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Proposed acquisition of Kabwe Residual Rights

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Galileo Resources Plc

("Galileo" or "the Company")

Proposed acquisition of Kabwe Residual Rights and increased stake to 95% in Star Zinc Project

Galileo is pleased to announce it has executed a binding and exclusive conditional Heads of Agreement ("Agreement"), to acquire from BMR Group plc, ("BMR") the **Kabwe Residual Rights**, which includes Kabwe Mining Licence (6990-HQ-LML) ("**Kabwe ML**") but excludes BMR's small scale licence 7081-HQ-SML ("Kabwe Tailings Recovery Project") situated within Kabwe ML. The acquisition also includes the remaining 15% of the shares, that Galileo currently does not hold in Enviro Zambia Ltd, ("**Sale Shares**"), which entity indirectly owns 95% of the Star Zinc Project (collectively "**Proposed Transaction**"). The Kabwe Residual Rights include the **Kashitu Zinc willemite** exploration prospect ("**Kashitu**").

It should be noted that the Agreement is subject *inter alia* to due diligence, definitive documentation, necessary approvals and regulatory compliance.

Highlights and Main Terms of the Agreement

- Proposal for Galileo to acquire the Kabwe Residual Rights and Sale Shares for a consideration of £50,000 cash up-front as an option fee for exclusivity to conduct due diligence and negotiate the Proposed Transaction and a further £50,000 cash and the allotment to BMR of 15,000,000 ordinary Galileo shares of 0.1 pence on completion of the Proposed Transaction (Consideration Shares) at a price of 1.15p per share. Based upon the latest closing price per Galileo share on AIM, the consideration is valued at approximately £275,000 in aggregate.
- As a result Galileo could acquire 100% of Enviro Zambia Ltd (i.e an increase from the currently proposed 85%), thereby increasing its interest in the Star Zinc Project to 95% (given the 5% interest held by the government of Zambia).
- Kabwe Residual Rights includes the prospective **Kashitu** zinc willemite (zinc silicate ore mineral) prospect.
- The **Kabwe Residual Rights** is in a historically large productive Zn mining area that hosted the 80-year old Kabwe Zn-Pb mine ("Kabwe").
- Auger sampling (183 holes) of the **Kashitu** prospect to 2m depths by BMR in 2016¹ delineated three open ended (S E and W) distinct surficial (unconsolidated surface) mineralised zones, samples assaying up to 21% Zn and a 400m x 130m high-grade zone consistently assaying >2.5% Zn in every sample; this being worthy of follow up.

- This acquisition includes access to a very large exploration data base, including all historic exploration drilling by Zamanglo, Billiton and others ², which has identified a central 300m x 400m mineralised core in the south-east corner of **Kashitu** with grades of up 40% Zn and 17g/t silver
- The exclusivity period runs to 28 February 2019 with completion of the agreements required to give effect to the Proposed Transaction (**Transaction Documents**) to follow as soon as practicable thereafter and in any event by 30 June 2019.

Andrew Sarosi, Director said: "This proposed acquisition would complete the purchase of 100% of Enviro Zambia, giving Galileo an increased stake to 95% in the Star Zinc project near Lusaka. The Kashitu prospect is near the Kabwe zinc-lead-vanadium tailings recovery project. Initial exploration will focus on identifying large zinc oxide and willemite -mineralised deposits and thereafter explore the possibility for further zinc mineralisation with sulphide potential. The proposed acquisition of the Kabwe Residual Rights would complement the Star Zinc project and the Board considers this to be a valuable transaction relative to its mission to build a significant zinc resource in Zambia".

Further Information on and Background to the Agreement:

- BMR owns the entire issued share capital of Enviro Mining Limited (**Enviro Mining**), a company incorporated in Mauritius;
- Enviro Mining owns the entire issued share capital of Enviro Processing Limited (**Enviro Processing**), a company incorporated in Zambia;
- Enviro Mining owns fifteen per cent (15%) of the issued share capital of Enviro Zambia Limited (**Enviro Zambia**), a company incorporated in Mauritius and the remaining eighty-five per cent (85%) of the issued share capital of Enviro Zambia is owned by Galileo;
- Enviro Zambia owns ninety-five per cent (95%) of the issued share capital of Enviro Processing Zambia Limited (**EPZ**), a company incorporated in Zambia and the remaining five per cent (5%) of the issued share capital of EPZ is owned by the government of Zambia;
- the Large Scale Prospecting Licence 19653 - HQ - LPL (**Star Zinc Licence**) in Zambia known as the "Star Zinc Project" is currently owned by Enviro Processing;
- the Star Zinc Licence has been renewed, following which the Star Zinc Licence is being transferred to EPZ (**Star Zinc Licence Transfer**);
- Enviro Processing owns the Kabwe Mining Licence (**Large Scale Licence 6990-HQ-LML**) (**Kabwe ML**);
- situated inside the Kabwe ML is the Small Scale Licence 7081-HQ-SML, which is the licence that permits Enviro Processing to recover metals from the tailings dumps and other surface assets at Kabwe (**Tailings Recovery Project**);
- BMR has entered into certain agreements (**Kabwe Agreements**) with Jubilee Metals Group PLC (**Jubilee**) pursuant to which, amongst other things :
- § Jubilee is entitled to call for the transfer of the entire issued share capital of Enviro Mining (**Jubilee Option**);
- § the joint venture company that Jubilee has formed with BMR has a right to be offered for processing on agreeable commercial terms any minerals or resources discovered within the area of the Kabwe ML; and
- the exercise by Jubilee of the Jubilee Option would result in Jubilee acquiring an indirect interest in all of the Kabwe ML, but of the various assets and rights comprised in the Kabwe ML, Galileo and BMR understand that Jubilee only wishes to pursue the Tailings Recovery Project and is therefore willing to permit Galileo to acquire all assets and rights comprised in the Kabwe ML other than in relation to the Tailings Recovery Project (**Kabwe Residual Rights**).

Condition Precedent - Jubilee's consent and Zambian Regulatory Approval

Because of the Jubilee Option, Jubilee's consent is required to the sale of the Kabwe Residual Rights and the Star Zinc Licence to a third party: it is agreed by Galileo and BMR that the Transaction Documents will contain a condition precedent that the Proposed Transaction is conditional on, amongst other things, Jubilee consenting to the Proposed Transaction on such terms as Jubilee may determine (**Jubilee Consent**); and it is anticipated that Jubilee will only provide the Jubilee Consent on the basis that nothing in the Transaction Documents will require Jubilee to carry out any action, make any omission, or incur any cost or expense that is not required by the Kabwe Agreements or which varies, reduces, limits or circumvents any of Jubilee's rights under any of the Kabwe Agreements.

Further, Galileo and BMR have agreed that the acquisition of the Kabwe Residual Rights and the Proposed Star Zinc Licence Transfer are subject to approval of the proposed transfer by relevant Zambian authorities (in relation to a

change of control) (**Zambian Consents**) and payment of relevant corporate and land taxes and VAT (as applicable) in relation to the acquisition and transfer.

Other Conditions

Completion of the Proposed Transaction will be conditional on the following conditions being satisfied or (where possible) waived by 30 June 2019:

- 1.1 receipt of the Zambian Consents;
- 1.2 receipt of the Jubilee Consents;
- 1.3 Galileo being satisfied with the results of legal, financial, taxation and commercial due diligence on Kabwe Residual Rights, the Star Zinc Licence and the Sale Shares, along with any other such reports as Galileo, in its absolute discretion, consider necessary or desirable;
- 1.4 negotiation and entry into of legal documentation satisfactory to Galileo, BMR and Jubilee with regard to the Proposed Transaction;
- 1.5 such shareholder or board approvals as may be required for each of Galileo, BMR and Jubilee to approve the Proposed Transaction being received and remaining in full force and effect;
- 1.6 any third party, regulatory or taxation consents or approvals required for the Proposed Transaction being received on terms satisfactory to us, and such consents and approvals remaining in full force and effect;
- 1.7 a report, complying with the requirements of Companies Act 2006, addressed to BMR valuing the Consideration Shares for the purposes of section 593 of Companies Act 2006 having been delivered to BMR; and
- 1.8 the Consideration Shares being admitted to trading on the AIM market of the London Stock Exchange and such admission becoming effective.

Lock-in

- 1.9 BMR is undertaking to Galileo that, without the prior written consent of Galileo (acting in its absolute discretion), BMR will not during the restricted period (being 12 months from completion in respect of 75% of the Consideration Shares and 6 months in respect of the remainder), dispose of the legal or beneficial ownership of, or any other interest in, the Consideration Shares.

Indemnity

Galileo has agreed to indemnify BMR from and against all costs and liabilities (including as to tax and reasonable and proportionate professional costs and expenses incurred by BMR in the UK (up to an agreed maximum), Mauritius and Zambia) in relation to:

- the transfer of the Sale Shares;
- the transfer of the Kabwe Residual Rights out of Enviro Processing; and
- any undertakings provided to Jubilee as a condition of the Jubilee Consent.

The Kashitu Prospect ²

Kashitu is located in the SE corner of BMR's 100% owned Kabwe ML site in Zambia. The area is considered prospective, due to elevated zinc-in-soil values, which could be amenable to zinc extraction via leaching technologies, similar to that proposed for Kabwe Tailings Recovery Project. Historical soil sampling by Billiton (now BHP Billiton) has recorded Zinc values greater than 15,000 ppm Zn (1.5% Zn) over a 1.2 km by 0.3 km NW verging area, which is in close proximity to historical workings. Reportedly high-grade surficial willemite was extracted from the historical workings and fed in to the main historical Kabwe Mine plant, during its operation.

An interpretation of existing RAB, RC and diamond drilling has refined the area of potential interest, and is likely associated with a ENE-trending structure containing steeply dipping, high-grade willemite veins.

Kashitu Prospect & Mining Potential

There are three targets at Kashitu: 1) Lateritic enrichment at the soil-rock interface (which may or may not come to surface), 2) vein-style willemite with possible inclusions of zinc sulphides, mainly sphalerite and 3) Massive pipe-like orebodies, such as Kabwe Mine

Lateritic enrichments have been exploited at the project in the past, at the near-by Airfield prospect, historical open-cut mining with a pit measuring 235m long x 30m wide x 3m deep exploited a 0.5-2m thick, near-surface, residual accumulation of zinc oxides up to 15-20% zinc, mainly smithsonite and hemimorphite, at the close of the Kabwe operation.

Historical Work ²

Previous exploration by Zamanglo (1958-1966), Billiton (now as BHP Billiton) Zambia Limited (1998 and TEAL (2001-2006) and BMR, included auger soil sampling and drilling has established a large data base. Galileo intends to use this database to focus, initially amongst others, on developing a geological and mineralisation model for further exploration

Historical drilling data base includes:

- Billiton's RAB drilling assay results and collars
- Billiton's RC drilling assays, collars and surveys
- Limited Billiton and others Diamond Drilling Results

The historical data have some limitations including: the absence of geological logs or geological information, much of which have been inferred; the validity of the assay data cannot be relied upon; there may be inaccuracies with some collar locations which will need a complete resurvey and BHP's RAB drilling only assayed for a sample at refusal (top of bed rock) and is not a complete dataset.

Notwithstanding the above limitations, BMR's review² made a number of positive conclusions;

- The higher-grade values from the drilling are broadly similar, but do not 100% coincide with the anomalous zones as indicated by the soil-geochemistry. The soil chemistry outlines a broad, 1.2 km long NW-SE trending zone of elevated Zinc-in-soil > 15,000 ppm, where Zinc-in-drilling results suggested a 1.2km long, ENE- trending probable structural zone).
- The results of the deeper RC drilling are co-incident with elevated zinc-at-surface and indicated a number of interpreted, ENE-trending, high-grade (5-20%), vertical willemite veins and structures, all forming a high- grade 'pod' or 'lens'.
- The southern portion of the prospect is far more prospective with zinc values >5% across considerable strike length.
- The northern portion of the prospect is less prospective with grade generally below 1%.
- In the southern portion of the prospect RAB drilling indicates increased Zinc-enrichment with depth, in the northern portion of the prospect RAB drilling indicates decreased Zinc with depth. This would indicate that;
 - the southern portion represents the enrichment within the supergene enriched zone, where high grades can be expected , generally occurring at depths of between 1 and 6m; and
 - the northern portion represents a lower-grade, surficial enrichment zone at surface

Note:

¹ BMR RNS announcement 10 January 2017

² S Wilk BMR geologist " Kabwe Licence- Kashitu Previous Exploration Overview 24/06/2016

Related Party Transaction

Mr. Colin Bird holds Board positions in each of Galileo (Chairman and CEO), Jubilee (non-executive Chairman) and BMR (non-executive) and holds shareholdings in each of these companies of 16.23%, 0.84% and 0.21% respectively. In addition, Jubilee holds 29.0% of BMR and by means of the Jubilee Option holds an option over the entire Kabwe project, being the main asset of BMR. Mr. Christopher Molefe is a Non-executive Director of both Galileo and Jubilee. In addition, whilst Jubilee is not explicitly a party to the Agreement, its consent is required. Accordingly, the Agreement is being treated as a related party transaction under the AIM Rules. Mr. Andrew Sarosi (executive director) and Mr. Richard Wollenberg (independent non-executive director) of Galileo having consulted with the Company's Nominated Adviser, consider that the terms of the Agreement are fair and reasonable insofar as the Company's Shareholders are concerned.

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

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 Regulation (EU) 596/2014

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Glossary

Leaching chemical process of solubilising metals in rock into solution
ppm parts per million
RAB (drilling) rotary air blast

RC (drilling) reverse circulation

Supergene pertaining to processes or enrichment that occurs relatively near surface
Willemite zinc silicate ore mineral

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