

KENMARE

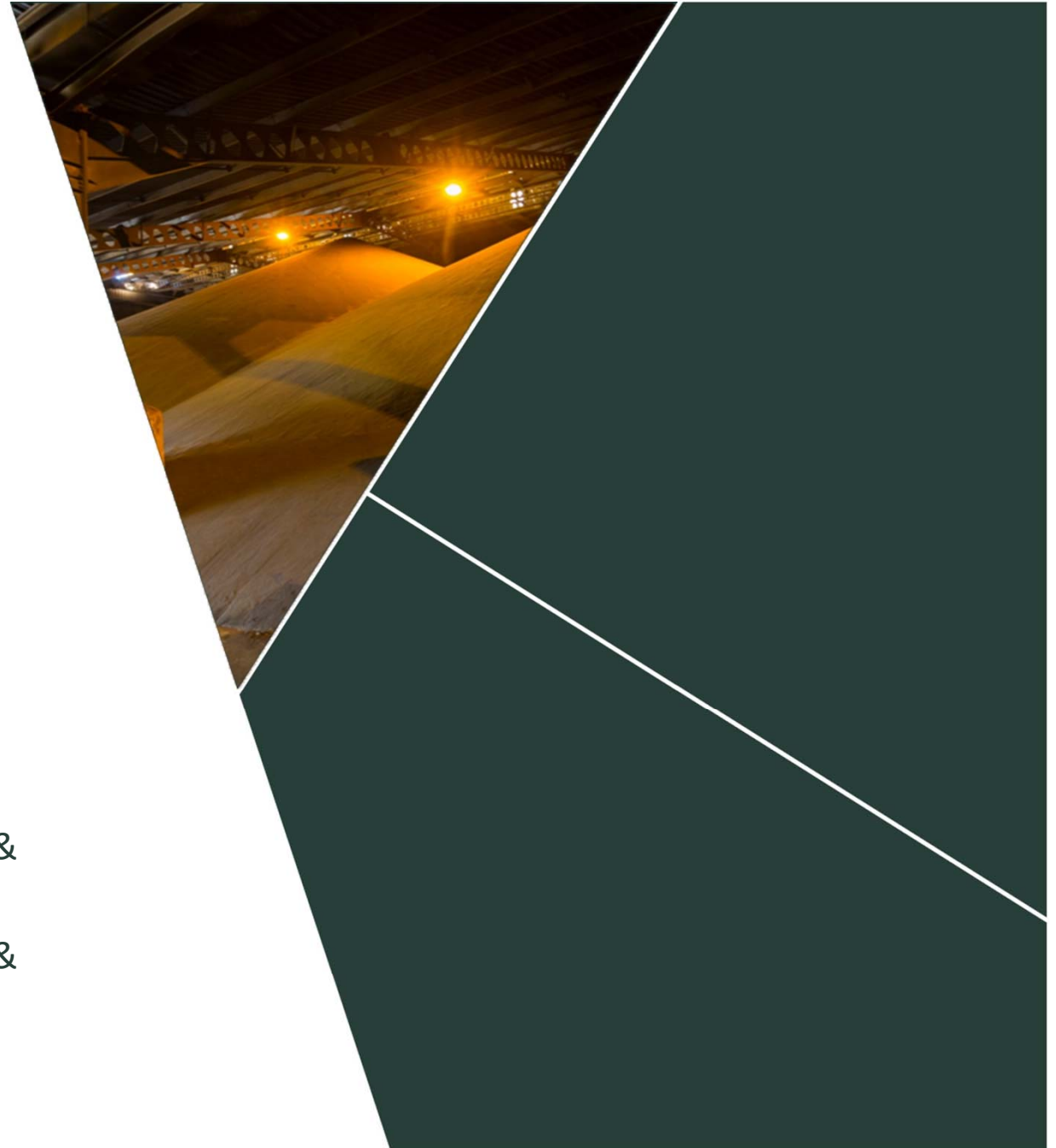
H1 2017 Results Presentation

Tuesday, 22 August 2017

Michael Carvill, Managing Director

Deirdre Corcoran, Financial Controller &
Company Secretary

Jeremy Dibb, Corporate Development &
Investor Relations



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H1 2017 Highlights

Production

Ilmenite
>1,000,000t
last 12m

Cash costs

US\$131/t
↓14% YoY

EBITDA

US\$30m
↑US\$41m
YoY

Net debt

↓to
US\$39m

Ilmenite prices

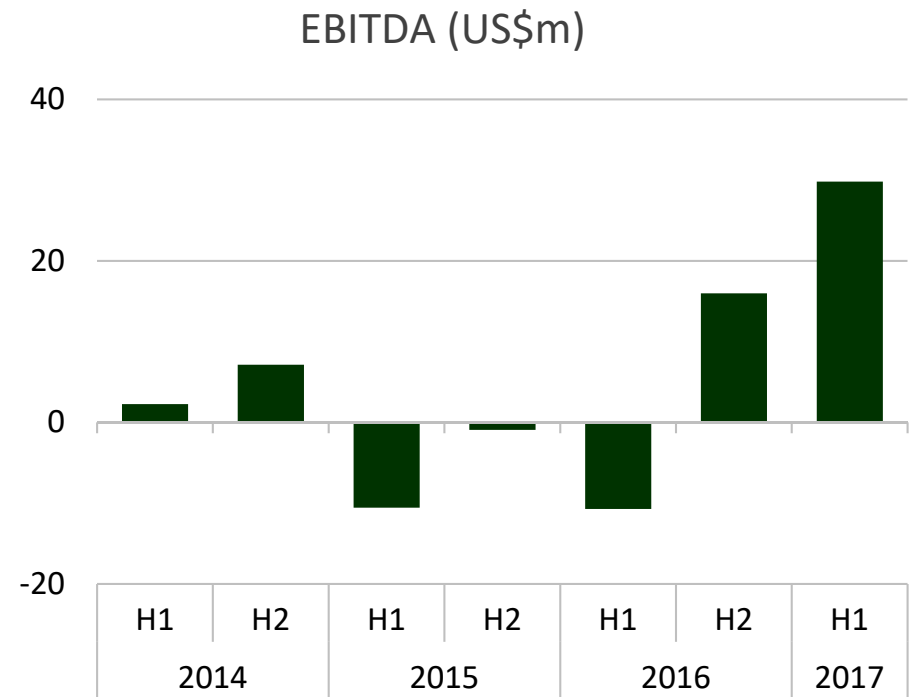
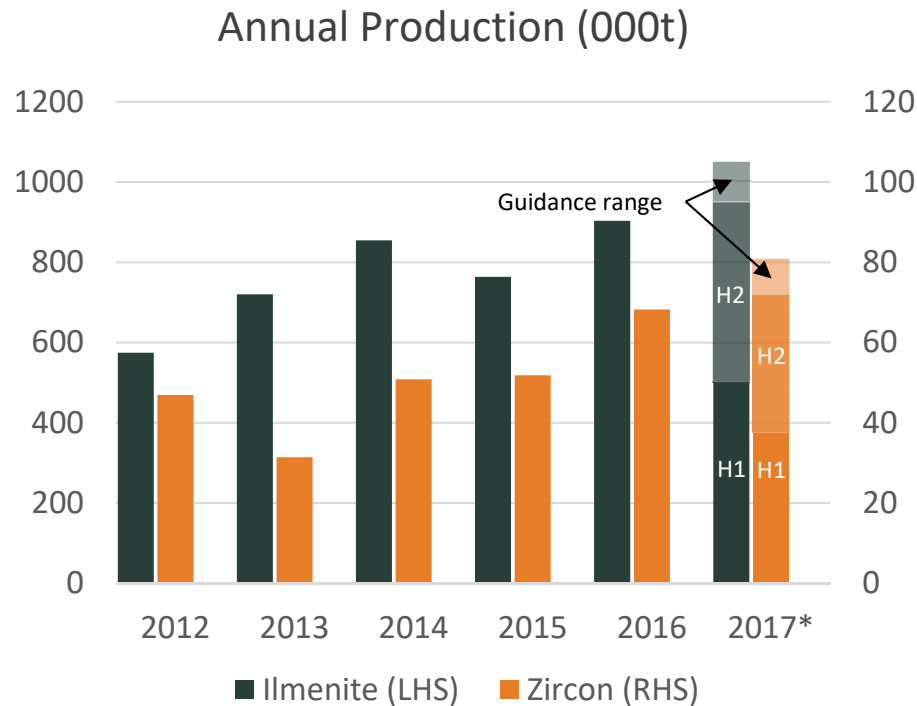
↑61% YoY
+ H2 contract
increases

Zircon prices

↑6% YoY
+ improving

On track to achieve full year guidance

Operating Overview



- Production benefitting from increased utilisation (operating hours) of mining plants
- H1 2017 production of Heavy Mineral Concentrate +18%, ilmenite +25% and zircon +32%
- US\$41m improvement in H1 17 EBITDA from H1 16
- Safety improvements – LTIFR¹ decreased to 0.23 from 0.37 (H1 2016)

* Guidance provided on 16 January 2017

¹ Lost Time Injury Frequency Rate per 200,000 hours worked

2017 Guidance

2017 Guidance*

Production

Ilmenite	kt	950,000-1,050,000
Zircon	kt	72,000-83,000
of which primary	kt	47,000-52,500
of which secondary	kt	25,000-30,500
Rutile	kt	9,000-10,000

Costs

Total cash operating costs	US\$m	130-144
Cash costs per tonne of finished product	US\$/t	120-132

- H1 2017 production of ilmenite and primary zircon tracking favourably against guidance
- Primary / secondary production volumes may be affected by on-going projects to capture a higher proportion of zircon in primary products

* Guidance provided on 16 January 2017



2017 H1 Financial Results

H1 2017 Financial Results Summary

Production ⁽¹⁾

↑26%

H1 17: 546,900t
H1 16: 434,400t

Revenue

↑82%

H1 17: US\$102m
H1 16: US\$56m

Cash costs ⁽²⁾

↓14%

H1 17: US\$131/t
H1 16: US\$153/t

EBITDA

↑US\$41m

H1 17: US\$30m
H1 16: (US\$11m)

Net Profit

↑US\$56m

H1 17: US\$9m
H1 16: (US\$47m)

Net Debt

↓US\$6m

30/06/17: US\$39m
31/12/16: US\$45m

Strong first half 2017 performance

1. Total final product production – ilmenite, zircon, rutile

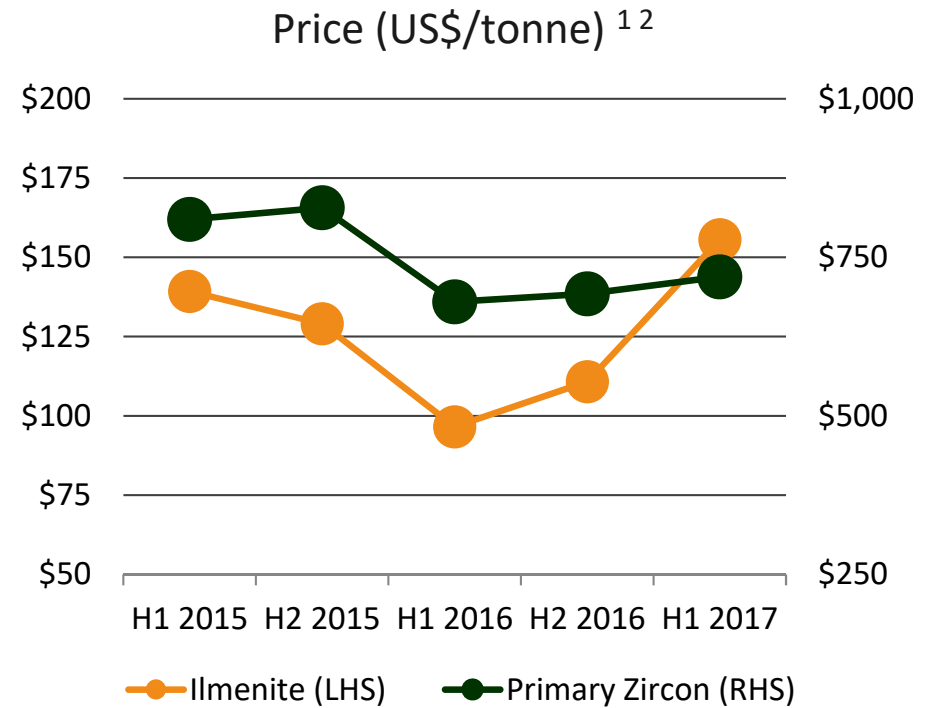
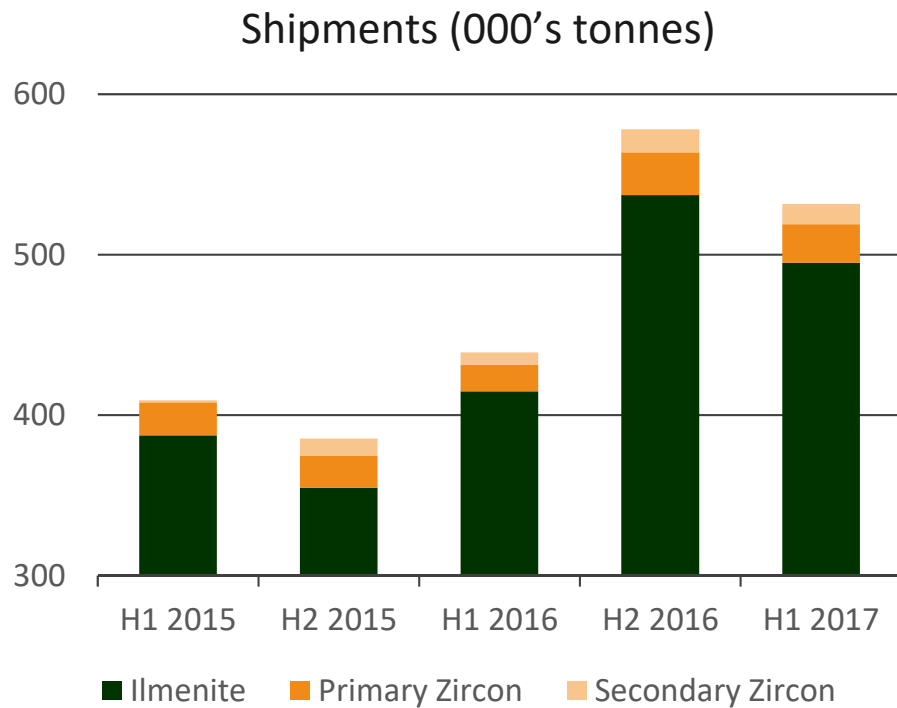
2. Total cash cost per tonne of finished product

H1 2017 Income Statement Review

	H1 2017	H1 2016	
	US\$m	US\$m	Comment
Revenue	102.4	56.2	+82% (volumes +21%, average prices +50%)
Cost of Sales & Other Opex	<u>(87.4)</u>	<u>(81.1)</u>	+8% on increased sales volumes (depreciation \$14.8m)
Operating profit/(loss)	15.0	(24.9)	\$39.9m improvement
Net finance costs	(3.4)	(21.5)	Lower debt levels and reduced interest rate
Foreign exchange loss	<u>(1.8)</u>	<u>(2.7)</u>	FX loss on payables and bank balances
Profit/(loss) before tax	9.8	(49.1)	
Tax (charge)/credit	<u>(0.5)</u>	<u>1.9</u>	Deferred tax asset utilised in H1 2017
Profit/(loss) after tax	<u>9.3</u>	<u>(47.2)</u>	\$56.5m improvement

- H1 17 EBITDA US\$29.8m up from negative US\$10.7m in H1 2016

H1 2017 Revenue Review



- H1 17 Ilmenite volumes up 19%, prices up 61%
- H1 17 Primary zircon volumes up 46%, prices up 6%
- H1 17 Average price per tonnes shipped up 54% to US\$186/t from US\$121/t
- H1 17 volumes lower than H2 16 due to the timing of shipments

¹ Primary zircon includes Standard and Special Grade

² All prices on an FOB (Free On Board) basis – received prices excluding shipping costs

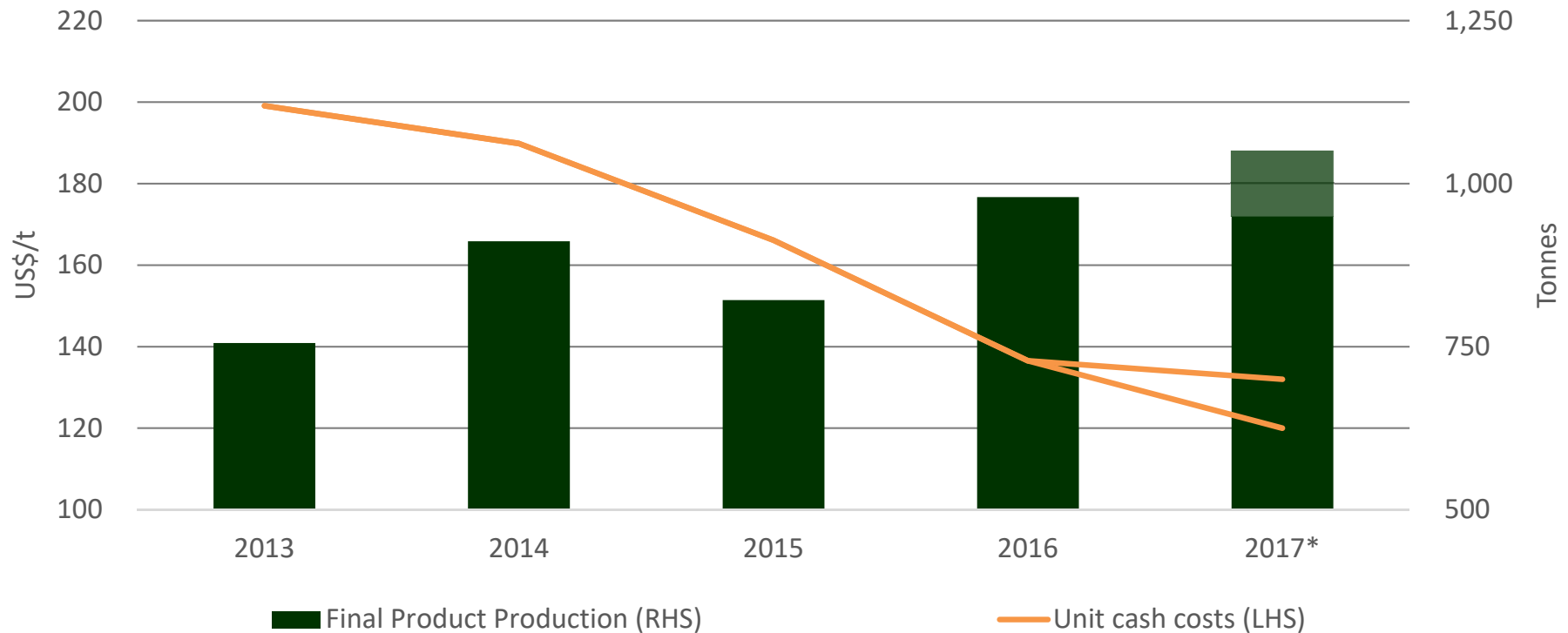
Cash Operating Costs

	H1 2017	H1 2016	
	US\$m	US\$m	
Cost of Sales	73.4	68.0	
Other Operating Costs ⁽¹⁾	14.0	13.1	
Freight (CIF charged to customers)	<u>(2.9)</u>	<u>(2.4)</u>	
Total	84.5	78.7	
Depreciation	(14.8)	(14.2)	
Share-based payments	(0.4)	(0.1)	
Finished product movements	<u>2.1</u>	<u>2.2</u>	
Adjusted cash operating costs	<u>71.4</u>	<u>66.6</u>	7%
Finished Product Production	<u>546,900</u>	<u>434,400</u>	26%
Total cash cost per tonne ⁽¹⁾	<u>\$131</u>	<u>\$153</u>	-14%

Cost management + increased production = significant unit cost reduction

(1) Total cash cost per tonne of finished product is an all in cost including all company S,G&A

Sustainable Cost Reductions

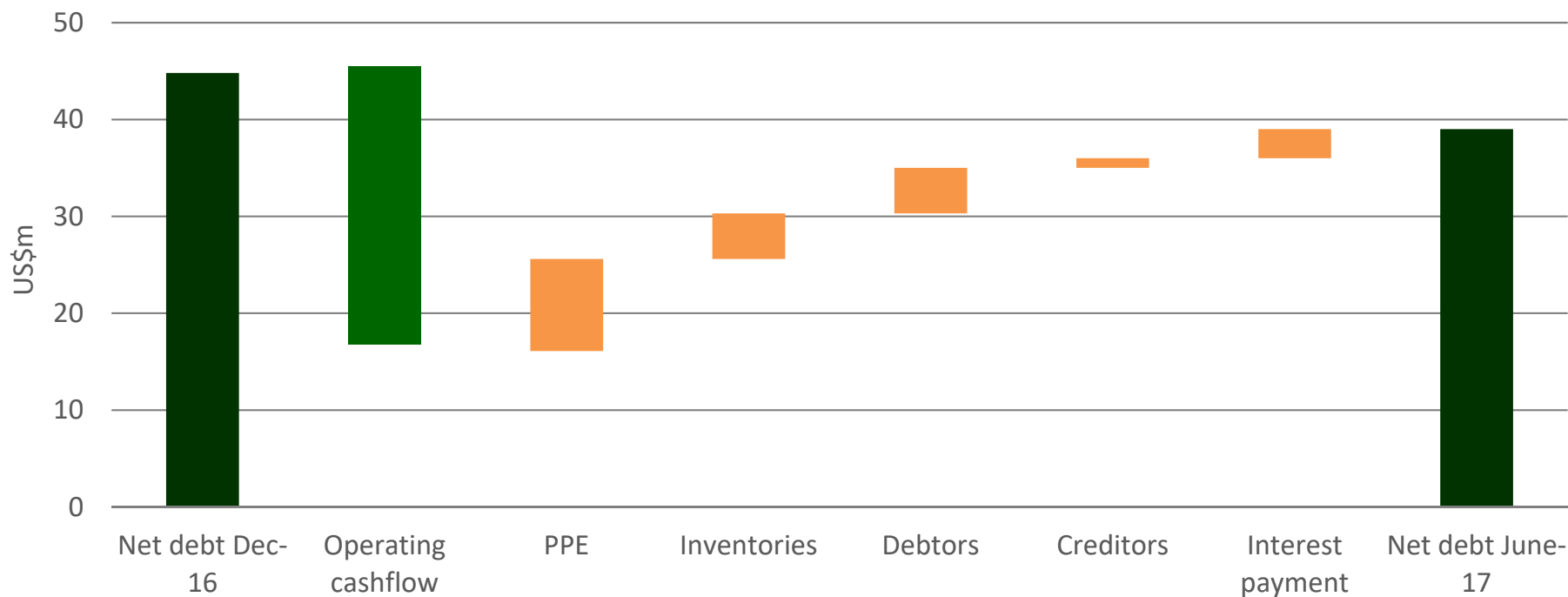


- H1 2017 Cash Operating Cost US\$131/t, 14% reduction on H1 2016
- FX headwinds in H1 2017 – strengthening Rand & Metical
- Phased replacement of rented mobile equipment with owned fleet

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

Total cash cost per tonne of finished product is an all in cost including all company S,G&A

Net Debt Reductions



- Operating cashflow of US\$30.1 million in H1 2017
- Working capital increase of US\$10.5 million
 - Inventories fluctuate with shipments from period to period
 - Factoring less invoices to reduce costs, retains flexibility
 - Creditors reduced by US\$1.0 million

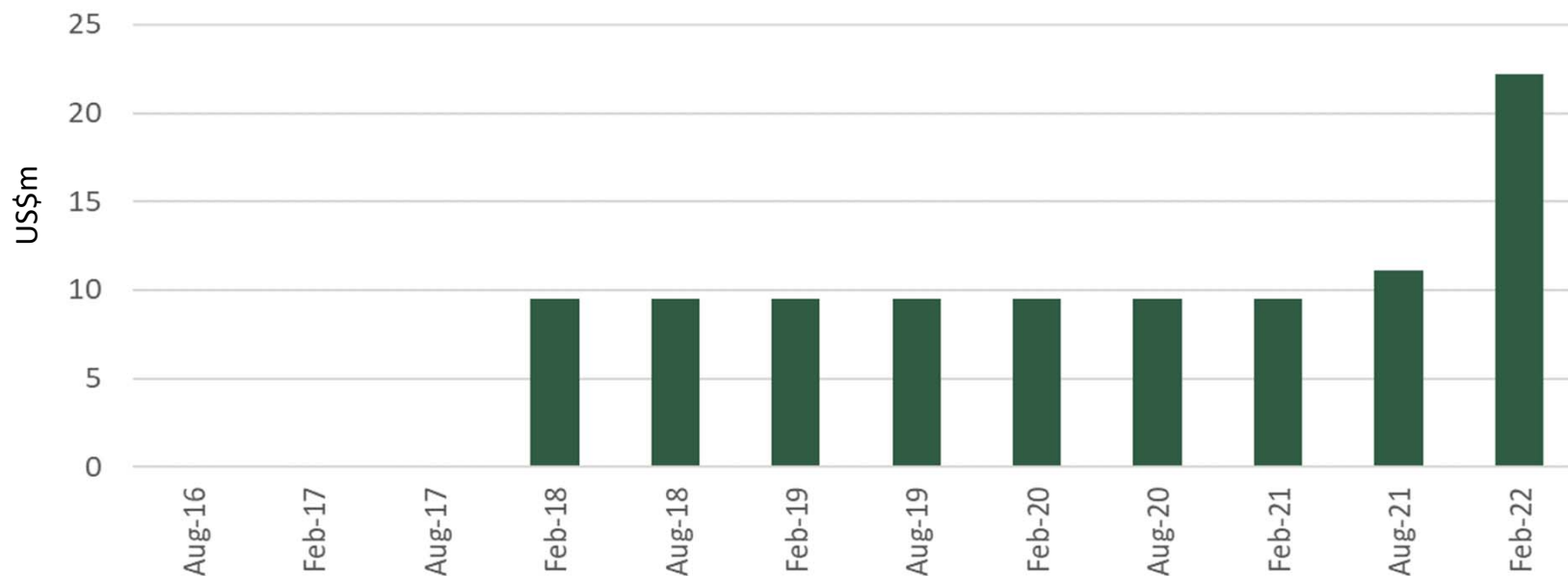
Balance Sheet Review at 30 June 2017

	30-Jun-17	31-Dec-16	Comment
	US\$m	US\$m	
Property, plant & equipment	790.0	793.9	US\$9.5m additions + US\$1.5m closure cost adj - US\$14.8m depreciation
Inventories	52.5	47.8	Final mineral products US\$32.7m, consumables US\$19.8m
Trade & other receivables	28.5	23.8	Receivables US\$23.1m, prepayments US\$5.4m
Deferred tax asset	2.8	3.2	KMML tax losses utilised in period
Cash	<u>63.4</u>	<u>57.8</u>	
Total assets	<u>937.2</u>	<u>926.5</u>	
Equity & reserves	785.6	775.8	Profit US\$9.4m, share based payment US\$0.4m
Bank loans	102.8	102.6	Principal US\$100m plus interest US\$2.8m
Trade & other payables	29.6	30.5	Includes final US\$2.9m arbitration payment notified
Provisions	<u>19.2</u>	<u>17.6</u>	US\$1.5m increase in mine closure provision
Total equity & liabilities	<u>937.2</u>	<u>926.5</u>	

Capital Expenditure

- Sustaining capital expected to average US\$20m annually in medium term
- 2016 sustaining capital constrained at US\$6.7m
- 2017 sustaining capital expected to be approx. US\$25m:
 - including US\$5m carry-over from low 2016 sustaining capital
 - purchase of mobile equipment replacement will reduce rental costs
- H1 2017 PPE additions of US\$9.5m
 - Sustaining capital of US\$9m
 - Feasibility study spends of US\$0.5m
- H2 2017 feasibility studies expected to cost ~US\$3.0m

Principal Debt Repayments



- Repayment holiday finishes in February 2018
- Scheduled repayments exclude partial cash sweep from February 2018
- All debt now USD denominated



Outlook

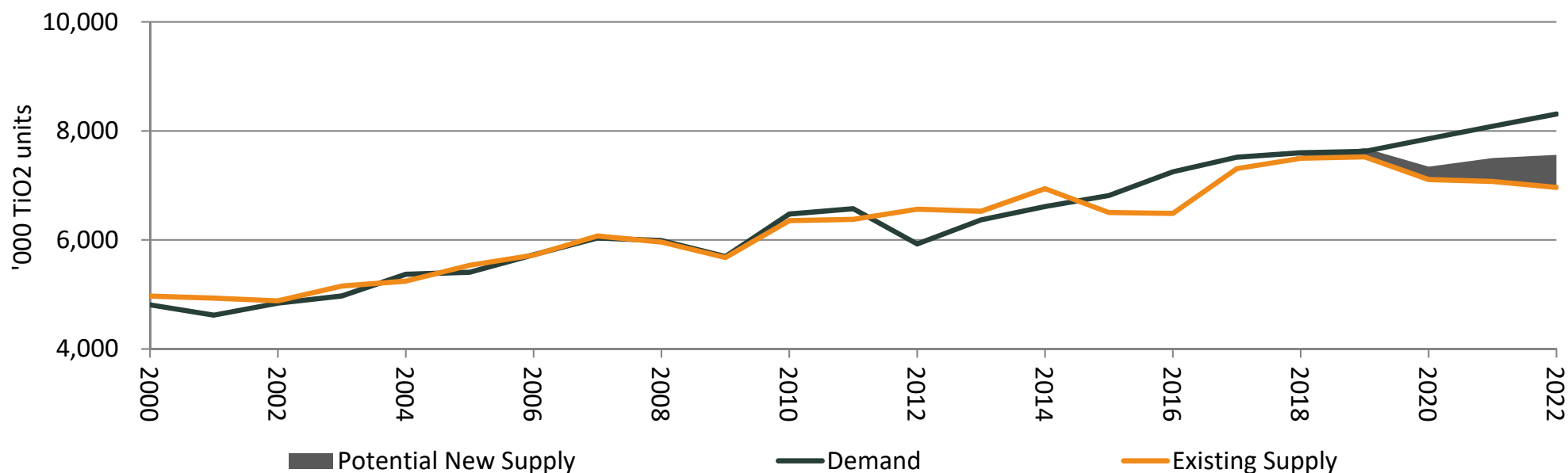
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Mine development strategy

- Wet Concentrator Plant B upgrade
 - From 2,000 to 2,400tph
 - Definitive Feasibility Study expected Q3 2017
- Wet Concentrator Plant C
 - Located in higher grade Pilivilli zone
 - Pre-Feasibility Study progressing well
- Assessing options which may significantly reduce (or defer) capital whilst optimising production volumes

Market Overview

Kenmare Supply/Demand Forecast



- Solid demand growth from end use pigment sector in H1 2017
- Strong H1 price growth for ilmenite, further price increases agreed for contracted volumes in H2 2017, but the feedstock market in China has been weaker recently
- Higher prices have incentivised additional supply; lower quality ilmenite and concentrates entering the Chinese market (includes sales from stockpiles, which are not expected to provide long term supply)
- Improving zircon market conditions due to supply constraints and recovering demand

Summary



Company Strategy

Structured and disciplined approach to capital management



Short Term

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



Medium Term

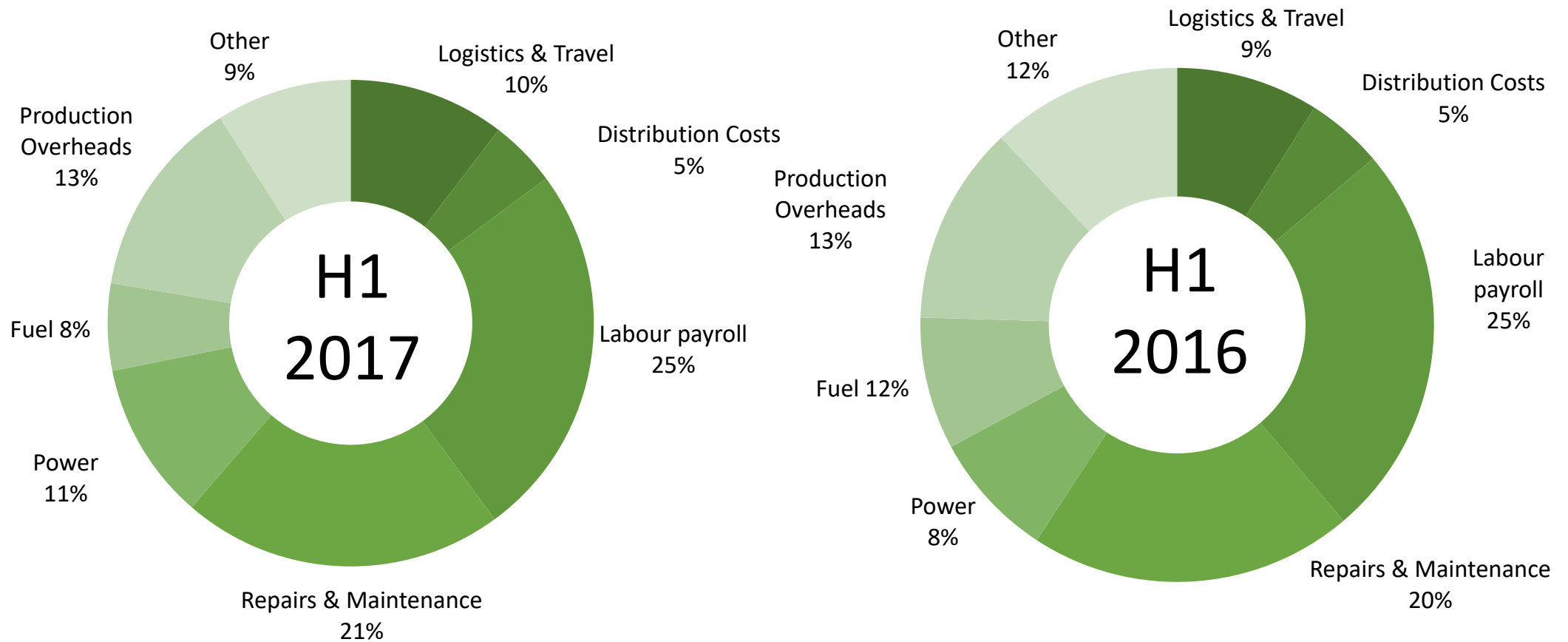
- Optimise mining capacity for market conditions
- Deliver shareholder returns
- Balance sheet optimisation





Appendices

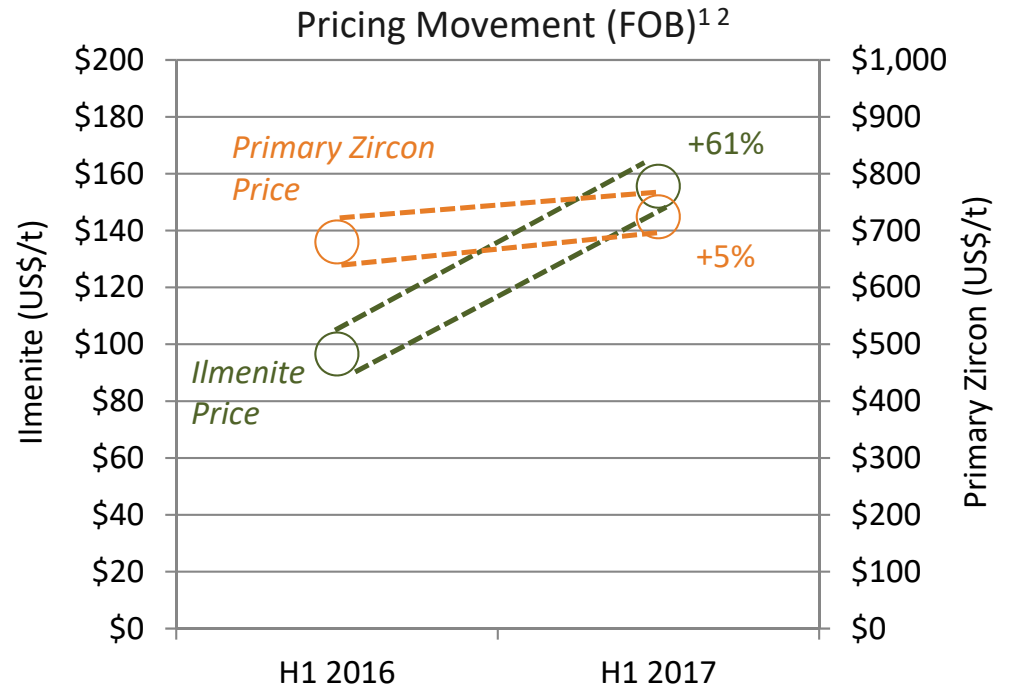
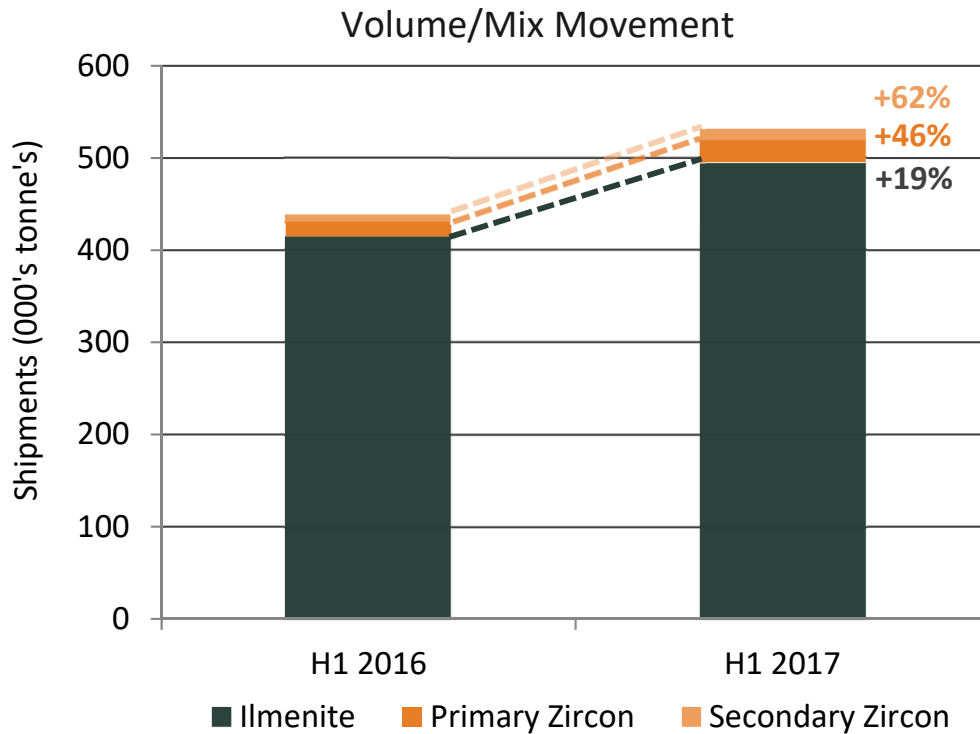
H1 2017 Cash Operating Costs



➤ Operating costs largely fixed

Rounding may cause total percentages to higher or lower than 100%.

2017 Revenue Review – H1



- H1 2017 sales volumes increased by 21% to 535,700 tonnes (H1 2016: 441,700 tonnes)
- Total revenue increased by 82% to US\$102.4m (H1 2016: US\$56.2m)
- Ilmenite volumes up 19%, prices (FOB) up 61%
- Primary zircon volumes up 46%, prices (FOB) up 5%
- Secondary zircon volumes up 62%, prices (FOB) up 35%
- Average price per tonnes shipped (FOB) up 54% to US\$186/t from US\$121/t

¹ Primary zircon includes Standard and Special Grade

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

Group Lenders at 30 June 2017

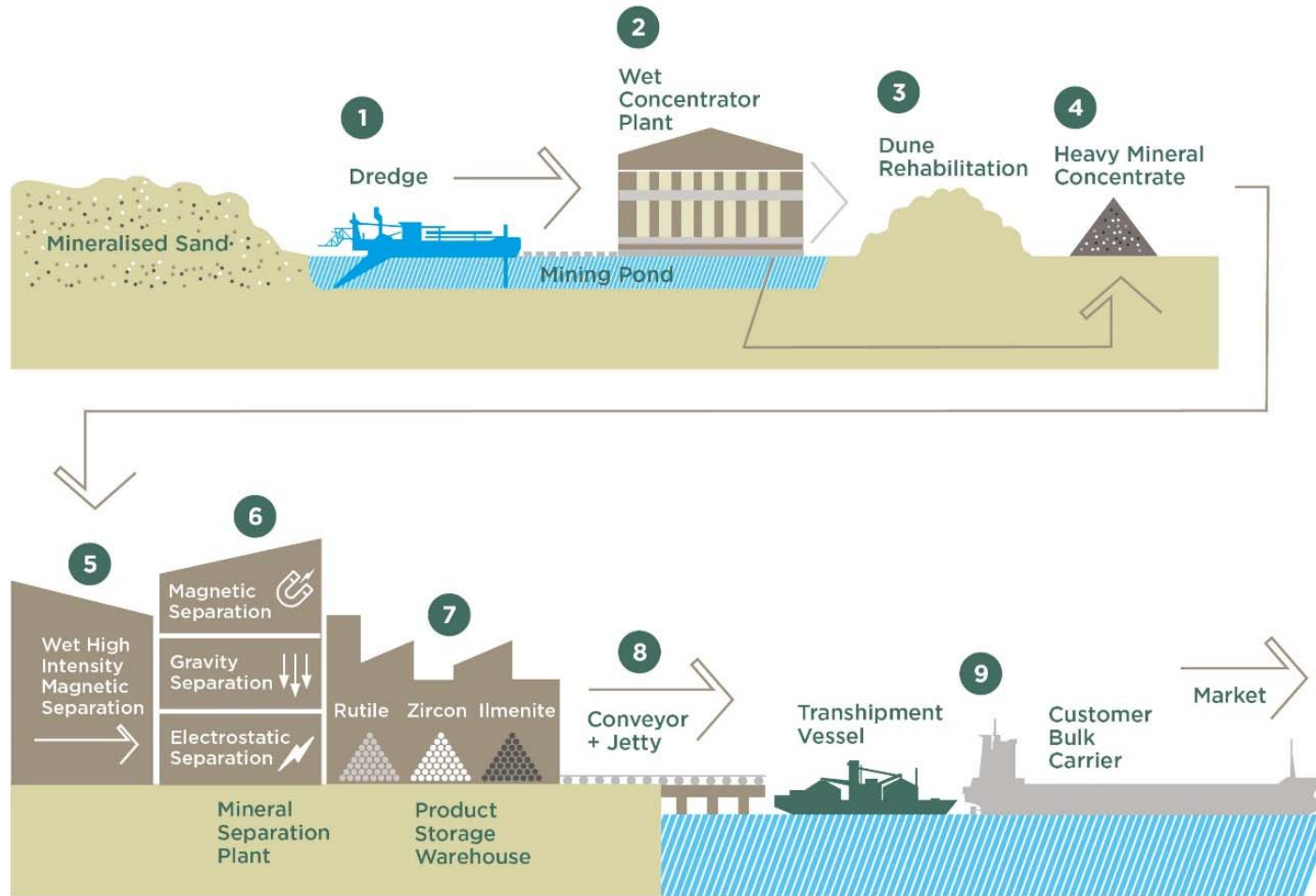
	Loan principal US\$ 000	Loan interest US\$ 000	Loan balance US\$ 000
Senior Loans			
AfDB	4,273	80	4,353
Absa	14,651	292	14,943
EAIF	494	9	503
EIB	1,550	29	1,579
FMO	1,637	31	1,668
KfW IPEX-Bank (Hermes)	1,298	24	1,322
KfW IPEX-Bank (MIGA)	1,497	28	1,525
<i>Total Senior Loans</i>	25,400	493	25,893
Subordinated Loans			
EIB	43,877	1,364	45,241
EAIF	17,321	538	17,859
FMO	13,402	417	13,819
<i>Total Subordinated Loans</i>	74,600	2,319	76,919
<i>Total Group Loans</i>	100,000	2,812	102,812

Adjusted Cash Operating Costs

	H1 2017	H1 2016	Change	YoY
	US\$'000	US\$'000	US\$'000	%
Logistics & Travel	7,124	5,972	1,152	19%
Distribution Costs	3,055	3,220	-165	-5%
Labour payroll	17,165	16,628	537	3%
Repairs & Maintenance	14,668	13,590	1,078	8%
Power	7,200	6,106	1,094	18%
Fuel	3,962	4,717	-755	-16%
Production Overheads	9,138	8,341	797	10%
Other	9,067	7,997	1,070	13%
	<u>71,379</u>	<u>66,571</u>	<u>4,808</u>	<u>7%</u>

- Logistics & travel up 19% - increase due to higher volumes of plant spares transported to the mine
- Labour costs due to higher catering, training and recruitment costs
- Repairs & maintenance up 8% mainly as a result of increase in production
- Electricity costs up 18% due to increase mine infrastructure increasing power demand
- Fuel costs down 16% due to lower fuel prices
- Production overheads up 10% due to increased head office costs

Operations schematic



Map of license areas

