KENMARE

Kenmare Resources plc ("Kenmare" or "the Company" or "the Group")

9 January 2020

Q4 & FY 2019 Production Report & FY 2020 Guidance

Kenmare Resources plc (LSE:KMR, ISE:KMR), one of the leading global producers of titanium minerals and zircon, which operates the Moma Titanium Minerals Mine (the "Mine" or "Moma") in northern Mozambique, is pleased to provide a trading update for the full year ("FY") and fourth quarter ending 31 December 2019 ("Q4 2019") and production guidance for FY 2020.

Statement from Michael Carvill, Managing Director:

"In 2019 Kenmare continued to advance its outlined strategy of delivering growth, margin expansion and shareholder returns. We achieved record shipments in Q4 2019 and record excavated ore in FY 2019. Ilmenite production was within one per cent of the original guidance range and we achieved guidance for all other products.

We are targeting ilmenite production of 1.2 million tonnes per annum from 2021, to be achieved through increased mining capacity and higher average ore grades. The construction of Wet Concentrator Plant C represents the final step in increasing our mining capacity and the move of Wet Concentrator Plant B to the high grade Pilivili ore zone later this year completes our outlined development programme.

These growth projects are expected to enhance our margins, provide stronger cashflow stability and position us in the first quartile of the industry revenue to cost curve. Following the completion of the capital expenditure programme, free cash flow will also benefit significantly.

In combination with these growth and margin expansion initiatives, we paid our maiden dividend in Q4 2019. We also secured new debt facilities, increasing our balance sheet strength and extending the maturity profile of our debt beyond the current short period of increased capital expenditure."

Overview

- Lost time injury frequency rate ("LTIFR") of 0.27 per 200,000 man-hours worked for the 12-months to 31 December 2019 (31 December 2018: 0.12)
- Ilmenite production within 1% of original FY 2019 guidance range and original guidance achieved for all other products
- Record annual excavated ore of 36.8 million tonnes in FY 2019, representing the fourth consecutive year of increase and benefitting from a 20% capacity increase of WCP B undertaken in 2018
- Heavy Mineral Concentrate ("HMC") production of 1,202,100 tonnes in FY 2019, representing a 12% decrease compared to FY 2018 (1,370,800 tonnes) as a result of anticipated lower ore grades, partially offset by the 8% increase in excavated ore
- Ilmenite production of 892,900 tonnes, representing a 7% decrease compared to FY 2018 (958,500 tonnes)
- Primary zircon production of 46,900 tonnes (FY 2018: 48,400 tonnes) and rutile production of 8,300 tonnes (FY 2018: 8,200 tonnes) in FY 2019, broadly in line with FY 2018
- Concentrates production of 40,200 tonnes, representing a 43% increase compared to FY 2018 (28,200 tonnes), benefitting from the introduction of a mineral sands concentrate product in Q4 2018 and the reprocessing of tailings stockpiles
- Total shipments of finished products of 1,029,300 tonnes, representing a 4% decrease compared to FY 2018 (1,074,400 tonnes)

- Record shipments in Q4 2019 of 352,900 tonnes, representing a 23% increase compared to Q4 2018 (286,300 tonnes) and an 83% increase compared to Q3 2019 (192,900 tonnes)
- Commissioning of the dredge for the WCP C development project commenced in November 2019, with commissioning of the concentrator starting in January 2020 – project on track to be completed within the budget of US$45 million
- At the end of 2019 Kenmare had US$13.7 million of net cash (2018: US$13.5 million net cash), including cash and cash equivalents of US$81.1 million (2018: US$97.0 million) and benefitting from a US$16.1 million reduction in gross debt during the year
- Higher average prices achieved for ilmenite and rutile in FY 2019, compared to FY 2018, but lower average prices received for zircon – FY 2020 pricing outlook for ilmenite remains strong
- FY 2020 ilmenite production guidance of 800,000 to 900,000 tonnes, with 1.2 million tonnes per annum of ilmenite production targeted from 2021

Production

Production from the Moma Mine in Q4 2019 and FY 2019 was as follows:

	Q4 2019	vs Q4 2018	vs Q3 2019	FY 2019	vs FY 2018
	tonnes	% change	% change	tonnes	% change
Excavated ore[1]	8,290,500	-11%	-10%	36,803,800	8%
Grade[1]	3.60%	-21%	-1%	3.58%	-18%
Production					
HMC production	264,700	-34%	-13%	1,202,100	-12%
HMC consumption	268,600	-33%	-16%	1,214,700	-11%
Ilmenite	203,900	-26%	-12%	892,900	-7%
Primary zircon	10,900	-28%	-16%	46,900	-3%
Rutile	1,900	-21%	-10%	8,300	1%
Concentrates[2]	10,000	-13%	-7%	40,200	43%
Shipments	352,900	23%	83%	1,029,300	-4%

1. *Excavated ore and grade prior to any floor losses.*
2. *Concentrates include secondary zircon and mineral sands concentrate.*

Kenmare recorded a LTIFR of 0.27 per 200,000 man-hours worked for the 12 months to 31 December 2019, with three lost time injuries in Q4 2019 (12 months to 31 December 2018: 0.12). The Company continues to focus on empowering employees and developing a culture of personal accountability for safety. An external audit of the Moma Mine's occupational health, safety and environment management was undertaken by the National Occupational Safety Association (NOSA) in Q4 2019 and the Mine retained its five star certification for the fourth consecutive year.

Kenmare achieved an annual record for excavated ore in FY 2019 (36,803,800 tonnes), which represented an 8% increase compared to FY 2018 (33,961,000 tonnes) and the fourth consecutive year of increase. Excavated ore tonnes benefitted from a 20% capacity expansion at WCP B during FY 2018, in addition to a dredge automation project and continued utilisation improvements. However, in Q4 2019 excavated ore volumes were impacted by reduced power reliability, due to upgrade work on the national power grid, and difficulties encountered during the WCP A dredge automation project, as previously announced. Work on the national power grid has been completed and power reliability has since improved.

Despite this increase in excavated ore, HMC production decreased by 12% to 1,202,100 tonnes in FY 2019 compared to FY 2018 (1,370,800 tonnes). This was due primarily to an 18% decline in ore grades to 3.58% (FY 2018: 4.35%), due to WCP B approaching the end of its current mine path and lower grades at WCP A, as anticipated in the mine plan.

Ilmenite production was 892,900 tonnes, less than 1% below the lower end of original FY 2019 production guidance of 900,000 tonnes. This represents a 7% decrease compared to FY 2018

(958,500 tonnes), as a result of the reduction in available HMC feed, partially offset by production from spillage retreatment and reprocessing of scavenger circuit tailings.

Primary zircon production was 46,900 tonnes in FY 2019, representing a 3% decrease compared to FY 2018 (48,400 tonnes), and rutile production was 8,300 tonnes, representing a 1% increase compared to FY 2018 (8,200 tonnes). Primary zircon and rutile production benefitted from spillage retreatment and reprocessing of non-magnetic feed scavenged from ilmenite circuits during FY 2019, minimising the impact of reduced HMC consumption.

Concentrates production increased by 43% in FY 2019 to 40,200 tonnes compared to FY 2018 (28,200 tonnes), due primarily to the introduction of a mineral sands concentrate product in Q4 2018 and benefitting from the recovery of intermediate stockpiles.

Shipments increased significantly, as expected, in Q4 2019 to 352,900 tonnes of finished products, due to strong customer demand and improved weather conditions. This represented a quarterly record and improved on the previous quarterly record by 10% (322,000 tonnes in Q2 2018). Shipments in Q4 2019 increased by 23% compared to Q4 2018 (286,300 tonnes) and by 83% compared to Q3 2019 (192,900 tonnes). They were comprised of 318,200 tonnes of ilmenite, 17,500 tonnes of primary zircon, 1,400 tonnes of rutile and 15,700 tonnes of concentrates.

As a result, Kenmare shipped 1,029,300 tonnes of finished products in FY 2019 (FY 2018: 1,074,400 tonnes), which comprised 930,700 tonnes of ilmenite, 50,300 tonnes of primary zircon, 9,500 tonnes of rutile and 38,900 tonnes of concentrates. Shipments in FY 2019 represented a 4% decrease compared to FY 2018 due primarily to poor weather conditions in the first three quarters of the year impacting loading rates. Kenmare utilised its finished product inventory during the year to maintain shipments at broadly the same level as in FY 2018.

Closing stock of HMC at the end of FY 2019 was 7,000 tonnes, compared with 19,600 tonnes at the start of the year. Closing stock of finished products at the end of FY 2019 was 160,100 tonnes (2018: 200,000 tonnes).

Capital projects update

Kenmare previously announced three development projects that together have the objective of increasing ilmenite production to 1.2 million tonnes (plus co-products) per annum on a sustainable basis from 2021. The first development project, a 20% expansion of WCP B, was commissioned successfully in late 2018.

The second project is the development of WCP C, where commissioning of the dredge commenced, as planned, in November 2019. However, commissioning of the concentrator is now anticipated to start in January 2020 due to delayed delivery of the plant by the contractor, with first HMC production expected in February 2020. The project remains on track to be completed within the budget of US$45 million.

During Q4 2019, project execution for the third development project, the relocation of WCP B to the high grade Pilivili ore zone, continued to advance on time and within budget. Kenmare commenced construction of the purpose-built road from within the existing Namalope permit area in late Q3 2019. Following receipt of the road Environmental, Social and Health Impact Assessment approval and forthcoming environmental licence, construction has now begun along the remainder of the route. The relocation is expected to take place in Q3 2020, with commissioning in Q4 2020.

Costs

Total cash operating cost guidance for FY 2019 remains unchanged (US$151-167 million). However, as previously announced in December 2019, cash operating cost per tonne guidance for FY 2019 has been revised to US$160-165 per tonne from US$150-160 per tonne, due to reduced ilmenite production volumes.

Finance update

On 25 October 2019 Kenmare paid its maiden dividend. It was an interim dividend and comprised of USc2.66 per share, which is in line with the Company's dividend policy to pay a minimum of 20% of profit after tax as shareholder returns. As previously stated, following completion of the development projects, the Company expects to be in a position to make higher capital returns from 2021.

On 11 December 2019, Kenmare announced the signing of new debt facilities, which were comprised of a US$110 million Term Loan Facility and a US$40 million Revolving Credit Facility. The first disbursement under the new debt facilities was made on 18 December 2019. It has been applied to repay the Moma Project Loans, of which US$64 million was outstanding and which were first disbursed in 2004, and to meet transaction costs. For more information about the new debt facilities, including frequently asked questions, visit https://www.kenmareresources.com/investors/financing.

At 31 December 2019, Kenmare had net cash of US$13.7 million, which is in line with net cash at the end of 2018 (US$13.5 million). Cash and cash equivalents were US$81.1 million (2018: US$97.0 million) and gross bank loans, including accrued interest, were US$67.4 million (2018: US$83.5 million), representing a reduction in gross debt of US$16.1 million during the year.

Market update

Kenmare achieved higher average prices for titanium feedstocks (ilmenite and rutile) during FY 2019 than in FY 2018, but lower average prices for zircon.

After a subdued first quarter, the ilmenite market improved continuously for the rest of the year. Despite lower global pigment production in FY 2019, strong ilmenite market conditions were supported by continuing supply constraints. These include government restrictions in India and Vietnam and reducing production from major producing countries, such as Australia and Kenya, due to declining orebodies. Conversely, domestic Chinese ilmenite production increased by approximately 10% in 2019, partially offsetting decreasing production elsewhere.

Ilmenite imports to China reduced by approximately 24% (550,000 tonnes) for the 12 months to the end of November 2019, compared to the same period in 2018, driven largely by a shortage of available supply. Kenmare experienced strong demand growth for ilmenite to be upgraded into high grade chloride feedstocks, for which Chinese domestic ilmenite is also unsuitable. Kenmare believes the high-grade titanium feedstocks market is likely to continue to grow in coming years, both in China and the rest of the world, and the Company is well-positioned to benefit from this trend.

Kenmare achieved increased ilmenite prices in FY 2019, with H2 received prices up more than 10% on H1 2019, and prices have continued to increase in 2020.

The zircon market weakened in FY 2019 due primarily to slower global growth leading to lower demand, coincident with increased supply. This resulted in softer pricing, particularly in the Chinese market. Kenmare believes that FY 2020 is likely to be a challenging year for the zircon industry as the market remains in oversupply and producer inventories are high. However, global zircon production is forecast to decline in the coming years, with mine closures and orebody depletion at a number of operations, supporting higher long-term prices.

In FY 2019 Kenmare successfully introduced a mineral sands concentrate product to the market, completing two shipments in 2019.

FY 2020 Guidance

The FY 2020 guidance for production and operating costs is as follows:

	Unit	FY 2020 Guidance	FY 2019 Actual

Production			
Ilmenite	tonnes	800,000-900,000	892,900
Primary zircon	tonnes	44,500-50,100	46,900
Rutile	tonnes	7,700-8,700	8,300
Concentrates[1]	tonnes	34,700-39,000	40,200
Costs			
Total cash operating costs	US$m	153-172	N/R[2]
Cash costs per tonne of finished product	US$/t	162-182	N/R[2]

1. *Concentrates include secondary zircon and mineral sands concentrate.*
2. *To be reported in full year financial statements*

Production of all finished products in FY 2020 is expected to be lower than in FY 2019, due primarily to WCP B mining lower grade ore as it approaches the end of its current mine path at Namalope and the predicted lower grades being mined by WCP A. WCP B is expected to cease production for up to 12 weeks during its relocation from Namalope to Pilivili, predominantly during Q3 2020, however production will benefit from the operation of WCP C.

Following WCP B's relocation to Pilivili, WCP B will begin mining higher grade ore in Q4 2020. WCP B accounts for approximately 40% of Moma's mining capacity and Pilivili is the highest grade ore zone in Moma's portfolio. As a result, Q4 2020 production is expected to be strongest quarter for the year.

Shipment volumes are expected to be higher than production volumes in FY 2020 but lower than in FY 2019.

Approximately US$119.5 million has been approved for expenditure on development projects and studies in FY 2020. It primarily relates to the relocation of WCP B and US$14.5 million is attributable to upgrade works on the Mineral Separation Plant to allow it to process 1.2 million tonnes per annum of ilmenite on a consistent basis and improvement works.

Sustaining capital costs in FY 2020 are expected to be approximately US$22 million, in line with previously guided sustaining capital costs of US$20-25 million per annum from 2020 to 2025.

Total cash operating costs in FY 2020 are anticipated to increase marginally, primarily as a result of the addition of WCP C. Cash operating costs per tonne will also increase due to lower anticipated production volumes. From 2021, when Kenmare expects to be producing 1.2 million tonnes per annum of ilmenite, the Company expects its cash operating cost per tonne to decrease to US$125-US$135 per tonne (in 2020 real terms), in line with its objective to become a first quartile producer on the industry revenue to cost curve.

Kenmare will release its 2019 Preliminary Results on Thursday, 19 March 2020.

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About Kenmare Resources

Kenmare Resources plc is one of the world's largest producers of mineral sands products. Listed on the London Stock Exchange and the Euronext Dublin, Kenmare operates the Moma Titanium Minerals Mine in Mozambique. Moma's production accounts for approximately 7% of global titanium feedstocks and the Company supplies to customers operating in more than 15 countries. Kenmare produces raw materials that are ultimately consumed in everyday "quality-of life" items such as paints, plastics and ceramic tiles.

Forward Looking Statements

This announcement contains some forward-looking statements that represent Kenmare's expectations for its business, based on current expectations about future events, which by their nature involve risks and uncertainties. Kenmare believes that its expectations and assumptions with respect to these forward-looking statements are reasonable. However, because they involve risk and uncertainty, which are in some cases beyond Kenmare's control. Actual results or performance may differ materially from those expressed or implied by such forward-looking information.