Regulatory Story

Galileo Resources PLC - GLR

Silverton Project Farm-Out

Released 14:00 21-Apr-2016

RNS Number : 9542V
Galileo Resources PLC
21 April 2016

For immediate release: 14.00

21 April 2016
Galileo Resources Plc
("Galileo" or "the Company")

GALILEO EXECUTES EXCLUSIVE AGREEMENT FOR FARM-OUT OF THE COMPANY'S SILVERTON GOLD PROPERTY IN NEVADA USA

Galileo is pleased to announce that it has executed a binding and exclusive term sheet ("Exclusive Agreement") with Orogen Gold plc, ("Orogen"), pursuant to which Orogen will have the right to earn-in a 51% interest in the Company's Silverton Gold Silver property ("Silverton" or the "Property") in Nevada, USA, by way of exploration expenditure of US$400,000 (the "First Expenditure") within 18 months on the Property and thereafter the possibility to spend an additional US$1,500,000 (the "Second Expenditure") within 30 months to earn-in a further 24% interest in the Property (the "Farm-out").

The Company will have the right to participate pro rata after the First Expenditure; should it exercise this right it would retain a 49% equity interest in Silverton (as opposed to being diluted down to 25%). The Exclusive Agreement is subject to due diligence, which is anticipated to be completed, within 45 days of signing, including formalisation of the Exclusive Agreement.

Shareholders are advised that Colin Bird is an executive director of both Galileo and Orogen, in which he holds respectively 24.81% and 1.82% of their issued ordinary share capital. In accordance with the requirements of Sections 171 to 177 of the Companies Act 2006, he has abstained from negotiations and the decision making process of the Galileo Board in regard to the Farm-Out and will continue to do so in order to manage any future potential for a conflict of interest in the Property.

Highlights

- **Galileo has granted Orogen the right to earn an initial 51% interest in the Silverton project over the 6km² claim area through exploration spend of US$400,000 over 18 months**
- **Orogen may earn an additional 24% interest in the project through a further exploration spend of US$1.5 million over a subsequent 30 month period**
- **Previous bedrock and drill sampling outlined an area >0.5g/t Au measuring 1km x 0.5km**
- **Farm-out allows for outside investment into Silverton and is in line with Galileo's strategy of focusing its available resources on its South African copper projects**
- **Assay intervals reported by Newcrest (2003) up to 7.62m@ 2.29g/t Au and 10.67m @ 1.0g/t, including 1.52m @ 5.01g/t Au (non-Code compliant)**
- **Historic silver and gold production from district**
- **Shear Zone target never drill tested for gold-silver mineralisation; adjacent short holes returned assays up to 1.71g/t Au, 604g/t Ag over 1.52m intervals within wider intervals of lower grades**
- **This proposed transaction allows Galileo to continue with its key focus on copper**

Andrew Sarosi, an executive director of Galileo, has advised the board's non-executive directors and commented: "We are pleased to have entered into this Exclusive Agreement with Orogen, which will allow for an outside party to fund the exploration of Silverton, in particular focusing on a highly anomalous gold shear zone, on which limited vertical drilling (reverse circulation) has been previously carried out, whilst allowing Galileo to retain upside through its residual equity interest.

We intend to focus our resources on copper exploration, for which in March 2016, the Company raised funds primarily for its Concordia copper project in South Africa. This proposed transaction enables Galileo to retain an interest in Silverton, while focussing on its copper mission. Orogen has confirmed to Galileo that it has sufficient funds in place to commence work on the Property."

The Property

The Property is located northeast of Tonopah in the central Pancake Range. The Silverton claim block comprises 72 lode claims staked by Newcrest in March 2002.

Small-scale mining operated in the area from 1930 to 1937 and in 1953. Total production for the district is <100,000 oz. silver, <2,000 oz. gold and <1 ton of antimony. Over the last three decades multiple companies including Olympic Mining, Westgold, Newmont and Pittston have explored the property for gold and silver. Work completed comprised geochemical sampling, fluid inclusion studies, mapping, geophysics and drilling (~45 pre-Newcrest holes).

Since 2002 Newcrest has taken over 1,000 rock chip samples and drilled 42,983 ft in 29 RC (reverse circulation) drill holes.

Geology/Mineralization

The Silverton district occurs at the eastern margin of a caldera complex dated at 34Ma. Both high and low angle faults and fault breccias related to caldera rim tectonics are observed on the property. Rocks consist of Palaeozoic dolomite/limestone detachment blocks surrounded and underlain by Tertiary rhyolite tuffs. Rhyolite dikes have also been mapped along caldera ring fractures and north trending faults.

Tuffs around the Palaeozoic rocks are locally bleached and argillized (kaolinite - clay). Both units are silicified along faults, generally as jasperoid bodies up to 30 ft. wide. Jasperoid also forms flat-lying replacement horizons within volcanic beds. Additional silicification includes, stockwork silica veining and chalcedony +- stibnite-pyrite veins. One to two percent disseminated pyrite and minor stibnite occurs in tuffaceous rocks over a $4mi^2$ area. Other mineralization includes barite, gypsum, and alunite. Ore-grade gold values are generally associated with veins, strongly veined limestone, and argillized tuff along mineralized structures and adjacent to jasperoid. Most jasperoid bodies themselves contain only low-level gold.

The property contains a >100ppb Au rock chip anomaly measuring 2.5km x 3km. Au, Ag, As, and Hg mineralization are broadly coincident. Within the anomaly, the most significant of three main zones is a NNE trending area (Silverton Shear) >0.5g/t Au measuring 1km x 0.5km and centered on a 100m wide silicified contact between rhyolite to the east and carbonate rocks to the west.

Old vertical drilling on the southern end of the Silverton Shear returned several intervals of 5ft @ 1-5g/t Au and 100-600g/t Ag. The best Newcrest intercept is 25 feet @ 2.3g/t Au in rhyolite tuff.

Geophysics

Resistivity and ground magnetic surveys were completed in 1998 and 1999. Regional aeromagnetics also covered the Property.

Metallurgy

No metallurgical testing has been done on rocks from the Silverton district and potential recoveries are unknown. However, gold occurrence could be fine grained, micron sized, as none is observed in pan concentrates.

Exploration Potential

The geologic environment is similar to disseminated and bonanza epithermal gold mineralisation at the Round Mountain mine Nevada. The Silverton property and area of volcanic rocks to the west are prospective for exposed and concealed oxide and sulphide tuff- and intrusion -hosted disseminated and associated and/or carbonate-hosted bonanza style epithermal gold mineralisation. In the relatively untested area along the 1 km Silverton shear zone, with a 0.1-1.5g/t Au anomaly at surface, the potential exists for bonanza gold silver 'feeder' veins. In addition, low-grade bulk tonnage disseminated gold can also occur in the rhyolite porphyry intrusions, similar to e.g. Kori Kollo in Bolivia.

Additional information on Silverton

Galileo's accounts do not include a specific carrying cost for the Property, which was acquired as part of the acquisition of the unlisted St Vincent Minerals Inc. (SVM) and whose accounts did not include a separate carrying cost for the Property. The only costs associated with the Property and incurred to date by Galileo are the annual Bureau of Land Management and County fees, which amount to approximately US$11,900.

Related Party Transaction

Given Colin Bird's position as CEO of both Galileo and Orogen and his shareholdings of 24.81% and 1.82% respectively, the Farm-Out is a related party transaction under the AIM Rules. Accordingly, Mr Sarosi, Galileo's executive director, and its non-executive directors, having liaised with the Company's Nominated Adviser, consider that the terms of the Farm-Out are fair and reasonable in so far as its shareholders are concerned.

Technical Sign-Off

Andrew Sarosi, Executive Director of Galileo, holds a B.Sc. Metallurgy and M.Sc. Engineering, University of Witwatersrand, is a member of The Institute of Materials, Minerals and Mining and is 'qualified person' as defined under the AIM Rules for Companies and a competent person under the reporting standards. He has approved the release of this announcement.

For further information, please contact:

Further details are available from the Company's website, including its Glenover rare earth and phosphate project, its Nevada gold-copper properties in the USA, as well as a copy of this announcement:
www.galileoresources.com

You can also follow Galileo on Twitter: **@GalileoResource**

For further information, please contact:

Andrew Sarosi, Executive Director	Tel +44 (0) 1752 221937 /020 7584 2155
Beaumont Cornish Limited - Nomad Roland Cornish/James Biddle	Tel +44 (0) 20 7628 3396
Beaufort Securities Limited - Broker Jon Belliss	Tel +44 (0) 20 7382 8416

Technical Glossary

Au	Gold
Ag	Silver
As	Arsenic
Breccia	a rock composed of broken fragments of minerals or rock cemented together by a fine-grained matrix
Caldera	a large volcanic crater, especially one formed by a major eruption leading to the collapse of the mouth of the volcano.
Dike	a later vertical rock between two layers of older rock
Epithermal	deposition from warm mineralised waters at shallow depth
Hg	mercury
Jasperoid	rock formed from hydrothermal activity giving rise to **Jasper**, an opaque, impure variety of silica
Rhyolite	an igneous, volcanic rock, of silica-rich composition
Porphyry	textural term for an igneous rock consisting of large-grained crystals
Stibnite	antimony sulphide mineral the chief ore of antimony
Tectonics	geologic process, which controls the structure and properties of the Earth's crust,
Tertiary	a **geological period** of beginning about 65 million years ago
Tuff	an igneous rock formed from the products of an explosive volcanic eruption

END