

Kenmare Resources plc (“Kenmare” or “the Company” or “the Group”)

13 January 2021

Q4 2020 Production Report and FY 2021 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 2020 (“Q4 2020”) and production guidance for FY 2021.

Statement from Michael Carvill, Managing Director:

“Q4 2020 was a pivotal quarter for Kenmare, as we began mining the Pilivilil ore zone, following the successful move of Wet Concentrator Plant B in Q3. WCP B began operating in late October and made a significant contribution to our best production quarter of 2020, benefitting from exceptionally high grades mined. It was also pleasing to see a strong quarter for shipments, with over 300,000 tonnes shipped during the period.

We achieved or exceeded the midpoint of our August 2020 guidance ranges for all finished products and we are targeting an uplift of ilmenite production in 2021 of between approximately 45% and 60%. In addition to higher revenues, increased production will deliver lower unit costs, significantly increasing cash flows and bringing us closer to our target of becoming a first quartile producer on the industry revenue to cost curve.

Global demand for ilmenite, our primary product, exceeded supply in Q4 2020 and led to significant price increases. Following our second and third consecutive dividends paid in 2020, these positive operational and market dynamics are expected to support increased cashflow, and in turn our objective to increase shareholder returns.”

Overview

- Lost time injury frequency rate (“LTIFR”) of 0.25 per 200,000 man-hours worked for the 12-months to 31 December 2020 (31 December 2019: 0.27)
- Increased COVID-19 positive test results were received for employees and contractors in December 2020 as cases in Mozambique, and other parts of the world, have also seen a recent upward trend - management remains focused on limiting transmission and mitigating the impact of the virus
- Production of all finished products at or above the midpoint of the FY 2020 revised guidance ranges
- Q4 2020 represented the strongest quarter of the year for production and shipments, as expected, benefitting from the higher ore grades being mined by Wet Concentrator Plant (“WCP”) B at Pilivilil and calmer sea conditions
- Heavy Mineral Concentrate (“HMC”) production of 1,201,100 tonnes in FY 2020, in line with FY 2019 (1,202,100 tonnes), benefitting from the higher ore grades mined in Q4 2020 but offset by the decrease in excavated ore volumes resulting from WCP B’s relocation
- Ilmenite production of 756,000 tonnes, a 15% decrease compared to FY 2019 (892,900 tonnes) due to lower HMC consumption, changes in intermediate stocks and lower ilmenite recoveries in FY 2020
- Total shipments of finished products of 853,100 tonnes, representing a 17% decrease compared to FY 2019 (1,029,300 tonnes), impacted by poor sea conditions, and works to upgrade transshipment capacity
- WCP B began mining in Pilivilil in October, with operations connected to grid power in December 2020 and the HMC pumping system on track to begin commissioning and ramp-up in Q1 2021
- At the end of 2020 Kenmare had US\$64.0 million of net debt (year-end 2019: US\$13.7 million net cash), with cash and cash equivalents of US\$87.2 million (year-end 2019: US\$81.1 million)
- Higher average prices achieved for ilmenite in Q4 2020, compared to the prior quarter, with strong ilmenite pricing momentum continuing into H1 2021
- FY 2021 ilmenite production guidance range of 1,100,000 to 1,200,000 tonnes

Production

Production from the Moma Mine in Q4 2020 and FY 2020 was as follows:

	Q4 2020	vs Q4 2019	vs Q3 2020	FY 2020	vs FY 2019
	tonnes	% change	% change	tonnes	% change
Excavated ore¹	7,554,000	-9%	-9%	34,357,000	-7%
Grade¹	5.64%	57%	58%	3.90%	9%
Production					
HMC production	384,700	45%	49%	1,201,100	0%
HMC consumption	338,900	26%	30%	1,157,900	-5%
Ilmenite	219,100	7%	30%	756,000	-15%
Primary zircon	11,200	3%	3%	43,300	-8%
Rutile	1,400	-26%	-13%	6,000	-28%
Concentrates ²	8,600	-14%	-4%	35,200	-12%
Shipments	321,300	-9%	172%	853,100	-17%

1. Excavated ore and grade prior to any floor losses.

2. Concentrates include secondary zircon and mineral sands concentrate.

Kenmare recorded a LTIFR of 0.25 per 200,000 man-hours worked for the 12 months to 31 December 2020, which represents a marginal improvement compared to the 12 months to 31 December 2019 (0.27). Whilst two lost time injuries were recorded in Q4 2020, the rolling LTIFR improved from 0.29 in the 12 months to the end of Q3 2020, a result of continuing improvements in safety leadership and risk assessment practices.

HMC production in FY 2020 was 1,201,100 tonnes, in line with FY 2019 (1,202,100 tonnes). FY 2020 ore grades increased by 9% to 3.90%, compared to FY 2019 (3.58%). Higher grades were offset by reduced excavated ore volumes due to the two-month interruption to operations at WCP B during relocation. Although ore volumes were down 7% year-on-year, WCP C commenced production in late February 2020, and contributed to both grades mined and tonnes excavated.

As expected, Q4 2020 was the strongest quarter of the year for HMC production, benefitting from the exceptionally high ore grades mined by WCP B in Pilivilil during November and December. Mining commenced in the highest-grade area of Pilivilil, resulting in a 57% increase in Q4 2020 grades to 5.64%, compared to Q4 2019 (3.60%).

Production of all finished products was at or above the midpoint of the revised August 2020 guidance ranges. Ilmenite production was 756,000 tonnes, representing a 15% decrease compared to FY 2019 (892,900 tonnes). This was due to a 5% reduction in HMC consumption during the year and lower MSP recoveries due to the impact of limited HMC availability and reduced ilmenite content in the HMC during the first nine months of the year. As expected, the ilmenite content in the HMC increased as mining commenced in Pilivilil.

Production of all finished products in Q4 2020 was impacted by seasonally poor power reliability at the MSP. Typically, this would have been mitigated by the use of diesel-powered electric generators, but these were being utilised to power the Pilivilil operations until grid power was established in mid-December. This was one of the temporary measures to alleviate COVID-19-related delays. From late December when the generators were reinstalled at the MSP, production of all finished products strengthened significantly due to improved recoveries and operating time.

In Q4 2020, Kenmare produced 219,100 tonnes of ilmenite, a 7% increase compared to Q4 2019 and a 30% increase compared to Q3 2020. Compared to Q4 2019, ilmenite production was lower relative to HMC consumption due to intermediate stockpile movements. Ilmenite recoveries were also lower in Q4 2020 relative to the prior period as a result of power interruptions and increased levels of contaminants in a part of WCP C's mining area, which has now been resolved.

Primary zircon production in FY 2020 was 43,300 tonnes, an 8% decrease compared to FY 2019 (46,900 tonnes) and rutile production was 6,000 tonnes, a 28% decrease compared to FY 2019 (8,300 tonnes). Production of both products was impacted by decreased HMC availability year-on-year, with weaker recoveries due to changes in feed characteristic, which also continued to affect rutile production. A solution to improve rutile production is under investigation. Concentrates production was 35,200 tonnes, a 12% decrease compared to FY 2019 (40,200 tonnes) but benefitting from some of the recovery losses from rutile production, which were captured in this product stream.

Whilst there was a 26% increase in HMC consumption in Q4 2020, production of primary zircon only increased by 3% to 11,200 tonnes (Q4 2019: 10,900 tonnes) as a result of a build-up of intermediate stocks offset by poorer recoveries, due primarily to power instability. Production of rutile decreased by 26% to 1,400 tonnes (Q4 2019: 1,900 tonnes) and concentrates by 14% to 8,600 tonnes (Q4 2019: 10,000 tonnes) for the same reasons.

Shipment volumes in FY 2020 were 853,100 tonnes, a 17% decrease compared to FY 2019 (1,029,300 tonnes), impacted by adverse weather conditions during a significant portion of the year and reduced availability of the transshipment vessels, which underwent works to increase capacity. Shipments were comprised of 766,500 tonnes of ilmenite, 43,100 tonnes of primary zircon, 6,300 tonnes of rutile and 37,200 tonnes of concentrates.

However as expected, Q4 2020 was the strongest quarter of the year for shipments and the third strongest quarter in Kenmare's history, with 321,300 tonnes shipped. Q4 2020 represents a 9% decrease compared to Q4 2019, the quarterly record, impacted by two months of improvement works relating to one of the transshipment vessels. Shipments in Q4 2020 were comprised of 283,300 tonnes of ilmenite, 22,900 tonnes of primary zircon, 3,100 tonnes of rutile and 12,000 tonnes of concentrates.

Closing stock of HMC at the end of FY 2020 was 50,200 tonnes, compared with 7,000 tonnes at the start of the year. Closing stock of finished products at the end of FY 2020 was 145,500 tonnes (year-end 2019: 160,100 tonnes).

COVID-19 update

The State of National Public Calamity, declared by the Government of Mozambique on 7 September 2020, remains in place. In addition, as with other parts of the world, Mozambique has seen a recent increase in COVID-19 cases.

In relation to cases at Moma, prior to December 2020, a limited number of employees and contractors had tested positive for the Coronavirus. In December 2020, the number of positive test results during the month increased to approximately 25.

Stringent mitigation measures remain in place at site, including heightened health protocols, social distancing measures and testing procedures, including an on-site testing laboratory. All individuals with positive test results are required to self-isolate in the Moma camp until they receive a negative test result. Management continues to be focused on limiting transmission and minimising the impact of COVID-19 on its employees, contractors and host communities.

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. The first development project, a 20% expansion of WCP B, was commissioned successfully in late 2018.

The second project, the development of WCP C, commenced production in late February 2020. Although Kenmare is in discussions with the contractor for the concentrator plant in relation to a number of outstanding matters, such as acceptance and performance testing and defect remediation, the project has been operating at expected throughput levels and remains on track to be completed within the original

budget of US\$45 million.

The third project, the relocation of WCP B to Pilivilil, was successfully undertaken in Q3 2020. The ramp-up began in Q4 2020 and continues to progress well, with production in line with expectations and ore grades significantly higher than previously being mined in Namalope.

Operations at Pilivilil were connected to grid power in mid-December 2020, as expected, whilst the temporary trucking of HMC from Pilivilil to the MSP continues to run smoothly. The final parts of the HMC pumping pipeline are expected to arrive on site in early February, with commissioning and ramp-up expected to start during Q1 2021. The total capital cost of the WCP B move is estimated at US\$124 million, as outlined in the Q3 2020 Production Report.

Several community development initiatives in Pilivilil and the surrounding area are under construction, including a new community health centre and water supply systems. The Kenmare Moma Development Association (KMAD) has also approved financial support for six income-generating projects in the area, including grocery stores and a small-scale flour mill.

Finance update

On 23 October 2020 Kenmare paid its third consecutive dividend, an interim dividend of US\$2.31 per share, in line with the policy to pay a minimum of 20% of profit after tax. As previously stated, following completion of the development projects, the Company expects to make higher capital returns from 2021.

At 31 December 2020, Kenmare had net debt of US\$64.0 million, compared to net cash at the end of 2019 of US\$13.7 million. Kenmare continues to maintain an invoice discounting facility of up to US\$30 million, which was partially used in 2020. Cash and cash equivalents were US\$87.2 million (2019: US\$81.1 million) and gross bank loans, including accrued interest, were US\$151.2 million, in line with the debt position at the end of H1 2020 (2019: US\$67.4 million).

Market update

FY 2020 was a strong year for the titanium feedstocks market, with Kenmare achieving higher average prices for its ilmenite and rutile products compared with FY 2019. However, in FY 2020 zircon prices decreased for the second consecutive year, due to continued oversupply in the market.

Despite the disruption caused by the global COVID-19 pandemic, demand for ilmenite remained strong in H1 2020. There was a marginal softening in Q3 2020, but market conditions tightened strongly in Q4 2020, delivering a 5% increase in average received prices over the prior quarter. This momentum has continued into 2021.

Low supply chain inventories, in combination with global stimulus efforts, supported a downstream pigment recovery during H2 2020. This recovery was most pronounced in China, which saw pigment production increase by more than 10% in FY 2020 compared to FY 2019, a record high. This was supported by high utilisation rates at existing plants and the ramp-up of new chloride pigment plants, building strong demand for imported ilmenite.

Global ilmenite supply constraints remained in place due to depleting ore bodies in Africa and mine closures in Australia, as well as continued government restrictions in Vietnam and India. However, ilmenite production in China increased, as well as global production of low-quality ilmenite and ilmenite concentrates, which offset the reduced supply from other mines. There is little new ilmenite supply forecast to enter the market in the near term, with existing demand levels expected to comfortably absorb Kenmare's increased 2021 production.

The zircon market continued to weaken in FY 2020 due to the impact of the pandemic on global demand, particularly in Europe and China. Coupled with a market already in oversupply, this resulted in sequentially softer pricing through the first nine months of the year. However, demand for zircon showed signs of recovery in Q4 2020 and Kenmare has seen prices beginning to stabilise in early 2021.

FY 2021 guidance

The FY 2021 guidance for production and operating costs is as follows:

	Unit	FY 2021 Guidance	FY 2020 Actual
Production			
Ilmenite	tonnes	1,100,000 - 1,200,000	756,000
Primary zircon	tonnes	53,100 - 57,900	43,300
Rutile	Tonnes	9,500 - 10,300	6,000
Concentrates ¹	tonnes	37,900 - 41,400	35,200
Costs			
Total cash operating costs	US\$m	166 - 184	N/R ²
Cash costs per tonne of finished product	US\$/t	132 - 146	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 2021 is expected to be higher than in FY 2020, due primarily to WCP B mining higher grade ore in Pilivilil. Ilmenite production in FY 2021 is expected to be 1.1 million to 1.2 million tonnes, building towards 1.2 million tonnes per annum on a consistent basis. More than 50% of Moma's production is attributable to WCP B following its relocation, as Pilivilil is the highest grade ore zone in Moma's portfolio. This guidance does not make any significant allowance for further potential business interruption, such as through the restriction on movement of goods or people, relating to the continuing global pandemic.

Expenditure on development projects and studies is expected to be approximately US\$39 million in FY 2021. These costs primarily relate to the remaining costs associated with the relocation of WCP B (US\$19 million), some of which have been carried over from FY 2020 due to timing of invoices, and improvement projects to enhance the resilience of existing operations (US\$9 million). The balance is attributable to studies and community resettlement costs in preparation for the relocation of WCP A to Nataka in 2025.

Sustaining capital costs in FY 2021 are expected to be approximately US\$25 million, in line with previously guided sustaining capital costs of US\$20-25 million per annum from 2020 to 2025.

Total cash operating costs are anticipated to increase in FY 2021 due to increased production and the need to transport WCP B's HMC production from Pilivilil, which is a greater distance than the previous mining area of Namalope, to the MSP. However, cash operating costs per tonne are expected to decrease in FY 2021 due to higher anticipated production volumes, and further decrease in 2022 as the Company targets a first quartile position on the industry revenue to cost curve.

Kenmare will release its 2020 Preliminary Results on Wednesday 24 March 2021.

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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.