

# 2017 Results Presentation

14<sup>th</sup> March 2018







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# Agenda

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- **Introduction** – Michael Carvill, Managing Director
- **Financial Review** – Tony McCluskey, Finance Director
- **Operational Review** – Ben Baxter, Chief Operations Officer
- **Marketing** – Michael Carvill, Managing Director
- **Outlook** – Michael Carvill, Managing Director
- **Q&A**



## Record Annual Production & Sales

- Production of ilmenite ↑ 11%
- Revenue ↑ 47%
- Cash costs per tonne ↓ 3%

## Mine Optimisation Progress

- Creating a series of low capital intensity development options
- 20% expansion of Wet Concentrator Plant B on track for delivery in 2018

## Positive Market Conditions

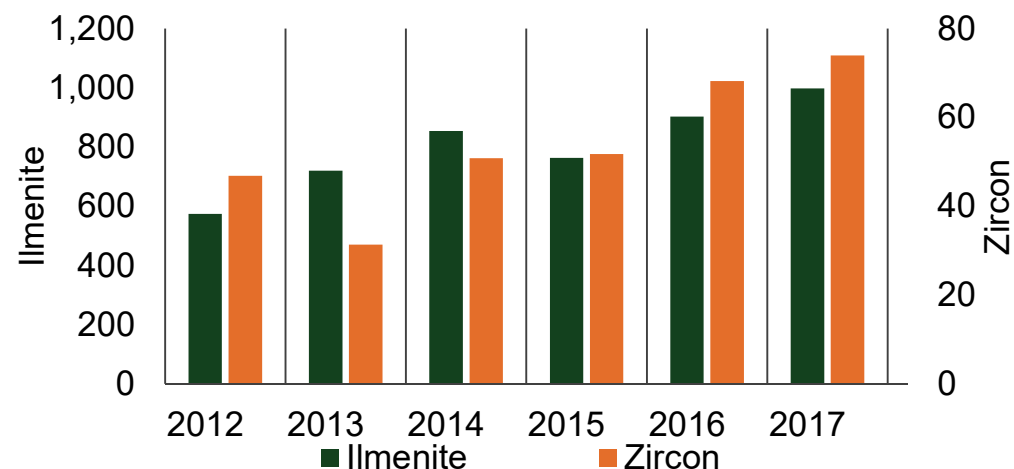
- Ilmenite markets remain in balance with continued demand growth expected
- Zircon markets continue to strengthen, further price increases expected in Q2 2018

# Operating overview

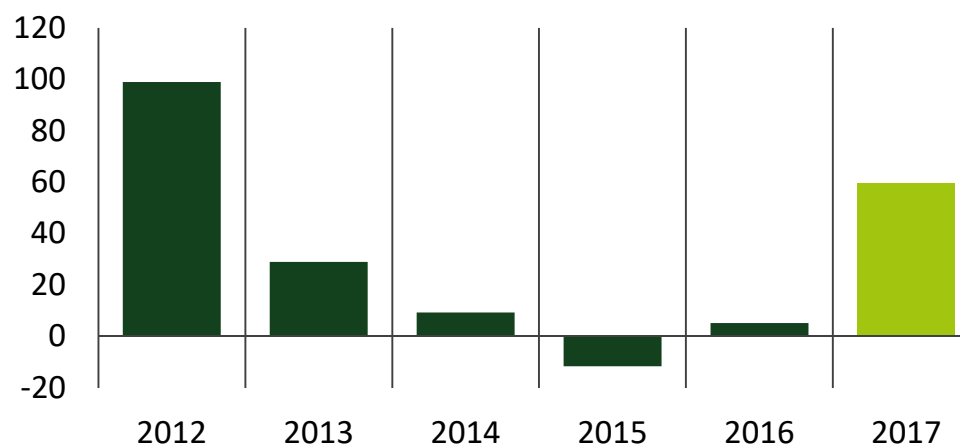


- 2017 production in line with guidance given January 2017
- US\$54.6m improvement in EBITDA – driven by large increase in revenue as a result of a significant uplift in pricing
- 2017 production of ilmenite +11% and zircon +9%
- Revenues + 47% in 2017, principally driven by prices
- Cash cost per tonne down 3% to US\$132, mainly due to increased volumes produced

Annual Production (000's tonnes)



EBITDA (US\$ millions)





# 2017 Financial Results



# Significantly improved 2017 financial performance



## Revenue

▲ **47%**

**2017: US\$208m**

2016: US\$142m

## Sales price (US\$/t)<sup>(1)</sup>

▲ **47%**

**2017: US\$196/t (FOB)**

2016: US\$133/t (FOB)

## Cash costs<sup>(2)</sup>

▼ **3%**

**2017: US\$132/t**

2016: US\$136/t

## EBITDA

▲ **US\$54.4m**

**2017: US\$59.6m**

2016: US\$5.2m

## Profit After Tax

▲ **US\$34m**

**2017: US\$19m**

2016: (loss US\$15m)

## Net Debt

▼ **US\$11m**

**31/12/17: US\$34m**

31/12/16: US\$45m

1. Weighted average sales price per tonne of product sold

2. Total cash cost per tonne of finished product



# 2017 Income Statement review



	2017 US\$ million	2016 US\$ million
Revenue	208.3	141.5
Cost of sales & Other Operating Costs	(180.7)	(166.9)
Operating profit/(loss)	27.6	(25.4)
Net finance costs	(6.6)	(27.8)
Gain on debt extinguishment	-	38.3
Foreign exchange loss	(2.5)	(2.2)
Profit/(loss) before tax	18.5	(17.1)
Tax credit	0.9	1.9
Profit/(loss) after tax	19.4	(15.2)

- Revenues increased 47% due to a combination of higher volumes (+2%) and prices (+47 %) and increased freight costs (-2%)
- Unit cash costs fell 3%, benefitted from higher production volumes (+10%)
- EBITDA increased to US\$59.6m (up US\$54.4m)
- Reduced interest rates on restructured debt
- Strong increase in profitability, particularly after US\$38.3m restructuring gain in 2016

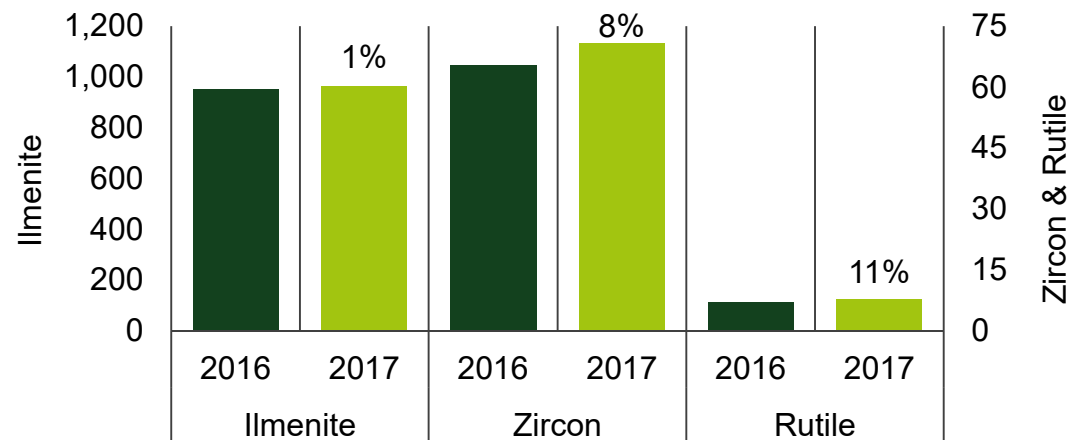


# 2017 revenue review

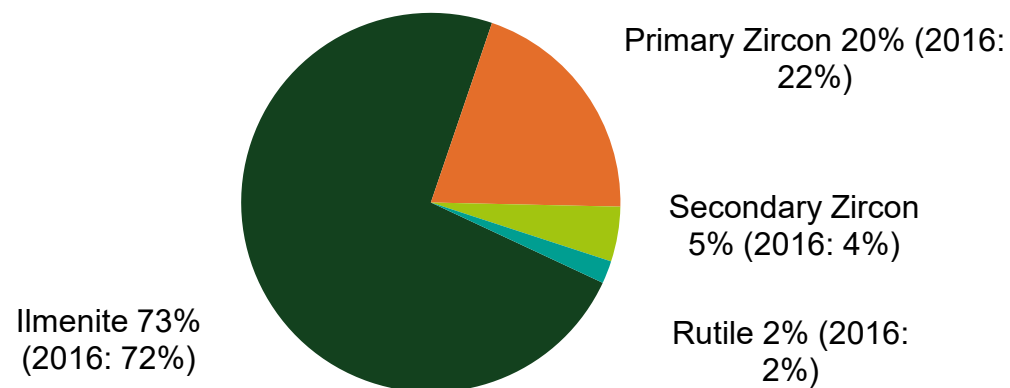


- Sales volumes increased by 2% to 1,040,400 tonnes, a new record
- Total revenue up 47% to US\$208.3m
- Ilmenite volumes up 1%, zircon volumes up 8% and rutile volumes up 11% on 2016
- Zircon contribution expected to increase in 2018 due to higher pricing

Volume/Mix Movement (000's tonnes)



Revenue contribution by product (%)



# 2017 achieved pricing



- 2017 average price per tonnes shipped (FOB) up 47% to US\$196 from US\$133 in 2016
- Annual price increases for all products
  - Ilmenite prices up 52%
  - Primary zircon prices up 21%
- Strong price momentum maintained for zircon products in H2 2017



<sup>1</sup> Primary zircon includes a blend of Standard and Special Grade  
<sup>2</sup> Free On Board (FOB) – received prices excluding shipping costs

# 2017 cash operating costs reconciliation

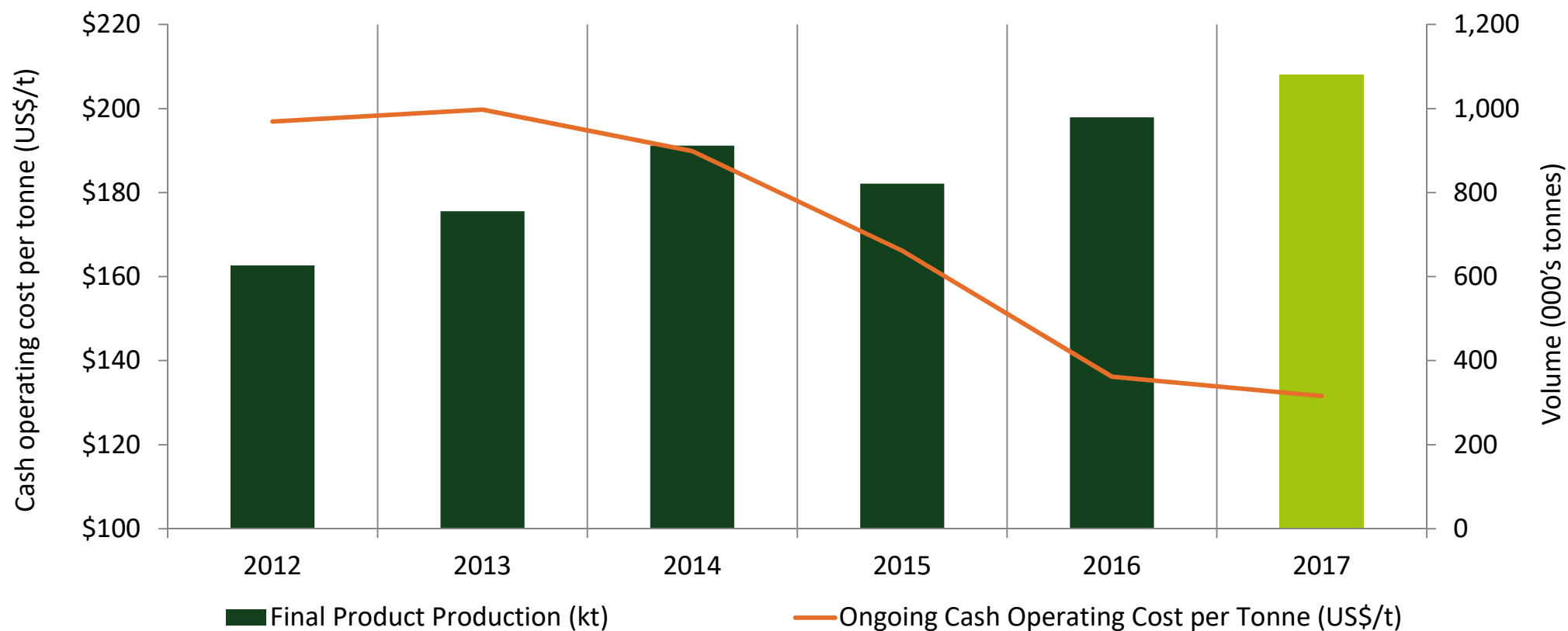


		2017 US\$ million	2016 US\$ million
Cost of Sales		156.6	144.0
Other Operating Costs		24.1	22.8
Freight (CIF charged to customers)		(5.5)	(5.4)
<b>Total costs less freight</b>		<b>175.2</b>	<b>161.4</b>
Depreciation		(32.0)	(30.6)
Share-based payments		(1.0)	(0.4)
Product movements		0.3	3.0
<b>Adjusted cash operating costs</b>	<b>7%</b>	<b>142.5</b>	<b>133.4</b>
Finished Product Production	<b>10%</b>	1,081,300	979,300
<b>Total cash cost per tonne</b>	<b>(3%)</b>	<b>\$132</b>	<b>\$136</b>

- Analysis reconciles Income Statement to cash operating cost to run business
- Total cash cost per tonne of finished product is an all in cost including all company G&A



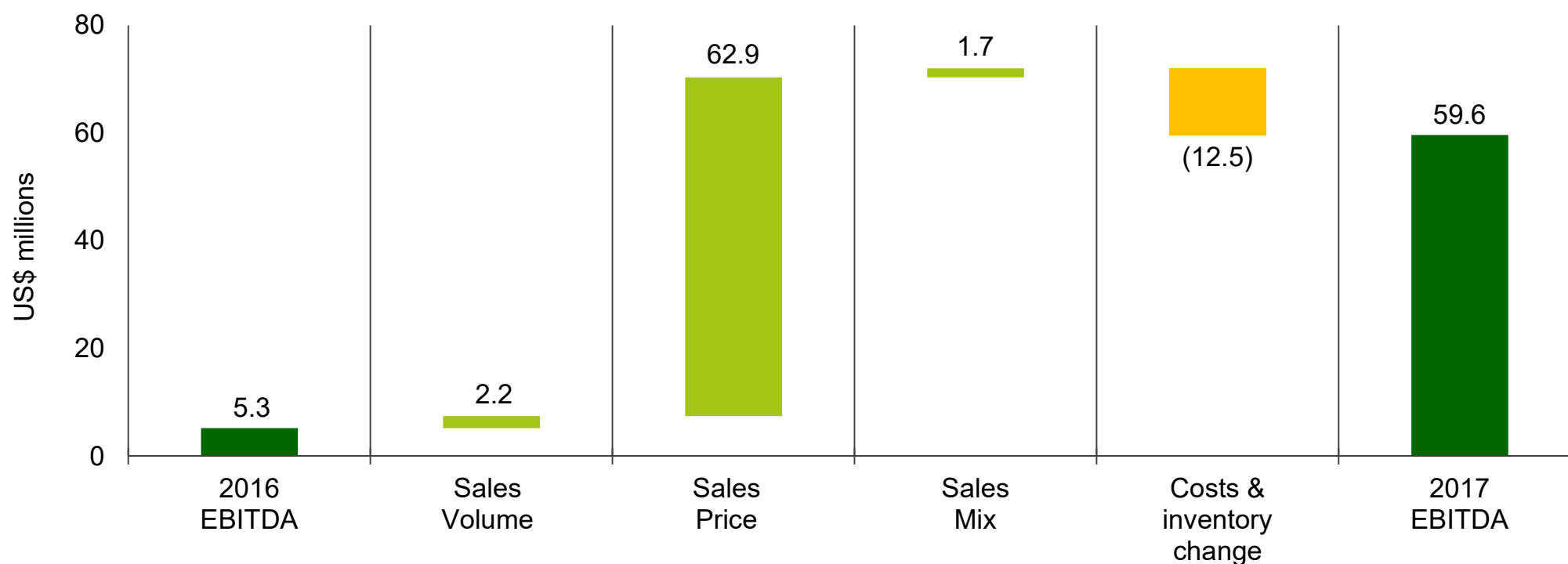
# Cash operating costs



- In line with guidance
- Cash operating cost per tonne down 3% to US\$132/t
  - Finished product production up 10% on 2016
  - Cash operating costs up 7% on 2016

*Total cash operating costs include all mine production, transshipment, sales and distribution, taxes, royalties, and corporate costs.*

## EBITDA bridge 2016 - 2017



- EBITDA benefitted significantly from higher achieved prices
- Also favourable contribution from increased volumes and improved sales mix
- Higher costs as a result of increased production volumes



- 2017 sustaining capital US\$25.9m (2016: US\$6.7m):
  - including US\$5m carry-over given low 2016 sustaining capital spend
  - heavy mobile equipment replacement programme reduced hire costs
- 2017 development capital US\$2.6m:
  - Upgrade WCP B capacity by 20% - in progress
  - Feasibility studies underway to assess longer term options to increase mining capacity



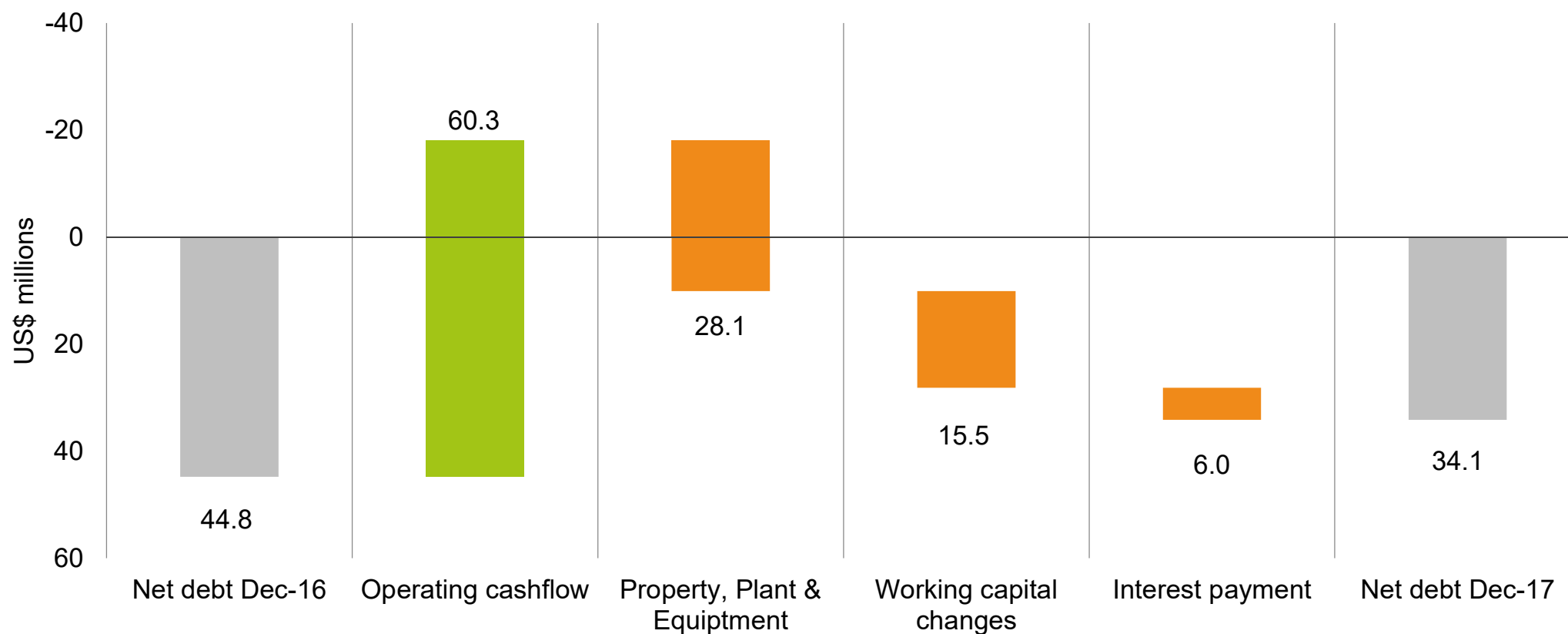
# Balance Sheet review



	31-Dec-2017 US\$ million	31-Dec-2016 US\$ million
Property, plant & equipment	793.6	793.9
Inventories	52.7	47.8
Trade & other receivables	25.4	23.8
Deferred tax asset	4.2	3.2
Cash	68.8	57.8
<b>Total assets</b>	<b>944.7</b>	<b>926.5</b>
Equity & reserves	796.2	775.8
Bank loans	102.9	102.6
Creditors & provisions	45.6	48.1
<b>Total equity &amp; liabilities</b>	<b>944.7</b>	<b>926.5</b>

- Mineral inventories were US\$31m and expected to reduce, subject to market conditions
- Consumable spares were US\$22m, reflecting increased investment to support increased operating rates
- Bank loans include accrued interest at the end of the year
- First debt repayment was made at the beginning of February 2018

# Net debt reductions



- Operating cashflow of US\$60.3 million in 2017
- Working capital increase of US\$15.5 million, comprising of increased inventories and receivables and a decrease in trade and other payables
- Also, factoring less invoices to reduce financing costs but retaining flexibility

*Total cash operating costs include all mine production, transshipment, sales and distribution, taxes, royalties, and corporate costs.*



# Operations





# Sustainable operating practices



## Safety

- Retained NOSA 5 star status
- 2017: 9 x LTI's, LTIFR 0.39
- Focus on behaviours to improve performance

## Environmental

- No significant environmental incidents

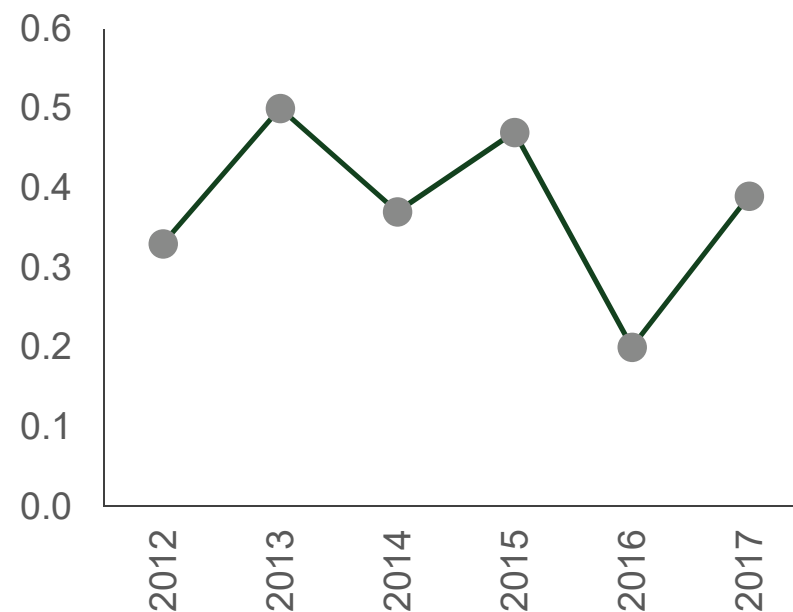
## Malaria

- Prevention improved 11% in 2017
- 28% reduction in work days lost

## Rehabilitation

- Big drive in 2017 to increase rehabilitation
- 292Ha rehabilitated v 171Ha opened up

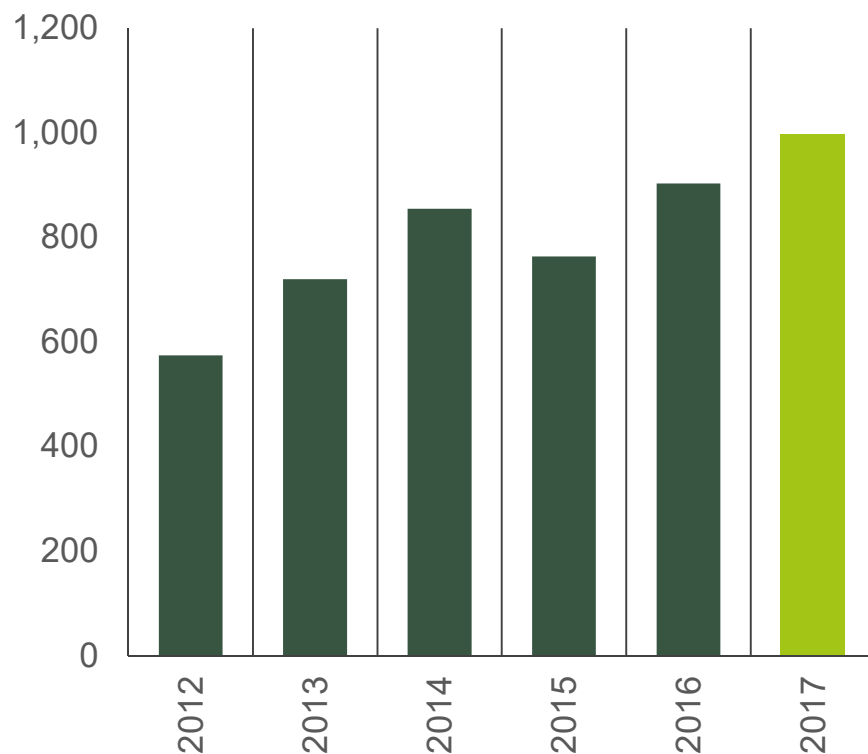
Lost Time Injury Frequency Rate



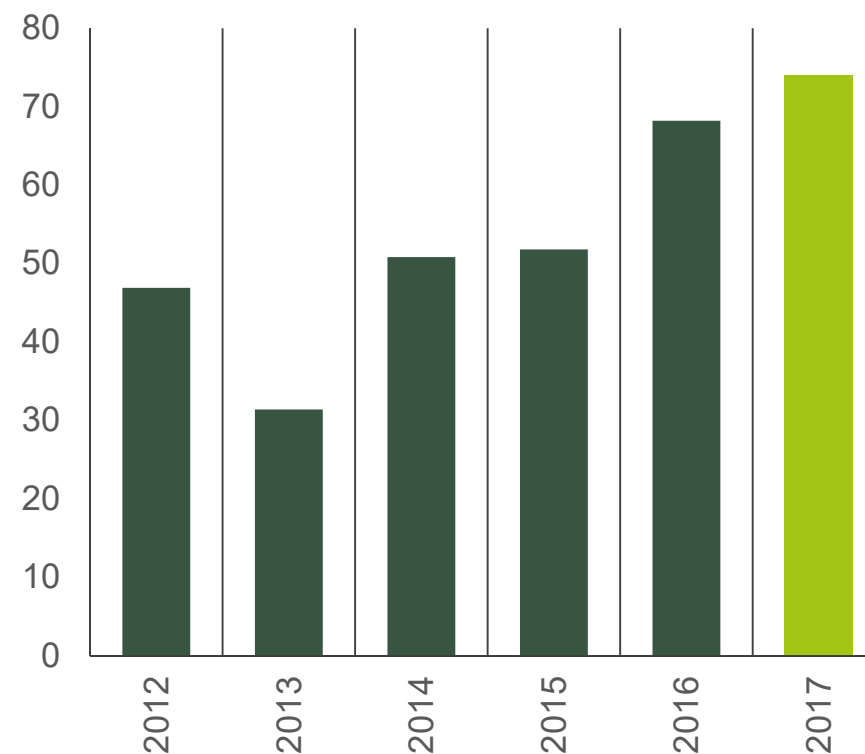
# Production profile



Ilmenite Production (000's tonnes)



Zircon Production (000's tonnes)



- 2017 guidance met
- Record levels of production (and shipments) for all products

*2017 production guidance given on 16 January 2017.*

# 2018 Mine & Mineral Separation Plant 2018 outlook



## Mine

- Production will be impacted by:
  - Higher slimes, low HMC stock and slightly lower grades in 2018
  - Implementation time for WCP B upgrade
- Targeting higher volumes of sand mined:
  - Increased supplementary mining
  - Continue utilisation gains
- Develop WCP B upgrade on time & within budget
- Investigating further automation opportunities for productivity improvement

## Mineral Separation Plant

- Strategy: Maximise HMC feed and recoveries to maximise final product production
  - Focus for product recoveries
  - Metallurgical control
  - Spillage management
  - Use Aggreko power in summer months
  - Deliver existing and develop further recovery projects
- Transition mineral to higher revenue products
- Develop new monazite concentrate product



		2017 Production	2018 Guidance*
<b>Production</b>			
Ilmenite	kt	998,200	900,000-1,000,000
Zircon	kt	74,000	65,000-72,000
of which primary	kt	48,600	42,000-46,000
of which secondary	kt	25,400	23,000-25,000
Rutile	kt	9,100	7,000-8,000
<b>Costs</b>			
Total cash operating costs	US\$m	142	133-147
Cash costs per tonne of finished product	US\$/t	132	130-143

- Production in 2018 is expected to moderate, mainly due to lower opening HMC stockpiles, though ilmenite shipment volumes are expected to be maintained as finished goods inventory is drawn down.
- US\$19 million approved for growth projects & studies in 2018
- Sustaining capital costs in 2018 are expected to be approximately US\$22 million.

\* Guidance provided on 11 January 2018



# 100+ year life of mine



## Moma is not one orebody

### Differing ore zones:

- Grades
- Size
- Mineral assemblage

### Orebody knowledge has improved to understand:

- Water table
- Slimes
- Hardness

### Provide alternative value enhancing options compared to current long term plan

**Pilivili:** Highest grade, free flowing sands, good co-products

**Congolone:** high quality and good grades

## Mineral Reserves & Resources

Zone	Sand (Mt)	% THM*
Congolone	284	3.3
Marrua	54	4.1
Mpitini	287	3.6
Mualadi	327	3.2
Namalope	487	3.5
Nataka	6,206	2.8
Pilivili	334	3.9
Quinga North	71	3.5
<b>TOTAL RESOURCES</b>	<b>8,050</b>	<b>3.0</b>



<sup>1</sup> Based on mineral resources and reserves as at 31/12/2017

# Short term development opportunities



Additional mining capacity required to sustain production levels at around 1Mt ilmenite per annum, to offset declining grades as the Namalope zone progresses toward end of mine life

- **WCP B**
  - 20% capacity addition, increasing production from 2,000tph to 2,400tph
  - Project underway using Hatch EPCM contractor, commissioning in H2 2018
  - Low capital cost expansion, up to US\$16m - high return project
- **Namalope Supplemental**
  - Studies underway to add mining capacity through a small supplementary mining operation
  - 10 year life of mine at a rate of 500 tonnes per hour
  - Located in Namalope, close to the MSP
  - Expect to commission in H2 2019, subject to approval

Additional revenue streams captured to enhance margins

- **Monazite concentrate project**
  - Additional product stream, delivering incremental revenues at low operating costs
  - Feasibility studies completed in 2017
  - Board sanctioned and currently underway
  - US\$6m capital investment - high return project

# Medium & long term development options

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## End 2020: WCP B completes mining at Namalope

- 2017 pre-feasibility studies considered the development of a new WCP C or moving WCP B to Pilivili
- Relocating WCP B to Pilivili delivers higher grades in comparison to existing Nataka mine plan
- Provides sufficient HMC to fill MSP capacity - without the need for a new plant
- Reduces capital and operating costs
- Definitive Feasibility Study (DFS) commencing, expected completion in Q1 2019

## 2024-2026: WCP A and potential for WCP C

- WCP A completes mining in Namalope, existing plan to move to Nataka
- Congolone presents potential advantages as an alternative:
  - Higher grades and higher quality ilmenite
  - Lower slimes
- Feasibility studies underway to:
  - Assess best mining location for WCP A
  - Develop the optimal mine plan for Congolone



Marketing



# TiO<sub>2</sub> feedstock review and outlook



## Pigment

- Solid global pigment demand growth in 2017 in all regional markets, except China
- China domestic demand softened in H2 2017, driven by environmental restrictions and destocking downstream
- The chloride pigment sector in China is growing and requires good quality ilmenite to beneficiate, which is positive for Kenmare

## Feedstock

- Higher pigment production drove increased demand for TiO<sub>2</sub> feedstocks in 2017
- Ilmenite prices in China increased strongly in H1 2017, but softened in H2 due to increased imports and weaker demand
- High grade feedstock prices are rising, positive for ilmenite

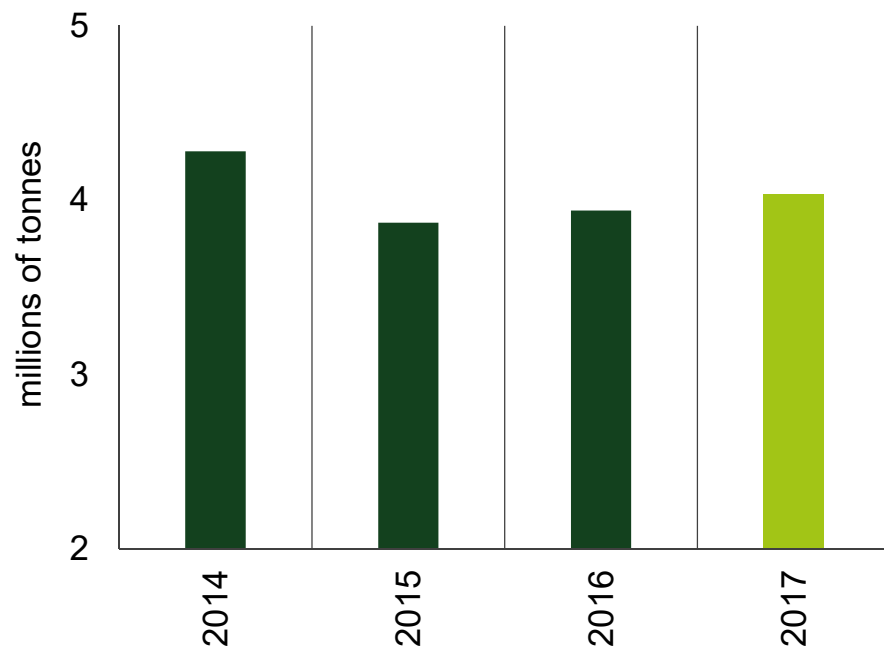
## Outlook

- Strong global GDP forecasts for 2018 are supportive of continued pigment demand growth
- Price increases agreed with contracted ilmenite customers for H1 2018
- Demand recovery is expected in 2018, post Chinese New Year for the peak pigment production period, March-June
- Domestic ilmenite prices in China have trended up in recent weeks

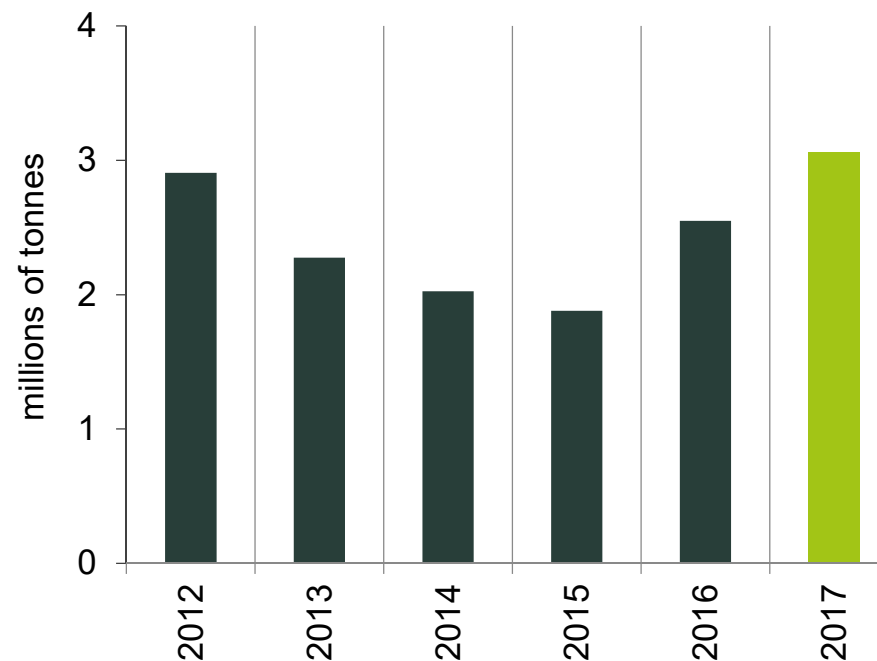




## Domestic Ilmenite Production<sup>1</sup>



## Titanium Ore Imports<sup>2</sup>



- Domestic Chinese ilmenite production has remained steady in recent years, with further capacity additions unlikely
- Imports of titanium feedstocks increased in 2017, partially from additional low quality concentrate stockpiles, incentivised by higher product prices

1. Source: Ruidow

2. Source: China Customs Data - includes ilmenite, high grade feedstocks and titanium concentrates for reprocessing

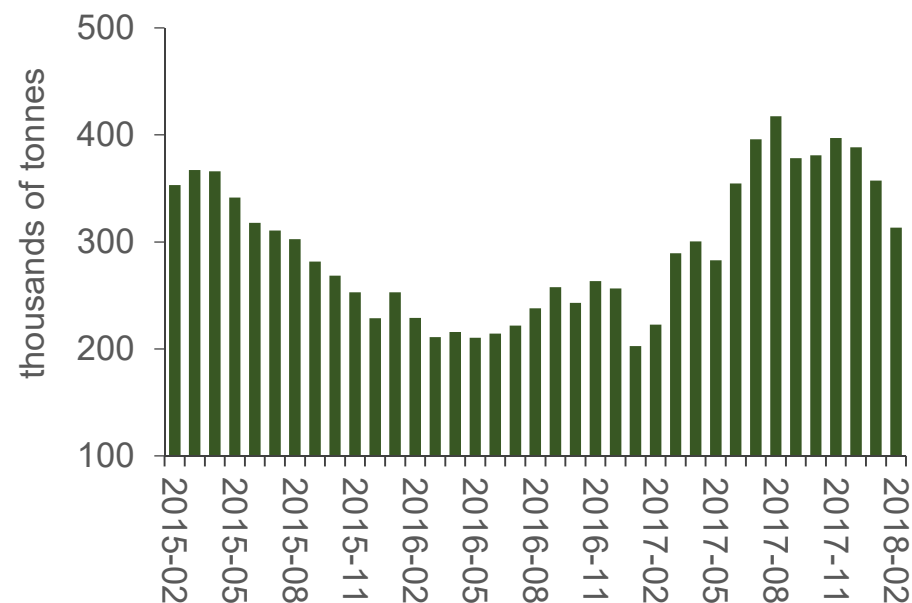
# Chinese titanium ore import market



## China Monthly Titanium Ore Imports<sup>1</sup>



## Chinese Titanium Ore Port Inventories

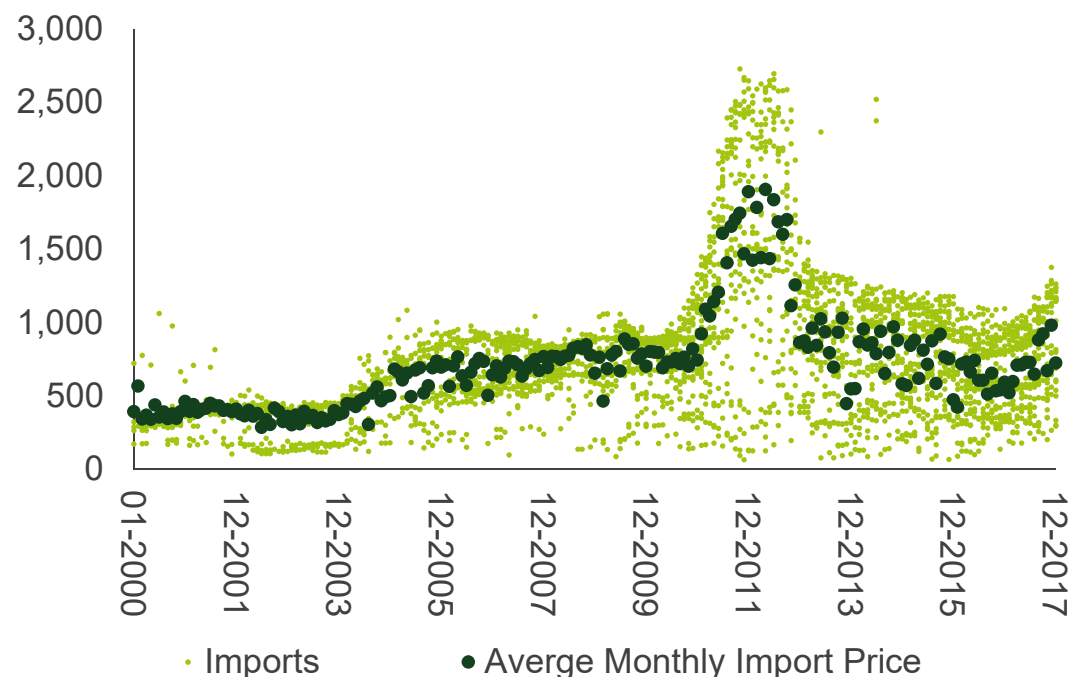


- Ilmenite imports increased significantly in Q2 and Q3 2017 as a result of higher prices and stronger demand
- Contained a large component of low quality ilmenite concentrates for reprocessing
- In combination with environmental restrictions on the pigment industry, led to some softening of prices in H2 2017
- Expected lower supply of concentrates in 2018 as inventories deplete
- China port inventories have trended down in recent months

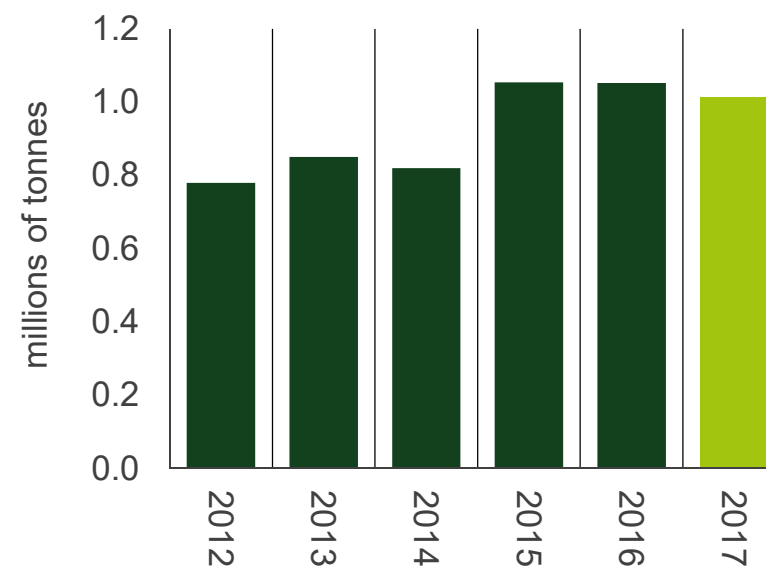
1. Source: China Customs Data & Ferroalloy.net.com



Chinese Zircon Import Price (US\$/t)<sup>1</sup>



Chinese Zircon Import Volumes<sup>2</sup>



- Zircon prices increased ~40% through 2017
- Demand recovery in Europe and ME, and solid growth in Asian markets
- Reduced global zircon supply outlook due to orebody depletion at a number of mines
- Major supply response is unlikely in the short term
- Tight market conditions expected in 2018 and may lead to some thrifting and substitution

1. Source: China Customs Data for zircon and zircon concentrate imports >500t's

2. Source: China Customs Data for all zircon and zircon concentrates/tailings



# Outlook



# Summary of development opportunities

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## Maximising processing efficiency

- Improves the higher value product mix for zircon and rutile
- Increases recovery of minerals – new monazite revenue stream

## Strategic goal to increase ilmenite production in a capitally efficient manner

- Low capital intensity brownfield expansion
- Fully utilise installed infrastructure and plant capacity
- Optimises mine plan for grade
- Reduces unit operating costs
- Increases margins and cashflow stability through the cycle





## Strategy

2017

2018

### Growth

- Low capital intensity growth to fully utilise existing installed facilities.
- Pilivili Pre-Feasibility Studies
- Continuing studies for further brownfield mining expansion
- Namalope supplementary mining studies

### Optimisation

- Focus on margin expansion through further cost reductions or increased revenue streams.
- Achieved unit cost savings of 3%
- PFS for Monazite project
- Deliver new monazite project
- Benefits from new procurement team & systems

### Robust balance sheet

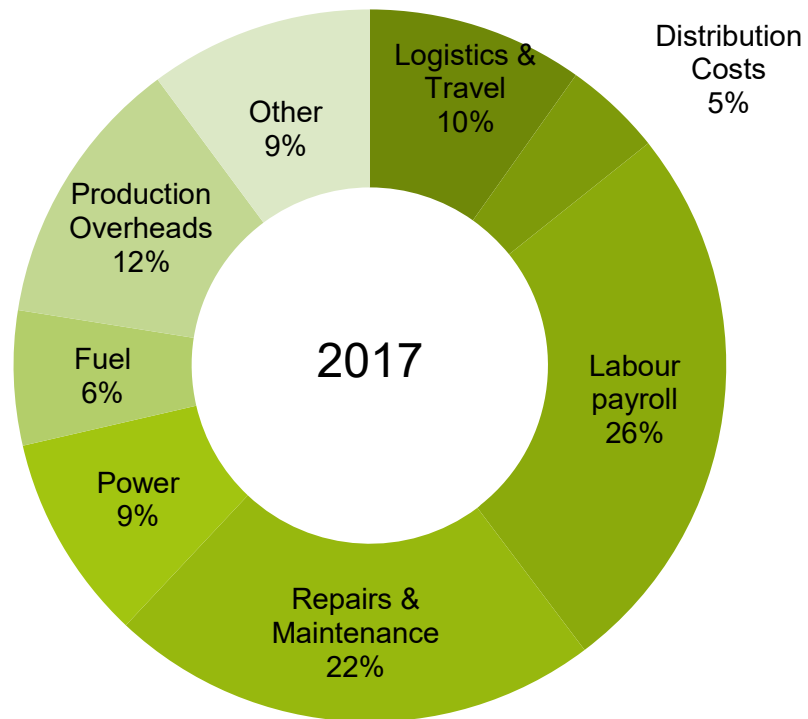
- Strength and flexibility remain core, currently conceived projects to be funded from internally generated cashflows.
- Reduced net debt to US\$34.1m
- Debt repayments started in Feb 2018

# Appendices

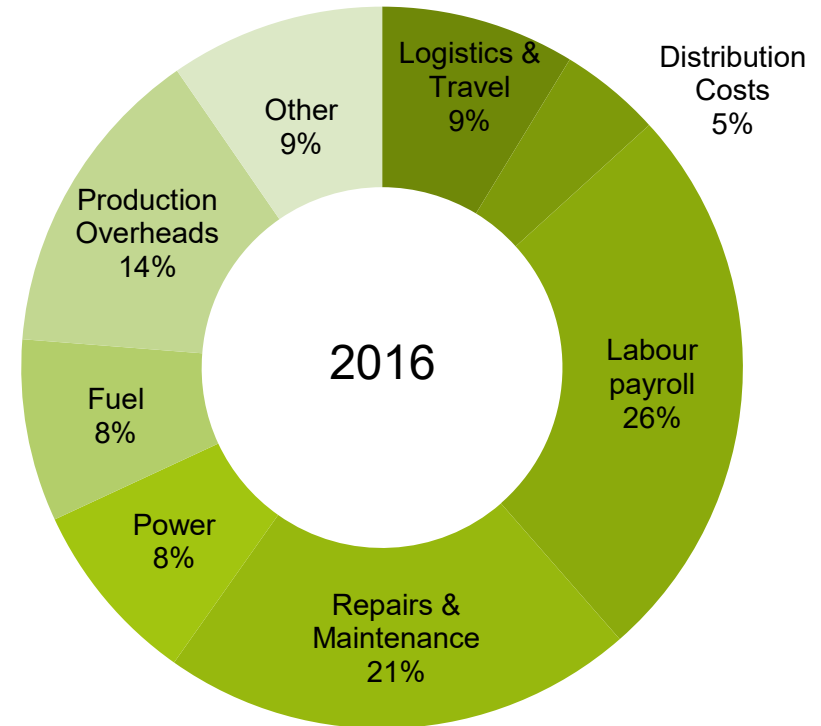




# 2017 Cash Operating Costs



2017 total: US\$142.5m



2016 total: US\$133.4m

# Adjusted Cash Operating Costs



	<b>2017</b>	<b>2016</b>	<b>Change</b>	<b>YoY</b>
	<b>US\$M</b>	<b>US\$M</b>	<b>US\$M</b>	<b>%</b>
Logistics & Travel	13,971	11,615	2,356	20%
Distribution Costs	6,337	6,095	242	4%
Labour payroll	36,171	34,405	1,766	5%
Repairs & Maintenance	31,719	28,315	3,404	12%
Power	13,361	11,086	2,275	21%
Fuel	8,690	10,892	-2,202	-20%
Production Overheads	17,567	18,839	-1,272	-7%
Other	14,661	12,139	2,522	21%
	<b>142,477</b>	<b>133,386</b>	<b>9,091</b>	<b>7%</b>

- Logistics & travel costs were up 20% due to increased freight costs and volume of plant spares purchased.
- Distribution costs are in line with prior year.
- Labour costs up 5% as a result of increased staff numbers and a strengthening of the Mozambican Metical.
- Electricity costs up 21% due to higher consumption and dry mining operations.
- Fuel costs down 20% primarily due to a lower diesel price in the year.
- Production overheads down 7% due to lower heavy mobile rentals as fleet was purchased during the year.
- Other costs up 19% primarily due to an increase royalty charges and IFZ sales tax charges as a result of increased sales revenue in 2017.

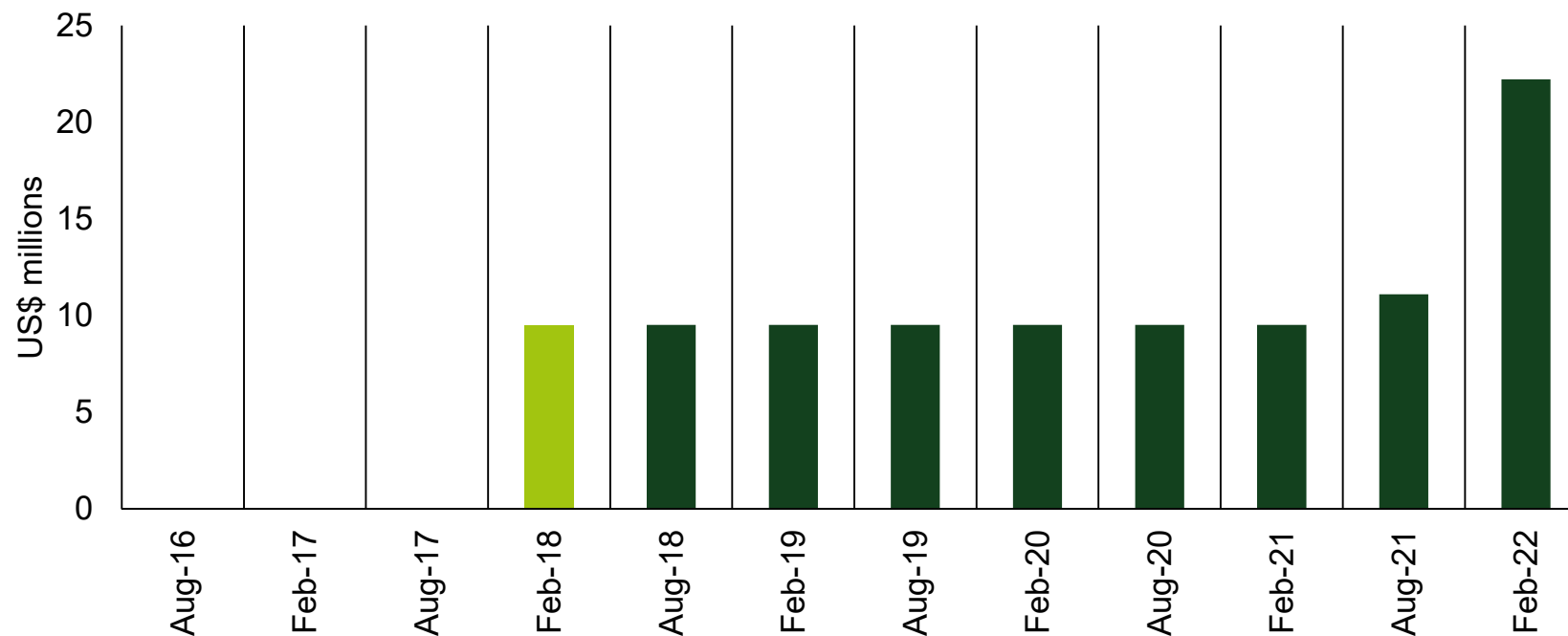
# Group Lenders at 31 December 2017



	Loan principal US\$ 000	Loan interest US\$ 000	Loan balance US\$ 000
<b>Senior Loans</b>			
AfDB	4,273	79	4,352
Absa	14,651	304	14,955
EAIF	495	9	504
EIB	1,550	29	1,579
FMO	1,637	30	1,667
KfW IPEX-Bank (Hermes)	1,298	24	1,322
KfW IPEX-Bank (MIGA)	1,497	28	1,525
<i>Total Senior Loans</i>	<b>25,400</b>	<b>503</b>	<b>25,903</b>
<b>Subordinated Loans</b>			
EIB	43,877	1,391	45,268
EAIF	17,321	549	17,870
FMO	13,402	425	13,827
<i>Total Subordinated Loans</i>	<b>74,600</b>	<b>2,365</b>	<b>76,965</b>
<i>Total Group Loans</i>	<b>100,000</b>	<b>2,868</b>	<b>102,868</b>



# Debt repayment profile excluding cash sweep



- First principal repayment made at the beginning of February 2018
- All debt USD denominated