Galileo Resources PLC - GLR

Update on Offtake Agreement for Star Zinc ore
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Galileo Resources Plc
("Galileo" or "the Company")

Progress in negotiating Offtake Agreement for Star Zinc ore

Galileo is pleased to provide an update, further to its announcement of 1 May 2019, on its ongoing negotiations targeting a zinc ore (Ore) offtake agreement (the "Agreement") between Jubilee Metal Group plc's ("JMG") Kabwe zinc refinery in Zambia (the Refinery) and the Company's Zambian Star Zinc and Kashitu projects (the Projects).

Highlights

- Ore supply for up to 60 000t tonnes (t) ore per annum
- Ore grade supplied not less than 14% Zn
- Payability to be consistent with similar offtake agreements in the zinc market, typically based on a sliding scale against grade and price
- Three-year term supply, renewable by mutual agreement
- Mining targeted to commence Q2 2020, subject to availability of further funding and grant of mining right including environmental permit.
- Contribution of silver and germanium from Star Zinc ore to be further assessed
- Amenability and suitability of Kashitu material for the Refinery to be tested on site, in particular the recoverability of vanadium, the presence of which has been identified historically on Kashitu.

Colin Bird CEO said: "Negotiations are advancing satisfactorily towards an industry normal arrangement and allows us to do the necessary administration and planning to bring the Projects into production. The Projects offer the potential to provide consistent quantity and quality of Ore to the Refinery. Furthermore, the suitability of the potentially much larger Kashitu deposit and its vanadium content offers the opportunity of a long term sustainable ore supply. We look forward to concluding the arrangements and commencing exploration and then commencing testing on Kashitu as soon as practicable whilst advancing Star Zinc to production status."
Background

JMG secured the Sable Zinc Refinery in Zambia as part of their integrated Kabwe Project to bring to account the Kabwe surface tailings material containing zinc, vanadium and lead. JMG is currently capitalising the refinery with the aim of commissioning a dedicated zinc, vanadium and lead refinery circuit in addition to the existing copper circuit. The addition of the zinc and vanadium circuit offers the potential to refine the zinc ore from both the Star Zinc and Kashitu Zinc projects. Under the terms of the agreement entered into between JMG and BMR Group Plc (31/08/2017), JMG holds the first right to the processing of the mined material at the Star Zinc and Kashitu projects. Galileo and JMG have entered into discussions to conclude the terms of such a potential offtake agreement which is to be based on standard industry terms and will consider among other things, availability of refinery capacity, ore supply quantity, grade and payability. Such an offtake agreement offers mutual strategic benefits with the Projects potentially accessing a nearby refinery while the Refinery would benefit from a long term ore supply. The potential vanadium content offered by the Kashitu Zinc project is of particular interest and the parties have agreed to collaborate more closely to determine a suitable processing solution.

The Company will make a further announcement once the terms of the Agreement have been finalised between the parties.

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