RNS Number : 0984B
BMR Group PLC
31 March 2017

BMR Group PLC

("BMR" or the "Company")

Interim results for the six months ended 31 December 2016

Chairman's statement

I am pleased to present below the unaudited interim results of the Company for the six months ended 31 December 2016.

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

Kabwe operations

We are pleased with the current progress of the construction of our processing at Kabwe following the approval in May 2016 by the Zambia Environmental Management Agency ("ZEMA") of the definitive Environmental Social Impact Assessment ("ESIA") relating to our tailings retreatment process and plant construction (the "Plant"). To comply with the conditions attached to the ESIA to operate the Plant, the Company has submitted to ZEMA for their approval, its environmental monitoring programme.

We now expect commissioning of the Plant by the end of 2017 as a result of certain supply delays, prior to the commencement of production. We are focused on achieving this timescale but shareholders should be aware that this will be largely dependent upon the supply chain dynamics, timely financing from the drawdowns from the loan facility that we have secured. Once the Plant is completed and following commissioning, we are planning for possible modifications before the Plant is fully operational and meeting its design production targets.

In December 2016, we announced production targets, expected operating costs and expansion plans for the Plant. We will commission the planned five tonnes/hour Plant initially using the Wash Plant Tailings ("WPT") and, once fully operational, we expect to produce approximately 3,100 tonnes of zinc (equivalent to 15,000 tonnes of zinc sulphate heptahydrate ("ZSH")) and 2,300 tonnes of lead sponge, per annum. Operating expenditure is currently estimated at $120/tonne of tailings treated, with sulphuric acid comprising approximately 50% of the costs. We will incur a 5% mineral royalty payment and be subject to corporation tax at 30%.

In August 2016, we entered into an offtake agreement with African Compass International Limited ("ACI") of South Africa. This provides for the off take over a minimum five-year period commencing within six months of the commissioning of the Plant, of a minimum of 500 tpm of ZSH, 300 tpm of lead sponge and, later, 300 tpm of LME grade A electrolytic zinc cathodes. We estimate that this agreement should generate gross revenues of at least US$750,000 per month at current prices once fully operational.

Furthermore, in September 2016, we entered into a project construction and trade finance facility for up to $5.2 million with ACI of which up to $4.2 million is for use in connection with the Plant and $1 million for the Star Zinc acquisition. We have initiated the first drawdown from this facility which is interest free and expect to receive the initial funds imminently. Under the terms of the agreement, the drawdown facility includes an arrangement fee of $109,800.

We are planning two stages of production ramp-up following the Plant becoming fully operational to add further capacity to certain sections of the Plant. The first stage by late 2018 is planned to increase the plant feed tonnage using the WPT only to raise production of zinc metal to 8,000 tonnes per annum. The second stage is planned for 2020 with a substantial increase in plant feed tonnage. This is likely to involve construction of a new plant designed to treat a combined feed of the Leach Plant Residues ("LPR") and Imperial Smelting Furnace Slag ("ISFS"), and is expected to increase zinc metal production to up to 25,000 tonnes per annum.

Vanadium
We are encouraged by the prospects for the potential recovery from the tailings of vanadium and production of vanadium pentoxide. This follows the successful recovery of zinc, lead and vanadium into a pregnant liquor solution by our metallurgical partners, Kupfermelt of South Africa and Alfred K Knight Laboratories, Kitwe, from a blend of LPR and ISFS, announced in December 2016. Also, vanadium has been successfully recovered from the WPT. We expect to complete the test work to confirm the process for the economic recovery of vanadium shortly and thereafter we intend to commission Mineral Consultancy Corporation to prepare an upgrade of vanadium in the tailings to a JORC-compliant resource.

Our metallurgical work to date indicates that no modifications should be required to the acid brine section of the Plant to recover vanadium from the tailings and take it into solution as a by-product. We are currently establishing the capital expenditure and operating costs to produce vanadium pentoxide, with our expected recovery factor of 65%, which will necessitate an additional process circuit and modification to the Plant construction. We believe that the operation of a processing circuit for the vanadium pentoxide will only require an Environmental Project Brief ("EPB") to be lodged shortly with ZEMA, with approval likely to follow within a few months. Initially, vanadium pentoxide production is anticipated to be between 250 and 300 tonnes per annum.

Waelz Kiln Slag ("WKS")
We are in continued discussions with ZEMA, following the submission of an Environmental Project Brief ("EPB") in December 2015, for the sale locally of the WKS for application in road construction rather than building blocks. We are appealing against ZEMA's initial response for the requirement for an Environmental Impact Study which would entail a more onerous process.

Imperial Smelting Furnace Slag ("ISFS")
The Company continues to optimise the recovery of zinc and vanadium from the ISFS and, on the conclusion of Alfred K Knight's test work to establish the economic recovery of these metals, the Company will commission a full JORC compliant survey of the ISFS.

Kashitu exploration programme
In October 2016, we commenced the first phase of our geological exploration programme in the Kashitu section of the Large Scale Mining Licence at Kabwe to investigate the potential

for the exploitation of near surface ore. This followed our analysis of the data from the earlier exploration campaigns undertaken by ZamAnglo, ZCCM, Billiton and Teal between 1958 and 2006 comprising soil sampling, pitting, reverse circulation and diamond drilling.

Our auger soil sampling programme was limited to 183 holes up to a depth of 2m, on a 50m by 50m grid over an area of 1km by 0.5km, to investigate potential high-grade surface expressions of zinc associated with upper alluvial material. We were able to delineate three distinct surface mineralised zones. Silver was detected in 19 samples and evidence from the samples, each of which was submitted for independent assay checks, suggested higher silver grades show a strong correlation with higher zinc grades. The highest grade silver assayed was 16.8 g/t silver associated with 8.4% zinc, using XRF analysis.

We consider these results to be encouraging and we are exploring whether there is a possible extension to this high grade zinc zone. We have undertaken a second phase of auger drilling and expect to commence a third phase in the near future.

Star Zinc

On 17 November 2016, we announced that the Company had entered into a sale and purchase agreement with Bushbuck Resources Limited to acquire its Large Scale Prospecting Licence 19653-HQ-LPL ("Star Zinc") near Kabwe following the successful completion of due diligence (the "Acquisition"). We have paid to date a non-refundable deposit of $30,000 + 16% VAT, a refundable deposit of $100,000 and, on completion of its Acquisition, will pay a further $1 million less the sums previously paid plus 16% VAT and approximately 10% property transfer tax.

Star Zinc represents an important strategic acquisition as the ore contains high grade zinc which can be blended with the LPR or used to raise the plant head grade to increase zinc production at the Plant. This will underpin the long-term future of the Kabwe operation. Following the Acquisition, which we expect to complete in the near future, we will commence the planning of a drilling programme over the next 18 months at a cost of up to $200,000.

Ester Project, Northern Portugal

On 11 November 2016, the Company entered into an option agreement to acquire an 80% interest in an exploration concession for tungsten, tin and potentially other minerals including gold and silver with previous historic workings.

We completed our first field exploration campaign at the end of 2016, undertaken with our partner, Mineralia-Minas, Geotecnia E Construcoes, LDA. We have now defined five high-priority areas for further examination within the Regoufe Granite area of the licence, each hosting potential vein-style tungsten mineralisation with possible gold, silver and lithium credits.

We will be undertaking a detailed sampling programme of the largest mine dumps to establish the in-situ grades. We have also instigated a detailed mineralogical examination through Petrolab in Cornwall on 10 selected samples. Finally, we will be commissioning a structural survey of the entire licence area to help target future field work and are planning an exploration campaign on the source of mineralisation for a previously undiscovered Roman alluvial gold mine in the licence area.

Fund raisings and share capital

On 28 October 2016, the Company raised £620,000 before expenses in a placing through the issue of 9,253,731 ordinary shares of 1p each at a price of 6.7p per share. In addition, for each share a warrant was issued to subscribe for a further new ordinary share at 7p per share in the 42 days following publication of BMR's results for the year ended 30 June 2016.

These year-end results were published on 29 December 2016 and the exercise period commenced for the various warrants issued between 28 October 2015 and 28 October 2016. As a result, following the end of the interim period, on 13 February 2017, the Company raised a further £414,454 before expenses through the issue of 5,920,774 ordinary shares of 1p each at a price of 7p per share on the exercise of warrants.

I was pleased to commit a further £46,667 to the Company through the exercise of my warrants to subscribe for 666,666 ordinary shares and I now hold 1,733,332 ordinary shares, in addition to my options.

Interim results

The loss before taxation for the six months ended 31 December 2016 before exchange translation differences was £702,000 (2015: £550,000). The loss for the period includes administrative expenses which amounted to £617,000 (2015: £550,000). Loss per ordinary share was 0.40p (2015: 0.40p).

Total net assets at 31 December 2016 amounted to £11.03 million (2015: £8.77 million), following additions of £465,000 to property, plant and equipment as we commenced construction of the Plant and of £505,000 to intangible assets incorporating the investments in Star Zinc and the Ester Project.

Personnel and overheads

We expect to expand our team in Zambia significantly as we move towards operational status at Kabwe. We will also commit limited additional resource to the Ester Project for further geological testing and to Star Zinc on the completion of the Acquisition, initially for assessing the drilling programme.

We continue to maintain tight control over our overhead base, particularly in the UK where we continue to administer the legacy issues from the former management. These issues include the claims against certain entities arising from the investigation into financial irregularities and from our appeal against the decision of HMRC to de-register the Company for VAT with an assessment for back VAT.

Outlook

We have achieved considerable progress at Kabwe, outlined above, and expect the commencement of production by the end of 2017. We are focused on achieving this timescale but shareholders should be aware that this will be largely dependent upon the supply chain dynamics, timely financing from the drawdowns from the loan facility we have secured and planned commissioning by ZEMA.

We have secured the offtake agreement for the sale of zinc cathodes, lead sponge and ZSH over a minimum five-year period, together with a trade finance facility for ensuring funding for the Plant construction. In essence, we have established a robust business model for treatment of the tailings which we are now implementing with significant potential for the Company.

Furthermore, we are encouraged by the prospects for the potential recovery from the tailings of vanadium and production of vanadium pentoxide which could generate a lucrative return in due course.

We also have exciting prospects with the exploration programme on the Kashitu section at Kabwe, the Star Zinc acquisition and the further sampling and exploration programme at the Ester Project.

We have a small dedicated team in place and I am grateful for their significant contribution to the enhancement of the Company's value. We are also seeing price rises in the metals in which we are involved which should further enhance value.

I am confident that we will be able to implement our plans for the realisation of value for the significant benefit of our shareholders over the medium term.

Alex Borrelli
Chairman

31 March 2017

BMR GROUP PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six month period ended 31 December 2016

		Un-audited Period ended 31 December 2016 £	Un-audited Period ended 31 December 2015 £	Audited Year ended 30 June 2016 £
Continuing operations				
Administrative expenses		(616,693)	(550,047)	(1,096,658)
Share based payment		-	-	(31,714)
Total administrative expenses		(616,693)	(550,047)	(1,128,372)
Finance expense		(85,789)	(1,017)	(2,078)
Finance income		425	1,444	2,759
Loss before tax		**(702,057)**	**(549,620)**	**(1,127,691)**
Taxation		-	-	-
Loss for the period after taxation attributable to equity holders of the parent company		**(702,057)**	**(549,620)**	**(1,127,691)**
Other comprehensive loss:				
Exchange translation differences on foreign operations		786,303	390,046	1,762,673
Total comprehensive income/(loss) for the period attributable to equity holders of the parent company		**84,246**	**(159,574)**	**634,982**
Loss per ordinary share				
Basic and diluted (pence)		**(0.40p)**	**(0.40p)**	**(0.75p)**

The comparative figures are for the six month period ended 31 December 2015 and the year ended 30 June 2016.

BMR GROUP PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Un-audited 31 December 2016 £	Un-audited 31 December 2015 £	Audited 30 June 2016 £
Assets			
Non-current assets			
Intangible exploration and evaluation assets	13,270,528	10,383,201	11,957,768
Property, plant and equipment	524,282	53,258	91,242
	13,794,810	**10,436,459**	**12,049,010**
Current assets			
Trade and other receivables	44,189	41,743	52,569
Cash and cash equivalents	230,679	838,120	1,014,354
	274,868	**879,863**	**1,066,923**
Total assets	**14,069,678**	**11,316,322**	**13,115,933**
Liabilities			
Current liabilities			
Trade and other payables	628,073	530,126	537,819
Total current liabilities	**628,073**	**530,126**	**537,819**
Non current liabilities			
Deferred tax	2,416,230	2,013,688	2,226,035
Total non current liabilities	**2,416,230**	**2,013,688**	**2,226,035**
Total liabilities	**2,984,273**	**2,543,814**	**2,763,854**
Net assets	**11,025,375**	**8,772,508**	**10,352,079**
Equity			
Share capital	21,403,488	21,079,788	21,310,951
Share premium	22,256,466	21,237,815	21,759,953
Share based payment reserve	84,500	52,786	84,500
Merger reserve	1,824,000	1,824,000	1,824,000
Translation reserve	2,285,490	126,560	1,499,187
Retained earnings	(36,828,569)	(35,548,441)	(36,126,512)

Total equity	**11,025,375**	**8,772,508**	**10,352,079**

BMR GROUP PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six month period ended 31 December 2016

	Share capital	Share premium	Share based payment reserve	Merger reserve	Translation reserve	Retained earnings	Total equity
	£	£	£	£	£	£	£
As at 30 June 2015	**20,892,288**	**20,697,815**	**52,786**	**1,824,000**	**(263,486)**	**(34,998,821)**	**8,204,582**
Total comprehensive loss for the period	-	-	-	-	390,046	(549,620)	(159,574)
Issue of shares	187,500	562,500	-	-	-	-	750,000
Share issue costs	-	(22,500)	-	-	-	-	(22,500)
As at 31 December 2015	**21,079,788**	**21,237,815**	**52,786**	**1,824,000**	**126,560**	**(35,548,441)**	**8,772,508**
As at 30 June 2016	**21,310,951**	**21,759,953**	**84,500**	**1,824,000**	**1,499,187**	**(36,126,512)**	**10,352,079**
Total comprehensive Income for the period	-	-	-	-	786,303	(702,057)	84,246
Issue of shares	92,537	527,463	-	-	-	-	620,000
Share issue costs	-	(30,950)	-	-	-	-	(30,950)
As at 31 December 2016	**21,403,488**	**22,256,466**	**84,500**	**1,824,000**	**2,285,490**	**(36,828,569)**	**11,025,375**

BMR GROUP PLC
CONSOLIDATED CASH FLOW STATEMENT
for the six month period ended 31 December 2016

		Un-audited Period ended 31 December 2016 £	Un-audited Period ended 31 December 2015 £
Cash flows from operating activities			
Loss before tax		(702,057)	(549,620)
Adjustments to reconcile net losses to cash utilised :			
Amortisation of exploration and evaluation assets		50,922	16,813
Depreciation of property, plant and equipment		21,517	21,502
Finance income		(425)	(1,444)
Operating cash outflows before movements in working capital		**(630,043)**	**(512,749)**
Changes in:			
Trade and other receivables		148,242	(158,168)
Trade and other payables		92,005	(227,098)
Net cash outflow from operating activities		**(389,796)**	**(581,679)**
Investing activities			
Interest received		425	1,444
Purchase of property, plant and equipment		(464,657)	(8,836)
Purchase of intangible exploration and evaluation assets		(504,810)	(89,990)
Net cash outflow from investing activities:		**(969,042)**	**(97,382)**
Financing activities			
Proceeds from issue of shares		620,000	750,000
Share issue costs		(30,950)	(22,500)
Net cash from financing activities		**589,050**	**727,500**
Net (decrease) / increase in cash and cash equivalents		(769,788)	48,439
Effect of foreign exchange rate changes		(13,887)	3,800
Cash and cash equivalents at beginning of period		1,014,354	785,881

Cash and cash equivalents at end of period		**230,679**	**838,120**

Notes to the interim results:

1. **General information and accounting policies**

   This announcement is for the unaudited interim results for the period ended 31 December 2016. The Registered Office of the Company is at 35 Piccadilly, London W1J 0DW.

2. **Basis of preparation**

   The consolidated interim financial information has been prepared using policies based on International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB") as adopted by the European Union, which are expected to be applied in the Group's financial statements for the year ending 30 June 2017 and are materially consistent with the accounting policies applied in respect of the year ended 30 June 2016.

   The statements of consolidated interim results for the period 1 July 2016 to 31 December 2016 are unaudited, does not include all the information required for full financial statements and should be read in conjunction with the Group's consolidated financial statements for the year ended 30 June 2016. In the opinion of the Directors, the consolidated financial information for the period represents fairly the financial position and the results from operations and cash flows for the period, in conformity with generally accepted accounting principles consistently applied.

   The annual financial statements of BMR Group PLC are prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') and as adopted by the European Union. The Group's consolidated annual financial statements for the year ended 30 June 2016 have been filed with the Registrar of Companies and are available on the Company's website www.bmrplc.com.

   As permitted, the Group has chosen not to adopt IAS 34 "Interim Financial Reporting". The Financial Statements are presented in £ Sterling. For the reference period end, the exchange rate from GBP to US$ was £1.00 : $1.2336.

   In the prior period comparative, the gain on exchange differences of £533,114 has been reclassified from administration expenses to other comprehensive income. The reclassification represents the exchange differences arising from the foreign operation which is deemed to be a net investment in a foreign operation in accordance with IAS 21: the effects of changes in foreign exchange rates. The impact of the restatement only affects the equity within the consolidated statement of financial position and the consolidated statement of changes in equity. No amended presentation of the consolidated statement of financial position as at 1 July 2016 will be required.

   Going concern

   After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources with a combination of its cash balances and the facility entered into with African Compass International Limited to continue in operational existence for the foreseeable future. The Company has initiated the first drawdown from this facility and expects to receive the initial funds imminently. For these reasons, the Directors continue to adopt the going concern basis in preparing the financial statements.

3. Dividend

The Directors do not recommend the payment of an interim dividend.

4. Share capital and warrants

On 28 October 2016, the Company issued 9,253,731 ordinary shares of 1p each at a price of 6.7p per share raising £620,000 before expenses. In addition, for each share a warrant was issued to subscribe for a further new ordinary share at 7p per share in the 42 days following publication of BMR's results for the year ended 30 June 2016.

As at 31 December 2016, the Company had in issue 183,085,459 ordinary shares and 58,262,864 warrants.

5. Property, plant and equipment

Additions of property, plant and equipment amounted to £464,657 for the six month period ended 31 December 2016 as the Company commenced construction of its processing Plant.

6. Intangible assets

Additions of intangible assets amounted to £504,810 for the six month period ended 31 December 2016 incorporating the investment in Star Zinc and expenditure on the exploration and testing programme for the Ester Project.

7. Loss per share

The loss per share of 0.40 pence (2015: loss 0.40 pence) has been calculated on the basis of the loss of £702,000 (2015: loss £550,000) and on 177,050,416 (2015:138,487,191) ordinary shares, being the weighted average number of ordinary shares in issue during the period ended 31 December 2016.

8. Events after the reporting date

On 13 February 2017, as a result of the exercise of various warrants issued between 28 October 2015 and 28 October 2016, the Company has issued 5,920,774 ordinary shares of 1p each at a price of 7p per share raising approximately £414,454 before expenses.

Ends

For further information:

BMR Group PLC 020 7734 7282
Alex Borrelli, Chairman

WH Ireland Limited 020 7220 1666
NOMAD and Joint Broker
Chris Fielding, Head of Corporate Finance

Peterhouse Corporate Finance 020 7469 0930
Joint Broker
Lucy Williams/ Duncan Vasey/ Heena Karani

For further information, please see the Company's website at http://www.bmrplc.com

The Directors of BMR Group PLC accept responsibility for this announcement.