KENMARE

Kenmare Resources plc

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Kenmare Resources plc (“Kenmare” or “the Company”)

22 March 2017

2016 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 2016.

Statement from Michael Carvill, Managing Director:
"The ilmenite market has been experiencing a strong recovery over the past twelve months, as evidenced by the US$26.6 million increase in EBITDA in the second half of the year, and the market continues to improve. The period also benefitted from improved shipment volumes and lower unit costs.

2016 was a record year of production and shipments for all products and the Company expects further production increases and unit cost reductions in 2017. Contract prices set for H1 2017 will also benefit from the rise in spot prices experienced in 2016.

The product market recovery remains at an early stage and we believe higher prices will be required to meet growing titanium feedstock demand.”

Overview

- Net debt declined by 88% at the end of 2016 to US$44.8 million following the recapitalisation
- Record annual production of ilmenite, rutile and zircon
- HMC production increased 28% to 1,405,500 tonnes
- Ilmenite production increased 18% to 903,300 tonnes
- Zircon production increased 32% to 68,200 tonnes
- Total shipments of finished products increased 28%, setting a record of 1,024,200 tonnes shipped
- Cash operating costs declined 18% to US$136 per tonne of final product
- EBITDA increased to US$5.2 million in 2016 from negative US$11.5 million in 2015
- Demand for ilmenite has grown strongly through 2016, resulting in significant price increases since the market bottomed in Q2 2016

Results conference call
A conference call for analysts will be held today at 9:00am GMT. Participant dial-in numbers are as follows:

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CHAIRMAN'S STATEMENT

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

We are extremely grateful for the commitment shown by SGRF and longstanding, major shareholders in underpinning that recapitalisation, alongside our supportive bank group.

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

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

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

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

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

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

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

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

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

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

Finally, and as also announced this morning, we look forward to welcoming Peter Bacchus to the Board as a Non-Executive Director immediately after the 2017 AGM.

Moving forward with greater confidence

I would like to thank all shareholders, large and small, for their outstanding support, and welcome SGRF as our largest shareholder and partner for the future. I would also like to acknowledge the immense and successful efforts made by all employees, management, and Directors during this challenging but transformative year. These efforts have put the business back into a position of stability that will enable shareholders to reap the rewards from our long life resource base in Mozambique and improved market conditions.

Steven McTiernan
Chairman

MANAGING DIRECTOR'S STATEMENT

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

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

Recapitalisation

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

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

Safety and Risk

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

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

Operations

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

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

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

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

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

We have made significant progress in improving recoveries in the Mineral Separation Plant ("MSP") non-magnetic circuit that produces our rutile and zircon products. Secondary zircon production increased as work

from 2015 to recover valuable material from waste streams continued in 2016. Projects are underway to increase the proportion of primary zircon to further enhance revenues.

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

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

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

Costs

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

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

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

Marketing

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

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

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

Outlook

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

Michael Carvill

Managing Director

KENMARE RESOURCES PLC
PRELIMINARY RESULTS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Notes	2016 US$'000	2015 US$'000
Assets			
Non-current assets			
Property, plant and equipment	7	793,875	834,961
Deferred tax asset		3,237	1,320
Other receivables		278	649
		797,390	836,930
Current assets			
Inventories		47,747	46,228
Trade and other receivables		23,558	20,268
Cash and cash equivalents	8	57,786	14,352
		129,091	80,848
Total assets		**926,481**	**917,778**
Equity			
Capital and reserves attributable to the Company's equity holders			
Called-up share capital	9	215,046	214,941
Share premium		730,897	431,380
Retained losses		(203,424)	(175,651)
Other reserves		33,247	32,804
Total equity		775,766	503,474
Liabilities			
Non-current liabilities			
Bank loans	10	100,000	-
Obligations under finance lease		-	264
Provisions		15,855	22,100
		115,855	22,364
Current liabilities			
Bank loans	10	2,618	341,943
Obligations under finance lease		264	479
Provisions		1,720	1,714
Other financial liabilities		4	22
Trade and other payables		30,254	47,782
		34,860	391,940
Total liabilities		150,715	414,304
Total equity and liabilities		**926,481**	**917,778**

KENMARE RESOURCES PLC
PRELIMINARY RESULTS
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Notes	2016 US$'000	2015 US$'000
Revenue	2	141,491	142,583
Cost of sales	3	(144,014)	(168,138)
Gross loss		(2,523)	(25,555)
Other operating costs	4	(22,835)	(21,780)
Operating loss		(25,358)	(47,335)
Finance income		94	543
Finance costs		(27,960)	(37,805)
Gain on extinguishment of debt	10	38,255	-
Foreign exchange (loss)/gain		(2,175)	22,658
Loss before tax		(17,144)	(61,939)
Income tax credit	5	1,917	1,320
Loss for the financial year and total comprehensive income for the financial year		(15,227)	(60,619)
Attributable to equity holders		(15,227)	(60,619)
		US$ per share	US$ per share
Loss per share: Basic	6	(0.28)	(4.36)
Loss per share: Diluted	6	(0.28)	(4.36)

KENMARE RESOURCES PLC
PRELIMINARY RESULTS
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

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

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

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

the Articles of Association of the Company and, in accordance with Section 106(1) of the Companies Act 2014, cancel such Deferred Shares.

Retained Losses

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

Share-Based Payment Reserve

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

KENMARE RESOURCES PLC
PRELIMINARY RESULTS
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

1. BASIS OF ACCOUNTING AND PREPARTION OF FINANCIAL INFORMATION

On 21 March 2017, the Directors approved the preliminary results for publication. While the unaudited consolidated financial statements for the year ended 31 December 2016, 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 2016.

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 2016, but, as in previous years, when issued such opinion is likely to draw attention to the disclosures made in the financial statements concerning the recoverability of property, plant and equipment which are dependent on the successful operation of the Mine and the realisation of the cashflow forecast assumptions as set out in Note 7. They are also likely to note that the financial statements do not include any adjustments relating to these uncertainties and that the ultimate outcome cannot at present be determined.

The financial information included within this unaudited preliminary results statement for the years ended 31 December 2015 and 31 December 2016 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 2016 is unaudited. A copy of the statutory financial statements in respect of the year ended 31 December 2016 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 2015 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 2015, upon which the auditors have issued an unqualified opinion, but with an emphasis of matter drawing attention to going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group and an emphasis of matter drawing attention to the realisation of assets of the Group, were annexed to the annual return of the company and filed with the Registrar of Companies.

The accounting policies applied are consistent with those adopted and disclosed in the Group's financial statements for the year ended 31 December 2016. There have been a number of amendments to accounting standards and new interpretations issued by the International Accounting Standards Board which were applicable from 1 January 2016; however these have not had a material impact on the accounting policies, methods of computation or presentation applied by the Group.

2. SEGMENT REPORTING

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

Segment revenues and results

	2016	2015
Moma Titanium Minerals Mine	US$'000	US$'000
Revenue	141,491	142,583
Cost of sales	(144,014)	(168,138)
Gross loss	(2,523)	(25,555)
Other operating costs	(20,051)	(20,529)
Segment operating loss	(22,574)	(46,084)
Other corporate operating costs	(2,784)	(1,251)
Group operating loss	(25,358)	(47,335)

Finance income	94	543
Finance expenses	(27,960)	(37,805)
Gain on extinguishment of debt	38,255	-
Foreign exchange (loss)/gain	(2,175)	22,658
Loss before tax	(17,144)	(61,939)
Income tax credit	1,917	1,320
Loss for the financial year	(15,227)	(60,619)
Segment assets		
Moma Titanium Minerals Mine assets	868,400	905,795
Corporate assets	58,081	11,983
Total assets	926,481	917,778
Segment liabilities		
Moma Titanium Minerals Mine liabilities	146,070	409,500
Corporate liabilities	4,645	4,804
Total liabilities	150,715	414,304
Other segment information		
Depreciation and amortisation		
Moma Titanium Minerals Mine	30,610	35,805
Corporate	3	15
Total	30,613	35,820
Additions to non-current assets		
Moma Titanium Minerals Mine	6,697	5,564
Corporate	-	-
Total	6,697	5,564

Revenue from major products

	2016 US$'000	2015 US$'000
Mineral products (ilmenite, zircon and rutile)	141,491	142,583

Geographical information

Revenue from external customers	2016 US$'000	2015 US$'000
Europe	36,502	49,653
Asia	69,164	43,691
North America	35,825	40,230
Rest of World	-	9,009
Total	141,491	142,583

The Group's revenue from external customers is generated by the Moma Titanium Minerals Mine, the non-current assets of which are US$797.4 million (2015: US$836.9 million).

Cost of sales for the financial year amounted to US$144.0 million (2015: US$168.1 million), including depreciation and amortisation of US$25.3 million (2015: US$30.8 million).

Information about major customers

Included in revenues are US$35.8 million (2015: US$39.9 million) from sales to the Group's largest customer, US$20.5 million (2015: US$23.2 million) from sales to the Group's second largest customer, US$18.3 million (2015: US$20.5 million) from sales to the Group's third largest customer and US$17.5 million from sales to the Group's fourth largest customer. All revenues are generated by the Moma Titanium Minerals Mine.

3. COST OF SALES

	2016	2015
	US$'000	US$'000
Opening stock of mineral products	27,643	42,312
Production costs	121,684	122,651
Depreciation	25,318	30,818
Closing stock of mineral products	(30,631)	(27,643)
	144,014	168,138

Mineral products consist of finished products, intermediate magnetic concentrate and heavy mineral concentrate. There was a lower depreciation and amortisation charge as a result of the increased operating life of mine. Mineral stock value increased by US$3.0 million (2015: US$1.3 million increase). The net realisable value allowance in 2015 of US$16.0 million resulted from forecast declining product prices. As prices have increased during the year and to date in 2017 and as a result of lower unit costs achieved in 2016, no net realisable allowance is required at end of 2016. Included as an offset to cost of sales in 2015 was a business interruption insurance receivable of US$2.0 million for production losses due to flood damage to the EdM power transmission line in the first quarter of 2015.

4. OTHER OPERATING COSTS

	2016	2015
	US$'000	US$'000
Distribution costs	11,287	12,504
Freight and demurrage costs	5,410	3,856
Administration costs	2,893	1,449
Arbitration costs	3,245	3,971
	22,835	21,780
Included in administration costs are:		
Share-based payments	473	580

Distribution costs of US$11.3 million (2015: US$12.5 million) represent the cost of running the Mine's finished product storage, jetty and marine fleet. Included in distribution costs is depreciation of US$5.3 million (2015: US$5.0 million). Freight costs of US$5.4 million (2015: US$3.7 million) are reimbursable by customers or factored into the sales price for product delivered to customers on a CIF or CFR basis. Demurrage costs were US$0.01 million (2015: US$0.1 million) during the financial year. Administration costs of US$2.9 million (2015: US$1.4 million) are the group administration costs and include a share-based payment of US$0.5 million (2015: US$0.5 million). There were arbitration costs incurred in the financial year of US$3.2 million (2015: US$4.0 million).

Total share-based payments for 2016 amounted to US$0.44 million (2015: US$0.7 million credit), of which a US$0.03 million credit (2015: US$1.2 million credit) relates to staff at the Mine as a result of share options lapsing in the financial year and is included as an offset to production cost of inventories, and an expense of US$0.47 million (2015: US$0.58 million) is included in administration costs in the statement of comprehensive income.

5. INCOME TAX EXPENSE

	2016	2015
	US$'000	US$'000
Corporation tax	-	-
Deferred tax	1,917	1,320
Total	1,917	1,320
Reconciliation of effective tax rate		
Loss before tax	(17,144)	(61,939)
Loss before tax multiplied by the applicable tax rate (12.5%)	(2,143)	(7,742)

Differences in effective tax rates on overseas earnings	2,143	7,742
Applied losses	-	-
Recognition of deferred tax asset	1,917	1,320
Total	1,917	1,320

No charge to corporation tax arises in the financial years ended 31 December 2016 and 31 December 2015 as there were no taxable profits in either financial year.

At the statement of financial position date Kenmare Moma Mining (Mauritius) Limited had unused tax losses of US$18.5 million (2015: US$7.5 million) available for offset against future profits. A deferred tax asset of US$1.9 million (2015: US$1.3 million) has been recognised for losses available for offset against future profits. Based on the forecast at the year end for Kenmare Moma Mining (Mauritius) Limited these profits are expected to materialise within the next three years.

The fiscal regime applicable to the mining activities of Kenmare Moma Mining (Mauritius) Limited allows for a 50% reduction in the corporate tax in the initial ten year period of production following start-up (2007) and charges a royalty of 3% based on heavy mineral concentrate sold to Kenmare Moma Processing (Mauritius) Limited. The royalty charge payable to the Government of Mozambique for the financial year ended 31 December 2016 was US$2.5 million (2015: US$2.6 million). Under the fiscal regime applicable to mining activities, Kenmare Moma Mining (Mauritius) Limited is exempted from import and export taxes and VAT on imports, and accelerated depreciation is permitted. Whilst withholding tax is levied on certain payments to non-residents, mining companies are exempt from withholding tax on dividends for the first ten years or until their investment is recovered whichever is earlier. The withholding tax charge payable to the Government of Mozambique for the financial year ended 31 December 2016 was US$0.7 million (2015: US$0.4 million).

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. The fiscal regime applicable to mining allows for the option to use accumulation of exploration and development expense and optional depreciation at 25% per annum with tax losses allowed to be carried forward for three years.

Kenmare Moma Processing (Mauritius) Limited has Industrial Free Zone (“IFZ”) status. As an IFZ company, it is exempted from import and export taxes, VAT and other corporation taxes. A revenue tax of 1% is charged after six years of operation, which became payable in 2013. The revenue tax payable to the Government of Mozambique for the financial year ended 31 December 2016 was US$1.4 million (2015: US$1.4 million). There is no dividend withholding tax under the IFZ regime.

6. LOSS PER SHARE

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

	2016 US$’000	2015 US$’000
Loss for the financial year attributable to equity holders of the parent	(15,227)	(60,619)
	2016 Number of shares	**2015 Number of shares**
Weighted average number of issued ordinary shares for the purpose of basic loss per share	55,253,893	13,909,528
Effect of dilutive potential ordinary shares: Shares, share options and warrants	-	-

	2016	2015
Weighted average number of ordinary shares for the purposes of diluted loss per share	55,253,893	13,909,528
	US$ per share	US$ per share
Loss per share: basic	(0.28)	(4.36)
Loss per share: diluted	(0.28)	(4.36)

In 2016, the basic loss per share and the diluted loss per share are the same as the effect of the outstanding share options, share awards and warrants are anti-dilutive.

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

7. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Plant & Equipment US$'000	**Development Expenditure US$'000**	**Construction In Progress US$'000**	**Other Assets US$'000**	**Total US$'000**
Cost					
At 1 January 2015	776,953	249,984	9,808	52,917	1,089,662
Transfer from construction in progress	9,104	-	(9,875)	771	-
Additions during the financial year	-	-	5,564	-	5,564
At 1 January 2016	786,057	249,984	5,497	53,688	1,095,226
Transfer from construction in progress	5,897	-	(6,776)	879	-
Additions during the financial year	-	-	6,697	-	6,697
Disposals	(263)	-	-	(731)	(994)
Adjustments*	(16,946)	-	-	-	(16,946)
At 31 December 2016	774,745	249,984	5,418	53,836	1,083,983
Accumulated Depreciation					
At 1 January 2015	96,745	105,163	-	22,537	224,445
Charge for the financial year	25,609	4,912	-	5,299	35,820
At 1 January 2016	122,354	110,075	-	27,836	260,265
Charge for the financial year	21,372	4,905	-	4,336	30,613
Disposals	(91)	-	-	(679)	(770)
At 31 December 2016	143,635	114,980	-	31,493	290,108
Carrying Amount					
At 31 December 2016	631,110	135,004	5,418	22,343	793,875
At 31 December 2015	663,703	139,909	5,497	25,852	834,961

During the financial year the Group carried out an impairment review of property, plant and equipment. The cash generating unit for the purpose of impairment testing is the Moma Titanium Minerals Mine. The basis on which the recoverable amount of the Moma Titanium Minerals Mine is assessed is its value-in-use. The

cash flow forecast employed for the value-in-use computation is from a life of mine financial model. The recoverable amount obtained from the financial model represents the present value of the future pre-tax, pre-finance cash flows discounted at 11%.

Key assumptions include the following:

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

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

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

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

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

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

- Sustaining capital costs are based on a life of mine capital plan considering inflation at 2% per annum from 2017. Average forecast sustaining capital costs have decreased from the prior year end review as a result of a revision to the sustaining capital required to maintain the existing plant over the life of mine. The forecast takes into account reasonable cost increases and therefore sensitivity to this assumption has not been applied which would give rise to a reduction in the recoverable amount.

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

Depreciation during the year decreased to US$30.6 million (2015: US$35.8 million) as a result of the increase in life of mine in 2015. The mine plan, based on the Namalope and Nataka proved and probable reserves, runs to 2056.

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

The Arbitral Tribunal notified its award on the 23 December 2016. The tribunal determined that, due to Aveng's breaches, the final payment sought by Aveng should be reduced by the maximum amount allowable under the contract, i.e. ZAR 150 million. The net effect of the Tribunal's finding resulted in the Project Companies making a payment of US$4.9 million (ZAR56 million plus interest accrued of ZAR11 million) in January 2017. There was an adjustment of US$10.1 million to property plant and equipment as a result of the arbitral tribunal award which resulted in a reduction in the amount payable to Aveng and therefore a reduction in the amount previously capitalised.

There was also an adjustment to the mine closure cost of US$6.9 million during the year as result of a change in mine closure provision due to the estimated life of mine increasing from 24 years to 40 years. The aggregate of the US$10.1 million adjustment to plant and equipment and the US$6.9 million adjustment to the mine closure cost is US$16.9 million.

Included in plant and equipment are capital spares of US$2.1 million (2015: US$2.9 million).
During the year there were disposals of property, plant and equipment of US$0.2 million (2015: nil).

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

The carrying amount of the Group's plant and equipment includes an amount of US$0.9 million (2015: US$0.7 million) in respect of assets held under finance lease.

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

8. CASH AND CASH EQUIVALENTS

	2016 US'000	2015 US$'000
Immediately available without restriction	53,810	9,658
Contingency Reserve Account	2	2
Project Companies' Accounts	3,974	4,692
	57,786	14,352

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

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

	2016	2015
	US$'000	US$'000
Cash and cash equivalents at variable interest rate	56,634	13,843
Cash at bank on which no interest is received	1,152	509
	57,786	14,352

Currency risk

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

	2016	2015
	US$'000	US$'000
US Dollars	52,187	7,976
Euro	2,699	1,411
Sterling	2,563	4,710
Mozambican Metical	276	214
Renminbi	32	19
Australian Dollars	20	18
South African Rand	9	4
	57,786	14,352

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

Credit risk
The credit risk on cash and cash equivalents is limited because funds available to the Group are deposited with banks with high credit ratings assigned by international credit rating agencies. For deposits in excess of US$50 million the Group requires that the institution have an A (S&P)/ A2 (Moody's) long term rating. For deposits in excess of US$20 million or South African Rand denominated deposits the Group requires that the institution have a BBB+ (S&P)/Baa1 (Moody's) long term rating. US$56.1 million of the bank deposits are with Barclays Bank which has a long term credit rating of A- (S&P)/A1 Negative (Moody's).

9. CALLED-UP SHARE CAPITAL

	2016
	€'000
Authorised Share Capital	
181,000,000 Ordinary Shares of €0.001 each	181
4,000,000,000 Deferred Shares of €0.059995 each	239,980
	240,161

	2016
	US$'000
Allotted, Called-Up and Fully Paid	
Ordinary Shares	
Opening balance	
2,781,905,503 Ordinary Shares of €0.06 each	214,941
Share consolidation	
13,909,527 Ordinary Shares of €0.001 each	15
2,781,905,503 Deferred Shares of €0.059995 each	214,926

Shares issued	
95,692,024 Ordinary Shares of €0.001 each	105
Closing balance	
109,601,551 Ordinary Shares of €0.001 each	120
2,781,905,503 Deferred Shares of €0.059995 each	214,926
Closing balance	215,046
Total Called-Up Share Capital	215,046

	2015 €'000
Authorised Share Capital	
4,000,000,000 Ordinary Shares of €0.06 each	240,000
100,000,000 Deferred Shares of €0.25 each	25,000
	265,000

	2015 US$'000
Allotted, Called-Up and Fully Paid	
Ordinary Shares	
Opening & closing balance	
2,781,905,503 Ordinary Shares of €0.06 each	214,941
Deferred Shares	
Opening balance	
48,031,467 Deferred Shares of €0.25 each	10,582
Redemption of deferred shares	(10,582)
Closing balance	-
Total Called-Up Share Capital	214,941

On 26 July 2016, 81,368,822 new ordinary shares of €0.001 were issued by way of a placing and open offer which raised US$254.7 million. US$0.1 million of the issue has been credited to share capital and US$254.7 million has been credited to share premium. The cost of issue of US$12.5 million has been recognised in retained losses.

On 28 July 2016, 6,527,771 new ordinary shares of €0.001 were issued to Absa, EAIF, EIB and FMO, discharging US$20.4 million of debt under their US$40.8 million underwriting commitment. 7,603,860 new ordinary shares of €0.001 each were issued to Absa, EAIF, EIB and FMO discharging US$23.8 million of senior and subordinated loans under the debt reduction equitisation. 191,571 new ordinary shares of €0.001 each were also issued to Absa discharging a loan amendment fee of US$0.6 million. US$0.01 million of the issue has been credited to share capital and US$44.8 million has been credited to share premium.

On 26 July 2016, there was a capital reorganisation which resulted in a 1 for 200 consolidation of the existing ordinary shares whereby the ordinary shares and the new ordinary shares have a nominal value of €0.001 each. 2,781,905,503 deferred shares of €0.059995 each were created as part of the capital restructuring by subdividing each existing ordinary share of €0.06 into one deferred share of €0.059995 and one new ordinary share of €0.001. The deferred shares have no voting rights, dividend rights and, in effect, no rights on a return of capital. The deferred shares may be acquired by the Company for no consideration and cancelled.

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

The Deferred Shares of €0.25 per share were created in 1991 by subdividing each existing Ordinary Share of IR25p into one Deferred Share of IR20p and one new Ordinary Share of IR5p. The Deferred Shares were non-voting, carried no dividend rights, and the Company had the right to purchase any or all of these shares at a price not exceeding €0.01 per share for all the deferred shares so purchased.

10. BANK LOANS

	2016 US$'000	2015 US$'000
Project Loans		
Super Senior Loans	-	10,417
Senior Loans	25,857	79,178
Subordinated Loans	76,761	278,216
Total	102,618	367,811
Project Loan fees and expenses	-	(25,868)
Total Project Loans	102,618	341,943
The borrowings are repayable as follows:		
Within one year	2,618	341,943
In the second year	19,048	-
In the third to fifth years inclusive	58,730	-
After five years	22,222	-
	102,618	341,943
Less: amount due for settlement within 12 months	(2,618)	(341,943)
Amount due for settlement after 12 months	100,000	-
Project Loans		
Balance at 1 January	367,811	330,055
Loan interest accrued	23,888	31,264
Loan interest paid	(2,775)	(4,242)
Loan drawdown	-	10,000
Project loans novated to Kenmare Resources plc	(292,449)	-
Novated corporate loan	-	20,000
Foreign exchange movement	6,186	(19,266)
Other finance fees	(43)	-
Balance at 31 December	102,618	367,811
Project Loan Amendment Fees		
Balance at 1 January	25,868	11,780
Loan fees and expenses	6,656	17,303
Loan fees and expenses amortised	(2,746)	(3,215)
Project loan amendment fess novated to Kenmare Resources plc	(29,778)	-
Balance at 31 December	-	25,868
Corporate Loan		
Balance at 1 January	-	19,399
Project loans novated to Kenmare Resources plc	292,449	-
Project loan fees and expenses novated to Kenmare Resources plc	(29,778)	-
Cash repayment of loans	(179,555)	-
Equitisation of loans and loan fees	(44,260)	-
Write-off of loans	(68,634)	
Amortisation of loan fees and expenses	29,778	
Loan interest accrued	-	1,441
Loan interest paid	-	(1,458)
Loan arrangement fees amortised	-	618
Novated corporate loan	-	(20,000)
Balance at 31 December	-	-

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

On 22 June 2016, the Group and the Lenders entered into an Amendment, Repayment and Equitisation Agreement (the "AREA") for purposes of a group capital restructuring and debt equitisation. The Group also entered into Amended Financing Agreements setting out the terms and conditions applicable to the US$100 million residual debt following the debt restructuring. Details of these agreements are set out below.

Amendment, Repayment and Equitisation Agreement
The AREA, amongst other things, set out the Group's and Lenders' respective rights and obligations related to the implementation of the capital restructuring.

The AREA had the effect that the debt balance of US$392.4 million as at 28 July 2016, using agreed exchange rates and without deducting fees and expenses, was repaid as follows: US$179.6 million of the proceeds from the capital raise was used to repay debt; US$20.4 million of shares were issued to Absa, EAIF, EIB and FMO (the "Subscribing Lenders"), discharging that amount of debt under their US$40.8 million underwriting commitment; US$23.8 million of shares were issued to Absa, EAIF, EIB and FMO discharging that amount of senior and subordinated loans under the debt reduction equitisation; and US$68.6 million of debt was written off by the Senior and Subordinated Lenders. In consideration for providing the underwriting, the Subscribing Lenders were paid a fee of 1.75% of their US$40.8 million underwriting commitment. Following completion of the capital restructuring on 28 July 2016, residual Group debt was US$100 million. In addition, US$0.6 million of shares were issued to Absa in settlement of an outstanding fee in the amount of US$0.8 million.

The extinguishment of debt resulted in a gain which was recognised in the statement of comprehensive income of US$38.2 million being the write of debt of US$68.6 million, the amortisation of fees and expenses of US$29.8 million and the US$0.6 million of shares issued to Absa in settlement of an outstanding fee.

The Group applied a portion of the US$75 million in equity proceeds retained for working capital and expenses of the equity issue towards payment of all accrued and unpaid restructuring fees and expenses and commitment fees of the Super Senior Facilities.

Subject to certain exceptions, Lenders are not permitted to dispose of ordinary shares issued to them for a period of 179 days after 28 July 2016, being 23 January 2017.

Amended Financing Agreements
On 28 July 2016, the debt restructuring was implemented pursuant to which the terms of the residual debt of US$100 million became effective.

The residual debt is in two tranches: US$25.4 million is senior debt and US$74.6 million is subordinated debt.

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

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

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 financial year end was 5.2% (2015: 9.6%). The interest rate profile of the Group's loan balances at the financial year end was as follows:

	2016	2015
	US$'000	US$'000
Fixed rate debt	-	294,932
Variable rate debt	102,618	47,011
Total debt	102,618	341,943

The fair value of the Group borrowings of US$103.1 million (2015: US$333.3 million) has been calculated by discounting the expected future cash flows at a rate of 6%. The 6% market rate was estimated by looking at what the mining sector is borrowing at and relevant market yield. For B+ to B- rated debt the borrowing rates are in the range of 5 to 6%. Given the recent restructuring, the Group would be deemed to be in this range of credit rating.

Under the assumption that all other variables remain constant, a 1% change in the 6 month LIBOR rate will result in a US$1.0 million (2015: US$0.5 million) change in finance costs for the financial year.

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

	2016	2015
	US$'000	US$'000
Euro	-	170,195
US Dollars	102,618	171,748
	102,618	341,943

On 28 July 2016, the debt restructuring was implemented pursuant to which all debt is now denominated in US Dollars.

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

11. 2016 Annual Report and Accounts

The Annual Report and Accounts will be posted to shareholders before 30 April 2017.

Glossary - Alternative Performance Measures

Certain financial measures set out in our preliminary results for the year ended 31 December 2016 are not defined under International Financial Reporting Standards (IFRS), 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 and accounting decisions to allow assessment of the profitability and performance of the Group.
Cash operating cost per tonne of finished product produced	Total costs less freight and other non-cash costs, including inventory movements, divided by final product production (tonnes)	Eliminates the non-cash impact on costs to identify the actual cash outlay for production and, as production levels increase or decrease, highlights operational performance by providing a comparable cash cost per tonne of product produced over time.
Net Debt	Bank loans before loan amendment fees and expenses net of cash and cash equivalents	Measures the Group's ability to repay its debts if they were to fall due immediately, and aids in developing an understanding of the leveraging of the Group. For comparability purposes the calculation of this APM has changed from the 2016 Half Yearly Financial Report to include gross debt before rather than after loan amendment fees and expenses.
Mining – HMC produced	Heavy mineral concentrate extracted from mineral sands deposits and which include ilmenite, zircon, rutile and other non-valuable heavy minerals and silica	Provides measure of heavy mineral concentrate extracted from the mine.
LTIFR	Lost time injury frequency rate	Measures the number of injuries per 200,000 man hours worked on site.

EBITDA

	2015	**2016**
	US$m	US$m
Operating loss	(47.3)	(25.4)
Depreciation and amortisation	35.8	30.6
EBITDA	(11.5)	5.2

Cash operating cost per tonne of finished product

	2015	2016
	US$m	US$m
Cost of sales	168.1	144.0
Other operating costs	21.8	22.8
Total operating costs	189.9	166.8
Freight charges	(3.7)	(5.4)
Total operating costs less freight	186.2	161.4
Non cash costs		
Depreciation and amortisation	(35.8)	(30.6)
Share-based payments	0.7	(0.4)
Costs capitalised	-	-
Mineral product movements	(14.7)	3.0
Adjusted cash operating costs	136.4	133.4
Final product production	821,300	979,300
Cash operating cost per tonne of finished product	US$166	US$136

Net Debt

	December 2015	June 2016	December 2016
	US$m	US$m	US$m
Bank loans	341.9	357.7	102.6
Loan amendment fees and expenses	25.9	29.3	-
Gross debt	367.8	387.0	102.6
Cash and cash equivalents	(14.4)	(12.3)	(57.8)
Net Debt	353.4	374.7	44.8

Half yearly EBITDA

	H1 2016	H2 2016
	US$m	US$m
Operating loss	(24.9)	(0.5)
Depreciation and amortisation	14.2	16.4
EBITDA	(10.7)	15.9