

KENMARE

2016 Results Presentation

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2016 Highlights

➤ **Delivering growth**

- Record production and shipments for all products in 2016
- 5-15% increase in ilmenite production forecast for 2017

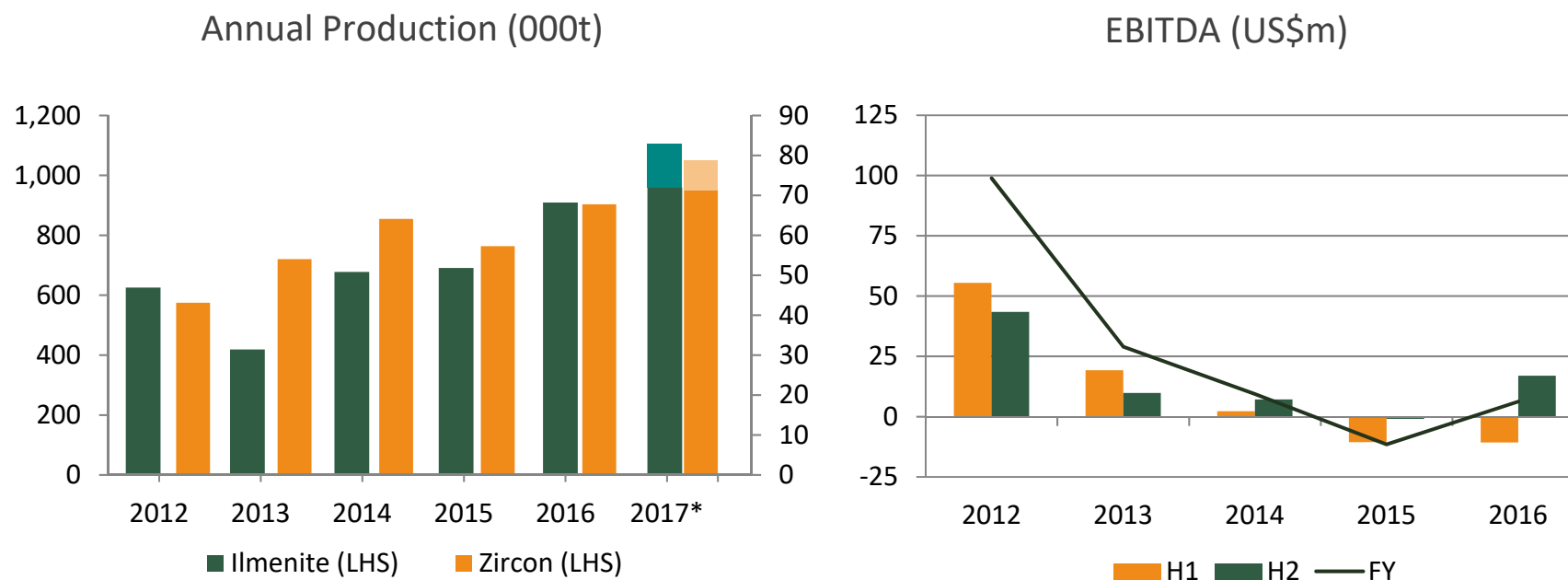
➤ **Driving efficient operations**

- Unit cash costs down 18%
- Targeting lower costs in 2017

➤ **Rebalanced**

- Strong balance sheet – net debt down 88% to US\$45 million
- Strong price increases for sulphate ilmenite and accelerating from late 2016

Operating Overview



- US\$26.6m improvement in H2/H1 EBITDA - revenue per tonne up 16% in H2
- 2016 production of HMC +28%, ilmenite +18% and zircon +32%
- Production benefitting from improved power stability and plant utilisation
- 2016 sales volumes +28%, offset by lower sales prices resulting in a 1% decrease in revenue from 2015
- Operating costs reduced by continued tight cost control and favourable FX movements

* Guidance provided on 16 January 2017

2017 Guidance

		2016 Production	2017 Guidance*	YoY % Change
Production				
Ilmenite	kt	903,300	950,000-1,050,000	5-16%
Zircon	kt	68,200	72,000-83,000	6-22%
of which primary	kt	44,900	47,000-52,500	5-17%
of which secondary	kt	23,300	25,000-30,500	7-31%
Rutile	kt	7,800	9,000-10,000	15-28%
Costs				
Total cash operating costs	US\$m	133	130-144	-2% to +8%
Cash costs per tonne of finished product	US\$/t	136	120-132	-3% to -12%

- Primary / secondary production volumes may be affected by on-going projects to capture a higher proportion of zircon in primary products
- Ilmenite production is forecast to average 1mpta over the next three years

* Guidance provided on 16 January 2017



2016 Financial Results

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2016 Overview

- 2016 EBITDA of US\$5.2m
 - negative US\$10.7m in H1 / positive US\$15.9m in H2
- Record annual production & shipment of finished products
- Average received prices down 22% on 2015
 - H2 2016 prices up 16% on H1 2016
- Cash cost/t of finished products down 18% from 2015
 - increased production volumes
 - continued rationalisation of costs
 - positive FX movements
- Debt restructuring and equity funding completed July 2016
- Loss before tax of US\$17.1m (2015: US\$61.9m): decrease of US\$44.8m

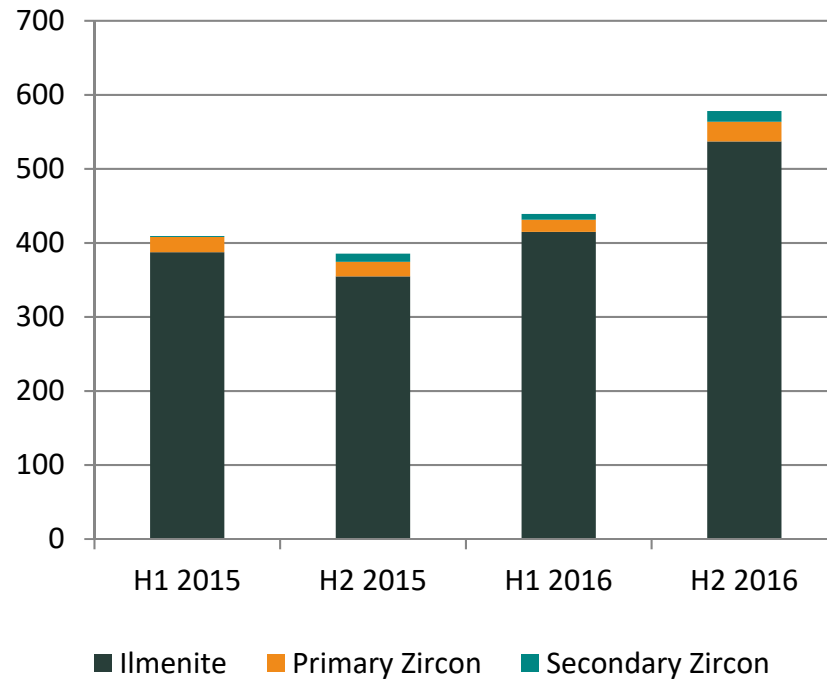
2016 Income Statement Review

	2016	2015	<u>Comment</u>
	US\$m	US\$m	
Revenue	141.5	142.6	Revenue down 1%, volumes up 28% but revenue per tonne down 22%
Cost of Sales & Other Opex	<u>(166.8)</u>	<u>(189.9)</u>	Down 12%
Operating loss	(25.3)	(47.3)	47% improvement
Net finance costs	(27.9)	(37.3)	Reduced debt from July 2016 at lower interest rate
Gain on Loan Restructure	38.3	-	Debt w/o US\$68.6m less loan fees US\$30.3m
Foreign exchange (loss)/gain	<u>(2.2)</u>	<u>22.7</u>	€ strengthened v US Dollar net of FX gain on payables
Loss before tax	(17.1)	(61.9)	
Tax credit	<u>1.9</u>	<u>1.3</u>	KMML tax losses forecast to be utilised
Loss after tax	<u>(15.2)</u>	<u>(60.6)</u>	

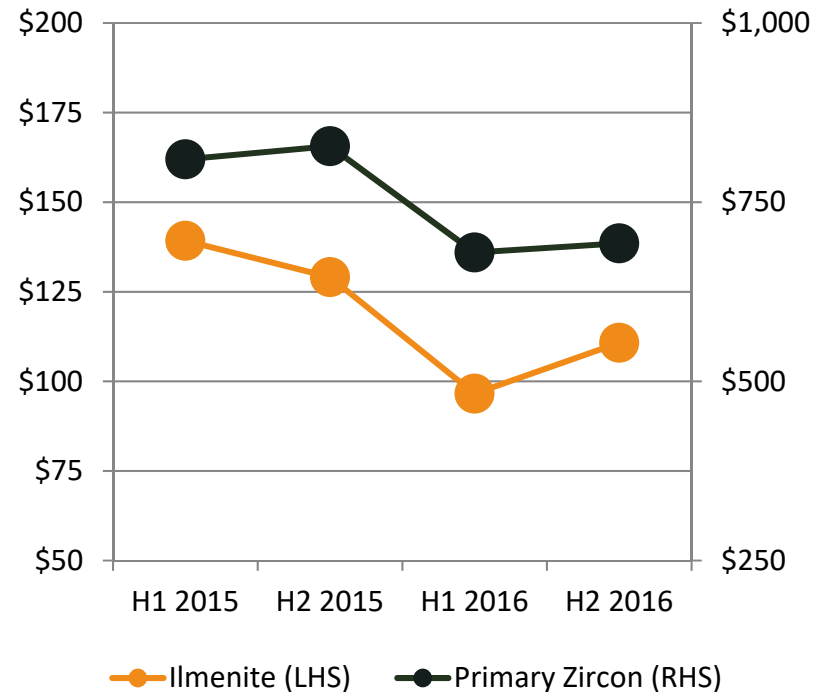
- 2016 EBITDA of US\$5.2m
 - negative US\$10.7m in H1 / positive US\$15.9m in H2
- Cash cost per tonne produced decreased 18% as a result of increased production and decreased costs.
 - Finished product production up 19%
 - Cash operating costs down 3%

2016 Revenue Review

Shipments (000's tonnes)



FOB Price (US\$/tonne) ^{1 2}



- H2 16 Ilmenite volumes up 29%, prices (FOB) up 15%
- H2 16 Primary zircon volumes up 62%, prices (FOB) up 2%
- H2 16 Average price per tonnes shipped (FOB) up 16% to US\$141 from US\$122

¹ Primary zircon includes a blend of Standard and Special Grade

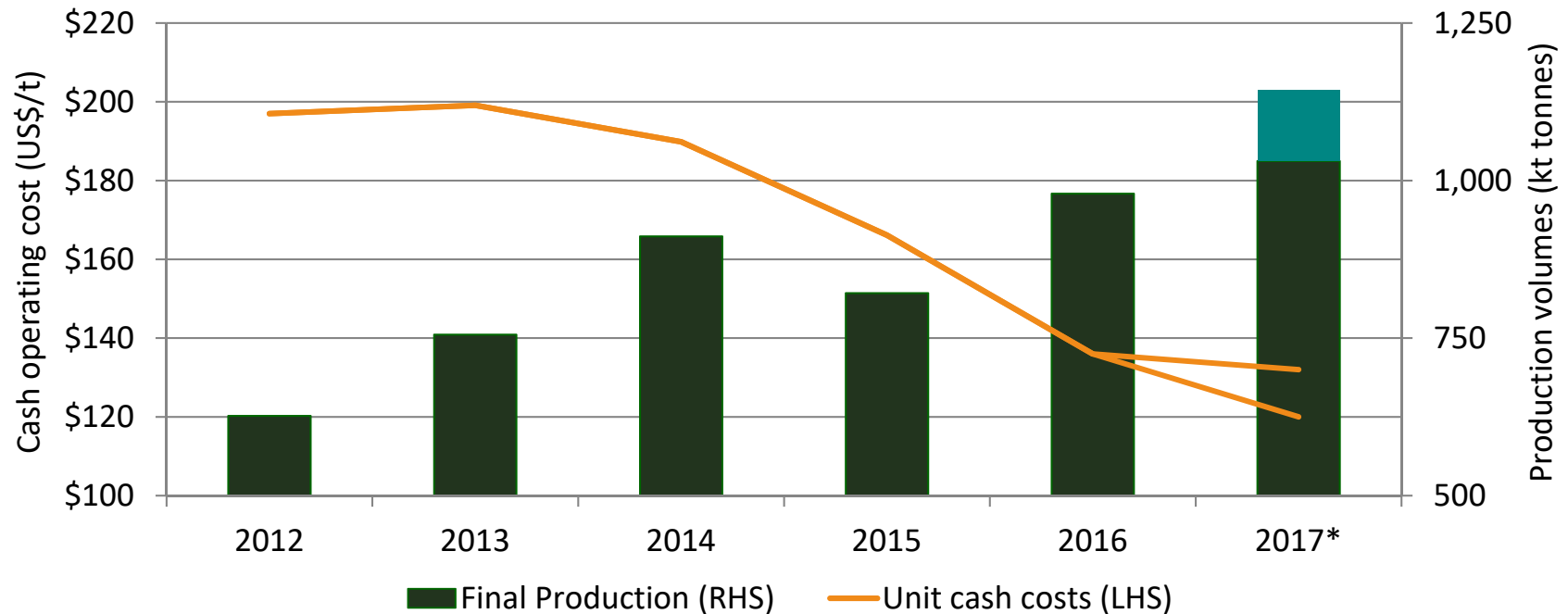
² Free On Board (FOB) – received prices excluding shipping costs

2016 Cash Operating Costs

	2016	2015
	US\$m	US\$m
Cost of Sales	144.0	168.1
Other Operating Costs	22.8	21.8
Freight (CIF charged to customers)	<u>(5.4)</u>	<u>(3.7)</u>
Total costs less freight	161.4	186.2
Depreciation	(30.6)	(35.8)
Share-based payments	(0.4)	0.7
Finished product movements	<u>3.0</u>	<u>(14.7)</u>
Adjusted cash operating costs	-2% <u>133.4</u>	<u>136.4</u>
Finished Product Production	19% <u>979,300</u>	<u>821,300</u>
Total cash cost per tonne	-18% <u>\$136</u>	<u>\$166</u>

- Analysis above 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

Sustainable Cost Reductions



- 2016 Cash Operating Cost US\$136/t, 18% reduction on 2015
 - Finished product production up 19% on 2015
 - Cash operating costs down 3% on 2015

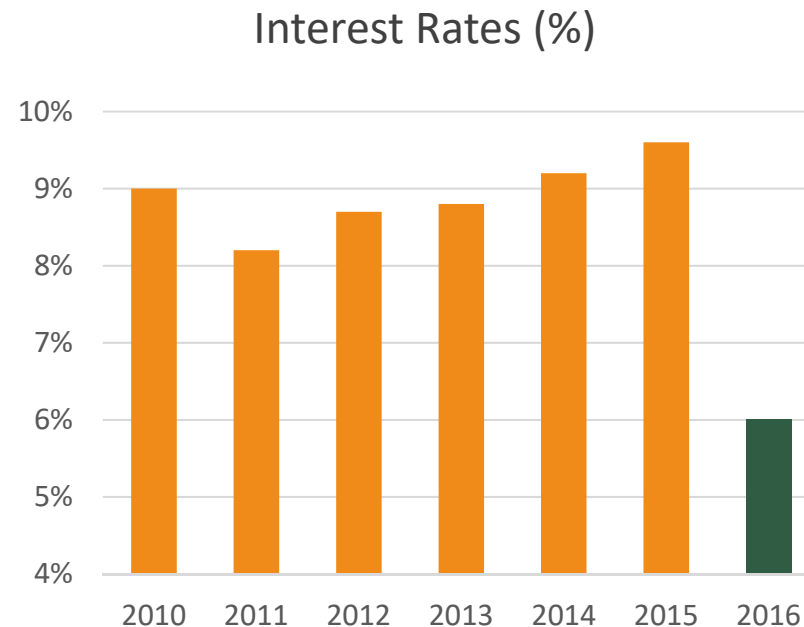
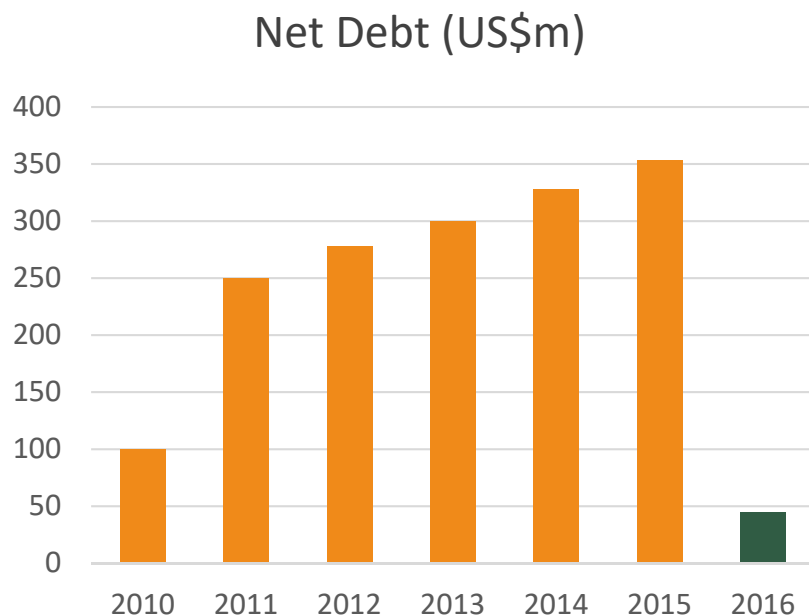
* 2017 numbers based on guidance given on 16 January 2017.

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

Capital Costs

- Sustaining capital expected to average US\$20m annually in medium term
- 2016 sustaining capital constrained at US\$6.7m (US\$5.6m)
- 2017 sustaining capital approx. US\$25m:
 - including US\$5m carry-over given low 2016 sustaining capital
 - heavy mobile equipment replacement will reduce hire costs
- Feasibility study to upgrade WCP B in progress
- Feasibility studies underway to assess longer term options to increase mining capacity

Transformed Balance Sheet Post Capital Raise



➤ Reduced gross debt to US\$102.6m¹

- All USD denominated with extended term, reduce interest rates and repayment holiday

➤ Increased cash available to US\$57.7m¹

- Strong cash buffer

* Net debt, cash and gross debt as at 31 December 2016
Current interest rate based on spot LIBOR +4.75% (as at 31/12/2016).

Recapitalisation and Debt Restructuring

Capital raise - total capital raised of US\$275m

- US\$154.6m Placing and Open Offer
- US\$20.4m Lender Underwriting
- 109.6m shares on issue following 1 for 200 consolidation of shares

Debt restructuring – simplified debt structure and enhanced working capital position

- Gross debt reduced to US\$100m from US\$392m¹
- US\$75m cash, prior to fees
- Effectively one tranche of debt with increased tenor to February 2022, all denominated in USD
- Interest at 4.75% + 6m US LIBOR until 2020, 5.50% + 6m US LIBOR thereafter
- Principal repayment holiday until February 2018

¹ Gross debt as at 28 July 2016

Balance Sheet Review at 31 Dec 2016

	31/12/2016	31/12/2015	<u>Comment</u>
	US\$m	US\$m	
Property, plant & equipment	793.9	835.0	US\$6.7m additions less US\$30.6m deprectiation,US\$10.1m arbitration and US\$7.1m mine closure cost adjustment
Inventories	47.8	46.2	Final mineral products US\$30.6m, consumables US\$17.2m
Trade & other receivables	23.8	20.9	Trade debtors US\$19.1m, prepayments US\$1.6m, supplier deposits US\$3.1m
Deferred tax asset	3.2	1.3	KMML tax losses forecast to be utilised
Cash	<u>57.8</u>	<u>14.4</u>	
Total assets	<u>926.5</u>	<u>917.8</u>	
Equity & reserves	775.8	503.5	Equity issue July 2016 & loss US\$15.2m
Bank loans	102.6	341.9	Principal US\$100m plus interest US\$2.6m
Creditors & provisions	<u>48.1</u>	<u>72.4</u>	\$10.1m arbitration reduction, US\$7.1mine closure adj & lower legal &
Total equity & liabilities	<u>926.5</u>	<u>917.8</u>	advisor fees at year end



Operations & Market Review

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Operational Review

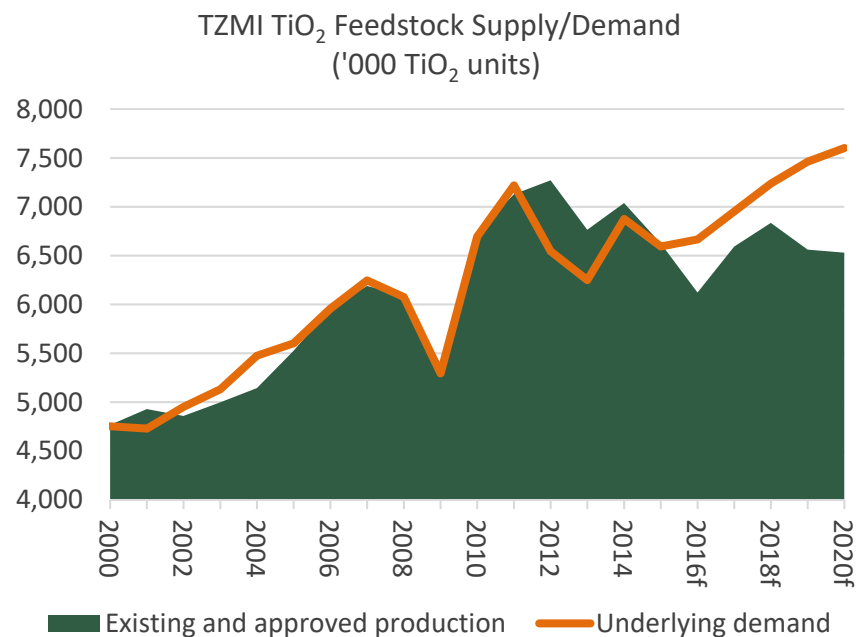
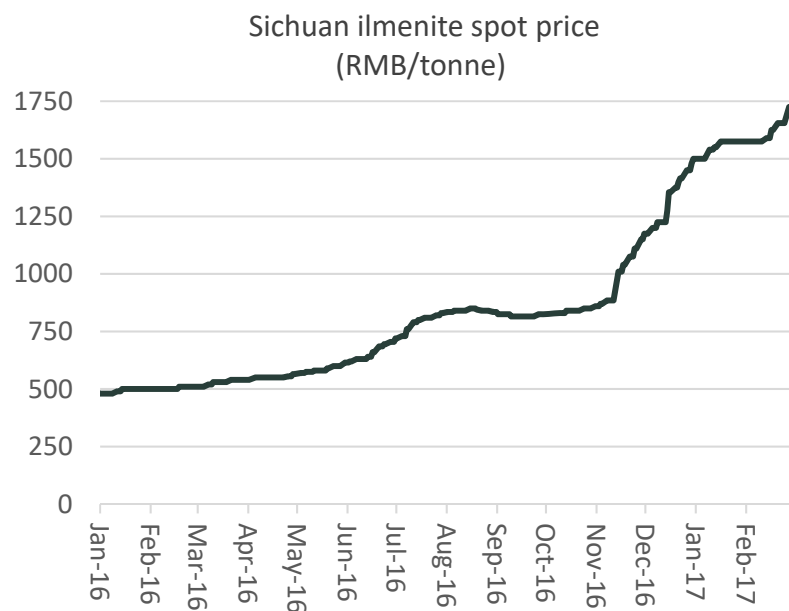
- Safety improvements
 - LTIFR* decreased to 0.20 from 0.47

- Production improvements - Finished Products up 19%
 - Power stability
 - Improved grade
 - Improved maintenance leading to higher mechanical availability and utilisation
 - Introduction of supplemental mining at WCP B

- Cost efficiencies - Cash Operating Costs down 2%, unit costs down 18%
 - Labour retrenchment and reduced shift allowances
 - Favourable FX rates and lower energy costs
 - 2017 focus on procurement savings

* Lost Time Injury Frequency Rate per 200,000 hours worked

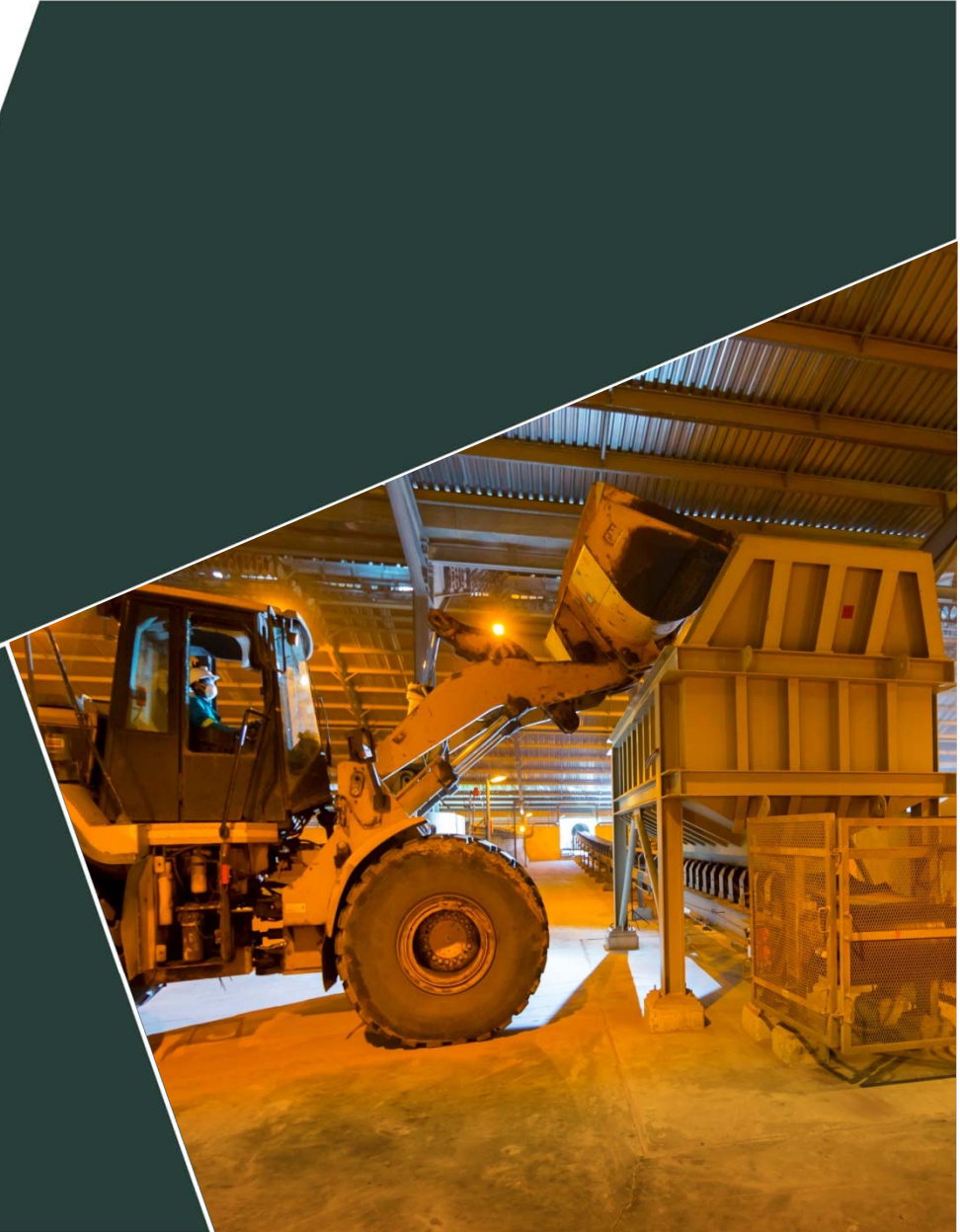
Market Overview



Source: FerroAlloyNet, Kenmare Resources, to 28 February 2017
Sichuan TiO₂>46% TiO₂ Concentrate (ex-works)

- Four years of price decline ended March 2016, steady price increases for the rest of the year
- Market currently tight, with spot price increases accelerating from late 2016 for sulphate ilmenite
- Consolidation in the customer group with mergers of Sichuan Lomon & Henan Billions and Tronox & Cristal
- Higher prices required to justify additional supply and mine development

Summary



Company Strategy

Structured and disciplined approach to capital management



Short Term

- 01 Maintain robust balance sheet and generate free cash flow
- 02 Increase utilisation rates and revenue capture
- 03 Continue to drive down cash costs



Medium Term

- 01 Optimise mining capacity for market conditions
- 02 Deliver shareholder returns
- 03 Balance sheet optimisation



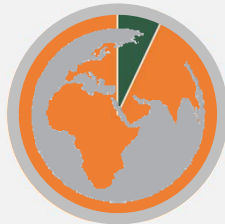
Longer Term

- 01 Capture 100+ year life of mine
- 02 Potential industry consolidation/synergies
- 03 Continued development of employees and community relations

Summary

30 Years in Mozambique
Years in production **10**
100+ year LOM
1,323 Employees
Mozambican **93%**





2016 3rd largest TiO₂ feedstock producer globally
 **7%** of global TiO₂ feedstock production

Net Debt ↓88% HoH

Cash of US\$57.7m (31.12.16)

Interest costs ↓81% ann.

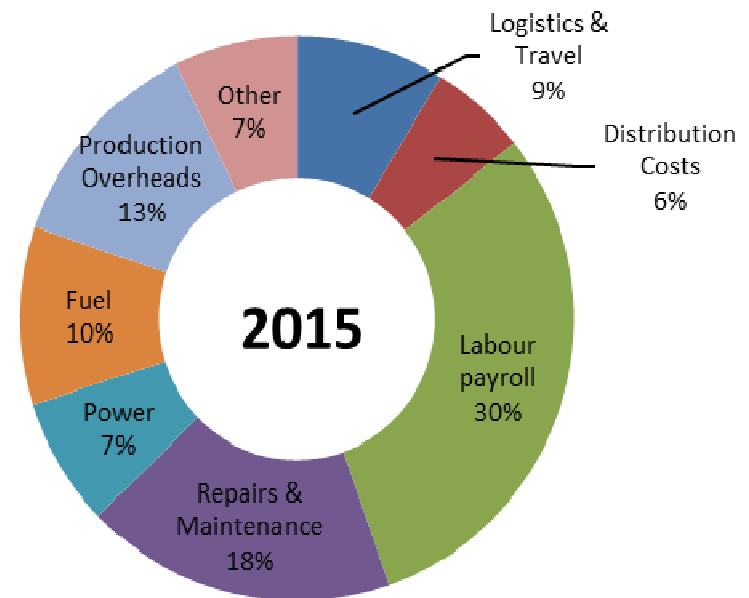
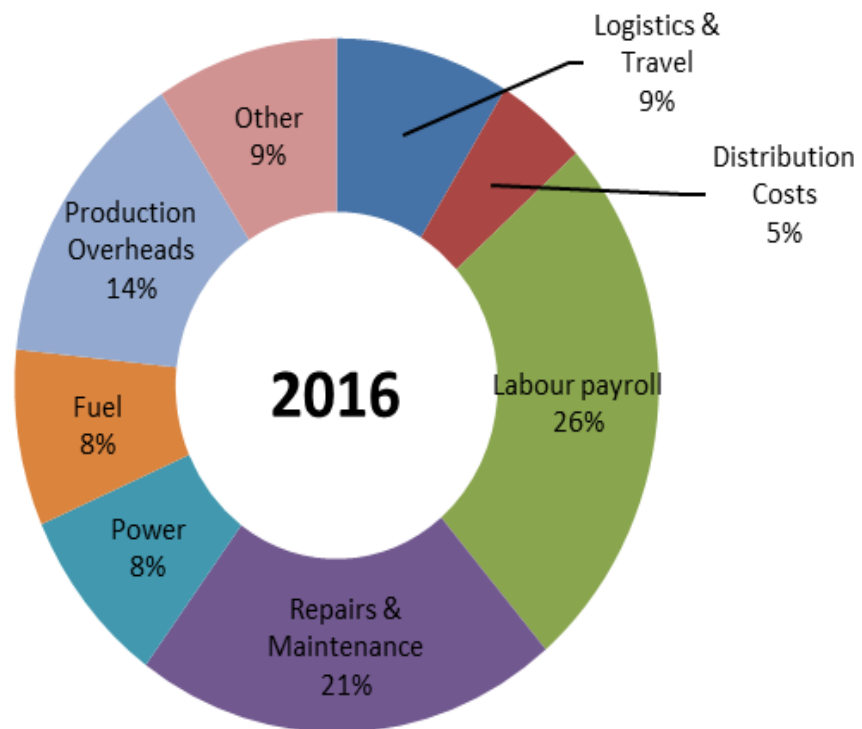
2017 Ilmenite production guidance ↑ 5 – 16 %
Cash costs guidance US\$120 – 132 per tonne





Appendices

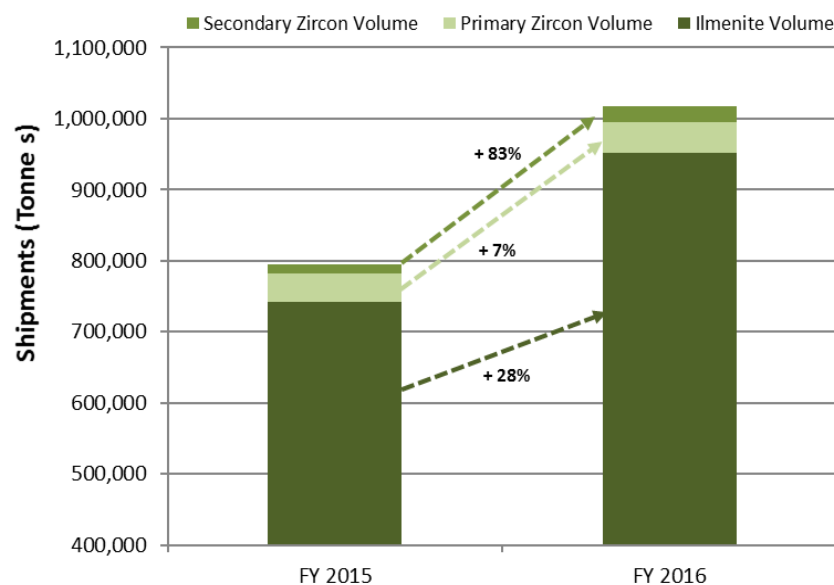
2016 Cash Operating Costs



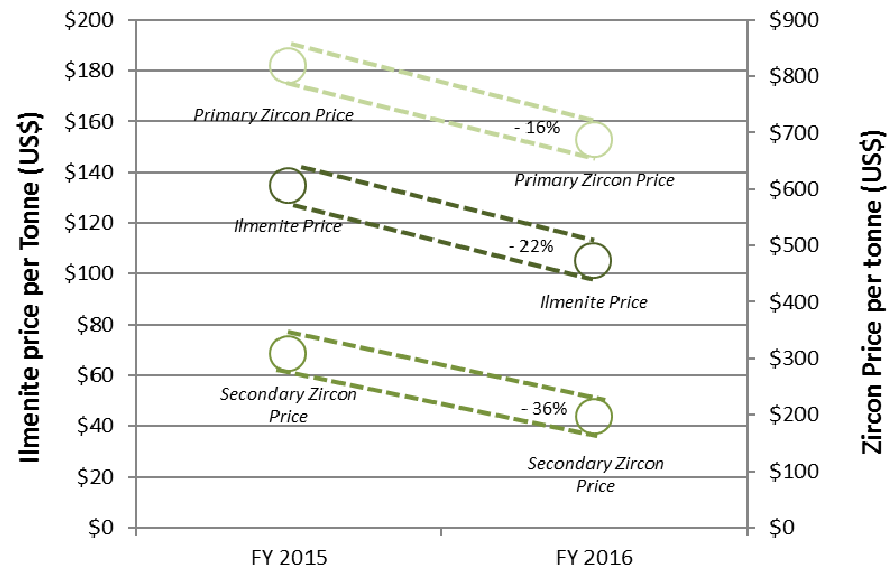
- Operating costs largely fixed, labour reduced as a result of 2015 wage agreement and favourable FX movements

2016 Revenue Review - Annual

Volume/Mix Movement



Pricing Movement (FOB)^{1 2}

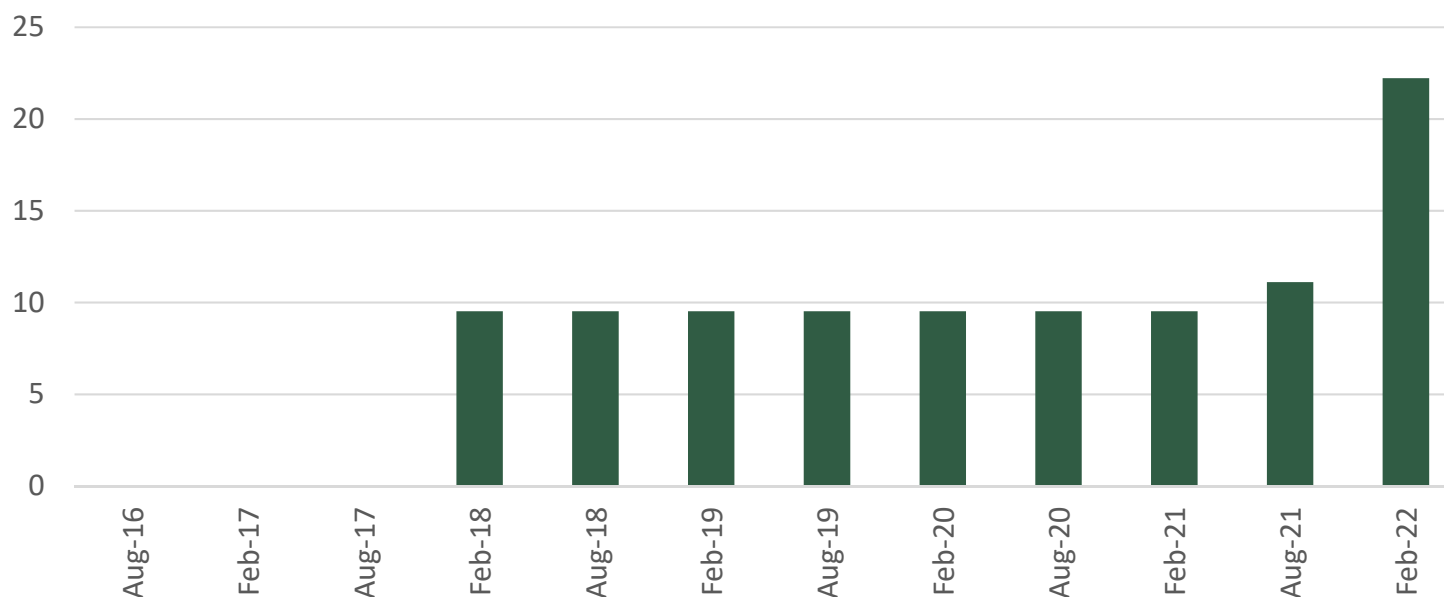


- 2016 sales volumes increased by 28% to record levels of 1,024,200 tonnes (2015: 800,400 tonnes)
- Total revenue US\$141.5m broadly flat on 2015 US\$142.6m
- Ilmenite volumes up 28%, prices (FOB) down 22%
- Primary zircon volumes up 7%, prices (FOB) down 16%
- Secondary zircon volumes up 83%, prices (FOB) down 36%
- Average price per tonnes shipped (FOB) down 24% to US\$133 from US\$175

¹ Primary zircon includes a blend of Standard and Special Grade

² Free On Board (FOB) – received prices excluding shipping costs

Debt repayment profile excluding cash sweep (US\$m)



- Simplified debt structure
- Repayment holiday until February 2018, providing enhanced financial flexibility
- Reduced interest rates
- All debt now USD denominated – removes EUR debt exposure

Group Lenders at 31 December 2016

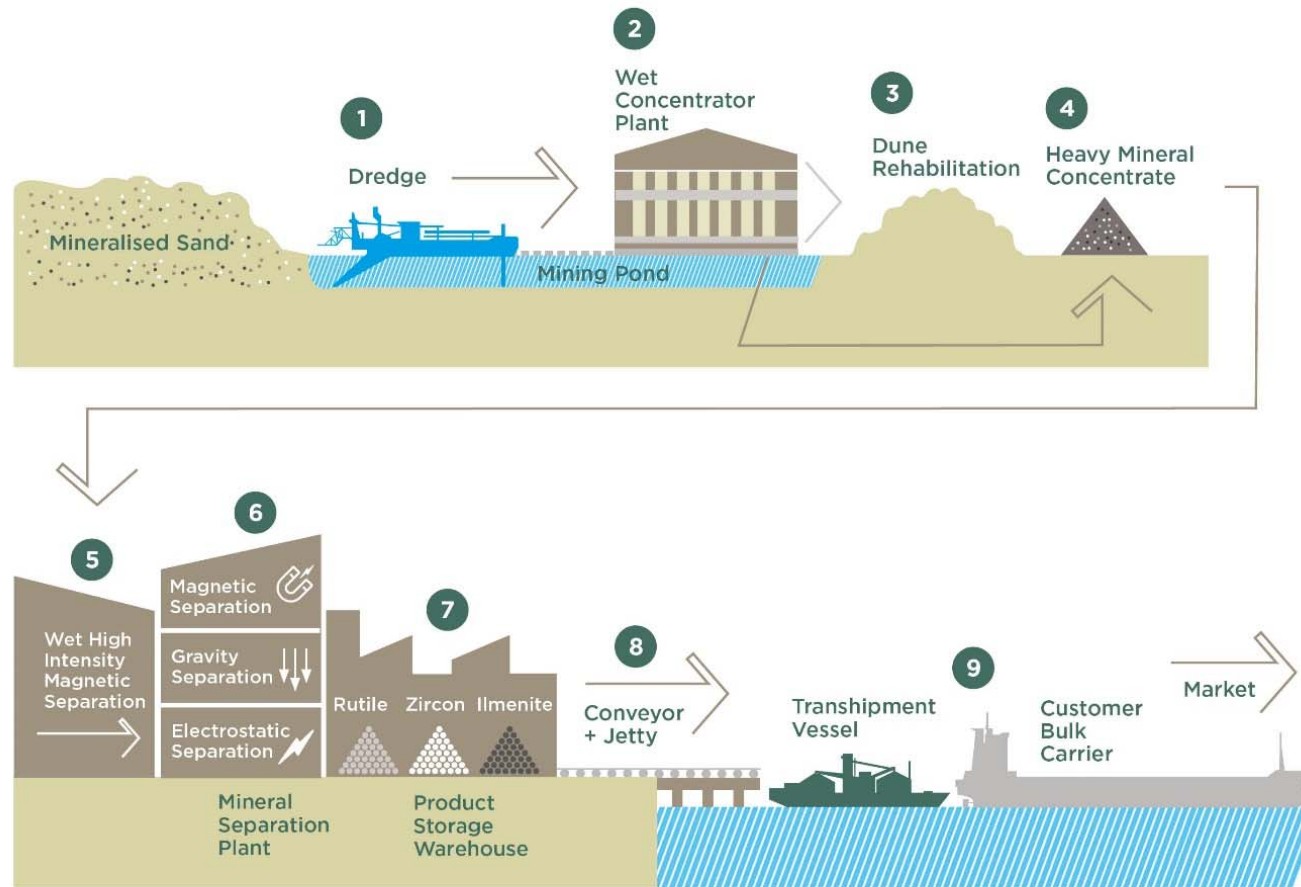
	Loan principal US\$ 000	Loan interest US\$ 000	Loan balance US\$ 000
Senior Loans			
AfDB	4,273	76	4,349
Absa	14,651	265	14,916
EAIF	495	9	503
EIB	1,550	28	1,578
FMO	1,637	29	1,666
KfW IPEX-Bank (Hermes)	1,298	23	1,321
KfW IPEX-Bank (MIGA)	1,497	27	1,524
<i>Total Senior Loans</i>	25,400	457	25,857
Subordinated Loans			
EIB	43,877	1,271	45,148
EAIF	17,321	502	17,823
FMO	13,402	388	13,790
<i>Total Subordinated Loans</i>	74,600	2,160	76,760
<i>Total Group Loans</i>	100,000	2,618	102,618

Adjusted Cash Operating Costs

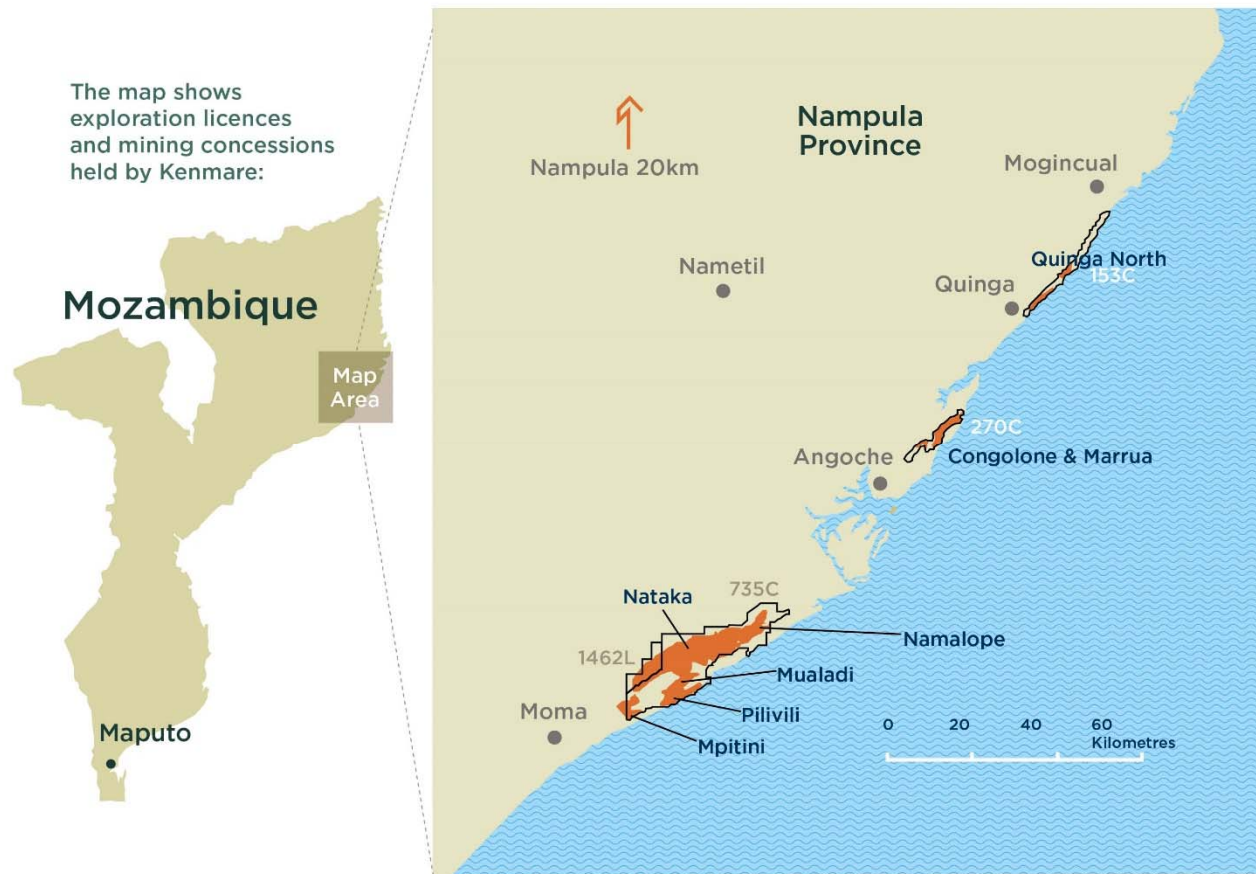
	2016	2015	Change	YoY
	US\$M	US\$M	US\$M	%
Logistics & Travel	11,615	11,885	-270	-2%
Distribution Costs	6,095	7,655	-1,560	-20%
Labour payroll	34,405	41,293	-6,888	-17%
Repairs & Maintenance	28,315	24,736	3,579	14%
Power	11,086	10,050	1,036	10%
Fuel	10,892	13,910	-3,018	-22%
Production Overheads	18,839	17,121	1,718	10%
Other	12,139	9,794	2,345	24%
	<u>133,386</u>	<u>136,445</u>	<u>-3,059</u>	<u>-2%</u>

- Distribution costs down 20% due to savings in marketing US\$0.3m (closure of Singapore office), marine services US\$0.3m, labour US\$0.8m (lower headcount and FX savings) and R&M US\$0.2m.
- Labour costs down 17%
- Full year cost savings in 2016, following labour negotiations H1 2015
- Saving due to metical devaluation from a rate of 47 to the US\$ in Jan 16 to 75 in Dec 16
- Electricity costs up 10% on increased usage for production
- Fuel costs down 22%
- Other costs up 24% - 2015 included an insurance receivable (\$2m) for flood damage Q1 2015

Operations schematic



Map of license areas



Pilivili



- **Pilivili resource definition has improved : 266Mt resource @ 3.9% Total Heavy Mineral (THM)**
- Larger deposit than previously thought
- Highest ilmenite and zircon grades in Kenmare portfolio
- 20km from existing Mineral Separation Plant
- Dredge mineable, clean white sands
- Strong expected margins – 1) high revenue per tonne, 2) high feed grades and, 3) low cost mining costs due to low slimes dredge mining conditions
- **2017 plans**
 1. Convert resource to reserve
 2. Pre-feasibility assessment underway

Congolone



- **Congolone is a sizeable orebody: 280Mt resource @ 3.5% THM**
- High dunes and free flowing sand, low mining risk - easy to dredge
- Better grade than Nataka and high TiO₂ content ilmenite
- HMC to be transported to Moma MSP
- Long life operation 20yrs+
- Potentially lower unit costs from high grades and high utilisation
- **2017 plans**
 - Convert resource to reserve
 - Start pre-feasibility assessment

Near term development opportunities

Any potential investment will be subject to market conditions and return levels

Additional mining capacity will be required to offset declining grades or final product production will fall

Two main areas of focus:

➤ **Upgrade WCP B**

- Potential for 20% additional capacity
- Low capital cost expansion
- Pre-feasibility study near completion
- Definitive feasibility to follow, subject to acceptable pre-feasibility outcome

➤ **New WCP C**

- Potentially a 1,000tph dredge and WCP
- Smaller modular design footprint – lower capital cost
- New three-stage spiral technology available – higher recoveries
- Pre-feasibility studies underway to define capital requirements, timing, best ore body location

Longer term development options

Maintaining a strong balance sheet is a priority

- WCP A and WCP B mine plan moved to Nataka after Namalope
 - WCP A moves in 2025-26
 - WCB B moves in 2021-22
- Potentially higher grade, easier and more deliverable mining opportunities
- Further ore body and processing optimisation work to be completed
- Studies underway to assess:
 - Deliverability
 - Capital requirements
 - Resource definition
 - Options under differing market outlooks

