

Kenmare Resources plc

Moma Titanium Minerals Mine

2013 Half Yearly Results Trading Update



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Kenmare – World Class Asset

Moma Titanium Minerals Mine in Mozambique

- One of the world's largest known titanium minerals¹ deposits; 100+ years mine life

➤ Phase I capacity is approx:

- 800 ktpa ilmenite, 50 ktpa zircon, 14 ktpa rutile

➤ Phase II increases capacity to approx:

- 1.2 mtpa ilmenite, 75 ktpa zircon, 21 ktpa rutile

➤ Moma Mine expected to produce ~8% of global titanium minerals feedstock supply in 2014



1. Ilmenite and rutile are titanium minerals. Zircon is a zirconium silicate mineral.

Low Cost Production – Competitive Advantage



Dredge Mining & Wet Concentrator Plant



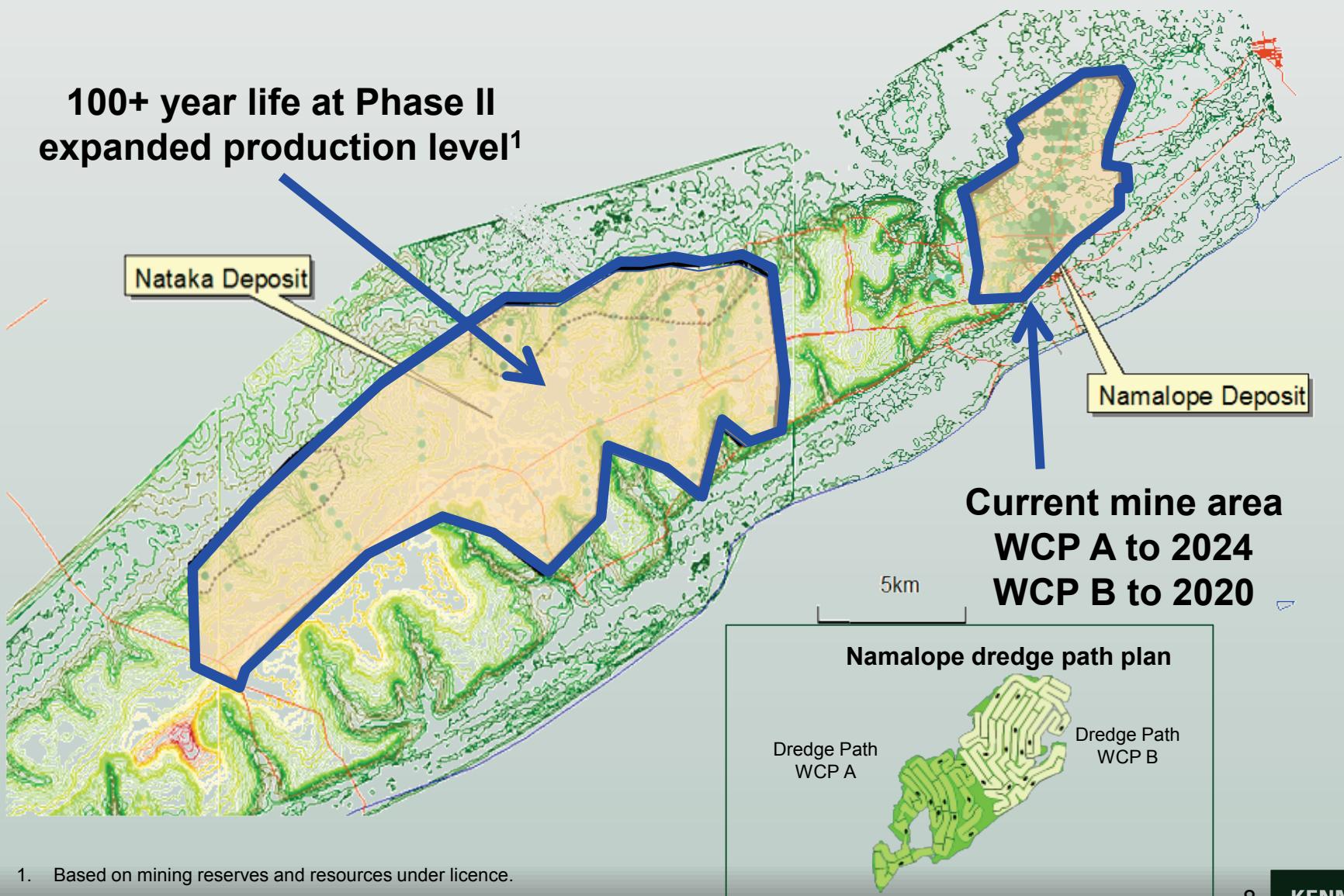
Mineral Separation Plant



Export Facilities



Moma Mine – Resource Base Map



H1 2013 Highlights

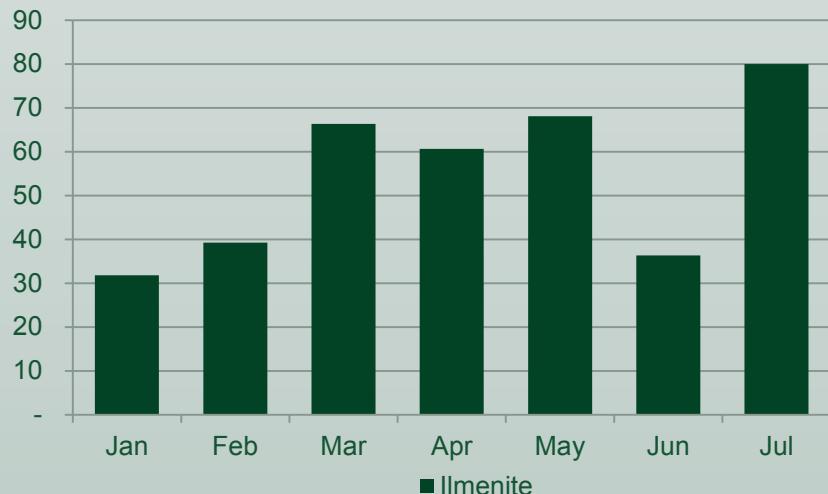
- Phase II expansion facilities operational and ramping up production
- Revenues US\$79.3 million (H1 2012: US\$109.1 million)
- EBITDA US\$18.8 million (H1 2012: US\$55.5 million)
- Operating profit of US\$6.9 million (H1 2012: US\$47.0 million)
- Net loss US\$10.2 million (H1 2012: net profit US\$38.8 million)
- HMC production up 24% on H1 2012 to 480kt
- Ilmenite production up 9% on H1 2012 to 302.6kt
- Zircon production down 19% to 19.1kt
- Moma Project loan amendment agreed
- Ilmenite market still subdued, zircon market continues to show signs of recovery
- H2 production volumes expected to show growth over H1 as expansion ramps up

Production Monthly January – July 2013

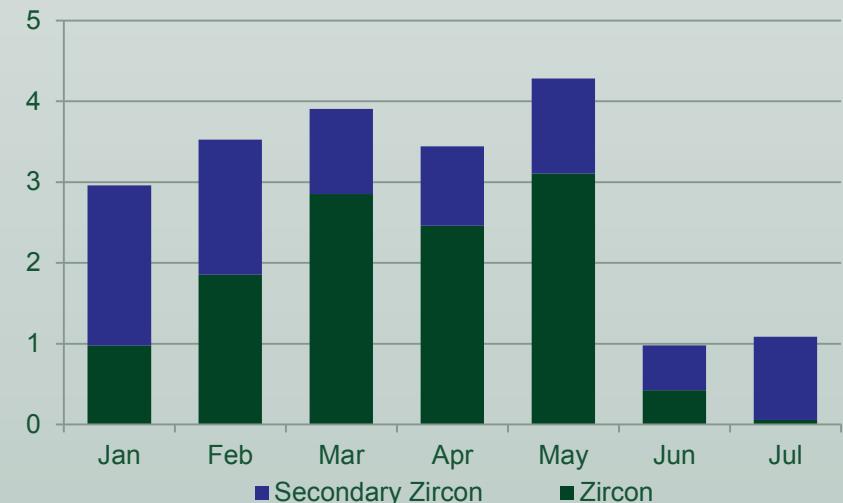
HMC Production



Ilmenite Production



Zircon Production



Power Reliability

Electrical Supply Stability

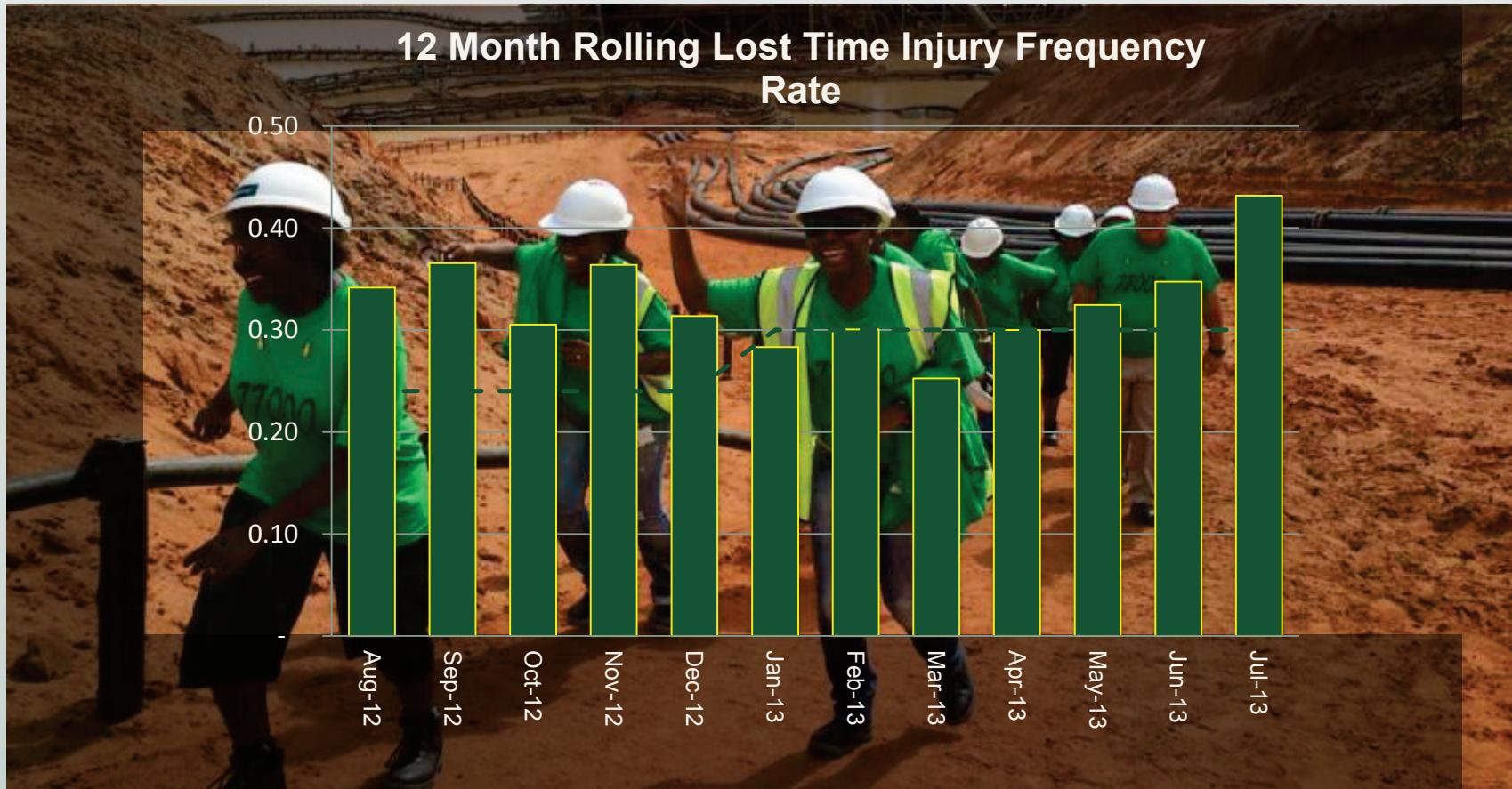
- SVCs at Mocuba and Alto Molocue – now commissioned, improved stability
- Voltage Stabilisation Equipment (Dip Doctor) – complete and operational

Improved Network Voltage Support

- Installation of network capacitors at Nampula, Moma and Alto Molocue – now commissioned
- Final system testing was carried out during August on all systems



Health & Safety



Kenmare LTIFR 0.43 Compares favourably with South African mineral sands peers

Kenmare Moma Development Association

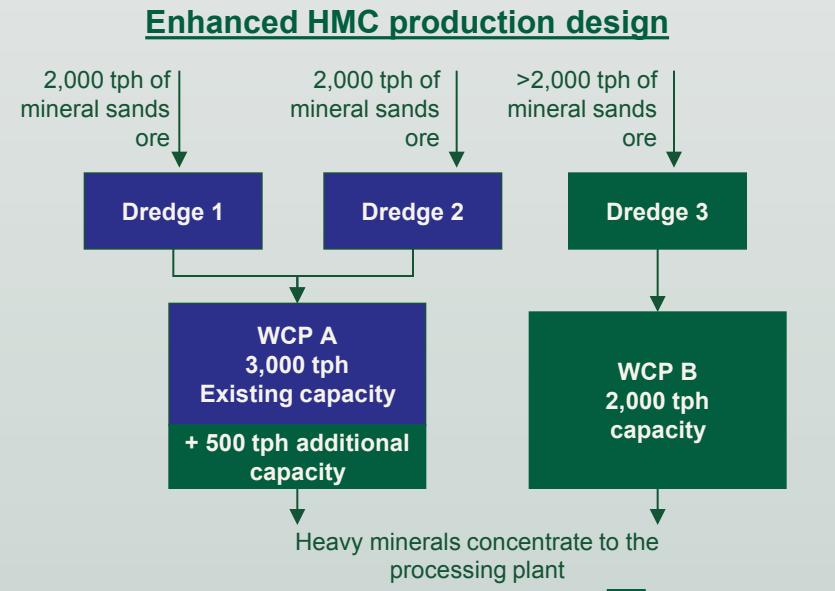
- Five-Year Plan being Implemented
- Support from First Class Partners:
 - WWF, FMO, Clusa, Mozmed & MIGA
- Community Projects:
 - ***Health Projects:*** Health Clinic at Moma in operation, Malaria Eradication
 - ***Income Generation:*** Savings & Credit, Horticulture, Poultry, Sewing, Animal Husbandry, Salt
 - ***Socio-Cultural:*** Schools, Sports, Scholarships



Phase II Expansion

Phase II Expansion – Mining

- Existing Wet Concentrator Plant A (WCP A)
 - Upgrade of WCP A increased spiral feed capacity from 3,000 to 3,500 tph
- New Wet Concentrator Plant B (WCP B)
- Installation of 2nd mining plant consisting:
 - WCP with spiral feed capacity of 2,000 tph
 - Starter pond
 - 3rd dredge
- WCP spirals modular design allows for easier future capacity increases
- Addition of WCP B will not interfere with existing operations
- Planned WCP B move to the Nataka deposit in 2020 and WCP A in 2024



New facilities
Existing facilities

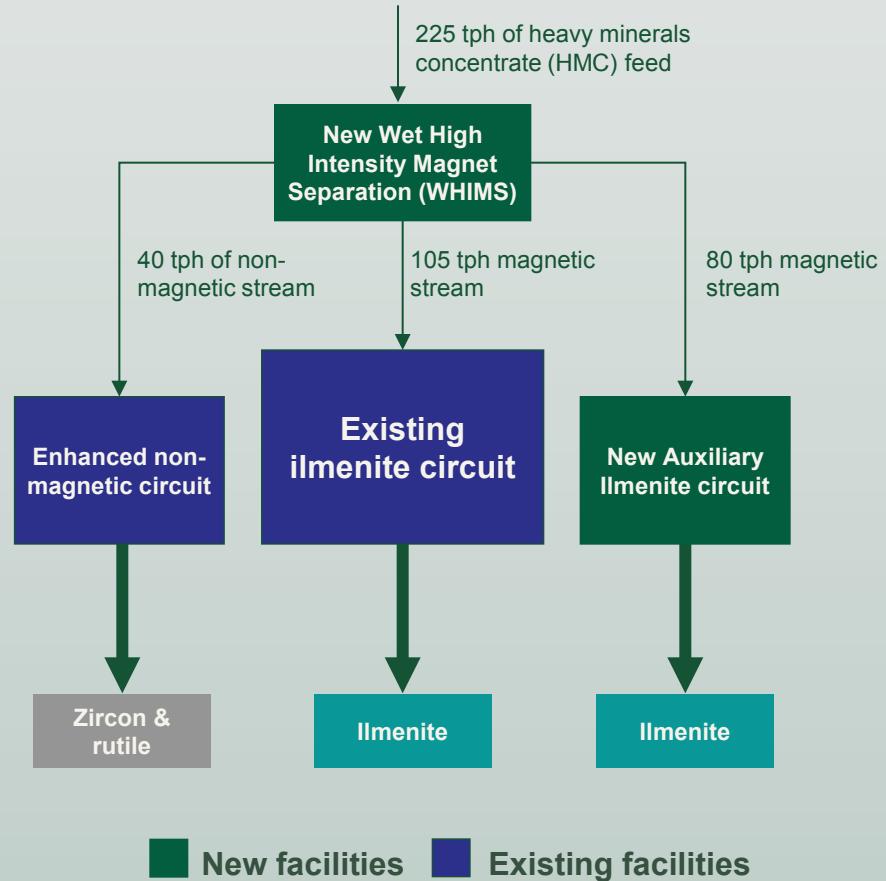
Namalope dredge path plan



Phase II Expansion – Processing

- Mineral Separation Plant (MSP)
 - Expanded capacity from 135 tph to 225 tph
- New Wet High Intensity Magnetic Separation (WHIMS) circuit
 - More efficient upfront separation of Magnetic and Non-magnetic minerals
 - Enhanced efficiency of existing operation
- Modular approach to construction to avoid disruption to existing operations
- Enhanced non-magnetic circuit with additional driers
- Upgrade of associated infrastructure and equipment, particularly electricity and water supply

Enhanced processing plant design



Phase II Expansion – Ramp-up



➤ Dredge & WCP B



➤ WHIMS

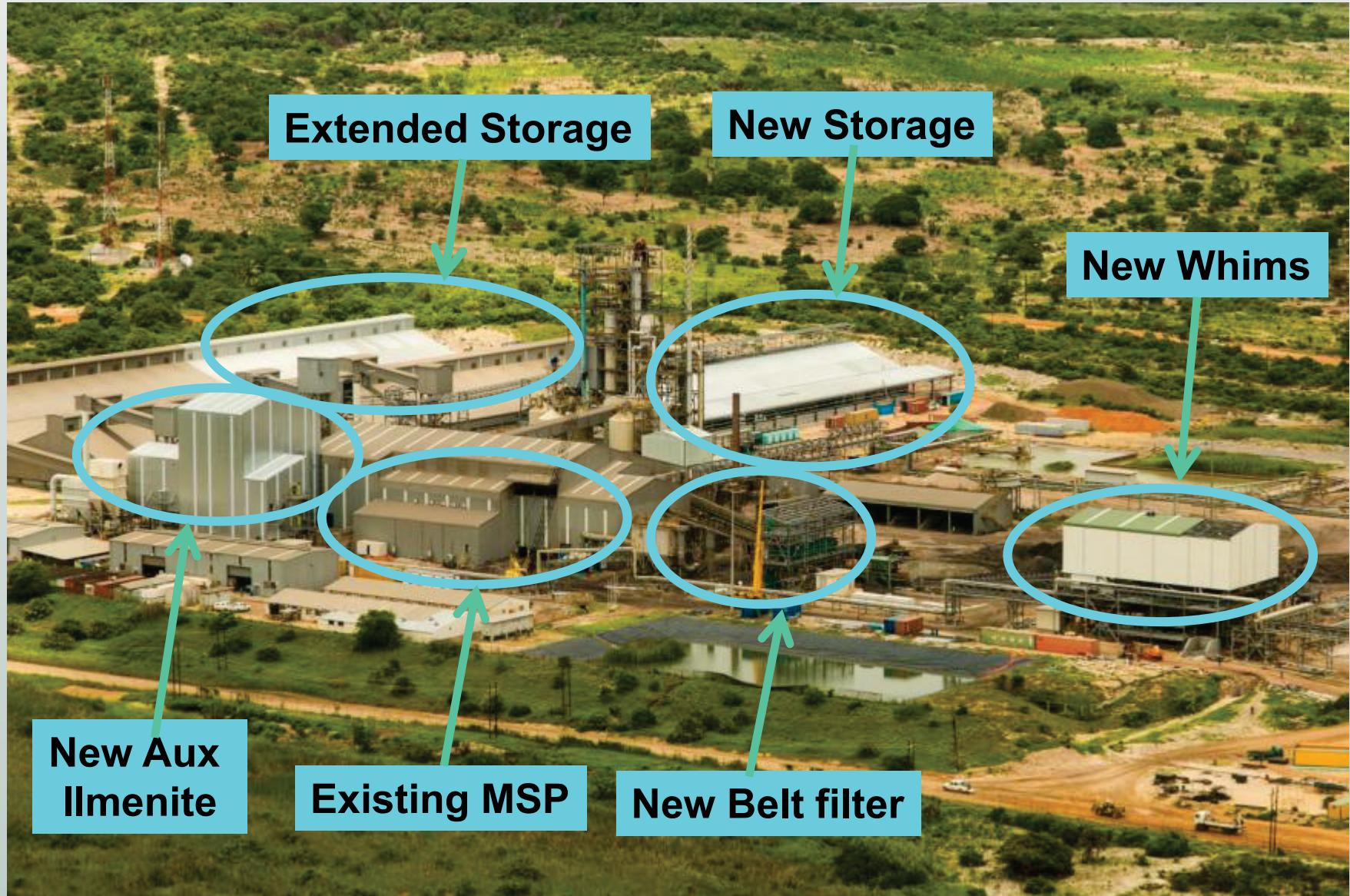


➤ Auxiliary Ilmenite Plant



➤ Product Storage

Moma Mine – Processing



Industry Overview

Demand For TiO₂ Feedstock Is Primarily Driven By Pigment Consumption

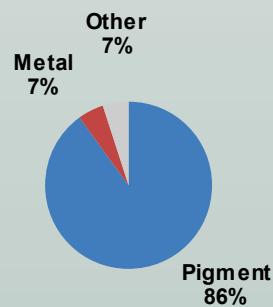
Description

- Ilmenite and rutile are naturally occurring minerals containing TiO₂
- Ilmenite contains between 45% and 62% of TiO₂ while rutile contains between 94% and 96%
- Ilmenite and rutile occur predominantly in the form of heavy mineral sands. However, hard rock deposits are also found mainly in Norway and Canada
- The main ilmenite producing countries are South Africa, Australia and Canada. Together, they account for the majority of global ilmenite production most of which is beneficiated

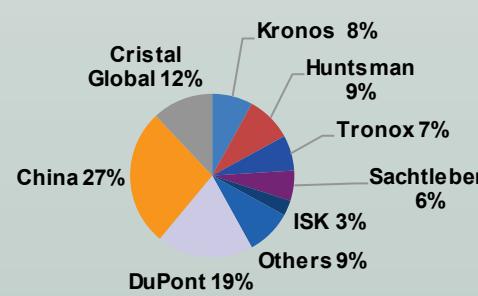
End uses

- Titanium feedstocks are used predominantly to produce titanium dioxide pigment that is favoured for its brilliant whiteness, excellent opacity, non-toxicity and inertness
- Rutile and beneficiated ilmenite are the main raw materials used to make titanium metal. Titanium metal's unique properties including its high strength to weight ratio, high melting point and its resistance to corrosion make it the preferred metal for a number of demanding applications such as the manufacture of airframes and jet engines for the aerospace industry
- Other end-uses include fluxes and welding rod coatings

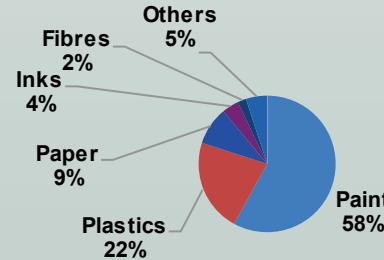
TiO₂ Feedstock consumption 2012¹



Pigment producer Capacity
2012¹



Pigment consumption by end-use
sector 2012¹



Source: ¹ Kenmare estimate

Demand For Zircon Is Primarily Driven By The Ceramics Industry

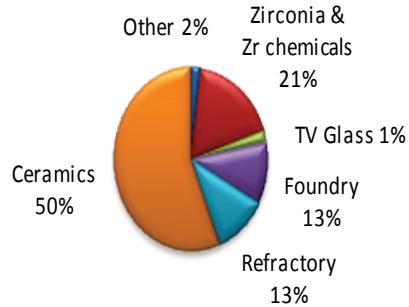
Description

- Zircon is a zirconium silicate mineral produced as a co-product of titanium minerals mining
- Most zircon production is located in Australia and Southern Africa

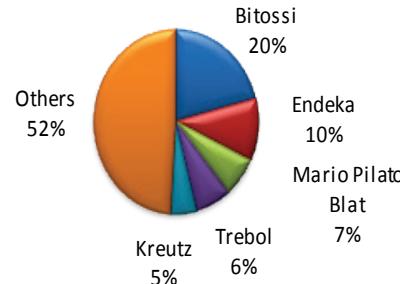
End uses

- In the ceramics industry for the production of opacifier and frit compounds for decorative wall and floor tiles and sanitary ware
- Foundry and refractory applications for steel and glass industries
- Fused zirconia, zirconium chemicals used for ceramics pigments, wear materials and various chemical applications
- Zirconium metal used primarily in the nuclear industry

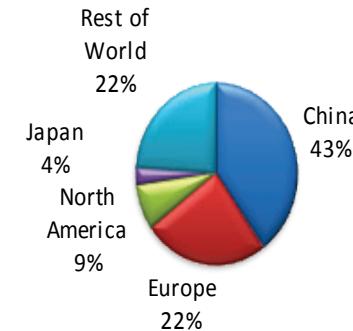
Zircon consumption by end use sector 2012¹



Zircon millers 2012¹

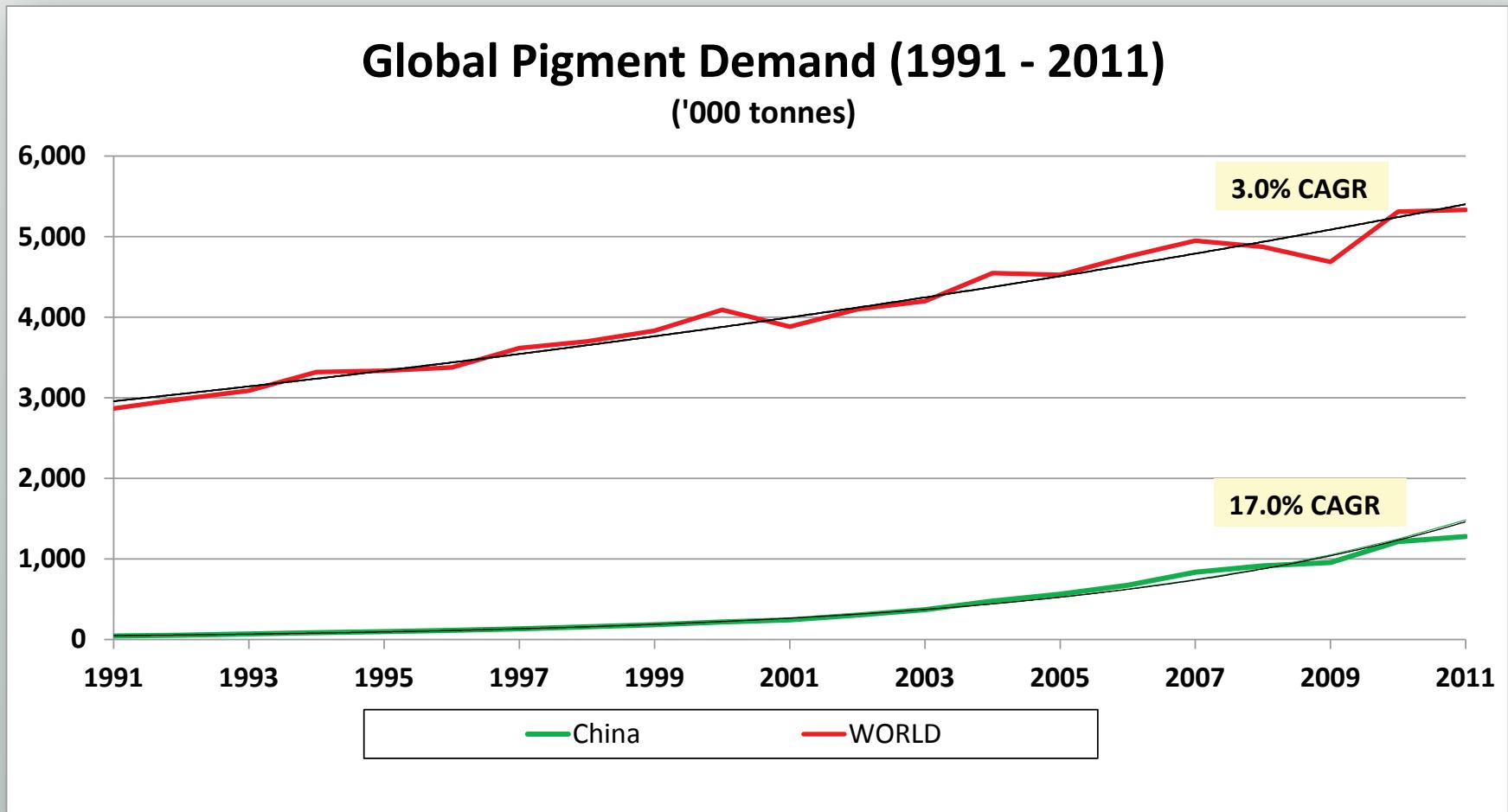


Geographical zircon consumption 2012¹



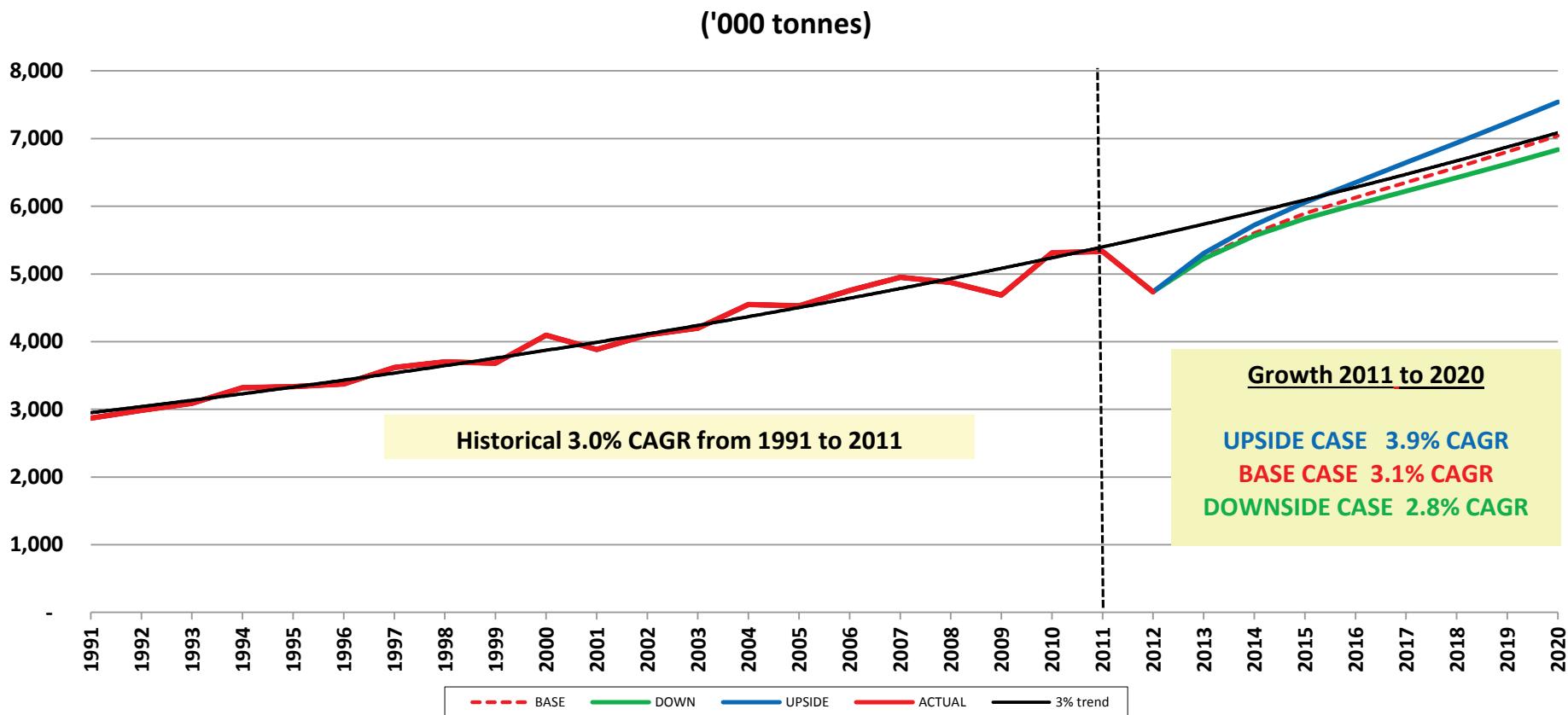
Source: ¹ Kenmare estimates

Historical Pigment Demand Growth



Future Pigment Demand Expected To Grow At Above Historical Growth Rate

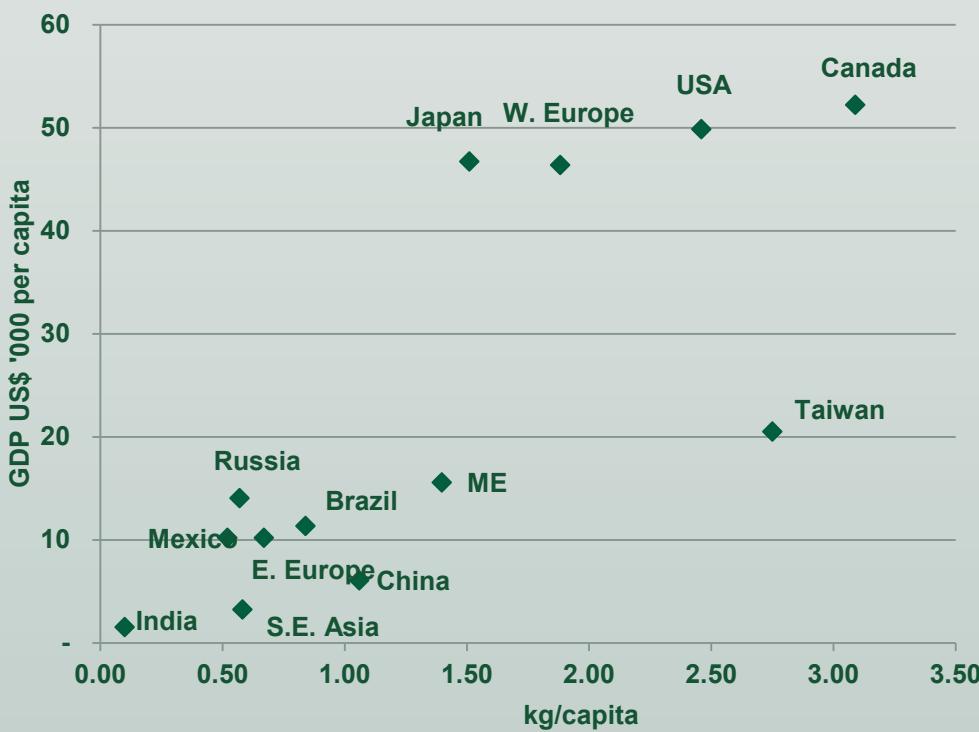
Global Pigment Demand 1991- 2020



Source: Kenmare pigment demand forecast based on consensus GDP growth (Economist Intelligence Unit / IHS Global Insight / IMF) April 2013

Pigment Demand Growth Drivers

Pigment Consumption Intensity of TiO₂ in 2012¹

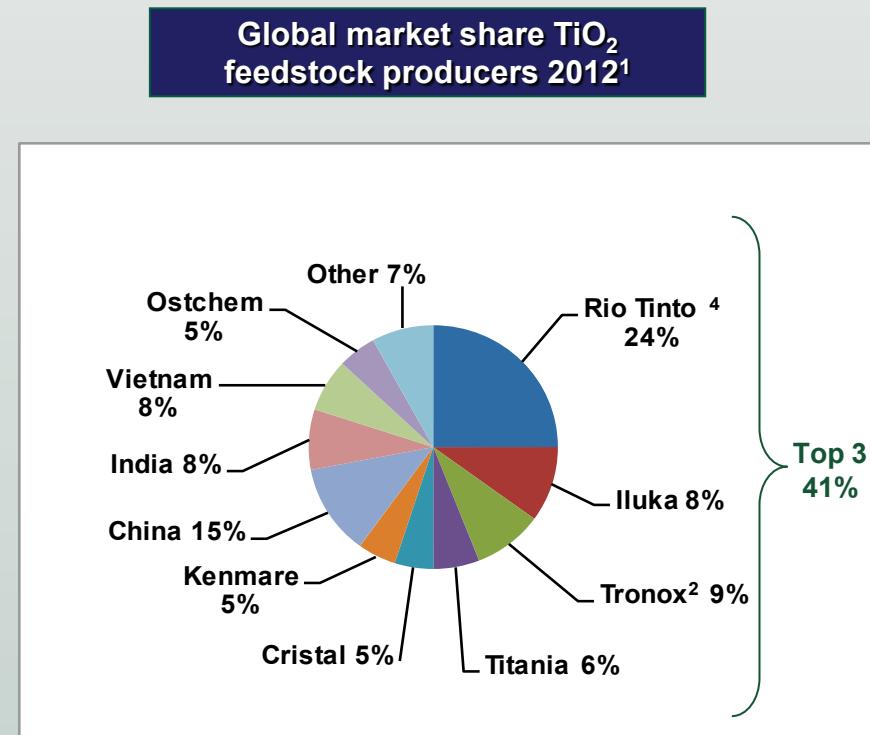


- Demand growth drivers in developing economies:
 - Pigment intensity of use at early stage of growth curve
 - Increasing per capita GDP
 - Urbanisation trends
- Per capita consumption rates of 2 to 3kg in developed economies
- Currently 1kg or below per capita in BRIC and other developing economies
- 3.1% CAGR from 2011 to 2020 driven by strong growth in developing economies

¹ Source TZMI June 2013

Titanium Feedstock Supply Constraints

- Strong demand recovery post GFC from H2 2009 until mid-2011 led to tight supply conditions
- Curtailment of production and destocking by pigment industry since H2 2011 has alleviated short term feedstock market tightness
- Industry destocking should be complete by year end 2013
- Some new supply sources - but with high OPEX, CAPEX and long development timetables
- South African high power tariff increases and restricted supply impedes capacity expansion by RSA slag producers
- A number of existing operations are reaching maturity and have limited expansion potential due to resources constraints
- Increasing demand for ilmenite for beneficiation
- China is import dependent: ~2.6mt ilmenite in 2012



¹ Source: Kenmare estimates

² Includes 100% of Australia and South Africa

³ Includes 100% of RBM

TiO₂ Feedstock Market Outlook

- Strong upward pigment pricing pressure in 2010/11 led to overstocking by end customers ahead of price increases – demand slowed by end 2011
- Pigment producers were slow to moderate production – high pigment inventory build by mid-2012 led to curtailment in production
- Resulted in destocking of feedstocks by pigment sector since mid-2012
- Destocking has extended longer into H2 2013 as pigment demand recovery has been slower than expected and due to impact of residual legacy contracts
- Downward pricing pressure on all feedstock due to reduced demand
- Outlook for H2 2013 and beyond:
 - Improving macro-economic data in US and Europe should support stronger pigment and feedstock demand
 - Demand growth in China remains uncertain
 - Destocking of feedstocks should be complete by year-end 2013
 - Normalisation of demand should support higher feedstock prices

Zircon Market Outlook

- Prices bottomed at end of Q1 2013 following sharp correction during the previous 8 months
- Improving demand outlook is evident in most regions
- New price level is encouraging greater use of zircon – some reversal of substitution is evident in ceramics sector
- Stable to modest upward pricing pressure expected in H2 2013

Financials

2013 Half Yearly Income Statement Review

	2013 US\$m	2012 US\$m	
Revenue	79.3	109.1	Sales down 27% on 2012
CoS & Opex	<u>(72.4)</u>	<u>(62.1)</u>	Costs up 17% on 2012
Operating profit	6.9	47.0	
Net finance costs	(17.5)	(13.9)	\$3.5m paid & balance accrued
Foreign exchange gain	<u>1.4</u>	<u>5.7</u>	On Euro debt
Loss before tax	(9.2)	38.8	
Tax charge	<u>(1.0)</u>	<u>0.0</u>	Deferred tax - applied losses
Loss after tax	<u>(10.2)</u>	<u>38.8</u>	

- Blended product prices down 21%, compared with 2012
- EBITDA: US\$18.9m (2012: US\$55.5m)

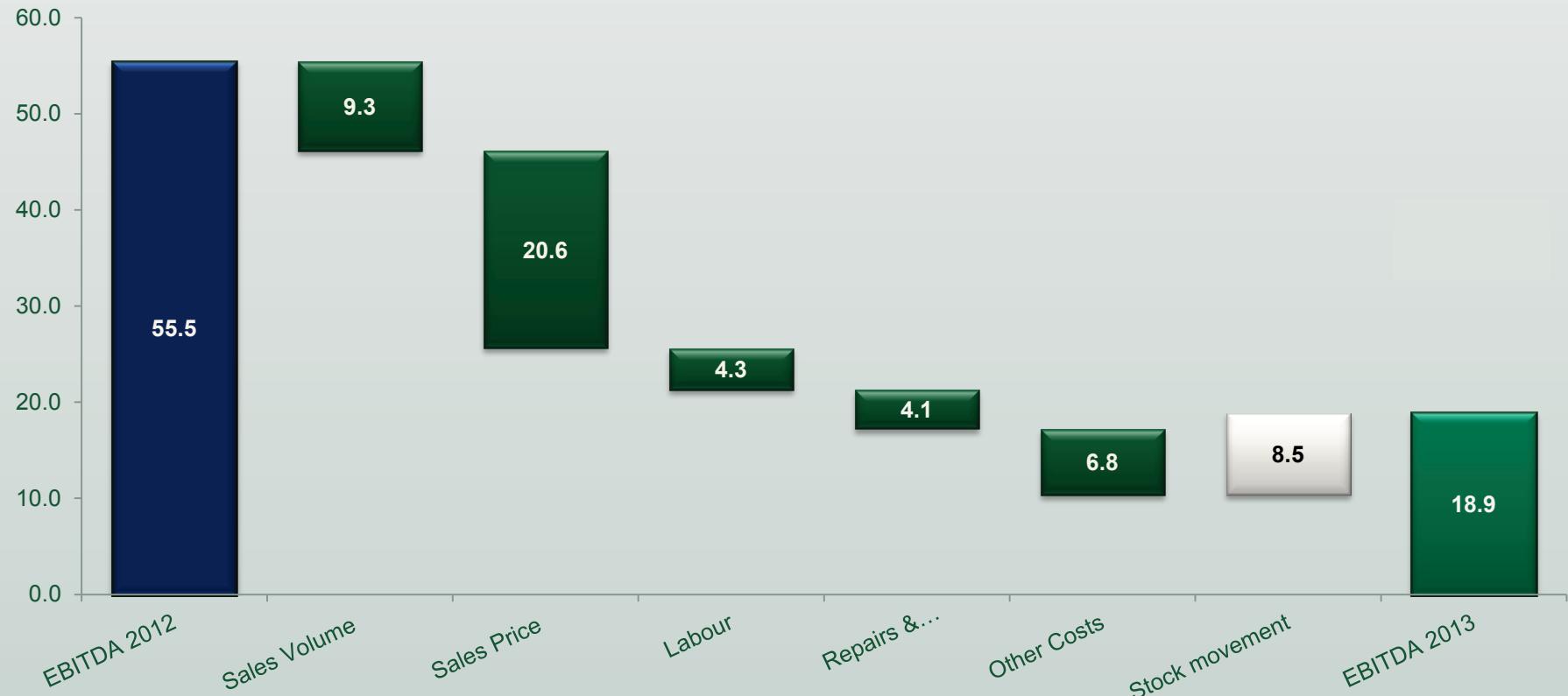
2013 H1 Cash Operating Costs Review

	US\$m	US\$m
Cost of Sales	62.2	
Other operating costs	<u>10.2</u>	72.4
Freight (CIF charged to customers)		<u>(1.6)</u>
Total costs less freight		70.8
 <u>Non-cash costs:</u>		
Depreciation	12.0	
Share-based payments	<u>1.6</u>	<u>(13.6)</u>
		57.2
 <u>Inventory Movements:</u>		
Increase in Finished Product Cost		<u>9.4</u>
Adjusted cash operating costs		<u>66.6</u>

Operating Costs – Principal Additional Driver in 2013

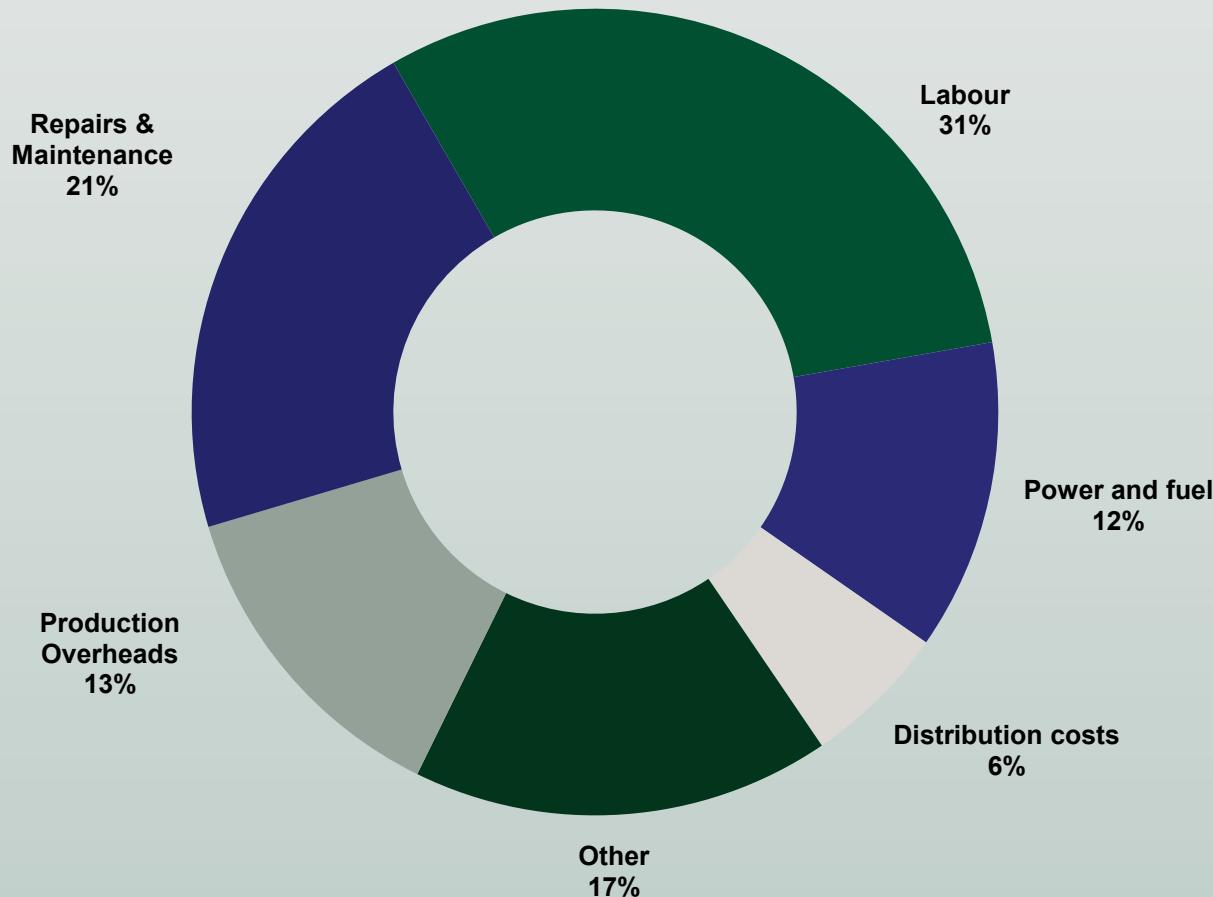
- Complex transition of WCP A to Dunal Plateau during Jan & Feb 2013

2012 – 2013 H1 EBITDA Bridge (US\$ millions)



- EBITDA US\$18.9m (2012 H1: US\$55.5m)
- 21% decrease in average product prices and 9% decrease in sales volumes
- WCP A pond elevation costs in January and February 2013
- 2013 wage negotiation provides stable basis to manage labour costs
- Cost p/t reducing as production increases

H1 2013 Cash Operating Costs



Balance Sheet Review at 30 June 2013

	30/6/2013	31/12/2012	Comment on 2013 & movement
	US\$m	US\$m	
Property, plant & equipment	962.9	887.5	Expansion investment & mine closure adjust
Deferred tax asset	1.2	2.2	Reduced by tax charge
Inventories	34.2	22.4	Increase in product stocks & spares
Trade & other receivables	20.2	35.7	Reduced volumes sold in June '13 vs Dec '12
Cash	<u>31.0</u>	<u>46.1</u>	After expansion investment & lower revenue
Total assets	<u>1,049.5</u>	<u>993.9</u>	
Equity & reserves	597.1	605.6	H1 2013 loss
Bank loans	358.5	324.4	Draw of corporate facility net of senior debt paid
Creditors & provisions	<u>93.9</u>	<u>63.9</u>	Increase in expansion creditors
Total equity & liabilities	<u>1,049.5</u>	<u>993.9</u>	

- Significant Balance Sheet movements are principally expansion related

Group Debt

- Group Debt at 30 June 2013: US\$358.5m (2012: US\$324.4m)
- Lenders: *Project - Absa, KfW, FMO, EIB, EAIF & AfDB; KR plc - Absa/Barclays.*
- Guarantors: ECIC (of Absa), MIGA & Hermes (of KfW).
- Average interest rate at June 2013 was 8.7%.
- Senior project loans: US\$93.4m, floating @ LIBOR + 3.5% to 5.3%, fixed @ 5.45% to 7.45%. Senior maturities: 2015 - 2018.
- Sub project loans: US\$226m, floating @ LIBOR + 5% to 8%, fixed @ 10%. Additional margin 1% to Completion (est. 2014). Sub maturities: 2019.
- KR plc loan: US\$39.1m, floating @ LIBOR +8%, replaced or renewed by March 2014
- Project loan amendments : Announced 1 August 2013
 - Postponed date to bring sub loans current from August 2014 to August 2015
 - Senior principal (US\$13m) due August 2013 deferred to August 2014
 - Extend time & quantum of expansion funding from operating cash flow

Key Company Highlights

Long life ore body producing high quality products

Low cost mining, efficient materials handling, well-established producer

50% expansion in commissioning, with vast majority of capex spent

Significant share of global feedstock supply of titanium minerals

Important asset for Mozambique



***Kenmare Resources plc
Chatham House , Chatham Street
Dublin 2, Ireland
www.kenmareresources.com***