Regulatory Story

[Galileo Resources PLC](#) - GLR

Half-year Report

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

Interim results for the six months ended 30 September 2017

Galileo (AIM: GLR), the exploration and development mining company, announces its unaudited interim results for the six-month period ended 30 September 2017.

Highlights

Period under review

- Work commenced on application for a Mining Right for Glenover Phosphate project ("Glenover")
- Proposal agreement executed with major fertiliser company to undertake a pilot plant phosphate flotation study on Glenover ore to produce phosphate concentrate for testing in its phosphate facility
- Completed 14-hole RC (reverse circulation) drilling on Concordia, intersecting potentially mineable near-surface copper mineralisation with good grade
- The Company acquired, in joint venture with BMR Group plc ("BMR"), a 51% Interest in the Zambian Star Zinc project containing historically a 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 reviewed an independent conceptual study on Star Zinc and demonstrated a projected IRR of 77 % for the project with NPV of US$ 18 million (10 % discount rate) at current 2017 Zinc price of US$ 3000/tonne
- Loss per share 0.1 pence compared to 0.3 pence for the comparative period (2016)
- Operating expenses down 32.71 % to £ 347,190 compared to £ 515,923 for the comparative period (2016)

Post period under review

- The Company advised its JV partner in the Concordia project, that it would not continue exploration on Concordia and therefore pursuant to the Cooperation and Joint Venture Agreement, Galileo has now agreed that its interest in Concordia will be diluted down to 15% from 51%.

- Mining Right Application for Glenover submitted to Department of Mineral resources ("DMR") 15 November 2017

- Diamond drilling programme of up to 1,750 metres (m) on Star Zinc project ("Project") in Zambia commenced beginning December 2017

- Zambian-based GeoQuest, an independent consultancy group, engaged to manage this drilling programme and provide geological support

- CSA Global UK ("CSA") appointed to collaborate with GeoQuest and to prepare a Mineral Resource Estimate on Star Zinc in accordance with JORC Code (2012) standard

Overview

SOUTH AFRICA

1. **Glenover Phosphate Project ("Glenover")**

Period under review

The Company, on 12 June 2017, executed a proposal agreement (the "Agreement") with a South African major phosphate 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 commenced with phase 1 of the PPFS.

Rare-earth minerals from the tailings of any future phosphate processing of Glenover ore by the Producer would still be available for further beneficiation..

The Company engaged a South African-based consulting group to execute a Mining Right Application for the Glenover Project concurrent with the PPFS.

Post period under review

The Mining Right Application for Glenover was submitted to the Department Mineral Resources ("DMR") on 15 November 2017. DMR's acceptance of the Application is pending.

The PPFS is on going.

2. **Concordia Copper Project ("Concordia")**

Period under review

The Company completed 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 Minxcon consultant continued to analyse and consolidate the results of the RC drilling programme. Minxcon completed its assessment of the drilling results.

Findings included:

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

- copper sulphide mineralisation was intersected more consistently in dill holes targeted by traditional exploration methodology, and

- drilling of basic rock bodies identified by outcrop, limited ground magnetic survey and previous aeromagnetic survey data intersected encouraging 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.

Post period under review

The Company advised Shirley Hayes, JV partner in Concordia, that it would not continue with further exploration on Concordia and consequently, pursuant to the Co-Operation and Joint Venture Agreement with Shirley Hayes, the Company has now agreed that it’s interest in Concordia will be diluted to 15% from 51%.

ZAMBIA

3. **Star Zinc Project (“Star Zinc”)**

Period under review

On 31 August 2017 the Company entered into a binding term sheet ("Term Sheet") with BMR Group plc ("BMR") whereby it agreed conditionally, to advance to BMR, US$ 591,600 (at an interest rate of 12 % per annum), which is intended to be used for the purpose of completing the exercise of an option to acquire the Star Zinc project in Zambia, through a joint venture (the "Joint Venture") to be established with BMR. Galileo agreed to subscribe for a 51 % equity interest in the Joint Venture through a newly created special purpose vehicle, Enviro Zambia Limited (“EZ”), which would be financed by the cancellation of the aforementioned US$ 591,600 loan.

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 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.

On 5 September 2017, the Company entered into the Joint Venture with BMR. Galileo advanced to BMR US$

591,600 (at an interest rate of 12 % per annum) 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 EZ, which was satisfied by the cancellation of the aforementioned loan of US$ 591,600.

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

Post Period under review

The Company reviewed in-house, an independent positive conceptual study undertaken during 2015 on Star Zinc. The review economic model demonstrated a projected IRR of 77 % with NPV of US$ 18 million (10 % discount rate) at current 2017 Zinc price of US$ 3000/tonne (t) for a capex of US$ 9.1 million capex and with a 1-year payback.

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.

The drilling programme for Star Zinc, provisionally for up to 1.750 metres, is to commence in December 2017 and will target a mix of resource confirmation and resource enlargement.

The Company engaged Zambian-based GeoQuest, an independent consultancy and contracting group to manage this drilling programme and provide geological support. The Company also appointed CSA Global UK ("CSA") to collaborate with GeoQuest and prepare a Mineral Resource Estimate in accordance with the JORC Code (2012) standard.

The Company expects to fund this drilling programme (estimated US$ 350,000) out of existing cash resources.

USA

4. **Silverton Gold Silver Project Nevada ("Silverton")**

Period under review

Galileo received notification from Orogen Gold plc ("Orogen"), its JV partner in Silverton, that following a change in Orogen's strategy, it ceased its mineral exploration activities. Consequently, in accordance with the terms of the Silverton Earn-In Agreement (the "Agreement"), dated 27 June 2016, Orogen formally withdrew from the Agreement without recourse. All interests and data acquired in Silverton by Orogen reverted to Galileo.

After review of the drilling results obtained by Orogen, Galileo has decided not to renew the license for the Silverton project.

Ferber Gold Project ("**Ferber**")

Period under review

The claim fees for the highly prospective Ferber property were paid to August 2018

For further information, please contact:

Colin Bird, Chairman & CEO	Tel +44 (0)20 7581 4477
Andrew Sarosi, Executive Director www.galileoresources.com	Tel +44 (0) 1752 221937
Beaumont Cornish Limited Nominated Advisor Roland Cornish/James Biddle	Tel +44 (0)20 7628 3396
Beaufort Securities Ltd – Broker Jon Belliss	Tel +44 (0)20 7382 8416

Statement of Responsibility for the six months ended 30 September 2017

The directors are responsible for preparing the consolidated interim financial statements for the six months ended 30 September 2017 and they acknowledge, to the best of their knowledge and belief, that:

- the consolidated interim financial statements for the six months ended 30 September 2017 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

8 December 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Six months ended 30 September 2017	Six months ended 30 September 2016	Year ended 31 March 2017
	(Unaudited)	(Unaudited)	(Audited)
	£	£	£
ASSETS			
Intangible assets	1 900 267	1 792 313	1 473 494
Investment in joint ventures	2 268 733	2 190 153	2 325 144
Loans to joint ventures	656 779	613 450	640 030
Other financial assets	497 678	423 430	454 604
Non-current assets	**5 323 457**	**5 019 346**	**4 893 272**
Trade and other receivables	45 575	43 183	30 522
Cash and cash equivalents	1 126 124	1 404 096	1 110 821
Current assets	**1 171 699**	**1 447 279**	**1 141 343**
Total Assets	**6 495 156**	**6 466 625**	**6 034 615**
EQUITY AND LIABILITIES			
Share capital and share premium	24 945 319	23 860 957	23 883 494
Reserves	544 438	1 242 291	890 060
Accumulated loss	(19 348 672)	(19 073 443)	(19 136 926)
Equity	**6 141 085**	**6 029 805**	**5 636 628**
Liabilities			
Other financial liabilities	3 743	3 866	4 016
Non-current liabilities	**3 743**	**3 866**	**4 016**
Trade and other payables	350 328	432 954	393 971
Current liabilities	**350 328**	**432 954**	**393 971**
Total Equity and liabilities	**6 495 156**	**6 466 625**	**6 034 615**

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

Andrew Sarosi
8 December 2017
Company number: 05679987

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017	**Six months ended 30 September 2017 (Unaudited) £**	Six months ended 30 September 2016 (Unaudited) £	Year ended 31 March 2017 (Audited) £
Revenue	**-**	-	-
Operating expenses	**(347 190)**	(515 923)	(871 776)
Operating loss	**(347 190)**	(515 923)	(871 776)
Investment revenue	**34**	182	781
Loss on disposal of non-current asset	**-**	-	(469 259)
Share of profit/(loss) from equity accounted investments	**135 410**	(22 334)	(48 443)
Loss for the period	**(211 746)**	(538 075)	(1 388 697)
Other comprehensive income:			
Exchange differences on translating foreign operations	**(345 622)**	1 528 788	1 372 022
Total comprehensive (loss) / income	**(557 368)**	990 713	(16 675)
Total comprehensive (loss) / income attributable to:			
Owners of the parent	**(557 368)**	990 713	(16 675)
Weighted average number of shares in issue	**198 107 665**	193 996 557	194 532 569
Basic loss per share - pence	**(0.1)**	(0.3)	(0.7)

STATEMENT OF CHANGES IN EQUITY as at 30 September 2017

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 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 6 months	-	-	-	-	-	-	-	(1 388 697)	(1 388 697)
Other comprehensive income	-	-	-	1 813 903	-	-	1 813 903	-	1 813 903
Total comprehensive Loss for the 6 months	-	-	-	1 813 903	-	-	(364 872)	(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 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
Profit for the 6 months	-	-	-	-	-	-	-	(211 746)	(211 746)
Other comprehensive income	-	-	-	(345 622)	-	-	(345 622)	-	(345 622)
Total comprehensive income for the 6 months	-	-	-	(345 622)	-	-	(345 622)	(211 746)	(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 30 September 2017	5 865 231	19 080 088	24 945 319	(653 176)	1 047 821	149 793	544 438	(19 348 672)	6 141 085

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017	**Six months ended 30 September 2017 (Unaudited) £**	Six months ended 30 September 2016 (Unaudited) £	Year ended 31 March 2017 (Audited) £
Cash used in operations	**(366 270)**	(350 441)	(654 067)
Interest income	**34**	182	781
Net cash from operating activities	**(366 236)**	(350 259)	(653 286)
(Increase)/decrease in intangible assets	**(70 357)**	1 933 619	1 933 618
Increase in investments in subsidiaries	**(456 962)**	-	-
Loans advanced	**(152 970)**	(320 350)	(333 134)
Net cash from investing activities	**(680 289)**	1 613 269	1 600 484
Proceeds on share issue	**1 061 825**	6 000	28 537
Net cash flows from financing activities	**1 061 825**	6 000	28 537
Total cash movement for the period	**15 300**	1 269 010	975 735
Cash at the beginning of the period	**1 110 823**	135 086	135 086
Total cash at end of the period	**1 126 123**	1 404 096	1 110 821

Notes to the Financial Statements

1. Status of interim report

The Group unaudited condensed interim results for the 6 months ended 30 September 2017 have been prepared using the accounting policies applied by the Company in its 31 March 2017 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 2017 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 2017 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 Zinc in Zambia, 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	Six months ended 30	Year ended

	September 2017 (Unaudited) £	September 2016 (Unaudited) £	31 March 2017 (Audited) £
Loss on ordinary activities before taxation:			
United Kingdom	**(238 083)**	(323,203)	(710 210)
South Africa	**33 209**	(21,895)	(48 443)
USA	**(6 872)**	(192 977)	(630 044)
	(211 746)	(538 075)	(1 388 697)

4. Financial review

The Group reported a net loss of £ 211 746 (2016: £ 538 075) before and after taxation. Basic loss reported is 0.1 pence (2016: 0.3 pence) per share. Loss per share was based on a weighted average number of ordinary shares of 198 107 665 (2016: 193 996 557).

Operating expenses are down 32.71% to £ 347 190 compared to £ 515 923 in 2016.

5. Investment in Glenover Joint venture

The total funding provided from inception of the Glenover project, amounts to US$ 4.5 million, which results in Galileo's economic interest in Glenover to be 33.99 % as at 30 September 2017 (2016: 33.99 %).

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 "Glenover Project"), to advance the Project to a stage where it obtains a mining right ("MRA") from the Department of Mineral Resources ("DMR") 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 ("MRA") by way of a loan, convertible to 4% of the equity in Glenover Phosphate Proprietary Limited ("Glenover"). The Company has engaged a consulting group to execute the MRA.

Existing Project shareholder loans will be written down: Galileo's loan (ZAR1.9 million) will be netted off against FMO's loan (ZAR 10.6 million) and FMO's remaining agreed outstanding loan will be ZAR4 million. The loans so forgiven are included in the profit (2016 loss) of the Glenover project in an amount of £ 500 000 (ZAR9 million). Galileo's interest in the profit of the joint venture for the period under review amounted to £ 135 410 (2016: loss of £ 22 334).

6. Availability of the Interim Results

Copies of the Interim Results for the six months ended 30 September 2017 will be posted on the Company's website www.galileoresources.com 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.