

RNS Number : 2351H  
BMR Group PLC  
16 August 2016

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

### **Exclusive Option Agreement**

#### **Introduction**

The Board is pleased to announce that, on 15 August 2016, the Company entered into a 60 day exclusive option agreement ("Exclusivity Agreement"), with Bushbuck Resources Limited of Zambia ("Bushbuck"), to acquire its Large Scale Prospecting Licence 19653-HQ-LPL ("Star Zinc") in an area to the immediate north of Lusaka, Zambia, for a total cash consideration of US\$1 million plus taxes, conditional upon, inter alia, satisfactory completion of due diligence and the granting of Ministerial approval to the transfer of the licence.

#### **Agreement with Bushbuck**

Under the terms of the Exclusivity Agreement, the Company has paid Bushbuck a non-refundable deposit of US\$30,000 ("Deposit") plus 16% VAT to undertake and complete the requisite due diligence over the title to Star Zinc, which can be extended from 60 days to 120 days at Bushbuck's discretion, in order for the Ministerial approval for the transfer of the Licence to be formalised. BMR is required, within seven days of such approval, to make payment of US\$1 million, less the Deposit, plus 16% VAT and property transfer tax of 10%. The consideration is expected to be satisfied from the cash resources shortly to be made available under the terms of the anticipated loan facility of US\$3.5 million in connection with the off-take agreement announced on 8 August 2016.

#### **Strategy**

The Board believes that the acquisition of Star Zinc would represent an important strategic step for BMR as the in situ ore contains high grade zinc ("Zn") which is planned to be either blended with the tailings from the Leach Plant Residues, to improve metal recoveries, or used to raise the plant head grade to increase Zn production at the Company's proposed processing plant at Kabwe. This is expected to enhance the quality of the product, subject to test work to confirm its compatibility. This, in turn, the Company expects, will underpin the long-term future of the Kabwe operation.

The Company's first priority will be to undertake a drilling programme on the karst fill/saprolitic material in the area of the present open pit to determine the extent of the, as yet, untested surface mineralisation and to establish a mineable resource. BMR plans initially to spend up to US\$200,000 over the next 18 months.

#### **Wardell Armstrong International Report**

Wardell Armstrong International was instructed by the Company earlier this year to prepare a technical report for the Company into the geological potential of Star Zinc and review the historic and in-house metallurgical test work results. The Star Zinc Large Scale Prospecting Licence comprises 83 kms<sup>2</sup> and is situated approximately 15km NNW of Lusaka on the Great North Road and 90kms from Kabwe. The deposit was mined briefly in the 1950s by open pit mine with the ore treated at the Kabwe mine. The deposit was drilled by Chartered Exploration (the geological exploration arm of Anglo American) in the 1960s. Later, AVMIN Development (Zambia) Ltd ("AVMIN") acquired the licence and undertook a limited amount of exploration.

The Star Zinc Large Scale Exploration Licence has a current and valid Environmental Project Brief (EPB) for exploration work and is valid through to July 2018 with the right to apply for renewal at least six months before the expiry date of the current permit.

### **Geological Setting and Mineral Resource**

The primary Star Zinc ores have been categorised as hypogene (hydrothermal) in nature and described as "A high grade structurally controlled willemite deposit". Based on Chartered Exploration's 1960s drilling programme, in January 2015 CSA Global reinterpreted the results and declared a non-JORC hard rock resource of 275,166 tonnes @ 20.2% Zn with a cut-off grade of 14% Zn.

The hard rock deposit comprises a sub horizontal east and west limb at a depth of approximately 40 metres. Both limbs remain open on strike. Silver and Germanium are associated with the zinc mineralisation with historically reported grades of up to 150g/t of Silver and 110g/t Germanium.

Later, AVMIN identified three additional targets within the Permit area known as Star East, Star West and Star South. Selected 'float' samples taken from the target areas assayed at over 30% Zn. Soil geochemistry results over all three targets have consistently returned Ag (silver) assays of 8 to 22 ppm. Rock chip samples of >30% Zn and 57g/t Ag have been taken. Further geological exploration work is planned to be undertaken on these three targets in due course.

Recent investigation work by GeoQuest (Zambia) has identified considerable potential tonnages of karst fill/saprolitic material in the vicinity of the open pit, reporting grades up to 20% Zn, the extent of which has never been fully explored and which remain undrilled and untested. Grab samples of this hard rock and karst fill analysed by Petrolab (Cornwall) established that the Zn comprised 95% and 72% willemite, respectively.

### **Metallurgy**

Bushbuck engaged Skorpion Mineral Processing to undertake a metallurgical programme of test work on grab samples from trenches and stockpiled ore of the Star Zinc hard rock ore and karst fill material. This included gravity and magnetic separation, froth flotation and acid/alkaline leaching. The acid leach Zn recoveries were reported to be in excess of 90%.

BMR has also carried out preliminary scoping metallurgical tests using the services of Alfred H Knight and ZCCM, Kitwe, Zambia on a 30 kg grab sample of the karst fill material and achieved a similar Zn recovery. Both the Skorpion and BMR tests required approximately

400kg acid per tonne of ore treated to achieve these recoveries. Future test work will focus on optimising these results using larger representative samples.

This release 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 of BMR, commented: "We are delighted to have secured an option over Star Zinc which has the potential for BMR to enhance the grade of the zinc products from the processing plant we are establishing at Kabwe.

"We expect to secure the necessary funds for the Star Zinc acquisition through the proposed US\$3.5 million loan facility and we have support for the acquisition from our off-take partner, African Compass International.

"In addition, Star Zinc will enable BMR to extend the operating life of the plant as further ore resource can be processed at Kabwe combined with the leach plant residues."

Ends

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