

# Q4 2022 Production Report and 2023 Guidance

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[Kenmare Resources plc](#)

("Kenmare" or the "Company" or "the Group")

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[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 2022 and fourth quarter ending 31 December 2022 ("Q4 2022") and production and operating cost guidance for 2023.

Statement from Michael Carvill, Managing Director:

*"2022 was another good year for Kenmare with ilmenite production of 1,088,300 tonnes, despite the challenges of power interruptions in Q4. Shipments in Q4 were near record levels, with both transshipment vessels achieving high availability following the recent dry dock of the Bronagh J.*

*Despite some macroeconomic headwinds, we continue to see a robust market for our products, with strong pricing achieved in Q4 2022. As China further relaxes COVID-19 restrictions, we expect higher domestic demand to support our sales in the region.*

*Kenmare has moved to a net cash position of \$27.5 million at the end of 2022, which represents a \$110.3 million improvement from the previous year, whilst also having paid record dividends. We continue to target a total dividend payment of 25% of profit after tax in respect of 2022."*

## Overview

- Lost Time Injury Frequency Rate ("LTIFR") of 0.09 per 200,000 hours worked to 31 December 2022 (31 December 2021: 0.03)
- 2022 revised production guidance achieved for ilmenite and rutile while original production guidance achieved for primary zircon and concentrates
- Heavy Mineral Concentrate ("HMC") production increased 2% in 2022 to 1,586,200 tonnes (2021: 1,555,900 tonnes), benefitting from higher tonnes mined and improved grades
- Ilmenite production decreased 3% in 2022 to 1,088,300 tonnes (2021: 1,119,400 tonnes)
- Shipments of finished products of 1,075,600 tonnes in 2022, a 16% decrease compared to record tonnes shipped in 2021, reflecting planned maintenance on the transshipment fleet
- 51% increase in the interim 2022 dividend to US\$10.98 per share (H1 2021: US\$7.29), paid in October
- Net cash of \$27.5 million at year-end 2022 (2021: \$82.8 million net debt), with cash and cash equivalents of \$108.3 million (year-end 2021: \$69.1 million)
- Higher average prices achieved for all products in 2022
- 2023 ilmenite production guidance range of 1,050,000 to 1,150,000 tonnes

## Operations update

Operational results for the Moma Mine in Q4 2022 and 2022 were as follows:

	Q4 2022	vs Q4 2021	vs Q3 2022	2022	vs 2021
	tonnes	% change	% change	tonnes	% change
Excavated ore <sup>1</sup>	10,145,000	9%	-3%	40,029,000	2%
Grade <sup>1</sup>	4.75%	10%	-4%	4.61%	0%
Production					
HMC produced	404,000	17%	-9%	1,586,200	2%
HMC processed	397,900	13%	-10%	1,578,900	-1%
Ilmenite	283,900	15%	-7%	1,088,300	-3%
Primary zircon	14,600	18%	-16%	58,400	4%
Rutile	2,200	5%	-15%	8,900	0%
Concentrates <sup>2</sup>	11,700	4%	-10%	45,200	3%
Shipments	365,700	-1%	28%	1,075,600	-16%

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

Unfortunately, three lost time injuries were recorded in the 12 months to 31 December 2022, following a period of over 18 months of being LTI free, resulting in a rolling 12-month LTIFR of 0.09 per 200,000 hours worked (31 December 2021: 0.03). The Company is redoubling efforts to ensure consistent observance of good safety practices is foremost in our employees' minds.

HMC production in 2022 was 1,586,200 tonnes, a 2% increase compared to 2021 (1,555,900 tonnes). Whilst an improvement on 2021, excavated ore and recoveries were impacted by power outages, mining conditions and slimes, as well as the previously reported bad weather in Q1.

HMC production in Q4 2022 was 404,000 tonnes, a 17% increase compared to Q4 2021 (343,900 tonnes), due to higher tonnes of excavated ore and higher grades. However, as previously noted by the Company in its Guidance Update on 25 November 2022, HMC production was also curtailed by unplanned power disruptions caused by issues with the Electricidade de Moçambique ("EdM") transmission grid. Kenmare worked closely with EdM to resolve these specific issues and by mid-December 2022, power stability improved, and utilisations increased.

For 2022, ilmenite production of 1,088,300 tonnes was within revised guidance of 1,080,000 to 1,110,000 tonnes, with rutile production also within revised guidance. Production of primary zircon and concentrates was within original guidance, despite the impacts of unplanned power outages towards the end of the year.

Ilmenite production was impacted by the reduced HMC feedstock available due to the challenges highlighted above and the impact of slimes on HMC quality, partially offset by a 1% improvement in ilmenite recovery.

Record primary zircon production of 58,400 tonnes was delivered in 2022, increasing by 4% compared to 2021 (56,300 tonnes). Production benefitted from improved recoveries, resulting from the implementation of a flocculation process to provide cleaner process water, as well as the successful implementation of the rotary uninterruptable power supply ("RUPS"), which provided steadier operating conditions.

Rutile production in 2022 was in line with 2021, although higher slimes impacted recoveries at the mine, partially offset by recovery improvements in the Mineral Separation Plant.

Record concentrates production of 45,200 tonnes was delivered in 2022, increasing by 3% compared to 2021 (43,900 tonnes). Secondary zircon tonnes fell 4% due to lower zircon contained in the feed, as more was recovered into primary products. This was more than offset by record mineral sands concentrate production, increasing 19% compared to 2021, benefitting from the processing of stockpiles.

Production of all finished products increased in Q4 2022 compared to Q4 2021, because of higher HMC processed.

Kenmare produced 283,900 tonnes of ilmenite in Q4 2022, a 15% increase compared to Q4 2021, and a 7% decrease compared to Q3 2022. This was the result of weaker HMC production due to unplanned power outages in the period limiting HMC feed availability, partially offset by drawdown of magnetic feed stock. Similarly, Q4 2022 production of primary zircon, rutile and concentrates decreased from Q3 2022 due to lower HMC processed, although recoveries increased relative to Q4 2021.

Shipment volumes in 2022 were 1,075,600 tonnes, a 16% decrease compared to 2021 (1,285,300 tonnes). This was primarily due to a 4-month period of planned maintenance, which occurs every five years, on the Company's largest transshipment vessel, the Bronagh J. Shipments during the year were comprised of 953,395 tonnes of ilmenite, 60,520 tonnes of primary zircon, 12,933 tonnes of rutile and 48,782 tonnes of concentrates.

Q4 2022 was the strongest quarter of the year for shipments and close to a record, with 365,700 tonnes shipped. Volumes were down 1% compared to Q4 2021 (368,600 tonnes). Shipments in Q4 2022 were comprised of 324,200 tonnes of ilmenite, 21,700 tonnes of primary zircon, 2,800 tonnes of rutile and 17,000 tonnes of concentrates.

Closing stock of HMC at the end of 2022 was 18,800 tonnes, compared with 11,600 tonnes at the start of the year. Closing stock of finished products at the end of 2022 was 213,500 tonnes, compared with 88,700 tonnes at the end of 2021.

#### Capital projects update

Work continues on the Pre-Feasibility Study ("PFS") for the Nataka ore zone, where WCP A is scheduled to commence mining around 2025. The Company plans to provide a full update of the studies at a Capital Markets Day on 26 April 2023. It is estimated that the capital cost of the WCP A relocation to Nataka is unlikely to be less than \$225 million. In addition, the Environmental Impact Assessment for the project continues to make good progress.

#### Finance update

On 21 October 2022, Kenmare paid its interim 2022 dividend of US\$10.98 per share (H1 2021: US\$7.29), for a total distribution of \$10.4 million. The Company continues to target a total dividend payment of 25% of profit after tax in respect of 2022.

At 31 December 2022, Kenmare had net cash of \$27.5 million (2021: \$82.8 million net debt). Cash and cash equivalents were \$108.3 million (2021: \$69.1 million) and gross bank loans, including accrued interest, were \$80.8 million (2021: \$151.9 million).

#### Market update

2022 was a strong year for Kenmare's product markets, resulting in record average prices received for all products. Prices received for ilmenite, the Company's primary product, increased 29% on an FOB basis compared with 2021 due to tight market conditions, most notably in the first half when pigment producers were constrained due to shortages of titanium feedstocks.

Pigment demand decreased through the year as the global economic outlook weakened and the Chinese zero COVID-19 policy muted industrial activity. The conflict in Ukraine contributed to energy price inflation, particularly in Europe, pressuring pigment producer margins due to their energy-intensive operations. From a supply perspective, there have been increases in the supply of low-quality ilmenite products entering China, particularly from Mozambique.

Despite these factors impacting the market, Kenmare continued to see robust demand for its high-quality ilmenite products, achieving a ninth consecutive ilmenite price increase in Q4 2022 as customers continue to value supply security.

Spot prices for ilmenite decreased towards the end of the year, as the pigment market weakened, and this has continued into early 2023. However, it is widely expected that the pigment market destocking further downstream will normalise in early 2023.

Kenmare achieved record average prices for zircon products in 2022, up 38% on an FOB basis compared with 2021. Global zircon supply decreased in 2022, due to the depletion of industry stockpiles in the first half of the year. Major suppliers maintained stable pricing during the second half, which has continued into early 2023. Despite this, spot prices in China decreased in H2 2022, due to lower domestic demand, but have stabilised in recent weeks as demand has improved.

## 2023 guidance

2023 guidance for production and operating costs is as follows:

	Unit	2023 Guidance	2022 Actual
<b>Production</b>			
Ilmenite	tonnes	1,050,000 - 1,150,000	1,088,300
Primary zircon	tonnes	51,000 - 57,000	58,400
Rutile	tonnes	8,000 - 9,000	8,900
Concentrates <sup>1</sup>	tonnes	37,000 - 41,000	45,200
<b>Costs</b>			
Total cash operating costs	\$m	208 - 228	N/R <sup>2</sup>
Cash costs per tonne of finished product	\$/t	170 - 188	N/R <sup>2</sup>

1. Concentrates include secondary zircon and mineral sands concentrate.
2. To be reported in full year financial statements.

Ilmenite production in 2023 is expected to be between 1.05 million to 1.15 million tonnes.

Closing product inventories at the end of 2022 were above normal levels, which provides flexibility regarding shipment volumes in 2023. 2023 shipments will depend on market conditions and the cadence of production through the year.

Total cash operating costs are anticipated to increase in 2023 due to cost increases in labour, power and fuel as a result of forecast inflation, as well as one-off operational costs associated with traversing the Namalope West area at WCP A and increased insurance costs. As previously noted by the Company in its Guidance Update on 25 November 2022, total cash operating costs for 2022 are anticipated to be very slightly above the top end of guidance (\$190-210 million), due primarily to higher fuel prices. Full details of 2022 costs will be provided when the 2022 Preliminary Results are reported.

Expenditure on development projects and studies is expected to be approximately \$14 million in 2023. These costs primarily relate to ongoing feasibility works for the Nataka ore zone where WCP A is scheduled to commence mining around 2025, and for optimising mining capacity.

Improvement projects are expected to cost \$8.5 million and relate to numerous smaller projects in water, energy and security management. There are also projects relating to improvements at WCP A, WCP B and the Mineral Separation Plant.

Sustaining capital costs in 2023 are expected to be approximately \$33.5 million.

Kenmare plans to release its 2022 Preliminary Results on Wednesday, 22 March 2023. In addition, the Company also plans to host a Capital Markets Day for analysts and investors on Wednesday, 26 April 2023.

For further information, please contact:

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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 8% 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.

*All monetary amounts refer to United States dollars unless otherwise indicated.*

#### 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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