

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

9 April 2020

Q1 2020 Production Report and Guidance Update

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 quarter ending 31 March 2020 (“Q1 2020”).

Statement from Michael Carvill, Managing Director:

“The safety and wellbeing of our people and host communities are our highest priorities, especially in light of the global COVID-19 outbreak. Our objective is to keep our operations running safely and although production from the Moma Mine was lower than anticipated in Q1, the Mine has not been materially affected by COVID-19 to date and we are continuing to ship our products. However, recent COVID-19 restrictions are having an operational impact and may also result in a delay to the move of Wet Concentrator Plant B, which would negatively affect production for 2020. Due to the uncertain outlook, we have taken the decision to suspend our 2020 guidance until further notice.

Prices for ilmenite, our main product, increased for the fourth consecutive quarter in Q1 2020 as demand continued to outstrip supply. Whilst there is evidence of near-term disruption to both the supply and demand of titanium feedstocks, inventories in the supply chain remain low and the market is expected to require additional production to meet future demand.

In order to provide us with the maximum liquidity and flexibility during this unprecedented period, we have taken the decision to draw our debt facilities. At the end of Q1 we had over US\$100 million of cash and we remain well-resourced to complete the move of Wet Concentrator Plant B.”

Overview

- 2020 guidance is suspended until the likely operational impact of the COVID-19 pandemic is better understood
- There are no known cases of COVID-19 at the Mine or in the local communities to date and strict access controls, hygiene protocols and social distancing measures have been implemented
- Lost time injury frequency rate (“LTIFR”) of 0.25 per 200,000 man-hours worked
- Heavy Mineral Concentrate (“HMC”) production of 248,100 tonnes in Q1 2020, representing a 31% decrease compared to Q1 2019 (358,700 tonnes) as a result of a 17% anticipated decrease in ore grades and a 12% decrease in excavated ore - average monthly HMC production is forecast to increase from Q2 2020 onwards
- Reduced production of all finished products due to reduced HMC availability
- Total shipments of finished products of 194,600 tonnes (Q1 2019: 176,500 tonnes)
- Wet Concentrator Plant (“WCP”) C is ramping up following first HMC production in late February 2020 and targeting 500 tonnes per hour nameplate capacity in Q2 2020
- Timeline for the relocation of WCP B is being impacted by restrictions relating to COVID-19 in Mozambique, South Africa and elsewhere and Kenmare is working to mitigate their effect
- Strong momentum maintained in the ilmenite market in Q1 2020, with solid demand continuing into the second quarter
- Oversupply in the zircon market continued in Q1 2020, however the medium term outlook is positive due to reducing production from major mines
- Remaining US\$42.7 million of Kenmare’s Term Loan Facility drawn to ensure enhanced liquidity and flexibility during COVID-19 pandemic
- At the end of Q1 2020, cash and cash equivalents were US\$102.4 million and debt was US\$111.4 million, resulting in net debt of US\$9.0 million

Guidance update

The COVID-19 pandemic is having an impact on the Moma Mine’s operations and as a result its production outlook for 2020 remains highly uncertain. Kenmare expected Q4 2020 to be the strongest quarter of the year, following the move of WCP B to the high grade Pilivilil ore zone. However the timeline for the WCP B move has become less clear as a result of recent restrictions. Consequently, the Company has taken the prudent decision to suspend its 2020 guidance, announced 9 January 2020, until the outlook is clearer.

Kenmare continues to monitor the impact of restrictions placed on the movement of people and goods across relevant international borders. The Government of Mozambique declared a state of emergency on 30 March 2020, which includes a 14-day quarantine for anyone entering the country, the suspension of all visas and the cancellation of all events. The Government of South Africa has also announced a nationwide ‘lockdown’ for 21 days from 26 March 2020. While production continues at the Moma Mine, some of the restrictions imposed are impeding Kenmare’s ability to operate normally.

The Company has been in active dialogue with its employees and contractors to understand and attempt to mitigate the potential impacts on its operations and the relocation of WCP B. Kenmare will provide updated guidance when the impact of COVID-19 and the outlook for the remainder of the year becomes clearer.

Production

Production from the Moma Mine in Q1 2020 was as follows:

	Q1 2020	Q1 2019	Variance	Q4 2019	Variance
	Tonnes	tonnes	%	tonnes	%

Excavated ore¹	8,153,400	9,292,000	-12%	8,290,500	-2%
Grade¹	3.39%	4.07%	-17%	3.60%	-6%
Production					
HMC production	248,100	358,700	-31%	264,700	-6%
HMC consumption	246,700	341,700	-28%	268,600	-8%
Ilmenite	159,100	238,100	-33%	203,900	-22%
Primary zircon	9,600	12,100	-21%	10,900	-12%
Rutile	1,400	2,100	-33%	1,900	-26%
Concentrates ²	8,600	10,100	-15%	10,000	-14%
Shipments	194,600	176,500	10%	352,900	-45%

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

Protecting the Company's employees and its host communities in Mozambique are Kenmare's highest priorities and management is focused on minimising the potential for COVID-19 to spread to the operations. There are no known cases of COVID-19 at the Moma Mine or in the local communities to date and as stated in the 2019 Preliminary Results announcement, strict access controls and heightened health protocols have been implemented, in addition to social distancing measures. These include restricting gatherings and staggering shift patterns to allow social distancing in transport to and from work. Employees living outside of the local Mine area have been prohibited from travelling to site and restrictions on travel for all employees have been imposed. Additional medical equipment has been ordered, including breathing equipment, to ensure any employees with a suspected case of COVID-19 are able to be cared for at site before being evacuated to a medical facility.

The Company continues to work closely with its contractors and is evaluating the potential impacts on operations and the supply chain, on the execution of its development projects and on its customers.

During Q1 2020 Kenmare improved its safety performance, with a rolling 12 month LTIFR of 0.25 per 200,000 man-hours worked (Q4 2019: 0.27) as a result of one lost time injury recorded during the period. However the Company's safety performance weakened compared to Q1 2019 (0.08), which represented the Company's lowest ever LTIFR, and as a result Kenmare continues to focus on improving its safety culture.

HMC production was 248,100 tonnes in Q1 2020, representing a 31% decrease compared to Q1 2019 (358,700 tonnes). This is as a result of a 17% decrease in ore grades, due to WCP B approaching the end of its current mine path and lower grades at WCP A. This was as expected, and relates to Kenmare's lower production guidance for 2020 prior to today's announcement of suspension of guidance.

The 12% reduction in excavated ore during the quarter was due to reduced utilisation and throughput at both WCP A and WCP B. Eight days of maintenance at WCP A, planned for later in the year, were also brought forward to better align with stoppages relating to the dredge automation project. Plant utilisations and throughputs are both expected to increase from Q2 2020 onwards, benefitting from an improved dry mining contribution.

Both grade and excavated ore tonnes were also impacted by lower contribution from WCP C in Q1 2020, due to late commissioning of the plant. WCP C produced its first HMC in late February 2020 and is ramping up smoothly. It is expected to achieve its nameplate capacity of 500 tonnes per hour during Q2 2020. As a result, WCP C is expected to make a proportionately greater contribution to production for the remainder of the year.

Production of all finished products decreased during Q1 2020 as a result of reduced HMC availability. Ilmenite production was 159,100 tonnes, down 33% (Q1 2019: 238,100 tonnes); primary zircon production was 9,500 tonnes, down 21% (Q1 2019: 12,100 tonnes); rutile production was 1,400 tonnes, down 33% (Q1 2019: 2,100 tonnes); and concentrates production was 8,600 tonnes, down 15% (Q1 2019: 10,100 tonnes). Primary zircon and concentrates production benefitted from the processing of stockpiled non-magnetic concentrates.

Kenmare shipped 194,600 tonnes of finished products during the period (Q1 2019: 176,500 tonnes), which was comprised of 178,100 tonnes of ilmenite, 6,800 tonnes of primary zircon, and 9,700 tonnes of concentrates. No rutile was shipped during the quarter. Total shipments in Q1 2020 represented a 10% increase compared to Q1 2019 (176,500 tonnes), however volumes were affected by lower production levels and the scheduled replacement of the thruster control system on the Bronagh J transhipment vessel.

Closing stock of HMC at the end of Q1 2020 was 8,400 tonnes, compared with 7,000 tonnes at the start of the year. Closing stock of finished products at the end of Q1 2020 was 144,200 tonnes (Q1 2019: 286,500 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 development project, the construction of WCP C, is continuing to ramp up and targeting nameplate capacity of 500 tonnes per hour in Q2 2020. The project is anticipated to be completed within its budget of US\$45 million.

The relocation of WCP B to the high grade Pivilivi ore zone is the third development project, scheduled to take place in Q3 2020. Good progress continues with the civil engineering works at Moma, however the timeline for the relocation of WCP B may be

impacted by restrictions relating to COVID-19 in Mozambique, South Africa and elsewhere, particularly relating to fabrication of equipment and mobilisation of contractors to site. It is difficult to gauge the impact these disruptions will have at this time but Kenmare will provide further guidance when possible.

Market update

The ilmenite market remained strong in Q1 2020, continuing the momentum of 2019 and leading to a fourth consecutive quarter of higher average prices received. Kenmare has secured offtake agreements for the majority of its ilmenite production in 2020.

The effects of COVID-19 are uncertain for the ilmenite market. Kenmare estimates global inventories of feedstocks are below normal levels, whilst global ilmenite supply remains constrained by government policy in India and Vietnam and depleting mines, primarily in Africa and Australia. The reduced ilmenite availability, coupled with growing demand for ilmenite upgrading in China, has led to increased demand for Kenmare's ilmenite products from both existing and new customers in Q1 2020.

However, downstream demand for titanium pigment is likely to be negatively impacted by lower global economic activity as a result of the COVID-19 outbreak. Whilst there have been examples of titanium feedstock producers also facing disruption to production, the extent and length of these shutdowns is difficult to forecast.

Despite these uncertainties, Q2 2020 looks strong and the medium term outlook for Kenmare's ilmenite products remains solid, with demand expected to outstrip supply and additional sources of supply required to balance the market in the coming years.

The oversupply in the zircon market continued into Q1 2020, resulting in lower achieved zircon prices compared to Q4 2019. As with the ilmenite market, both the downstream demand for zircon and the production of zircon sand have been impacted by the COVID-19 outbreak. Kenmare expects challenging market conditions to persist in the short term but to improve in the medium term, as zircon sand production reduces from depleting major mines.

Finance update

In line with our commitment to return a minimum of 20% of profit after tax to shareholders, on 19 March 2020 Kenmare announced its intention to pay a 2019 final dividend of US\$5.52 per share, to be approved at the Company's Annual General Meeting on 13 May 2020. As previously stated, following completion of the development projects, the Company expects to be able to make higher capital returns.

In order to provide maximum liquidity and flexibility during this unprecedented period, Kenmare has drawn the remaining US\$42.7 million available under its US\$110 million Term Loan Facility. In addition, in early April 2020 the Company requested to draw in full its US\$40.0 million Revolving Credit Facility.

At 31 March 2020, cash and cash equivalents were US\$102.4 million (31 December 2019: US\$81.1 million) and gross bank loans, including accrued interest, were US\$111.4 million (31 December 2019: US\$67.4 million). Accordingly, as at 31 March 2020, Kenmare had net debt of US\$9.0 million, compared to US\$13.7 million net cash at 31 December 2019, which is due to capital expenditure, the timing of shipments and other working capital movements.

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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.