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BMR Group PLC
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BMR Group PLC ("BMR" or the "Company")

Pilot Plant Update with Letter of Intent

BMR, the Zambian-focused mineral processing business, is pleased to announce an update on its proposed operations in Kabwe, Zambia.

On 6 May 2016, BMR announced that it had received approval from the Zambia Environmental Management Agency (ZEMA) for the Company's Environmental Social Impact Assessment in respect of its tailings retreatment process and the construction of its planned pilot and main treatment plants in Kabwe.

The Company has continued to refine the process and advance the engineering design work and its plant construction plans for the pilot plant. In addition, the Directors are pleased to announce that the Company has received an approach for an off-take agreement in respect of increased levels of production than those originally anticipated from the pilot plant.

This has led to a Letter of Intent from a private South African group engaged in mining, energy and agri-business dated 24 May 2016 ("LOI"). Under the LOI, BMR can draw-down from a \$2 million facility for the construction of the pilot plant which will now be configured as a semi-production unit (the "Plant"). This LOI is subject to a completed sale and purchase agreement, for the sale over a three-year period of agricultural grade zinc sulphate heptahydrate (ZSH) (500 tpm) and lead sponge (300 tpm). It also anticipates the eventual sale of LME grade zinc cathodes (300 tpm). A further announcement will be made when the various terms are finalised and related agreements are entered into.

The Directors expect the Plant to generate sufficient production capacity for the ZSH and lead sponge to satisfy the LOI. Additional production and subsequent sale of zinc cathodes will result from production at the main plant in due course. The Directors believe that the LOI off-take for ZSH and lead sponge significantly enhances the returns from BMR's zinc and lead assets over a sustained period of time to the benefit of Shareholders.

To configure the Plant for producing the ZSH and lead sponge in the quantities outlined in the LOI, the Directors estimate the capital expenditure to be approximately \$2.68 million. The Directors are satisfied that this cost can be satisfied from the current cash resources, currently amounting to over £1 million, and from the \$2 million draw-down facility. The aggregate cost of \$2.68 million comprises 52% of confirmed quotations, 18% of factored costs and 30% of internally estimated costs in respect of \$1.8 million for mechanicals, \$0.4 million for instrumentation and electrical items and \$0.48 million for labour, pipework and other ancillaries.

On 22 September 2015, the Company announced that Tony Francis BSc Eng. Metallurgy, ARSM, FIMMM, CEng, of Francis Minerals Consulting Limited had been engaged to

undertake a peer review of the acid/brine leaching process for the recovery of lead and zinc from the tailings and had concluded its suitability. The Company has recently re-engaged Tony Francis to undertake a review of the costings of the Plant in respect of the configuration for the production capacity for the ZSH and lead sponge. Tony Francis has concluded that the capital expenditure of \$2.68 million can be categorised as adequate for a scoping estimate with an industry-standard deviation of -30% and +50%.

The Directors are estimating the operating expenditure at the Plant to be approximately \$150 per tonne of tailings, based on the current costs of acid, reagents, labour and electricity. The Directors expect that the net sales generated from the ZSH and lead sponge, once having satisfied the \$2 million facility repayment under the terms of the LOI, will provide sufficient funds for the Company to complete the zinc electro-winning and copper/iron removal circuits at the Plant.

The Directors are now commencing construction of the Plant. The immediate focus is on securing larger items with long ordering lead times, including the thickeners, leach/precipitation tanks and agitators. In addition, the Company is seeking to engage the services of a project manager and skilled labour from the local market. The Directors expect the Plant to be commissioned for the commencement of production by early 2017.

Other developments

Waelz Kiln Slag ("WKS")

BMR announced on 13 May 2016, the submission of the definitive Environmental Project Brief ("EPB") in connection with the proposed sale of WKS, from its Kabwe site (comprising approximately 1.1 million tonnes of WKS, as surveyed on a JORC-compliant basis by Mineral Corporation Consultancy (Pty)). The Company expects to receive final approval from ZEMA for the EPB, in the near future and then intends to generate revenues from sales of the WKS as a construction aggregate, with a relatively limited cost of sales.

Imperial Smelting Furnace Slag ("ISF Slag")

The Company continues to assess the commercial feasibility of recovering zinc from the ISF Slag (estimated by Mineral Corporation Consultancy (Pty), in its March 2012 report, to contain 1,481,563 dry tonnes, as surveyed on a JORC compliant basis, at a mean grade of 8.07% Zn (119.6kt contained Zn)). New test work carried out by our consultants Kupfermelt designed to optimise and improve the previously achieved recovery rate of 77.2% Zn has been successful but at very high acid consumption rates. Test work continues to investigate several possible options to mitigate the high acid consumption, mainly caused by the iron content in the ISF slag, by blending it with either the wash plant tailings or the leach plant residues. In the event that this further work concludes positively, the Company will commission a full JORC-compliant survey of the ISF slag.

Exploration of the south eastern Kashitu section of the Company's Large Scale Mining Licence at Kabwe, Zambia

The Company will shortly commence an exploration programme to delineate a potential resource in the Kashitu section of the Company's Large Scale Mining Permit area. This follows a recent study carried out by Geoquest Ltd, Zambia at the Company's request to re-assess the geological potential of this area. The study undertook a forensic analysis of available historic data from previous work by Billiton, ZCCM and Teal, with the objective of scoping out a future exploration programme.

Selected historic Rotary Blast Hole (RAB) drill results identified near surface grades up to 31% zinc over 2 metres and a Reverse Circulation (RC) drill hole returning 12.6% zinc, 3 metres from surface.

The planned exploration programme will be structured to identify the grade and potential tonnage of a near surface resource amenable to mining by open pit and suitable for treatment in the Company's planned treatment plant.

Grant of options

The Company announces that, as part of its remuneration and incentivisation arrangements, options over an additional 4,186,626 new ordinary shares of £0.01 each in the Company (the "Options") have been granted to Directors and senior management taking the total number of Options to 17,383,172 being 10.0 per cent. of the current issued share capital.

The terms of the Options are identical to those options granted on 15 June 2015 and include an exercise price of 6p for the Options, being 33.3 per cent. of the closing mid-market price on 31 May 2016, the date the Options were granted. Any unexercised Options will lapse if the option holder leaves the Company for any reason. The Options vest as follows:

- 25 per cent. immediately;
- 25 per cent. on the first announcement of interim or year-end results following successful testing of the initial Kabwe plant;
- 25 per cent. on the first announcement of interim or year-end results following first revenue from a commercial sale of product from the extended production plant; and
- 25 per cent. on the announcement of the next interim or year-end results thereafter demonstrating a continuing commercial revenue stream.

The interests of the Directors in the Company following the grant of the Options are as follows:

<i>Director</i>	<i>Ordinary shares held</i>	<i>Options granted 15 June 2015</i>	<i>Options granted 31 May 2016</i>	<i>Total number of Options now held</i>
Alex Borrelli*	1,066,666 (0.61%)	6,070,411	2,139,832	8,210,243
Jeremy Hawke	-	2,903,240	1,023,397	3,926,637

* also holds 666,666 warrants following his subscription in the open offer announced on 18 February 2016.

Alex Borrelli, Chairman, commented: "We are delighted to have been offered under the Letter of Intent a \$2 million drawdown facility which will enable us to complete the enlarged Plant construction and for the sale of zinc sulphate heptahydrate and lead sponge. We believe this significantly enhances the returns from BMR's zinc and lead assets over a sustained period of time to the benefit of our shareholders."

Ends

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