

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

13 January 2022

Q4 2021 Production Report and FY 2022 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 2021 (“Q4 2021”) and production guidance for FY 2022.

Statement from Michael Carvill, Managing Director:

“2021 was a record year for Kenmare in terms of safety, production and sales. On 6 January 2022 we achieved a major Company milestone of one year without a Lost Time Injury, representing more than six million hours worked. Ilmenite production increased 48% year-on-year, in line with guidance, while shipments were up 51% as demand for our products grew strongly. I would like to thank all of our team for contributing to this fantastic result, particularly in light of the huge challenges we experienced from COVID-19 in Q1.

In 2021 we received higher average prices for all products compared to 2020 and the outlook for 2022 remains buoyant. We were delighted to return almost US\$100 million to shareholders during the year, through dividend payments and a share buy-back, and we continue to target a 25% profit after tax total dividend payment in respect of 2021.”

Overview

- Lowest ever Lost Time Injury Frequency Rate (“LTIFR”) of 0.03 per 200,000 hours worked to 31 December 2021, representing an 88% improvement compared to 31 December 2020 (0.25)
- One year without a Lost Time Injury (“LTI”) achieved on 6 January 2022
- FY 2021 production guidance achieved for ilmenite, primary zircon and concentrates
- Record annual Heavy Mineral Concentrate (“HMC”) production of 1,555,900 tonnes in FY 2021, representing a 30% increase compared to FY 2020 (1,201,100 tonnes), benefitting from increased tonnes mined and higher ore grades
- Record annual product volumes; ilmenite production up 48% to 1,119,400 tonnes compared to FY 2020 (756,000 tonnes), benefitting from increased HMC availability
- Record shipments of finished products of 1,285,300 tonnes in FY 2021, a 51% increase compared to FY 2020, reflecting increased production and benefitting from improved transshipment capacity
- Buy-back of 13.5% of the Company’s issued share capital and return of US\$81.6 million to eligible shareholders completed in December 2021
- Net debt of US\$82.8 million at year-end 2021 (2020: US\$64.0 million), with cash and cash equivalents of US\$69.1 million (year-end 2020: US\$87.2 million), following the completion of the share buy-back
- Higher average prices achieved for all products in FY 2021, with this momentum continuing into H1 2022 due to strong demand for Kenmare’s products and low ilmenite inventories in the global supply chain
- FY 2022 ilmenite production guidance range of 1,125,000 to 1,225,000 tonnes

Operations update

Operational results for the Moma Mine in Q4 2021 and FY 2021 were as follows:

	Q4 2021	vs Q4 2020	vs Q3 2021	FY 2021	vs FY 2020
	tonnes	% change	% change	tonnes	% change
Excavated ore¹	9,306,000	23%	-8%	39,283,000	14%
Grade¹	4.31%	-24%	-11%	4.63%	19%
Production					
HMC produced	343,900	-11%	-17%	1,555,900	30%
HMC processed	353,400	4%	-17%	1,594,500	38%
Ilmenite	246,000	12%	-22%	1,119,400	48%
Primary zircon	12,400	11%	-21%	56,300	30%
Rutile	2,100	50%	-22%	8,900	48%
Concentrates ²	11,300	31%	-5%	43,900	25%
Shipments	368,600	15%	14%	1,285,300	51%

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

Kenmare’s rolling 12-month LTIFR for the 12 months to 31 December 2021 was 0.03 per 200,000 hours worked (31 December 2020: 0.25). Kenmare completed more than six million LTI-free hours worked to the end of Q4 2021, which contributed to achieving a new safety record of one year without a LTI on 6 January 2022. This achievement is particularly significant as it was delivered while our team was managing the impact of COVID-19 and was as a direct result of strengthened leadership practices, hazard identification and risk assessment.

HMC production in FY 2021 was 1,555,900 tonnes, a 30% increase compared to FY 2020 (1,201,100 tonnes). This was due to a 19% increase in ore grades to 4.63% as a result of WCP B’s relocation to the high grade Pilivilil ore zone in Q3 2020. HMC production also

benefitted from a 14% increase in excavated ore volumes primarily as a result of a full year of production from WCP B in FY 2021, compared to FY 2020 when two months were lost due to the move.

HMC production in Q4 2021 was 343,900 tonnes, an 11% decrease compared to Q4 2020. This was due to a 24% reduction in ore grades (4.31%) compared to the corresponding quarter of last year (5.64%), due to the very high grades experienced in Q4 2020 when mining began in the highest grade area of Pilivilili. Although, as anticipated in the mine plan, ore grades were also down 11% compared to Q3 2021, they remained higher than expected. This was as a result of changes to the dry mining plan to partially offset the negative impact of power instability experienced during the quarter. Grades are expected to normalise at around 4.2% for 2022.

The decrease in grades was partially offset by a 23% increase in excavated ore volumes in Q4 2021, primarily as a result of a full quarter of production from WCP B, in comparison to the ramp up in Q4 2020. Relative to Q3 2021, excavated ore tonnes reduced by 8% primarily as a result of the power supply disruptions, which impacted mining utilisation rates. However by mid-November 2021, power stability improved and utilisations increased.

In Q4 2021, increased slimes levels negatively impacted feed rates and recoveries. In 2022 slimes levels are expected to remain high and consequently, during Q1 extensive mitigation measures are being implemented. These include the installation of an additional cyclone for ore desliming, an extended flocculation trial following an encouraging initial trial in Q4 2021, and upgrades to the tailings infrastructure, so as to reduce slimes recirculation and improve metallurgical recoveries.

The Rotary Uninterruptible Power Supply ("RUPS") project, which is due to be completed in Q1 2022, is expected to improve power stability on a consistent basis and reduce reliance on diesel generators going forward.

Production of Kenmare's main product, ilmenite, was within the guidance range for FY 2021, as was production of primary zircon and concentrates, despite the significant negative impacts of COVID-19 in the early parts of the year. Ilmenite production increased by 48% compared to FY 2020 to 1,119,400 tonnes, primarily as a result of a 38% increase in HMC processed. It also benefitted from increased ilmenite content in the HMC following the relocation of WCP B to Pilivilili, and improved recoveries relative to FY 2020. Production of primary zircon increased by 30% to 56,300 tonnes as HMC processed increased, albeit with slightly lower zircon content than in 2020. Concentrates production increased by 25% to 43,900 tonnes, benefitting from increased HMC processed but partially offset by a lower grade feed mix.

Production of rutile increased by 48% to 8,900 tonnes during the year (FY 2020: 6,000 tonnes), as a result of the previously reported rutile recovery improvement programme. However Kenmare missed the bottom of the guidance range by 6% due to delays in implementing this programme due to COVID-19, lower rutile feed grade in the HMC, and power-related impacts at the Mineral Separation Plan ("MSP") in Q4 2021.

Production of all finished products increased in Q4 2021 compared to Q4 2020, benefitting from higher HMC processed. Ilmenite production in Q4 2021 was 246,000 tonnes, a 12% increase compared to Q4 2020 and higher than the 4% increase in HMC processed. This was due to increased recoveries and the drawdown of intermediate magnetic stockpiles in Q4 2021. Primary zircon performed similarly with an 11% increase in production.

However, ilmenite production decreased by 22% in Q4 2021 compared to Q3 2021 (314,400 tonnes), impacted by 17% lower HMC availability following Q3, a record quarter during which HMC stockpiles were drawn down. It was compounded by lower heavy mineral grade in concentrate due to light mineral contamination, as separation was influenced by higher slimes levels and power disruptions.

FY 2021 was a record year for shipments, with 1,285,300 tonnes shipped. This represents a 51% increase compared to FY 2020 (853,100 tonnes), reflecting increased production in addition to a drawdown of finished product inventory. Shipments also benefitted from increased transshipment capacity resulting from the previously completed upgrades. Shipments during the year were comprised of 1,186,900 tonnes of ilmenite, 52,900 tonnes of primary zircon, 3,700 tonnes of rutile and 41,800 tonnes of concentrates.

Q4 2021 was a record quarter for shipments, with volumes up 15% to 368,600 tonnes compared to Q4 2020 (321,300 tonnes), which was the strongest quarter for shipments in 2020. Shipments in Q4 2021 were comprised of 341,400 tonnes of ilmenite, 15,700 tonnes of primary zircon and 11,500 tonnes of concentrates.

Closing stock of HMC at the end of FY 2021 was 11,600 tonnes, compared with 50,200 tonnes at the start of the year. Closing stock of finished products at the end of 2021 was below normal at 88,700 tonnes (2020: 145,500 tonnes), reflecting the significantly increased shipments driven by strong demand for Kenmare's products during the year. Finished product stockpiles are expected to rise to more normal levels during 2022.

COVID-19 update

In H1 2021 operations at the Moma Mine were impacted by limited availability of personnel, including senior management, due to COVID-19. This negatively impacted ilmenite production for 2021.

Kenmare experienced a sharp rise in COVID-19 cases in the second half of December 2021. The number of employees in isolation on site following a positive test result rose as high as 326 on 6 January 2022 but has since reduced to 168 on 11 January 2022. Fortunately no-one is seriously ill, but the increased number of employees in isolation has impacted work routines. The business continues to be managed to mitigate the impact and production has continued.

At the end of 2021, 96% of Kenmare's employees had received two doses of the COVID-19 vaccine. The Company also donated 12,000 vaccines to the appropriate health authorities for people living in the Mine's host communities.

Capital projects update

Work is underway to increase the utilisation rate of the pumping system to transport HMC from Pilivilili to the MSP. Road haulage will continue to be reduced as these improvements take effect, which is expected to benefit operating costs.

The construction of a RUPS for the MSP is approaching completion, with all of the RUPS equipment now on site. The project is scheduled to be commissioned during Q1 2022 and it is anticipated to deliver benefits in terms of both power stability and lower carbon emissions through reduced usage of diesel generators. The estimated cost of the project is US\$18 million, which is in line with the estimate stated in the H1 2021 Financial Report.

A prefeasibility study in preparation for mining the Nataka ore zone progressed during the year, which is due to be completed in 2022. Ore body characterisation works continue and will be combined with mining, processing and tails management studies. The environmental and social assessment process has also commenced. WCP A is expected to commence mining in Nataka in 2025.

Finance update

On 22 October 2021, Kenmare paid an interim dividend of US\$7.29 per share, in line with the Company's target to return 25% of profit after tax to shareholders in 2021. This represented a 216% increase compared to the 2020 interim dividend and Kenmare continues to target a 25% profit after tax total dividend in respect of 2021.

On 10 December 2021, Kenmare completed the buy-back of 14,814,412 of the Company's issued ordinary shares, representing 13.5% of its issued share capital and thereby returning US\$81.6 million to shareholders.

Following completion of the share buy-back, Kenmare had net debt of US\$82.8 million at 31 December 2021 (2020: US\$ 64.0 million). Cash and cash equivalents were US\$69.1 million (2020: US\$87.2 million) and gross bank loans, including accrued interest, were US\$151.9 million (2020: US\$151.2 million).

Market update

FY 2021 was a strong year for all of Kenmare's product markets, resulting in record sales volumes at higher average received prices for all products, compared with FY 2020.

Global pigment production reached a record high in FY 2021. Major pigment producers operated at high utilisation rates seeking to meet growing demand, while pigment capacity in China continued to increase. Combined with the improving titanium metal market throughout the year, demand for ilmenite was well supported.

Global supply of ilmenite increased in FY 2021, primarily from Kenmare, and producers in China and Norway. There was also an increase in the export of low-quality ilmenite bearing concentrates from other producers in Mozambique to China. However, the increase in supply was insufficient to meet increased demand.

The robust market for ilmenite continued through Q4 2021, with demand for Kenmare's ilmenite exceeding the Company's ability to supply. Consequently, average received prices increased by 13% compared to the previous quarter. This pricing momentum has continued into 2022, driven by demand for Kenmare products and low ilmenite inventories in the supply chain.

The zircon market stabilised in Q1 2021 following several quarters of weaker demand. Market conditions improved in Q2, before demand accelerated in H2 2021 as major economies continued the recovery from COVID-19 restrictions being lifted. Coupled with significant supply disruption, this led to quarter-on-quarter price increases in Q2, Q3 and Q4. This positive momentum has continued into 2022, with further price increases expected in Q1.

FY 2022 guidance

The FY 2022 guidance for production and operating costs is as follows:

	Unit	FY 2022 Guidance	FY 2021 Actual
Production			
Ilmenite	tonnes	1,125,000 - 1,225,000	1,119,400
Primary zircon	tonnes	54,400 - 63,200	56,300
Rutile	tonnes	9,500 - 11,500	8,900
Concentrates ¹	tonnes	40,300 - 46,800	43,900
Costs			
Total cash operating costs	US\$m	190 - 210	N/R ²
Cash costs per tonne of finished product	US\$/t	148 - 171	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 2022 is expected to be higher than in FY 2021, due primarily to higher tonnes mined, more than offsetting a lower anticipated grade of 4.2%. Ilmenite production in FY 2022 is expected to be between 1.125 million and 1.225 million tonnes.

While the FY 2021 financial statements are currently being prepared, Kenmare expects that FY 2021 cash operating costs will be approximately 3% above the upper end of guidance. Principal contributors to this increase are higher repairs and maintenance costs, HMC haulage costs and increased costs relating to COVID-19. Full details will be provided when the 2021 Preliminary Results are reported.

Total cash operating costs are anticipated to increase in FY 2022 due to higher tonnes mined and inflation.

Expenditure on development projects and studies is expected to be approximately US\$28.5 million in FY 2022. These costs primarily relate to improvement projects (US\$7.2 million), community resettlement in Namalope West (US\$9.4 million), and studies on mining at Nataka

(US\$9.2 million).

Sustaining capital costs in FY 2022 are expected to be approximately US\$33 million, which is above the average estimate of US\$20-25 million per annum from 2020 to 2025 due to the variable nature of some capital projects. This increase is principally due to the scheduled dry dock for the Bronagh J transshipment vessel, which will enable more efficient on-going maintenance and positively impact availability going forwards. However, it is expected to cause shipments to be lower than production in FY 2022 as the scheduled dry dock will temporarily reduce shipping capacity.

Kenmare will release its 2021 Preliminary Results on Wednesday 23 March 2022.

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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 5% 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.

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