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**Galileo Resources PLC**

**This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR"), and is disclosed in accordance with the Company's obligations under Article 17 of MAR.**

**4 March 2021**

**Galileo Resources Plc**

**("Galileo" or "the Company")**

**Sale of Star Zinc project**

**Ongoing Strategy Update**

Galileo Resources plc ("Galileo" or the "Company") announces that on 3 March 2021 it entered into a conditional agreement with Siege Mining Limited ("Siege") in relation to the ceding of ownership and operation of the Star Zinc Project (the "Star Zinc Project") for US\$750,000 (being US\$200,000 in relation to the large-scale exploration licence 19653-HQ-LEL (the "Star Zinc Project Licence") (the "Licence Consideration") and US\$550,000 for Galileo ceding its participation in the Star Zinc Project and all exploration information which it has in relation to the Star Zinc Project (the "Project Assets") (the "Project Consideration"). Galileo will also be paid a royalty (proportion share) based on future sales of zinc from the Star Zinc Project for Galileo allowing Siege to use Galileo's information, know-how and commercial experience in relation to the Star Zinc Project (the "Agreement") .

**Reason for Agreement:** The Company has entered into the Agreement following a period in which it has with stakeholders reviewed the options for putting the Star Zinc Project into operation taking into consideration operational , community and regulatory issues associated with mining a project that is in the outskirts of Lusaka, and allowing ownership and operational responsibilities to be assumed by a Zambian mining company, whilst the Company can still participate in the future success of the Star Zinc Project.

**Highlights of the Agreement:**

Project to be operated by a Zambian Mining Company: The conclusion of the review was that the project is best operated by a local Zambian Mining Company. Siege is a Zambian owned mining company and it and its principals including Joakim Chewe Chelelwa have applied for / are in the process of being granted the requisite licences within the Star Zinc Project area to allow them to conduct mining activities. Under the Agreement the Star Zinc project will be operated by Siege , as a Zambian community focussed project, appropriate to a project located near an expanding urban area near Lusaka.

Payment of Consideration: US\$50,000 will be paid on Completion and US\$700,000 paid at the later of 90 days from i) the signing of the Agreement and ii) Completion. Completion will occur once the Star Zinc Project Licence has been assigned to Siege.

Royalty Payable to Galileo: Galileo will be paid a royalty on any future sales of zinc from the Star Zinc Project based on the zinc grade. The minimum royalty rate is 3% and increasing by 1% for each US\$250 increase in the zinc price above US\$2,500 per tonne up to a maximum of 10%. The current LME price for zinc is US\$2,786 per tonne based on the London Metals Exchange closing cash price on 3 March 2021 being the last practical date before this announcement. If the Zinc concentrate grade is 25% for a sale at a zinc price of US\$2,500 per tonne this would result in a royalty of US\$18.75 / dmt whereas if the Zinc concentrate grade were 30% a sale at a zinc price of US\$2,500 per tonne would result in a royalty of US\$22.50 / dmt.

### **Strategy Update:**

Kalahari Exploration: Following the completion of the sale of its interest in the Star Zinc Project, the Company's immediate focus will be exploration activities in Botswana where the Company has 15 licences in the Kalahari Copper Belt in highly prospective areas, two of which were the subject of the Heliborne-EM geophysical surveying announced on 23 November 2020. The results of the Heliborne-EM geophysical surveying are sufficiently robust that the Company expects to announce the commissioning of initial reconnaissance drilling program within the month. The Company has also identified two further areas for Heliborne-EM geophysical surveying.

Ferber Project: The Company has maintained its licences at its Ferber project in Nevada in the United States and in view of the prospectivity is finalising a reconnaissance drilling / exploration program to be undertaken prior to renewal in August 2021.

Glenover Project: The Glenover project is for phosphate and rare earths. Glenover has engaged with parties interested in acquiring part or all of its projects with one party having incurred significant expenditure in testing the ore, but no commercial terms have yet been agreed and there is no certainty that an agreement will be reached.

Kashitu Project: The Kashitu zinc project in Zambia has similar characteristics to the Star Zinc project but is considered to be larger and the Company plan an exploration program for 2021 with the primary objective of developing a resource for the supply to a nearby refinery and / or the raw ore export market. The Kashitu area is in open land the topography of which does not suit itself to urbanisation.

The Company will provide further updates in due course.

Colin Bird Chairman & CEO said:

*" The Star Zinc project is a small but high-grade deposit situated in the expanding outskirts of Lusaka in Zambia in relative close proximity to housing, schooling and social amenities. The project lends itself to highly selective mining in a small area and as such is suitable for a small-scale community project involving artisanal mining operations and sorting of ore off-site. Galileo has interreacted with stakeholders to develop a solution for the mining and operation of the project which will benefit all stakeholders with Siege*

*a local Zambian mining company taking on the operation of the project whilst having access to Galileo's information, know-how and commercial experience"*

### **Financial Affects of the Transaction**

The Company acquired its interest in the Star Zinc Project in 2017 and as at 30 September 2020 its carrying value under exploration and evaluation assets in Zambia in the Galileo unaudited interims to 30 September 2020 was GBP1,608,230, no income has to date been generated from the Star Zinc Project. The Star Zinc Project costs to date have been capitalised as exploration and evaluation assets as the Project has been in the pre-production and pre-sales phase.

Timing of the completion of the Agreement, payment of the Consideration and the actual and projected royalty payments arising from the Agreement as at the time of signing of the Company accounts will be considered when finalising the Company's accounts for the year ended 31 March 2021.

Royalties payable under the Agreement are dependent upon the zinc concentrate in ore sold, future price of Zinc and ore produced at the Star Zinc project. For information but not as a forecast of future production at the Star Zinc Project on 14 November 2018 the Company announced that following a second phase of drilling the tonnage target was between 600,000 to 900,000 tonnes with an estimated average grade of 10-12% zinc at above 3% cut off grade.

### **Use of proceeds**

The Company intends to use the consideration and any future royalty payments arising from the Agreement for general group working capital purposes and for additional work on its current and future projects.

### **Purchaser's intentions:**

Production and Processing: Siege have under the Agreement assumed all responsibility for regulatory and operational matters in relation to the operation and mining of the Star Zinc Project. Siege have indicated their intention to commence mining imminently, producing in the range of 6,000 to 15,000 tons a month of saleable ore but it is recognised the initial production may be lower. Processing of ore mined, to seek to enhance its grade above 20% and the saleability of the ore will be conducted at a site approximately 4 Km from the Star Zinc project site.

Marketing: Galileo will at Siege's request be novating its agreement with Zopco S.A. announced on 25 November 2020 to Siege and initial shipments will be test shipments to prospective purchasers for them to assess the grade and quality of the product.

### **The key terms of the Agreement are:**

Parties	On the one part the Company and Enviro Processing Ltd and on the other part Siege Mining Limited. The Company will receive the benefits of the Licence Consideration under its historic agreements with BMR Group plc in relation to the Star Zinc Project.
Signing and effective Date	The agreement signed on [. ]. March 2021 has an effective date of 26 February 2021
Consideration	US\$200,000 in relation to the Star Zinc Licence (the "Licence Consideration") and US\$550,000 for Galileo's interest in the Star Zinc Project including all exploration information which it has in relation to the Star Zinc Project (the "Project Consideration").
Conditions Precedent	Completion is conditional on Zambian regulatory approval to the assignment of the Star Zinc Project Licence to Siege
Completion	Completion is to occur when the condition precedent is met and at completion: <ol style="list-style-type: none"> <li>1. Siege are to be provided with all the exploration information in relation to the Star Zinc Project (defined below); and</li> <li>2. All license transfer documentation in relation to the star zinc project license duly signed by Enviro Processing Ltd.</li> </ol>
Payment of Consideration	US\$50,000 is payable upon completion and the balance of US\$700,000 due at the later of i) 90 days after the date of the Agreement and b) Completion.
Ownership and risk	The rights and obligations of ownership of the Project Assets and the Company's interest in the Star Zinc Project shall pass to Siege from the date of the Agreement.
Regulatory Responsibility	Siege is responsible for all necessary regulatory approvals, permits and licenses in relation to its acquisition of the Project Assets and the Star Zinc Project license, the conduct of exploration and mining activities at the Stars Zinc Project and the export of ores mined at the Star Zinc Project.
Siege Indemnity	Siege are indemnifying the Company and Enviro Processing Ltd in full for any current or future liability or loss they may suffer for whatsoever reason in relation to the Star Zinc Project or the Project Assets or the Star Zinc Project licence
Mining Operations	Siege intends to commence mining 6,000 to 15,000 tons a month of saleable ore at the Star Zinc Project but it is recognised the initial production may be lower.
Royalty	In consideration for the company providing the exploration information and allowing Siege to use the Company's information know-how and commercial experience in relation to the Stars Zinc Project Siege shall on a monthly basis commencing from the signing of the Agreement pay the Company a royalty on the future sales of zinc from the Star Zinc project. <p>The royalty will be payable by the end of the third calendar month following the month in which the processed material was exported or sold.</p>



## Technical Glossary:

dmt      dry metric tonne

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