

KENMARE

H1 2015 Results

 **London
Stock Exchange**

LISTED

PREMIUM



Disclaimer

This Presentation (the “Presentation”) has been prepared and issued by Kenmare Resources plc (the “Company” or “Kenmare”). While this Presentation has been prepared in good faith, the Company and its respective officers, employees, agents and representatives expressly disclaim any and all liability for the contents of, or omissions from, this Presentation, and for any other written or oral communication transmitted or made available to the recipient or any of its officers, employees, agents or representatives.

No representations or warranties are or will be expressed or are to be implied on the part of the Company, or any of its respective officers, employees, agents or representatives in or from this Presentation or any other written or oral communication from the Company, or any of its respective officers, employees, agents or representatives concerning the Company or any other factors relevant to any transaction involving the Company or as to the accuracy, completeness or fairness of this Presentation, the

information or opinions on which it is based, or any other written or oral information made available in connection with the Company.

This Presentation does not constitute or form part of, and should not be construed as, an offer, invitation or inducement to purchase or subscribe for any securities of the Company nor shall it or any part of it form the basis of, or be relied upon in connection with, any contract or investment decision relating to such securities, nor does it constitute a recommendation regarding the securities of the Company.

This Presentation is as of the date hereof. This Presentation includes certain statements, estimates and projections provided by the Company with respect to the anticipated future performance of the Company or the industry in which it operates. Such statements, estimates and projections reflect various assumptions and subjective judgments by the Company’s management concerning anticipated results, certain of which assumptions and judgments may be

significant in the context of the statements, estimates and projections made. These assumptions and judgments may or may not prove to be correct and there can be no assurance that any projected results are attainable or will be realised. In particular, certain statements in this Presentation relating to future financials, results, plans and expectations regarding the Company’s business, growth and profitability, as well as the general economic conditions to which the Company is exposed, are forward looking by nature and may be affected by a variety of factors. The Company is under no obligation to update or keep current the information contained in this Presentation, to correct any inaccuracies which may become apparent, or to publicly announce the result of any revision to the statements made herein and any opinions expressed in the Presentation or in any related materials are subject to change without notice.

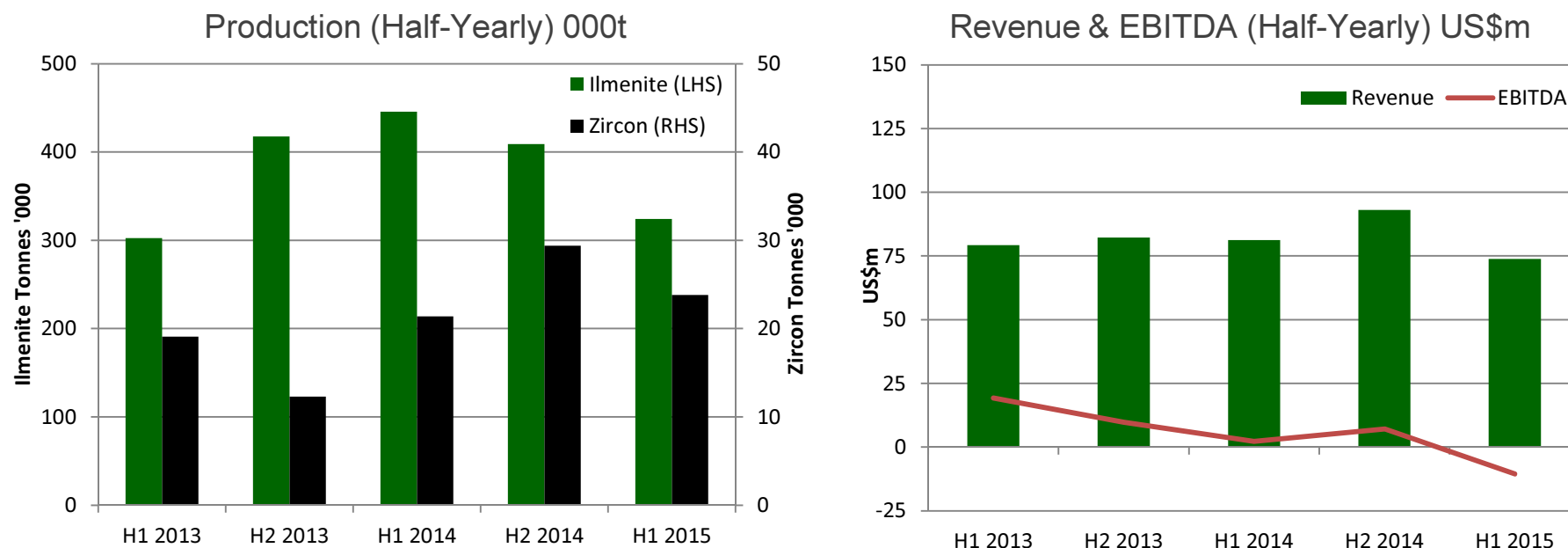
1

Overview

Kenmare Resources H1 2015 Overview

- HMC & finished product production impacted by unprecedented flooding, causing significant power interruptions in H1 2015; HMC and total products down 25% vs H1 2014
- Power stability expected to improve significantly following the installation of new power infrastructure in Q3 2015
- Revenue reduction as a result of weaker product pricing (US\$73.9 million H1 2015 vs US\$81.2 million H1 2014), net loss of US\$27.9 million (US\$31.8 million H1 2014)
- Total cash operating costs reduced 17% vs H1 2014 - cost control measures succeeding
- Debt amendment signed in April 2015 significantly reduces fixed amortisation payments and provides US\$50 million of additional debt facilities (US\$30 million for working capital)
- First US\$10 million disbursement of additional debt made; in discussions with lenders in relation to waivers and further disbursements

Key Performance Indicators



- Production reduced by power outages due to flood damage and remediation work
- HMC production decreased 25% yoy in H1 2015, ilmenite decreased 27% and zircon increased 11%
- 2015 sales volumes up 3%, but lower prices resulted in a revenue decline of 9%
- Closing final product stocks at June 2015 of 158,400 tonnes (Dec 2014: 219,500 tonnes)
- Total cash operating costs reduced 17% vs H1 2014. Cash costs per tonne of finished products up 12% vs H1 2014, as a result of lower production volumes

2

Summary Results

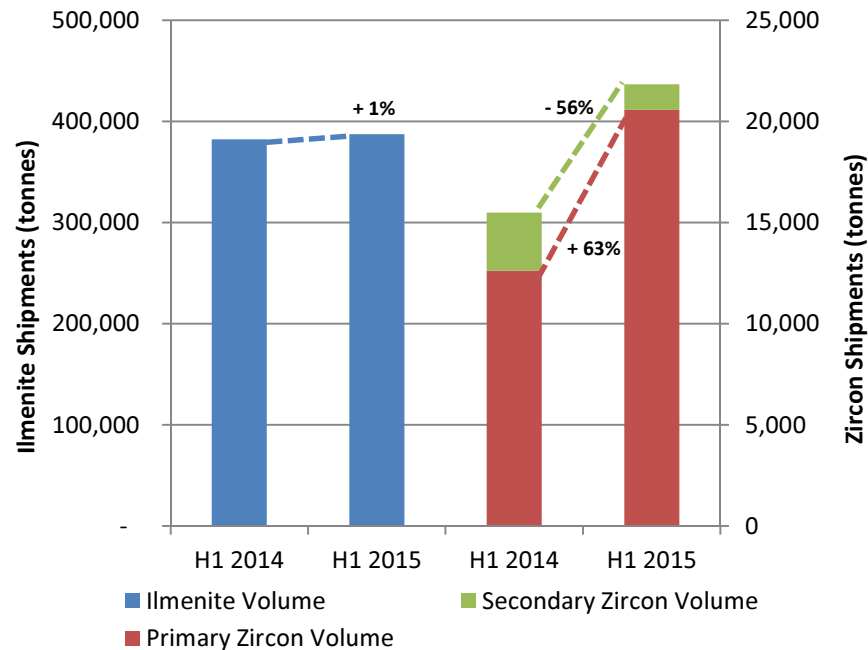
H1 2015 Income Statement Review

	H1 '15	H1 '14	<u>Comment</u>
	<u>US\$m</u>	<u>US\$m</u>	
Revenue	73.9	81.2	Revenue down 9%; sales volumes increased by 3% but prices declined
Cost of Sales & Opex	<u>(101.1)</u>	<u>(99.1)</u>	Including a product inventory write down of US\$8.6m
Operating loss	(27.2)	(17.9)	
Net finance costs	(18.1)	(16.2)	Project loans & corporate debt costs
Foreign exchange gain	<u>17.4</u>	<u>2.0</u>	Retranslation of Euro denominated debt
Loss before tax	(27.9)	(32.1)	
Tax credit	<u>0.0</u>	<u>0.3</u>	
Loss after tax	<u>(27.9)</u>	<u>(31.8)</u>	

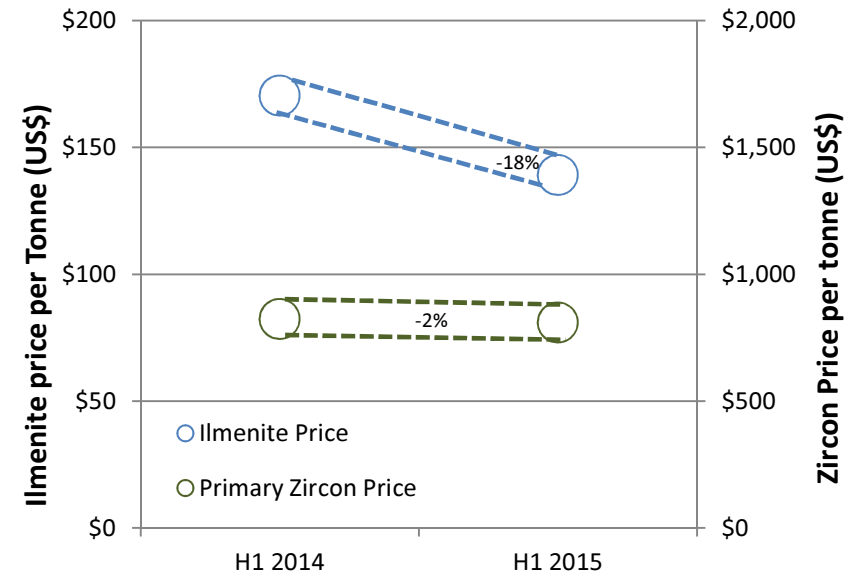
- Sales volumes up 3% but ilmenite prices (-18% on H1 2014) overshadowed higher value zircon sales (+3% on H1 2014)
- Cash operating costs decreased by 17%, including on-going cost savings initiatives
- Depreciation decreased by 17% due to lower production
- Cash cost per tonne produced increased 12% as a result of reduced production. Finished product production down 25%
- Finance cost increase due to fair value adjustment on warrants (+US\$1.3m); increased amortisation of fees (+US\$1.2m) offset by reduced interest (-US\$0.7m) as a result of lower US Dollar charge on Euro denominated debt
- EBITDA: negative US\$10.6m (2014: positive US\$2.2m), due to reduced revenues (US\$7.3m) and increased cost of sales and charges (US\$5.5m)

H1 2015 Revenue Review

Volume/Mix Movement



Pricing Movement



- Total revenue decreased by US\$7.3m (-9%) on H1 2014
- Total sales volumes increase by 3%, including a higher ratio of zircon
- Selling prices down by 18% for ilmenite and 2% for primary zircon on H1 2014

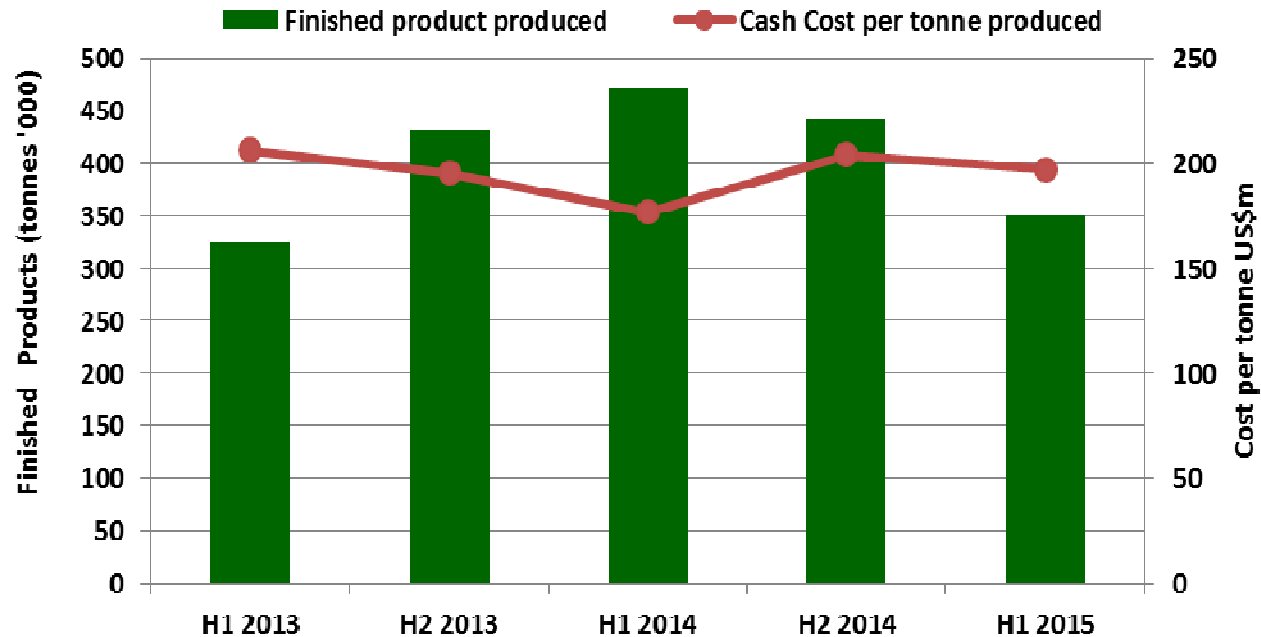
(1) Primary zircon includes a blend of Standard and Special Grade

H1 2015 Cash Operating Costs Review

	H1 2015 US\$m	H1 2015 US\$m	H1 2014 US\$m	H1 2014 US\$m
Cost of sales	91.9		82.8	
Other operating costs	<u>9.1</u>	101.0	<u>16.2</u>	99.0
Freight (CIF charged to customers)		<u>(1.5)</u>		<u>(4.2)</u>
Total costs less freight		99.5		94.8
<u>Non-cash costs</u>				
Depreciation	16.6		20.1	
Share-based payments	<u>(0.8)</u>	(15.8)	<u>1.7</u>	(21.8)
<u>Inventory movements</u>				
Finished product movements		(14.6)		10.0
Adjusted cash operating costs	- 17%	<u>69.1</u>		<u>83.0</u>
Final Products Production	- 25%	<u>350,700</u>		<u>469,800</u>

- Analysis above reconciles Income Statement to cash operating cost to run business
- Cash operating costs dropped 17% to US\$69.1 million in H1 2015

Half Yearly 2013 – 2015 Cash Operating Costs

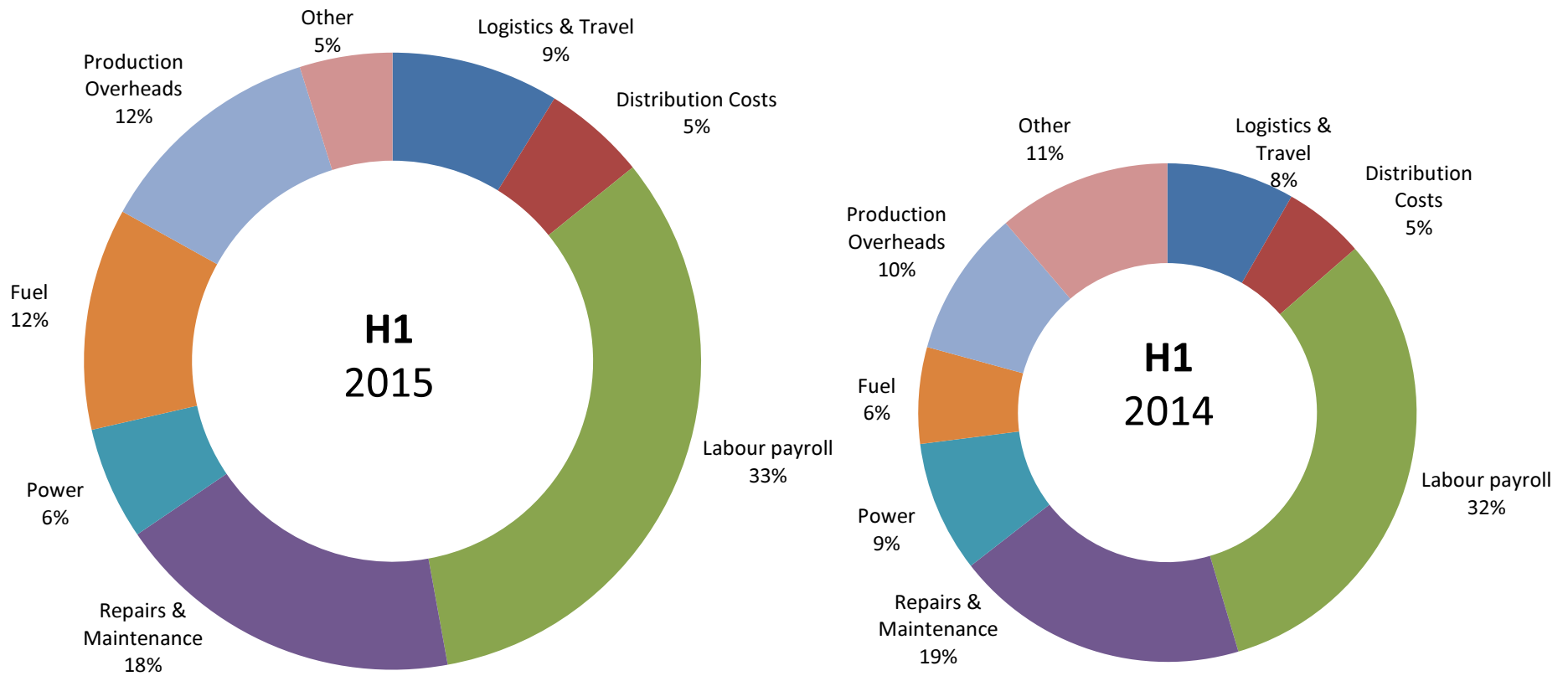


- Cost/t for total finished products (ilmenite, zircon & rutile) is US\$197/t in H1 2015
- Cost/t increased due to reduced production, as a result of severe weather interruptions
- Significantly reduced unit costs expected in H2 2015 with increased production and on going cost reduction programme

Cost Efficiency Initiatives

- Cost savings realised in the following areas:
 - Labour: Reduction in employee numbers and amendment to shift allowances implemented in H1 2015
 - Reduction in short-term contracts, catering cost reductions and lower recruitment costs
 - Engineering: Efficiencies in plant maintenance
 - Fuel: Lower diesel prices from Q2 2015
 - Freight & Travel: More efficient transportation of materials and reduction in vehicle rentals

H1 2015 Cash Operating Costs



- Operating costs largely fixed at full production
- Cost/tonne to reduce as production increases and on-going cost savings are realised

Balance Sheet Review at 30 June 2015

	30/6/2015	31/12/2014	<u>Comment on 2015 & movement</u>
	US\$m	US\$m	
Property, plant & equipment	849.6	865.2	US\$1.0m capital additions
Inventories	46.8	62.5	Reduced product stock volumes and NRV adjustment
Trade & other receivables	30.2	28.1	Function of sales prior to period end
Cash	<u>12.9</u>	<u>21.8</u>	
Total assets	<u>939.5</u>	<u>977.6</u>	
Equity & reserves	536.1	564.8	H1 2015 result
Bank loans	329.9	337.7	Interest accrued less repayments + debt amend fees + fx gain
Creditors & provisions	<u>73.5</u>	<u>75.1</u>	Includes mine closure and legal claims
Total equity & liabilities	<u>939.5</u>	<u>977.6</u>	

- Debt amendment in April 2015 enables group to conserve cash and provide greater flexibility
- PP&E impairment review now calculated on reserves and partial Nataka resources. No impairment required in H1 2015

Group Debt

- Group reported debt at 30 June 2015: US\$329.9m (30 June 2014: US\$349.6m), after project loan amendment fee adjustment of US\$15.5 million (30 June 2014: US\$9.5 million).
- Average project interest rate at June 2015 was 9.1%.
- Senior: US\$79.2 million, floating @ LIBOR + 3.5% to 5.3%, fixed @ 5.45% to 7.45%.
Subordinated: US\$246.6 million, floating @ LIBOR + 6% to 9%, fixed @ 11%.
Absa/Barclays corporate facility: US\$19.6 million floating @ LIBOR +12%.
- Amendment to debt agreed with lenders on 29 April 2015 to create a stable financial platform, provides flexibility and better aligns terms of the group financing with projected cash flows. US\$50 million of additional super senior debt facilities provide greater funding headroom (US\$30 million for working capital purposes).
- Effectiveness of the April 2015 loan amendment conditions satisfied on the 24 July 2015 and US\$10 million super senior facility drawn on 11 August.
- Active dialogue with lenders on waivers required to draw US\$20 million balance of super senior facility.



Appendix

Group Lenders at 30 June 2015

	Loan Balance US\$m	Maturity under April 2015 Loan amendment
Senior Project Loans		
AFDB	21.2	2021
Absa (ECIC)	23.9	2018
EAIF	2.6	2021
EIB	8.6	2021
FMO	8.6	2019
KfW IPEX-Bank (Hermes)	6.6	2018
KfW IPEX-Bank (MIGA)	7.7	2021
	79.2	
Subordinated Project Loans		
EIB	143.6	2021
EAIF	57.5	2021
FMO	45.5	2021
	246.6	
	325.8	
Project loan amendment fees	(15.5)	Amortised over life of loans
Total Project Loans	310.3	
Absa corporate facility	19.6	2021
Total Group Loans	329.9	

Reserves & Resources

Reserves & resources table as at 31 December 2014

Zones	Category	Ore (Mt)	% THM*	% Ilmenite in THM	% Ilmenite in ore	% Rutile in ore	% Zircon in ore	% Slime	THM (Mt)	Ilmenite (Mt)	Rutile (Mt)	Zircon (Mt)
Reserves												
Namalope	Proved	246	4.1	82	3.3	0.077	0.24	8.05	10	8.2	0.19	0.58
Namalope	Probable	97	3.3	81	2.7	0.103	0.21	8.25	3.2	2.6	0.10	0.20
Nataka	Probable	472	2.8	82	2.3	0.049	0.15	13.08	13	11	0.23	0.71
TOTAL RESERVES	Proved & Probable	815	3.3	82	2.7	0.064	0.18	10.98	27	22	0.52	1.5
Resources												
Congolone	Measured	167	3.3	77	2.5	0.060	0.24		5.4	4.2	0.1	0.4
Namalope	Measured	92	3.6	81	2.9	0.066	0.21	8.87	3.3	2.7	0.1	0.2
Namalope	Indicated	134	2.9	81	2.3	0.055	0.17	6.85	3.8	3.1	0.1	0.2
Nataka	Indicated	1064	3.3	81	2.7	0.059	0.18	17.69	34.9	28.4	0.6	1.9
Pivilli	Inferred	227	5.4	80	4.3	0.13	0.35		12	9.8	0.3	0.8
Mualadi	Inferred	327	3.2	80	2.6	0.061	0.21		10	8.4	0.2	0.7
Nataka	Inferred	4,800	2.7	83	2.2	0.046	0.14	13.95	130	110	2.2	6.8
Mpitini	Inferred	287	3.6	80	2.9	0.070	0.24		10	8.3	0.2	0.7
Marrua	Inferred	54	4.1	80	3.3	0.19	0.19		2.2	1.8	0.1	0.1
TOTAL RESOURCES		7,200	3.0	83	2.5	0.055	0.17	12.06	210	180	3.9	12