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2015 Financial Results Presentation – 29 April 2016

London Stock Exchange

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Overview

- Proposed capital raising and debt restructuring
  - Provides a robust balance sheet and reduces financial gearing
  - Total debt reduced to a maximum US$100m, cash of US$75m[1] post transaction
  - Reduced debt service costs (-84%), increased term (to 2022) and repayment holiday until Feb 2018
  - Open offer proceeds to reduce debt at a 25% discount to par

- 2015 Financial Results & 2016 guidance
  - Total cash cost per tonne of finished product decreased 13% from 2014 to 2015 and decreased by 27% between H1 2015 and H2 2015
  - Operationally cash flow positive at the bottom of the cycle – US$3m in 2015
  - Forecast production of 950,000 tonnes of ilmenite (plus associated by-products) in 2016, up 21% on 2015 – principally as a result of increased power stability and resulting increase in plant operating time[2]
  - Total cash cost per tonne of finished product expected to fall 15% to US$141/tonne in 2016 from US$166/tonne in 2015[2]

- Favourable supply / demand outlook
  - Global pigment prices have been rising through 2016; producers reporting increases of 6-12% in Q1 2016 yoy
  - Chinese titanium ore port inventories at lowest level for three years
  - Spot prices of domestic and imported ilmenite increasing in China
  - Our analysis shows global sulphate feedstock markets currently in production deficit

[1] Before fees
[2] Production and cost guidance is subject to a +/- 10% variance

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Capital Raising & Balance Sheet Restructuring

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Capital raise and debt restructuring

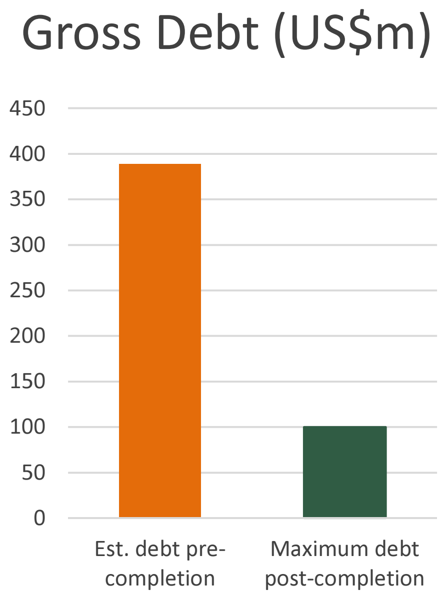
Proposed equity raise

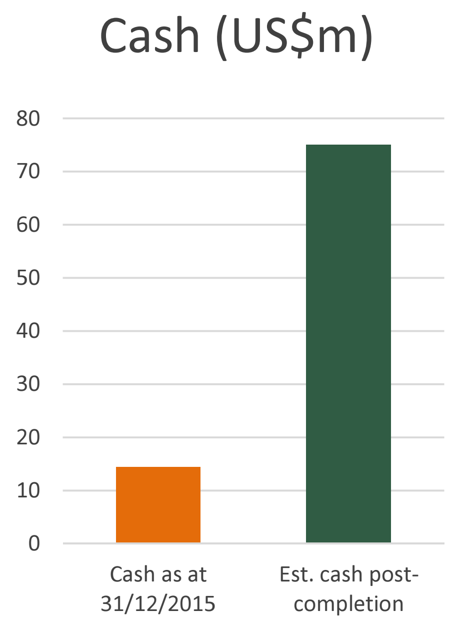
- SGRF - US$100m
- King Ally Trading Limited – US$100m
- Placing with new and existing shareholders – US$75m
- Open offer to all existing shareholders – c.US$100m
  - All proceeds to repay debt with a 25% reduction agreed by lenders

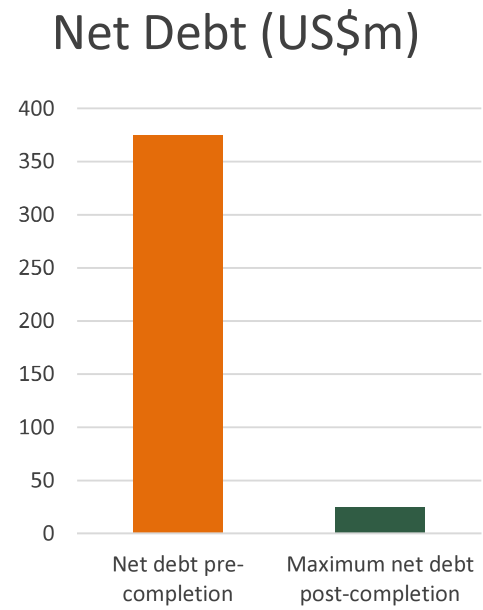
Debt restructuring

- c.US$65m write down by lenders plus reduction from monies raised in open offer
- Maximum US$100m debt post transaction close – further reduced by open offer funds raised
- One tranche of debt; increased tenor to February 2022
- Interest at 4.75% + LIBOR until 2020, 5.25% LIBOR thereafter
- Repayment holiday until February 2018

Transformed balance sheet post capital raise







- Reduced gross debt to a maximum US$100m
  - Additional capital raised in the open offer will further reduce outstanding debt
- Increased cash available for working capital to US$75m
  - Provides a strong buffer should markets for any unforeseen circumstances
- Reduced net debt a maximum US$25m
  - Dramatically reducing financial leverage

** Assumes completion on 30/06/2015*
** Cash post-completion before fees*

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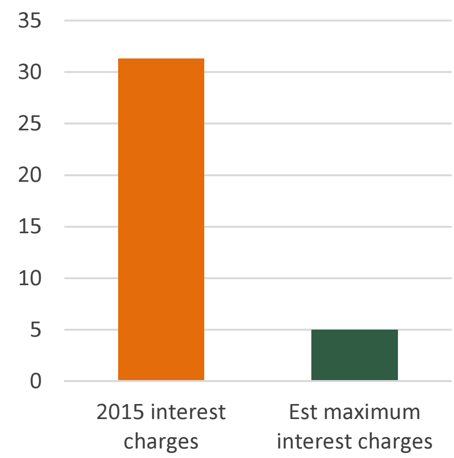
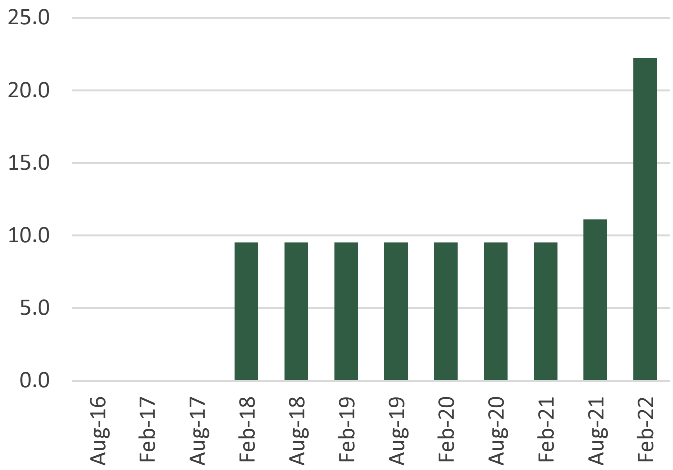
Debt repayment profile

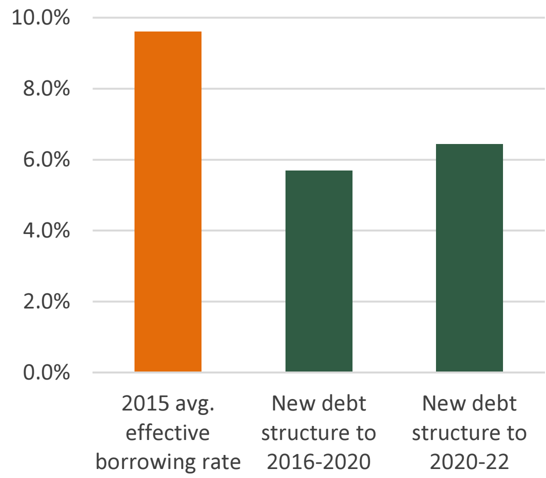
Annual Interest (US$m)



Repayment Profile (US$m)



Interest Rates (%)



- Minimum US$65m of debt write down as part of deal agreed with lenders
- 25% discount to par on any monies raised in the open offer
- Simplified debt structure - debt servicing costs reduced by c.84%
- Repayment holiday until February 2018, providing enhanced financial flexibility
- Reduced interest rates from an average 9.6% in 2015 to 5.69% until 2020, 6.44% thereafter

[1] Assumes US$100m debt post completion
[2] Assumes current LIBOR rate of 0.9%

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Deal timeline

April 2016

- Lenders progressing credit approvals for proposed restructuring deal
- Subscription agreement with King Ally Trading Limited signed

May 2016

- Subscription agreement with SGRF expected
- Lender documentation finalised
- Pathfinder prospectus
- Publication of prospectus

June/July 2016

- EGM/AGM

July 2016

- Transaction closes

2 Summary Results

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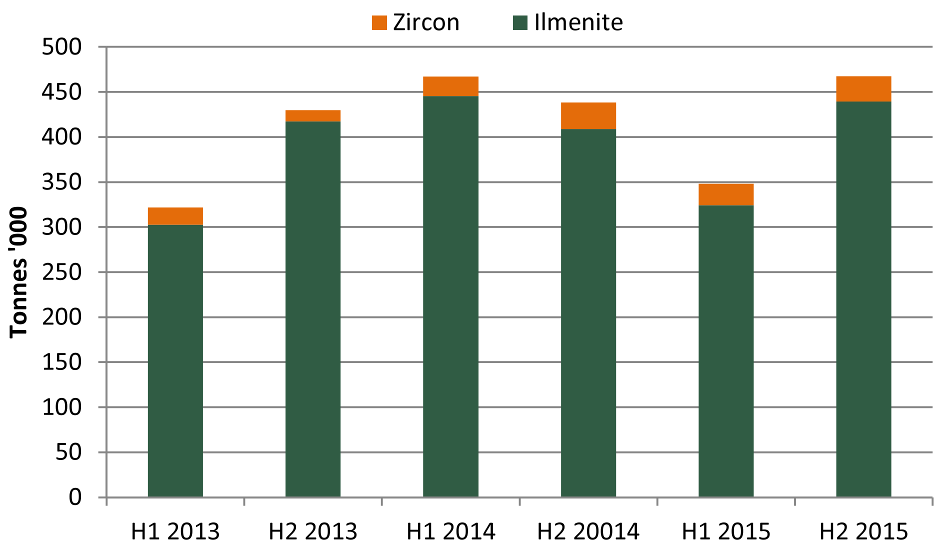
2015 Financial Results Overview

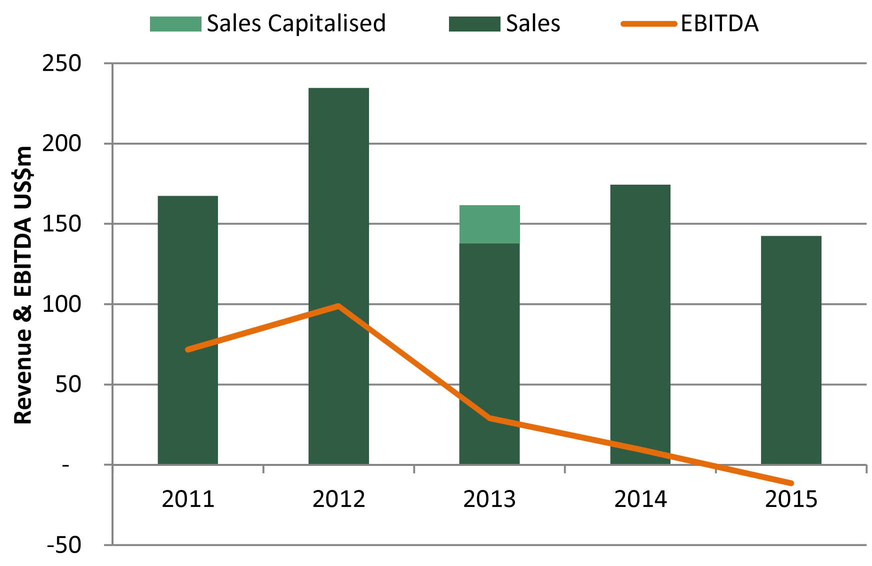
- Power outage of 57 days in Q1 2015 significantly impacted production for the year
- Significant cost savings achieved in 2015
- Production of Heavy Mineral Concentrate ("HMC") down 15% to 1,100,600 tonnes (2014: 1,287,300 tonnes)
- Production of ilmenite down 11% to 763,500 tonnes (2014: 854,600 tonnes)
- Production of zircon up 2% to 51,800 tonnes (2014: 50,800 tonnes)
- Shipments of finished product flat at 800,400 tonnes (2014: 800,000 tonnes)
- Revenues of US$142.6m (2014: US$174.3m)
- EBITDA of US$11.5m negative (2014: US$9.4m positive)
- Loss after tax of US$60.6m (2014: US$100.8m)

Key Performance Indicators

Production 2013 - 2015 (Half-Yearly) 000t



Revenue & EBITDA 2011 – 2015 US$m



- HMC production decreased 15% to 1,100,600 tonnes (2014: 1,287,300 tonnes)
- Ilmenite production decreased 11% to 763,500 tonnes (2014: 854,600 tonnes)
- Zircon production increased 2% to 51,800 tonnes (2014: 50,800 tonnes)
- Closing final product stocks of 237,300[1] tonnes (2014: 219,500 tonnes)
- Sales volumes flat at 800,400 tonnes (2014: 800,000 tonnes)

[1] *Includes 40,000 tonnes being held for a customer under a bill and hold arrangement*

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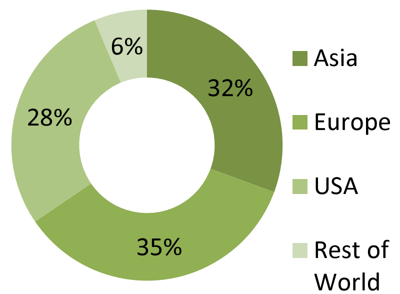
2015 Income Statement Review

	2015 US$m	2014 US$m	Comment on 2015 & movement
Revenue	142.6	174.3	Sales down 18% - lower prices on flat sales volumes
Cost of Sales & Opex	(189.9)	(205.8)	Costs down 8% - focus on reducing production costs
Operating loss	(47.3)	(31.5)	
Impairment loss	-	(64.8)	No impairment in 2015
Finance income	0.5	6.3	Fair value of warrants based on lower share price
Finance costs	(37.8)	(34.8)	Higher amortisation cost of loan amendment fees
Foreign exchange gain	22.7	24.1	Retranslation euro debt - cannot hedge LT euro loan
Loss before tax	(61.9)	(100.7)	
Tax credit/(charge)	1.3	(0.1)	Deferred tax recognised on loss
Loss after tax	(60.6)	(100.8)	

- Weighted average product prices (ex. CIF) down 16% compared with 2014 due to challenging market conditions
- Decreased Cost of Sales & Opex as a result of cost saving initiatives, despite a US$16.0m inventory write down to NRV (2014: US$7.7m)
- Higher finance costs as additional debt drawn, higher subordinated loan balances and higher amortisation cost of loan amendment fees
- EBITDA: US$11.5m negative (2014: US$9.4m positive), principally due to reduced prices

Revenue by geography



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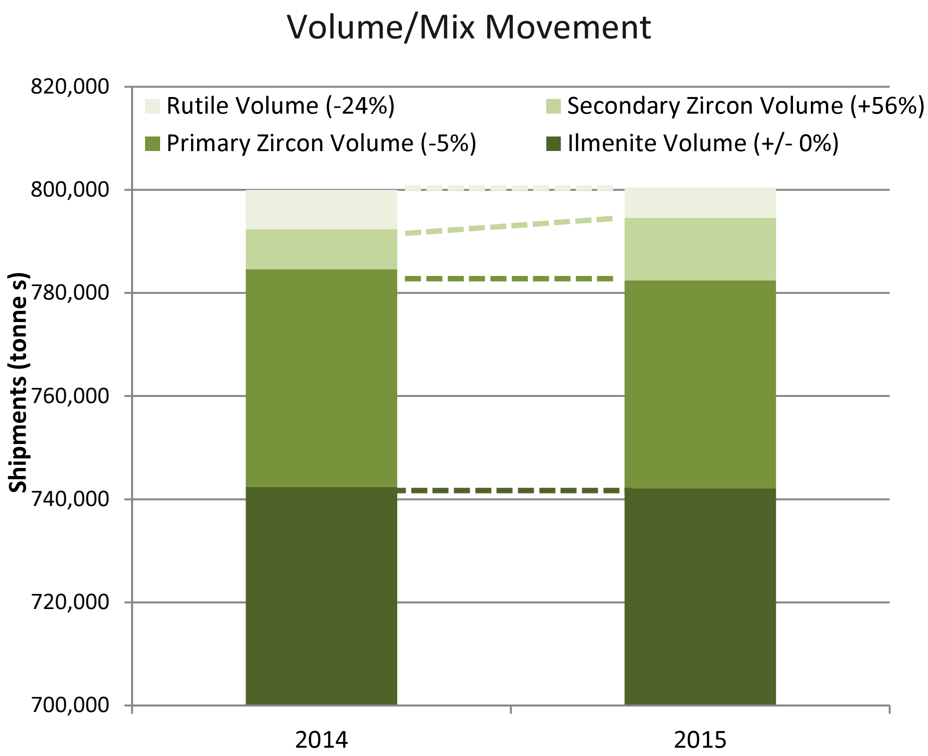
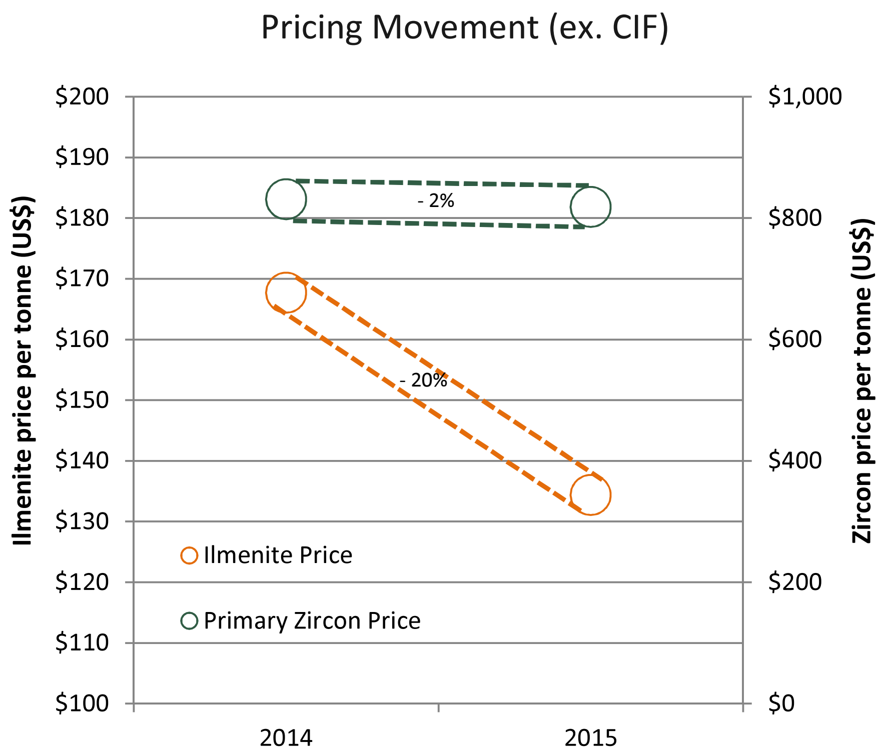
2015 Revenue Review





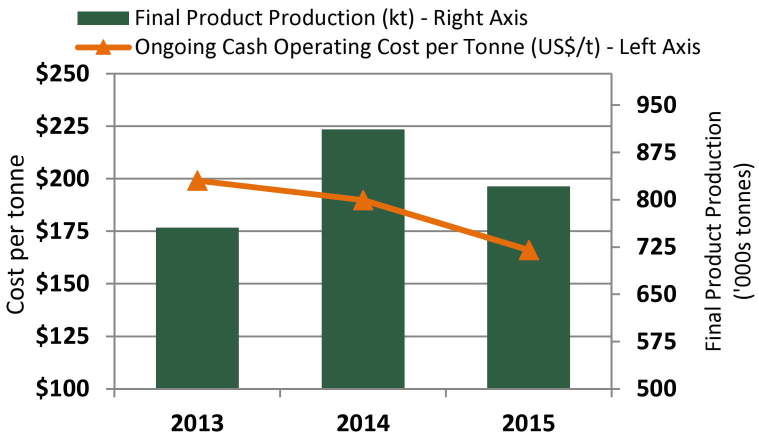
- Total revenue down 18% to US$142.6m from 2014 revenue of US$174.3m
- Ilmenite volumes flat, but price down 20%
- Primary zircon volumes down 5%, with price down 2%
- Secondary zircon volumes up 56%, but price down 12%
- All products volume flat at 800kt, but average price down 16%

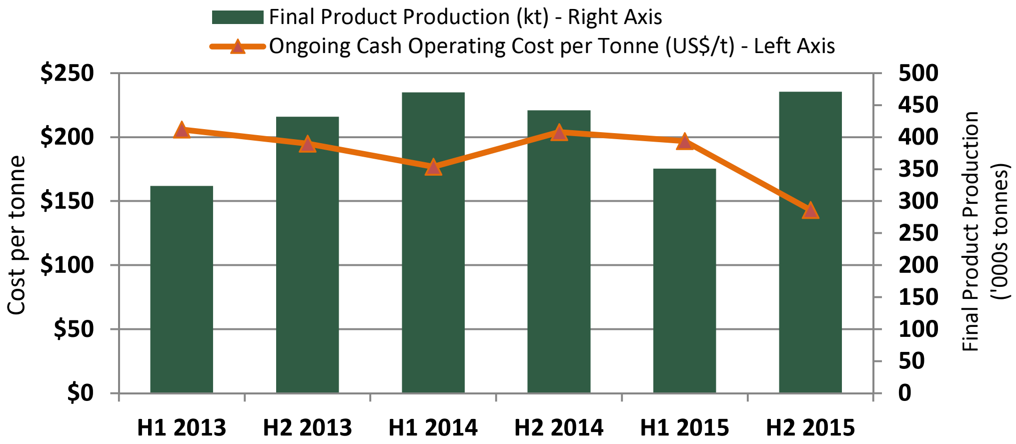
2015 Cash Operating Costs Review

		2015 US$m	2015 US$m	2014 US$m	2014 US$m
Cost of sales		168.1		173.4	
Other operating costs		21.8	189.9	32.4	205.8
Freight (CIF charged to customers)			(3.7)		(8.3)
Total costs less freight			186.2		197.5
Non-cash costs					
Depreciation		35.8		40.9	
Share-based payments		(0.7)	(35.1)	1.3	(42.2)
Inventory movements					
Finished product movements			(14.7)		17.7
Ongoing cash operating costs	**- 21%**		136.4		173.0
Final products production	**- 10%**		821,300		911,500
Cash cost per tonne	**- 13%**		$166		$190

- Analysis above reconciles Income Statement to cash operating cost to run business
- Decrease in cost of sales and other operating costs reflects cost saving focus during the year
- Decrease in depreciation due to reduction in production
- Total cash cost per tonne of finished product produced decreased by 13%

Cash Operating Costs





- Cost per tonne continued to fall in 2015, as expected from peak in 2013, due to:
    - Focus driving cost efficiencies
    - Retrenchment programme
    - Increasing production, outside of Q1 2015 prolonged power outage
    - Favourable foreign exchange trends

- 2015 cost per tonne impacted by significant power related downtime in Q1 2015
    - Final product production up 34% in H2 2015 from H1 2015
    - Ongoing cash operating costs down 3% in H2 2015 from H1 2015
    - Cost per tonne down 27% in H2 2015 (US$143/t) from H1 2015 (US$197/t)
    - Trend forecast to continue in 2016

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Cost Efficiency Initiatives

- Adjusted cash operating costs down **21%** in 2015

- Cost efficiencies realised in the following areas:
  - Labour costs down 23%
    - Retrenchment programme reduced employee numbers, reduced numbers of short-term contracts, catering cost reductions, lower recruitment costs and favourable FX rates
  - Engineering costs down 24%
    - Efficiencies in plant maintenance and dry mining ceased
  - Production Overheads costs down 4%
    - Reduced machine rentals, external drilling and on-site contractors
  - Freight & Travel down costs 14%
    - More efficient transportation of materials and reduction in vehicle rentals

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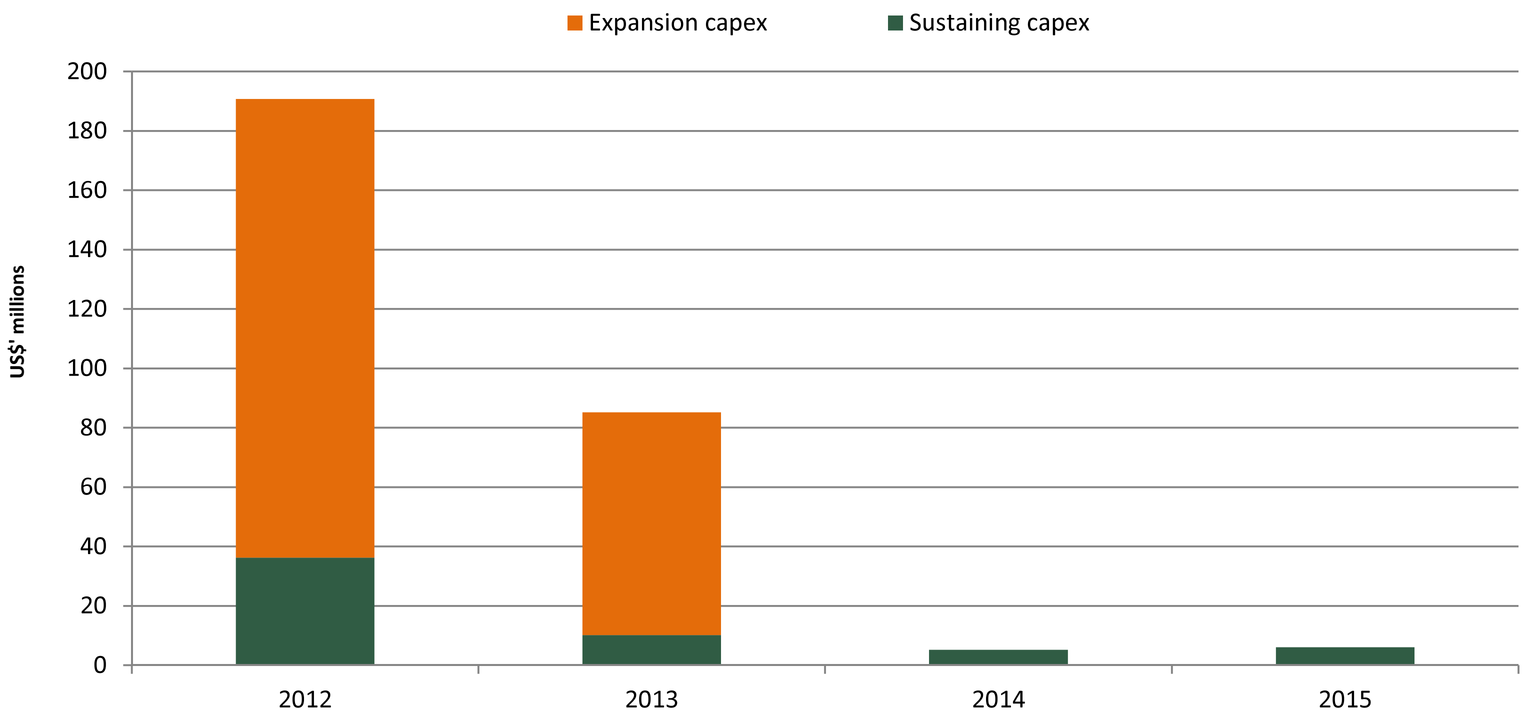
2015 Balance Sheet Review

	2015 US$m	2014 US$m	Comment on 2015 & movement
Property, plant & equipment	835.0	865.2	Depreciation net of sustaining capital
Deferred tax asset	1.3	-	
Inventories	46.2	62.5	Inventory write down of US$16.0m
Trade & other receivables	20.9	28.1	Decrease in trade debtors and receivables
Cash	14.4	21.8	
Total assets	917.8	977.6	
Equity & reserves	503.4	564.8	Mainly 2015 loss
Bank loans	341.9	337.7	Super Senior draw & interest less fees & FX
Creditors & provisions	72.5	75.1	
Total equity & liabilities	917.8	977.6	

- Total assets US$917.8m (2014: US$977.6m)
- April loan amendment followed by August Super Senior drawdown of US$10.0m

Yearly Capex 2012 - 2015



- Long period of investment completed in 2013
- Sustaining capex tightly controlled in 2015 at US$5.6m (2014: US$5.2m)

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Group Debt at 31 December 2015

- Group Debt at 31 Dec. 2015: US$341.9m (2014: US$337.7m)
- Lenders: Absa, KfW, FMO, EIB, EAIF & AfDB
- Guarantors: ECIC (of Absa), MIGA & Hermes (of KfW)
- Average project interest rate for 2015 was 9.6%
- Super Senior: US$10.4m, floating @ LIBOR +10%. Two year US$50m facility
- Senior: US$79.2m, floating @ LIBOR + 4.3% to 5.5%, fixed @ 5.5% to 5.9%. Senior maturities: 2017 - 2020
- Subordinated: US$278.2m, fixed @ 11%. Sub maturities: 2021
- Debt amendment completed April 2015 and lenders currently seeking approval for debt restructuring

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Group Lenders at 31 December 2015

	Loan Balance - US$m	
Super Senior Loans		
All	10.4	
	10.4	
Senior Loans		
AFDB	21.2	
Absa (ECIC)	23.9	
EAIF	2.6	
EIB	8.5	
FMO	8.6	
KfW IPEX-Bank (Hermes)	6.6	
KfW IPEX-Bank (MIGA)	7.8	
	79.2	
Subordinated Loans		
EIB	148.9	
EAIF	60.8	
FMO	47.5	
Absa (Novated)	21.0	
	278.2	
	367.8	
Project loan amendment fees	(25.9)	Amortised over life of loans
Total Group Loans	**341.9**	

3 Operations update & guidance

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Interim Management Statement – Q1 2016

- Vastly improved power quality and consistency since the December 2015 installation of additional power transmission infrastructure by Electricidade de Moçambique
- Ore mined in Q1 2016 increased 120% to 7,061,000 tonnes (Q1 2015: 3,211,000 tonnes), mainly due to improved power supply quality and consistency in 2016
- Heavy Mineral Concentrate ("HMC") production in Q1 2016 increased 90% in to 274,800 tonnes (Q1 2015: 144,500 tonnes)
- Ilmenite production increased 39% to 185,000 tonnes (Q1 2015: 132,900 tonnes)
- Zircon production increased 12% to 11,600 tonnes (Q1 2015: 10,400 tonnes)
- Total shipments of finished products were down 37% at 132,700 tonnes (Q1 2015: 209,600 tonnes) due partly to two shipments being delayed past the period end
- Guidance for 950,000 tonnes of ilmenite in 2016 (+/- 10%), up 24% on 2015 production

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Guidance

Production		2016 Guidance	2015 Actual	Variance
Ilmenite	kt	950	764	24%
Zircon	kt	70	52	35%
of which primary	kt	50	39	27%
of which secondary	kt	20	12	61%
Rutile	kt	8	6	33%
Costs				
Total cash operating costs	US$m	145	136	6%
Cash operating costs per tonne of finished product	US$/t	141	166	-15%

- Ilmenite production expected to increase to 950kt, up 24% on 2015
- Total zircon production expected to increase to 70kt, up 35% on 2015
- Mining to benefit from a significantly more stable power supply, with HMC also benefitting from an increase in grade from the latter part of Q2 2016
- We are continuing to reduce costs and expect that as volume increases through 2016, unit cost per tonne will continue to reduce

* Production and cost guidance is subject to a +/- 10% variance.
* Sustaining capital is expected to average ~US$20m per annum [in the medium term].

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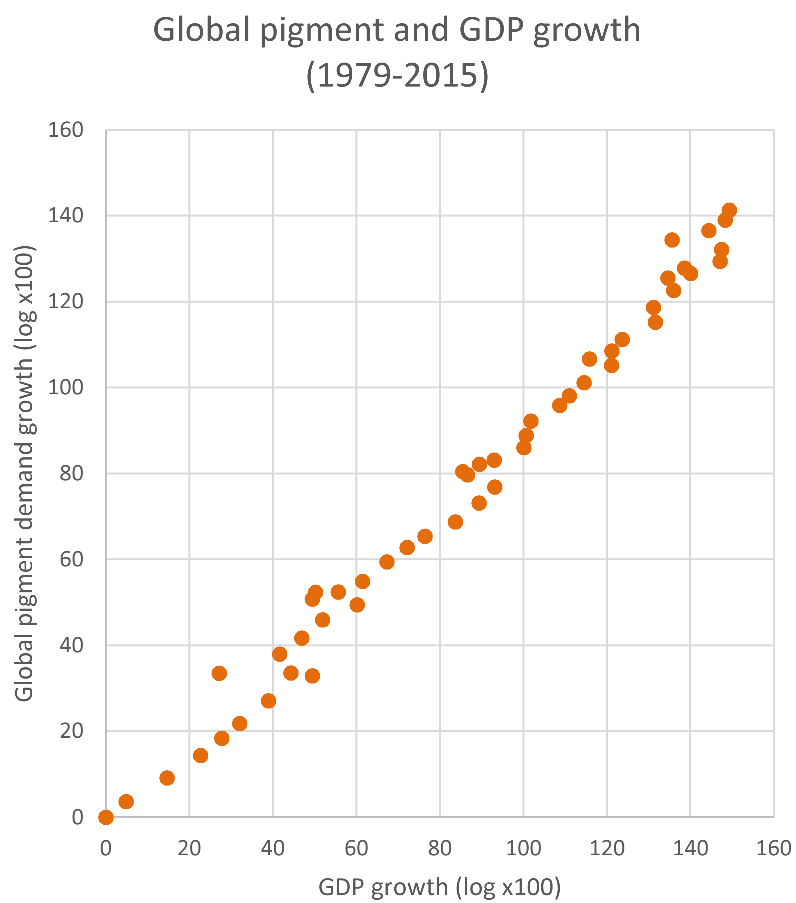
Market Update

Market overview

- Demand for titanium dioxide closely tracks growth in global GDP
- Titanium feedstocks are used for the production of titanium pigment (~90%), welding rods (~5%) and titanium metal (~5%)
- Titanium pigment is used in the production of paints (~60%), plastics (~26%) and paper (~14%)
- No recycling of titanium dioxide
- Geared to demand growth in later stages of economic development – China still consumes ~1/3 kg/capita of US/Europe



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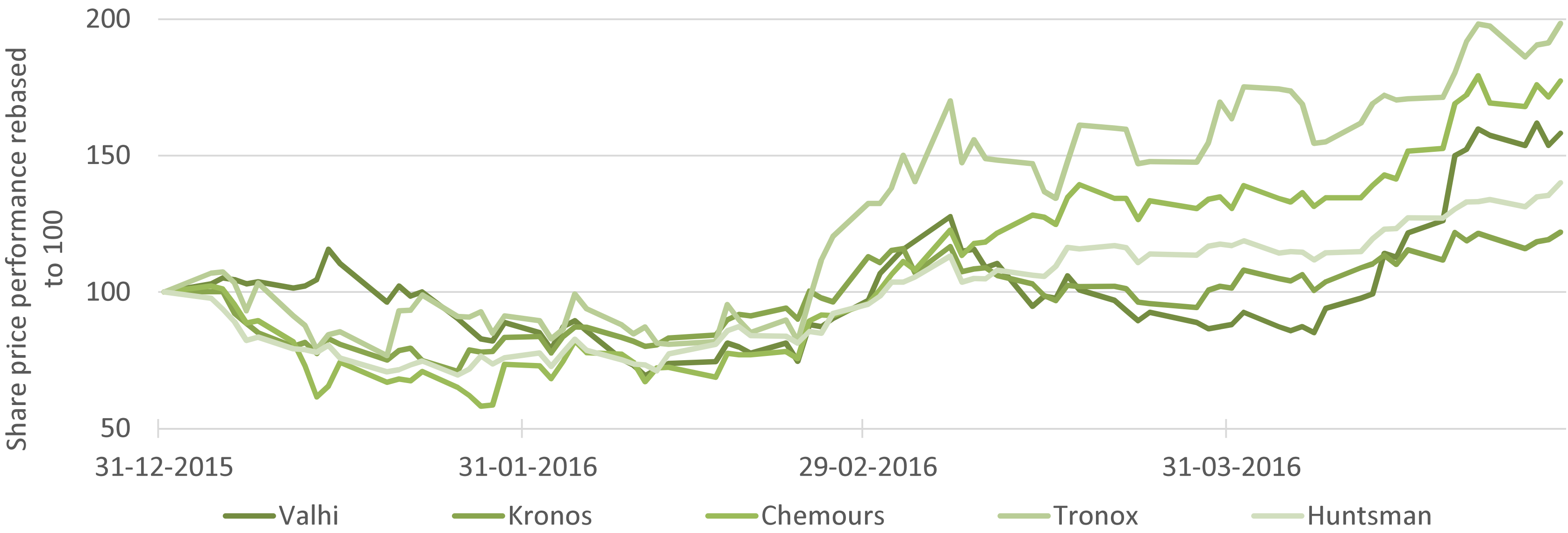
Pigment market fundamentals improving

- Major paints pigment producers reporting increased sales volume of 6-12% in Q1 2016 in comparison to the prior year period
- Pigment prices on the increase
- Pigment producers have been strong performers year to date



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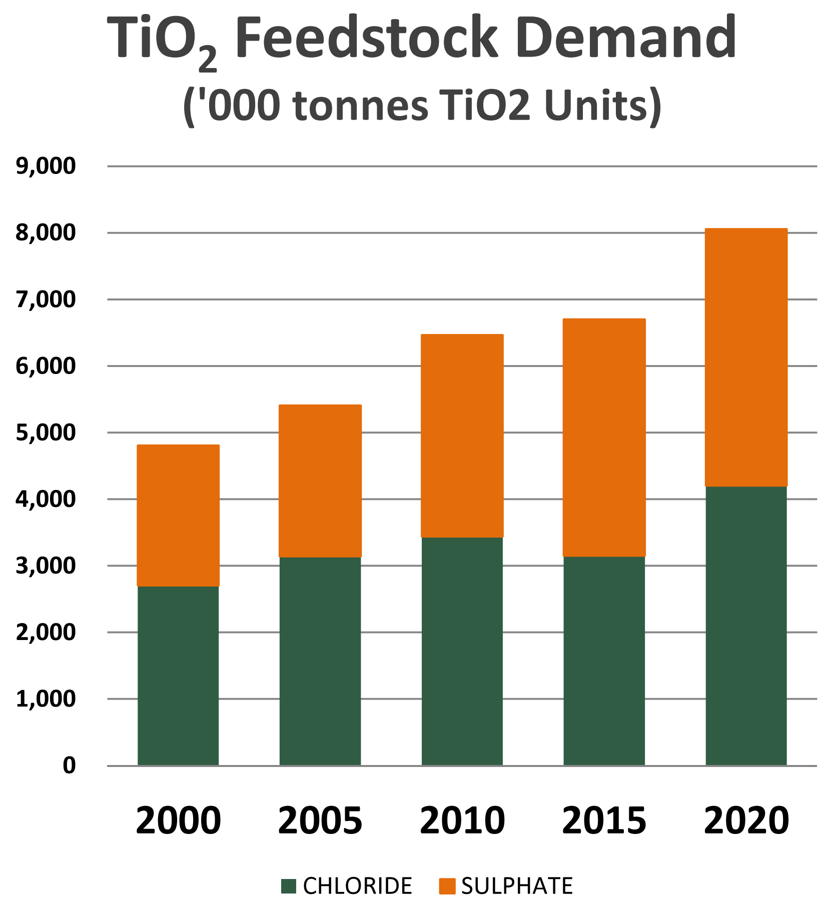
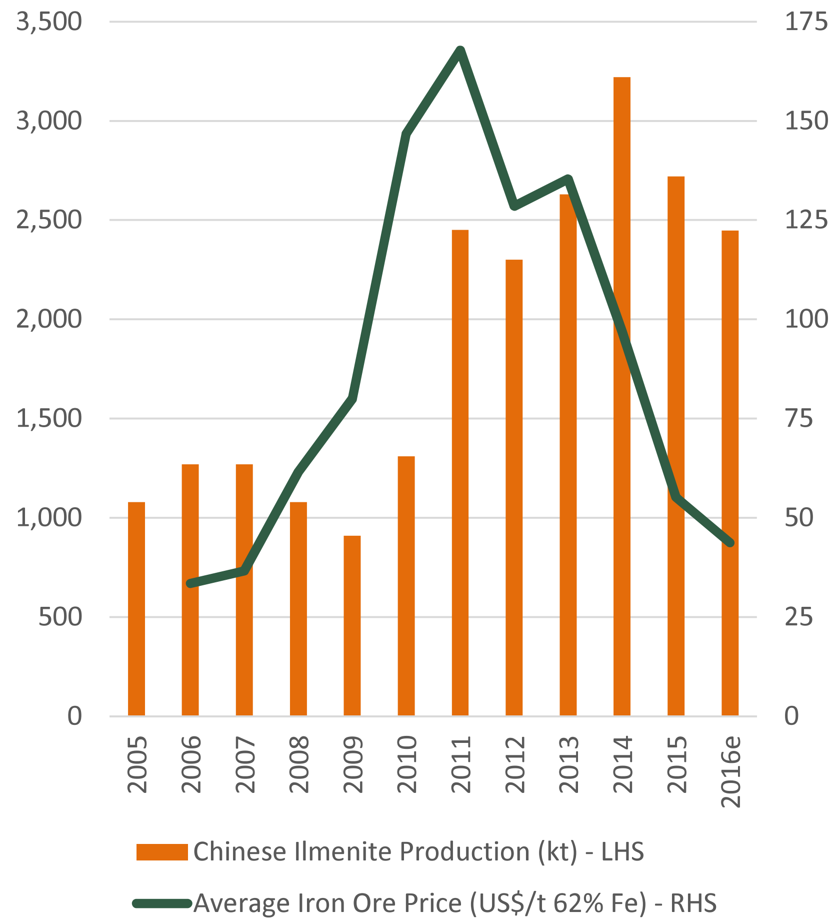
Industry structure

- 16mtpa of ilmenite equivalent required - 95% of TiO2 units are produced from ilmenite - natural rutile accounts for just 5%
- Ilmenite can be upgraded into higher TiO2 content slag or synthetic rutile – historically by miners
- Two industry processes for the production of pigment; chloride (~50%) and sulphate route (~50%)
- Chloride technology has been closely guarded by Western producers historically – Chinese are developing rapidly
- Pigment producers are now building slag plants to upgrade ilmenite



Iron ore production in China

- Domestic ilmenite production in China comes as a by-product of a particular type of iron ore deposit (titanomagnetite)
- Production growth in China was fuelled by the rapid increase in iron ore prices
- These mines produce a tonne of ilmenite for every five to seven tonnes of iron ore
- Chinese titanomagnetite mines are now significantly loss making as economics are driven by the iron ore price
- Domestic ilmenite is low quality and only suitable for sulphate route pigment production
- New chloride slag plants require imported sulphate ilmenite, as produced by Kenmare, to make chloride slag



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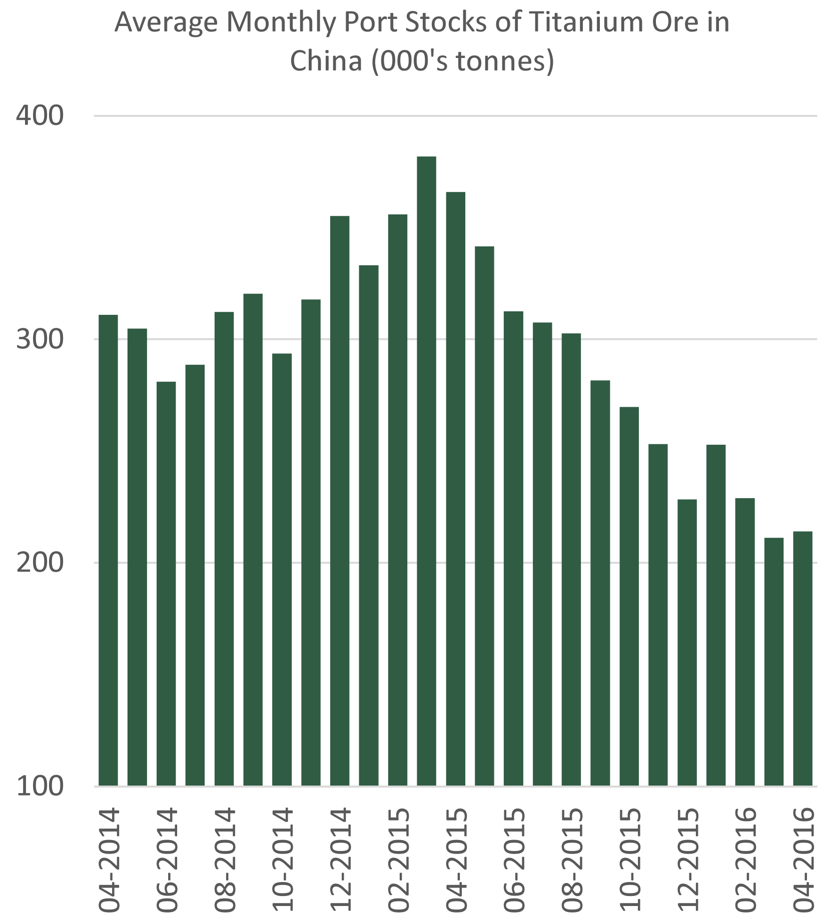
New ex-China supply

- Price increases in 2010-12 led to the funding and development of new projects
- Combined with the growth in Chinese ilmenite supply and higher inventories, additional supply exacerbated price declines as new producers fought for market share
- The main projects that were developed were historic discoveries which became economic as prices rose in the 2010-12 period
- All new production has now been absorbed by the market and no significant projects are under development



Source: FerroAlloyNet, Kenmare Resources, April 2016

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Shifting feedstock requirements

- Historically, miners have upgraded ilmenite into higher grade feedstocks for consumers (Rio Tinto – chloride slag/sulphate slag and Upgraded Slag, Tronox – Chloride Slag and Synthetic Rutile, Iluka – Synthetic Rutile)
- Pigment producers are now moving upstream to utilise cheap power, labour and lower feedstock (ilmenite) costs by owning and operating slag plants
- The new slag plants are located in the Middle East and China
- c.700,000 tonnes per annum of new slag capacity is in production/commissioning, requiring 1,400,000 tonnes per annum of ilmenite

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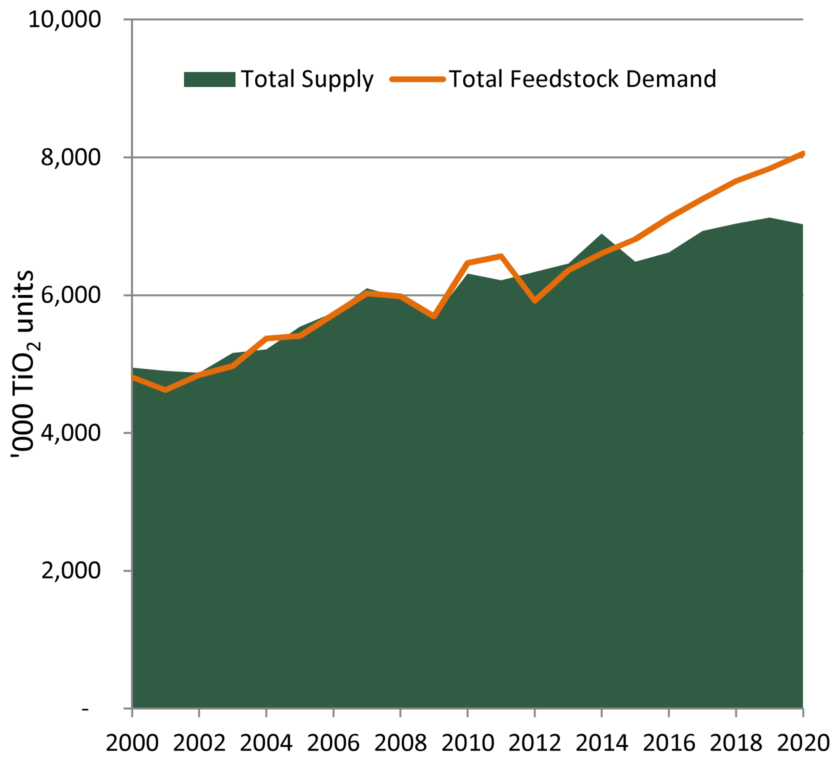
Supply/demand outlook

- Demand is expected to continue to trend upwards with global GDP
- Supported by increasing per capita incomes in emerging economies - expanding Chinese urban middle class fuelling consumer-driven growth
- Supply demand deficit emerges from 2015 onwards
- This allows for limited production cuts in China and the restart of idled slag capacity from high grade producers

TiO_2 Feedstock Supply/Demand



Source: Kenmare Resources, January 2016

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Appendicies

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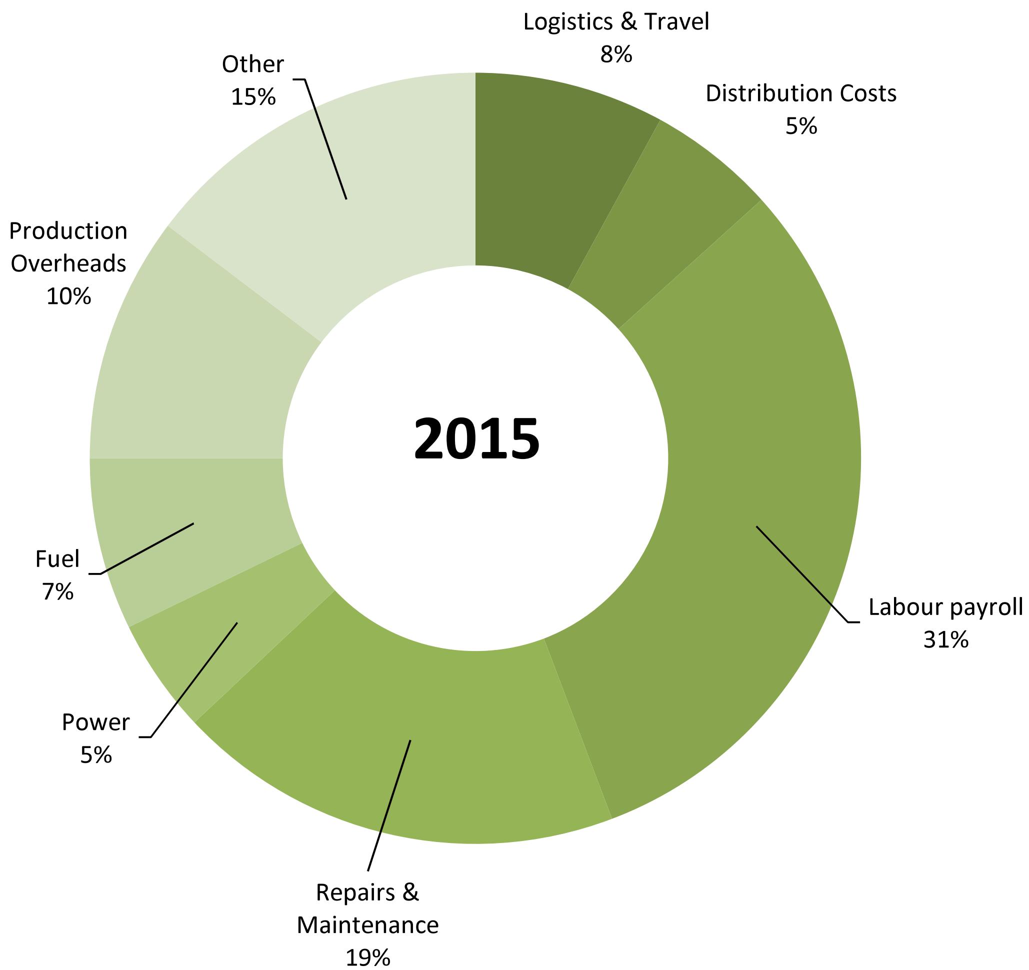
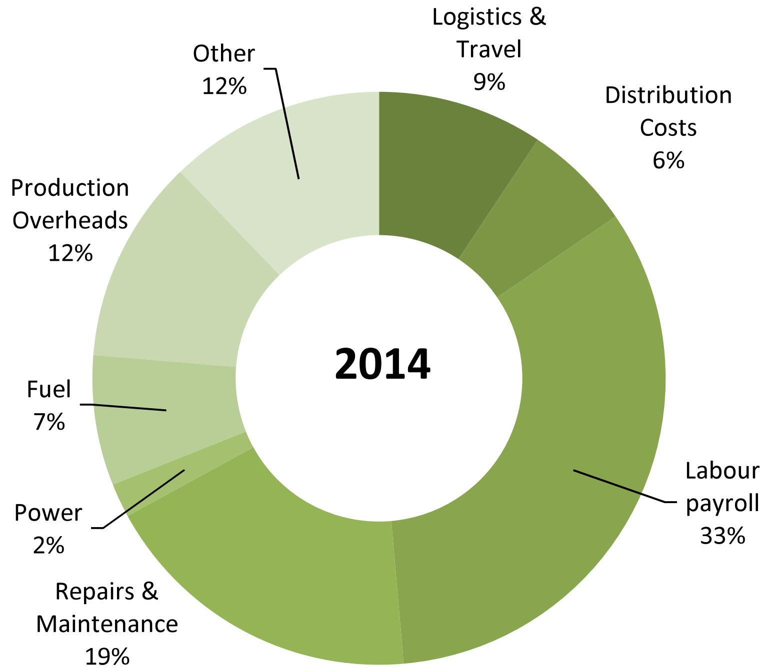
2015 Cash Operating Costs





- Operating costs largely fixed at full production, so cost per tonne reduces as production increases