

Client: Galileo Resources  
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## **Galileo Resources Spreads Its Rare Earths Risk Across Two Continents And Several Joint Ventures**

Entrepreneurial mining sector veteran Colin Bird, known to investors for steering Jubilee Platinum and other ventures, is settling down in his new role: as chairman, chief executive and 58 per cent shareholder of Aim-traded Galileo Resources.



Colin Bird

At the moment, he says, he is negotiating with potential buyers of the rare earths that Galileo will produce from its flagship Glenover project in South Africa, and from others.

Galileo recently clinched agreement with another company, Rare Earth International (REI), that will allow it to earn into three projects in Zambia, Mozambique and Spain, in exchange for 5.25 million Galileo shares, today worth around £2.2 million.

Bird characteristically describes this deal as a “steal” for Galileo.

Glenover remains the leading project though, containing as it does, 28 million inferred and indicated tonnes at a grade of 1.5% Total Rare Earth Oxides (TREOs).

The location is useful too, in terms of permitting and infrastructure, as it lies next to an open-pit phosphate mine and a three million-tonne stockpile of phosphate and rare earths.

Galileo, itself the product of a reverse takeover last year of Skipton Global Investment by General Industries, must pay US\$7 million in due course for 51 per cent of Glenover, formerly one of mining giant Gold Fields of South Africa's projects.

Currently the company has £3.5 million in the bank.

Bird doubts the company will exercise its right later on to pay pro rata to go to 85 per cent, but does indicate that Glenover could produce a formal resource statement "by March or April" and could start producing "in two years". However, he is clear he expects the REI deal to be much more important.

Rare Earths are versatile substances which have many and varied application in modern technology, from mobile phones, batteries and wind turbines to medical and pharmaceutical products, aerospace and weapons.

Analysts suggest global demand for some of the rare earths is set to grow by eight to 12 per cent a year but, because China still produces most of the world's supply, prices have hitherto been scarily volatile, as the People's Republic has alternately hoarded and dumped.

Some rare earths, including dysprosium, cerium oxide and lanthanum, which recently were showing annual price rises of several hundred per cent, are now down by 20 to 40 per cent over 12 months.

But Bird, stressing military as well as commercial imperatives, is among the long-term bulls.

The bulls argue prices will revive because China is ceasing to export its rare earths, which it now needs for its own industrialisation. In fact, China has taken steps towards curbing and even banning its rare earth exports, a development that has aroused political apprehension around the world.

With all that in mind, Bird has done his deal with REI. In exchange for giving REI a 6.5 per cent stake in Galileo, his company is to spend US\$1.2 million on the Nkombwa project in Zambia, which already shows TREO grades of between 5% and 8%, with Bird suggesting the grades could reach 23%. That spend would earn Galileo 35 per cent of Nkombwa, and bring it into partnership with Aim-traded African Consolidated Resources, which is the principal owner of the asset.

More funding, including taking a loan at London InterBank Offered Rate (LIBOR) plus two per cent, would build a mine, and REI would then have the option to sell its stake to Galileo for US\$2 million in Galileo shares up to the end of 2013.

Galileo can also secure 80 per cent of REI's Xiluvo project in Mozambique by spending at least US\$200,000. Or once it's spent the money it could sell its stake back for a net smelter royalty. Xiluvo already boasts a formal estimate of 1.1 million tonnes with 2.05% TREOs and 4.4% phosphate, so there's plenty to work with.

The company can similarly earn into the Galineiro greenfield prospect in Spain by issuing another 5.25 million shares.

Recently, Galileo augmented its cash by £1million through a share swap and cash deal with another Aim company, Praetorian Resources, whose advisory committee includes old sector players and friends of Bird, Malcolm Burne and Richard Lockwood.

Praetorian thus has eight per cent of Galileo, which Bird describes as "a rare earths marketing operation, rather than a mining company".

At 41.75p, against a 12-month high of 47.5p and a 32p low, the tightly-held shares carry clear risks. But rare earths bulls should take a close look.