

RNS Number : 0213R  
BMR Group PLC  
06 December 2016

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

### **Kabwe Update and OPEX Costs**

The Board is pleased to announce its production targets, expected operating costs and expansion plans for its Kabwe treatment plant ("Plant"), currently under construction and scheduled to be commissioned mid 2017.

#### **Zinc and Lead LME price rises**

In the past 12 months the LME zinc ("Zn") and lead ("Pb") prices have risen substantially from circa \$1,600 per tonne and \$1,700 per tonne to circa \$2,700 and \$2400 per tonne, respectively. These price rises have significantly increased the in-situ Zn, Pb and metal values of the Company's combined JORC and non JORC tailings assets due to be processed at the Plant to approximately US\$1.2 billion and US\$0.46 billion, respectively. Provisional estimates of the Vanadium ("V") present in all three tailings products (non-JORC) have the potential of increasing the total value to approximately US\$2 billion. The Zn price rise has also impacted favourably on the value of the Star Zinc acquisition, which is expected to be completed in the near future.

#### **Plant Production**

As previously announced, the Company will commission the planned 5 tonnes/hour Plant initially using the Wash Plant Tailings ("WPT"). The WPT resource is JORC compliant comprising 573,458 tonnes at 10.66% Zn and 7.21% Pb. Based on Zn and Pb metal recoveries of 78% and 88% respectively, which have been discounted by 5% from laboratory test results, the Plant, once fully operational, is expected to produce approximately 15,000 tonnes of zinc sulphate heptahydrate ("ZSH") and 2,300 tonnes of lead sponge, per annum. BMR expects to operate the Plant on a 24/7 basis.

#### **Cost of plant**

The Company continues to expect, as announced on 1 June 2016, that the capital cost of the Plant will be no more than \$2.68 million, with an industry-standard deviation of -30% and +50%.

#### **Operating Expenditure (OPEX)**

OPEX is currently estimated at \$120/tonne of tailings treated, with sulphuric acid comprising approximately 50% of the costs. Sulphuric acid is readily available from the local Copperbelt smelters where prices are close to historic lows. With the exception of specialist re-agents, all other significant Plant consumables, such as Lime and Limestone, can be sourced locally.

#### **Mineral Royalty, Corporation Tax and Marketing costs**

BMR's operations are categorized as 'open pit' and will incur a 5% mineral royalty payment to the Zambian Government. Corporation tax is currently 30%. The Company's production will be sold FOB Kabwe under the terms of the African Compass International ("ACI") Off-Take Agreement announced on 8 August 2016. Payment for the Company's products are due on acceptance of the goods by ACI's agent at the point of loading (in Kabwe) and presentation of documentation against the Buyer's Letter of Credit.

### **Production Ramp Up Programme and Targets**

Based on the Company's ongoing metallurgical optimisation programme, the Board now believes that a meaningful near term production increase (1st stage production ramp up) can be achieved by adding capacity to certain sections of the 5 tonnes/hour original plant. This will be confirmed once the Plant is fully operational and once its performance can be assessed under production conditions.

In the 1<sup>st</sup> stage ramp up, it is planned by late 2018 to double the Plant feed tonnage by combining WPT with ore from the Star Zinc project. By adopting this strategy, the Company expects the Zn plant head grade to increase along with Zn metal production from 3,100 tonnes (ZSH equivalent, 15,000 tonnes) to approximately 8,000 tonnes per annum. At this stage, ZSH and lead sponge production is expected to remain constant, with the additional Zn metal production in the form of cathode. The intention is to upgrade the Star Zinc ore by sorting at the mine site before transportation to Kabwe.

The 2<sup>nd</sup> stage production ramp up is planned for 2020 and will involve a substantial increase in Plant feed tonnage and the likely construction of a new plant to handle the higher tonnage. The Plant feed is expected to comprise a combination of Leach Plant Residues ("LPR"), Imperial Smelter Furnace Slag ("ISFS") and Star Zinc ore. This will result in an increased Zn metal production to approximately 25,000 tonnes per annum.

### **Recovery of Vanadium, Germanium and Silver by-products**

As previously announced, recent test work undertaken by BMR's metallurgical partner Kupfermelt successfully recovered Zn, Pb and V into a pregnant liquor solution ("PLS") from a 2:1 blend of LPR/ISFS. Work continues on the selective recovery of V from the PLS to produce vanadium pentoxide which, when completed, will be taken into account when valuing the Company's assets in the future. A further announcement on the results of this test work will be made in due course.

The Company would like to confirm that V has been recovered into PLS from the WPT.

In the New Year, mineralogical analysis and metallurgical test work will start on bulk samples of the different Star Zinc ore types to investigate the deportment and process routes to recover germanium and silver.

### **Zambia Environmental Management Agency (ZEMA)**

The conditions attached to ZEMA's approval of the ESIA, which was received on 26 April 2016 to operate the Plant, required air, ground water and personal health base line data to be

established, plus on-going monitoring programme and reporting protocols. This compliance work has now been completed and will be lodged with ZEMA shortly.

The Company's consultant remains in discussion with ZEMA following the appeal lodged on 16 September 2016, to challenge their decision not to allow the sale of WKS for block construction.

Note: This announcement has been reviewed by Geoff Casson, B.Sc. (Hons), PhD, R Eng (Zambia), Member Engineering Institute of Zambia (Metallurgy), General Manager of the Company's Zambian subsidiary, Enviro Processing Ltd, who is a Qualified Person in accordance with the guidance note for Mining, Oil & Gas Companies issued by the London Stock Exchange in respect of AIM Companies.

This announcement contains inside information for the purposes of Article 7 of Regulation 596/2014.

Alex Borrelli, Chairman, commented: "We believe shareholders will be encouraged by these projections for the Kabwe Plant, where we are focused on achieving meaningful returns for the Company and our longstanding shareholders."

**Ends**

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