

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

29 April 2016

### Q1 2016 Trading Update & 2016 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 first quarter ending 31 March 2016.

#### Overview

- Ore mined in Q1 2016 increased 120% to 7,061,000 tonnes (Q1 2015: 3,211,000 tonnes), mainly due to improved power supply quality and consistency in 2016
- Heavy Mineral Concentrate ("HMC") production in Q1 2016 increased 90% in to 274,800 tonnes (Q1 2015: 144,500 tonnes)
- Ilmenite production increased 39% to 185,000 tonnes (Q1 2015: 132,900 tonnes)
- Zircon production increased 12% to 11,600 tonnes (Q1 2015: 10,400 tonnes)
- Total shipments of finished products were down 37% at 132,700 tonnes (Q1 2015: 209,600 tonnes) as the delayed arrival of a vessel and inclement weather at the end of March delayed the departure of two large ilmenite shipments
- Production guidance of 950,000 tonnes of ilmenite production in 2016 (+/- 10%), up 24% on achieved 2015 production
- Vastly improved power quality and consistency since the December 2015 installation of additional power transmission infrastructure by Electricidade de Moçambique (“EdM”)
- Update on proposed deleveraging announced separately this morning

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

"A proposed capital restructuring was announced separately this morning. A successful implementation of this plan will reduce outstanding debt to not more than US\$100m, provide a significant working capital buffer and a stable and sustainable platform for the Group pending a recovery in mineral sands prices. In addition, costs have been substantially reduced and the electricity supply, which has materially impeded production for the last several years, has been dramatically improved.

Our analysis shows that the market for merchant sulphate ilmenite (our largest product) is in global supply deficit and inventories appear to be declining. This view is evidenced by the price increases we have been seeing in the Chinese ilmenite spot market over recent months and, we believe, augurs well for the outlook."

#### Results conference call

A conference call for analysts will be held at 9:30am GMT on 29 April 2016. Participant dial-in numbers are as follows:

UK:	08082 370 030 or 020 31 394 830
Ireland:	01 696 8154 or 1800 936 842
Rest of the world:	+44 (0) 203 139 4830
Participant ID#	49796939#

## Production

Production from the Moma Mine in Q1 2016 was as follows:

	Q1-2016	Q4-2015	Variance	Q1-2015	Variance
	tonnes	tonnes	%	tonnes	%
<b>Excavated Ore *</b>	7,061,000	7,053,000	0%	3,211,000	120%
<b>Grade*</b>	4.32%	4.93%	-12%	5.85%	-26%
<b>Production</b>					
HMC	274,800	306,700	-10%	144,500	90%
Ilmenite	185,000	190,700	-3%	132,900	39%
Zircon	11,600	14,500	-20%	10,400	12%
of which primary	8,300	10,100	-18%	9,200	-10%
of which secondary	3,300	4,500	-27%	1,300	154%
Rutile	1,100	1,700	-35%	1,400	-21%
<b>Shipments</b>	132,700	198,300	-33%	209,600	-37%

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

During Q1 2016, Kenmare mined 7,061,000 tonnes of ore at an average grade of 4.32% and produced 274,800 tonnes of HMC. Finished product volumes for the period included 185,000 tonnes of ilmenite and 11,600 tonnes of zircon (including 3,300 tonnes of a lower grade secondary zircon product).

As a result of the upgrades to the power lines by EdM, operating time benefitted from increased power stability and consistency through Q1 2016, particularly in comparison to the same period in prior years. The tonnage of ore excavated remained flat in comparison to the prior quarter, though HMC production declined 10% as a result of grade fluctuations. Grade is forecast to increase from the end of Q2 until the end of the year.

Lower HMC production limited production of final products in the first quarter. Mining conditions vary through the year, however, shallow dredging and the harder mining conditions experienced in Q4 2015 continued into Q1 2016, as expected. Dry mining was restarted towards the end of the quarter and is helping to augment the more difficult mining conditions. A focused programme of organisational and management improvements has also been put in place with the aim of reducing downtime and ensuring more consistent production levels.

Ilmenite production for the period was 185,000 tonnes, up 39% compared to 132,900 tonnes in Q1 2015. Total zircon production for the period increased 12% over the previous year to 11,600 tonnes, though primary zircon fell 10%. This was primarily a result of lower non-magnetic recoveries experienced in March, which have since improved.

Shipments of total finished products in Q1 2016 amounted to 132,700 tonnes, comprised of 123,200 tonnes of ilmenite, 8,600 tonnes of zircon (including 2,400 tonnes of secondary grade zircon) and 900 tonnes of rutile. The late arrival of a vessel and inclement weather at the end of March delayed the shipment of two large ilmenite parcels into April. This, in combination with an improving demand outlook, is expected to contribute to a much stronger Q2 for shipments.

Closing stock of HMC at the end of Q1 2016 was 14,800 tonnes, compared with 11,800 tonnes at the start of the year. Closing stock of intermediate magnetic concentrate at the end of the period was 64,400 tonnes. Closing stock of finished products at the end of Q1 2016 was 302,600 tonnes, of which 40,000 tonnes are being held for a customer under a bill and hold arrangement.

## Power

We have already seen considerable improvement in power quality and reliability in the first few months of 2016 and we believe power should no longer be a fundamental constraint on Moma's ability to produce.

During December 2015, EdM commissioned new equipment that provides additional transmission capacity on the power network that serves the Moma Mine, increasing capacity by 50MW (42%) in December 2015. A further increase in transmission capacity of 10MW is expected to be commissioned in mid-2016.

Electricity generation capacity in northern Mozambique is also being increased by EdM, with a ship-based 100MW mobile power generation plant positioned nearby at Nacala since April 2016. The plant is currently being commissioned and will both provide significant additional capacity and stabilisation of the network voltage.

These improvements to the network gave the management team confidence in placing the diesel generators on standby earlier than expected, through the high thunderstorm risk summer months, with no significant effect to power supply or operations. However, the generators remain available on standby should the need arise.

## Market

There was a stabilisation of ilmenite prices in Q1 2016 as reductions in ilmenite production globally met with strong demand from pigment customers, who saw sales volumes increase between 6-12% in Q1 2016 in comparison to the same prior year quarter. Offtake conditions have continued to improve following the end of the quarter, resulting in the first tentative price increases for both domestically produced and imported ilmenite in the Chinese spot market. As the largest offtake market for sulphate ilmenite, Chinese market conditions strongly influence global market price movements. We expect stronger global pigment demand conditions to continue through 2016, driving increased feedstock consumption.

Zircon prices declined over the course of 2015, by approximately 10%. Although some of the larger producers sought to align production with market demand, increased supply from new producers, coupled with positioning by various producers for year-end sales contributed to the softness. Further price weakness has been seen in recent weeks due to ongoing competitive tensions between major producers.

## 2016 Guidance

Mining output through 2016 is expected to benefit from a significantly more stable power supply, with HMC also benefitting from an increase in grade from the latter part of Q2 2016 onwards. Future plant availability is anticipated to improve as a result of mechanical reliability improvements completed. In addition, further recovery improvement projects are being implemented through 2016 in the non-magnetic section of the plant (processing rutile and zircon).

We are continuing to push down our costs to the extent possible and expect that as volume increases through 2016, with the benefit of improved power and product recoveries, our unit cost per tonne of final product produced will continue to reduce.

The 2016 guidance on production and operating costs is as follows:

<b>Production</b>		2016 Guidance	2015 Actual	Variance
Ilmenite	kt	950	764	24%
Zircon	kt	70	52	35%
of which primary	kt	50	39	27%
of which secondary	kt	20	12	61%
Rutile	kt	8	6	33%
<b>Costs</b>				
Total cash operating costs	US\$m	145	136	6%
Cash operating costs per tonne of finished product	US\$/t	141	166	-15%

Production and cost guidance is subject to a +/- 10% variance and foreign exchange movements.

Sustaining capital in 2015 was US\$5.6m as a result of stringent cost management, though expected to average ~US\$20m per annum in the medium term.

For the five year period from 2011-2015, head grade at the mine was ~5.2%. It is expected that over the following five years from 2016-2020 that the average grade will decline to ~4.5%. This decline in grade will require an increased mining fleet to maintain levels of HMC. The capital expenditure required to enhance the mining fleet over this period is yet to be approved by the board and will be subject, *inter alia*, to market conditions. However preliminary studies estimate the additional capital to be US\$100m, over the five year period. No material capital expenditure is expected prior to Q4 2017.

As previously announced, the Namalope deposit will be mined until 2024 by WCPA and until 2020 by WCP B. The capital costs associated with the movement of the dredges from the Namalope deposit to the Nataka deposits are in addition to the capital outlined to increase the capabilities of the mining fleet.

**Kenmare Resources plc**

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**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.