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## Galileo Resources Plc farms into Nkombwa Hill Rare Earth project in Zambia

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African Consolidated Resources plc ('ACR' or the 'Company')

Galileo Resources Plc farms into Nkombwa Hill Rare Earth project in Zambia

ACR, the AIM listed southern African focused resource development company, is pleased to announce that Galileo Resources Plc ('Galileo'), has entered into a Heads of Agreement ('Galileo HoA') with ACR's JV partner Rare Earth

International ('REI') to earn-in interest in the Nkombwa Hill Rare Earth Project, in north-east Zambia ('Nkombwa Hill').

ACR, through its Zambian subsidiary, is the 100% holder of the Nkombwa Hill prospecting licence. As previously notified, REI holds the right to earn up to a 50% interest\* in the Nkombwa project in accordance with the terms of an agreement between REI and ACR and its wholly owned Zambian subsidiary. Fisherman Mining Limited, which holds to

agreement between REI and ACR and its wholly owned Zambian subsidiary, Fisherman Mining Limited, which holds the prospecting licence.

\*This may be increased to 75% if ACR elects not to co fund after REI has earned a 50% interest.

our highly prospective Rare Earth Project in the new and dynamic Muchinga Province of Zambia. The Galileo team

brings additional specialist rare earth element ('REE;) expertise, coupled with Colin Bird's individual reputation for fast

Andrew Cranswick, Chief Executive Officer of ACR, said, "We are pleased to have Galileo Resources earning into

tracking exploration success stories in Zambian projects such as Kalumbila through Kiwara Resources. This is good news for all, especially the people of Muchinga, considering what it means for employment, community participation, economic growth and infrastructural development.

"The Nkombwa Hills Project has demonstrated its potential to host a significant REE resource, and in line with this I am wholly supportive of Galileo Resources' influence in its onward development. Results to date have underpinned its value.

wholly supportive of Galileo Resources' influence in its onward development. Results to date have underpinned its value as a high grade deposit, with REE enriched outcrop samples of up to 23.6% total REE oxide (TREO) recovered and a strike length of at least 350m, which remains open at both ends."

Colin Bird, Chairman and Chief Executive Officer of Galileo said, "We are very pleased to enter as third party into

this agreement. We regard the Nkombwa Hills project to have high potential against its peer group. Results to date from easily mapped outcrops and historical drilling make it an exciting target. I have always held the belief that to return shareholders value, companies must identify large tonnages with above average grades relatively close to infrastructure. Nkombwa Hill offers all of these features and its Zambian address makes it all the more attractive because of the transparent mining legislation and government support one receives in Zambia. We look forward to working with ACR to unlock to abundant shareholder value which obviously exists in the project."

Nkombwa Project Exploration Update and Planned Initial Drill Programme

Nkombwa Hill is an Intrusive carbonatite complex in north-east Zambia, 1-1.5km in diameter. It is one of several carbonatite complexes associated with rifting related to the western arm of the East African Rift system. Previous explorers targeted mainly phosphate ore, but did limited exploration for REEs.

It lies only 20km east of the bitumen road linking Lusaka with the Tanzanian port of Dar es Salaam, and 180km east of the railroad at Kasama, which also connects the Zambian capital to Dar es Salaam.

Two exploratory boreholes drilled by Roan Selection Trust in 1966/7 for phosphate at the northern edge of complex intersected several 2-6m intersections of >3% TREO. Re-assaying of zones in 2010 revealed 6.2m of 8.0%; 4.1m of 5.5%; 2.1m of 7.8% TREO, in phosphate mineralisation well north of the rare earth target zones.

Work completed by the ACR/REI JV comprises;

- Systematic surface sampling on a 100x50m grid with ground radiometric survey
- Intensive outcrop orientation sampling focused on grid results supported by ground radiometric traverses
- High resolution airborne geophysical survey completed (50m line spacing; 26m average ground clearance)
- Orientation outcrop sampling in May 2011: most enriched sample 22.09% TREO; 8 samples over 10% TREO; 24 over 5% TREO

enriched outcrop sample yet recovered 23.6% TREO.

Figure 1: Rare Earth geochemistry, drill target zones and heliborne radiometric results.

Results identify a laterally consistent zone of sub-vertical mineralisation 25-50m wide over which TREO values are

■ Infill outcrop sampling in December 2011 prioritized the NW Crest Target, which discovered the most REE

As an international comparison, only 8 of the top 25 REE projects worldwide (TMR Advanced Rare Earth Project Index,

May 2012; http://www.techmetalsresearch.com/metrics-indices/tmr-advanced-rare-earth-projects-index/) exceed 5%

consistently >3% including several adjacent samples of >10%. The strike length is at least 350m and the zone is open at

grade of "Critical" REEs (CREO) (neodymium, europium, dysprosium, terbium, and yttrium) that are estimated to remain in critical undersupply to beyond 2015. As average grades of CREO at Nkombwa Hill appear to be in the 3-5% range, this should create a highly competitive project. Outcrop sampling of the NW Crest Target ranges over an elevation range of over 150m: this would suggest that the high grades at surface should persist at depth. The hill rises about 1,000ft (~300m) above the surrounding plain so stripping ratios would be very low.

The NW Crest target and adjacent Central Silicified Zone will form the focus of an initial drill programme of 3,000-5,000m

definition.

Background and Terms of the Heads of Agreement

as soon as road access and drill rigs are in place. Assuming positive results this should generate an initial Resource

expire on 31 December 2013.

Oil and Gas Companies.

Roy Tucker

OZ

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following the improper excision to another party of a portion of ACR's prospecting licence. ACR is confident that its name will be reinstated on the Cadastre shortly.

Southern Crown Resources Limited has disposed of its interest in REI thus providing the opportunity for REI to enter the Galileo HoA.

confirming that ACR holds the sole valid mining rights existing in the Nkombwa Hills exploration licence area

As previously announced, a letter has been received from the Minister of Mines and Natural Resources

As previously notified, REI holds the right to earn up to a 50% interest in the Nkombwa project in accordance with the terms of an agreement between REI and ACR and its wholly owned Zambian subsidiary Fisherman

Mining Limited, which holds the prospecting licence in accordance with the terms outlined below. REI's interest

- Summary of the key terms of the Galileo HoA include:
   1. Galileo to provide funding to REI of a minimum amount of US\$1.2 million and to complete the Nkombwa Exploration to earn an effective 35% interest in the Project.
- excess of the effective 35% to be provided by the Parties pro rata to their interest, REI to have the option to elect that Galileo funds REI's pro rata share ('the Election'), including and up to the construction of a mine at the project, on a loan basis ('the Loan').

may be increased to 75% if ACR elects not to co fund after REI has earned a 50% interest

3. The Loan will bear interest at a rate of LIBOR plus 2%, and will be repayable by REI to Galileo from future cash flows by applying a minimum of 80% of any dividends earned by REI from the Project.
4. Following the completion of the earn in, REI will have the option to sell its remaining interest in the

Project to Galileo for a further US\$2 million to be paid in cash or Galileo shares. Such option is to

2. Further funding in respect of the Project, including funding to acquire a further interest in the Project in

have the option to acquire REI's remaining interest at a price determined as follows:

1. In the event that REI has made the Election, at a valuation of the Project of the net present value of the project as determined by the BFS less 40%, subject to a minimum purchase price of US\$2 million; or

5. Following the completion of a bankable feasibility study ('BFS') in respect of the Project, Galileo will

- In the event that REI has not made the Election, at a valuation of the Project of the net present value of the project as determined by the BFS.
- This announcement has been reviewed by Mike Kellow BSc, a member of the Australian Institute of Geologists and Technical Director of ACR. Mr Kellow meets the definition of a "qualified person" as defined in the AIM Note for Mining,

## \*\*ENDS\*\* For further information visit www.acrplc.com or please contact:

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Term	Explanation	Acrony
resource	mineral resource as defined by the JORC Code 2004	
mineralisation	metallic minerals such as gold, base metals, pyrite and arsenopyrite incorporated in rocks	
strike	the horizontal orientation of a planar geological feature	
intrusive carbonatite complex	mineralogic composition consisting of greater than 50% carbonate minerals associated with continental rift-related tectonic settings	
silicified zone	material converted to, or impregnated with, silica	
sub-vertical	mineralisation or ore that dips steeply in a near vertical plane	
UNITS		
g/t	grammes per metric tonne – metal concentration	
m	metre	

fine troy ounce equaling 31.1048 grammes – normal unit used in selling gold

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