

Q4 2023 Production Report and 2024 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 the full year 2023 and the fourth quarter ending 31 December 2023 ("Q4 2023") and production and operating cost guidance for 2024.

Statement from Michael Carvill, Managing Director:

"Kenmare achieved two million hours worked without a Lost Time Injury in December 2023. It is encouraging to see a return to strong safety performance as the health and wellbeing of our team at the Moma Mine is our highest priority."

Ilmenite production was 986,300 tonnes in 2023, within our revised guidance range for the year, and production of our other products met or exceeded our original guidance.

Markets for our products were challenging in 2023 due to global economic uncertainty, resulting in lower pricing. However strong pigment production in China and the thriving titanium metal market drove demand for our high-quality ilmenite, relative to other titanium feedstocks.

In 2023, we made \$31 million of debt repayments, paid \$58 million in dividends, bought back \$30 million in shares, began the capital investment for the transition to Nataka, and finished the year with \$21 million net cash. We expect total 2023 dividends to be approximately \$50 million."

Overview

- Lost Time Injury Frequency Rate ("LTIFR") of 0.15 per 200,000 hours worked to 31 December 2023 (31 December 2022: 0.09), with zero Lost Time Injuries ("LTIs") in Q4 2023
- 2023 revised production guidance achieved for ilmenite; original production guidance achieved for primary zircon and rutile and materially exceeded for concentrates
- Heavy Mineral Concentrate ("HMC") production of 1,448,300 tonnes in 2023, a 9% decrease compared to 2022 (1,586,200 tonnes), due to lower ore grades and mining rates impacted by power interruptions and a severe lightning strike in Q1
- Ilmenite production of 986,300 tonnes in 2023, a 9% decrease on 2022 (1,088,300 tonnes), and broadly in line with the reduction in HMC processed
- Shipments of finished products of 1,045,200 tonnes in 2023, a 3% decrease on 2022 (1,075,600 tonnes). Q4 2023 was the strongest quarter of the year, with 324,900 tonnes shipped
- Share buy-back of 5.9% of Kenmare's issued share capital for £23.6 million (\$30.0 million) completed in September 2023
- Interim 2023 dividend of US\$17.5 per share paid in October 2023, an increase of 59% compared to H1 2022 (US\$10.98)
- Net cash of \$20.7 million at year-end 2023 (2022: \$27.5 million net cash), with cash and cash equivalents of \$71.0 million (year-end 2022: \$108.3 million)
- Weakness in the global economy led to lower average prices for all of Kenmare's products in 2023
- Ilmenite production guidance for 2024 is 950,000 to 1,050,000 tonnes

Operations update

Operational results for the Moma Mine in Q4 and full year 2023 were as follows:

	Q4 2023	vs Q4 2022	vs Q3 2023	2023	vs 2022
	tonnes	% change	% change	tonnes	% change
Excavated ore ¹	9,348,000	-8%	-14%	38,549,000	-4%
Grade ¹	4.83%	2%	12%	4.38%	-5%
Production					
HMC produced	399,800	-1%	-4%	1,448,300	-9%
HMC processed	399,800	0%	-3%	1,450,400	-8%
Ilmenite	269,600	-5%	-7%	986,300	-9%
Primary zircon	14,000	-4%	-1%	51,100	-13%
Rutile	2,100	-5%	-22%	8,400	-6%
Concentrates ²	10,500	-10%	-29%	45,700	1%
Shipments	324,900	-11%	99%	1,045,200	-3%

1. Excavated ore and grade prior to any floor losses.

2. Concentrates include secondary zircon and mineral sands concentrate.

In December 2023, Kenmare achieved two million hours without an LTI. Five LTIs were recorded in the 12 months to 31 December 2023, resulting in a rolling 12-month LTIFR of 0.15 per 200,000 hours worked (31 December 2022: 0.09).

HMC production in Q4 2023 was 399,800 tonnes, a 1% decrease compared to Q4 2022 (404,000 tonnes).

HMC production in 2023 was 1,448,300 tonnes, down 9% compared to 2022 (1,586,200 tonnes), although with significantly improved production in H2 (814,400 tonnes versus 633,900 tonnes in H1 2023). The 9% annual reduction was a product of a 4% decrease in excavated ore volumes to 38,549,000 tonnes (2022: 40,029,000 tonnes) and a 5% decrease in ore grades to 4.38% (2022: 4.61%). Ore volumes were impacted primarily by the effects of the severe lightning strike in Q1 and power supply interruptions, which affected operations throughout the year. Ore grades were down principally due to Wet Concentrator Plant ("WCP") B mining in wetlands, where grades were lower than expected, and WCP A mining lower grade ore as it approaches the end of its mine path in Namalope.

Production of all finished products decreased in Q4 2023 compared to Q4 2022, although HMC processed was in line with the prior period. Ilmenite production was 269,600 tonnes in Q4 2023, down 5% compared to Q4 2022 (283,900 tonnes), due to lower recoveries, as a result of a shortage of HMC and some unplanned stoppages. Similarly, primary zircon and rutile production were down 4% and 5%, while concentrates production was down 10%.

For 2023, ilmenite production was 986,300 tonnes and within the revised guidance range of 980,000 to 1,040,000 tonnes. Production of primary zircon and rutile was within original guidance and concentrates production exceeded original guidance.

Ilmenite production in 2023 was down 9% compared to 2022 (1,088,300 tonnes), broadly in line with the 8% reduction in HMC processed.

Primary zircon production was 51,100 tonnes in 2023, a 13% decrease compared to 2022 (58,400 tonnes). This was the product of reduced HMC processed and lower recoveries.

Rutile production was 8,400 tonnes in 2023, a 6% decrease compared to 2022 (8,900 tonnes). This reflects the reduction in HMC processed, partially offset by higher rutile content in the HMC and the drawdown of

intermediate stock.

Concentrates production was 45,700 tonnes in 2023, up 1% compared to 2022 (45,200 tonnes), performing better relative to other products as a result of lower recoveries in primary zircon and the processing of intermediate stockpiles.

Q4 2023 was the strongest quarter of the year for shipments, with 324,900 tonnes shipped, despite poor weather conditions. Although volumes were down 11% compared to Q4 2022 (365,700 tonnes), which was a near record quarter, they were up 99% compared to Q3 2023. Shipments in Q4 2023 comprised 278,700 tonnes of ilmenite, 22,300 tonnes of primary zircon, 4,500 tonnes of rutile and 19,500 tonnes of concentrates.

Shipment volumes in 2023 were 1,045,200 tonnes, a 3% decrease compared to 2022 (1,075,600 tonnes). This was impacted by more cautious buying from customers during this period of weaker demand, compounded by destocking. Shipments during the year comprised 939,000 tonnes of ilmenite, 51,300 tonnes of primary zircon, 7,900 tonnes of rutile and 47,000 tonnes of concentrates.

Closing stock of HMC at the end of 2023 was 16,700 tonnes, compared with 18,800 tonnes at the start of the year. Closing stock of finished products at the end of 2023 was 259,100 tonnes, compared with 213,500 tonnes at the end of 2022. Shipments are expected to exceed production in Q1 2024, partly as a result of shipments deferred from Q4 2023 due to weather.

Capital projects update

As previously announced, WCP A will complete mining at Namalope in late 2025 and commence its transition to the Nataka ore zone. Nataka is the largest of Moma's ore zones, representing 75% of Kenmare's Mineral Resources. WCP A is expected to mine Nataka for the remainder of its economic life, which exceeds 20 years.

The development capital expenditure profile for the transition to Nataka was announced in April 2023 at Kenmare's Capital Markets Day ("CMD") and updated in December 2023 in the Projects Update.

Although orders for important long lead time items, such as the two new dredges, were placed in 2023, the capital incurred was lower than forecast, increasing the capital to be spent in subsequent years.

The table below compares the two estimated spending profiles:

Capital cost schedule (\$m)	2023	2024	2025	2026	2027	Total
April 2023 (CMD)	29	130	88	23		270
December 2023	11	179	121	20	10	341

As previously outlined in December 2023, the \$341 million capital expenditure represents the upper end of the \$316-331 million range, plus the \$10 million of additional infrastructure in 2027. The range relates to the WCP A Infrastructure Definitive Feasibility Study ("DFS"), which is still underway and scheduled to be completed in Q2 2024. The costs of which are currently estimated to be \$91-106 million.

The increase of \$71m in the project cost estimates are principally related to:

- Changes in scope/design (approximately 60%): The scope amendments reflect opportunities to mitigate execution risk of the project and enhance long-term operational capacity.
- Additional indirect costs (approximately 25%): Engineering, Procurement and Construction Management (EPCM) and Owners costs were comprehensively updated as part of the DFS process to include increased project governance for schedule risk minimisation.

- Contingency additions (approximately 15%): A quantitative risk assessment of the project components has been completed for the WCP A upgrade and Tailings Storage Facility. This process, which included comparison against multiple international projects with similar characteristics, recommended the inclusion of additional contingency to manage the potential for schedule overrun and reflect the remote location.

Finance update

On 13 October 2023, Kenmare paid its interim 2023 dividend of US\$17.5 per share, an increase of 59% compared to the interim 2022 dividend (US\$10.98 per share). This represented a total interim distribution of \$16.6 million.

The Company expects total dividends in respect of 2023 to be approximately \$50 million, subject to prevailing product market and other conditions. This in line with Kenmare's dividend policy payout ratio of 20% to 40% of underlying Profit After Tax.

In September 2023 Kenmare completed a share buy-back. The Company repurchased approximately 5.6 million shares, representing 5.9% of the Company's issued share capital, for a total consideration of £23.6 million (\$30.0 million).

The Company's debt refinancing process, initiated in September 2023 to support the capital programme, is well-advanced and expected to complete in Q1 2024.

At 31 December 2023, Kenmare had net cash of \$20.7 million (2022: \$27.5 million net cash). Cash and cash equivalents were \$71.0 million (2022: \$108.3 million) and gross bank loans, including accrued interest, were \$50.3 million (2022: \$80.8 million).

Market update

Demand for Kenmare's products remained relatively robust in 2023, although prices decreased through the year due to weaker global economic activity. Despite this short-term pressure, the Company believes the fundamentals for its products are strong, due primarily to medium- and long-term supply constraints within the titanium feedstocks industry.

In 2023, feedstock supply remained flat. Several large western feedstock producers have depleting Mineral Resources and production disruptions were experienced at several major operations outside China, reducing global supply. However, this was balanced by increased volumes of ilmenite concentrates entering China in 2023, the largest source of new supply.

Downstream demand for titanium pigment remained soft in 2023, although improving as H2 progressed. While western pigment producers reduced production, this was partially offset by significantly increased pigment production in China. Consequently, Kenmare experienced elevated demand from Chinese pigment producers, who prefer to purchase ilmenite for beneficiation over high-grade feedstocks.

The challenges faced by the pigment market prompted producers to sustain lower-than-normal inventories throughout 2023 and the rebuilding of these inventories through increased utilisation rates in 2024 will support demand for ilmenite. Market dynamics continue to favour Kenmare's ilmenite and the Company has a strong order book for Q1 2024, whilst also benefiting from its first quartile cost position. Nonetheless, the Company is experiencing lower pricing in Q1 2024 than it achieved in Q4 2023.

Demand for zircon remained sluggish in Q4 2023, as global economic uncertainty continues to weigh on demand for products such as ceramic tiles. Prices for zircon in Europe remain under pressure in early 2024 but Kenmare has seen a stabilisation in the Chinese spot market in recent months, which should provide some support to the global market.

2024 guidance

2024 guidance for production and operating costs is as follows:

	Unit	2024 Guidance	2023 Actual
Production			
Ilmenite	tonnes	950,000-1,050,000	986,300
Primary zircon	tonnes	45,000-50,000	51,100
Rutile	tonnes	8,000-9,000	8,400
Concentrates ¹	tonnes	37,000-41,000	45,700
Costs			
Total cash operating costs	\$m	219-243	N/R ²
Cash costs per tonne of finished product	\$/t	198-218	N/R ²

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

Ilmenite production in 2024 is expected to be between 950,000 and 1,050,000 tonnes. Excavated ore volumes are expected to increase relative to 2023, although a conservative view of WCP B ore grades in the wetlands and lower grades from dry mining result in production of HMC and final products being in line with 2023. Production is anticipated to be weighted towards H2 due to the grade profile and planned maintenance on WCP B in Q1.

Following poor electrical reliability in 2023, Kenmare has intervened and funded the refurbishment of the Nampula statcom in the Electricidade de Moçambique ("EdM") network. This was commissioned in Q4 2023 and is expected to provide increased stability in the regional power grid. In addition, a new 400kw line is under construction by EdM and expected to connect to Nampula in H1 2024, further enhancing network stability.

Closing product inventories at the end of 2023 were above normal levels, providing the opportunity to maintain sales volumes with lower production in H1 2024.

Total cash operating costs are anticipated to increase to \$219-243 million in 2024, largely due to cost increases in production overheads and power. Total cash operating costs for 2023 are anticipated to be towards the upper end of guidance (\$208-228 million). Full details of 2023 costs will be provided with the 2023 Preliminary Results.

Expenditure on development projects and studies is expected to be approximately \$189 million in 2024. These costs primarily relate to the transition of WCP A to Nataka and feasibility studies for the upgrade works to WCP B.

Improvement projects are expected to cost \$6 million in 2024 and relate primarily to upgrades to the Mineral Separation Plant.

Sustaining capital costs in 2024 are expected to be approximately \$29 million.

Notice of 2023 Preliminary Results

Kenmare plans to release its 2023 Preliminary Results on Wednesday, 20 March 2024.

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 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.

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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