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Galileo Resources Continues To Intersect High Rare Earth Grades At Glenover, With More Drill Results Due Soon

“We’ve drilled 21 holes and reported six”, says Colin Bird, chief executive of rare earths company Galileo Resources. The implication is that there’s plenty more useful-looking newsflow from Galileo’s flagship Glenover project in South Africa looming just over the horizon.



Colin Bird

And if the results of the remaining 15 holes that have been drilled are anything like as good as those from the first six, which included several thick intersections grading higher than 2% rare earth oxides (REOs), then stock market and industry participants alike will sit up pretty quick and start to take notice.

Initially it was a slow start for Galileo when it listed on Aim in September 2011, as the shares dipped below the opening 35p price. But early drill results running as high as 77 metres at 3.66% REOs helped the market recover its faith, and a subsequent £1.7 million placing at 35p meant that with the £2 million the company already had in the bank any funding worries soon evaporated. So far this year the shares have traded steadily at or around 40p. Times may be tough on the stock market, but there’s still room for a well-funded explorer delivering good-looking exploration results.

Especially if it’s unique. And that Galileo certainly is. No other company on Aim has an old phosphate project that’s prospective for rare earths. That’s a combination that lends itself to upside in several ways. First, plenty of mining has already been done, by former owner Gold Fields. As a result of that, there is, as Colin explains, three million tonnes of phosphate in stockpile at Glenover, which ought to contain a significant component of REEs. That will be worth a closer look once the company gets a mine and processing plant going, since it will provide additional feed at no extra cost.

The history of mining on site also means that permitting and associated issues ought not to present too much of a hurdle. More to the point though, when Glenover was a Gold Fields operation, no interest was shown in the rare earths component. Because back then, even more than now, the name rare earths belied the reality. Rare earths are, in fact, abundant in the earth's crust. The trick is, as with bulks, to define a deposit that's economically mineable. And back in the 1980s, when Gold Fields was digging out the Glenover pit, rare earths were rarely an economic proposition.

The advent of China as a global economic superpower has changed all that. China used to be the world's major supplier. Now it's sucking in supply, and consumers and governments are desperately casting around for other sources. And in that search, Galileo has a clear edge. "All our resources are adjacent to an open pit", says Colin. "Our stripping ratios will be extremely low. We're already yonks ahead of the competition. We're getting a great suite of rare earths. Other companies are chasing low grades, but we've got very, very pleasing grades. We've got the edge."

The next step will be to prove up a rare earths resource to go alongside the existing phosphate resource. The likelihood at this stage is that the new resource will come in at somewhere between 12 million and 15 million tonnes, with potentially more to come as the company moves the drills out to more outlying targets. "This is a massive concession", explains Colin, "The carbonitite is three kilometres by four kilometres. There are excellent opportunities for similar deposits around the property."

And while the drill rigs turn, in the background work will continue on the development of a process flow sheet to ensure the effective extraction of the rare earths from the ore. That work will form part of a pre-feasibility study that will get underway in earnest once the new resource is out.

Colin reckons it will take between US\$30 million and US\$35 million to get a 500,000 tonnes per year operation at Glenover up and running. The idea would be to produce a 42% concentrate for sale at around US\$9,000 per tonne, likely to be shipped to customers in Europe, America or Japan.

"There's a lot of interest in us already", says Colin, although he emphasises that only some of the Glenover output is likely to be sold through an off-take agreement. He's expecting strength in the rare earths market for some time to come, and won't be locking in too much production at lower prices.

The first order of business though, is to get the results from those remaining 15 holes out. After that, there's every chance the rare earths world may well become Galileo's oyster. We shall see.