



[Galileo Resources PLC](#) - GLR

Half-year Report

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Galileo Resources PLC
20 December 2018

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

Interim results for the six months ended 30 September 2018

Galileo (AIM: GLR), the exploration and development mining company, announces its unaudited interim results for the six-month period ended 30 September 2018.

Highlights

Period under review

- The Company commissioned an independent conceptual tonnage grade ("CGT") model of the Phase 1 drilling results - for Star Zinc-, which demonstrated at nominal 3% Zn cut-off- a potential deposit target of 485 000 tonnes grading 15.4% Zn grade ¹
- This 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 ²
- Based on positive recommendations, the Company undertook and completed a Phase 2 drilling programme, comprising 26 diamond drill holes that targeted open-ended areas east- north-east and southeast of the known mineralised zone ³.
- Loss per share 0.1 pence compared to 0.1 pence for the comparative period (2017)
- Operating expenses down 26.36% to £ 255,677 compared to £ 347,190 for the comparative period (2017)

Post period under review

- The Company commissioned a second independent CGT block model estimate using independent chemical analyses from both Phase 1 and pXRF (portable X-ray fluorescence) spectrometry data from Phase 2 drilling.⁴
- Phase 2 drilling increased significantly Star Zinc's non-JORC CGT: the second CGT modeling

estimated an Exploration Target, at above 3% Zn cut off, of between 600,000 and 900,000 tonnes (t) with an estimated average grade of 10 to 12 % Zn and an estimated 90,000 to 110,000 t Zn metal³

- The Company conditionally acquired from BMR Group plc, ("BMR") the **Kabwe Residual Rights**, which includes the **Kashitu Zinc prospect** within Kabwe Mining Licence (6990-HQ-LML) ("**Kabwe ML**") but excludes BMR's small-scale licence 7081-HQ-SML ("Kabwe Tailings Recovery Project") situated within Kabwe ML
- The aforementioned also includes the remaining 15% of the shares, that Galileo currently does not hold in Enviro Zambia Ltd, the entity which indirectly owns 95% of the Star Zinc Project.
- With respect to the Glenover Phosphate project, the Company's 36%-owned Glenover Phosphate (Pty) Ltd submitted to the DWS on 9 November 2018, a Water Usage Licence Application for the project to the Department of Water and Sanitation (DWS) for section 21 (various water uses) in terms of Section 40 of the National Water Act (1998)

¹ *As announced on 4 June 2018, the CGTs in this interim report are not reported in compliance with any AIM Standard, including JORC (Joint Ore Reserves Committee) 2012 /CIM NI (Canadian Institute of Mining, Metallurgy & Petroleum National Instrument) 43-101 or similar CRIRSCO (Committee for Mineral*

² (BMR – AIM RNS announcement 16 August 2016)

³ Galileo RNS announcement 14 November 2018

⁴ *Independent chemical analyses for Phase 2 for were being validated at time of this interim report.*

Operational overview

Star Zinc - Zambia

Period under review

The Company directly holds a 80.75% interest in the Star Zinc Project near Lusaka in Zambia. This interest will increase to 95% on the Company, by way of the Kashitu Agreement referred to herein, acquiring the remaining 15% of the shares, that Galileo currently does not hold in Enviro Zambia Ltd, the entity which owns 95% of the Star Zinc Project.

Operations

All independent laboratory chemical assays were received for Stars Zinc Project's Phase 1 drilling programme (programme completed 3 March 2018) which comprised, amongst other things, a total 1,199m diamond drill holes (DDHs) as to 353 m PQ size drill core and 846m HQ size drill core..

Using these results, independent mining industry consultants CSA Global (UK) Ltd completed a first conceptual grade tonnage (CGT) estimate in May 2018, which modeled a mineralised deposit for Star Zinc of 485 000 tonnes grading 15.4% Zn with a calculated 74, 800 tonnes zinc metal. **This CGT is not reported in compliance with JORC (Joint Ore Reserves Committee) 2012 /CIM NI (Canadian Institute of Mining, Metallurgy & Petroleum National Instrument) 43-101 or similar CRIRSCO (Committee for Mineral Reserves International Reporting Standards) aligned reporting code.** CSA's CGT report recommended, amongst other things, further drilling, both infill and extension, to increase the deposit size. The Company engaged GeoQuest to undertake a Phase 2 drilling programme, which commenced on 14 August 2018 and was completed 16 October 2018. The programme comprised 26 DDHs totaling 1 022m as to 321m PQ size drill core and 719 m HQ size drill core.

This Phase 2 drilling targeted areas that were open ended east-north-east and south-east of the known mineralised zone, which the previously announced (4 June 2018) modelled conceptual grade tonnage (“CGT”) estimate highlighted as having the exploration potential to extend the mineralisation and deposit size. Initial drill core analysis was completed using portable x-ray fluorescence spectrometry (“pXRF”) in order to provide semi-quantitative results that would guide the selection of mineralised samples for independent chemical analysis later.

During the period under review, UK based consultants Addison Mining Services Ltd (“AMS”) commenced a second CGT (block model) estimate using independent chemical analyses from phase 1 and the pXRF data from the phase 2 drilling programmes.

Post period under review

AMS completed modeling the second CGT (block model) estimate: ASM’s in-house CGT at various cut-off grades are presented in Table 1. **This CGT (block model) is not reported in compliance with JORC2012/CIM NI 43-101 or similar CRIRSCO aligned reporting code.** AMS issued its CGT estimate on 8 November 2018, details of which and recommendations made therein, can be found in the Company’s RNS announcement of 14 November 2018

The highlights of this second CGT included:

- Phase 2 drilling increased significantly Star Zinc’s non-JORC CGT estimate over that published on 4 June 2018. Wireframe models of the deposit suggest the mineralisation remains potentially open ended to east/south east.
- Exploration Target at above 3% Zn cut off is estimated as being **between 600,000 and 900,000 t with an estimated average grade of 10 to 12% Zn, containing an estimated 90,000 to 110,000 t Zn metal.**
- Analysis of the model suggests that any completion of a Maiden Resource Estimate (MRE) on Star Zinc will likely result in a larger tonnage and contained metal at lower grade than the previously announced non JORC 2012 CGT of 485, 000 tonnes at 15.4% Zn and 75, 000 tonnes of contained zinc metal.
- The new Model applied bulk density measurements to specific Zn grade and not to a global value as previous CGT modeling had done, which has resulted in a more realistic grade-tonnage relationship.
- Additional specific domains created by the Model identifies areas for potential to mine selectively high grade Willemite.

Table 1 Summary of ASM In-House Grade Tonnage Estimate

Cutoff Grade (COG) Zn%	VOLUME	TONNES	DENSITY	GRADE Zn%	Zn METAL (tonnes)
30	4, 000	13, 000	3.63	33	4, 000
20	25, 000	90, 000	3.63	26	24, 000
15	45, 000	160, 000	3.25	23	35, 000

12	65, 000	220, 000	3.25	20	44, 000
10	85, 000	290, 000	3.25	18	51, 000
5	210, 000	670, 000	3.15	12	78, 000
3	270, 000	840, 000	2.83	10	85, 000
2	300, 000	930, 000	2.83	9	88, 000
1	320, 000	980, 000	2.81	9	88, 000
0	320, 000	1,000, 000	2.81	9	88, 000

* Volume, tonnes and metal are rounded to 2 significant figures

Independent chemical analyses for phase 2 drill core samples were received in November 2018 and are being QA-QC validated at time of this interim report

Kashitu Project (“Kashitu”)

Kashitu is located in the SE corner of BMR's 100% owned Kabwe ML site in Zambia. The area is considered prospective, due to elevated zinc-in-soil values, which could be amenable to zinc extraction via leaching technologies, similar to that proposed for Kabwe Tailings Recovery Project. Historical soil sampling by Billiton (now BHP) has recorded zinc values greater than 15, 000 ppm Zn (1.5% Zn) over a 1.2 km by 0.3 km NW verging area, which is in close proximity to historical workings. Reportedly high-grade surficial willemite was extracted from the historical workings and fed in to the main historical Kabwe Mine plant, during its operation.

An interpretation of existing RAB (rotary air blasting), RC (reverse circulation) and diamond drilling has refined the area of potential interest, and is likely associated with a ENE-trending structure containing steeply dipping, high-grade willemite veins.

Operations

Period under review

The Company executed a binding and exclusive conditional Heads of Agreement ("Kashitu Agreement")⁵, to acquire (the “Acquisition”) from BMR Group plc, ("BMR") the **Kabwe Residual Rights**, which includes Kabwe Mining Licence (6990-HQ-LML) ("**Kabwe ML**") but excludes BMR's small-scale licence 7081-HQ-SML ("Kabwe Tailings Recovery Project") situated within Kabwe ML (the Acquisition).

The Acquisition also includes the remaining 15% of the shares, that Galileo currently does not hold in Enviro Zambia Ltd), the entity which indirectly owns 95% of the Star Zinc Project. The Kabwe Residual Rights include the **Kashitu Zinc willemite** exploration prospect ("**Kashitu**").

Post Period Under Review

The Company progressed meeting the conditions precedent for the Acquisition.

⁵ Shareholders are referred to the Company's RNS of 13 September 2018 for details of the Kashitu Agreement

Glenover Phosphate Project (“Glenover Project” or “Project”) – South Africa

The Company owns a 36% interest (this will increase to 38% on grant of a Mining Right) in the Glenover Project, by way of its interest in Glenover Phosphate (Pty) Ltd (“Glenover”), the ultimate owner of the

Project. The Company is negotiating a long-term off-take definitive supply agreement (DSA) with a major fertiliser producer (MFP) subject to certain product specifications. The tailings material will contain high values of strategic rare earths, which have been shown to be capable of producing a refinable rare-earth product for international refiners.

Operations

Period under review

Test work by MFP, a condition precedent (CP) in terms of the proposal agreement, to confirm suitability of the Phosphate Rock for its phosphate/fertilizer process progressed with positive results to date acceptable to MFP in terms of product specification outlined specified in the original proposal agreement for the supply of phosphate rock dated 12 June 2017.

The negotiations continued positively with MFP for a Definitive Supply Agreement (DSA) for long-term (minimum 15 years) supply of Phosphate Rock from Glenover. The DSA specification for iron (Fe) content in the Phosphate Rock was lowered to <1% Fe from 5% Fe max. Further MFP test work showed this specification to be achievable but it introduced a small increase over minimum specification in level of another impurity element, which the Company believes can be addressed

A final Condition Precedent to test a bulk 30-tonne sample of phosphate rock in MFP's process is pending MFP's evaluation of the logistical options for transport of the Phosphate Rock from Glenover.

Glenover completed and submitted an Environmental Impact Assessment (EIA) and Environmental Management Programme (EMP) to the Department of Mineral Resources (DMR) in terms of its Mining Right Application (MRA) for the Project. The DMR accepted the EIA/EMP on 31 May 2018 and its adjudication is ongoing (see Post Period under Review).

Coincidentally, with the EIA, the Company commenced with preparation of the Water Usage Licence application (WULA).

Post period under review

Part B of the first phase of the 2-phase pilot plant flotation study ("the Study") – namely flotation water and ore variability tests on Glenover ore– was completed. This testwork and Study is pursuant to the terms of the Heads of Agreement with a major fertilizer producer agreeing to undertake the Study in order ultimately to produce a bulk phosphate flotation concentrate for testing in its fertilizer processing plant.

On 5 October 2018, the DMR requested, in respect of Glenover's MRA, a Record of Decision (ROD) from the Department of Water and Sanitation (DWS) in terms of Section 49 (2) of the National Environmental Management: Waste Act, 2008 for waste related activities which overlaps with some of the Section 21(g) water uses for which a Water Use License application was submitted in terms Section 40 of the National Water Act, 1998.

Concordia Copper Project ("Concordia") – South Africa

Period under review

The Company made no contribution to further exploration on Concordia and retains a 15% interest in the project.

Ferber Property – USA

The renewal claims fees to August 2019 for Ferber were lodged with both the US Bureau of Land Management and Elko County, Nevada. Whilst no exploration was carried out on the property during the period under review, the Company continued to investigate the options for potential JV/farm-out partners or its sale.

For further information, please contact:

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Statement of Responsibility for the six months ended 30 September 2018

The directors are responsible for preparing the consolidated interim financial statements for the six months ended 30 September 2018 and they acknowledge, to the best of their knowledge and belief, that:

- the consolidated interim financial statements for the six months ended 30 September 2018 have been prepared in accordance with IAS 34 – Interim Financial Reporting, as adopted by the EU;
- based on the information and explanations given by management, the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated interim 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 interim financial statements and the directors of Galileo 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 interim financial statements support the viability of the Company; and
- having 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 they are satisfied that the Group has, or has access to, adequate resources to continue in operational existence for the foreseeable future.

C Bird

Chairman and Chief Executive Officer

A Sarosi	Finance & Corporate Development Director
J R Wollenberg	Non-Executive director
C Molefe	Non-Executive Director

19 December 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Six months ended 30 September 2018	Six months ended 30 September 2017	Year ended 31 March 2018
	(Unaudited) £	(Unaudited) £	(Audited) £
ASSETS			
Intangible assets	1 484 265	1 900 267	1 380 085
Investment in joint ventures	3 236 660	2 268 733	3 268 236
Loans to joint ventures and associates	416 663	656 779	284 396
Other financial assets	412 245	497 678	458 131
Non-current assets	5 549 833	5 323 457	5 390 848
Trade and other receivables	42 553	45 575	41 218
Cash and cash equivalents	394 276	1 126 124	539 301
Current assets	436 829	1 171 699	580 519
Total Assets	5 986 662	6 495 156	5 971 367
EQUITY AND LIABILITIES			
Share capital and share premium	25 440 319	24 945 319	24 945 319
Reserves	478 203	544 438	729 772
Accumulated loss	(20 428 585)	(19 348 672)	(20 163 817)
Equity	5 489 937	6 141 085	5 511 274
Liabilities			
Other financial liabilities	3 848	3 743	3 579
Non-current liabilities	3 848	3 743	3 579
Trade and other payables	492 877	350 328	456 514
Current liabilities	496 725	350 328	460 093
Total Equity and liabilities	5 986 662	6 495 156	5 971 367

The statement of financial position has been approved by the board of directors and are signed off on their behalf by:

Andrew Sarosi
19 December 2018
Company number: 05679987

**CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME FOR THE SIX
MONTHS ENDED 30 SEPTEMBER 2018**

	Six months ended 30 September 2018 (Unaudited) £	Six months ended 30 September 2017 (Unaudited) £	Year ended 31 March 2018 (Audited) £
Revenue	-	-	-
Operating expenses	(255 677)	(347 190)	(624 631)
Operating loss	(255 677)	(347 190)	(624 631)
Investment revenue	81	34	180
Impairment losses recognised	-	-	(525 870)
Share of (loss)/profit from equity accounted investments	(9 172)	135 410	123 430
Loss for the period	(264 768)	(211 746)	(1 026 891)
Other comprehensive loss:			
Exchange differences on translating foreign operations	(251 569)	(345 622)	(160 288)
Total comprehensive loss	(516 337)	(557 368)	(1 187 179)
Total comprehensive loss attributable to: Owners of the parent	(516 337)	(557 368)	(1 187 179)
Weighted average number of shares in issue	278 021 220	198 107 665	227 388 473
Basic loss per share - pence	(0.1)	(0.1)	(0.45)

STATEMENT OF CHANGES IN EQUITY as at 30 September 2018

Figures in Pound Sterling	Share capital	Share premium	Total share capital	Foreign currency translation reserve	Convertible instruments	Share based payment reserve	Total reserves	Accumulated loss	Total equity
Balance at 1 April 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 6 months	-	-	-	-	-	-	-	(1 026 891)	(1 026 891)
Other comprehensive income	-	-	-	(160 288)	-	-	(160 288)	-	(345 622)
Total comprehensive Loss for the 6 months	-	-	-	(160 288)	-	-	(160 288)	(1 026 891)	(557 368)
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 1 April 2018	5 865 231	19 080 088	24 945 319	(467 842)	1 047 821	149 793	729 772	(20 163 817)	6 141 085
Profit for the 6 months	-	-	-	-	-	-	-	(264 768)	(264 768)
Other comprehensive income	-	-	-	(251 569)	-	-	(251 569)	-	(251 569)
Total comprehensive income for the 6 months	-	-	-	(251 569)	-	-	(251 569)	(264 768)	(516 337)
Issue of shares	50 000	445 000	495 000	-	-	-	-	-	495 000
Total contributions by and distributions to owners of company recognised directly in equity	50 000	445 000	495 000	-	-	-	-	-	495 000
Balance at 30 September 2018	5 915 231	19 525 088	25 440 319	(719 411)	1 047 821	149 793	478 203	(20 428 585)	5 489 937

**CONSOLIDATED STATEMENT OF CASH
FLOW FOR THE SIX MONTHS ENDED 30
SEPTEMBER 2018**

	Six months ended 30 September 2018 (Unaudited) £	Six months ended 30 September 2017 (Unaudited) £	Year ended 31 March 2018 (Audited) £
Cash used in operations	(329 016)	(366 269)	(598 676)
Interest income	81	34	180
Net cash from operating activities	(328 935)	(366 235)	(598 496)
Increase in intangible assets	-	(70 357)	(67 275)
Increase in investments in joint ventures	(224 709)	(456 962)	(797 338)
Loans advanced	(132 267)	(152 970)	(170 236)
Sale of other financial assets	45 886	-	-
Net cash from investing activities	(311 090)	(680 289)	(1 034 849)
Proceeds on share issue	495 000	1 061 825	1 061 825
Net cash flows from financing activities	495 000	1 061 825	1 061 825
Total cash movement for the period	(145 025)	15 301	(571 520)
Cash at the beginning of the period	539 301	1 110 823	1 110 821
Total cash at end of the period	394 276	1 126 124	539 301

Notes to the Financial Statements

1. Status of interim report

The Group unaudited condensed interim results for the 6 months ended 30 September 2018 have been prepared using the accounting policies applied by the Company in its 31 March 2018 annual report, which are in accordance with International Financial Reporting Standards (IFRS and IFRC interpretations) issued by the International Accounting Standards Board (“IASB”) as adopted for use in the EU (“IFRS”), including the SAICA financial reporting guides as issued by the Accounting Practices Committee, IAS 34 – Interim Financial Reporting, , the AIM rules of the London Stock Exchange and the Companies Act 2006 (UK). This condensed consolidated interim financial report does not include all notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 March 2018 and any public announcements by Galileo Resources Plc. All monetary information is presented in the presentation currency of the Company being Great British Pound. The Group’s principal accounting policies and assumptions have been applied consistently over the current and prior comparative financial period. The financial information for the year ended 31 March 2018 contained in this interim report does not constitute statutory accounts as defined by section 435 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor’s report on those accounts was unqualified and did not contain a statement under section 498(2)-(3) of the Companies Act 2006.

2. Basis of preparation

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. Segmental analysis

Business segments

The Group’s business is the exploration and development of copper and phosphate in South Africa and gold-copper in USA.

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

Six months ended 30 September 2018 (Unaudited)	Six months ended 30 September 2017 (Unaudited)	Year ended 31 March 2018 (Audited)
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	£	£	£
Loss on ordinary activities before taxation:			
Rare earths, aggregates and iron ore and manganese	(51 248)	(238 083)	(857 969)
Gold, Copper	-	33 209	123 430
Corporate costs	(213 520)	(6 872)	(292 352)
	(264 768)	(211 746)	(1 026 891)

4. Financial review

The Group reported a net loss of £264 768 (2017: £ 211 746) before and after taxation. Basic loss reported is 0.1 pence (2017: 0.1 pence) per share. Loss per share was based on a weighted average number of ordinary shares of 278 021 220 (2017: 198 107 665).

5. Investments in joint ventures

5.1 Glenover

The Company owns a 36% interest (this will increase to 38% on grant of a Mining Right) in the Glenover Project, by way of its interest in Glenover Phosphate (Pty) Ltd ("Glenover"), the ultimate owner of the Project. The Company is negotiating a long-term off-take definitive supply agreement with a major fertiliser producer subject to certain product specifications. The tailings material will contain high values of strategic rare earths, which have been shown to be capable of producing a refinable rare-earth product for international refiners.

Galileo's interest in the losses of the Glenover joint venture for the period under review amounted to £ 9 172 (2017: profit of £ 135 410).

5.2 Star Zinc

The Company acquired a 51% earn-in interest – through a joint venture with 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. During March 2018 the Company increased its earn-in interest in Star Zinc to 85%, having completed a 26-diamond drill hole programme of 1 200 metres.

6. Availability of the Interim Results

Copies of the Interim Results for the six months ended 30 September 2018 will be posted on the Company's website and will 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 3HG, United Kingdom. Alternatively a downloadable version is available from Company's website: www.galileoresources.com.