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# Update on acquisition of Star Zinc

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**5 September 2017**  
**Galileo Resources Plc**  
**("Galileo" or "the Company")**

## **Acquisition of Star Zinc through a Joint Venture Agreement with BMR Group Plc**

Pursuant to the previous announcement on 31 August 2017 regarding the signing of a binding term sheet ("Term Sheet") to enter in to a joint venture agreement with BMR Group PLC ("BMR") concerning Star Zinc project (the "Project"), the Board is delighted to announce that it has been informed by BMR that, on 4 September 2017, BMR, on behalf of its newly incorporated wholly owned subsidiary Enviro Processing Zambia Limited ("Enviro Zambia"), entered into an agreement with Bushbuck Resources Limited ("Bushbuck") to complete the acquisition of Star Zinc for a cash consideration of \$1,000,000, of which a \$130,000 payment has already been paid, resulting in a remaining consideration of \$870,000.

The first tranche of the remaining consideration of \$400,000, together with VAT of \$160,000, was paid on 4 September 2017, with the balance, to be satisfied in cash, as to \$300,000 by no later than 28 November 2017 and as to \$170,000 by 28 February 2018. BMR has also already paid the property transfer tax amounting to 10% of the aggregate consideration.

As security for the payment of the whole of the remaining consideration, Bushbuck has been granted a charge over (i) the removable assets of BMR's wholly-owned subsidiary, Enviro Processing Limited, which owns all of the assets at Kabwe, BMR's principal operations, bar the property, and (ii) \$570,000 of new ordinary shares of BMR at a discount of 25% to the prevailing market price. Accordingly, the agreement with Bushbuck completes BMR's acquisition of the Project.

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 \$591,600 (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 \$591,600.

The Company will undertake an 18-month work programme at a cost of \$250,000, in respect of which it has placed \$100,000 in escrow, using reasonable endeavours to complete a preliminary economic assessment of Star Zinc ("PEA"), following which further new shares in Enviro Zambia will be issued to Galileo to increase its aggregate equity interest therein to 85%. BMR shall have the right to reduce the interest of Galileo from 85% to 75% on payment of \$150,000 to Galileo, through the repayment of the \$100,000 held in escrow plus a \$50,000 arrangement fee within

90 days of the date of completion of the joint venture agreement, failing which the US\$100,000 is released to the Company.

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 Leach Plant Residues;

Colin Bird Chairman and CEO of Galileo commented, "*We are pleased that the acquisition of Star Zinc has been effected expeditiously. The parties will now cooperate to complete formal transfer of the Zambian licence including government consent. We look forward to formalising the project JV agreement and pursuing aggressively our work programme to take the project forward including increasing the Star Zinc resource.*"

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.

Bushbuck Resources Ltd, is the 100% owner of licence 19653-HQ-LPL held under a Large Scale Prospecting Licence. 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. This comprises 3 two year periods with a mandatory 50% reduction of licence area at the completion of the 1st grant and 2nd grant periods respectively. The first renewal period expired 13 August 2016.

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

At the Star Zinc project, 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- Pb carbonates (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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