



Kenmare Resources plc, 4th Floor, Styne House, Hatch Street Upper, Dublin 2, D02 DY27, Ireland  
T: +353 1 671 0411 E: [info@kenmareresources.com](mailto:info@kenmareresources.com) W: [www.kenmareresources.com](http://www.kenmareresources.com)

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

16 October 2018

### Q3 2018 Production Report, Capital Markets Day and Adoption of Dividend Policy

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 third quarter ending 30 September 2018 (“Q3 2018”).

#### Statement from Michael Carvill, Managing Director:

“Kenmare is hosting a Capital Markets Day today to outline the comprehensive plans we have developed to increase production, expand margins and begin capital returns to shareholders. I am pleased to announce our dividend policy, a watershed moment for the company. Dividends will be based on a minimum of 20% of Profits After Tax and are expected to commence with an interim dividend for H1 2019.

We believe that industry fundamentals are supportive of higher prices, and while global growth concerns and normal seasonal weakness have driven some buying caution, this appears to be lifting. Prices of ilmenite, our main product, remain at less than 50% of the previous peak and, in our view, are unlikely to be sufficient to incentivise the necessary new supply to replace depleting mines and meet continued demand growth in the medium term.”

#### Overview

- Ore mined in Q3 2018 increased 8% to 8,411,000 tonnes (Q3 2017: 7,788,000 tonnes), benefitting from increased supplementary dry mining.
- Heavy Mineral Concentrate (“HMC”) production in Q3 2018 increased 3% to 279,900 tonnes (Q3 2017: 272,600 tonnes), however production was impacted by planned lower grades when compared to Q2 2018.
- Ilmenite production in Q3 2018 was 233,900 tonnes, down 9% (Q3 2017: 257,500 tonnes).
- Zircon production in Q3 2018, decreased 10% to 16,200 tonnes (Q3 2017: 18,100 tonnes).
- Total shipments of finished products in Q3 2018 decreased 5% to 198,900 tonnes (Q3 2017: 208,400 tonnes), in line with previous guidance, due to the timing of shipments and the weighting of 2018 sales to H1.
- Chinese ilmenite spot market conditions are improving, following cautious buying in recent months, while zircon prices continued to advance.
- Plans to deliver 1.2 million tonnes per annum of ilmenite, plus associated co-products, by 2021 have been further refined.
- Dividend policy paying a minimum of 20% of Profit After Tax adopted.

#### Capital Markets Day

A presentation for analysts and investors will be held at 09:00am BST on Tuesday, 16 October 2018. A copy of the presentation is available on the Company website, [www.kenmareresources.com](http://www.kenmareresources.com) and a replay of the event will be available shortly afterwards. No new material information or trading update, other than that contained in this announcement, will be provided at the event.

**Directors:** Steven McTiernan (Chairman), Peter Bacchus, Michael Carvill, Clever Fonseca, Elizabeth Headon, Timothy Keating, Graham Martin, Tony McCluskey, Gabriel Smith. **Secretary:** Deirdre Corcoran

**Registered Office:** 4th Floor, Styne House, Hatch Street Upper, Dublin 2, Ireland. **Registered No.** 37550. Registered in Dublin, Ireland

## Production

Production and shipments from the Moma Mine for Q3 2018 was as follows:

	Q3-2018	Q3-2017	Variance	Q2-2018	Variance
	tonnes	tonnes	%	tonnes	%
<b>Excavated Ore *</b>	8,411,000	7,788,000	8%	8,409,000	0%
<b>Grade*</b>	3.62%	4.15%	-13%	4.68%	-23%
<b>Production</b>					
HMC	279,900	272,600	3%	377,900	-26%
Ilmenite	233,900	257,500	-9%	238,500	-2%
Zircon	16,200	18,100	-10%	16,800	-4%
of which primary	10,200	12,000	-15%	11,700	-13%
of which secondary	6,000	6,100	-2%	5,100	18%
Rutile	1,700	2,200	-23%	2,000	-15%
<b>Shipments</b>	198,900	208,400	-5%	322,000	-38%

\* Excavated Ore and grade are prior to any floor losses.

During Q3 2018, Kenmare mined 8,411,000 tonnes of ore at an average grade of 3.62% and produced 279,900 tonnes of HMC. Finished product volumes for the period included 233,900 tonnes of ilmenite and 16,200 tonnes of zircon (including 6,000 tonnes of lower grade secondary zircon).

Ore mined was in line with the prior quarter but an improvement of 8% versus Q3 2017 (Q3 2017: 7,788,000 tonnes) as a result of increased supplementary dry mining capacity installed successfully in H1 2018. Mining conditions are expected to improve through Q4 2018, enabling higher tonnages of ore to be processed.

HMC production increased 3% to 279,900 tonnes in Q3 2018 compared with 272,600 tonnes in Q3 2017, principally as a result of the increase in ore mined, despite lower grades. It is expected that grades will increase in Q4 2018, and this has been evidenced in the quarter to date, increasing HMC production for the final quarter.

Production of ilmenite was 233,900 tonnes in Q3 2018, down 9% over the prior year period (Q3 2017: 257,500 tonnes). Production of ilmenite for 2018 is expected to be within the guidance, though at the mid-low end of the range.

Zircon production was in line with ilmenite, down 10% to 16,200 tonnes in Q3 2018, compared with 18,100 tonnes in Q3 2017. Of this, primary zircon production declined 15% to 10,200 tonnes (Q3 2017: 12,000 tonnes). Secondary zircon volumes were 6,000 tonnes, down 2% (Q3 2017: 6,100 tonnes). Production of zircon for 2018 is expected to be within the guidance, close to the middle of the guided range.

Power reliability has been greatly improved since the end of 2015 but through 2018 this stability has been impacted by faulty equipment on the national grid, which has affected production. Consequently, higher utilisation of the diesel-powered electric generators has contributed to higher absolute and unit costs, which are expected to be marginally beyond the upper end of guidance. The fault has now been identified and Kenmare has been working with Electricidade de Moçambique, the state electricity provider, to rectify the issues. This work is expected to be completed in Q4 2018.

Following very strong H1 2018 sales volumes, as previously outlined, ilmenite shipments slowed in Q3 2018 due to a seasonal variation and cautious purchasing behaviour in China. Shipping volumes are still expected to be lower in aggregate in H2 2018 than H1 2018. Shipment volumes in Q3 2018 were 198,900 tonnes, 5% lower than Q3 2017 but 38% lower when compared with Q2 2018 (Q3 2017: 208,400 tonnes, Q2 2018: 322,000 tonnes), primarily reflecting seasonal variation. Sales in Q3 2018 comprised 184,300 tonnes of ilmenite, 12,100 tonnes of zircon and 2,500 of rutile.

Closing stock of HMC at the end of Q3 2018 was 19,100 tonnes, compared with 52,300 tonnes at the beginning of the quarter. Closing stock of finished products at 30 September 2018 was 182,500 tonnes (30 June 2018: 129,600 tonnes).

### **Capital Projects**

Raising ilmenite production, by 2021, to 1.2 million tonnes per annum, plus associated co-products, is a core strategy of the company to help reduce unit costs and increase margins by fully utilising existing processing and export facilities at Moma. Preliminary studies in 2016 estimated that the necessary capital expenditure to increase the capacity of the mining fleet would be up to US\$100 million, but following the completion of Definitive Feasibility Studies, this has reduced and is now estimated to be approximately US\$60 million. Some further mining capacity increases will be required post 2028.

The first significant capital project to increase capacity was the upgrade of WCP B, from 2,000 tonnes per hour to 2,400 tonnes per hour. Kenmare has taken a phased approach to the project to maximise capital efficiency. Commissioning began in Q3 2018, ahead of schedule, and the plant has successfully operated at capacity. It is expected that the final phase of works will be completed in the coming months to ensure consistent operations at the targeted capacity. Final costs are expected to be approximately 25% below the guidance of US\$16 million.

The Board approved the development of a third dredge mining pond in August 2018. A 500 tonnes per hour dredge and wet concentrator plant, WCP C, will be developed in a high-grade area of the Namalope zone, inaccessible to the existing dredge operations. Resources to support a 20-year life of mine for WCP C have been identified. The project is expected to cost up to US\$45 million (including contingencies) and yield an IRR of at least 30%. Commissioning is expected before the end of 2019.

Separately, and as previously announced, the Namalope deposit will be mined until 2020 by WCP B and until 2025 by WCP A. The capital costs associated with the movement of the mining ponds from Namalope are in addition to the capital outlined to increase the capacity of the mining fleet. WCP B will move in H2 2020, increasing production in 2021 to 1.2 million tonnes of ilmenite per annum, plus associated co-products, through the mining of the higher grade Pilivili deposit. Following the completion of a PFS (Pre-Feasibility Study), capital costs are estimated to be approximately US\$100 million. A full DFS (Definitive Feasibility Study) will be completed in Q1 2019. Plans for the movement of WCP A to Nataka in 2025 remain at an early stage.

Sustaining capital is expected to be within guidance of US\$22 million for 2018 and expected to be in the range of US\$20 - 25 million per annum over the next five years.

### **Market**

Chinese ilmenite purchasing activity slowed over the summer months, as in previous years, as pigment output reduced due to seasonal demand factors and some disruptions related to environmental regulation enforcement in China. Recent announcements of pigment price increases by Chinese pigment producers points to an improved industry outlook.

Chinese domestic ilmenite prices were stable in Q3 2018, though imported ilmenite prices were marginally softer, reflecting a weaker Chinese Renminbi. As we enter Q4 2018, Chinese domestic ilmenite pricing remains firm, with some upward pressure associated with the improving pigment market outlook likely in the coming weeks as some large domestic ilmenite producers have just announced price increases.

Outside of China, ilmenite shipments in Q3 2018 were broadly in line with expectations, as western pigment plants continued to operate at high utilisation rates. The high-grade feedstock market continues to be tight and should afford opportunities for higher consumption of ilmenite at pigment plants and for upgrading.

Zircon industry fundamentals continued to be favourable in Q3 2018, with Kenmare agreeing further price increases in line with general market levels. Given the strong price recovery since early 2017 to the more sustainable levels of today, the potential for further significant price increases appears less likely.

## **Dividend policy**

As part of Kenmare's objective to create and deliver shareholder value, the Company is pleased to announce its dividend policy. The dividend policy is to return a minimum of 20% of Profit After Tax. This policy is subject to prevailing product market conditions and ensuring that the Company retains a prudent level of cash to fund debt and capital requirements.

In light of the capital required for development projects as outlined above, the Company expects to pay modest dividends during the next two years, starting with an interim dividend based on H1 2019 results, payable in H2 2019. Following completion of these development projects, the Company expects to be in a position to make higher capital returns from 2021.

In order to prepare for payment of the maiden dividend, the Company intends to eliminate historic losses and undertake a group rationalisation. Kenmare's Lender Group has agreed to provide the necessary approvals to enable the Company proceed with these steps. Elimination of historic losses will also require shareholder approval and the sanction of the Irish High Court, and the Company intends to convene an extraordinary general meeting for the approval of the capital reduction to eliminate historic losses to be held later this year. It is expected that the various steps to allow the commencement of dividend payments by the Company will be completed early next year.

For further information, please contact:

### **Kenmare Resources plc**

Michael Carvill, Managing Director

Tel: +353 1 671 0411

Tony McCluskey, Financial Director

Tel: +353 1 671 0411

Jeremy Dibb, Corporate Development and Investor Relations Manager

Tel: +353 1 671 0411

Mob: + 353 87 943 0367

### **Murray**

Joe Heron / Aimee Beale

Tel: +353 1 498 0300

Mob: +353 87 690 9735

### **Buchanan**

Bobby Morse / Chris Judd

Tel: +44 207 466 5000

## **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.