



[Galileo Resources PLC](#) - GLR

Investment in Star Zinc Project and Placing

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Galileo Resources Plc
("Galileo" or "the Company")

Acquisition of Interest in Zambian Star Zinc Project Placing & Issue of Equity

Galileo is pleased to announce that on 31 August 2017 the Company entered into a binding term sheet ("Term Sheet") with BMR Group plc ("BMR") whereby it has agreed conditionally, to advance to BMR, \$591,600 (at an interest rate of 12% per annum) , which is intended to be used for the purpose of completing the exercise of an option to acquire the Star Zinc project in Zambia ("Zinc Project") through a joint venture (the "Joint Venture") to be established with BMR. The Term Sheet stipulates that Galileo will subscribe for a 51% equity stake in the Joint Venture through a newly created special purpose vehicle, to be named Enviro Mining Limited, which will be financed by the cancellation of the aforementioned \$591,600 loan.

Colin Bird Chairman and CEO of Galileo commented: "This joint venture with BMR on the Star Zinc property gives us a position in the very promising Star Zinc resource close to Lusaka, Zambia. The availability of primary Zinc deposits is diminishing and Star Zinc is open ended in both directions and depth with the strong possibility of other similar occurrences within the concession boundaries. Our first step will be to confirm the current non JORC resource, followed by trenching and sampling of other areas and thereafter drilling."

The Company also announces that the Company's broker, Beaufort Securities, has today completed a placing of 54,672,500 new ordinary shares ("Placing Shares") of 0.1p each (the "Ordinary Shares") at a placing price of 2.0p (the "Placing Price") per Placing Share to raise £1,093,450 before expenses (the "Placing"), subject to admission to trading on AIM.

In addition to its acquisition of interest in the Zinc Project, the Company intends to use the proceeds of the Placing and the Director's Subscription to fund, amongst other things, follow-up exploration & drilling on its gold property in Nevada USA, advancing the Company's Glenover Phosphate project in South Africa, including funding its mining right application & on-going project development optimisation, and working capital.

The Term Sheet also provides that:

- BMR to incorporate Mauritian NewCo ("**JVCo**") owned 100% by BMR's 100% owned Mauritian subsidiary Enviro Mining Limited ("**EML**"), with 10,000,000 shares issued;
- JVCo to incorporate new Zambian subsidiary ("**ZamNewCo**") owned 100% by JVCo (1,000,000 shares in issue, 5% held on trust by BMR nominee in accordance with Zambian law);
- Galileo commit to lend to BMR US\$591,600 at an interest rate of 12% per annum (the "**Loan**") repayable (if not converted) on or before 30 November 2017 (which Loan funds shall be held in escrow by counsel for BMR until such

time as the Settlement Agreement (as defined below) is executed at which time it shall immediately be released to BMR (and held to its order by GRP counsel));

- BMR to execute settlement agreement ("**Settlement Agreement**") with Bushbuck Resources Limited;
- ZamNewCo to complete the acquisition of Zinc Project (the "**Acquisition**") and shall pay on completion (at cost of BMR) US\$160,000 VAT on transfer of Project;
- Immediately on completion of Acquisition ("**Completion**"), GRP to acquire 5,100,000 JVCo shares from EML for consideration of US\$0.116 per share (total consideration of US\$591,600 to be satisfied by repayment of the Loan (including interest));
- within 60 days of completion of the acquisition, BMR and Galileo will enter into a formal Joint Venture agreement in respect of Star Zinc;
- upon the completion of the Joint Venture agreement, Galileo will place \$100,000 in escrow. Galileo will then undertake an 18-month work programme at a cost of \$250,000, using reasonable endeavours to complete a preliminary economic assessment of Star Zinc ("PEA"), following which further new shares in Enviro Zambia will be issued to Galileo to increase its aggregate equity interest therein to 85%;
- BMR shall have the right to reduce the interest of Galileo from 85% to 75% on payment of \$150,000 to Galileo, being the repayment of \$100,000 held in escrow plus a \$50,000 arrangement fee within 90 days of the date of completion of the Joint Venture agreement (failing which the US\$100,000 is released to BMR);
- from completion of the 18-month work programme until completion of a feasibility study, the interest of BMR in Enviro Zambia shall be free carried;
- thereafter, any net costs will be borne by the joint venture parties relative to their shareholdings in Enviro Zambia; and
- concurrent with execution of the joint venture agreement, BMR and Enviro Zambia shall enter into an off take agreement for processing of ore from Star Zinc at Kabwe, such terms to be determined as soon as reasonably practicable following completion of the PEA to reflect capacity production of Zinc from Star Zinc, and relevant grade and resource life of the project set out in PEA, which ore BMR intends to process in conjunction with its Leach Plant Residues.
- If the Acquisition is not completed by 30 November 2017 ("**Long-Stop Date**") all loan funds plus interest repayable in full.

The Term Sheet recognises the following consents required:

- Each of the parties confirms their understanding and agreement that consents in Zambia for (a) the transfer of the Project to ZamNewCo, or (b) the transfer of shares in JVCo to Galileo may not have been received at the time of Completion. To the extent funds are drawn down, and the acquisition by Galileo are completed prior to the consents being received, the parties confirm that any interest of BMR in the Project (whether direct or indirect) shall be held on trust for GRP (as to 51%) until such time as formal consents are received.

Separately, two of the Company directors, Colin Bird and Richard Wollenberg, along with a connected party of Colin Bird, African Pioneer plc ("APP"), have advised the Company of their intention to subscribe for a total of 4,050,000 (equating to £81,000 at 2.0p per Ordinary Share), being 1,250,000, 300,000 and 2,500,000, shares respectively, directly with the Company on the same terms as the Placing (the "Directors' Subscriptions"). Accordingly, Colin Bird, on completion of this Director's Subscription, would hold 49,435,000 Ordinary Shares representing 19.42% of Galileo's enlarged issued share capital and Richard Wollenberg would hold 6,121,341 Ordinary Shares representing 2.40% of Galileo's enlarged issued share capital. APP is an unlisted UK incorporated base metals investment, company in which Colin Bird is a non-executive director and holds a 10% interest.

Accordingly, the Director's Subscription, as set out above, is being treated as a Related Party Transaction under the AIM Rules. The Directors of the Company (other than Mr Colin Bird and Mr Richard Wollenberg for the reasons set out above) consider having consulted the Company's Nominated Adviser, that the terms of the transaction are fair and reasonable insofar as the Company's Shareholders are concerned.

The Placing Shares and Directors' Subscription will, when issued, rank *pari passu* in all respects with the existing Ordinary Shares. Application will be made for the Placing Shares and Director's Subscription to be admitted to trading on AIM and admission is expected to take place on or around 14 September 2017.

Following the issue of the Placing Shares and the Director's Subscription, the Company's issued share capital will total 254,596,562 Ordinary Shares, with voting rights. This figure may be used by shareholders in the Company as the denominator for the calculation by which they will determine if they are required to notify their interest in, or a

change to their interest in, the share capital of the Company under the Financial Conduct Authority's Disclosure and Transparency Rules.

About Star Zinc *

Background

On 16 August 2016, BMR announced that it had entered into an option agreement ("Option") with Bushbuck Resources Limited of Zambia ("Bushbuck") to acquire its Large Scale Prospecting Licence 19653 - HQ - LPL ("Star Zinc") for a cash consideration of US\$1,000,000, together with VAT and Property Transfer Tax amounting, in aggregate, to \$260,000. The Option expired on 11 November 2016 in accordance with its terms. Since expiry of the Option BMR has been reviewing funding options to enable it to complete the acquisition of Star Zinc from Bushbuck.

Although the Option has expired, having secured required funding, BMR expects to conclude negotiations with Bushbuck in the near future to complete the acquisition of Star Zinc ("Completion") on broadly similar terms, and will update the market upon completion. Shareholders should note that there can be no guarantee that final agreement with Bushbuck will be reached.

The Project

The Star Zinc project is a historical small scale open pit mine from where, reportedly, low tonnage, but high grade willemite (a zinc silicate mineral) was extracted intermittently in the 1950s to 1990s. The Star Zinc project is located approximately 18km NNW of Lusaka (see Figure 3.1 below), and is accessible via the tarred "Great North Road" and a good all weather graded road, with the journey time from central Lusaka of approximately 30 minutes (traffic allowing).

There is adequate power, water, rail & telecommunications, with the International Airport at Lusaka, less than 45 minutes away.

Bushbuck Resources Ltd, is the 100% owner of licence 19653-HQ-LPL held under a Large Scale Prospecting Licence. The Mines and Minerals Development Act No. 7 of 2008, which grants a Large Scale Prospecting Licence for a maximum of 7 years, governs the mineral tenement. This comprises 3 two year periodswith a mandatory 50% reduction of licence area at the completion of the 1st grant and 2nd grant periods respectively. The first renewal period expired 13 August 2016.

The Star Zinc Willemite project was mapped in the 1960s by several geologists of the Northern Rhodesia (now Zambia) Geological Survey.

At the Star Zinc project, two main fracture trends are present, one E - W, and another N - S. Both sets of fractures are nearly vertical and are irregularly mineralised. Willemite generally replaces the host rock marbles in the form of massive ore bodies, but it occurs also in veins.

In addition, karstic (pertaining to landscape underlain by limestone which has been eroded by dissolution, producing ridges, fissures, sinkholes and other characteristic landforms) mineralisation and red soils (terra rossa) are locally heavily mineralised with detrital willemite and supergene zinc minerals. Zinc values measured in soils at Star Zinc reach up to 15,600 ppm and are accompanied by the pathfinder elements Ag (silver), Pb (lead) , Ba (barium), Sb (antimony) and Cd (cadmium). The karst infill has a zinc (Zn) content up to 45wt.% Zn, up to 35wt.% Fe and up to 5g/t Ag.

The mineralogical assemblage of Zn nonsulphides includes a whole number of minerals, but the main economic phases present are Zn-silicates (willemite, hemimorphite, Zn-bearing clays), Zn- Pb carbonates (smithsonite, cerussite), hydrated Zn- Pbcarbonates (hydrozincite, hydrocerussite) and Zn- Mn- Fe- oxides (zincite, franklinite, gahnite).

Limited independent metallurgical testwork by others has clearly shown that the willemite present at Star Zinc is amenable to acid leaching with positive results for two samples tested. Zinc leaching efficiencies obtained ranged from 89% and 92%.

An independent competent person's report commissioned by BMR concluded In summary, the Star Zinc project has good potential to become a viable project.

Indeed, as announced by BMR on 16 August 2016:

'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.'

* Note the information about Star Zinc is sourced primarily from Competent Person's Report for the Star Zinc Project, Zambia; Wardell Armstrong, January 2016

Technical Sign-Off

Andrew Sarosi, Director of Galileo, who holds a B.Sc. Metallurgy and M.Sc. Engineering, University of Witwatersrand and is a member of the Institute of Materials, Minerals and Mining, is a "qualified person" as defined under the AIM Rules for Companies and a competent person under the reporting standards. The technical parts of this announcement have been prepared under Andrew's supervision and he has approved the release of this announcement.

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

You can also follow Galileo on Twitter: **@GalileoResource**

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Forward looking statements

Certain statements in this announcement, are, or may be deemed to be, forward looking statements. Forward looking statements are identified by their use of terms and phrases such as "believe", "could", "should" "envisage", "estimate", "intend", "may", "plan", "will" or the negative of those, variations or comparable expressions, including references to assumptions. These forward looking statements are not based on historical facts but rather on the Directors' current expectations and assumptions regarding the Company's future growth, results of operations, performance, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, business prospects and opportunities. Such forward looking statements reflect the Directors' current beliefs and assumptions and are based on information currently available to the Directors. A number of factors could cause actual results to differ materially from the results discussed in the forward looking statements including risks associated with vulnerability to general economic and business conditions, competition, environmental and other regulatory changes, actions by governmental authorities, the availability of capital markets,

reliance on key personnel, uninsured and underinsured losses and other factors, many of which are beyond the control of the Company. Although any forward looking statements contained in this announcement are based upon what the Directors believe to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with such forward looking statements.

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