in comparison to H1 2017. However, there has been a recent drop in Chinese ilmenite spot prices.

Chinese pigment producers accumulated ilmenite inventories in H1 2017 as demand for pigment grew and ilmenite prices rose. In recent months stockpiles of low quality ilmenite and concentrates have entered the market, but some are not expected to be sources of long term supply. Seasonally weaker Chinese pigment demand and some disruption to pigment plant operating rates associated with the enforcement of stricter environmental regulations have resulted in weaker Chinese demand for ilmenite in Q3 2017. However, this environmental enforcement is also restricting domestic Chinese ilmenite production.

Demand for Kenmare's chloride ilmenite continues to be strong in 2017.

Market conditions for zircon improved in H1 2017, as inventories declined throughout the value chain. Kenmare has successfully implemented further significant price increases for H2 2017, as demand has continued to recover, and expects the positive momentum in the market to be maintained.

Financial

Revenues for the period increased to US$102.4 million (H1 2016: US$56.2 million), with a 21% increase in tonnes sold to 535,700 tonnes (H1 2016: 441,700 tonnes) of final products and an increase in the average sales price by 50%.

Total operating costs of US$87.4 million increased by US$6.3 million from H1 2016. Total cash costs increased by 7% to US$71.4 million as a result of the increased production in the period, while total cash cost per tonne of finished product decreased from US$153 per tonne in H1 2016 to US$131 per tonne in H1 2017.

An increase in cost of sales of US$5.4 million (H1 2016: US$24.0 million decrease) contributed to the increase in total operating costs, reflecting the increase in sales for the period. Depreciation and amortisation increased by US$0.6 million (H1 2016: US$2.4 decrease), due to additional spending on property, plant and equipment and increased production. Other operating costs included freight, demurrage and distribution costs of US$8.3 million (H1 2016: US$8.3 million), administration costs of US$1.6 million (H1 2016: US$0.9 million), arbitration costs of US$3.7 million (H1 2016: US$3.7 million), and a share-based payment cost of US$0.4 million (H1 2016: US$0.2 million).

Adjusting total operating costs for depreciation of US$14.8 million (H1 2016: US$14.2 million), total Group share-based payments of US$0.4 million (H1 2016: US$0.1 million), freight reimbursable by customers of US$2.9 million (H1 2016: US$2.4 million) and the increase in mineral product inventory for the period of US$2.1 million (H1 2016: US$2.2 million), the total cash cost for the period amounted to US$71.4 million (H1 2016: US$66.6 million).

EBITDA for the period amounted to positive US$29.8 million (H1 2016: negative US$10.7 million). The gross profit for the period was US$29.0 million (H1 2016: US$11.8 million loss) and the operating profit was US$15.0 million (H1 2016: US$24.9 million loss). The increase in EBITDA and operating profit for the period is primarily a result of higher revenue of US$102.4 million (H1 2016: US$56.2 million).

Net finance costs of US$3.4 million (H1 2016: US$21.5 million) decreased as a result of the capital restructuring that was completed on 28 July 2016 and reduced debt to US$102.8 million on such date (H1 2016: US$357.7 million).

The Group reported a foreign exchange loss of US$1.8 million (H1 2016: US$2.7 million) on non-US Dollar payables, cash and bank balances. A tax expense of US$0.5 million (H1 2016: US$1.9 million credit) was incurred in the period. The resultant net profit after tax is US$9.4 million for the period (H1 2016: US$47.1 million loss).

During the period, additions to property, plant and equipment were US$9.5 million (H1 2016: US$3.2 million), reflecting spending on sustaining and development capital expenditure. Depreciation during the period increased to US$14.8 million from US$14.2 million in H1 2016 as a result of additions to property, plant and equipment and increased production. The Group carried out an impairment review of property, plant and equipment at the period end. The key assumptions of this review are set out in Note 5. No impairment provision is required as a result of this review.

Inventory at the period end amounted to US$52.5 million (2016: US$47.7 million), consisting of intermediate and final mineral products of US$32.7 million (2016: US$30.6 million) and consumables and spares of US$19.8 million (2016: US$17.1 million). Closing stock of finished products at 30 June 2017 was 202,500 tonnes (2016: 192,300 tonnes). The Group has received advance payment from customers for 49,300 tonnes (2016: 60,000 tonnes) of finished 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$28.5 million (2016: US$23.8 million), of which US$23.1 million (2016: US$19.1 million) were trade receivables from the sale of mineral products and US$5.4 million (2016: US$4.7 million) was comprised of prepayments, mainly insurance premia. During the period, there were sales of US$102.4 million and receipts of US$98.4 million resulting in an increase in trade receivables since the year-end.

Included in trade and other payables of US$29.6 million (2016: US$30.3 million) is US$7.5 million (2016: US$9.1 million) relating to advanced payments from a certain customer as noted above. Included in payables at 30 June 2017 is an amount of US$2.9 million arbitration costs due to the Aveng Group notified to the Group on 16 August 2017. Included in the payables at 31 December 2016 was an amount of US$4.9 million due to the Aveng Group that was paid in January 2017 as a result of the tribunal award on the 23 December 2016.

Bank loans amounted to US$102.8 million (2016: US$102.6 million) at the end of the period. On 28 July 2016, the Group completed a capital restructuring that provided for a reduction in the interest rates on outstanding debt and a principal repayment holiday until February 2018.

Cash and cash equivalents as at 30 June 2017 amounted to US$63.4 million (2016: US$57.8 million). Increases in inventories (US$4.7 million) and trade and other receivables (US$4.7 million) together with a decrease in trade and other payables (US$1.0 million) reduced cash flow from operations for the period by US$10.5 million (H1 2016: US$19.6 million increase).

Community

The Kenmare Moma Development Association (KMAD) continued to support local communities during the period through its economic, social and infrastructure projects.

Board Update

Ms. Sofia Bianchi retired from the Board on 25 May 2017 having served for nine years as a Non-Executive Director. Effective as of the same date, Mr. Peter Bacchus was appointed to the Board as a Non-Executive Director and as a member of the Remuneration and Audit Committees, Ms. Elizabeth Headon was appointed the Senior Independent Non-Executive Director and Mr. Graham Martin was appointed to the Nomination Committee.

Outlook

Production and cost improvements achieved in 2016 have continued in H1 2017 and the Company remains on track to deliver guided production for 2017.

In relation to our medium-term objective of optimising mining capacity, several development options are under assessment some of which may significantly reduce or defer previously guided potential capital expenditure, whilst optimising production volumes. Capital investment decisions will be made in the context of market conditions and maintaining balance sheet strength.

The ilmenite market improvements seen in the second half of 2016 have continued in the first half of 2017 but with some recent softening of ilmenite prices in China. Kenmare's supply-demand analysis forecasts growing feedstock deficits globally in the coming years, as inventory levels normalise.

The zircon market has strengthened in the first half of 2017. This is expected to continue in the second half of the year as demand recovers and inventories reduce.

Principal risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. Other than in relation to the TiO_2 European Regulatory Risk, a detailed explanation of the risks and uncertainties below, and how the Group seeks to mitigate the risks, can be found on pages 44 to 49 of the Annual Report for the year ended 31 December 2016.

Loss of mining licences

Risk: 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.

Potential impact: A loss of or failure to maintain mining licences would significantly impact on the ability to operate, cash generation and valuation of the Group's assets.

Country risk

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.

Potential impact: While Kenmare has successfully operated in Mozambique since 1987, it remains subject to risks similar to those prevailing in many developing nations; economic and social instability, changing regulatory requirements, increased taxes, etc. These events may cause significant disruption to the operation of the Mine or may cause an increase in costs to operate the Mine. Country risk is a factor in determining the economics of the Mine, and a deteriorating country risk may have an effect on the Group's financial results.

Geotechnical risk

Risk: An external berm failure at the Mine could result in a major slimes/water spill potentially impacting on local communities and production plants.

Potential impact: 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. The failure of a berm could cause loss of life and cessation of the operation of the affected dredge and Wet Concentrator Plant for a prolonged period. There are two independent mining operations at the Mine. The failure of a berm at one mining unit would not necessarily result in the cessation of operations at the other mining unit.

Severe weather events

Risk: 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.

Potential impact: In extreme weather circumstances, there is a risk of loss of life. There is a risk of 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.

Uncertainty over physical characteristics of the orebody

Risk: Orebody characteristics may not conform to expectations.

Potential impact: An unexpected change in physical characteristics of an orebody may result in reduced production levels or necessitate increased production costs to maintain production at the intended level.

Power supply and transmission risk

Risk: The Mine is reliant on the delivery of stable and continuous electric power from the national grid via Kenmare's dedicated transmission line to the Mine.

Potential impact: Significant disruption to, or instability in, the power supply to the 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.

Asset damage or loss

Risk: The operation of large mining and processing facility carries an inherent risk of technical failure of equipment, fires and other accidents.

Potential impact: An occurrence of these risks could result in damage to or destruction of key mining, processing or shipping facilities at the Mine. Loss of key assets could result in disruption to production or shipping, significant replacement costs and consequential monetary losses.

Health Safety & Environment

Risk: The operation of large mining and processing facilities 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.

Potential impact: 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.

Resource statement risk

Risk: A material misstatement in the Reserves and Resources statement.

Potential impact: A material misstatement in the Reserves and Resources statement could materially adversely affect Group valuation.

IT security risk

Risk: The Group is dependent on the employment of advanced information systems and is exposed to the risk of failure in the operation of these systems. Furthermore, the Group is exposed to security threats through cyber-crime.

Potential impact: A failure in these systems or a security breach could lead to a disruption to critical business systems, a loss or theft of confidential information, competitive advantage or intellectual property and financial and/or reputational harm.

Industry Cyclicality

Risk: The Group's revenue generation may be significantly and adversely affected by declines in the demand for and prices of its ilmenite, zircon and rutile products. During rising commodity markets, there may be upward pressure on operating and capital costs.

Potential impact: 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.

Customer concentration

Risk: The customer base for the Mine's ilmenite, zircon and rutile products is concentrated.

Potential impact: The Mine'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.

Foreign currency risk

Risk: The Mine'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.

Potential impact: The nature and location of the Mine and the intrinsic volatility in currency markets gives rise to an ongoing significant probability of occurrence of an adverse exchange rate movement. The impact of such fluctuations can be large across calendar years.

Financing risk

Risk: The inability to secure access to funding as required for future development capital expenditure.

Potential impact: Significant development capital expenditures may need to be funded in the medium-term horizon. A failure to generate sufficient operating cash flows or to obtain external funding would lead to a failure or delay in executing development projects that could lead to sub-optimal cash generation over the longer term.

TiO_2 European Union Regulatory Risk

Risk: Pursuant to the Regulation (EC) No 1272/2008, the Classification, Labelling and Packaging Regulation, an EU Member State can propose a classification for a substance to the European Chemicals Agency ("ECHA"), which upon review by ECHA's Committee for Risk Assessment ("RAC"), can be submitted to the European Commission for adoption by regulation. On 9 June 2017, pursuant to a proposal on behalf of France, the RAC concluded that titanium dioxide be classified as a Category 2 Carcinogen as suspected of causing cancer (through the inhalation route). The opinion has been provided to the European Commission, who will evaluate and make the final decision on the proposed classification. The titanium dioxide industry intends to enter into dialogue with the European Commission in connection with that process.

Potential impact: If the European Commission were to adopt the proposed Category 2 Carcinogen classification, it could have an adverse impact on market demand for and price of our ilmenite and rutile products.

Related party transactions

There have been no material changes in the related party transactions affecting the financial position or the performance of the Group in the period other than those disclosed in Note 10 to the condensed consolidated financial statements.

Going Concern

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

Events after the Statement of Financial Position Date

Kenmare Moma Mining (Mauritius) Limited Mozambique Branch and Kenmare Moma Processing (Mauritius) Limited Mozambique Branch (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. A partial award was notified to the Group on 23 December 2016. A final award was notified to the Group on 16 August 2017, pursuant to which the Project Companies' are required to pay a portion of Aveng's costs amounting to US$2.9 million which is included in trade and other payables at 30 June 2017.

Forward-looking statements

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

On behalf of the Board,

Managing Director Michael Carvill	Financial Director Tony McCluskey
21 August 2017	21 August 2017

RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of the Half Yearly Financial Report in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, as amended, the Transparency Rules of the Central Bank of Ireland, and with IAS 34, Interim Financial Reporting as adopted by the European Union. The names and functions of the Directors are as listed in the Group's 2016 Annual Report and Accounts, with the exception that effective 25 May 2017, Ms. Sofia Bianchi retired as a Non-Executive Director of the Company and Mr. Peter Bacchus was appointed as a Non-Executive Director of the Company. A list of the current Directors is maintained on the Kenmare Resources plc website: www.kenmareresources.com.

The Directors confirm that, to the best of their knowledge:

- The Group condensed consolidated financial statements for the half year ended 30 June 2017 have been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the European Union;

- The Interim Management Report includes a fair review of the information required by Regulation 8(2) of the Transparency (Directive 2004/109/EC) Regulations 2007, as amended being an indication of important events that have occurred during the first six months of the financial year and their effect on the condensed consolidated financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and

- The Interim Management Report includes a fair review of the information required by Regulation 8(3) of the Transparency (Directive 2004/109/EC) Regulations 2007, as amended being related party transactions that have taken place in the first six months of the current financial year and that materially affected the financial position or performance of the entity during that period, and any changes in the related party transactions described in the last annual report that could do so.

On behalf of the Board,

Managing Director Michael Carvill	Financial Director Tony McCluskey
21 August 2017	21 August 2017

INDEPENDENT REVIEW REPORT TO KENMARE RESOURCES PLC

We have been engaged by the company to review the Group condensed consolidated Financial Statements in the Half Yearly Financial Report for the six months ended 30 June 2017 which comprises the Group Condensed Consolidated Statement of Comprehensive Income, the Group Condensed Consolidated Statement of Financial Position, the Group Condensed Consolidated Statement of Changes in Equity, the Group Condensed Consolidated Statement of Cash Flows and related notes 1 to 14. We have read the other information contained in the Half Yearly Financial Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the Group Condensed Consolidated set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board ("ISRE 2410"). Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this review report, or for the conclusions we have formed.

Directors' responsibilities

The Half Yearly Financial Report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Half Yearly Financial Report which includes the Group Condensed Consolidated Financial Statements, in accordance with the International Accounting Standard 34, ''Interim Financial Reporting,'' as adopted by the European Union and the Transparency (Directive 2004/109/EC) Regulations 2007, as amended and the Transparency Rules of the Central Bank of Ireland.

As disclosed in note 1, the annual financial statements of the company are prepared in accordance with IFRSs as adopted by the European Union. The Group Condensed Consolidated Financial Statements included in this Half-Yearly Financial Report has been prepared in accordance with International Accounting Standard 34, ''Interim Financial Reporting,'' as adopted by the European Union and the Transparency (Directive 2004/109/EC) Regulations 2007, as amended and the Transparency Rules of the Central Bank of Ireland.

Our responsibility

Our responsibility is to express to the company a conclusion on the Group Condensed Consolidated Financial Statements in the Half-Yearly Financial Report based on our review.

Scope of review

We conducted our review in accordance with ISRE 2410. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Group Condensed Consolidated Financial Statements included in the Half-Yearly Financial Report for the six months ended 30 June 2017 are not prepared, in all material respects, in accordance with International Accounting Standard 34, ''Interim Financial Reporting,'' as adopted by the European Union and the Transparency (Directive 2004/109/EC) Regulations 2007, as amended and the Transparency Rules of the Central Bank of Ireland.

INDEPENDENT REVIEW REPORT TO KENMARE RESOURCES PLC (CONTINUED)

Emphasis of Matter – Recoverability of Property, Plant and Equipment

In forming our conclusion on the Group Condensed Consolidated Financial Statements for the six months ended 30 June 2017, which is not modified, we have considered the adequacy of the disclosures in note 5 concerning the recoverability of Property, Plant and Equipment of US$790 million which is dependent on the continued recovery in market prices for titanium mineral sands and consequently the realisation of the underlying cashflow forecast assumptions. The Group Condensed Consolidated Financial Statements do not include any adjustments relating to these uncertainties and the ultimate outcome cannot at present be determined.

Deloitte
Chartered Accountants
Deloitte & Touche House, Earlsfort Terrace, Dublin 2

21 August 2017

KENMARE RESOURCES PLC
GROUP CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Notes	Unaudited 6 Months 30 June 2017 US$'000	Unaudited 6 Months 30 June 2016 US$'000	Audited 12 Months 31 Dec 2016 US$'000
Revenue	**2**	102,379	56,195	141,491
Cost of sales		(73,386)	(67,961)	(144,014)
Gross profit/(loss)		28,993	(11,766)	(2,523)
Other operating costs		(13,986)	(13,116)	(22,835)
Operating profit/(loss)		15,007	(24,882)	(25,358)
Finance income		100	20	94
Finance costs		(3,510)	(21,535)	(27,960)
Gain on extinguishment of debt		-	-	38,255
Foreign exchange loss		(1,762)	(2,664)	(2,175)
Profit/(loss) before tax		9,835	(49,061)	(17,144)
Income tax (expense)/credit		(456)	1,917	1,917
Profit/(loss) for the period/year		9,379	(47,144)	(15,227)
Attributable to equity holders		9,379	(47,144)	(15,227)
		US$ per share	**US$ per share**	**US$ per share**
Profit/(loss) per share: basic	**4**	0.09	(3.39)	(0.28)
Profit/(loss) per share: diluted	**4**	0.09	(3.39)	(0.28)

The accompanying notes form part of these condensed consolidated financial statements.

KENMARE RESOURCES PLC
GROUP CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Notes	Unaudited 30 June 2017 US$'000	Unaudited 30 June 2016 US$'000	Audited 31 Dec 2016 US$'000
Assets				
Non-current assets				
Property, plant and equipment	**5**	790,003	823,775	793,875
Deferred tax asset		2,780	3,236	3,237
Other receivables		93	464	278
		792,876	827,475	797,390
Current assets				
Inventories		52,484	47,438	47,747
Trade and other receivables		28,432	12,058	23,558
Cash and cash equivalents		63,408	12,279	57,786
		144,324	71,775	129,091
Total assets		937,200	899,250	926,481
Equity				
Capital and reserves attributable to the Company's equity holders				
Called-up share capital	**6**	215,046	214,941	215,046
Share premium		730,897	431,380	730,897
Retained losses		(194,045)	(226,590)	(203,424)
Other reserves		33,663	32,943	33,247
Total equity		785,561	452,674	775,766
Liabilities				
Non-current liabilities				
Bank loans	**7**	90,629	-	100,000
Provisions	**8**	17,471	22,440	15,855
		108,100	22,440	115,855
Current liabilities				
Bank loans	**7**	12,184	357,742	2,618
Obligations under finance lease		-	512	264
Provisions	**8**	1,720	1,714	1,720
Other financial liability		15	236	4
Trade and other payables		29,620	63,932	30,254
		43,539	424,136	34,860
Total liabilities		151,639	446,576	150,715
Total equity and liabilities		937,200	899,250	926,481

The accompanying notes form part of these condensed consolidated financial statements.

KENMARE RESOURCES PLC
UNAUDITED GROUP CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2017

	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 2016	214,941	431,380	754	10,582	(175,651)	21,468	503,474
Loss for the period	-	-	-	-	(47,144)	-	(47,144)
Share-based payments	-	-	-	-	-	139	139
Transaction costs of an equity transaction	-	-	-	-	(3,795)	-	(3,795)
Balance at 30 June 2016	214,941	431,380	754	10,582	(226,590)	21,607	452,674
Profit for the period	-	-	-	-	31,917	-	31,917
Share-based payments	-	-	-	-	-	304	304
Equitisation of loans and loan fees	16	44,244					44,260
Equity issued	89	255,273	-	-	(8,751)	-	246,611
Balance at 31 December 2016	215,046	730,897	754	10,582	(203,424)	21,911	775,766
Profit for the period	-	-	-	-	9,379	-	9,379
Share-based payments	-	-	-	-	-	416	416
Balance at 30 June 2017	215,046	730,897	754	10,582	(194,045)	22,327	785,561

The accompanying notes form part of these condensed consolidated financial statements.

KENMARE RESOURCES PLC
GROUP CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Unaudited 6 Months 30 June 2017 US$'000	Unaudited 6 Months 30 June 2016 US$'000	Audited 12 Months 31 Dec 2016 US$'000
Cash flows from operating activities			
Profit/(loss) for the financial period/year before tax	9,835	(49,061)	(17,144)
Adjustment for:			
Foreign exchange movement	1,762	2,664	2,175
Share-based payments	416	139	443
Finance income	(100)	(20)	(76)
Finance costs	3,510	21,535	27,960
Gain on extinguishment of debt	-	-	(38,255)
Depreciation	14,801	14,155	30,613
Disposals of property, plant and equipment	-	-	224
Increase/(decrease) in other financial liability	11	214	(18)
(Decrease)/increase in provisions	(101)	112	113
Operating cash inflow/(outflow)	30,134	(10,262)	6,035
Increase in inventories	(4,737)	(1,210)	(1,519)
(Increase)/decrease in trade and other receivables	(4,688)	8,395	(2,919)
(Decrease)/increase in trade and other payables	(1,049)	12,377	(4,573)
Cash generated by operations	19,660	9,300	(2,976)
Interest received	100	20	76
Interest paid	(2,980)	(2,703)	(2,775)
Net cash from/(used in) operating activities	16,780	6,617	(5,675)
Cash flows from investing activities			
Additions to property, plant and equipment	(9,457)	(2,969)	(6,697)
Net cash used in investing activities	(9,457)	(2,969)	(6,697)
Cash flows used in financing activities			
Proceeds from the issue of shares	-	-	254,762
Cost of the issue of shares	-	-	(12,546)
Repayment of borrowings	-	-	(179,555)
Loan fees and expenses	-	(5,730)	(6,699)
Equity transaction costs	-	(460)	-
Payment of obligations under finance leases	(280)	(280)	(560)
Net cash (used in)/from financing activities	(280)	(6,470)	55,402
Net increase/(decrease) in cash and cash equivalents	7,043	(2,822)	43,030
Cash and cash equivalents at the beginning of period/year	57,786	14,352	14,352
Effect of exchange rate changes on cash and cash equivalents	(1,421)	749	404
Cash and cash equivalents at end of period/year	63,408	12,279	57,786

The accompanying notes form part of these condensed consolidated financial statements.

KENMARE RESOURCES PLC
UNAUDITED NOTES TO THE GROUP CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2017

1. BASIS OF PREPARATION AND GOING CONCERN

The annual financial statements of Kenmare Resources plc are prepared in accordance with IFRSs as adopted by the European Union. The Group Condensed Consolidated Financial Statements for the six months ended 30 June 2017 have been prepared in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, as amended the Transparency Rules of the Central Bank of Ireland and with IAS 34 'Interim Financial Reporting', as adopted by the European Union.

The accounting policies and methods of computation adopted in the preparation of the Group Condensed Consolidated Financial Statements are the same as those applied in the Annual Report for the financial year ended 31 December 2016 and are described in the Annual Report.

In the current financial year, the Group has adopted IAS 7 (amendments) Statement of cash flows and IAS 12 (amendments) Income taxes which are effective in the EU from 1 January 2017. Adoption has resulted in no effect on the financial statements.

IFRS 15 Revenue from Contracts with Customers will replace IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The new standard is applicable from 1 January 2018. The new standard will be adopted by the Group on the effective date of 1 January 2018. IFRS 15 provides a new five step model to be applied to revenue arising from contracts with customers. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. However, it is not expected that the application of IFRS 15 will impact accounting for our customer contracts. The new standard will result in additional disclosures in future years.

IFRS 9 Financial Instruments reflects the final phase of the IASB's work on the replacement of IAS 39 Financial Instruments: Recognition and Measurement and applies to the classification and measurement of financial assets and liabilities as defined in IAS 39, impairment, and the application of hedge accounting. IFRS 9 is effective from 1 January 2018. The new standard will be adopted by the Group on the effective date of 1 January 2018. The Group is currently performing an assessment of the impact of IFRS 9 but it is not expected that the application of IFRS 9 will impact the accounting for our current financial instruments.

The financial information presented in this document does not constitute statutory financial statements. The amounts presented in the Half Yearly Financial Statements for the six months ended 30 June 2017 and the corresponding amounts for the six months ended 30 June 2016 have been reviewed but not audited. The independent review report is on pages 11 and 12. The financial information for the year ended 31 December 2016, presented herein, is an abbreviated version of the annual financial statements for the Group in respect of the year ended 31 December 2016. The Group's annual financial statements in respect of the year ended 31 December 2016 have been filed in the Companies Registration Office and the independent auditors issued an unqualified audit report thereon, with emphasis of matter in relation to realisation of assets in the opinion in respect of those annual financial statements.

Based on the Group's forecast, the Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than twelve months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the condensed consolidation statements.

Key assumptions upon which the Group forecast is based over the next twelve months include a mine plan based on the Namalope reserves as set out in the Reserve and Resources table in the 2016 Annual Report. Production levels for the purpose of the forecast are approximately 1.2 million tonnes of ilmenite, zircon and rutile. Assumptions of 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. Operating costs are based on budget costs for 2017 taking into account 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.

2. SEGMENTAL INFORMATION

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

	Unaudited 30 June 17 US$'000	Unaudited 30 June 16 US$'000	Audited 31 Dec 16 US$'000
Segment revenues and results			
Moma Titanium Minerals Mine			
Revenue	102,379	56,195	141,491
Cost of sales	(73,386)	(67,961)	(144,014)
Gross profit/(loss)	28,993	(11,766)	(2,523)
Other operating costs	(12,010)	(12,047)	(20,051)
Segment operating profit/(loss)	16,983	(23,813)	(22,574)
Other corporate operating costs	(1,976)	(1,069)	(2,784)
Group operating profit/(loss)	15,007	(24,882)	(25,358)
Finance income	100	20	94
Finance expense	(3,510)	(21,535)	(27,960)
Gain on extinguishment of debt	-	-	38,255
Foreign exchange loss	(1,762)	(2,664)	(2,175)
Profit/(loss) before tax	9,835	(49,061)	(17,144)
Income tax (expense)/credit	(456)	1,917	1,917
Profit/(loss) for the period/year	9,379	(47,144)	(15,227)
Segment assets			
Moma Titanium Minerals Mine assets	882,312	890,091	868,400
Corporate assets	54,888	9,159	58,081
Total assets	937,200	899,250	926,481

3. SEASONALITY OF SALE OF MINERAL PRODUCTS

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

4. PROFIT/LOSS PER SHARE

The calculation of the basic and diluted profit/(loss) per share attributable to the ordinary equity holders of the Company is based on the following data:

	Unaudited 30 June 17 US$'000	**Unaudited 30 June 16 US$'000**	**Audited 31 Dec 16 US$'000**
Profit/(loss) for the period/year attributable to equity holders of the Company	9,379	(47,144)	(15,227)

	Unaudited 30 June 17 Number of Shares	**Unaudited 30 June 16 Number of Shares**	**Audited 31 Dec 16 Number of Shares**
Weighted average number of issued ordinary shares for the purposes of basic loss per share	109,601,551	13,909,527	55,253,893
Effect of dilutive potential ordinary shares:			
Shares, share options and warrants	513,852	-	-
Weighted average number of ordinary shares for the purpose of diluted loss per share	110,115,403	13,909,527	55,253,893
	US$ per share	**US$ per share**	**US$ per share**
Profit/(loss) per share: basic	0.09	(3.39)	(0.28)
Profit/(loss) per share: diluted	0.09	(3.39)	(0.28)

For the six months ended 30 June 2016 and year ended 31 December 2016, the basic profit per share and the diluted profit per share are the same, as the effect of the outstanding share awards, share options and warrants is anti-dilutive.

5. PROPERTY, PLANT AND EQUIPMENT

	Plant & Equipment US$'000	Other Assets US$'000	Construction in Progress US$'000	Development Expenditure US$'000	Total US$'000
Cost					
Balance at 1 January 2016	786,057	53,688	5,497	249,984	1,095,226
Transfer to/(from) construction in progress	3,081	681	(3,762)	-	-
Additions during the period	-	-	3,248	-	3,248
Disposals during the period	(279)	-	-	-	(279)
Balance at 30 June 2016	788,859	54,369	4,983	249,984	1,098,195
Transfer to/(from) construction in progress	2,816	198	(3,014)	-	-
Additions during the period	-	-	3,449	-	3,449
Disposals during the period	16	(731)	-	-	(715)
Adjustments during the period	(16,946)	-	-	-	(16,946)
Balance at 31 December 2016	774,745	53,836	5,418	249,984	1,083,983
Transfer to/(from) construction in progress	1,522	(312)	(1,210)	-	-
Additions during the period	164	-	9,293	-	9,457
Disposals during the period	-	(375)	-	-	(375)
Adjustments during the period*	1,472	-	-	-	1,472
Balance at 30 June 2017	777,903	53,149	13,501	249,984	1,094,537
Accumulated Depreciation					
Balance at 1 January 2016	122,354	27,836	-	110,075	260,265
Charge for the period	9,613	2,176	-	2,366	14,155
Balance at 30 June 2016	131,967	30,012	-	112,441	274,420
Charge for the period	11,759	2,160	-	2,539	16,458
Disposals during the period	(91)	(679)	-	-	(770)
Balance at 31 December 2016	143,635	31,493	-	114,980	290,108
Charge for the period	10,148	1,978	-	2,675	14,801
Disposals during the period	-	(375)	-	-	(375)

Balance at 30 June 2017	153,783	33,096	-	117,655	304,534
Carrying Amount					
Balance at 30 June 2017	624,120	20,053	13,501	132,329	790,003
Balance at 30 June 2016	656,892	24,357	4,983	137,543	823,775
Balance at 31 December 2016	631,110	22,343	5,418	135,004	793,875

*There was an adjustment to the mine closure cost of US$1.5 million during the period as result of a change in the mine closure provision due to the estimated 40-year discount rate decreasing from 3.3% to 3.1%, details of which are set out in Note 8.

During the period, 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%.

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 calculated at the period end using these factors is 11%. The country risk premium 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 mining operations. 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$140.8 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$64.4 million. A 1% increase in the discount rate at the year-end review to 12% would have resulted in the recoverable amount being greater than the carrying amount by US$47.5 million.

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

- Average annual production is approximately 0.9 million tonnes (2016: 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. Minimum stock quantities are forecast to be maintained at period ends. The average annual production assumption has not changed from the year-end review.

- 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 from the year-end review as a result of revised forecast pricing. Forecast sales prices may decrease in the short term. Management do not believe that reducing forecast sales prices in the long term/over the life of mine would be a reasonable change and therefore a sensitivity to this assumption (which would give rise to a reduction in the recoverable amount) has not been applied. Supply and demand analyses of the ilmenite industry forecast that without supply from new projects, or from re-incentivised higher cost capacity that has been idled, there will be a deficit of supply. The fundamentals of continued growth in pigment demand, based on increased economic activity driven by urbanisation trends in emerging markets and resumption of growth in the more traditional markets, such as North America and Europe, still apply and should support solid demand for ilmenite production in the future.

- 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 remained relatively unchanged from the year-end review. The forecast takes into account reasonable cost increases and therefore a sensitivity to this assumption (which would give rise to a reduction in the recoverable amount) has not been applied.

- Sustaining capital costs are based on a life-of-mine capital plan considering inflation at 2% per annum from 2017. Forecast capital costs have remained relatively unchanged from the year-end review. The forecast takes into account reasonable cost increases and therefore a sensitivity to this assumption (which would give rise to a reduction in the recoverable amount) has not been applied.

As a result of the review no impairment provision is required.

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 7.

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 Mine will achieve positive cash flows.

6. SHARE CAPITAL

Share capital as at 30 June 2017 amounted to US$215.0 million (2016: US$215.0 million). During the period, no ordinary shares in the Company were issued.

7. BANK LOANS

	Unaudited 30 June 17 US$'000	Unaudited 30 June 16 US$'000	Audited 31 Dec 16 US$'000
Project Super Senior Loans	-	10,456	-
Project Senior Loans	25,893	79,511	25,857
Project Subordinated Loans	76,920	297,021	76,761
Total Loans	102,813	386,988	102,618
Project Loan fees and expenses	-	(29,246)	-
Total Bank Loans	102,813	357,742	102,618
Within one year	12,184	357,742	2,618
In the second year	19,048	-	19,048
In the third to fifth years	71,581	-	58,730
After five years	-	-	22,222
	102,813	357,742	102,618
Less amounts due for settlement within 12 months	(12,184)	(357,742)	(2,618)
Amount due for settlement after 12 months	90,629	-	100,000
Project Loans			
Balance at 1 January	102,618	367,811	367,811
Loan interest accrued	3,175	18,607	23,888
Loan interest paid	(2,980)	(2,703)	(2,775)
Project loans novated to Kenmare Resources plc	-	-	(292,449)
Foreign exchange movement	-	3,273	6,186
Other finance fees	-	-	(43)
Balance at 30 June/31 December	102,813	386,988	102,618

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.

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).

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

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 the period end was 6.1% (2016: 5.2%).

The interest rate profile of the Group's loan balances at the period end was as follows:

	Unaudited	**Unaudited**	**Audited**
	30 June 17	**30 June 16**	**31 Dec 16**
	US$'000	**US$'000**	**US$'000**
Fixed rate debt	-	310,800	-
Variable rate debt	102,813	46,942	102,618
Total debt	102,813	357,742	102,618

Under the assumption that all other variables remain constant, a 1% increase/decrease in the 6-month LIBOR rate would result in a US$0.5 million (2016: US$0.5 million) increase/decrease in finance costs for the period.

The currency profile of the bank loans at the period end was as follows:

	Unaudited	**Unaudited**	**Audited**
	30 June 17	**30 June 16**	**31 Dec 16**
	US$'000	**US$'000**	**US$'000**
Euro	-	181,545	-
US Dollars	102,813	176,197	102,618
Total debt	102,813	357,742	102,618

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 effect of market risks assuming the specified change occurs. Actual results in the future may differ materially from these results due to the 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.

8. PROVISIONS

	Unaudited 30 June 17 US$'000	Unaudited 30 June 16 US$'000	Audited 31 Dec 16 US$'000
Mine closure provision	15,255	20,117	13,538
Mine rehabilitation provision	2,492	2,593	2,593
Legal provision	1,444	1,444	1,444
Total provisions	19,191	24,154	17,575
Current	1,720	1,714	1,720
Non-current	17,471	22,440	15,855
	19,191	24,154	17,575

The mine closure provision represents the Directors' best estimate of the present value of the Group's liability for close-down, dismantling and restoration of the mining and processing site. On initial recognition and adjustment, 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 and are subject to regular review. The costs are estimated based on the net present value of estimated future costs. 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$0.2 million (2016: US$0.2 million) has been recognised in the condensed consolidated statement of comprehensive income for the period. During the period, the mine closure provision was increased by US$1.5 million during the period as a result of the reduction in the estimated 40-year discount rate from 3.3% to 3.1%.

The main assumptions used in the calculation of the estimated future costs include:

- a discount rate of 3.1% (2016: 3.3%);
- an inflation rate of 2% (2016: 2%);
- an estimated life of mine of 40 years (2016: 41 years); and
- an estimated closure cost of US$21.7 million (2016: US$21.7 million) and an estimated post-closure monitoring provision of US$1.7 million (2016: US$1.7 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 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$10.3 million. A 1% decrease in the estimated discount rate results in the mine closure provision increasing to US$22.7 million.

The mine rehabilitation provision was decreased by US$0.1 million as a result of additional provision of US$0.5 million for areas disturbed net of US$0.6 million released for areas rehabilitated during the period. US$0.3 million (2016: US$0.3 million) of the mine rehabilitation provision has been included in current liabilities to reflect the estimated cost of rehabilitation work to be carried out over the next year.

The legal provision relates to the costs associated with the defamation case appeal and retrial and further actions taken by a former Director against the Company detailed in Note 12.

9. SHARE-BASED PAYMENTS

During the period, the Group recognised share-based payment expenses of US$0.4 million (H1 2016: US$0.1 million) under the Kenmare Incentive Plan and Kenmare Restricted Share Plan which was approved by shareholders on 25 May 2017.

10. RELATED PARTY TRANSACTIONS

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

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

11. FAIR VALUE

The fair value of the Group borrowings of US$102.9 million (2016: US$103.1 million) has been calculated by discounting the expected future cash flows at a rate of 6% (2016: 6%). The 6% discount rate was estimated by analysing current interest rates on mining sector borrowings for comparable credits. For B+ to B- rated debt, mining sector borrowing rates are in the range of 5 to 6%. The Group would be deemed to be in this range of credit rating.

The fair value of trade and other receivables, trade and other payables, and other financial liabilities are short term and non-interest bearing and accordingly the Directors deem that the carrying amounts are a good approximate of their fair value.

12. 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, the outcome of which is uncertain, 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 8.

13. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

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. A partial award was notified to the Group on 23 December 2016. A final award was notified to the Group on 16 August 2017, pursuant to which the Project Companies' are required to pay a portion of Aveng's costs amounting to US$2.9 million which is included in trade and other payables at 30 June 2017.

14. INFORMATION

The Half Yearly Financial Report was approved by the Board on 21 August 2017.

Copies are available from the Company's registered office at Chatham House, Chatham Street, Dublin 2, Ireland. The report is also available on the Company's website at www.kenmareresources.com.

Glossary - Alternative Performance Measures

Certain financial measures set out in our Half Yearly Financial Report to 30 June 2017 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 IFRSs 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.
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

EBITDA

	H1 2017	H1 2016	2016
	US$m	US$m	US$m
Operating profit/(loss)	15.0	(24.9)	(25.4)
Depreciation and amortisation	14.8	14.2	30.6
EBITDA	29.8	(10.7)	5.2

Cash operating cost per tonne of finished product

	H1 2017	H1 2016	2016
	US$m	US$m	US$m
Cost of sales	73.4	68.0	144.0
Other operating costs	14.0	13.1	22.8
Total operating costs	87.4	81.1	166.8
Freight charges	(2.9)	(2.4)	(5.4)
Total operating costs less freight	84.5	78.7	161.4
Non-cash costs			
Depreciation and amortisation	(14.8)	(14.2)	(30.6)
Share-based payments	(0.4)	(0.1)	(0.4)
Mineral product movements	2.1	2.2	3.0
Adjusted cash operating costs	71.4	66.6	133.4
Final product production tonnes	546,900	434,400	979,300
Cash operating cost per tonne of finished product	US$131	US$153	US$136

Net Debt

	H1 2017	H1 2016	2016
	US$m	US$m	US$m
Bank loans	102.8	387.0	102.6
Cash and cash equivalents	(63.4)	(12.3)	(57.8)
Net Debt	39.4	374.7	44.8