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Centamin plc
Annual report 2016
STRATEGIC REPORT

BUSINESS MODEL continued

Our KPIs and targets for 2017 are set out below:

STRATEGIC FOCUS AREAS		PRINCIPAL RISKS	OBJECTIVES
1 Cash generation	\$	Priority 1 Single project dependency Joint venture Gold price and currency exposure Jurisdictional tax exposure Political risk – Egypt Political risk – West Africa Reserve and resource estimates Exploration development Production estimates Litigation	<ul style="list-style-type: none"> Competitive costs. Stable production with opportunities for further increases through optimisation.
2 Shareholder returns	👥	Priority 2 Single project dependency Joint venture Gold price and currency exposure Jurisdictional tax exposure Political risk – Egypt Political risk – West Africa Reserve and resource estimates Exploration development Production estimates Litigation	<ul style="list-style-type: none"> Share price performance relative to peers. Dividend returns, with free cash flow to fund the next stage of growth.
3 Growth	🔧	Priority 3 Single project dependency Joint venture Gold price and currency exposure Jurisdictional tax exposure Political risk – Egypt Political risk – West Africa Reserve and resource estimates Exploration development Production estimates Litigation	<ul style="list-style-type: none"> Developing a well balanced project pipeline, with potential to add incremental shareholder value by increasing production across the group. M&A activity for greenfield or early exploration.
4 Social responsibility	🌱	Priority 4 Single project dependency Joint venture Gold price and currency exposure Jurisdictional tax exposure Political risk – Egypt Political risk – West Africa Reserve and resource estimates Exploration development Production estimates Litigation	<ul style="list-style-type: none"> Maintaining a safe environment to work, with opportunities for our employees to train and develop skills.

Represent the areas of risk closely related to the strategic focus area.

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KPIs REPORTED IN 2016	KPIs SET FOR 2017
<ul style="list-style-type: none"> Cash cost of production of US\$513 per ounce, a 28% reduction on US\$713 in 2015 and below revised guidance of between US\$530 and US\$550 per ounce. All-in sustaining cost of US\$694 per ounce, a 22% reduction on US\$885 in 2015 and below revised guidance of between US\$720 and US\$750 per ounce. 551,036 ounces produced, a 26% increase on 439,072 ounces in 2015 and above revised guidance of between 520,000 and 540,000 ounces. 	<ul style="list-style-type: none"> Targeted US\$580 cash cost of production per ounce. Targeted US\$790 per ounce all-in sustaining cost. Targeted production of 540,000 ounces of gold.
<ul style="list-style-type: none"> Total dividend in 2016 of 15.5 US cents per share, an increase on 2.94 US cents per share in 2015 and equating to approximately 70% of net cash flow after sustaining capital and profit share and before exploration expenditure outside of Sukari. 	<ul style="list-style-type: none"> Annual dividend of at least 30% net cash flow after sustaining capital and profit share and before exploration expenditure outside of Sukari.
<ul style="list-style-type: none"> Process plant throughput of 11.6Mt, a 9% increase on 2015 and above our base case forecast rate. Exploration programme over licence areas in Burkina Faso. Exploration programme over licence areas in Côte d'Ivoire. 	<ul style="list-style-type: none"> Resource/reserve replacement and expansion at Sukari, with a focus on the high-grade underground. Drilling on priority targets in Burkina Faso and Côte d'Ivoire, providing the foundation for further resource development.
<ul style="list-style-type: none"> LTIFR of 0.27 per 200,000 man hours, above our zero-harm target. 	<ul style="list-style-type: none"> Zero-harm safety record throughout the group's operations.

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Cash generation

Maximising productivity and maintaining one of the industry's lowest cost profiles

- No major expansion capital at Sukari
- Further production growth potential, driven by ongoing process optimisation and exploration
- No debt or hedging obligations



HOW WE GENERATE FREE CASH FLOW AND DELIVER SHAREHOLDER RETURNS

A record year of free cash flow from our flagship Sukari Gold Mine.

During 2016, the Sukari operation delivered against its potential to generate substantial free cash flows, as the expanded operation met, and subsequently exceeded, its base case target levels of productivity. With the potential for ongoing process optimisation and exploration to drive further production growth over the coming years, Sukari enters 2017 on a strong and stable footing for its remaining circa 20-year life of mine. Centamin has no debt or hedging and has US\$428.0 million of cash and liquid assets at the year end 2016. The Company is therefore financially robust, is well positioned to benefit from a further recovery in the gold price, and has the financial flexibility to grow both organically and through strategic acquisitions.

KPIs reported during the year:

- cash cost of production of US\$513 per ounce;
- all-in sustaining cost of US\$694 per ounce; and
- revenue of US\$687.4 million was an increase of 35% on 2015, driven by increased production and a higher average gold price of US\$1,256 per ounce (US\$1,159 per ounce in 2015).

Our KPIs reported for 2016 are set out below:

Cash		Q4 2016	Q4 2015	2016	2015
Cash cost of production	US\$ per ounce	536	667	513	713
All-in sustaining cost of sales	US\$ per ounce	720	842	694	885
Revenue	US\$'000	158,307	130,196	687,387	508,396

KPIs set for 2017:

- targeted production of 540,000 ounces;
- targeted US\$580 cash cost of production per ounce; and
- targeted US\$790 all-in sustaining cost per ounce.



Underground grade control rig

PROJECT DELIVERY

- **Track record:** investment and construction phase at Sukari complete.
- **Production:** 2017 guidance of 540,000oz.

FOCUS ON COST CONTROL

- **Capex:** Sukari staged construction delivered on budget.
- **Low cash cost of production:** target of US\$580/oz in 2017.
- **Low all-in sustaining cost:** target of US\$790/oz in 2017.

OPTIMISING PRODUCTION

- **Upside:** further potential for production growth and cost reduction through process optimisation.
- **Reserve growth:** further exploration potential to extend the mine life and/or increase production.
- **Capex:** no requirement for further significant capital expansion.

STABLE FINANCES AND SHAREHOLDER RETURNS

- **Cash:** maintaining appropriate cash reserves.
- **Dividend:** competitive dividend policy.
- **Debt free:** no interest payments or hedging obligations.
- **Long life:** Sukari has a mine life of approximately 20 years on current reserves.

NEXT STAGE OF GROWTH

- **Cash flow:** post-dividend cash flows are used to fund growth.
- **New project generation:** Exploration projects in Côte d'Ivoire and Burkina Faso.
- **Acquisitions:** financial flexibility to acquire value-accretive projects.

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Shareholder returns

Dividend payments are prioritised

- Dividend policy to pay at least 30% of free cash flow⁽¹⁾
- 2016 full year dividend 15.5 US cents per share (2.94 US cents for 2015)
 - We remain committed to maintaining fiscal discipline and returning excess cash to shareholders



Centamin's board of directors is pleased to propose a final dividend for 2016 of 13.5 US cents per share, which will be paid on 31 March 2017 to shareholders on the register at the record date following approval at the AGM on 21 March 2017.

In reflection of the free cash flow generation from Sukari, the 2016 full-year dividend of 15.5 US cents per share represents a significant increase on the 2015 payment of 2.94 US cents per share. This is in line with the Company's recently revised dividend policy, to pay an amount of at least 30% of the Company's net cash flow after sustaining capital costs and following the payment of profit share due to the government of Egypt. Centamin is committed to its shareholder return policy and, to the extent that future cash reserves exceed that required to maintain a stable balance sheet and also provide capacity for potential future growth, the Company is committed to make further returns to shareholders.

What we do for Egypt – stakeholder returns:

- direct payments to the government including:
 - an entitlement of US\$51 million profit share to 31 December 2016; and
 - royalty payments of US\$103 million to 31 December 2016.
- approximately US\$3 billion investment to date (including capital and operational expenditure); and
- an average of circa 1,300 Egyptian employees (70 expatriates) and over 270 Egyptian companies supplying Sukari.

KPIs reported during the year:

- total dividend 15.5 US cents per share for 2016 (totalling approximately US\$178 million); and
- total payout above the dividend policy range of 15-30% of the Company's free cash flow⁽¹⁾.

(1) After sustaining capital and profit share to EMRA and before exploration expenditure outside of Sukari.

Dividend policy and KPIs set for 2017:

- annual dividend of at least 30% of the Company's free cash flow⁽¹⁾.



Geologists in underground operation

CENTAMIN IS
COMMITTED TO ITS
SHAREHOLDER
RETURN
POLICY

Interim dividend of
2 US cents per share
Final dividend of
13.5 US cents per share
Total dividend for 2016
15.5 US cents per share



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Growth

Focus on exploration to drive production growth and enhance shareholder value

- Targeting high-grade underground reserve growth to drive further production increases at Sukari
- New discovery in Côte d'Ivoire
- Exploration in Burkina Faso on key prospect areas



Centamin is focused on its drive for productivity and efficiency at the Sukari Gold Mine, and undertakes a growth strategy aimed at enhancing shareholder returns over the long term.

Our strategy for growth is summarised in the table below.

NEAR TERM (1-2 YEARS)

- Further production growth at Sukari, driven by productivity improvements and resource/reserve expansion, with a focus on underground high-grades.
- Resource expansion and project evaluation in Burkina Faso and Côte d'Ivoire.
- Continue to evaluate selective M&A opportunities with the potential to develop low-cost projects.

MEDIUM TERM (3-5 YEARS)

- Achieve optimal production at Sukari through continued expansion and exploitation of the underground high-grade reserves.
- Development and first production in Burkina Faso and Côte d'Ivoire, assuming positive project evaluation.

LONG TERM (5+ YEARS)

- Continue to expand group reserves and production through exploration.
- Become a multi-asset gold producer maintaining lowest quartile cost profile.
- Continue to evaluate selective M&A opportunities with the potential to develop low-cost projects.

KPIs reported during the year:

- Sukari production of 551,036 ounces an increase of 26% on 2015; and
- new discovery and maiden resource at the Doropo project in north-east Côte d'Ivoire.

KPIs set for 2017:

- annualised production of 540,000 ounces;
- resource/reserve replacement and expansion at Sukari, with a focus on underground high grade; and
- resource expansion through systematic drilling programmes in West Africa.



SAG Mill at Sukari

EXPLORATION
FOCUSED
GROWTH

2017 guidance of
540,000 ounces
at a cash cost of production of
US\$580 per ounce and an all-in
sustaining cost of US\$790 per ounce

Maiden resource at the
Doropo Project in
Côte d'Ivoire of
0.3Moz at **1.6g/t**
indicated and
1.0Moz at **1.3g/t**
inferred.



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Social responsibility

The environment, workplace health and focus on employee safety

- Improvements in MTIFR and low levels of LTIFR
- Striving for a zero-harm workplace
- Progressive training for employees



COMMITMENT TO IMPROVING HEALTH AND SAFETY

Key themes in the **social responsibility** report are as follows:

- committed to minimising health and safety risks; and
- development of highly skilled workforce.



Marsa Alam town

Centamin is committed to working with the highest level of respect for our employees and the communities and environments in which we operate.

Our employees

Our people are our most valuable resource. We are committed to attracting, energising, developing and retaining a highly skilled and experienced workforce. We value individuals with outstanding technical, professional and managerial skills who can contribute to a positive working environment and demonstrate willingness to lead, take responsibility and display initiative. We aim to foster a relation of trust and open dialogue between employees and management.

Health and safety

Centamin is committed to minimising health and safety risks to a reasonably practical level, while striving for a zero-harm, healthy and productive workplace.

Sukari

- Improvements in MTIFR during 2016 which remained at low levels over the course of the year.
- Hygiene standards improved progressively during the year.
- Regular and progressive training programmes at Sukari.
- Management of the scrap area at Sukari.

	2016 frequency rate ⁽¹⁾	2015 frequency rate ⁽¹⁾	2014 frequency rate ⁽¹⁾	2013 frequency rate ⁽¹⁾
Safety performance				
Fatality injury ("FIFR")	—	0.04	—	—
Lost time injury ("LTIFR")	0.27	0.12	0.39	0.36
Medical treatment injury ("MTIFR")	0.46	0.6	0.39	1.28

(1) Based on 200,000 working hours.

Burkina Faso

The project lies in Batie, Noymbeil, in the south of Burkina Faso. Batie is a town with a population of about 30,000 and has several cities and villages affiliated to it. The town is considered the least developed in Burkina Faso.

	2016 frequency rate ⁽¹⁾	2015 frequency rate ⁽¹⁾
Safety performance		
FIFR	—	0.2
LTIFR	—	0.62
MTIFR	0.37	0.21

(1) Based on 200,000 working hours.

Côte d'Ivoire

The Doropo project lies in the north-east of Côte d'Ivoire, across the border from Batie West in Burkina Faso.

	2016 frequency rate ⁽¹⁾
Safety performance	
FIFR	—
LTIFR	—
MTIFR	2.45

(1) Based on 200,000 working hours.