KENMARE

H1 2016 Results

London Stock Exchange

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1 Overview

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Kenmare Resources H1 2016 Overview

- Total shipments of finished products in H1 2016 increased 7% to a new half yearly record
- Cash operating costs per tonne of finished product declined 22%, a result of continued cost savings and increased production
- EBITDA of negative US$10.7 million remains stable year on year, despite commodity prices reaching lowest point in H1
- Cash flow generated from operation positive US$6.6m
- The ilmenite market has shown signs of recovery in recent months with prices increasing
- Capital restructuring completed - US$100 million of debt + US$75m of additional cash. Plus, reduced interest rates, extended term, and principal repayment holiday

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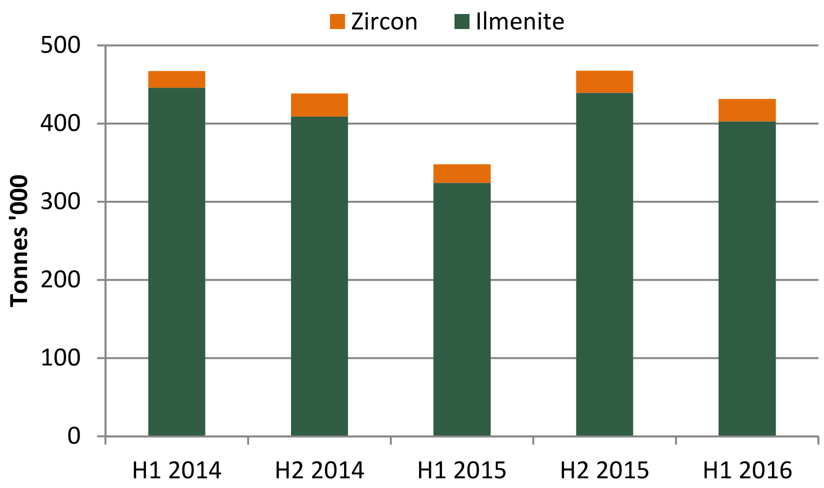
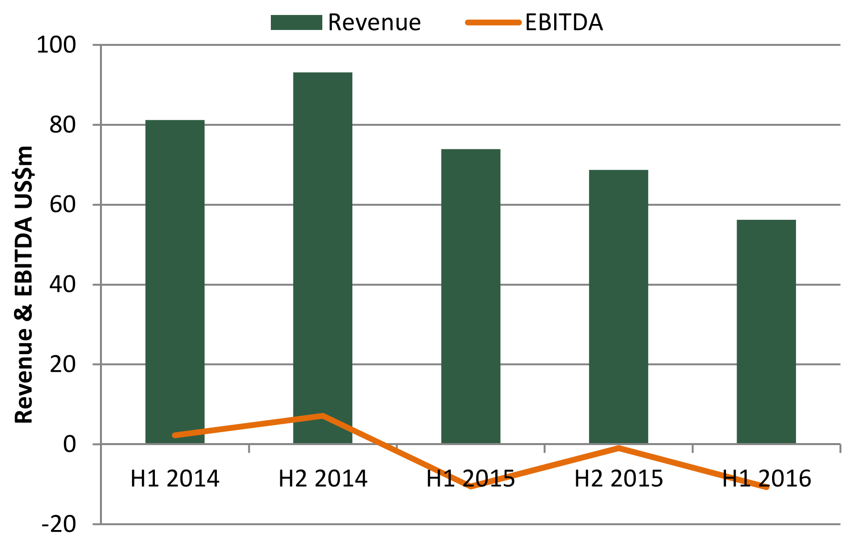
Key Performance Indicators

Production (Half-Yearly) 000t



EBITDA (Half-Yearly) US$m



- HMC production increased 33% to 606,100 tonnes (H1 2015: 454,500 tonnes)
- Ilmenite production increased 24% to 402,900 tonnes (H1 2015: 324,100 tonnes)
- Zircon production increased 20% to 28,500 tonnes (H1 2015: 23,800 tonnes)
- Closing final product stocks at June 2016 of 230,100[1] tonnes (Dec. 2015: 237,300[2] tonnes)
- H1 2016 sales volumes up 7%, but lower prices resulted in revenues decreasing by 24%

[1] Includes 103,900 tonnes being held for customers who had prepaid
[2] Includes 40,000 tonnes being held for customers who had prepaid

2 Summary Results

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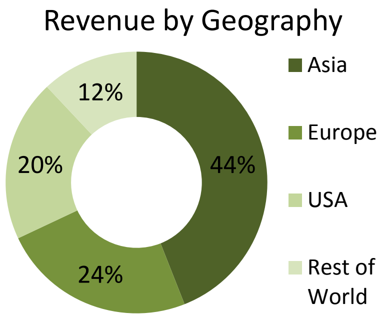
H1 2016 Income Statement Review

	H1 '16 US$m	H1 '15 US$m	Comment
Revenue	56.2	73.9	Revenue down 24%, volumes up 7% but average prices down 29%
Cost of Sales & Opex	(81.1)	(101.1)	Full effect of cost savings and lower deprecation
Operating loss	(24.9)	(27.2)	
Net finance costs	(21.5)	(18.1)	Higher interest due to increased loan balances and interest rate
Foreign exchange (loss)/gain	(2.7)	17.4	Euro strengthened against the US Dollar
Loss before tax	(49.1)	(27.9)	
Tax credit	2.0	0.0	KMML tax losses to be utilised
Loss after tax	(47.1)	(27.9)	



- Sales volumes up 7% - record volumes shipped
- Lower prices (29% on H1 2015) due to challenging market conditions at the end of 2015
- Cash cost per tonne produced decreased 22% as a result of increased production and decreased costs. Finished product production up 24% and cash cost of sales & opex down 4%
- Depreciation decreased by 15% due to increase in life of mine
- Finance costs increased due to higher sub loan interest (11% from Jul 15) , super senior interest ($10m drawdown in Aug 15), Euro strengthened v US Dollar, & higher fees being amortised over life of loans
- EBITDA: negative US$10.7m (2015: US$10.6m negative), principally due to weak prices

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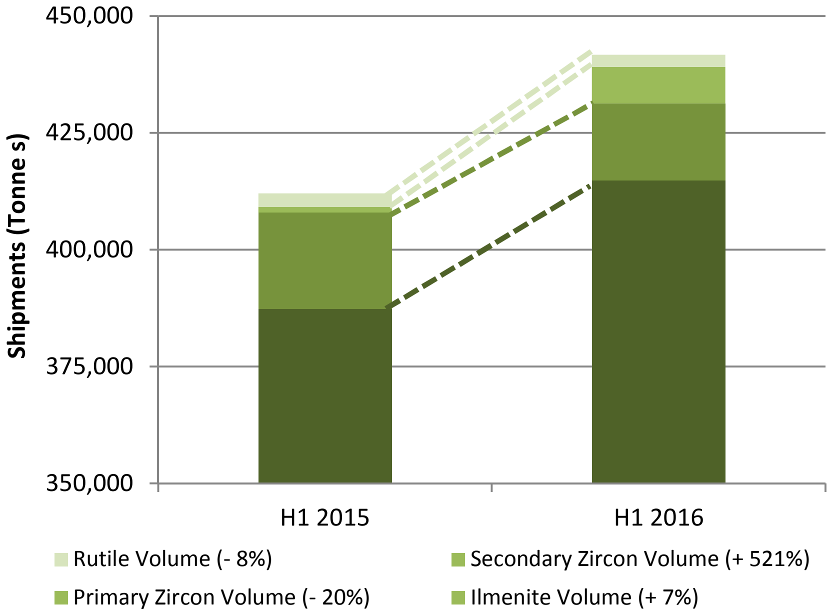
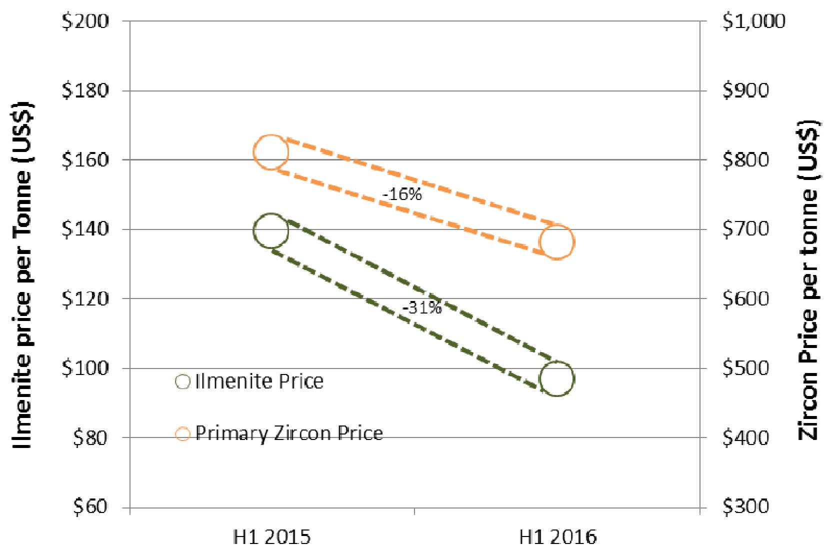
H1 2016 Revenue Review

Volume/Mix Movement



Pricing Movement (FOB)[1,2]



- Sales volumes increased by 7% to record levels of 441,700 tonnes (H1 2015: 412,000 tonnes)
- Total revenue decreased by US$17.7m (24%) on H1 2015
- Ilmenite volumes up 7%, but prices down 31%, compressed by higher volumes of lower grade ilmenite from inventory – now normalised
- Primary zircon sales volumes down 20%, due to shipment timing. Prices down 16% over the prior year
- Average price per tonnes shipped down 31% to US$123, dominated by higher ilmenite volumes

[1] Primary Zircon includes a blend of Standard and Special Grade
[2] Free On Board (FOB)

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H1 2016 Cash Operating Costs Review

		H1 2016	H1 2016	H1 2015	H1 2015
		US$m	**US$m**	**US$m**	**US$m**
Cost of sales		68.0		91.9	
Other operating costs		13.1	81.1	9.2	101.1
Freight (CIF customers)			(2.4)		(1.6)
Total costs less freight			78.7		99.5
Non-cash costs					
Depreciation		14.2		16.6	
Share-based payments		0.1	(14.3)	(0.8)	(15.8)
Inventory movements					
Finished product movements			2.2		(14.6)
Adjusted cash operating costs	**- 4%**		66.6		69.1
Final Products Production	**+ 24%**		434,400		350,700
Total cash cost per tonne of finished product	**-22%**		$153		$197

- Analysis above reconciles Income Statement to cash operating cost to run business
- Decrease in cost of sales and other operating costs reflects cost savings implemented in Q1 2015, includes some non-recurring legal fees
- Decrease in depreciation due to increase in life of mine
- Total cash cost per tonne of finished product is an all in cost including all company G&A

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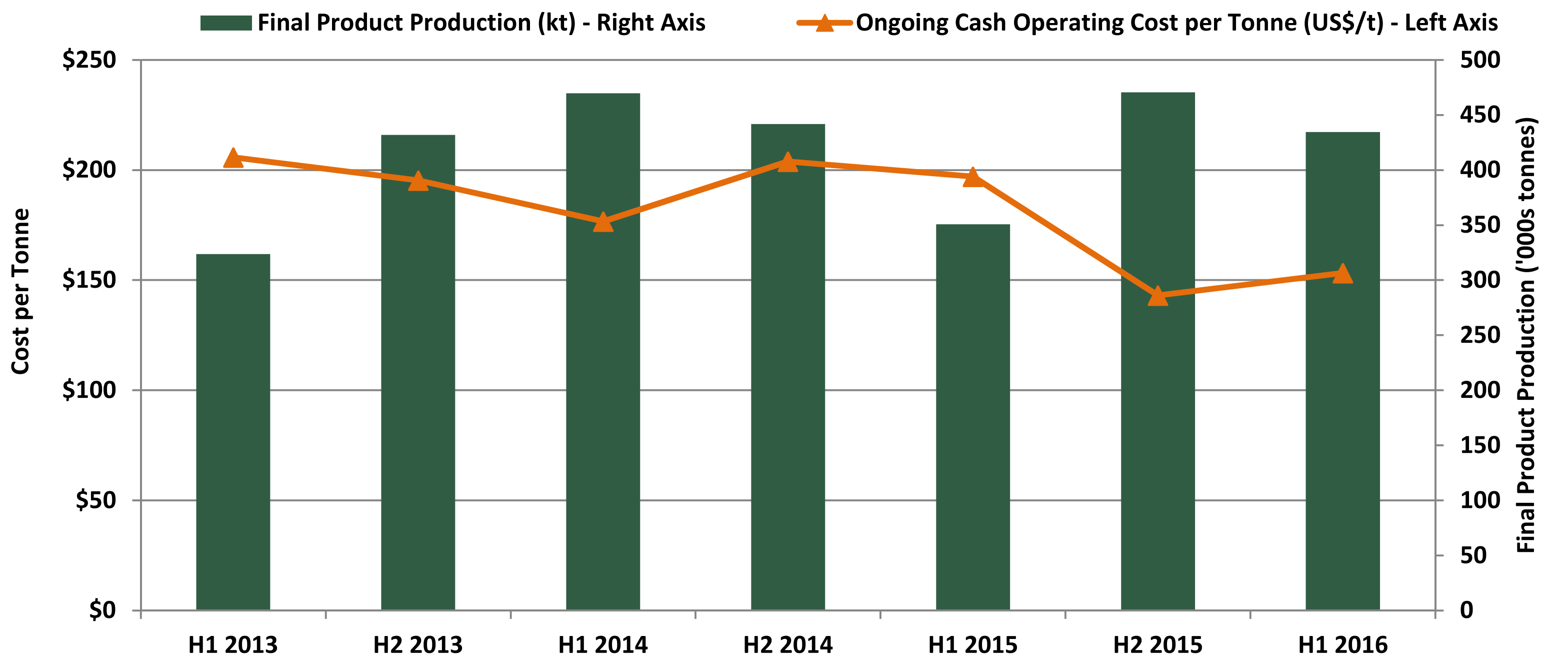
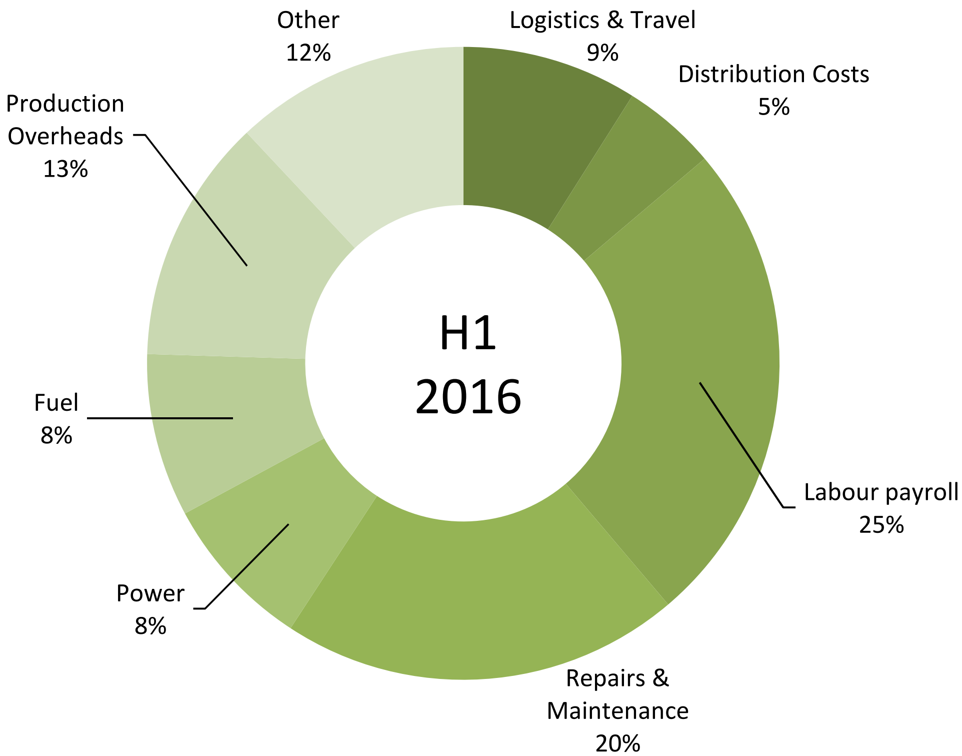
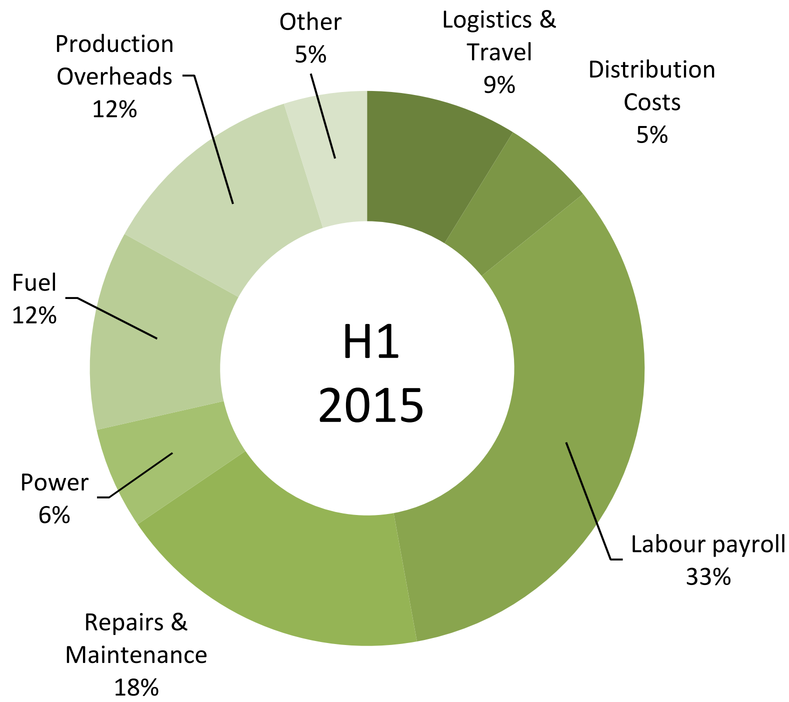
Half Yearly 2013 – 2016 Cash Operating Costs



- Total cash cost per tonne of finished products (ilmenite, zircon & rutile) decreased 22% to US$153/t in H1 2016 from US$197/t in H1 2015
  - Finished product production up 24% on H1 2015
  - Total cash operating costs down 4% on H1 2015
- Further reductions expected in H2 2016 as a result of higher production volumes

H1 2016 Cash Operating Costs





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

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Balance Sheet Review at 30 June 2016

	30/6/2016 US$m	31/12/2015 US$m	Comment on 2016 & movement
Property, plant & equipment	823.8	835.0	US$3.0m additions, US$14.2m depreciation
Inventories	47.4	46.2	Higher high value mineral in stock, offset by lower plant spares
Trade & other receivables	12.6	20.9	Function of sales prior to period end
Deferred tax asset	3.2	1.3	KMML tax losses forecast to be utilised
Cash	12.3	14.4	
Total assets	899.3	917.8	
Equity & reserves	452.7	503.5	H1 2016 loss and element of capital restructuring fees
Bank loans	357.7	341.9	Interest accrued less interest repayments + Fx loss on Euro loans
Creditors & provisions	88.9	72.4	Customer prepaid, loan amend fees & capital restructuring costs
Total equity & liabilities	899.3	917.8	

- Amendment, Repayment and Equitisation agreement entered into with Lenders on 22 June 2016
- Capital restructuring completed on 28 July, raising US$275m, reducing Group debt to US$100m, and providing US$75m for working capital and expenses

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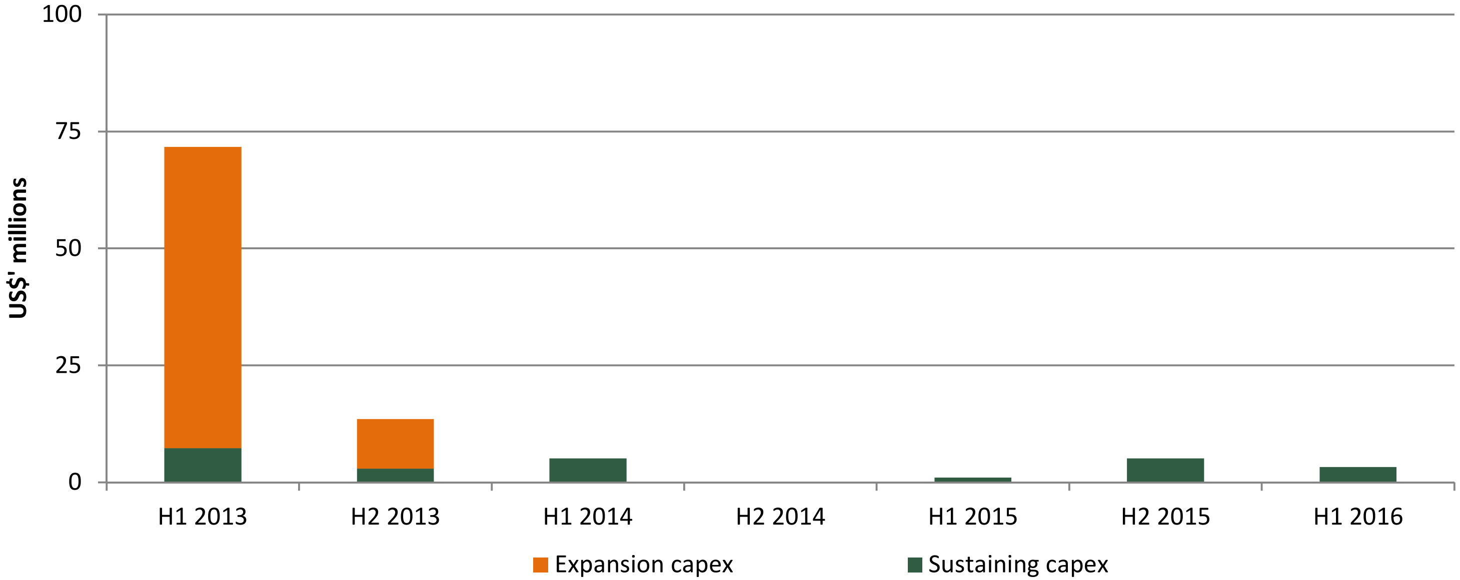
Half Yearly Capex 2013 - 2016



- Long period of investment completed in 2013
- Sustaining capital continued to be tightly controlled in H1 2016
- Expected higher sustaining capital in H2 2016
- Maintaining guidance of US$15-20m per annum

3

Capital Restructuring

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Capital raise 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$392m[1]
- US$75m cash, prior to fees[2]
- 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
[2] Estimated at US$13.4m

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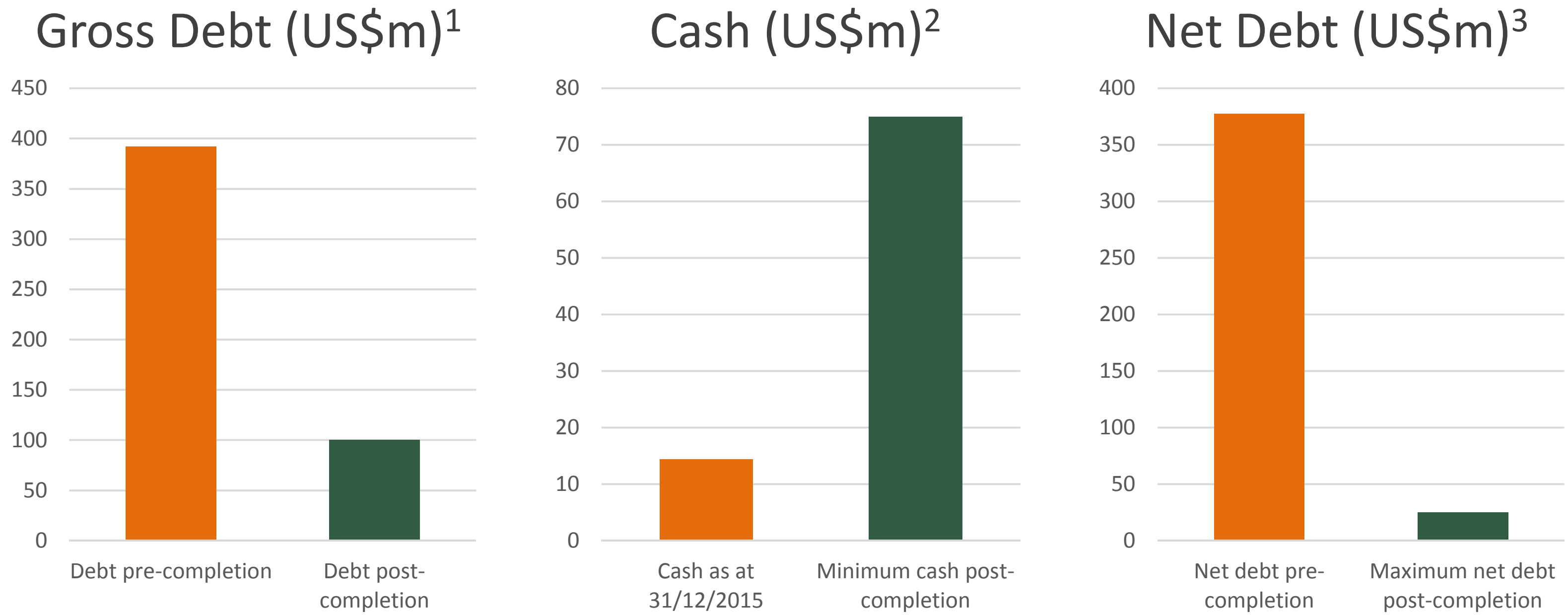
Transformed balance sheet post capital raise



- Reduced gross debt to a maximum US$100m
  - All USD denominated with extended term, reduce interest rates and repayment holiday
- Increased cash available for working capital to US$75m
  - Provides a strong buffer should markets change for any unforeseen circumstances
- Reduced net debt to a maximum US$25m[2]
  - Dramatically reducing financial leverage

[1] Gross debt as at 28 July 2016.
[2] Before fees and expenses, estimated at US$13.4m. Excluding cash on the balance sheet immediately prior to completion.
[3] Net debt pre-completion based on cash as at 31 December 2015 and gross debt at 28 July 2016. Maximum net debt post-completion based on gross debt post-completion and minimum cash post-completion excluding cash on the balance sheet immediately prior to completion

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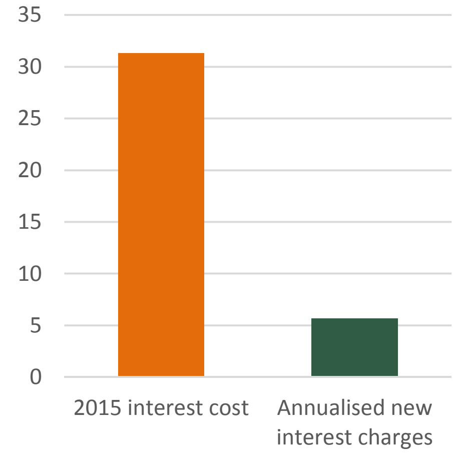
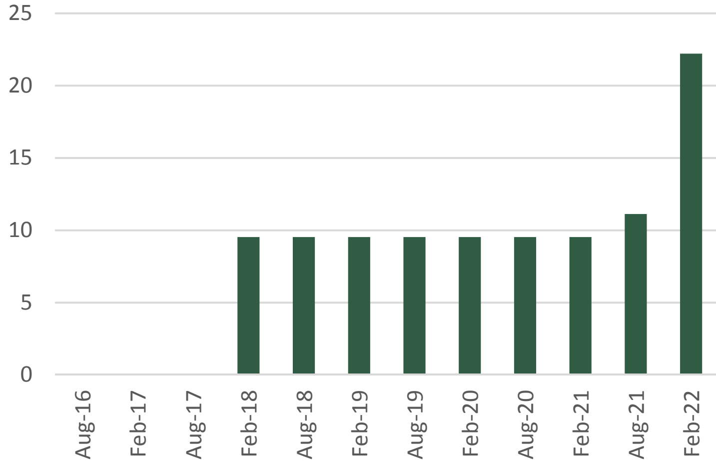
Debt repayment profile

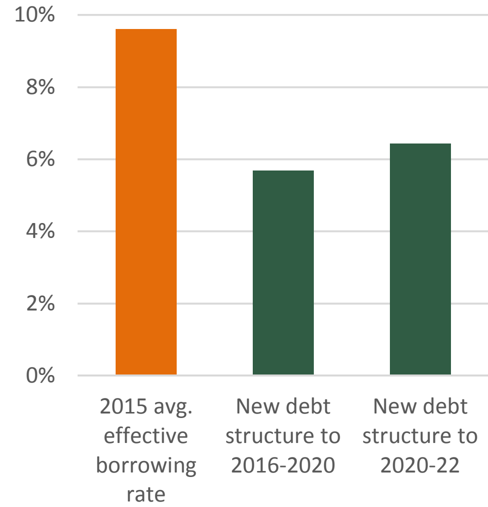
Annual Interest (US$m)[1,2]



Repayment Profile (US$m)[2]



Interest Rates (%)[1]



- 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 5.68%[1] until 2020, 6.43%[1] thereafter
- All debt now USD denominated – removes EUR debt exposure

[1] *Assumes LIBOR rate of 0.9339% as at 14/06/2016*
[2] *Assumes 4.75% + 6 month LIBOR until 2020*

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Market Overview

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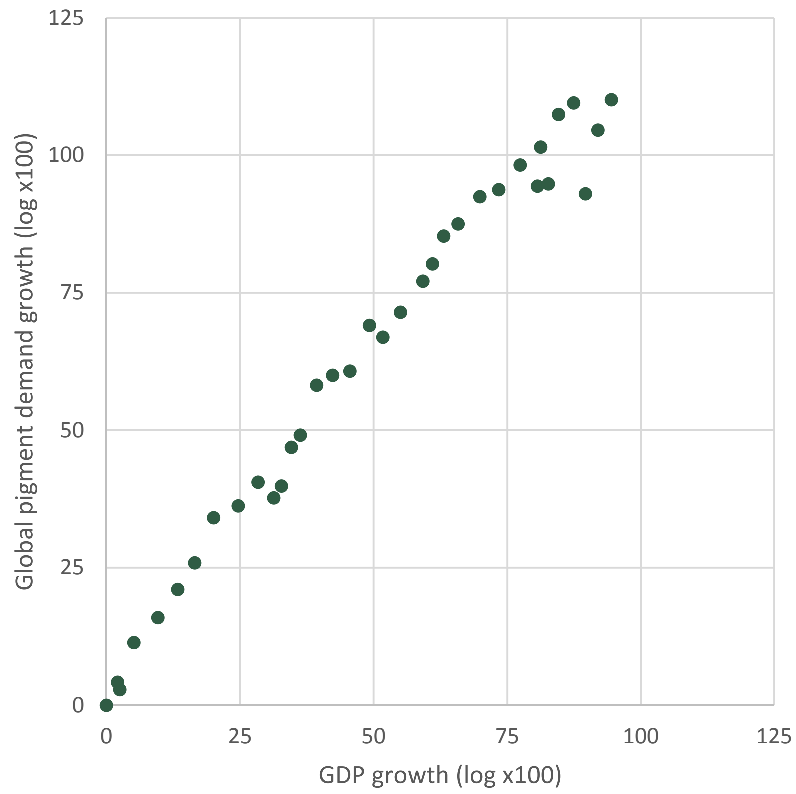
TiO_2 market overview

- 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 consumption level still only c. 50% of US/Western Europe

Global pigment and GDP growth (1981-2014)



Source: *World Bank & TZMI data, Kenmare Resources, June 2016*

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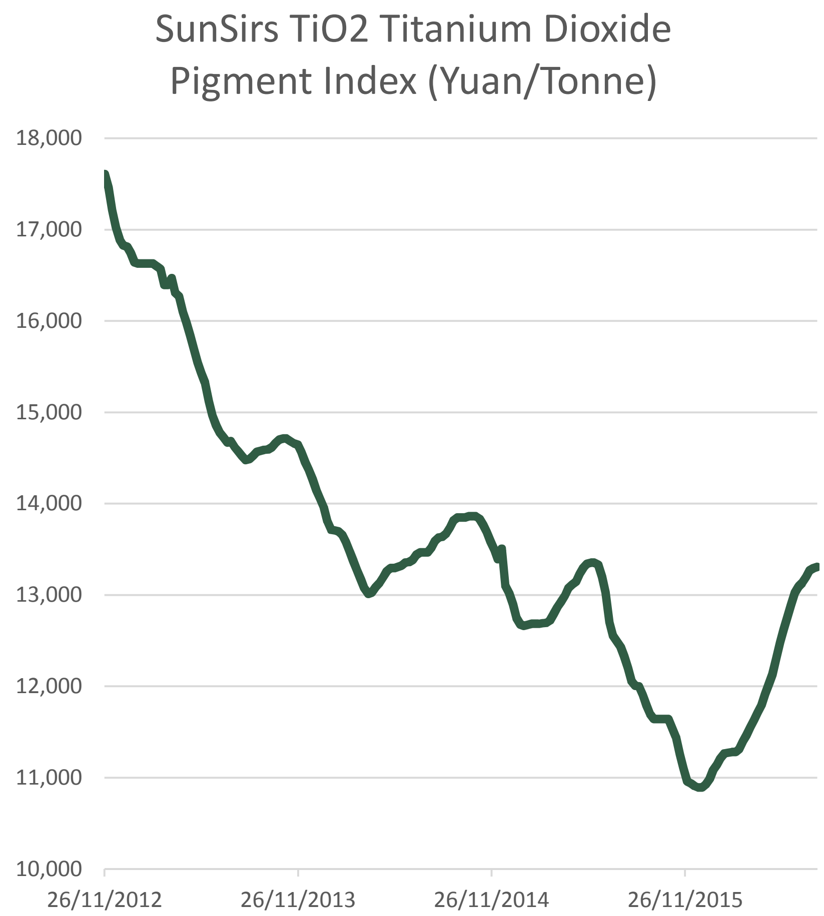
Improving pigment demand and pricing

- Improved demand conditions for pigment in H1 2016 in all major regional markets
- Industry analysts and producers report that inventory levels have normalised
- Global plant utilisation rates are progressively increasing in response
- Pigment price increases successfully implemented in H1 2016 and are gathering momentum in H2
- 10th consecutive price increase announcements made by Chinese pigment producers since the start of 2016 – prices up by >20%



Source: Bloomberg, SunSirs, August 2016

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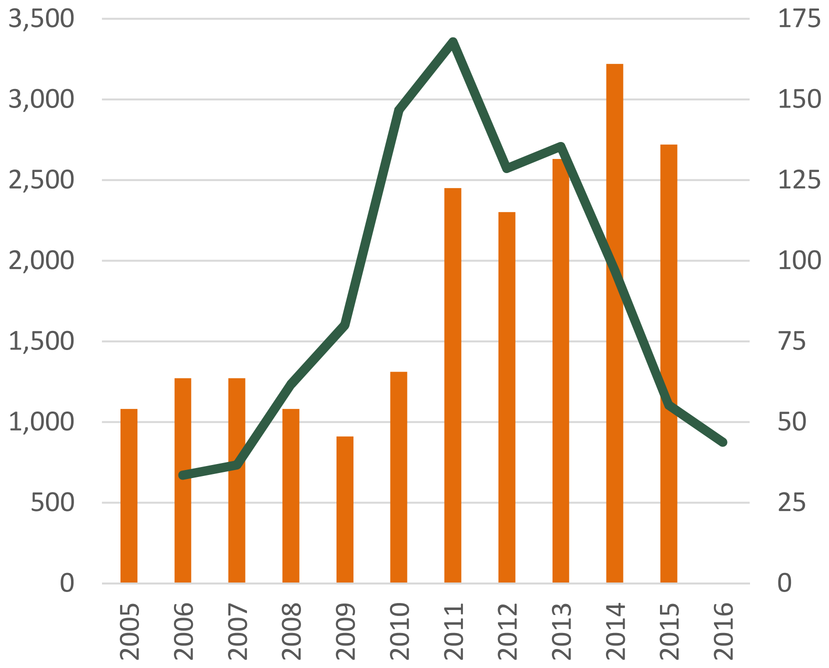
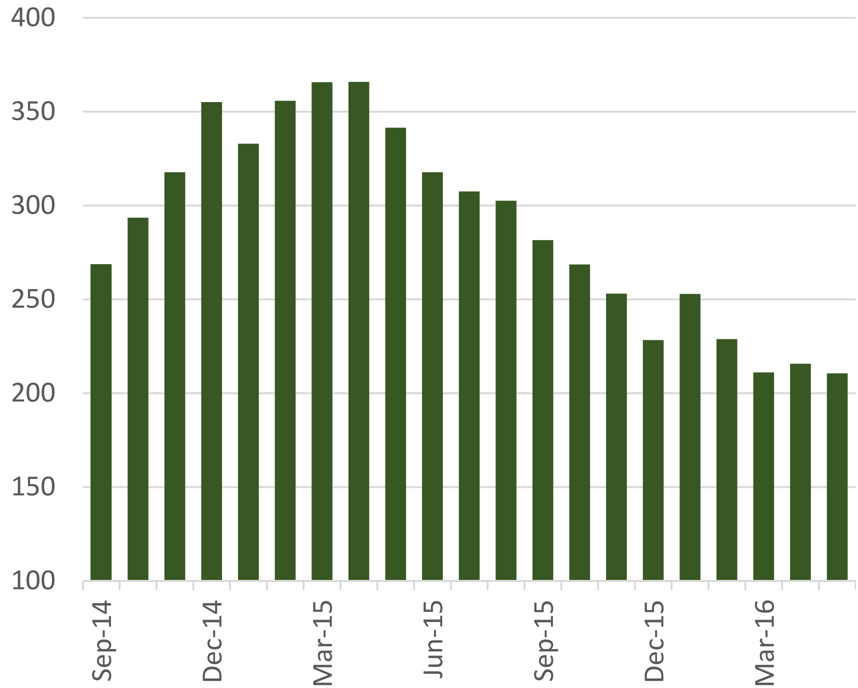
Tightening Chinese market conditions

Domestic Ilmenite Production



Chinese Port Stocks



Average Monthly Port Stocks of Titanium Ore in China (000's tonnes)

- Domestic Chinese ilmenite production has been in decline, as a result of the declining iron ore price
- Chinese port stocks of titanium ores are at the lowest level in three years, inventories have been drawn down to supplement lower production
- Higher volumes of imported feedstocks will be required to meet growing demand

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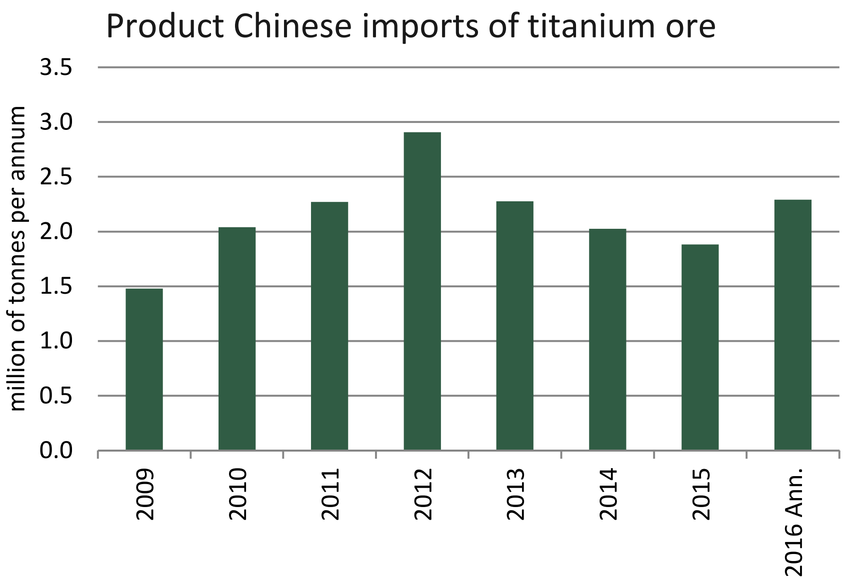
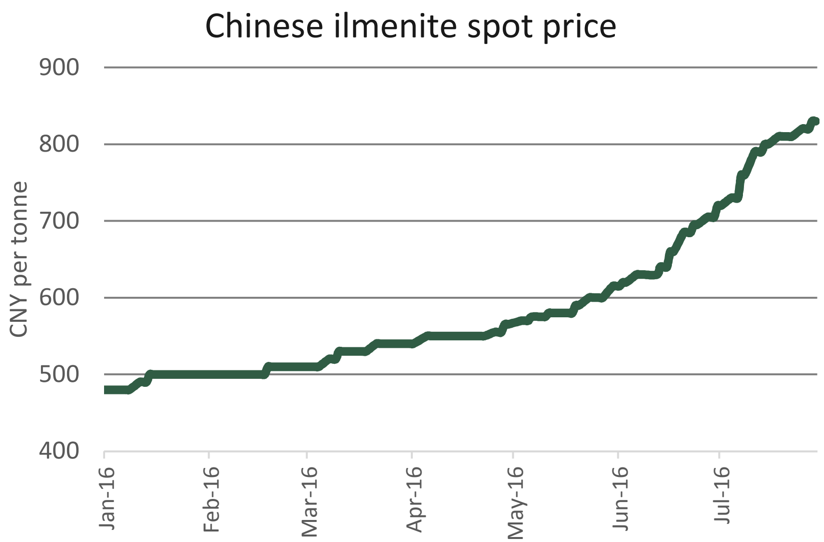
Chinese Imported Ilmenite



Source: China Trade Statistics, Kenmare Resources, August 2016
2016 January-June imports annualised



Source: FerroAlloyNet, Kenmare Resources, August 2016
Sichuan TiO2>46% TiO2 Concentrate (ex-works)

- Weak ilmenite pricing in H1 2016 as contracted before the market started to firm
- Favourable conditions are emerging driven by improved pigment market and feedstock supply restrictions
- Sulphate ilmenite supply/demand has tightened as inventories have depleted
- Chinese ilmenite prices have increased by >50% in past few months
- Chinese imported volumes of titanium ores up 22% year to date

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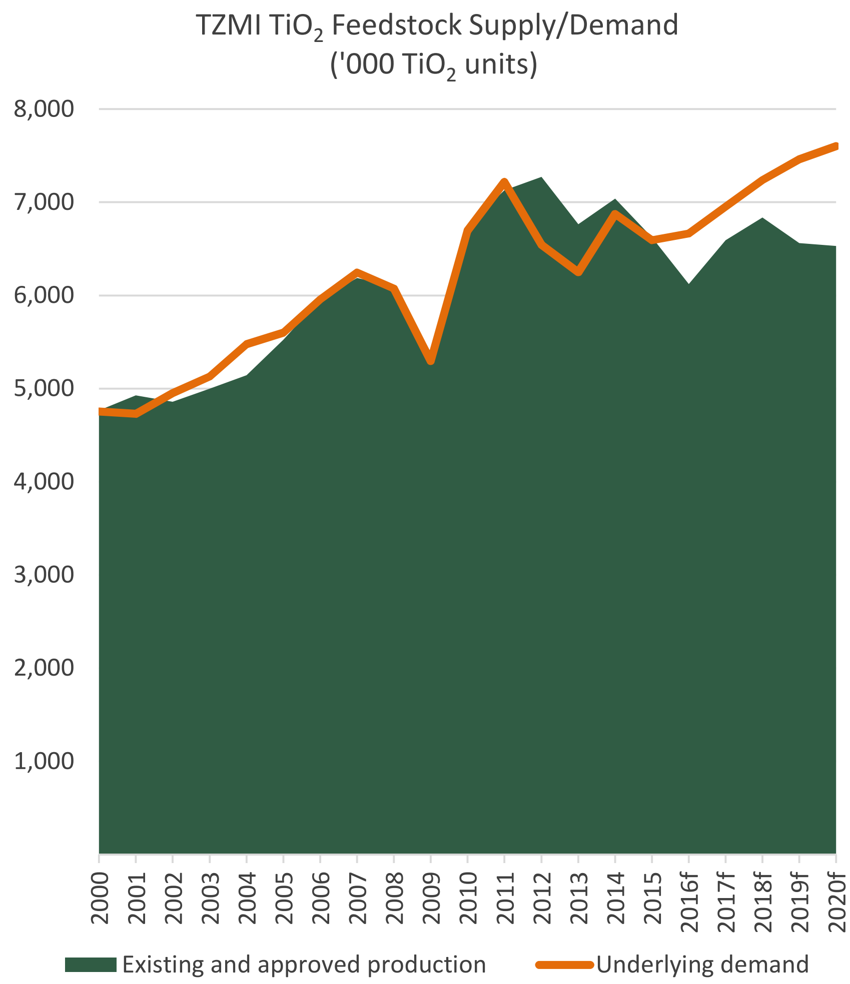
Supply/demand outlook

- Demand is expected to continue to trend upwards with global GDP
- Primary supply demand deficit emerges in 2015 offset by inventory drawdown
- New slag plants in China and the Middle East will favourably impact ilmenite demand
- Kenmare's ilmenite products are suitable for sulphate & chloride pigment, and beneficiation into slag and synthetic rutile
- Busy shipment schedule expected in H2 2016



Source: TZMI, Kenmare Resources, 2016

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Appendix

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Group Debt

- Group Debt at 30 June 2016: US$357.7m (2015: US$341.9m)
- Lenders: Absa, KfW, FMO, EIB, EAIF, & AfDB
- Guarantors: ECIC (of Absa), MIGA & Hermes (of KfW)
- Average interest rate for H1 2016 was 10.0%
- Super Senior: US$10.5m, floating @ LIBOR +10%
- Senior: US$79.5m, floating @ LIBOR + 4.3% to 5.5%, fixed @ 5.9%
- Subordinated: US$297.0m, fixed @ 11% since July 15
- Amendment, Repayment and Equitisaiton agreement entered into with Lenders on 22 June 2016
- Amended Financing Agreements reflect the terms of US$100m residual debt following debt restructuring

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Group Lenders at 30 June 2016

	Loan Balance US$m	Maturity
Super Senior Loans		
AfDB	0.7	2017
Absa (ECIC)	0.8	2017
EAIF	1.9	2017
EIB	4.9	2017
FMO	1.7	2017
KfW IPEX-Bank	0.5	2017
	10.5	
Senior Loans		
AfDB	21.3	2021
Absa (ECIC)	23.9	2018
EAIF	2.6	2021
EIB	8.7	2021
FMO	8.6	2019
KfW IPEX-Bank (Hermes)	6.6	2018
KfW IPEX-Bank (MIGA)	7.8	2021
	79.5	
Subordinated Loans		
EIB	160.1	2021
EAIF	64.1	2021
FMO	50.6	2021
Absa	22.2	2021
	297.0	
Total	**387.0**	
Loan amendment fees	(29.3)	Amortised over life of loans
Total Group Loans	**357.7**	