Kenmare Resources plc

2014 Results

30 April 2015

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1 Overview

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Kenmare 2014 Results Overview

- Debt restructuring completed April 2015 – will create a stable financial platform
- Ore mined up 42% to 34,120,000 tonnes (2013: 23,950,000 tonnes)
- Production of HMC up 13% to 1,287,300 tonnes (2013: 1,137,200 tonnes)
- Production of ilmenite up 19% to 854,600 tonnes (2013: 720,100 tonnes)
- Production of zircon up 62% to 50,800 tonnes (2013: 31,400 tonnes)
- Shipments of finished product up 18% to 800,000 tonnes (2013: 677,900 tonnes)
- Revenues of US$174.3m (2013: US$137.9m)
- EBITDA of US$9.4m (2013: US$29.0m)
- Impairment loss on Property, Plant and Equipment of US$64.8m (2013: nil)
- Loss after tax of US$100.8m (2013: US$44.1m)

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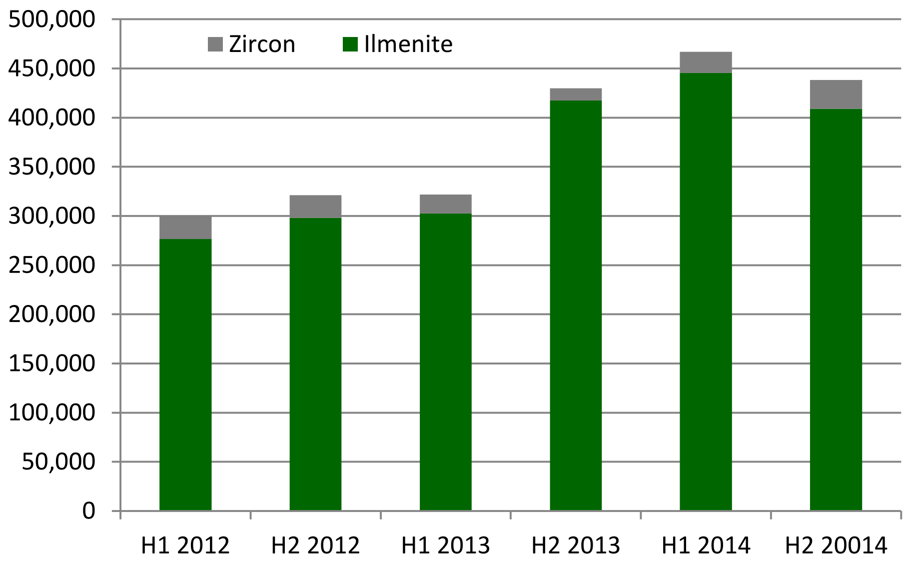
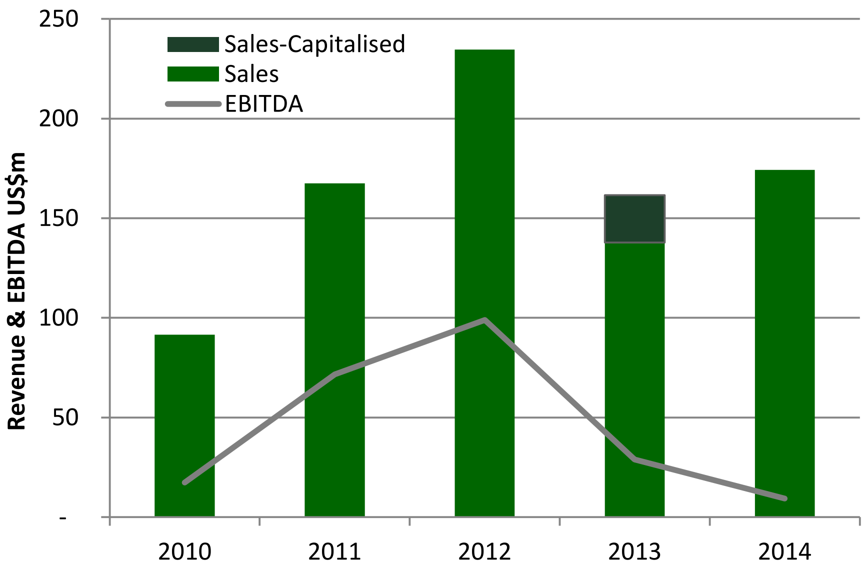
Key Performance Indicators

Production 2012 - 2014 (Half-Yearly) 000t



Revenue & EBITDA 2010 – 2014 US$m



- 2014 production of HMC up 13%, ilmenite up 19% and zircon up 62%
- 2014 sales volumes increased 18% to 800,000 tonnes (2013: 677,800 tonnes)
- Decision taken to curtail H2 ilmenite production due to weak market conditions
- Closing final product stocks at end 2014 of 219,500 tonnes (2013: 107,100 tonnes)

2 Summary Results

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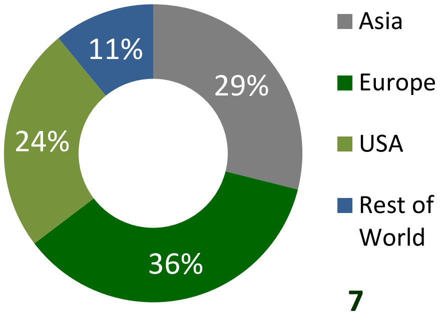
2014 Income Statement Review

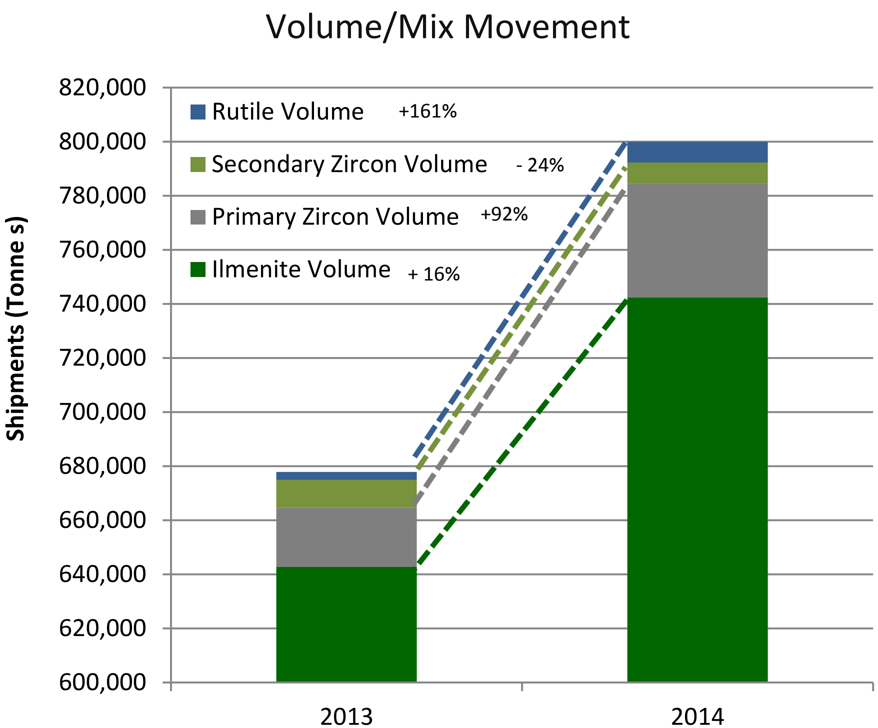
	2014	2013	Comment on 2014 & movement
	US$m	**US$m**	
Revenue	174.3	137.9	Sales up 26% due to higher sales vol. despite price drop (*Note: 2013 excl. $23.6m capitalised revenue)*
Cost of Sales & Opex	(205.8)	(133.2)	Costs up 55% due to higher vol sold + higher costs of operating expanded facility, incl. depreciation
Impairment loss	(64.8)	-	Mainly as a result of low product sales prices
Operating (loss)/profit	(96.3)	4.7	
Net finance costs	(28.5)	(40.2)	Decrease in fair value of warrants
Foreign exchange gain/(loss)	24.1	(6.6)	Retranslation euro debt - cannot hedge euro loan
Loss before tax	(100.7)	(42.1)	
Tax charge	(0.1)	(2.0)	Write-off deferred tax asset
Loss after tax	(100.8)	(44.1)	

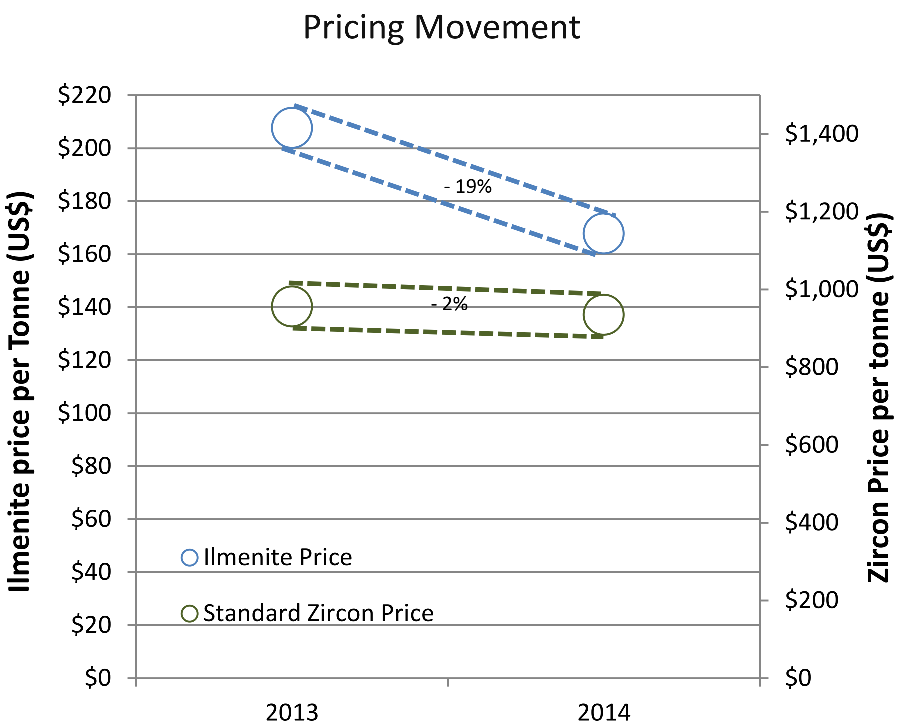
- Weighted average product prices down 9% vs 2013 due to challenging market conditions
- Share price reduction has lead to decrease in fair value of warrants resulting, in finance income US$6.1m in 2014 vs charge of US$5.9m in 2013
- EBITDA: US$9.4m (2013: US$29.0m) – positive, notwithstanding reduced prices

Revenue by geography



2014 Revenue Review





- Total revenue $174.3m up 8% on 2013 revenue of US$161.5m, incl. $23.6m of capitalised sales in 2013
- Increased volume of primary zircon, compared with secondary grade zircon
- Ilmenite volumes sold up 16% offset by price decreases of 19%

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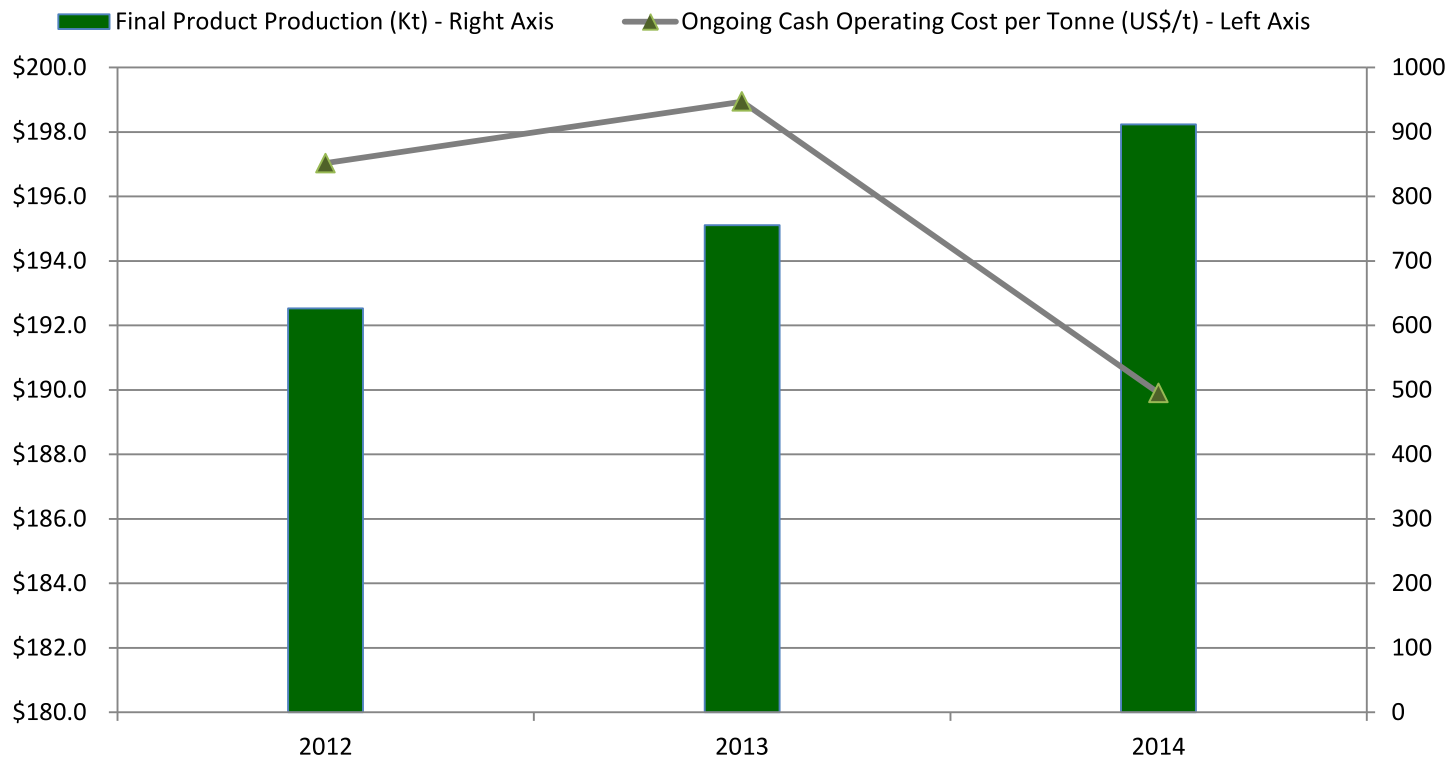
2014 Cash Operating Costs Review

		2014 US$m	2014 US$m	2013 US$m	2013 US$m
Cost of sales		173.4		113.7	
Other operating costs		32.4	205.8	19.5	133.2
Freight (CIF charged to customers)			(8.2)		(3.4)
Total costs less freight			197.6		129.8
Non-cash costs					
Depreciation		40.9		24.3	
Share-based payments		1.3	(42.2)	0.8	(25.1)
Inventory movements					
Finished product movements			17.7		18.0
Once-off costs					
WCP A trommel repairs			-		(1.3)
Cost capitalised			-		28.9
Ongoing cash operating costs	**+15%**		173.1		150.3
Final products production	**+ 21%**		911,500		755,500

- Analysis above reconciles costs in Income Statement to cash operating cost to run business
- Increase in depreciation due to increase production and full year expanded asset base
- Total cash cost per tonne of finished product produced decreased by 5%, despite decision to curtail H2 ilmenite production due to weak market conditions

2012 – 2014 Cash Operating Costs



- Cost per tonne fell in 2014 as expected from peak in 2013 due to:
    - Increasing production, despite curtailing H2 ilmenite production due to weak market conditions
    - Focus driving cost efficiencies throughout 2014
- Further cost reduction programme in 2015: retrenchment programme finalised; further engineering efficiencies; overhead reduction; reduction of on-site contractors and consultants, etc.

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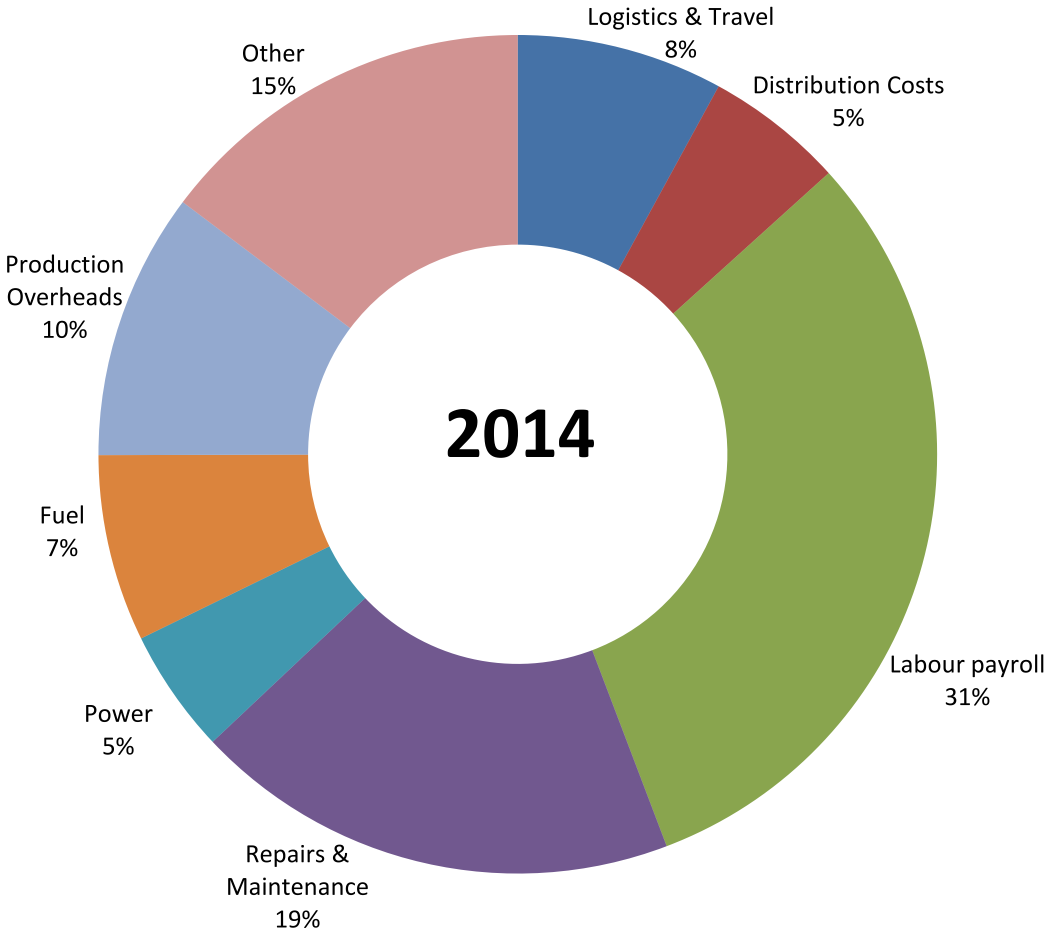
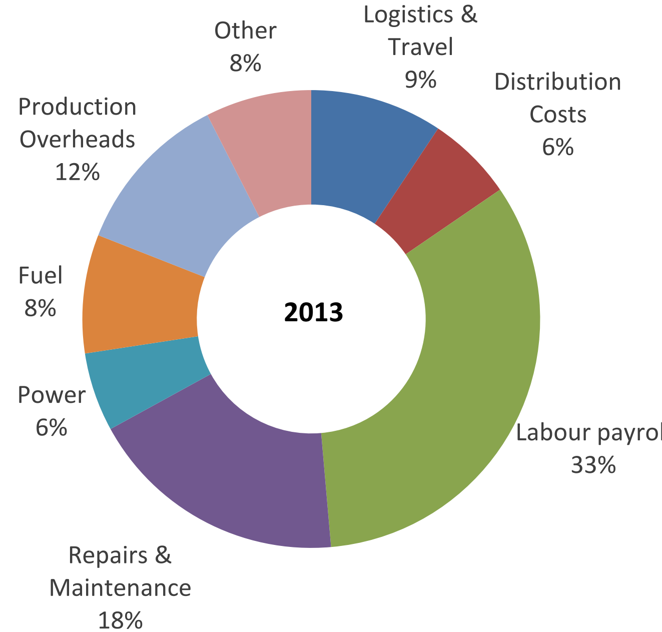
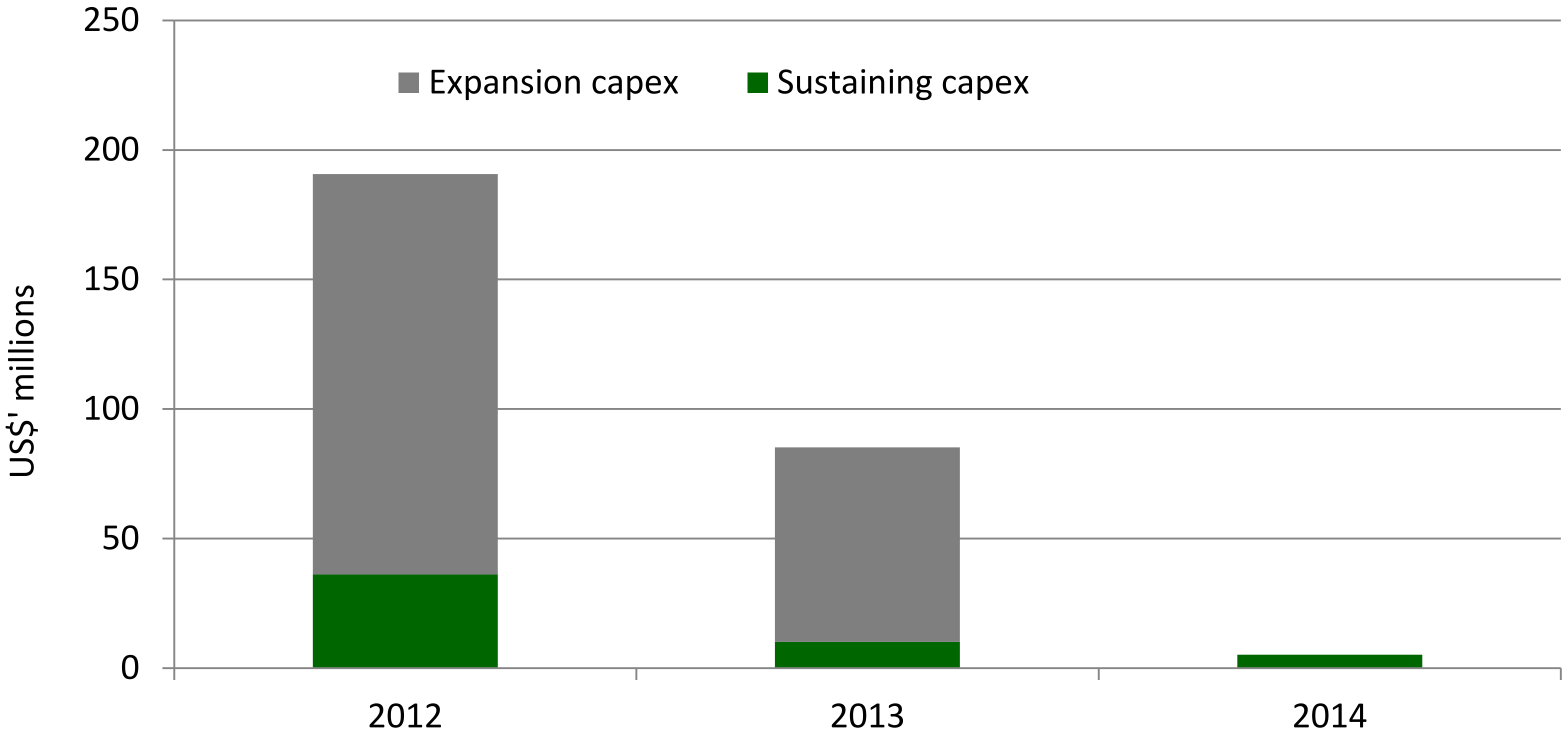
2014 Cash Operating Costs





- Operating costs largely fixed at full production, so cost/tonne to reduce as production increases

Yearly Capex 2012 - 2014



- Long period of investment completed in 2013 and Phase II expansion brought into production
- Sustaining capex tightly controlled in 2014 at US$5.2m (2013: US$10.2m)

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2014 Balance Sheet Review

	2014 US$m	2013 US$m	Comment on 2014 & movement
Property, plant & equipment	865.2	967.1	Impairment and depreciation of expanded plant
Deferred tax asset	-	0.1	
Inventories	62.5	44.2	Increased product stocks due to difficult market
Trade & other receivables	28.1	19.3	Increase in trade debtors and EdM receivable
Cash	21.8	67.5	
Total assets	977.6	1,098.2	
Equity & reserves	564.8	664.2	2014 result & share based payments
Bank loans	337.7	355.2	Project debt accrued interest & FX movement
Creditors & provisions	75.1	78.8	Incl. closure provision, trade payables & accruals
Total equity & liabilities	977.6	1,098.2	

- Total assets US$978m (2013: US$1,098m)
- Mineral stock inventories US$42.3m (2013: US$24.6m) - increase due to challenging market conditions
- Debt amendment in April 2015 will better align the terms of the group financing with projected cash flows

Group Debt

- Group Debt at 31 Dec. 2014: US$337.7m (2013: US$355.2m)
- Lenders: *Project* - Absa, KfW, FMO, EIB, EAIF & AfDB; *Group* - Absa/Barclays
- Guarantors: ECIC (of Absa), MIGA & Hermes (of KfW)
- Average project interest rate at Dec. 2014 was 9%
- Senior: US$80m, floating @ LIBOR + 3.5% to 5.3%, fixed @ 5.45% to 7.45%.
- Subordinated: US$250m, interest 11%.
- Absa/Barclays corporate facility: US$19.4m
- April 2015 Debt Amendment to create a stable financial platform

April 2015 Loan Amendment

Amendment to debt agreed with lenders on 29 April 2015

Purpose to create a stable financial platform for Kenmare

Amendment provides flexibility and better aligns terms of the group financing with projected cash flows

Key terms include:

- a new money commitment of up to US$50m
- extension final maturity of existing facilities
- reduction in scheduled principal payments on the Senior Debt
- elimination of scheduled interest and principal on Subordinated Debt
- novating and restating Absa corporate facility as a Subordinated Debt obligation of Project Companies and extending the final maturity from 31 March 2016 to 1 August 2021
- debt repayment includes a cash sweep
- a lender approved Non-Executive Director to be appointed to Kenmare's Board
- Agreement to deleverage:
    - in certain circumstances, the Group is required to have completed a deleveraging in an amount acceptable to Project Lenders by 30 September 2015
    - in certain other circumstances, the Group is required to file for Project Lender approval a budget for 2016 by 31 January 2016 which includes a plan and timetable for a material deleveraging satisfactory to Project Lenders.

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Group Lenders at 31 December 2014

	Loan Balance US$m	Previous Maturity	New Maturity
Senior Project Loans			
AFDB	21.2	2018	2021
Absa (ECIC)	23.9	2015	2018
EAIF	2.6	2018	2021
EIB	9.5	2018	2021
FMO	8.6	2016	2019
KfW IPEX-Bank (Hermes)	6.6	2015	2018
KfW IPEX-Bank (MIGA)	7.7	2018	2021
	80.1		
Subordinated Project Loans			
EIB	149.2	2019	2021
EAIF	55.2	2019	2021
FMO	45.6	2019	2021
	250.0		
	330.1		
Project loan amendment fees	(11.8)	Amortised over life of loans	
Total Project Loans	**318.3**		
Absa corporate facility	19.4	2016	2021
Total Group Loans	**337.7**		

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2015 Update

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Interim Management Statement – Q1 2015

- Debt amendment signed with lenders in April 2015
- Sales of finished products up 8% to 209,600 tonnes (Q1 2014: 193,900 tonnes)
- Grid power outage during Q1 was mitigated by operation of generator sets
- Ore mined down 57% to 3,211,000 tonnes (Q1 2014: 7,543,000 tonnes)
- Production of Heavy Mineral Concentrate (“HMC”) down 50% to 144,500 tonnes (Q1 2014: 287,000 tonnes)
- Production of ilmenite down 39% to 129,000 tonnes (Q1 2014: 210,800 tonnes)
- Production of primary zircon up 19% to 9,200 tonnes (Q1 2014: 7,700 tonnes)
- Retrenchment programme finalised