



Galileo Resources

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Galileo Resources' Bird outlines ambitious strategy for his rare earths vehicle

Colin Bird provides some rather colourful analysis of the market for rare earth elements.

"There are too many people on the dance floor and not all of them are going to get married," says the mining entrepreneur about the stampede into this very niche sector.

But rather than scaring him off, this appears to have galvanised Bird, the boss and major shareholder of Galileo Resources (LON:GLR).

His strategy is to transform Galileo into one of the big wheels in rare earths rather than a classic price taker, as most small miners inevitably become.

Jubilee Platinum (LON:JLP), where he is chairman, shows how this strategy might unfurl.

Not satisfied with being a miner, making a margin but letting the big smelters take theirs too, Jubilee acquired Braemore, a company with a uniquely efficient means of smelting as well as its own plant and generating capacity.

This has transformed the AIM-listed, South African focused group into a vertically-integrated miner and producer of the precious metal with the potential to make far higher profits.

It is this industrial logic he's hoping to apply to Galileo, which has a world-class rare earths deposit in South Africa, as well as projects in Zambia and Mozambique.

For the uninitiated, rare earths, with exotic names such as Europium and Dysprosium, are used in all manner of high-tech gadgetry from iPads to guided missiles and points between.

The scarcity of these elements and the growing demand for them made for a perfect storm.

World demand is predicted to grow by 10-12 per cent this year.

However, the addition to the mix of China (it's the leading supplier of REEs but keeps a tight rein on output) has led to price volatility.

Rare earths is such a small and specialist market, which means that that once the supply taps are turned on to full blast it is quite possible the dearth may turn into a surplus.

Already some rare earths, such as Dysprosium, Cerium Oxide and Lanthanum, have seen their upwardly mobile prices suddenly thrown into reverse gear.

"Rare earths have become the vogue," says Bird.

"And the trouble with our industry is everyone wants to jump on bandwagons.

"It is great to jump on a copper bandwagon as there's a lot of copper in the world or a nickel bandwagon.

Price: 26.00p

Market Cap: £21.59M

1 Year Share Price Graph



Share Information

Code: GLR

Listing: AIM

Sector: General Mining

Website: www.galileoresources.com

Company Synopsis:

Galileo Resources Plc, is a natural resource exploration company, with projects mainly in South Africa and Zambia. Its most advanced project is the Glenover Rare Earth project.

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"But when you start jumping on a specialty metals bandwagon where there is a very finite market, you run a major risk."

Bird's Galileo has one major advantage that puts it ahead of the pack in the Glenover deposit in South Africa's Limpopo Province.

A former phosphate mine operated by Goldfields, it has around 3 million tonnes of stockpiled material out of a total resource of almost 29 million tonnes at 1.24 per cent rare earth

oxides.

Of this 10.5 million tonnes is higher-grade material at 2 per cent total rare earth oxide.

Around the central core of the pit, meanwhile, there's an area of carbonatites grading 2.5-3 per cent rare earth oxides.

The relatively straightforward nature of the project means it could be up and running in around two years for as little as US\$50 million. And this is a huge point getting into production in that timescale puts it well ahead of the chasing pack

Having carried out an initial 3,000-metre drilling programme earlier this year, Bird and the team have handed the project over to the independent consultant GBM, which is compiling a preliminary economic assessment of the project.

The Galileo chief reckons the PEA will be ready for publication in early 2013. However in Bird's mind, Glenover is already a "goer".

"The mining is no issue. The processing we have cracked we are getting nice concentrate grades," he adds. "Iron isn't a problem magnetic separation works. This will be a goer."

Glenover is a rarity among rare earth projects in that it is connected by tarmac road, is 20 kilometres from a rail line, and has other vital infrastructure such as electricity and water nearby.

What it will require is the capital equipment to process the material such as crushers, grinders, magnetic separation and flotation circuits as well as drying circuits.

There is more to Galileo than Glenover. A deal with Rare Earths International will see the group earn an initial 35 per cent of the Nkombwe Hill rare earths project in Zambia, moving to 49 per cent if Galileo meets its exploration commitments.

Extensive surface sampling has unearthed some really encouraging results, including a high proportion assaying 5-10 per cent total rare earth oxides.

"We intend to drill it in the short term and we are looking at a very significant project," Bird reveals.

Mozambique, meanwhile, is on a much smaller scale, but contains some "very critical rare earths" and won't require blasting.

"It doesn't work on its own," the Galileo boss says.

"But as a peripheral to what we have at Glenover and Zambia it might be a nice little project. I may look at differently when I get involved here."

Financially, the group is well placed to meet its immediate needs with around £2.5 million in the bank and a further £2 million-worth of shares in the mining investment group Praetorian it can sell at any juncture.

Mining and development plans are so well advanced Galileo has a lead on its rivals.

For Bird it is a case of maintaining and making the most of this advantage, which he reckons is a "marketing issue".



By this he means finding the right partners process his rare earths and end users to buy the product.

"Whatever you do in life you don't play at it," Bird says.

"We at Galileo are going to be very aggressive in our approach to other companies."

It will be interesting to see how this interlocking of the various component parts of a vertically integrated business will occur.

"We are very well placed, but that place doesn't last forever," says Bird.

"So I'm going to plan and announce our position in rare earths space.

There will be more losers than winners.

"We have a very good project and supporting project behind and a smaller one after that. We've got our cards and now we are playing them.

"You should look out for and see some corporate manoeuvring that should be good for shareholders."

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