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# Star Zinc Project Update

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**23 February 2018**  
**Galileo Resources Plc**  
**("Galileo" or "the Company")**

## Star Zinc Project Update

### Highlights

- BMR Group plc ("BMR") notifies Galileo that it has made the final deferred consideration to Bushbuck Resources Limited ("BRL"), in relation to BMR's acquisition of the Star Zinc Project ("Star Zinc")
- Galileo increases its aggregate beneficial interest in Star Zinc to 85% from 51% in Star Zinc having expended in excess of USD250 000 on exploration activities pursuant to the binding Term Sheet announced 31 August 2017 with BMR ("Term Sheet ")
- BMR elects not to buy back a 10% interest in Star Zinc from the Company for USD150 000
- Further to the Company's announcement of 13 February 2018, the Company ships first batch of drill core samples (first 4 drill holes) from Star Zinc for assay
- ZMC formally transfers the Licence from BRL to BMR's subsidiary Enviro Processing Limited ("EPL")
- With regard to recent revocation (subject to appeal) of BMR's separate Kabwe Project's mining licence by the Zambian Mining Cadastre ("ZMC"), Galileo has been advised that Star Zinc's exploration licence 19653-HQ-LEL ("the Licence") is not affected at all and the Company and Star Zinc remain in good standing in this regard
- EPL submits an application for renewal of the Licence (for a further 3 years) and includes an additional block within the renewal area
- EPL relinquishes 50% of the Licence area in accordance with the renewal regulations.
- Subject to ZMC approval, the Star Zinc licence to be transferred to a joint venture company to be owned 85% by Galileo and 15% by BMR.

Colin Bird, Chief Executive Officer, said: "The completion of BMR's acquisition of Star Zinc, together with the Company's exploration progress represent are positive developments for the Project. We are continuing with drilling and expect to complete this phase during March. We expect our first assay results shortly and will release further assays progressively to the market as soon as they become available."

## **Star Zinc Update**

Galileo is pleased to announce that BMR Group plc ("BMR") has notified the Company that it has paid the final consideration amount (see previous announcement of 5 September 2017) to Bushbuck Resources Limited in relation to BMR's acquisition of Star Zinc.

The Company has incurred expenditure in excess of USD250 000 on exploration activities, including geochemical soil sampling, permitting, and evaluation and on going drilling. Pursuant to the Term Sheet, Galileo, on having spent USD250 000 earns in a further 34% beneficial interest to take its aggregate interest to 85% in Star Zinc, which is to be realised by way of an 85% equity stake in Enviro Zambia Limited ("Enviro Zambia"), a joint venture company to be incorporated between BMR and Galileo. Subject to ZMC regulatory approval, the Star Zinc licence, currently held by BMR's Zambia-incorporated subsidiary Enviro Processing Limited ("EPL") will be transferred to Enviro Processing Zambia Limited ("EPZL") upon its incorporation.

The Company has shipped its first batch of drill core samples (first 4 drill holes) from its current drilling programme for assay, results for which are expected during March.

The Company announces further, with regard to recent press and BMR announcements relating to the revocation of BMR's separate Kabwe Project's mining licence (the revocation is subject to appeal) by the Zambian Mining Cadastre, that in the opinion of its Zambian counsel, the revocation in no way affects Star Zinc's exploration licence nor the joint venture parties' standing in this regard.

## **Note**

Pursuant to the Term Sheet, the Company entered into a joint venture, the terms of which were disclosed in the announcement on 31 August 2017, with BMR, whereby Galileo advanced to BMR USD591,600 (at an interest rate of 12% per annum) primarily to enable BMR to finance the initial consideration payable to Bushbuck. Upon completion of the acquisition of Star Zinc, Galileo subscribed for a 51% equity stake in Enviro Zambia, which was satisfied by the cancellation of the aforementioned loan of USD591,600.

Given that BMR has elected not to exercise its right to buy back a 10% interest in Star Zinc from the Company, USD100,000 held in escrow will be released to BMR.

Other highlights of the joint venture include:

- from completion of the 18 month work programme until completion of a feasibility study, the interest of BMR in Enviro Zambia shall be free carried; and
- BMR and Enviro Zambia shall enter into an off take agreement for processing of ore from Star Zinc at Kabwe, such terms to be determined as soon as reasonably practicable following completion of the PEA to reflect capacity production of zinc from Star Zinc, and relevant grade and resource life of the Star Zinc project set out in PEA, which BMR intends to process in conjunction with its Kabwe Leach Plant Residues.

## **About Star Zinc**

The Star Zinc project is a historical small scale open pit mine from where, reportedly, low tonnage, but high grade willemite (a zinc silicate mineral) was extracted intermittently in the 1950s to 1990s.

The Star Zinc project is located approximately 18km NNW of Lusaka (see Figure 3.1 below), and is accessible via the tarred "Great North Road" and a good all weather graded road, with the journey time from central Lusaka of approximately 30 minutes (traffic allowing).

There is adequate power, water, rail & telecommunications, with the International Airport at Lusaka, less than 45 minutes away.

The Mines and Minerals Development Act No. 7 of 2008, which grants a Large Scale Prospecting Licence for a maximum of 7 years, governs the mineral tenement. Recent changes to the Act now provides for an initial 4 years with a further two 3-year extensions totalling 10 years, with a mandatory 50% reduction of licence area at the completion of the 1st grant and 2nd grant periods respectively. The first renewal period initially expired 13 August 2016 but was extended to 13 August 2018.

The Star Zinc Willemite project was mapped in the 1960s by several geologists of the Northern Rhodesia (now Zambia) Geological Survey.

At Star Zinc, two main fracture trends are present, one E - W, and another N - S. Both sets of fractures are nearly vertical and are irregularly mineralised. Willemite generally replaces the host rock marbles in the form of massive ore bodies, but it occurs also in veins

In addition, karstic (pertaining to landscape underlain by limestone which has been eroded by dissolution, producing ridges, fissures, sinkholes and other characteristic landforms) mineralisation and red soils (terra rossa) are locally heavily mineralised with detrital willemite and supergene zinc minerals. Zinc values measured in soils at Star Zinc reach up to 15,600 ppm and are accompanied by the pathfinder elements Ag (silver), Pb (lead), Ba (barium), Sb (antimony) and Cd (cadmium). The karst infill has a zinc (Zn) content up to 45wt.% Zn, up to 35wt.% Fe and up to 5g/t Ag.

The mineralogical assemblage of Zn nonsulphides includes a whole number of minerals, but the main economic phases present are Zn-silicates (willemite, hemimorphite, Zn-bearing clays), Zn- Pb carbonates (smithsonite, cerussite), hydrated Zn- Pbcarbonates (hydrozincite, hydrocerussite) and Zn- Mn- Fe- oxides (zincite, franklinite, gahnite).

Limited independent metallurgical testwork by others has clearly shown that the willemite present at Star Zinc is amenable to acid leaching with positive results for two samples tested. Zinc leaching efficiencies obtained ranged from 89% and 92%. The testwork indicated polymerisation of dissolved silica in the leachate.

An independent competent person's report commissioned by BMR concluded. In summary, the Star Zinc project has good potential to become a viable project.

*Note the information about Star Zinc is sourced primarily from Competent Person's Report for the Star Zinc Project, Zambia; Wardell Armstrong, January 2016*

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.

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

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#### **Forward looking statements**

Certain statements in this announcement, are, or may be deemed to be, forward looking statements. Forward looking statements are identified by their use of terms and phrases such as "believe", "could", "should" "envisage", "estimate", "intend", "may", "plan", "will" or the negative of those, variations or comparable expressions, including references to assumptions. These forward looking statements are not based on historical facts but rather on the Directors' current expectations and assumptions regarding the Company's future growth, results of operations, performance, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, business prospects and opportunities. Such forward looking statements reflect the Directors' current beliefs and assumptions and are based on information currently available to the Directors. A

number of factors could cause actual results to differ materially from the results discussed in the forward looking statements including risks associated with vulnerability to general economic and business conditions, competition, environmental and other regulatory changes, actions by governmental authorities, the availability of capital markets, reliance on key personnel, uninsured and underinsured losses and other factors, many of which are beyond the control of the Company. Although any forward looking statements contained in this announcement are based upon what the Directors believe to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with such forward looking statements.

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