Regulatory Story

Galileo Resources PLC - GLR
Final Results
Released 10:26 05-Sep-2018

RNS Number : 8460Z
Galileo Resources PLC
05 September 2018

Galileo Resources Plc
("Galileo" or the "Company" or the "Group")

5 September 2018

Audited Results for the year ended 31 March 2018
Notice of AGM

Galileo (AIM: GLR), the exploration and development mining company, announces its audited results for the year ended 31 March 2018.

Highlights for the period under review

- The Company acquired a 51% earn-in Interest – through a joint venture with BMR Group plc ("BMR") - in the Zambian Star Zinc Project ("Star Zinc"), which contains an historically declared non-JORC hard rock resource of 275 166 tonnes grading 20.2% Zinc ("Zn") at a cut-off grade of 14% Zn

- The Company increased its earn-in interest in Star Zinc to 85%, in March 2018, having completed a 26-diamond drill hole ("DDH") programme of 1 200 metres

- The Group reported a net loss of £ 1,026,891 (2017: loss of £1,388,697) before and after taxation. Basic loss reported is 0.45 pence (2017: loss of 0.71 pence) per share

Highlights post balance sheet

- The Company commissioned an independent conceptual tonnage grade ("CGT") model of the drilling results, which demonstrated- at nominal 3% Zn cut-off - a potential deposit target of 485 000 tonnes grading 15.4% Zn grade

- The CGT model represents an 80% increase in deposit tonnage with a 14% decrease in grade when compared to previous CGT modelling ("conservative case") in 2015 based on historical exploration data*

*(*BMR – AIM RNS announcement 16 August 2016)*

Cautionary note: A formal Mineral Resource Estimate has not been prepared at this time and there is no Standard being reported to in this regard in this Review. The potential quantity and grade expressed in is conceptual in nature and, at this stage, there is insufficient exploration data to estimate a Mineral Resource Estimate in accordance with any Standard and it is uncertain whether further exploration will result in the estimation of Mineral Resources.

A copy of this announcement is available on the Company's website www.galileoresources.com. and the annual report is being posted to shareholders 5 September 2018.

This announcement contains inside information for the purposes of Article 7 of Regulation 596/2014.

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

For further information, please contact:	
Colin Bird, Chairman	Tel +44 (0) 20 7581 4477
Andrew Sarosi, Technical Director	Tel +44 (0) 1752 221937
Beaumont Cornish Limited - Nomad	
Roland Cornish	Tel +44 (0) 20 7628 3396
Novum Securities Limited - Broker	
Colin Rowbury/Jon Belliss	Tel +44 (0) 20 7399 9400

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Galileo will be held at at Fladgate LLP, 16 Great Queen Street, London, WC2B 5DG on 27 September 2018 at 14:00.

Chairman's Report

Dear Shareholder,

The year under review has been positive and the acquisition of 85% of the Star Zinc project in Zambia from BMR Group Plc has been a major step forward in an important commodity. The project was acquired at the end of August 2017 on the basis that Charter Consolidated in the 1960s and Avmin in the 1980s had discovered historical good showings of zinc. Charter Consolidated carried out all of the drilling, which produced exceptionally high zinc grades around a former open pit, believed possibly to be a collapsed dome. At the time of the drilling, Charter Consolidated parent was operating the Kabwe zinc-lead project for sulphide ore. The Star Zinc occurrence is willemite, which is a zinc silicate mineral that is not suitable for the Kabwe metallurgical process and thus only limited work was carried out on the project.

Galileo commenced drilling during September 2017 and completed a 26-hole drill programme during March 2018. The programme was entirely satisfactory not only confirming the presence of high grade willemite, but also confirmed that on the periphery of the known willemite mineralisation, there existed lower grade karst, which we believe could lead to a much larger resource with a lower grade, capable of standing on its own. The willemite intersections were as high as 38% zinc with numerous intersections above 20% zinc, whilst the lower grade material varied from 3-8% zinc.

The Company published a conceptual grade and tonnage estimate based on the drilling programme. This estimate did not take into account previous drilling by Charter Consolidated in order to maintain its integrity. The modelling did not produce an inferred resource but did produce a conceptual grade and tonnage that will greatly assist in targeting future drilling and initial assessment of the project's viability. The conceptual model indicated a tonnage of 485 000 tonnes at a grade of 15.4% zinc at a 3% zinc cut-off. This result was very encouraging, as we did not step away from the known area and did not test favourable geophysics and geochemistry known in the immediate area. Encouraged by the aforementioned, the Company will embark upon a further drilling programme to commence during August 2018 with the view to testing these areas, extending the mineralisation to the East and hopefully identify a large, stand-alone zinc resource. We will also drill in the proximity of hole no 2, adjacent to and west of the former open pit with the view of testing the potential for a large feeder, which if found, could be a potential sulphide prospect. The selection of hole no 2 as the site for further deep test work is governed by its extremely high zinc grade and relatively high lead values since it is well known that high lead values, suggest a proximity to original fluid source.

The Glenover Project has continued over the year with a mining right application being submitted to the Department of Mineral Resources ("DMR") on 15 November 2017 that has been accepted. Post this annual reporting period, Glenover submitted an environmental impact assessment for the project to the DMR – a prerequisite for the grant of a mining right. On grant of the mining right, Galileo will own some 38% of the project. The Company is engaging with a Major Fertilizer Producer for a 15-year off-take agreement, which is subject amongst other things to the grant of a mining right, certain metallurgical process considerations and agreed pilot plant study being satisfied. The study is on hold, while the producer investigates logistical options for the transport of phosphate rock from Glenover to its process facility. Negotiations on formalizing the off-take agreement continue. The indications are that at current world phosphate prices and a 200 000 tonne run-of mine operation would produce a project with favourable financial returns. A benefit of the agreement would be that the rare earth component, of the offtake, which would be concentrated in the fertiliser production process, would be returned to Glenover for processing at some later date.

During August 2017, the Company announced the project update for the Concordia copper project, Northern Cape. The decision reached by the Galileo board was that the IP geophysics programme compared to drilling results was generally inconclusive. Whilst a number of good near-surface intersections were encountered, the thickness and frequency did not encourage the company to continue with a large-scale drill programme to test the prognosis for a lower grade open pit. We remain confident that potential exists for a higher-grade copper project and have agreed with our partners SHIP to dilute to a 15% interest in the Concordia Project.

The Ferber Project in Nevada, USA remains under the ownership of Galileo and all of the claims are in good standing and have been renewed for the period of 2018/19.

The outlook for all base metals has improved significantly during the period of this annual report and we are particularly pleased with the performance of the zinc price. We will actively pursue other zinc and copper opportunities, which have become quite a competitive space in which to seek new investment.

The financing ability of smaller companies remained volatile during the period. Galileo was able to successfully raise money to finance all its projects and obligations. All the indications are that we are entering a period of global inflation and in this environment, it is usual for base metal and other commodity prices to be strong thus creating a good host climate for the activities of Galileo and for other small resources companies in the arena.

I would like to thank my fellow directors and employees for their efforts and contribution during the period and I do look forward to the Company enhancing shareholder value with its unique portfolio of projects.

Colin Bird

Operational review

Star Zinc Project

Period under review

- The Company acquired a 51% earn-in interest – through a joint venture with BMR Group Plc (“BMR”) - in the Zambian Star Zinc project (“Star Zinc”), which contains a historically declared non-JORC hard rock resource of 275 166 tonnes grading 20.2% Zinc (“Zn”) at a cut-off grade of 14% Zn

- The Company increased its earn-in interest in Star Zinc to 85%, in March 2018, having completed a 26-diamond drill hole (“DDH”) programme of 1 200 metres

- Drilling intersected very high-grade zinc mineralisations including:
  - 46 m downhole from surface assaying (weighted average) 15.49% Zn, 16 m @ 38.86% Zn from 20 to 36 m downhole in DFH SZDD002 at Star West;
  - 6 m @ 21.28% Zn from 9 to 15 m downhole in SZDD004 at Star East;
  - 6 m @ 20.86% Zn from 14 to 20 m downhole in SZDD006 at Star East;
  - 16 m @ 30.85% Zn from 27 to 43 m downhole in SZDD012 at Star West;
  - 21 m @ 25.12% Zn from 31 to 52 m downhole including 7 m @ 41.5% Zn from 38 to 25 m; and
  - 15 m @ 19.82% Zn from 22 to 37 m downhole in SZDD014 at Star West

- An internal update of an historic independent conceptual study on Star Zinc demonstrated a potential IRR of 77% and NPV of US$ 18 million (10% discount rate) for the project at prevailing, December 2017, zinc price of US$ 3 000/tonne

- The Company applied for renewal of the Star Zinc exploration licence, relinquished 50% of the concession, in compliance with mining regulations and included a new unlicensed area within the concession

Post period under review

- Final results of the 26-DDH drill programme were received

- The Company commissioned an independent conceptual tonnage grade (“CGT”) model of the drilling results, which demonstrated - a nominal 3% Zn cut-off - a potential deposit target of 485 000 tonnes grading 15.4% Zn grade

- The CGT model represents an 80% increase in deposit tonnage with a 14% decrease in grade when compared to previous CGT modelling ("conservative case") in 2015 based on historical exploration data*

- The Company commissioned an independent review and interpretation (“Review”) by Earthmaps Consulting CC Namibia (“Earthmaps”) of historical gravity geophysics exploration data (“Geophysics Data”) against this 26-hole drilling programme**(see Highlights of the Review below)

- The renewal of the Star Zinc exploration licence remains pending

Highlights of the review

- ➢ Interpretation of historical gravity geophysics data indicates good correlation of the geophysics gravity anomalies with drill-intersected zinc mineralisation (“DZM”)
- ➢ This correlation provides a promising tool for drill targets in as-yet-undrilled geophysics-tested areas, in the immediate and outlying vicinity of DZM
- ➢ Borehole positions are presented to test gravity highs to the west, north-east and southeast of the DZM for additional zinc mineralisation
- ➢ Drilling on these positions is to commence Q3 2018

*(*BMR – AIM RNS announcement 16 August 2016)*

*** A copy of the Earthmaps’ report, including relevant diagrams, is available on the Company’s website, www.galileoresouces.com.*

Cautionary note: A formal Mineral Resource Estimate has not been prepared at this time and there is no Standard being reported to in this regard in this Review. The potential quantity and grade expressed in is conceptual in nature and, at this stage, there is insufficient exploration data to estimate a Mineral Resource Estimate in accordance with any Standard and it is uncertain whether further exploration will result in the estimation of Mineral Resources.

Glenover Phosphate Project (“Project”)

Period under review

- The Company entered into a binding term sheet with JV partner Fer-Min-Ore (Proprietary) Limited (”FMO”) to provide, among other things, convertible loans to its 34%-owned Glenover Phosphate (Pty) Ltd (“Glenover”) to fund a Mining Right Application to the Department of Mineral Resources (“DMR”) for the phosphate and rare earths in Glenover ore. The loans are convertible by Galileo to equity in Glenover in two stages:

  First, conversion of 50% of outstanding convertible loan to 2% equity in Glenover on DMR’s acceptance of Glenover’s Mining Right Application (“MRA”); and

Second, conversion of the remaining convertible loan to a further 2% equity in Glenover on formal grant of the Mining Right, which includes submission of an Environmental Impact Assessment and Environmental Management Programme (“EIA/EMP”)

- Glenover submitted its MRA on 15 December 2017, which the DMR accepted on 12 January 2018.This gave the Company the right to convert its first 50% loan to 2% equity in Glenover thereby raising its interest in Glenover to 36% from 34%

- Glenover embarked on the EIA/EMP, the first phase of which, comprising a draft Scoping Report and an application for water use license for Glenover, was submitted to the DMR for review. The second phase comprising specialist environmental and engineering studies commenced

- A Major Fertilizer Producer (“MFP”) executed a Heads of Agreement (“Heads”) with Glenover for the supply of phosphate rock (“Phosphate Rock”) for testing in MFP’s phosphate production facility (“Testing”). The terms of the Heads include among other things, MFP agreeing to undertake a 2-phase pilot plant phosphate flotation study (“Study”) on Glenover ore in order ultimately to produce a bulk phosphate flotation concentrate (“Phosphate Rock”) for testing

- Part A of the first phase of the Study, namely ore variability flotation tests, were completed during the period under review with satisfactory results and work commenced on part B of the first phase - namely flotation water variability tests

- On the basis of the results of parts A, MFP provisionally offered Glenover an offtake agreement (“Provisional Offtake Agreement”) for future Glenover Phosphate Rock. A definitive offtake agreement is subject to satisfactory outcome of second phase of the Study

Post period under review

- Glenover completed the EIA/EMP on the project and on 21 May 2018 submitted it to the DMR, which formally accepted the submission on 31 May 2018

- Part B of the first phase of the Study was completed, the results are under review with a final report expected in Q3 2018

- Glenover accepted the Provisional Offtake Agreement, which remains subject to the aforementioned outcome of second phase of the Study and ongoing formalising negotiations

Concordia Copper Project

The Company completed a 14-hole RC (reverse circulation) drilling programme on Concordia intersecting copper mineralisation. The Company announced, in a Concordia update in August 2017, its conclusion that the IP geophysics programme compared to drilling results was generally inconclusive. Whilst a number of good near-surface intersections were encountered, the thickness and frequency did not encourage the Company to continue with a large-scale drill programme to test the prognosis for a lower grade open pit. Galileo’s interest in Concordia consequently diluted to a 15% participatory interest pursuant to the Cooperation and Joint Venture agreement with its JV partner SHIP IPK (Proprietary) Limited (“SHIP”).

ZAMBIA

Star Zinc Project ("Star Zinc")

The Star Zinc deposit is located approximately 20 km NNW of the Zambian capital Lusaka. The project is accessible via the tarred Great North road with a journey time of approximately 30 minutes.

The project was discovered and explored historically in the 1960s by Chartered Exploration Ltd. Fifty nine diamond drill holes totaling 2 578.5m were drilled. Historic small-scale mining was reported, from a small apparent open pit working present on site. The Company believes this open pit may be a collapsed dome.

The local geology of Star Zinc is complex and forms a varied stratigraphic sequence of argillite, limestone, massive willemite (zinc silicate mineral) zinc ore, massive limestone and dolomites (Cheta and Lusaka Formations). A broad west-east trending mineralised dome is the main structural feature of Star Zinc.

Period under review

On 31 August 2017, the Company entered into a binding term sheet ("Term Sheet") with BMR whereby it agreed conditionally to advance to BMR, US$ 591 600 (at an interest rate of 12% per annum), to be used for the purpose of completing the exercise of an option by BMR to acquire the Star Zinc project in Zambia.

On 4 September 2017, BMR entered into an agreement ("Agreement") with Bushbuck Resources Limited, ("Bushbuck") who holds the exploration license ("License") for Star Zinc, to complete the acquisition of Star Zinc through its Mauritian subsidiary Enviro Zambia Ltd ("EZL") for the remaining consideration of US$ 870 000. The first tranche of the remaining consideration of US$ 400 000, together with VAT of US$ 160 000, was paid, with the balance to be satisfied in cash, as to US$ 300 000 by no later than 28 November 2017 and as to US$ 170 000 by 28 February 2018. All payments were executed on schedule.

On 5 September 2017, the Company entered into a Joint Venture ("JV") with BMR. Galileo advanced to BMR US$ 591 600 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 EZL, which was satisfied by the cancellation of the aforementioned loan of US$ 591 600.

BMR confirmed that, following the payment to Bushbuck Resources Limited ("Bushbuck") of US$ 300 000, in accordance with the Agreement, the Republic of Zambia Ministry Mines and Minerals Development confirmed on 1 December 2017, receipt of the request by Bushbuck to transfer the Star Zinc licence (19653-HQ-LEL) to Enviro Processing Limited.

On transfer of the License (currently in progress) to EZL's Zambian subsidiary Enviro Processing Zambia Ltd, ("EPZL") the Company will undertake an 18-month work programme at a cost of US$ 250 000. It has placed a further US$ 100 000 in escrow, following which further new shares in the Joint Venture company will be issued to Galileo to increase its aggregate equity interest therein to 85 %. The work programme includes drilling and using reasonable endeavours to complete a preliminary economic assessment ("PEA") of Star Zinc. BMR has the right to reduce the interest of Galileo from 85% to 75% on payment of US$ 150 000 to Galileo, to repay the US$ 100 000 held in escrow plus a US$ 50 000 arrangement fee.

The Company reviewed in-house, a previous independent positive conceptual economic model study undertaken during 2015 on Star Zinc. The review demonstrated a projected IRR of 77% with NPV of US$ 18 million (10% discount rate) at current 2017 Zinc price of US$ 3 000/tonne (t) for a capex of US$ 9.1 million capex and with a 1-year payback.

The Company commenced drilling on Star Zinc in December 2017 targeting a mix of resource definition and enlargement. The Company engaged Zambian-based GeoQuest Ltd, an independent consultancy and contracting group to manage this drilling programme and provide geological support. The programme comprising 26 diamond drill holes totalling 1 195 m drilling was completed in March 2017. Core cutting logging sampling and preparation of all samples for assay were on going at review-period end. Funding for this drilling programme, ~ US$ 500 000, has been from existing cash resources.

Post period under review

The Company completed core cutting, logging, sampling and submitting the samples for assay. All assays were received including those that were required to meet final quality and assurance control criteria.

The Company commissioned an Independent Consultant ("Consultant") to develop a conceptual tonnage grade ("CGT") model based on the Company's drilling results. The CGT model demonstrated a potential deposit target of 485 000 tonnes grading 15.4% Zn grade and at a nominal 3% Zn cut-off.

The CGT model represents an 80% increase in deposit mass with a 14% decrease in grade when compared to previous CGT modelling ("conservative case ") in 2015 based on historical exploration data.

Statistical analysis of the drill data and field reports indicated a mixed mineralised population: a population of medium grade (MG) material 3% to 20% Zn and a population of high grade (HG) >20% Zn material. The HG material was dominated by massive willemite material logged in drill holes.

The HG domain forms a core of high-grade material in both the east and west limb of the deposit. Five MG and two HG domains were modeled; MG1-5 and HG1-2 respectively.

The Company commissioned Namibian-based independent Earthmaps Consulting CC ("Earthmaps") to review Star Zinc's historical **geophysics gravity** data ("Review") over selected profiles across the Star Zinc deposit with the following aims:

i. to test whether the willemite-franklinite zinc mineralisation recently intersected in the drilling programme has a response in the gravity data; and

ii. to identify any additional zinc exploration targets either beneath the mineralisation already known to date or in the immediate vicinity of the Star Zinc deposit.

Using gravity forward modeling techniques, Earthmaps examined Star Zinc's historical gravity data, covering both the mineralised domain and the areas, as yet undrilled, in the immediate and outlying vicinity of the mineralised domain, in relation to the completed 26-hole drilling programme results, in order to assess both its correlation with known mineralisation and its suitability as a tool for drillhole-targeting potential new mineralisation.

The examination demonstrated good correlation of the gravity geophysic responses - "gravity highs"- with the drill-intersected zinc mineralisation. This is "an encouragement to use gravity geophysics as one of the tools to target additional zinc mineralisation" with a view to extending potentially the current conceptual grade (15% Zinc) and tonnage (485 000 tonnes) estimate (announced 4 June 2018). The Review highlighted new drill hole positions to test gravity highs to the west, northeast and southeast of the Star Zinc mineralised domain for zinc mineralisation

Earthmaps Modelling

Seven section lines across the gravity survey were modelled: three lines were along drill sections where zinc ore has been intersected and four lines where there was no drill control i.e. no drilling.

Where drill information existed three models were developed:

- **Drill Control** model showing the gravity response of the drill intersections as reported with the sections between boreholes interpolated so as to achieve the best match between the observed and the modeled gravity curves.
- **Gravity Fit** model including minor modifications to the Drill Control model, in order to make the calculated gravity response match the observed gravity response.
- **Barren model** showing the gravity response of the host rocks only, i.e. the density contributions of the target bodies are turned off.

  Where there was no drill control information three models (plus a Barren model as aforementioned) were generated in order to determine the full range of possible gravity source depths:

- **Shallowest Depth** model – the shallowest gravity model possible before the match
  - between the observed data and the model response begins to deteriorate and a satisfactory fit
  - is no longer possible, or when the gravity target body outcrops.
- **Intermediate Depth** model – a likely (realistic) model of intermediate depth, which provides the best fit of the observed gravity data and also tends to be the geologically most reasonable or feasible.
- **Deepest** model – the deepest gravity model possible before the fit between observed
  - data and model response begins to deteriorate and/or before density contrasts between the
  - arget bodies and background become geologically unreasonable. A maximum density of 4.62
  - g/cc was chosen for the deepest models as this represents a rock composed of 50% willemite
  - (4.05 g/cc) and 50% hematite (5.18 g/cc) from density measurements carried out by the Company's consultant geologists.

A gravity profile from west to east across the MD, with the Historic Open Pit ("Pit") in the middle mirroring a long section drill interpretation to assess any responses under the Pit and / or possible feeder zones was adjusted to account for ore outcrops at the western as well as the eastern ends of the Pit. The match of the observed gravity again is good, but even allowing for some uncertainty in the gravity data in the Pit, due to topographic effects that the strong gravity low in the Pit can be modeled by a low density fault in part caused by topographic effects due to the Pit shape itself, the view was there is little if any room in the gravity response for additional deep zinc targets such as a feeder zone (however see conclusion below).

Earthmaps Conclusions

Gravity surveying along seven lines at the Star Zinc Prospect has shown:

Along three drill sections where zinc ore has been intersected, the gravity anomalies reflect the ore distribution quite well. This gives encouragement to use gravity as one of the tools to target additional zinc mineralisation in the area.

Along these three drill sections that were modelled, the gravity data does not indicate any significant drill targets below the depths drilled to date. It appears therefore that the footwall shale is barren. That said, the gravity data inside the Historic Open Pit is not very reliable due to topographic noise (pit shape and so on), and drilling in the Pit itself may well be warranted on grounds other than the gravity signature.

Five borehole positions are presented to test gravity highs to the west, northeast and southeast of mineralised domain for zinc mineralisation, with the recommendation to drill these boreholes first and re-assess the results, before embarking on further exploration based on gravity.

SOUTH AFRICA

Glenover Rare-Earth Phosphate Project ("Glenover Project" or "Project")

The Glenover Project is situated in the Limpopo Province of the Republic of South Africa. The Project deposit is a complex circular carbonatite/pyroxenite plug intruded into sedimentary shale and arenite rocks of the Waterberg Group and is prominently visible as a major circular feature on satellite images of the area. The majority of the mineral assets are located on the farm Glenover 371 LQ. This includes a large open pit mine and various stockpiles of high, medium and low-grade phosphate-bearing material. Historical exploitation of the phosphate content in the Glenover deposit resulted in the formation of a series of stockpiles, which contain high levels of phosphate and varying amounts of rare earth elements (REEs).

Period under review

On 12 June 2017, the Company executed a proposal agreement (the "Agreement") with a South African Major Fertilizer Producer ("the Producer"), in terms of which it undertook to spend upward of US$ 300 000 on a two-phase, pilot plant phosphate flotation study ("PPFS") to produce phosphate concentrate from Glenover for testing by the Producer in its phosphate facility. The Producer completed phase 1 of the PPFS. The Rare-earth minerals from the tailings of any future phosphate processing of Glenover ore by the Producer would be returned to Glenover for further beneficiation.

Phase 2 of the PPFS is intended to produce a bulk phosphate concentrate for testing by the Producer in its phosphate production process. The ultimate objectives of the undertaking include either developing the Project or selling the Project in whole or in part to the Producer.

On 6 July 2017 the Company executed a term sheet (Term Sheet) with FMO, pursuant to which Galileo will fund the execution of the mining right application ("MRA") by way of an interest free convertible loan note to FMO, convertible to 4% of the equity in Glenover: 2% on acceptance of the Mining Right application ("MRA") and 2% on grant of MRA. On full conversion the Company's interest in Glenover will increase to 38%. Existing Glenover shareholder loans will be written down: Galileo's loan (ZAR 1.9m) will be netted off against FMO's loan (ZAR 10.6m) and FMO's remaining agreed outstanding loan to Glenover will be ZAR 4m.

The Term Sheet is valid for 24 months or until formal grant of Mining Right. The funding will also include a monthly payment ZAR 35 000 (~GBP2 058) into Glenover's account to support the funding of the management of the Project.

The Company engaged Consultant Minxcon Consulting (Proprietary) Limited to execute the MRA, which was submitted on 15 November 2017 and accepted by the DMR in January 2018. On achieving this milestone Galileo has the right to an increased interest in Glenover to 36%.

Glenover commenced an environmental impact assessment including and environmental management programme (EIA/EMP) and relevant Water Usage License application, in accordance with the Minerals and Petroleum Resources Development Act 2002 (as amended).

Post period under review

Glenover completed and submitted the EIA/EMP, which the DMR accepted on 31 May 2018 and has up to 107 days from date of acceptance in which to evaluate the submission.

Concordia Copper Project ("Concordia "or "Project")

Period under review

Following the earlier appraisal of drilling which targeted IP anomalies alone, the Company refocused its drilling strategy to include local geology, basic rock surface outcrops and magnetic geophysics criteria in addition to IP anomaly criterion in location of drill targets. To this end, the Company completed by 15 May 2017 a 14-RC (reverse circulation) drilling programme in the Homeep and Shirley Trends on Concordia totaling 2 170 metres. Four holes were drilled in the Homeep Trend: seven holes in the Shirley Trend and three exploratory holes in Klondike, a prospect immediately south of Shirley Trend. Holes targeting Induced Polarisation ("IP") geophysics anomalies as well as surface geology, intersected diorite/anorthosite structures. Six holes on Shirley Trend intersected diorite/anorthosite runs (non-continuous) with visible copper sulphide mineralisation - chalcopyrite and some bornite- in the drill chippings. Galileo committed to SHIP, the company owning Concordia, 100% of the ZAR10 000 000 funds required to earn-in a 51% interest in SHIP.

The Company and consultant Minxcon analysed and consolidated the results of the RC drilling programme. Minxcon completed its assessment of the drilling results and their findings inter alia included:

- the targeting contribution of IP geophysics to this deposit did not prove precise enough for the purpose of testing the IP technology as a means for directing future exploration,

- dilling intersected copper sulphide mineralisation more consistently in drill holes targeted by traditional exploration methodology than that targeted by IP; and

- drilling of basic rock bodies identified by outcrop, limited ground magnetic survey and previous aeromagnetic survey data intersected potentially mineable near-surface copper mineralisation with good grade.

However, the results did not provide Galileo with an adequately robust understanding of the geology and the structural controls governing this mineralisation, on which understanding crucially, it needed to rely on, in order to make a decision whether to continue with further exploration on Concordia and so potentially issuing 30 million Galileo ordinary shares to JV partner to increase the Company's interest to 85% from 51% in the JV.

The Company had increased the holes to be drilled to 14 from the initial 6-hole programme, the effect of which added significantly to the time scheduled for completion of programme including assaying. This strategy change showed visually an increased reliability in intersecting sulphide mineralisation. The 14-hole drilling programme was completed on 15 May 2017. During this period the Company carried out further mapping of outcrops and a limited programme of ground magnetic geophysics to establish a correlation. Interpretation of the results indicated that there is a good correlation with the geology and basic rock outcrops. Whilst these non-IP geophysics methods are not suitable in identifying of metal sulphide mineralisation, they have application in differentiating rock types with differing rock mineralogies. Historically, copper sulphide mineralisation in the area has been associated with basic rock types (diorite and norite). However, the opposite is that not all these basic rock types in the host significant copper mineralisation, which is where IP anomalism has a role.

The Cooperation and Joint Venture Agreement (the "Agreement")

On 15 May 2017, Galileo formally earned in a 51% interest in the company owning the Concordia Project, having deposited into the Project account the balance of funds required to fulfil the ZAR 10m commitment in terms of Agreement.

In terms of the Agreement, the Company had 30 days from date of earn-in and from its election to turn the project to account, to increase the Company's interest in the Project, if it so wished, by way of issue of 30 million Galileo ordinary shares to JV partner SHIP (the "Election"). The initial 30 day period earn in was mutually extended to 60 days. The Company discussed with SHIP, in utmost good faith, that it could not make the Election in the extended time line as the information on the Project obtained to date was inconclusive and inadequate.

SHIP claimed shortly after the expiry of the 60 days that Company had diluted to 15% interest in the SHIP Project. The Company refuted the claim: an Election could not be made due to delays in resolving QA/QC issues with the assays and the inconclusive results of the exploration data.

SHIP is a private South African registered company controlled by Shirley Hayes. SHIP was incorporated to hold the Concordia Project and its prospecting right. SHIP's sole asset is the Concordia Project and has no liabilities.

Post period under review

No further exploration was carried out post the period under review.

USA Nevada

Ferber Property

The Ferber property is a historic producer of gold and copper. It hosts widespread gold and copper mineralisation. The Ferber intrusion-centered gold system is broadly similar to productive gold deposits elsewhere in north-central Nevada, where Carlin-style gold mineralisation and gold skarn mineralisation are genetically related to Late Eocene intrusions similar in age to the Ferber stock. This large district requires a broad approach aimed at recognizing geochemical zoning, delineating district-scale structure and understanding the stratigraphy. Integrating these three components should serve as a vector to quality exploration targets.

Period under review

The Company acquired further land position on Ferber following a quitclaim by another mining company of 210 unpatented claims around the perimeter of the concession. The Company undertook a sampling campaign comprising an initial suite of 23 samples collected over an area of 6 km by 2 km. These sample yielded significant gold assay results. Seven of the samples exceeded 1 g/t gold (Au) reaching 10.8 g/t. The highest-grade sample contained greater than 1% Bismuth and 167 ppm Tellurium, elements indicative of the mineral hedleyite.

Hedleyite is a characteristic mineral in productive gold skarn deposits, such as those at McCoy and Fortitude in north-central Nevada, which also flank Late Eocene intrusions. Preliminary analysis of the data, together with historic results, indicated a geochemical zoning from more copper-rich gold mineralisation with a high silver (Ag) to-Au ratio (Ag:Au) marginal to the central stock to distal, copper-poor, gold mineralisation with relatively low silver and a lower Ag: Au ratio. One sample of jasperoid from this distal setting, yielded 9.8 g/t Au with Ag:Au ratio of only 1.3; an historic sample from the same area assayed 11.7 g/t Au with Ag: Au ratio of 1.5. A sample of jasperoid over 1 km from the central stock yielded 325 ppb Au.

These initial results indicate that the project offers an opportunity for the discovery of intrusion proximal gold skarn mineralisation as well distal Carlin-style gold mineralisation. In addition to mineralisation marginal to the stock, solidification also occurs along district-scale structures at the edge of alluvial cover distal to the intrusion, offering the potential for concealed mineralisation.

Post period under review

Silverton Property

Orogen Gold Plc ("Orogen") formally withdrew from the JV in the Silverton Project in accordance with the terms of the Silverton Earn-In Agreement dated 27 June 2016 and without recourse. All interests in Silverton and the data acquired by Orogen reverted to Galileo. This withdrawal followed an announcement on 12 May 2017 by Orogen to pursue a new business strategy for the company and to dispose of all its mineral exploration interests. Orogen changed its business strategy and ceased its mineral exploration activities.

The claim fees for Silverton had been paid to August 2017. The Company paid no further claim fees and consequently the property has been dropped.

Ferber Property

The renewal claims fees to August 2019 for Ferber, were lodged with both the US Bureau of Land Management and Elko County, Nevada.

While no exploration was carried out on the property, the Company nevertheless continued to investigate the options for potential JV/farm-out partners or its sale.

CONSOLIDATED AUDITED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 March 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS 31 March 2018

Figures in Pound Sterling	2018	2017
Assets		
Non-current assets		
Intangible assets	1,380,085	1,473,494
Investment in joint ventures	3,268,236	2,325,144

Loans to joint ventures and subsidiaries	284,396	640,030
Other financial assets	458,131	454,604
	5,390,848	4,893,272
Current assets		
Trade and other receivables	41,218	30,522
Cash and cash equivalents	539,301	1,110,821
	580,519	1,141,343
Total assets	5,971,367	6,034,615
Equity and liabilities		
Equity		
Share capital	24,945,319	23,883,494
Reserves	729,772	890,060
Accumulated loss	(20,163,817)	(19,136,926)
	5,511,274	5,636,628
Liabilities		
Non-current liabilities		
Other financial liabilities	3,579	4,016
Current liabilities		
Trade and other payables	456,514	393,971
Total liabilities	460,093	397,987
Total equity and liabilities	5,971,367	6,034,615

These financial statements were approved by the directors and authorised for issue on 5 September 2018 and are signed on their behalf by:

Colin Bird ***Andrew Sarosi***

Company number: 05679987

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 March 2018

Figures in Pound Sterling	2018	2017
Revenue	-	-
Operating expenses	(624,631)	(871,776)
Operating loss	(624,631)	(871,776)
Investment revenue	180	781
Impairment losses recognised	(525,870)	-
Loss on disposal of non-current asset	-	(469,259)
Profit/(loss) from equity accounted investments	123,430	(48,443)
Loss for the year	(1,026,891)	(1,388,697)

Other comprehensive income:		
Foreign exchange movements for the year	(160,288)	1,372,022
Total comprehensive loss for the year	(1,187,179)	(16,675)
Loss per share in pence (basic)	(0.45)	(0.71)

All operating expenses and operating losses relate to continuing activities.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 March 2018

Figures in Pound Sterling	Share capital	Share premium	Total share capital	Foreign currency Transaction reserve	Merger reserve	Share based payment reserve	Total reserves	Accumulated loss	Total equity
Balance at 1 April 2016	5,735,137	17,418,570	23,153,707	(1,314,704)	1,047,821	787,139	520,256	(18,556,522)	5,116,341
Loss for the year	-	-	-	-	-	-	-	(1,388,697)	(1,388,697)
Other comprehensive income	-	-	-	1,813,903	-	-	1,813,903	-	1,813,903
Total comprehensive loss for the year	-	-	-	1,813,903	-	-	1,813,903	(1,388,697)	425,206
Issue of shares	2,121	26,416	28,537	-	-	-	-	-	28,537
Transfer between reserves	-	-	-	(441,881)	-	-	(441,881)	441,881	-
Total contributions by and distributions to owners of company recognised directly in equity	2,121	26,416	28,537	1,372,022	-	(637,346)	584,883	(159,677)	603,536
Balance at 31 March 2017	5,806,508	18,076,986	23,883,494	(307,554)	1,047,821	149,793	890,060	(19,136,926)	5,636,628
Loss for the year								(1,026,891)	(1,026,891)
Other comprehensive income				(160,288)			(160,288)		(160,288)
Total comprehensive loss for the year				(160,288)			(160,288)	(1,026,891)	(1,187,179)
Issue of shares	58,723	1,003,102	1,061,825	-	-	-			1,061,825
Total contributions by and distributions to owners of company recognised directly in equity	58,723	1,003,102	1,061,825	-	-	-			1,061,825
Balance at 31 March 2018	5,865,231	19,080,088	24,945,319	(467,842)	1,047,821	149,793	729,772	(20,163,817)	5,511,274

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 March 2018

Figures in Pound Sterling	2018	2017
Cash flows from operating activities		
Cash used in operations	(598,676)	(654,067)
Interest income	180	781
Finance costs	-	-
Net cash from operating activities	(598,496)	(653,286)
Cash flows from investing activities		
Additions to intangible assets	(67,275)	(23,969)
Sale of intangible asset	-	1,957,587
Movement in investments	(797,338)	-
Net movement on group company loans	(170,236)	(333,134)
Net cash flows from investing activities	(1,034,849)	1,600,484
Cash flows from financing activities		
Proceeds on share issue	1,061,825	28,537
Net cash flows from financing activities	1,061,825	28,537
Total cash movement for the year	(571,520)	975,735
Cash at the beginning of the year	1,110,821	135,086
Total cash at end of the year	539,301	1,110,821

Statement of Directors' Responsibilities for the year ended 31 March 2018

- The directors are required in terms of the Companies Act 2006 to maintain adequate accounting records and are responsible for the content and integrity of the consolidated annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated annual financial statements fairly present the state of affairs of the Group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the applicable UK laws.
- The consolidated annual financial statements are prepared in accordance with International Financial reporting standards (IFRS) and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates. The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.
- The directors are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.
- The going concern basis has been adopted in preparing the consolidated annual financial statements. The directors have no reason to believe that the Group will not be a going concern in the foreseeable future, based on forecasts and available cash resources. These consolidated annual financial statements support the viability of the company. the directors have reviewed the Group's financial position at the balance sheet date and for the period ending on the anniversary of the date of approval of these financial statements and they are satisfied that the Group has, or has access to, adequate resources to continue in operational existence for the foreseeable future.

Colin Bird	Chairman
Andrew Francis Sarosi	Finance & Technical Director
J Richard Wollenberg	Non-Executive director
Christopher Molefe	Non-Executive Director

NOTES TO THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS

1. Basis of preparation

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards IFRIC interpretations issued by the International Accounting Standards Board and the Companies Act 2006. The consolidated annual financial statements have been prepared on the historical cost basis, except for certain financial instruments at fair value, and incorporate the principal accounting policies set out below. Cost is based on the fair values of the consideration given in exchange for assets and they are presented in Pound Sterling. The accounting policies applied are consistent with those of the previous period.

The comparative figures for the financial year ended 31 March 2018 are not the Company's statutory accounts for that financial year but the consolidated accounts. Those accounts have been reported on by the Company's auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not give any reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under sections 498 (2) or (3) of the Companies Act 2006, relating to the accounting records of the company.

2. Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of the Company and all entities, including special purpose entities, which are controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries are included in the consolidated annual financial statements from the effective date of acquisition to the effective date of disposal. Adjustments are made when necessary to the annual financial statements of subsidiaries to bring their accounting policies in line with those of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the Group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non- controlling interest. Transactions which result in changes in ownership levels, where the Group has control of the subsidiary both before and after the transaction, are regarded as equity transactions and are recognised directly in the statement of changes in equity. The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the parent.

3. Financial review

The Group reported a net loss of £ 1,026,891 (2017: loss of £ 1 388 697) before and after taxation. Basic loss is 0.45 pence (2017: loss of 0.7 pence) per share. Operating expenses amounted to £624,631 compared to £871,776 in 2017.

On 6 July 2017, Galileo executed a term sheet with its joint venture partner Fer-Min-Ore Proprietary Limited ("FMO"), in the Glenover Phosphate/Rare earth project (the "Project"), to advance the Project to a stage where it obtains a mining right from the Department of Mineral Resources to mine and produce phosphate (the "Term Sheet"). One of the terms in the Term Sheet, amongst other, includes Galileo funding the execution of the mining right application by way of a loan, convertible to 4% of the equity in Glenover Phosphate Proprietary Limited. In terms of the Term Sheet, certain existing project shareholder loans will be written down: Galileo's project loan of £ 101 910 (ZAR 1.8 million) was written off in profit and loss.

Galileo's interest in the profit of the joint venture for the period under review amounted to £ 123, 430 (2017: loss of £ 48, 433). The income reported from equity accounted investments is due to the forgiveness of a project shareholder loan of FMO in the amount of £ 588, 888 (ZAR 10.6 million) resulting in FMO's remaining agreed outstanding project loan to be £ 232, 400 (ZAR 4 million). The effect of this was a credit to equity losses of £28, 401 resulting in the total income reported from equity accounted investments to be £123, 430.

During August 2017, the Company announced a project update for the Concordia copper project in the Northern Cape. The decision reached by the Galileo board was that the IP geophysics programme compared to drilling results was generally inconclusive. Whilst a number of good near-surface intersections were encountered, the thickness and frequency did not encourage the company to continue with a large-scale drill programme to test the prognosis for a lower grade open pit. We remain confident that potential exists for a higher-grade copper project and have agreed with our partners SHIP to dilute to a 15% interest in the Concordia Project. The Company believes that an impairment of the expenditure at year end would be prudent to reflect the Company's remaining 15% interest and potential of Concordia. Accordingly an impairment of £ 423, 960 was recognised in profit and loss.

4. Segmental analysis

The Company's investments in subsidiaries and associates, that were operational at year-end, operate in two geographical locations being South Africa and USA, and are organised into two business units from which the Group's expenses are incurred and future revenues are expected to be earned. This being the exploration for and extraction of its mineral assets through direct and indirect holdings. The reporting on these investments to the board focuses on the use of funds towards the respective projects and the forecasted profit earnings potential of the projects. The Company's investment in Zambia was not operational at year end and does not form part of the segmental reporting for the period under review.

Business segments

The Group's business is the exploration and development of gold, copper, rare-earth aggregates and potentially iron ore and manganese.

Geographical segments

An analysis of the loss on ordinary activities before taxation is given below:

Figures in pound sterling	Country of operations	31 March 2018 Profit/(loss) from operating activities	31 March 2017 Loss from operating activities
Rare earths, aggregates and iron ore and manganese	South Africa	123,430	(48,443)
Gold, Copper	USA	(292,352)	(630,044)

Corporate costs	South Africa and United Kingdom	(857,969)	(710,210)
Total		(1,026,891)	(1,388,697)

5. Taxation

No provision has been made for 2018 tax as the Group has no taxable income. The estimated tax loss available for set off against future taxable income is £1,827,985 (2017: £1,756,243). The Group has not reflected a deferred tax asset in respect of the losses carried forward as the Group is not expected to generate taxable profits in the foreseeable future.

6. Auditors' Report

The comparative figures for the financial year ended 31 March 2018 are not the Company's statutory accounts for that financial year but the consolidated accounts. Those accounts have been reported on by the Company's auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not give any reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under sections 498 (2) or (3) of the Companies Act 2006, relating to the accounting records of the company.

7. Availability of the Annual Report

This information has been extracted from the Company's Audited Annual Report for the year ended 31 March 2018, copies of which will be mailed to shareholders on 5 September 2018 and a copy will also be available to shareholders and members of the public in hard copy and free of charge, from the Company's London office at 1st Floor, 7/8 Kendrick Mews, London, SW7 3HD. Alternatively a downloadable version will be available from 5 September 2018 from Company's website: www.galileoresources.com.

END