Kenmare Resources plc, 4th Floor, Styne House, Hatch Street Upper, Dublin 2, D02 DY27, Ireland
T: +353 1 671 0411 E: info@kenmareresources.com W: www.kenmareresources.com

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

20 August 2018

Half-Yearly Results for the six months to 30 June 2018

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 2018 ("H1 2018").

Statement from Michael Carvill, Managing Director:

"I am pleased to report that H1 2018 was an excellent period for sales and shipments, with a record 589 thousand tonnes shipped at increased prices, generating US$48.4 million in operating cash flow.

Our capital projects and studies are progressing well and we aim to deliver a significant increase in final product production by 2021, funded by internally generated cashflow and our strong balance sheet. The Board has now approved the development of the high-grade WCP C Dredge Mining Project, an exciting and capital efficient project which is expected to deliver an IRR of at least 30%. We will be holding a Capital Markets Day on the 16 October 2018 to provide more details on our corporate objectives and strategy, as well as outlining our dividend policy for the future."

Overview

- Total shipments of finished products in H1 2018 increased 10% to 589,200 tonnes, compared with H1 2017.
- Averaged received FOB prices rose in H1 2018 to US$223 per tonne, a 20% increase on H1 2017.
- Revenues increased 37% to US$140.1 million, as a result of increased prices and sales volumes.
- Unit cash operating costs increased 16% in H1 2018 to US$152 per tonne, principally as a result of 2018 production guidance being weighted towards H2 2018.
- EBITDA rose 59% to US$47.5 million, compared with H1 2017.
- Profits of US$26.4 million were generated in H1 2018, more than doubling the margin to 19%.
- Net debt reduced to US$9.3 million (31 December 2017: US$34.1 million), with cash on hand of US$84.0 million at 30 June 2018.
- Commissioning of Wet Concentrator Plant B ("WCP B") upgrade is progressing well.
- The high-grade WCP C Dredge Mining Project has been approved for construction and is expected to generate an IRR of at least 30%.
- Capital Markets Day scheduled for 16 October 2018.

Results conference call & presentation

A conference call for analysts will be held at 09:00am BST on Monday, 20 August 2018. A presentation to accompany the conference call is available on the Company website, www.kenmareresources.com.
Participant dial-in numbers are as follows:

UK:	+44 (0) 203 428 1542
Ireland:	+353 (0) 1 696 8154
Participant ID#	24154463#

The Half Yearly Financial Report for the period ended 30 June 2018 is available on the Company website, www.kenmareresources.com

For further information, please contact:

Kenmare Resources plc
Michael Carvill, Managing Director
Tel: +353 1 671 0411

Tony McCluskey, Financial Director
Tel: +353 1 671 0411

Jeremy Dibb, Corporate Development and Investor Relations Manager
Tel: +353 1 671 0411
Mob: + 353 87 943 0367

Murray
Joe Heron / Aimee Beale
Tel: +353 1 498 0300
Mob: +353 87 690 9735

Buchanan
Bobby Morse / Chris Judd
Tel: +44 207 466 5000

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 2018 and H1 2017 were as follows:

	H1 2018	H1 2017	% Change
Production (tonnes)			
Heavy mineral concentrate [1]	688,900	712,700	-3%
Ilmenite [1]	449,500	504,800	-11%
Zircon [1, 2]	33,700	37,700	-11%
Rutile [1]	4,100	4,400	-7%
Total finished products [1]	487,300	546,900	-11%
Revenue (US$ million)	140.1	102.4	37%
Finished products shipped (tonnes) [1]	589,200	535,700	10%
Average price per tonne (US$/t) [1]	238	191	25%
Total operating costs [3] (US$ million)	108.6	87.4	24%
Total cash operating costs [1, 4] (US$ million)	74.3	71.4	4%
Cash operating cost per tonne of finished product [1] (US$/t)	152	131	16%
EBITDA (US$ million) [1]	47.5	29.8	59%

1. Additional information in relation to these Alternative Performance Measures ("APMs") is disclosed in the Glossary on page 30
2. Zircon production includes a secondary zircon product, H1 2018 10,700 tonnes (H1 2017: 12,000 tonnes).
3. Total operating costs consists of cost of sales and other operating costs as reported in the income statement. Included in operating costs are depreciation and amortisation.
4. Total cash costs consists of total operating costs less freight and non-cash costs, including inventory movements.

Operations

As previously disclosed, Q1 2018 production was diminished by a planned 180 degree turn at WCP A in a high slimes environment. Despite improvements to more normal levels in Q2 2018, this resulted in reduced production of Heavy Mineral Concentrate ("HMC") and finished products (ilmenite, zircon and rutile) for H1 2018, decreasing by 3% and 11% respectively compared to H1 2017.

In H1 2018 Kenmare mined 16,215,000 tonnes (H1 2017: 17,383,000 tonnes) of ore at an average grade of 4.60% (H1 2017: 4.66%) and produced 688,900 tonnes (H1 2017: 712,700 tonnes) of HMC. Finished product volumes for the period included 449,500 tonnes (H1 2017: 504,800 tonnes) of ilmenite and 33,700 tonnes (H1 2017: 37,700 tonnes) of zircon (H1 2018 figure includes 10,700 tonnes of a lower grade secondary zircon product (H1 2017: 12,000 tonnes)).

Production in H2 2018 is expected to be higher than H1 2018, albeit slimes levels at WCP A will be at elevated levels. This will be addressed by higher levels of supplemental dry mining, increased production at WCP B following the upgrade and supported by HMC stocks.

Ilmenite production for the period was 449,500 tonnes and zircon production was 33,700 tonnes, both down 11% on H1 2017. Despite improved plant reliability in Q2 2018, production utilisations in the Mineral Separation Plant ("MSP") were impacted by reduced reliability in the power network as unplanned outages, normally associated with the wet season, continued for longer than expected this year. The underlying issues have been identified and joint plans have been developed with Electricidade de Moçambique ("EdM") to resolve them. In the meantime, the Aggreko generator sets are currently being operated to ensure the smooth running of the MSP until the situation is resolved.

The Lost Time Injury Frequency Rate ("LTIFR") was 0.38 for the twelve months to 30 June 2018, maintained at the same rate as for the twelve months to 31 December 2017. However, there has been a marked reduction in injuries in H1 2018 compared to H2 2017 as a result of renewed safety efforts, and increased management focus, with year to date LTIFR at 0.14, reflecting two lost time injuries experienced in H1 2018. Kenmare is committed to providing a safe and healthy work environment for its employees, contractors, visitors and the local community. As part of these efforts, in H1 2018, the Company launched a campaign with the local community to improve

hazard awareness, including the risks of road traffic and areas of standing water, in order to promote safe behaviours and related Company policies and procedures are being reviewed.

Sales of total finished products were at record levels, up 10% to 589,200 tonnes in H1 2018 compared to 535,700 tonnes in H1 2017. Sales in H1 2018 comprised 550,900 tonnes (H1 2017: 495,000 tonnes) of ilmenite, 34,800 tonnes (H1 2017: 36,700 tonnes) of zircon and 3,500 tonnes (H1 2017: 4,000 tonnes) of rutile. Shipping volumes of ilmenite exceeded production, benefitting from good demand, in line with the Company strategy to reduce excess inventories during periods of high demand.

Closing stock of finished products was 129,600 tonnes, down from 231,000 tonnes at 31 December 2017 due to an increased shipments and lower finished product production in the period. Closing stock of HMC at 30 June 2018 was 52,300 tonnes, compared to 16,800 tonnes at 31 December 2017.

Capital Projects

Kenmare has been developing plans for a series of low capital-intensity brownfield expansion projects to increase mining capacity and fully utilise the installed plant capacity and export facilities, while helping to meet market demand as required.

Capacity improvements have been implemented at WCP A and WCP B supplementary dry mining to increase throughputs. Separately, the upgrade of WCP B from 2,000 tonnes per hour to 2,400 tonnes per hour is being commissioned and progressing well.

The Board has now approved the development of the high-grade WCP C Dredge Mining Project, following the completion of the Definitive Feasibility Study in which the operational robustness of the project was greatly improved from the Pre-Feasibility Study. A 500 tonne per hour supplementary dredge operation will be developed in a high-grade area of the Namalope zone inaccessible to the existing dredge operations, but with sufficient resources to support at 10 year life of mine for WCP C. The project is expected to cost up to US$45 million (including contingencies), with production scheduled to commence at the end of 2019 and yield an IRR of at least 30%. Further details of the Company's development projects will be provided on the Capital Market Day in October 2018.

Market

Titanium feedstocks are primarily used for the production of titanium pigment, the demand for which is expected to grow with global GDP and ongoing urbanisation trends. Kenmare's products are well suited to the long-term global shift toward chloride pigment production, specifically in China, where domestically produced ilmenite is also generally unsuitable for the process. Kenmare remains the leading supplier of ilmenite to the Chinese market for upgrading to titanium slag, a primary feedstock for chloride pigment production.

Strong demand for Kenmare ilmenite continued into H1 2018, with record volumes shipped for the period, resulting in a further drawdown of the Company's inventory. This was driven by steady sales to China, as well as some accelerated shipments to contracted customers as western pigment plants maintained high utilisation rates. Recent H1 2018 results by large western pigment producers' report continued favourable market conditions and pigment inventories below, or at normal levels. This should support continued high pigment plant utilisation rates into H2 2018.

As in previous years, we are seeing some seasonal weakness in the Chinese ilmenite market over the summer months. Coupled with ongoing disruption to pigment plant operating rates driven by the implementation of environmental regulations, this is leading to a lower level of ilmenite purchasing activity. Domestic ilmenite production in China has increased, as has the supply of ilmenite concentrates from Africa, which has rebalanced the market and led to some softening of prices. Due to these current market uncertainties, coupled with the record ilmenite sales volumes achieved in H1 2018, it is likely that ilmenite sales volumes will be lower than forecast production in H2.

The zircon market continues to benefit from steady demand and constrained supply, driving higher prices. Further price increases were achieved in H1 2018 and more are being implemented in Q3 2018, in line with the prevailing movement in the market.

Financial

Revenues for the period increased 37% to US$140.1 million (H1 2017: US$102.4 million), with a 10% increase in tonnes of final products sold to 589,200 tonnes (H1 2017: 535,700 tonnes) and an increase in the average FOB sales price by 20%.

The majority of sales are made on a Free on Board ("FOB") basis, but some sales are made on a Cost, Insurance and Freight ("CIF") or Cost and Freight ("CFR") basis. Pricing for products sold on a CIF/CFR basis includes freight (and in the case of CIF sales, insurance); pricing for products sold on an FOB basis does not. An increase in sales on a CIF/CFR basis therefore increases reported revenue as well as other operating costs in terms of freight costs.

Freight costs in H1 2018 increased to US$8.8m (H1 2017: US$2.9m) reflecting increased direct marketing in China, strengthening customer relationships and saving agent commissions, as well as higher average freight rates in the period.

Cost of sales increased from US$73.4 million in H1 2017 to US$92.5 million in H1 2018, contributing to the increase in total operating costs and reflecting the higher finished product volumes sold in the period. Depreciation and amortisation increased by US$1.2 million (H1 2017: US$0.6 increase), due to additional spending on property, plant and equipment in the current period US$13.4 million and in the previous year US$29.2 million. Other operating costs included freight, demurrage and distribution costs of US$14.3 million (H1 2017: US$8.3 million) largely as a result of higher CIF/CFR shipments to customers, administration costs of US$1.2 million (H1 2017: US$1.6 million), and a share-based payment cost of US$0.6 million (H1 2017: US$0.4 million). In the prior year there were arbitration costs of US$3.7 million.

Adjusting total operating costs for depreciation of US$16.0 million (H1 2017: US$14.8 million), total Group share-based payments of US$0.6 million (H1 2017: US$0.4 million), freight reimbursable by customers of US$8.8 million (H1 2017: US$2.9 million) and the decrease in mineral product inventory for the period of US$8.9 million (H1 2017: US$2.1 million increase), the total cash operating cost for the period amounted to US$74.3 million (H1 2017: US$71.4 million).

Total cash operating costs in H1 2018 were higher principally as a result of increased payroll (rate increase and a stronger Metical), maintenance (including a major crane repair), and fuel and power costs. Total cash operating cost per tonne of finished product increased from US$131/t in H1 2017 to US$152/t in H1 2018, principally as a result of reduced production in H1 2018, but is expected to reduce for FY 2018 on the basis of higher production in H2 2018. While cost discipline remains a key priority for the business, costs in the second half remain exposed to some factors outside the Company's control, including exchange rates, power and fuel prices, and are also subject to the additional costs of running the Aggreko generators until the agreed plan with EdM has been completed.

EBITDA for the period amounted to US$47.5 million (H1 2017: US$29.8 million). The gross profit for the period was US$47.6 million (H1 2017: US$29.0 million) and the operating profit was US$31.5 million (H1 2017: US$15.0 million). The increase in EBITDA and operating profit for the period is primarily a result of higher revenue of US$140.1 million (H1 2017: US$102.4 million).

Net finance costs of US$3.2 million (H1 2017: US$3.4 million) decreased as a result of reduced debt and additional deposit interest earned in the period.

The Group reported a foreign exchange gain of US$0.4 million (H1 2017: US$1.8 million loss) on non-US Dollar payables net of a loss on non-US Dollar cash and bank balances. A tax expense of US$2.4 million (H1 2017: US$0.5 million) was incurred in the period. The resultant net profit after tax is US$26.4 million for the period (H1 2017: US$9.4 million).

During the period, additions to property, plant and equipment were US$13.4 million (H1 2017: US$9.5 million), reflecting spending on sustaining and development capital expenditure. Depreciation during the period increased to US$16.0 million from US$14.8 million in H1 2017 as a result of additions to property, plant and equipment. 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$44.5 million (2017: US$52.7 million), consisting of intermediate and final mineral products of US$22.0 million (2017: US$30.8 million) and consumables and spares of US$22.5 million (2017: US$21.8 million). Closing stock of finished products at 30 June 2018 was 129,600 tonnes (2017: 231,000 tonnes).

During the period, there were sales of US$140.1 million and receipts of US$131.6 million resulting in an increase in trade receivables since the year-end. Trade and other receivables amounted to US$39.6 million (2017: US$25.4 million), of which US$29.7 million (2017: US$21.2 million) were trade receivables from the sale of mineral products and US$9.9 million (2017: US$4.2 million) was comprised of prepayments to suppliers and insurance premia.

Trade and other payables are US$23.7 million (2017: US$25.3 million). Cash flow increases in trade and other receivables (US$14.2 million) together with a decrease in trade and other payables (US$2.8 million) net of decreases in inventories (US$8.2 million) reduced cash flow from operations for the period by US$8.8 million (H1 2017: US$10.4 million).

On 1 February 2018 principal of US$9.5 million was repaid, resulting in bank loans of US$93.3 million (2017: US$102.9 million) at the end of the period. Cash and cash equivalents as at 30 June 2018 amounted to US$84.0 million (2017: US$68.8 million) reducing net debt to US$9.3 million (31 December 2017: US$34.1 million).

Community

The Kenmare Moma Development Association (KMAD) continued to support local communities during the period through its economic, social and infrastructure projects. A key area of focus has been the completion of the technical school built by KMAD with the equipment for the workshops in the school being installed during the period. Introductory courses are currently running ahead of full enrolment and term beginning in 2019.

Board Update

Mr Clever Fonseca joined the Company's Board as an independent Non-Executive Director, effective 1 July 2018. Mr Fonseca has worked in the titanium industry for over thirty five years and has extensive knowledge and board-level management experience of mineral sands mining. The appointment of Mr Fonseca is consistent with the Board's aim of continually improving governance, by ensuring the highest levels of relevant industry skills and experience are reflected in the Company's set of independent Non-Executive Directors. Coincident with Mr Fonseca's appointment, to maintain the same number of Directors on the Board and to further increase the ratio of Non-Executive Directors to Executive Directors, Mr Terry Fitzpatrick retired from the Company's Board on 1 July, but will take up a position as director on the boards of subsidiary operating companies.

Outlook

Kenmare has shown a significant increase in free cash flow generation for the H1 2018 period, as a result of strong sales volumes at higher prices. Unit costs are expected to decline in H2 2018, driven by increased production volumes in line with our guidance.

The Company has made good progress toward the delivery of an optimised mining fleet to fully utilise the installed processing capacity at the Mineral Separation Plant, in order to further reduce unit operating costs of production. Additional dry mining capacity has been delivered at both mining ponds, whilst the project to upgrade processing capacity at WCP B has been delivered on time and on budget and is currently being commissioned. The high-grade WCP C Dredge Mining Project has also been approved and is expected to be completed by the end of 2019.

Kenmare will hold a Capital Markets Day on the 16 October 2018 to provide further details of our corporate strategy and objectives, as well as outlining our dividend policy.

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. A detailed explanation of the risks and uncertainties and how the Group seeks to mitigate the risks, can be found on pages 36 to 41 of the Annual Report for the year ended 31 December 2017.

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: Kenmare has operated in Mozambique since 1987; however it remains subject to risks similar to those prevailing in many developing nations; economic and social instability, changing regulatory requirements, increased taxes, etc. Such events may cause significant disruption to the operation or cause an increase in costs in order to ameliorate their impact. Country risk is a factor in determining the economics of the Mine, and increasing 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 the production plant.

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 mining WCPs for a prolonged period.

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 event. Such 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 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 existing geological or other expectations.

Potential impact: An unexpected divergence in physical characteristics of an orebody from expectations may cause reduced production levels or necessity to incur 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 Cahora Bassa Dam via a power 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 impact on Company 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 could lead to a disruption to critical business systems, 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 Group's ilmenite, zircon and rutile products is concentrated.

Potential impact: The Groups' 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, Euros 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 fluctuation. 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.

Loan default risk

Risk: The inability to meet existing loan repayment obligations as they become due to comply with loan covenants.

Potential impact: Given recent capital restructuring we do not believe a significant risk exists in meeting these current repayment obligations or to comply with loan covenants.

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 11 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

There have been no significant events since the 30 June 2018 which would have a significant impact on the financial statements of the Group.

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

20 August 2018

Financial Director
Tony McCluskey

20 August 2018

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 2017 Annual Report and Accounts, with the exception that effective 1 July 2018, Mr Terry Fitzpatrick retired as an Executive Director of the Company and Mr Clever Fonseca 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 2018 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

20 August 2018

Financial Director
Tony McCluskey

20 August 2018

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 2018 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 15. 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 2018 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.

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 2018, 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$789.6 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.

Kevin Sheehan
For and behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House, Earlsfort Terrace, Dublin 2
20 August 2018

KENMARE RESOURCES PLC
GROUP CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Notes	Unaudited 6 Months 30 June 2018 US$'000	Unaudited 6 Months 30 June 2017 US$'000	Audited 12 Months 31 Dec 2017 US$'000
Revenue	**2**	140,144	102,379	208,299
Cost of sales		(92,538)	(73,386)	(156,622)
Gross profit		47,606	28,993	51,677
Other operating costs		(16,102)	(13,986)	(24,094)
Operating profit		31,504	15,007	27,583
Finance income		197	100	136
Finance costs		(3,347)	(3,510)	(6,798)
Foreign exchange gain/(loss)		436	(1,762)	(2,473)
Profit before tax		28,790	9,835	18,448
Income tax (expense)/credit		(2,406)	(456)	923
Profit for the period/year		26,384	9,379	19,371
Attributable to equity holders		26,384	9,379	19,371
		US$ per share	**US$ per share**	**US$ per share**
Earnings per share: basic	**4**	0.24	0.09	0.18
Earnings per share: diluted	**4**	0.24	0.09	0.18

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 2018

	Notes	Unaudited 30 June 2018 US$'000	Unaudited 30 June 2017 US$'000	Audited 31 Dec 2017 US$'000
Assets				
Non-current assets				
Property, plant and equipment	**5**	789,586	790,003	793,630
Deferred tax asset		1,753	2,780	4,160
Other receivables		-	93	-
		791,339	792,876	797,790
Current assets				
Inventories		44,470	52,484	52,707
Trade and other receivables		39,635	28,432	25,412
Cash and cash equivalents		83,975	63,408	68,774
		168,080	144,324	146,893
Total assets		959,419	937,200	944,683
Equity				
Capital and reserves attributable to the Company's equity holders				
Called-up share capital	**6**	215,046	215,046	215,046
Share premium		730,897	730,897	730,897
Retained losses		(157,669)	(194,045)	(184,053)
Other reserves		34,828	33,663	34,251
Total equity		823,102	785,561	796,141
Liabilities				
Non-current liabilities				
Borrowings	**7**	71,778	90,629	81,174
Provisions	**8**	17,651	17,471	18,622
		89,429	108,100	99,796
Current liabilities				
Borrowings	**7**	21,500	12,184	21,693
Provisions	**8**	1,720	1,720	1,720
Other financial liability		3	15	8
Trade and other payables	**9**	23,665	29,620	25,325
		46,888	43,539	48,746
Total liabilities		136,317	151,639	148,542
Total equity and liabilities		959,419	937,200	944,683

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 2018

	Called-Up Share Capital	Share Premium	Capital Conversion Reserve Fund	Capital Redemption Reserve Fund	Retained Losses	Share Based Payment Reserve	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2017	215,046	730,897	754	10,582	(203,424)	21,911	775,766
Profit for the 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
Profit for the period	-	-	-	-	9,992	-	9,992
Share-based payments	-	-	-	-	-	588	588
Balance at 31 December 2017	215,046	730,897	754	10,582	(184,053)	22,915	796,141
Profit for the period	-	-	-	-	26,384	-	26,384
Share-based payments	-	-	-	-	-	577	577
Balance at 30 June 2018	215,046	730,897	754	10,582	(157,669)	23,492	823,102

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 2018

	Unaudited 6 Months 30 June 2018 US$'000	**Unaudited 6 Months 30 June 2017 US$'000**	**Audited 12 Months 31 Dec 2017 US$'000**
Cash flows from operating activities			
Profit for the financial period/year before tax	28,790	9,835	18,448
Adjustment for:			
Foreign exchange movement	(436)	1,762	2,473
Share-based payments	577	416	1,004
Finance income	(197)	(100)	(136)
Finance costs	3,347	3,510	6,798
Depreciation	15,996	14,801	32,000
(Decrease)/increase in other financial liability	(5)	11	4
Increase/(decrease) in provisions	280	(101)	(315)
Operating cash inflow	48,352	30,134	60,276
Decrease/(increase) in inventories	8,237	(4,737)	(4,960)
Increase in trade and other receivables	(14,223)	(4,688)	(1,576)
Decrease in trade and other payables	(2,752)	(1,049)	(8,481)
Cash generated by operations	39,614	19,660	45,259
Interest received	197	100	136
Interest paid	(3,171)	(2,980)	(6,051)
Net cash from operating activities	36,640	16,780	39,344
Cash flows from investing activities			
Additions to property, plant and equipment	(11,762)	(9,457)	(28,055)
Net cash used in investing activities	(11,762)	(9,457)	(28,055)
Cash flows used in financing activities			
Repayment of borrowings	(9,524)	-	-
Payment of obligations under finance leases	-	(280)	(280)
Net cash used in financing activities	(9,524)	(280)	(280)
Net increase in cash and cash equivalents	15,354	7,043	11,009
Cash and cash equivalents at the beginning of period/year	68,774	57,786	57,786
Effect of exchange rate changes on cash and cash equivalents	(153)	(1,421)	(21)
Cash and cash equivalents at end of period/year	83,975	63,408	68,774

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

1. BASIS OF PREPARATION AND GOING CONCERN

Basis of preparation

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 2018 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 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 2018 and the corresponding amounts for the six months ended 30 June 2017 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 2017, presented herein, is an abbreviated version of the annual financial statements for the Group in respect of the year ended 31 December 2017. The Group's annual financial statements in respect of the year ended 31 December 2017 have been filed in the Companies Registration Office and the independent auditors issued an unqualified audit report thereon.

Going Concern

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 2017 Annual Report. Production levels for the purpose of the forecast are approximately 1.2 million tonnes of ilmenite, zircon and rutile over the next twelve months. 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 2018 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.

Changes in accounting policies

Aside from the adoption of IFRSs 9 and 15, which are described below 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 2017 and are described in the Annual Report.

IFRS 9 Financial Instruments

In the current period the Group has applied IFRS 9 Financial Instruments and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for the classification and measurement and impairment for financial assets and general hedge accounting.

Classification of financial assets and liabilities

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

As at 1 January 2018 and 30 June 2018 financial assets except for trade receivables which can be factored are measured at amortised costs. The Group has trade finance facilities with Absa Corporate and Business Bank and Barclays Bank and may elect to receive early payment for certain customers of their invoice from the banks by factoring the receivable. These facilities assist the Group in managing its liquidity for funding of operations. Trade receivables which can be factored are measured at fair value through profit or loss. At 30 June 2018 the Group had trade receivables which it can factor of US$17.6 million. At 1 January 2018 the Group had trade receivables which it can factor of US$8.5 million.

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

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses. The expected credit losses on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry and an assessment of both the current as well as the forecast direction of those conditions at the reporting date. Sales to certain customers are done on a letter of credit basis thereby reducing the credit risk of these customers.

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

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

Trade receivables at 30 June 2018 had Moody's credit ratings ranging from Ba2 to A3, had no history of bad debts, were all current and payable in a period of three months and had no additional factors which could result in an expected future credit loss. As a result no loss allowance was recognised to 30 June 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. In the current year the Group has adopted IFRS 15 and has elected to apply the modified retrospective approach without restatement of comparatives.

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

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

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

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

During the period the Group's marketing arrangements changed whereby ilmenite sales to China previously on an FOB basis were sold on a CFR basis. This resulted in freight recognised in revenue of US$8.8 million (2017: US$2.9 million). This change is not as a result of the adoption of IFRS15.

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

Standards issued but not yet effective

A number of new standards and amendments to standards have been issued but are not yet mandatory. The Group has not early adopted them in preparing these condensed consolidated half-yearly financial statements.

The Group has the following updates to information provided in the last annual financial statements about IFRS 16 Leases issued but not yet effective and which will have a significant impact on the Group's consolidated financial statements.

IFRS 16 Leases

IFRS 16 replaces the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019.

IFRS 16 introduces a single, on balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its rights to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions in short term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases.

As at 30 June 2018, the impact identified is that the Group will recognise new assets and liabilities for its office buildings and for the rental of electricity generators at the mine of US$5.2 million. The nature of expenses related to those leases will change because IFRS16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

The actual impact of applying IFRS16 on the financial statements in the period of initial application will depend on future economic conditions, including the Group's borrowing rate at 1 January 2019, the composition of the Group's lease portfolio at that date and the Group's latest assessment of whether it will exercise any lease renewal options.

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. The principal categories of revenue are by product and by geographical area. Information regarding the Group's operating segment is reported below.

	Unaudited	Unaudited	Audited
	30 June 18	30 June 17	31 Dec 17
	US$'000	US$'000	US$'000
Segment revenues and results			
Moma Titanium Minerals Mine			
Revenue	140,144	102,379	208,299
Cost of sales	(92,538)	(73,386)	(156,622)
Gross profit	47,606	28,993	51,677
Other operating costs	(14,328)	(12,010)	(21,454)
Segment operating profit	33,278	16,983	30,223
Other corporate operating costs	(1,774)	(1,976)	(2,640)
Group operating profit	31,504	15,007	27,583
Finance income	197	100	136
Finance expense	(3,347)	(3,510)	(6,798)
Foreign exchange gain/(loss)	436	(1,762)	(2,473)
Profit before tax	28,790	9,835	18,448
Income tax (expense)/credit	(2,406)	(456)	923
Profit for the period/year	26,384	9,379	19,371
Segment assets			
Moma Titanium Minerals Mine assets	900,366	882,312	885,892
Corporate assets	59,053	54,888	58,791
Total assets	959,419	937,200	944,683
Revenue by products			
Ilmenite	102,819	77,259	152,614
Zircon	35,247	23,197	51,703
Rutile	2,078	1,923	3,982
Total	140,144	102,379	208,299
Revenue by geographical region			
Asia	83,347	62,108	119,216
Europe	30,948	21,459	52,099
USA	13,593	13,785	31,957
Rest of the World	12,256	5,027	5,027
Total	140,144	102,379	208,299

3. SEASONALITY OF SALE OF MINERAL PRODUCTS

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

4. EARNINGS PER SHARE

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

	Unaudited	Unaudited	Audited
	30 June 18	30 June 17	31 Dec 17
	US$'000	US$'000	US$'000
Profit for the period/year attributable to equity holders of the Company	26,384	9,379	19,371
	Unaudited	Unaudited	Audited
	30 June 18	30 June 17	31 Dec 17
	Number of	Number of	Number of
	Shares	Shares	Shares
Weighted average number of issued ordinary shares			
for the purposes of basic earnings per share	109,601,551	109,601,551	109,601,551
Effect of dilutive potential ordinary shares:			
Shares, share options and warrants	907,276	513,852	412,101
Weighted average number of ordinary shares for			
the purpose of diluted earnings per share	110,508,827	110,115,403	110,013,652
	US$ per share	US$ per share	US$ per share
Earnings per share: basic	0.24	0.09	0.18
Earnings per share: diluted	0.24	0.09	0.18

5. PROPERTY, PLANT AND EQUIPMENT

	Plant & Equipment	Development Expenditure	Construction in Progress	Other Assets	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Cost					
Balance at 1 January 2017	774,745	249,984	5,418	53,836	1,083,983
Transfer to/(from) construction in progress	1,522	-	(1,210)	(312)	-
Additions during the period	164	-	9,293	-	9,457
Disposals during the period	-	-	-	(375)	(375)
Adjustment to the mine closure provision	1,472	-	-	-	1,472
Balance at 30 June 2017	777,903	249,984	13,501	53,149	1,094,537
Transfer to/(from) construction in progress	264	342	(1,956)	1,350	-
Additions during the period	393	-	18,700	601	19,694
Reclassification of other assets to plant and equipment	479			(479)	-
Adjustment to mine closure provision	1,132	-	-	-	1,132
Balance at 31 December 2017	780,171	250,326	30,245	54,621	1,115,363
Transfer to/(from) construction in progress	1,719	-	(3,086)	1,367	-
Additions during the period	171	-	12,858	414	13,443
Disposals during the period	(941)	-	-	(5,959)	(6,900)
Adjustment to the mine closure provision	(1,491)	-	-	-	(1,491)
Balance at 30 June 2018	779,629	250,326	40,017	50,443	1,120,415
Accumulated Depreciation					
Balance at 1 January 2017	143,635	114,980	-	31,493	290,108
Charge for the period	10,148	2,675	-	1,978	14,801
Disposals during the period	-	-	-	(375)	(375)
Balance at 30 June 2017	153,783	117,655	-	33,096	304,534
Charge for the period	12,116	3,368	-	1,715	17,199
Balance at 31 December 2017	165,899	121,023	-	34,811	321,733

Charge for the period	11,881	2,840	-	1,275	15,996
Disposals during the period	(941)	-	-	(5,959)	(6,900)
Balance at 30 June 2018	176,839	123,863	-	30,127	330,829
Carrying Amount					
Balance at 30 June 2018	602,790	126,463	40,017	20,316	789,586
Balance at 30 June 2017	624,120	132,329	13,501	20,053	790,003
Balance at 31 December 2017	614,272	129,303	30,245	19,810	793,630

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 increasing from 2.9% to 3.0%, details of which are set out in Note 8.

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

Key assumptions include the following:

- The discount rate is based on the Group's weighted average cost of capital. This rate is a best estimate of the current market assessment of the time value of money and the risks specific to the Mine, taking into consideration country risk, currency risk and price risk. The factors making up the cost of equity, cost of debt and capital structure have changed from the year end resulting in a discount rate of 12%.

  Using a discount rate of 12% the recoverable amount is greater than the carrying amount by US$102.2 million. The discount rate is a significant factor in determining the recoverable amount. A 1% increase in the discount rate to 13%, 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$45.9 million. A 1% increase in the discount rate at the year-end review to 12.5% would have resulted in the recoverable amount being greater than the carrying amount by US$81.3 million.

- A mine plan based on the Namalope, Nataka and Pilivili proved and probable reserves which runs to 2057. The mine life assumption of 40 years has not changed from the year-end review.

- Average annual production is approximately 0.9 million tonnes (2017: 0.9 million tonnes) of ilmenite plus co-products, zircon and rutile over the life of the mine. This mine plan does not include investment in additional mining capacity. Certain minimum stocks of final and intermediate products are assumed to be maintained at period ends. The average annual production 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. A 4% reduction in average sales prices over the life of mine reduces the recoverable amount by US$102.2 million.

- Operating costs are based on approved budget costs for 2018 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. A 9% increase in operating costs over the life of mine reduces the recoverable amount by US$102.2 million.

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

As a result of the review no impairment provision was recognised in the current financial year.

During the period there were additions of US$13.4 million (2017: US$9.5 million) to property, plant and equipment consisting mainly of the upgrade of WCP B from 2,000 tonnes per hour to 2,400 tonnes per hour, capacity improvements at WCP A and WCP B supplementary dry mining to increase throughputs and replacement of heavy mobile equipment.

During the period there were disposals to property, plant and equipment of US$6.9 million (2017: US$0.4 million). The assets were no longer operational and there were no proceeds on disposal.

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 debts as detailed in Note 7.

6. SHARE CAPITAL

Share capital as at 30 June 2018 amounted to US$215.0 million (2017: US$215.0 million). During the period, no ordinary shares in the Company were issued.

7. BANK DEBT

	Unaudited	Unaudited	Audited
	30 June 18	30 June 17	31 Dec 17
	US$'000	US$'000	US$'000
Project			
Senior debt	21,098	25,893	25,902
Subordinated debt	72,180	76,920	76,965
Total Project debt	93,278	102,813	102,867
Within one year	21,500	12,184	21,693
In the second year	19,048	19,048	19,048
In the third to fifth years	52,730	71,581	62,126
	93,278	102,813	102,867
Less amounts due for settlement within 12 months	(21,500)	(12,184)	(21,693)
Amount due for settlement after 12 months	71,778	90,629	81,174
Project debt			
Balance at 1 January	102,867	102,618	102,618
Debt interest accrued	3,106	3,175	6,300
Debt interest paid	(3,171)	(2,980)	(6,051)
Debt principal paid	(9,524)	-	-
Balance at 30 June/31 December	93,278	102,813	102,867

Project Debt

Project debt has been incurred by the Mozambique branches of Kenmare Moma Mining (Mauritius) Limited and Kenmare Moma Processing (Mauritius) Limited (the "Project Companies"). The Project debt is 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 debts.

The debt is in two tranches: US$21.1 million is senior debt and US$72.2 million is subordinated debt as at 30 June 2018.

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. The conditions required to making a restricted payment on 1 February 2018 had not been met and therefore no prepayment was made on this date. 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 debt calculated on the basis of subordinated debt margins, and (ii) actual interest on the senior debt. Taken together, the margin on the senior and subordinated debts 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 debt will equal the total principal instalment due on a payment date less the principal instalment on senior debt. In addition to the scheduled instalments, prepayments based on 25% cash available for restricted payments less senior debt prepayments are required under a cash sweep mechanism, commencing 1 February 2018. Subordinated debt prepayments are applied in inverse order of maturity.

Group borrowings interest, currency and liquidity risk

The debt facilities are arranged at variable rates and expose the Group cash flow interest rate risk. Variable rates are based on six-month LIBOR. The average effective borrowing rate at the period end was 6.2% (2017: 5.7%).

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

	Unaudited 30 June 18 US$'000	Unaudited 30 June 17 US$'000	Audited 31 Dec 17 US$'000
Variable rate debt	93,278	102,813	102,867

The fair value of the Group borrowings of US$92.7 million (2017: US$102.5 million) has been calculated by discounting the expected future cash flows at a rate of 6%. The 6% market rate was estimated by reviewing borrowing rates of the mining sector and other relevant market yields. For B+ to B- rated debt the borrowing rates are in the range of 5 to 6%. Given the 2016 debt restructuring, the Group is deemed to be in this range of credit rating.

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 (2017: US$0.5 million) increase/decrease in finance costs for the period.

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

	Unaudited 30 June 18 US$'000	Unaudited 30 June 17 US$'000	Audited 31 Dec 17 US$'000
US Dollars	93,278	102,813	102,867

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 18 US$'000	Unaudited 30 June 17 US$'000	Audited 31 Dec 17 US$'000
Mine closure provision	15,369	15,255	16,620
Mine rehabilitation provision	2,558	2,492	2,278
Legal provision	1,444	1,444	1,444
Total provisions	19,371	19,191	20,342
Current	1,720	1,720	1,720
Non-current	17,651	17,471	18,622
	19,371	19,191	20,342

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. 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 and 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 (2017: US$0.2 million) has been recognised in the condensed consolidated statement of comprehensive income for the period.

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

- a discount rate of 3.0% (2017: 2.9 %);
- an inflation rate of 2% (2017: 2%);
- an estimated life of mine of 40 years (2017: 40 years); and
- an estimated closure cost of US$21.7 million (2017: US$21.7 million) and an estimated post-closure monitoring provision of US$1.7 million (2017: US$1.7 million).

The life of mine plan is based on the Namalope, Nataka and Pilivili proved and probable reserves as set out in the reserves and resources table. During the period, the mine closure provision was reduced by US$1.5 million to reflect the change in the discount rate from 2.9% to 3.0%.

The discount rate is a significant factor in determining the mine closure provision. The Group uses rates as provided by the US Treasury. Thirty year US Treasury yields are the longest period for which yields are quoted. A forty year rate to align with the estimated life of mine has been calculated by taking the average increase in yield from ten to twenty years and from twenty to thirty years and adding this average to the thirty year treasury rate to arrive at an estimated extrapolated rate for forty years. This discount rate is deemed to provide the best estimate to reflect current market assessment of the time value of the money. 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$10.4 million. A 1% decrease in the estimated discount rate results in the mine closure provision increasing to US$22.8 million.

The mine rehabilitation provision was increased by US$0.3 million as a result of additional provision of US$0.6 million for areas disturbed net of US$0.3 million released for areas rehabilitated during the period. US$0.3 million (2017: 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 13.

Excluding the US$0.2 million unwinding of the discount and US$1.5 million adjustment to the mine closure provision from the movement of provisions in the statement of financial position of US$0.9 million results in the movement in the mine rehabilitations provision of US$0.3 million disclosed in the statement of cash flows.

9. TRADE AND OTHER PAYABLES

Included in trade and other payables at the period end is an amount of US$1.6 million for additions to property, plant and equipment. During the period there were foreign exchange movements of US$0.6 million in relation to non-US Dollar payables. Excluding the above from the movement in the statement of financial position of US$1.7 million results in the US$2.8 million disclosed in the statement of cash flows.

10. SHARE-BASED PAYMENTS

During the period, the Group recognised share-based payment expenses of US$0.6 million (2017: US$0.4 million) under the Kenmare Incentive Plan and Kenmare Restricted Share Plan.

11. 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.

12. FAIR VALUE

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.

13. 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 does 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 included in Note 8.

14. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

There have been no significant events since the 30 June 2018 which would have a significant impact on the financial statements of the Group.

15. INFORMATION

The Half Yearly Financial Report was approved by the Board on 20 August 2018.

Copies are available from the Company's registered office at 4th Floor, Styne House, Hatch Street Upper, Dublin 2, D02 DY27, 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 2018 are not defined under International Financial Reporting Standards ("IFRSs"), but represent additional measures used by the Board to assess performance and for reporting both internally and to shareholders and other external users. Presentation of these Alternative Performance Measures ("APMs") provides useful supplemental information which, when viewed in conjunction with the Company's 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 debt before loan amendment fees and expenses net of cash and cash equivalents	Measures the amount the Group would have to raise through refinancing, asset sale or equity issue if its debt were to fall due immediately and aids in developing an understanding of the leveraging of the Group
Mining – HMC produced	Heavy mineral concentrate extracted from mineral sands deposits and which include ilmenite, zircon, rutile and other heavy minerals and silica	Provides a measure of heavy mineral concentrate extracted from the Mine
Processing – finished products produced	Finished products produced by the mineral separation process	Provides a measure of finished products produced from the processing plants
Marketing – finished products shipped	Finished products shipped to customers during the period	Provides a measure of finished products shipped to customers
LTIFR	Lost time injury frequency rate	Measures the number of injuries per 200,000-man hours worked on site

EBITDA

	H1 2018	H1 2017	2017
	US$m	US$m	US$m
Operating profit	31.5	15.0	27.6
Depreciation and amortisation	16.0	14.8	32.0
EBITDA	47.5	29.8	59.6

Cash operating cost per tonne of finished product

	H1 2018	H1 2017	2017
	US$m	US$m	US$m
Cost of sales	92.5	73.4	156.6
Other operating costs	16.1	14.0	24.1
Total operating costs	108.6	87.4	180.7
Freight	(8.8)	(2.9)	(5.5)
Total operating costs less freight	99.8	84.5	175.2
Non-cash costs			
Depreciation and amortisation	(16.0)	(14.8)	(32.0)
Share-based payments	(0.6)	(0.4)	(1.0)
Mineral product inventory movements	(8.9)	2.1	0.3
Total cash operating costs	74.3	71.4	142.5
Final product production tonnes	487,300	546,900	1,081,300
Cash operating cost per tonne of finished product	US$152	US$131	US$132

Net Debt

	H1 2017	H1 2017	2017
	US$m	US$m	US$m
Bank debt	93.3	102.8	102.9
Cash and cash equivalents	(84.0)	(63.4)	(68.8)
Net Debt	9.3	39.4	34.1

Glossary -terms

"the Company"	Kenmare Resources plc
"EdM"	Electricidade de Moçambique
"Grade"	Percentage of total heavy minerals in the ore
"Group or Kenmare"	Kenmare Resources plc and its subsidiary undertakings
"HMC"	Heavy mineral concentrate extracted from mineral sands deposits and which include ilmenite, zircon, rutile and other heavy minerals and silica
"Moma", "Moma Mine" or "the Mine"	The Moma Titanium Minerals Mine consisting of a heavy mineral sand, processing facilities and associated infrastructure, which mine is located in the north east coast of Mozambique under licence to the Project Companies
"MSP"	Mineral Separation Plant
"Project Companies"	Kenmare Moma Mining (Mauritius) Limited and Kenmare Moma Processing (Mauritius) Limited, wholly owned indirect subsidiary undertakings of Kenmare Resources plc, who are incorporated in Mauritius
"WCP"	Wet Concentrator Plant
"WCP A"	The original WCP
"WCP B"	The second WCP built for the Expansion
"WHIMS"	Wet High Intensity Magnetic Separation Plant