**Galileo Resources PLC** - GLR

# Final Results and Notice of AGM

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Galileo Resources PLC
31 August 2017

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

**31 August 2017**

**Audited Results for the year ended 31 March 2017**
**Notice of AGM**

Galileo (AIM: GLR), the exploration and development mining company, announces its audited results for the year ended 31 March 2017.

Highlights for the period under review

· The Company undertook modelling of historical data and ground geophysics on Concordia and commenced drilling on 16 February 2017 on selected targets

· Gabbs gold-copper property in Nevada USA sold for US$2.5 million cash to a subsidiary of Waterton Precious Metals Fund II Cayman LP

· The Group reported a net loss of £1,388,697 (2016: loss of £419,627) before and after taxation. Basic and diluted loss reported is 0.7 pence (2016: loss of 0.3 pence) per share

**Highlights post balance sheet**

· All Nevada property claim payments have been paid and the properties are in good title standing until the end of August 2018

· Drilling on Concordia was completed and drilling results are under review

· 6 June 2017, the Company's 34 % owned Glenover Phosphate (Pty) Ltd and a major phosphate producer executed a proposal agreement, which could lead to the possible development of the Glenover project

A copy of this announcement is available on the Company's website [www.galileoresources.com](http://www.galileoresources.com). and is being posted to shareholders tomorrow 1 September 2017.

This announcement contains inside information for the purposes of Article 7 of Regulation 596/2014.
You can also follow Galileo on Twitter: **@GalileoResource.**

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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 26 September 2017 at 14:00.

**Chairman's Report**

Dear Shareholder,

On 30 August 2016 the Company announced the sale of its Gabbs Gold/Copper property in Nevada, USA for USD$2.5 million in cash. This sale negated the need for short term placings and allowed the Company to progress the other assets in its portfolio, particularly the Concordia Copper project in the Northern Cape Province of South Africa.

The Concordia project, over the past year, underwent initial modelling, scope potential assessment, ground IP geophysical investigation and on 15 February 2017 we announced the commencement of drilling on the Concordia project.

The IP geophysics demonstrated diverse promising signatures in the small area tested, which represented less than 15% of the entire Concordia concession. The test drilling was to confirm the reliability of IP to identify disseminated copper ore. The results were inconclusive and together with our partners we decided to drill further holes against traditional data i.e. surface outcrops and magnetics geophysics. The programme took longer than expected because of the re-iterative requirement for siting bore holes against the physical results of previous holes. Our difficulties were compounded in no small way by assay result interpretation and the fact that data being assessed came from various co-ordinate sources, thus making assessment on a common basis difficult. All of this by the end of July 2017 had been largely resolved and we announced on 11 August 2017 a suite of results which on close examination put some doubt as to the reliability of IP as a targeting tool but at the same time tabled some interesting, reasonable copper values within close proximity to surface and sometimes a little deeper. We have held discussions with SHIP, our JV partner, and Minxcon, our contracted consulting geological company, on the results from the drilling and possible ways forward.

In the 11 August 2017 announcement, we also advised that our JV partner SHIP was intending to dilute the Company to a 15% interest in terms of the Co-Operation and Joint Venture Agreement, which they are not able to do and we have advised them accordingly. We have also informed SHIP that in our opinion, the Company owns 51% of the Concordia project and has not yet had the opportunity to make a decision on the most appropriate way forward in terms of Galileo's options. This is fully provided for in the agreement as are other matters, which give Galileo full protection on its current 51% interest in the project.

On 30 August 2016 we agreed with Fer-Min-Ore (Pty) Ltd ("Fer-Min-Ore") that their option right to sell our interest in Glenover Phosphate (Pty) Ltd ("Glenover") would terminate and we would work together to add value and either develop or dispose of the project. In mid-2017 a major phosphate producer agreed to undertake significant expenditure (USD$300,000) to test our Glenover phosphate project for suitability as raw feed to its various value add phosphate operations. Together with Fer-Min-Ore we carried out many desktop studies against various off take agreements and possible hybrid agreements of part sales and of off take. We have now concluded that the phosphate core of the Glenover phosphate project could produce a viable operation for up to 20 years and therefore should be pursued aggressively. Galileo, being the mining partner, agreed to finance the application for a mining license and satisfy the various environmental requirements in order to be able to make an offer to the industry of its phosphate upgraded material. The various applications are being supervised on a turn-key basis by Minxcon, a South African consultant company in Johannesburg.

At the commencement of the year 2017 our joint venture partner Orogen Gold Plc on the Silverton Gold property in Nevada, USA announced the results of their drilling programme. Whilst the assays showed gold in every hole, the overall results did not lead to a conclusion better than before the drill programme and no further work was carried out on the property.

During the latter part of 2016 we undertook an extensive survey of our Ferber property and during this investigation took many chip samples. The results of the samples were very encouraging to the extent that we acquired further ground to enlarge the size of our concession. Our confidence is such on the Ferber project that we paid for the original license plus extension during the round of license renewals in August 2017 and the project is now in good standing with the intent to carry out drilling during the coming year. The resource industry in general has experienced relatively improved circumstances in most cases i.e. commodity prices, major company market capitalisations, junior company ability to raise finance and a much improved appetite from the investment community. At the time of writing, this appetite is still limited to, in general, the retail sector and institutional shareholders have yet to enter the market with any significance. We look forward to this changing over the coming year and we remain committed in our quest to identify a large resource, which will be transformational for the Company and its shareholders.

I would like to thank my fellow directors and management for their support and efforts during a year, which has progressed our portfolio in varied ways adding that we are all very confident about meeting the challenges of the coming year.

Colin Bird
Chairman

**Operations Summary**

**South Africa**
**Concordia Copper Project ("Concordia" or "Project")**

Period under review

The Company concluded its desktop modelling by independent consultant Minxcon (Pty) Ltd ("Consultant") of historical exploration data with the modelling on Whyte's West, Klondike, Wheal Julia and Homeep East prospects. The study conceptually identified eleven prospect areas with a combined potential rock mass of more than 750 million tonnes with a mean grade of 0.57% Cu assuming 50% mineralisation (Table 1). Five of the eleven prospective area studied, indicated conceptually, considerable near-surface mining potential. The Consultant based its modelling on historical geological core logging and drill assay generated by the O'Okiep Copper Company and others.

Following a strategic joint review of the study and the Consultant's assessment of exploration potential on 34 possible prospects on the Concordia property, and their ranking in terms of prospectivity, the Company prioritised 4 main areas for exploration activities, commencing with an Induced Polarity ("IP") geophysical survey. The areas selected were the Homeep Trend (comprising the Homeep East, Homeep West, Koeëlkop and Whyte's West prospects), the Shirley Trend (comprising Hoogkraal East, Hoogkraal Central and Hoogkraal West areas), Henderson Prospect and the Klondike Prospect (south of Hoogkraal West). IP geophysics survey commenced in October 2016, using South African-based Geospec Instruments (Pty) Ltd as the contractor utilizing distributed (electrode) array ("DA") design, which enabled direct 3D (three dimensional) modeling of the data. The IP survey was completed in December 2016. The geophysics programme covered partially only two of the eleven priority ranked prospects. 3D-wire frame modelling of the IP survey data and its interpretation, which were carried out during January 2017, identified a number of both shallow and deeper high-chargeability(a) zones (IP anomalies) in both the Homeep and Shirley geological Trends. These anomalies were used for the selection of targets for drilling, the main focus of which was to test the reliability of IP, between delineating geophysical signature with underlying geology signatures, in identifying and discovering possible copper sulphide mineralisation associated with these physical features.

The Company developed an initial 1800-metre reverse circulation ("RC") drilling programme with up to six angled drill holes targeting five geophysics anomalies: four on the Homeep Trend and one on the Shirley Trend. Drilling commenced on 16 February 2017. As drilling progressed, inspection of the drill chips (composited every one-metre intersection down the hole) suggested that targeting IP anomalies alone was not as precise and less reliable than anticipated. In August 2016, SHIP notarially executed the renewed prospecting right for a further three years to 17 August 2019.

Post period under review

Following the early appraisal of the 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. The Company 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 the 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 is pending but initial indications are that there is a good correlation with the geology and basic rock outcrops. Whilst these non IP geophysics method 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. Preliminary results of the drilling programme have been received and are shown in Table 2. The best holes (in basic rock) numbers GDSP 008, 011 and 014 intersected respectively, 6 metres  "m") assaying weighted average 0.90% Cu from 23m to 29m downhole, 10m assaying weighted average 0.85% Cu from 28m to 38m and 8m assaying weighted average 1.06% Cu, from 3m to 11m downhole.

The Consultant has modelled the data but its formal release is pending final sign off on the quality control and assurance checks with the analytical laboratory responsible for the assays. With due regard to the fact that objective of this initial drilling, which was to establish the relationship, if any, and reliability between the IP anomalies, with underlying geology and to possible copper grades associated with these physical metrics the preliminary interpretation suggests that:

● the testing (by means of drilling) of the IP survey anomalies which was conducted in a scientifically unbiased fashion yielded mixed results and was not conclusive;
● IP anomalies which were drilled blind and steeply into IP anomalies without geological outcrop or supporting geophysical evidence did not intersect significant mineralisation; and
● drilling into IP anomalies which had supporting surface outcrop, in conjunction with regional and limited ground geo-magnetic surveys yielded the best results by intersecting encouraging potentially mineable near-surface copper mineralisation with good grade.

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

On 15 May 2017, Galileo committed the necessary funding to earn a 51% interest in the company owning the Concordia project, Shirley Hayes - ipk (Pty) Ltd ("SHIP"), having deposited into the Project's account the funds required to fulfil the commitment in terms of the Agreement. SHIP claimed that the Company should dilute to a 15% interest in the SHIP Project. The Company has refuted the claim on the grounds that it has not yet made the election and could not make it in the time available and on the basis of the information obtained and modelled, which was inconclusive. SHIP is a South African registered privately held company controlled by Shirley Hayes. The company was incorporated to hold the Concordia Project and its prospecting right. SHIP's sole asset is the Concordia Project.

Glenover Rare-Earth Phosphate Project ("Glenover Project" or "Project")
The Glenover Project is situated in the Limpopo Province of the Republic of South Africa.

Period under review

The exclusive option for the disposal of the Company's 34% ownership in Glenover Phosphate (Pty) Ltd, ("Glenover") the holding company of the Glenover Project to Fer-Min-Ore (Pty) Ltd ("FMO"), its partner in the Project for USD$4 million lapsed by mutual consent at the end of August 2016. The parties agreed jointly to advance the Project.

Post Period under Review

On 6 June 2017, Glenover and a major phosphate producer ("MPP") executed a proposal agreement (the "Agreement") whereby MPP intends to undertake upward of USD$300,000 in expenditure on a two-phase, pilot plant phosphate flotation study ("PPFS"), which could lead to the possible development of the Project. Under this Agreement, MPP has elected to continue and undertake Phase 1 of the PPFS; being Water and Ore variability Study.

Phase 2 of the PPFS is intended to produce phosphate concentrate for testing by MPP 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 MPP. Pursuant to the Agreement, Glenover will, concurrent with the PPFS, fund the application for a mining right for the Project, for which its existing renewed prospecting right expires in November 2017. Rare-earths from the tailings of any future phosphate processing of the ore by MPP, would be returned and available for further beneficiation by Glenover. Extensive related test work and negotiations have taken place prior to this Agreement. On 6 July 2017 the Company executed a term sheet ("Term Sheet") with FMO, pursuant to which the Company applies for and obtains a mining right from the Department of Mineral Resources ("DMR") to mine and produce phosphate. The terms of the Term Sheet, include amongst other things, Galileo funding 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. Conversion would increase the Company's interest to 38% in Glenover. The Company has engaged the Consultant to execute the MRA, the submission of which is scheduled for later this calendar year. The MRA will include an environmental impact assessment and relevant Water Usage Licence application, in accordance with the Minerals and Petroleum Resources Development Act 2002 (as amended). Existing Glenover shareholder loans will be written down: Galileo's loan (ZAR1.9m) will be netted off against FMO's loan (ZAR10.6m) and FMO's remaining agreed outstanding loan to Glenover will be ZAR4m. The Term Sheet is valid for 24 months or until formal grant of the Mining Right. The funding will also include a monthly payment ZAR35,000 (£2,058) into Glenover's account to support the funding of the administration of the Project.

**USA Nevada**

Period under Review

Gabbs Property

On 30 August 2016, the Company closed an Asset Purchase Agreement (the "Agreement") with a subsidiary of Waterton Precious Metals Fund II Cayman, LP ("Waterton"), in terms of which Agreement Waterton purchased the Company's advanced Gabbs gold-copper property in Nevada for a consideration of USD$2.5 million cash. The reason behind the sale, amongst other things, was the Company's strategic decision to reduce exposure to exploration and focus instead on exploration and funding on its projects in South Africa and base metals.

Ferber Property

The Ferber property is a historic producer of gold and copper and hosts widespread gold and copper mineralisation.

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 samples yielded significant gold assay results shown in Table 3 below. Seven of the samples exceeded 1 g/t gold (Au) reaching 10.8 g/t. The highestgrade 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. One sample of jasperoid from this distal setting , yielded 9.8 g/t Au with a Ag:Au of only 1:3; an historic sample from the same area assayed 11.7 g/t Au with a Ag:Au of 1:5. A sample of jasperoid over 1 km from the central stock yielded 325 ppb Au. The Ferber intrusion-centered gold system is broadly similar to productive gold deposits elsewhere in northcentral 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.

CONSOLIDATED AUDITED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS 31 MARCH 2017

| Figures in Pound Sterling | 2017 | 2016 |
|---|---|---|
| Assets | | |
| Non-current assets | | |
| Intangible assets | 1,473,494 | 2,667,062 |
| Investment in joint ventures | 2,325,144 | 1,868,370 |
| Loans to joint ventures and subsidiaries | 640,030 | 79,457 |
| Other financial assets | 454,604 | 556,078 |
| | 4,893,272 | 5,170,967 |
| Current assets | | |
| Trade and other receivables | 30,522 | 20,453 |
| Cash and cash equivalents | 1,110,821 | 135,086 |
| | 1,141,343 | 155,539 |
| Total assets | 6,034,615 | 5,326,506 |
| Equity and liabilities | | |
| Equity | | |
| Share capital | 23,883,494 | 23,854,957 |
| Reserves | 890,060 | 155,384 |
| Accumulated loss | (19,136,926) | (18,977,249) |
| | 5,636,628 | 5,033,092 |
| Liabilities | | |
| Non-current liabilities | | |
| Other financial liabilities | 4,016 | 2,692 |
| Current liabilities | | |
| Trade and other payables | 393,971 | 292,722 |
| Total liabilities | 397,987 | 293,414 |
| Total equity and liabilities | 6,034,615 | 5,326,506 |

These financial statements were approved by the directors and authorised for issue on 31 August 2017 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 2017

| Figures in Pound Sterling | 2017 | 2016 |
|---|---|---|
| Revenue | - | - |
| Operating expenses | (871,776) | (435,862) |
| Operating loss | (871,776) | (435,862) |
| Investment revenue | 781 | 48,578 |
| Finance costs | - | (2) |
| Loss on disposal of non-current asset | (469,259) | - |
| Loss from equity accounted investments | (48,443) | (32,341) |
| Loss for the year | (1,388,697) | (419,627) |
| Other comprehensive income: | | |
| Foreign exchange movements for the year | 1,372,022 | (364,872) |
| Total comprehensive loss for the year | (16,675) | (784,499) |
| Loss per share in pence (basic) | (0.7) | (0.3) |

All operating expenses and operating losses relate to continuing activities.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2017

| 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 2015 | 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 | - | - | - | - | - | - | - | (419,627) | (419,294) |
| Other comprehensive income | - | - | - | (364,872) | - | - | (364,872) | - | (365,205) |
| Total comprehensive loss for the year | - | - | - | (364,872) | - | - | (364,872) | (419,627) | (784,499) |
| Issue of shares | 69,250 | 632,000 | 701,250 | - | - | - | - | - | - |
| Total contributions by and distributions to owners of company recognised directly In equity | 69,250 | 632,000 | 701,250 | - | - | - | - | - | 701,250 |
| Balance at 31 March 2016 | 5,804,387 | 18,050,570 | 23,854,957 | (1,679,576) | 1,047,821 | 787,139 | 155,384 | (18,977,249) | 5,033,092 |
| 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 share options | - | - | - | - | - | 149,793 | 149,793 | - | 149,793 |
| Share options expired | - | - | - | - | - | (787,139) | (787,139) | 787,139 | - |
| 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 |

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 MARCH 2017

| Figures in Pound Sterling | 2017 | 2016 |
|---|---|---|
| Cash flows from operating activities | | |
| Cash used in operations | (654,067) | (459,601) |
| Interest income | 781 | 45 |
| Finance costs | - | (2) |
| Net cash from operating activities | (653,286) | (459,558) |
| Cash flows from investing activities | | |
| Additions to intangible assets | (23,969) | (163,701) |
| Sale of intangible asset | 1,957,587 | - |
| Net movement on group company loans | (333,134) | 14,956 |
| Loans and receivables | - | (138,732) |
| Net cash flows from investing activities | 1,600,484 | (287,477) |
| Cash flows from financing activities | | |
| Proceeds on share issue | 28,537 | 701,250 |
| Net cash flows from financing activities | 28,537 | 701,250 |
| Total cash movement for the year | 975,735 | (45,785) |
| Cash at the beginning of the year | 135,086 | 180,871 |
| Total cash at end of the year | 1,110,821 | 135,086 |

**Statement of Directors' Responsibilities for the year ended 31 March 2017**

· 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 2017 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 £1,388,697 (2016: loss of £419,627) before and after taxation. Basic and diluted loss reported is 0.7 pence (2016: loss of 0.3 pence) per share. Basic earnings per share was based on a weighted average number of ordinary shares of 194,525,720 (2016: 148,691,077).

The ZAR stood its ground against the GBP during the period under review as did the USD. Operating expenses were £871,776 compared to £435,862 in 2016. The increase is mainly attributable to the Company's increased exploration expenditure in its assets in the USA amounting to £630,044 (2016: £44,324).

Corporate costs amounted to £240,951 compared to £342,962 in 2016. The Group continues to tighten its cost management. Included in the loss of £1,388,697 is a loss in an amount of £469,259 in relation to the sale of the Company's Gabbs asset in the USA. The loss is mainly attributable to the uplift of the foreign exchange movement in the value of the asset up to the point of disposal.

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. Following the acquisition of the Gabbs project the Group has another segment to report on, that being gold and copper.

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 20172016 Loss from Operating activities | 31 March 2016 Loss from Operatin activities |
|---|---|---|---|
| Rare earths, aggregates and iron ore and manganese | South Africa | (48,443) | (32,341) |
| Gold, Copper | USA | (630,044) | (44,324) |
| Corporate costs | South Africa and United Kingdom | (240,951) | (342,962) |
| Loss on sale of non-current asset | USA | (469,259) | - |
| Total | | (1,388,697) | (419,627) |

5. Taxation
No provision has been made for 2017 tax as the Group has no taxable income. The estimated tax loss available for set off against future taxable income is £1,756,243 (2016: £1,602,315). 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.

5. Earnings per share
Basic earnings per share is determined by dividing profit or loss attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Basic earnings per share was based on a loss of £1,388,697 (2016: loss of £419,627) and a weighted average number of ordinary shares of 147,485,598 (2016: 148,691,077).

6. Intangible assets
On 30 August 2016, the Company executed an Asset Purchase Agreement (the "Agreement") with a subsidiary of Waterton Precious Metals Fund II Cayman, LP ("Waterton"). Under the terms of the Agreement, Waterton has purchased the Company's advanced Gabbs gold-copper property in Nevada for a consideration of USD$2.5 million cash (£1.9 million) in cash.
The Group reported a loss on the sale of the property of £0.47 million which is mainly attributable to the uplift of the foreign exchange currency movements prior to the disposal. The proceeds will be directed towards aggressive exploration of the South African Concordia Copper project. This aligns with the Company's strategic decision to reduce exposure to gold exploration and focus instead on exploration and funding of its Concordia copper project in Namaqualand, Northern Cape Province in South Africa. The Company retains its greenfield Ferber coppergold property in Nevada.
During the latter part of 2016 the Company undertook an extensive survey of its Ferber property and during this investigation took many chip samples. The results of the samples were very encouraging to the extent that the Company acquired further ground to enlarge the size of its concession. The Company's confidence is such on the Ferber project that it paid for the original license plus extension during the round of license renewals in August 2017 and the project is now in good standing with the intent to carry out drilling during the coming year.

7. Auditors' Report
The comparative figures for the financial year ended 31 March 2017 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.

8. Availability of the Annual Report
This information has been extracted from the Company's Audited Annual Report for the year ended 31 March 2017, copies of which will be mailed to shareholders on 1 September 2017 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 1 September 2017 from Company's website: www.galileoresources.com.

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