

# GALILEO RESOURCES PLC

ANNUAL REPORT  
**2016**

Company Number: 056 79987

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*Holding Company*  
Galileo Resources Plc

*Country of incorporation and domicile*  
United Kingdom

*Nature of business and principal activities*  
The Company acts as a holding Company for subsidiary undertakings and investments engaged in the exploration of natural resources.

## Corporate Information

|                                   |                                                                                                                                                                                                                  |                                     |                                                                                           |
|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|-------------------------------------------------------------------------------------------|
| <b>Directors</b>                  | Colin Bird – <i>Chairman and CEO</i><br>Andrew F Sarosi – <i>Finance and Technical Director</i><br>Christopher Molefe – <i>Non-Executive Director</i><br>John Richard Wollenberg – <i>Non-Executive Director</i> |                                     |                                                                                           |
| <b>Secretarial Services</b>       | Capita Asset Services<br>34 Beckenham Road<br>Beckenham, Kent, BR3 4TU                                                                                                                                           | <b>Registrars</b>                   | Neville Registrars<br>Neville House, 18 Laurel Lane<br>Halesowen, West Midlands, B63 3DA  |
| <b>Registered Office</b>          | <b>United Kingdom</b><br>4th Floor<br>2 Cromwell Place<br>London, SW7 2JE                                                                                                                                        | <b>Banker</b>                       | National Westminster Bank Plc<br>186 Brompton Road<br>London, SW3 1XJ                     |
|                                   | <b>South Africa</b><br>7 Einstein Street<br>Highveld Techno Park<br>Centurion, 0157                                                                                                                              | <b>Nominated Advisor</b>            | Beaumont Cornish Limited<br>2nd Floor, Bowman House<br>29 Wilson Street, London, EC2M 2SJ |
| <b>Auditors</b>                   | Chapman Davis LLP<br>2 Chapel Court/Borough High St<br>London, SE1 1HH                                                                                                                                           | <b>UK Solicitors to the Company</b> | Fladgate LLP<br>16 Great Queen Street<br>London, WC2B 5DG                                 |
| <b>Broker</b>                     | Beaufort Securities Ltd<br>131 Finsbury Pavement<br>London, EC2A 1NT                                                                                                                                             |                                     |                                                                                           |
| <b>Incorporation No:</b> 05679987 |                                                                                                                                                                                                                  |                                     |                                                                                           |

## Strategic Report – Chairman's Report

Dear Shareholder

On 17 November 2015 we acquired an interest in the Concordia concession which is situated in the Okiep district of the Northern Cape. The Okiep district was one of the largest copper producing provinces in the world until the mid-1920's receiving a revival during the Second World War. Sporadic operations existed thereafter until deep mines were either exhausted or depleted. No significant mining has been carried out during this century since the model for production was deep underground/high grade. The last 20 years of copper mining has seen the average global mine copper grade drop from 1.3% to 0.6% with large open pits replacing deep underground mines. This trend is continuing and forecasters are predicting that the average mine head grade will decrease even further.

The Okiep district has never been seriously investigated for open pit possibilities. Galileo commissioned independent modelling of historical data and came to the conclusion that significant potential exists for a world class, mid-grade, open pit copper mine. The Company has made several announcements concerning various areas within the concession all of which have been positive and supports our proposition. The Operations Report covers Concordia in detail and contains a table which gives us a sizeable target which is growing the more work we do.

On 21 April 2016, we announced that we had entered into a farm-out agreement with Orogen Gold Plc for them to explore on our Silverton gold project 80 km north east of Tonopah, Nevada. The agreement allows Orogen Gold Plc to carry out an exploration programme to earn a 51% interest over 18 months. Galileo has the right to match future expenditures over a further 30 months or dilute to a 25% interest. The joint venture is detailed in the Operations Report.

Our 34% interest in the Glenover phosphate project has been under option to Fer-Min-Ore for the period under review and up until this report. Potential purchasers have been conducting due diligence and test work to determine suitability of the product for their processes. Whilst significant progress has been made, Fer-Min-Ore have yet to receive a firm offer consistent with their option arrangement.

On 30 August 2016 we announced that the option would lapse and we would work with Fer-Min-Ore to pursue two possibilities for value enhancement or sale.

The Nevada claim payments have all been paid and the properties are in good title standing until the end of August 2017. The North American resource investment market has improved dramatically resulting in a renaissance in Nevada and corporate interest in our properties. Nevada is seen as very prospective for both copper and gold and mid-tier mining companies are seeking to boost their metal inventories while junior companies are seeking prospective targets in reliable jurisdictions, such as Nevada. All of this has resulted in Galileo considering corporate activities around some or all of its Nevada interest.

On 30 August 2016 we announced that we have sold the Gabbs claims for USD2.5 million to a subsidiary of Waterton Precious Metals Fund II Cayman LP. Funds have been deposited in our bank.

On a more general note there appears to be a strengthening in junior mining markets as well as more developed company markets with some majors showing real gains. This trend is forecasted to continue with the resource sector gaining new favour relative to the fortunes of other sectors.

The fundamentals for copper, whilst only moderately improving during the year, show long term positive sentiment. The previous three years have seen exploration budgets slashed and new mine development plans shelved. This inevitably will lead to a shortfall in supply when new supply is most needed towards 2020. This will result in the usual reassessment of favourable exploration projects and should put Galileo in a strong position over the coming years.

There is general analyst consensus that the demand for copper will double by 2030, which in my opinion puts enormous pressure on the requirement for new sizeable discoveries. The countries to operate in are Chile, Zambia, Southern Africa and North America. There has been a serious shortage of exploration expenditure and new emerging projects are very much in short supply. Development in this regard should be closely watched. The factors that dictate the demand for copper are all strong, notwithstanding the uncertainties that geo-political risk carries. The forecast for developed markets' GDPs (Gross Domestic Product) remains robust and whilst at the moment it appears remote, this board still sees inflation around the corner which should be good for commodities in general.

The Group reported a net loss per ordinary share of 0.3 pence per share compared to a loss of 9.4 pence per share for the comparative period last year.

I would like to thank my fellow board members and small management team for their efforts during another year of consolidation, disposal and new venture acquisition. I sincerely hope that our work will, in the short and mid-term, result in major increase in shareholder prospects and value.

Colin Bird  
Chairman

7 September 2016

Colin Bird

## Strategic Report – Operations Report

### SUMMARY

#### South Africa

##### Concordia Copper Project ("Concordia")

On 14 January 2015 Galileo entered into a Cooperation and Joint Venture ("JV") Agreement ("JVA") with South African incorporated entity SHIP, in respect of the Concordia Copper Project ("Concordia") in the Okiep copper mining district, in Northern Cape Province of South Africa.

The Company's independent modelling by Minxcon Consulting (Pty) Ltd ("Minxcon") of the historical geologic drill data on Concordia, acquired through the JVA, confirmed the Company's prognosis of significant potential for copper tonnes and grade on four initial prospect areas.

Post period under review, further modeling and analysis of raw historical data on seven other areas in Concordia confirmed the Company's prognosis for large-scale copper targets, of which at least five demonstrate surface mining potential.

The Company has invited tenders for a programme for IP geophysics on these prospective targets with the aim of targeting areas for confirmation drilling and additional strike extension drilling in order to generate compliant Mineral Resource estimates for the Project.

*Location of Concordia Prospecting Area in RSA (Republic of South Africa)*

*Silverton – Heading north along Silverton fault*

Site visits to Silverton identified a new target with historic silver/gold workings along a cross structure. Orogen as operator commenced a focused re-mapping and sampling programme to confirm sites for an initial diamond drilling phase.

*Silverton – Part of the central concession area with heavily iron- stained volcanics; historic grab/chip samples from here run >1g/t Au*

*Source Minxcon*

#### USA

##### Silverton Property

Post period under review, the Company on 27 June 2016, concluded an Earn-In Agreement with Orogen Gold Plc ("Orogen"), in terms of which Orogen has the right to earn an initial 51% interest in Galileo's 6km<sup>2</sup> Silverton gold/silver property in Nye County, Nevada through exploration spend of USD400,000 over 18 month and may earn an additional 24% interest in the Property through a further exploration spend of USD1.5 million over a subsequent 30 month period. Colin Bird is a director and Chief Executive Officer of Orogen Gold Plc.

*Silverton – Main NE- trending E dipping rhyolite (volcanics) zone with widespread low-order gold values*

### Gabbs Property

Post period under review, the Company sold the Gabbs property for USD 2.5 million (GBP1.9 million) in cash. The proceeds will allow aggressive exploration of the South African Concordia Copper project and removes the requirement in the short to mid-term for capital raising with consequent share dilution.

### Ferber Property

On 21 July 2015, the Company executed two Exploration Lease and Option to Purchase Agreements to consolidate its land position at its Ferber project, through its subsidiary, St Vincent Minerals US Inc. Post period under review, the Company acquired further land position following a quitclaim by another mining company of 210 unpatented claims around the perimeter of its Ferber property.

### Crow Springs Property

The Company continued to review the geologic data and finalising a property-mapping programme in order to understand better the spatial relationship of the property with the Walker Lane trend and the extent of the quartz monzonite porphyries on the property, the geochemistry of which suggests mineralisation extends beyond the outcrops of old rhyolite intrusions. These lithologies appear similar to the lithology characteristics driving the neighboring large Columbus Gold discovery.

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

Post period under review, the option since 28 January 2015, to dispose of the Company's ownership of 34% in Glenover Phosphate (Pty) Ltd, the holding company of the Glenover Project, Fer-Min-Ore for USD4 million cash, expired on 28 August 2016. By mutual consent, the option lapsed with the parties however, concluding that at least two specific strategic opportunities existed and there was considerable scope for value enhancement. The parties are currently preparing a strategy for the mid-term.

The Department of Mineral Resources granted renewal of Glenover's prospecting right on the Glenover rare earth phosphate concession to November 2017.

### Operations

#### Concordia

Joint Venture Agreement.

The Company entered into a Cooperation and Joint Venture Agreement ("JVA") with SHIP, which holds the prospecting rights to the 36,373 hectare (363 km<sup>2</sup>) Concordia copper property ("Concordia") in the OKiep Copper District ("OCD") in the Namaqualand Complex in the Northern Cape Province of South Africa. This followed the binding and exclusive Memorandum of Understanding with SHIP, on 17 November 2015, for Galileo to earn-in and acquire up to an 80% interest (subject to a dilution by a Black Economic Empowered (BEE) partner to not less than 69.39%) in Concordia.

SHIP has access to a huge geologic database on the OCD, including 133,000 metres of drilling data on Concordia.

The terms of the JVA include, among other things:

- Galileo will earn-in a 51% beneficial interest in Concordia, by way of 51% beneficial shareholding in SHIP on expenditure of ZAR10 million (approximately GBP500,000) over 14 months on exploration and development.
- Post earn-in of 51% beneficial shareholding in SHIP, Galileo at its election has the option to incorporate a joint venture company (the "JVC") to own, manage and operate the Project. The JVC will acquire any and all of the Project related assets and liabilities from the Parties. Upon incorporation of the JVC, Galileo will hold a 51% beneficial shareholding and SHIP a 49% beneficial shareholding.
- Should Galileo elect to continue with exploration and development of the Project in the JVC, Galileo can acquire a further 29% beneficial shareholding, (making in aggregate 80%) by way of issue of 30 million new Galileo ordinary shares to SHIP. Galileo's interest in the JVC will be diluted to an interest of not less than 69.39% through a JVC share issue to a BEE partner.
- The 30 million Galileo shares will be subject to a 12-month lock-in, after which Galileo will use its best endeavours to sell 20% of such shares if so requested by SHIP.
- Should Galileo elect not to continue with its participation in the project beyond the ZAR10 million expenditure, Galileo will dilute to a 15% beneficial shareholding in the Project and JVC.
- Galileo deposits in a nominated account ZAR6,000,000 (approximately £272,000) by no later than 15 March 2016 and ZAR4,000,000 (approximately £125,000) by no later than 1 September 2016. These payments were made.

The Department of Mineral Resources granted a renewal of SHIP's prospecting right on the Concordia property to 17 August 2019.

#### Exploration

Following a positive preliminary computer modelling assessment of historical drilling, geological mapping and geophysical data on Concordia, the Company commissioned Minxcon Consulting (Pty) Ltd (<http://www.minxcon.co.za/>), a multifaceted independent South African geological and mining consulting group to review and model the geological database, which generated high-level estimates for four historically drilled prospects on Concordia, namely:- Koeëlkop, Wheal Julia, Whytes West and Klondike. See Table 1.

**Table 1: The Results of the Non-Compliant Mineral Resource Estimates Conducted by Minxcon**

| Prospect      | Cut-off Grade<br>% Cu | Tonnes<br>Mt | Cu<br>Grade<br>% | Cu<br>Content<br>Tonnes | Metres<br>Modelled<br>m | % Strike<br>Modelled<br>% |
|---------------|-----------------------|--------------|------------------|-------------------------|-------------------------|---------------------------|
| Koeëlkop*     | 0.2                   | 10.9         | 0.35             | 38,238                  | 1,400                   | 35                        |
|               | 0.35                  | 4.2          | 0.51             | 21,205                  |                         |                           |
| Wheal Julia   | 0.2                   | 62.6         | 0.44             | 275,459                 | 750                     | 37.5                      |
|               | 0.35                  | 37.7         | 0.55             | 207,863                 |                         |                           |
| Whyte's West* | 0.2                   | 34.6         | 0.39             | 135,918                 | 390                     | 9.75                      |
|               | 0.35                  | 15.1         | 0.54             | 81,894                  |                         |                           |
| Klondike      | 0.2                   | 2.5          | 0.57             | 14,263                  | 700                     | 35                        |
|               | 0.35                  | 2.1          | 0.63             | 13,141                  |                         |                           |
| Total         | 0.2                   | 110.6        | 0.42             | 463,878                 | 3,240                   | 40.5                      |
|               | 0.35                  | 59.1         | 0.55             | 324,103                 |                         |                           |

\* Combined Strike Modelled = 44.75% as portions of the targets in question

Post period under review, Minxcon conducted a desktop study to identify and rank additional prospective areas. Minxcon sourced additional historical data, conducted an independent re-interpretation of existing data, and identified an additional seven, prospective, copper targets within the Concordia Project with the potential of accommodating a significant volume of possible copper mineralised host lithologies. Five of the targets identified

present potential for shallow, near surface, open pittable copper mineralised zone targets. The Minxcon and Galileo teams grouped some selected targets in the order shown in Table 2 below, based on synergies relating to coherent geological structure, geophysical anomalies and relative locality into the eastern Homeep (including Koeëlkop) Trend, the western Shirley (including Klondike) Trend and the Henderson and Henderson North area.

**Table 2 : High Priority Targets Identified During the Minxcon Desktop Study**

| Project                       | Strike<br>m | Width<br>m | Depth<br>m | %Cu<br>%    | Rock<br>Mass<br>Mt | Cu<br>Tonnes <sup>(a)</sup><br>Mt |
|-------------------------------|-------------|------------|------------|-------------|--------------------|-----------------------------------|
| Homeep                        | 5000        | 38.8       | 300        | 0.58        | 168.56             | 0.49                              |
| Koeëlkop (incl. Whytes' West) | 4000        | 30.0       | 300        | 0.57        | 104.40             | 0.29                              |
| Shirley                       | 5000        | 38.8       | 300        | 0.58        | 168.56             | 0.49                              |
| Klondike                      | 2000        | 25.0       | 300        | 0.63        | 43.50              | 0.14                              |
| Henderson                     | 1500        | 38.8       | 300        | 0.58        | 50.57              | 0.15                              |
| Henderson North               | 1000        | 38.8       | 300        | 0.58        | 33.71              | 0.10                              |
| Ring Dyke                     | 2000        | 38.8       | 300        | 0.58        | 67.43              | 0.19                              |
| Twefontein                    | 2000        | 38.8       | 300        | 0.58        | 67.43              | 0.19                              |
| Horneman                      | 1100        | 38.8       | 200        | 0.58        | 24.72              | 0.07                              |
| Kliphoog North                | 1300        | 38.8       | 200        | 0.58        | 29.22              | 0.08                              |
| Hester Maria                  | 1800        | 38.8       | 200        | 0.58        | 40.46              | 0.12                              |
| <b>Total</b>                  |             |            |            | <b>0.58</b> | <b>798.55</b>      | <b>2.31</b>                       |

<sup>(a)</sup> Notes (Table 2): Copper tonnes reported equates to approximately 50% of potential host lithology being mineralised (based on current available data)

*Minxcon Disclaimer: "Minxcon has ranked the targets resulting from the desktop study in the above table, based upon its perception of the data available to them at the time of the desktop study. The above tables are subject to change with the progression of exploration activities. The above targets represent areas of documented and/or mapped copper occurrences (based on existing data), or in some cases even historical mines (Henderson (Jubilee Mine), Homeep and Wheal Julia) and have the potential for extensions along strike and/or dip. The figures in the tables presented should in no way be misconstrued to represent compliant Mineral Resource estimates nor to represent the definition of a compliant Exploration Target in terms of the various Reporting Codes, as all tonnages, grades, depths and strikes are highly conceptual in nature at this stage and require the proper exploration practices in order to prove their existence or to convert them eventually to a compliant Mineral Resource."*

### Future Exploration

Following completion of the current exploration and desk top study programme and assessment of the results and strategy, the Company's immediate exploration strategies for each target will include historical data assimilation, possible resampling of previous core, data ground-truthing comprising mapping, IP geophysics, confirmation drilling and additional strike extension drilling with the aim of generating compliant Mineral Resource estimates for the Project.

To this end the Company has invited tenders for an initial programme for IP geophysics on these areas with the aim of targeting areas for confirmation drilling and additional strike extension drilling.

The Concordia area is also known for its Wolframite (a major ore of tungsten) deposits some of which were historically mined at surface or at shallow depth. The intention is to conduct an assessment of these in due course.

### About Concordia

Concordia is located in the Okiep Copper District ("OCD"), within the Bushmanland mobile belt in the Namaqualand region of the Northern Cape Province of South Africa. The OCD is approximately 600 kilometres ("km") (370 miles) from Cape Town and the town of Concordia is within 30 km of the town of Springbok.

The Project area and prospecting license covers a little more than 36,000 hectares (360 km<sup>2</sup>) on the farm Concordia (ERF 1251) some 15 km north east of the closed O'Kiep copper mine, which at one stage was the 2nd largest copper producer in Southern Africa after the Phalaborwa copper mine (still in production) in the Limpopo Province.

The OCD has been subjected to intense geological and geophysical exploration over the past 55 years to 1998. While this exploration included 1300 km drilling, of which 133,000 m were in the Project area, the focus of this historic drilling targeted high grade underground deposits that were emplaced at depth within steeply dipping structures comprising basic rocks of anorthosite, diorite and norite of the major Koperberg (Old Dutch – copper mountain) Geological Suite (KS). Excellent outcropping of the KS and associated sympathetic geophysical anomalies made locating these copper bearing deposits relatively easy. These easily located deposits are now all but depleted.

Total production and known reserves from these deposits as at 1985 was 2 Mt (million tonnes) of Cu from/within 27 separate localities over an area of around 3000 km<sup>2</sup>. The total production plus reserves for the period 1940 to 1979 was 95 Mt @ 1.75% Cu, with individual mines including Okiep, Spektakel, Carolusberg, Nababeep and Concordia, ranging in production from 0.2 Mt to 37 Mt.

The mined and known copper deposits are confined to the KS, the youngest major group of intrusives in the district,

which occurs as swarms of generally irregular, easterly trending, steep north dipping, dyke-like bodies, usually 60 to 100 m wide, and seldom exceeding 1 km in continuous strike length. The Koperberg suite bodies are found within narrow linear antiformal structures (locally called 'steep structures'), along which the continuity of the adjoining 'intruded' Namaqualand Metamorphic Complex rocks has been interrupted by piercement folding and faulting. In places pipe-like bodies of 'mega-breccia' that generally lie along these structures are hosts to the Koperberg Suite.

Steep structures, 'mega-breccias' and the Koperberg Suite all post date the major fold events. The KS comprises mainly basic rock types of diorite, anorthosite and norite in order of decreasing abundance. Many of the Koperberg Suite bodies are entirely uniform, while others are composite. There is some evidence for initial anorthosite, followed by progressively more basic types.

The copper is associated with the more basic lithologies. The copper sulphides, mainly chalcopyrite (CuFeS<sub>2</sub>) and bornite (Cu<sub>5</sub>FeS<sub>4</sub>) with subsidiary chalcocite (Cu<sub>2</sub>S), range from fine disseminations, to coarse granular, to vein aggregates, to local massive concentrations. Pyrite (FeS<sub>2</sub>) is widespread but in small amounts, sometimes containing traces of cobalt. Pyrrhotite (~FeS) is present in some orebodies, with associated pentlandite (NiFeS), while minor galena (PbS) and sphalerite (ZnFeS) is found in others. The sulphides post-date silicate and oxide minerals and are present in a number of forms including, interstitially between silicate grains; as granular aggregates with silicates; along cleavage planes of hypersthene and mica; and replacing Fe-Ti-oxides. Localised hydrothermal alteration of hypersthene around sulphide grains is a conspicuous feature in little altered host rock.

### SHIP

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

*Geology and plot of historical copper occurrences in Concordia concession*

*Source Minxcon Consulting*

#### Geology and Mineralisation

The Ferber property is underlain by a stratigraphic sequence of Pennsylvania-Permian age carbonate units thought to include the Rib Hill Formation, Riepe Spring Formation, Ferguson Mountain Formation, and possibly the Pequop Formation. The sedimentary units are intruded and domed by a multi-phase diorite-quartz monzonite Tertiary-aged igneous complex. The intrusive complex has an exposed footprint of 6.1 km east-west by 1.6 km north-south. A contact metamorphic marble and calc-silicate zone are found at the margin of the intrusive complex. The project area is intersected by a number east-west, north-northwest and north-east trending faults. Copper and gold mineralisation occurs in the following styles: calc-silicate skarn near the intrusive contact, as replacement zones in the marble, in silicified shear zones and veins near contacts, along structures and horizons in silicated marble and as disseminations in the stock. Information contained in the data package acquired as part of the land acquisition show historic drilling by Royal Gold in the 1990s encountered the following intercepts on lands at Ferber:

- 10.8 m of 0.53 g/t Au in marble with iron oxides
- 4.6 m of 2.15 g/t Au in oxidized intrusive
- 4.6 m of 0.718% Cu (oxide) in intrusive
- 26.2 m of 0.415% Cu (oxide) in contact zone
- 12.3 m of 0.832% Cu (oxide) in contact zone

#### Ferber Property

The Ferber property is a historic producer of gold and copper and hosts widespread gold and copper mineralisation. At near by Kinsley Mountain (15 km to the west), a reinterpretation of the regional and local geology and subsequent drilling by a former producer of gold controlled by "Pilot Gold" (listed on the Toronto Stock Exchange), has revealed high grade gold up to 21.3g/t over 29 metres (m) and 10.5g/t over 42.7 m. (Note: Galileo has no ownership interest in the Kinsley Mountain project).

On 21 July 2015, the Company executed two Exploration Lease and Option to Purchase Agreements to consolidate its land position at its Ferber project, through its subsidiaries, St Vincent Minerals Inc and St Vincent Minerals US Inc.

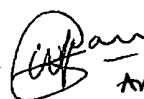
This increased the Company's position at Ferber to 102 unpatented and 21 patented mining claims covering 2,377 contiguous acres at Ferber from previous 88 unpatented mining claims covering 1,760 acres.

Post period under review, the Company acquired an additional 210 claims ("Claims") around the perimeter of its Ferber property following a major mining company's quitclaim of the Claims to Galileo's subsidiary St Vincent Minerals US Inc.

Andrew Sarosi  
Technical and Finance Director

7 September 2016

Company Number 05679987

  
Andrew Sarosi

## **Directors' Report**

### **1. REVIEW OF ACTIVITIES**

The Group's main activities are contained in this annual report. Details of the likely future developments of the Group have been addressed in the Chairman's report and the Operations report.

#### **Principal activities**

Galileo Resources Plc (AIM : GLR) is a focused resource company whose mission is to identify above average projects where the fundamentals are fully understood and have been released by significant raw data capture. The strategy is to acquire projects where early risk has been mitigated and major potential exists for value-add. All of our projects satisfy these strategic criteria and subject to financing and other constraints, the Company will continue to opportunistically grow and develop the Company.

#### **Business review**

The function of the business review is to provide a balanced and comprehensive review of the Group's performance and developments during the year and its position at the year-end. The review also covers the principal risks and uncertainties faced by the Group. At this stage in the Group's development, the key performance indicators that the directors monitor on a regular basis are management of liquid resources, which are cash flows and bank balances. The results of the Company and the Group for the year are set out in the audited financial statements on pages 16 to 45.

A review of the Group's operations during the year ended 31 March 2016 and future developments is contained in the Chairman's Report and in the Operations Report on pages 3 to 8.

#### **Key performance indicators**

Key performance indicators in assessing the performance of the Group have been considered in detail within the Operations Report.

Galileo is a resource/development company specialising in the acquisition of projects which can be brought into production in the near term. Its portfolio consists of a South African Copper exploration project known as Concordia, located in the Northern Cape. This project was acquired in November 2015 and the Company is currently evaluating all previous data in preparation for a confirmatory drilling programme.

On 30 August 2016 the Gabbs Property was sold for USD2.5 million to a subsidiary of Waterton Precious Metals

Fund II Cayman, LP. Galileo, in May 2014, acquired St Vincent Minerals, a Canadian-based company, which owned the Gabbs Property in Nevada, a copper/gold project and other earlier stage copper/gold properties. This asset at the time fitted in with the Company's strategy to invest in near-term production assets with proven resources. The Company has a South African Rare Earth Phosphate project, which has undergone independent preliminary economic assessment. The Company granted Fer-Min-Ore an option in January 2015 with subsequent extensions which lapsed on 28 August 2016. The Company is working with its partner on two options to add value to the position.

#### **Financial review**

The Group reported a net loss of £419,294 (2015: £10,726,785) before and after taxation. Basic and diluted loss was of 0.3 pence (2015: loss of 9.4 pence) per share.

The ZAR stood its ground against the GBP during the period under review as did the USD. The Group tightened its cost management and a significant reduction in overheads were achieved during the period under review supporting the working capital requirements of the Group. Operating expenses before impairment losses were £0.4 million compared to £0.6 million in 2015.

#### **Risk review**

The board and the executive committee keep the risks inherent in an exploration business under constant review. The principal risks for an exploration company and the measures taken by the Company to mitigate them are detailed below:

#### **Political risk**

Political risk is the risk that assets will be lost through expropriation and unrest or war. The Group minimises political risk by operating in countries with relatively stable political systems, established fiscal and mining codes and a respect for the rule of law. The Company has instigated a black economic empowerment policy to comply with the South African mining charter, code of practice and black economic legislation.

#### **Commodity risk**

Commodity risk is the risk that the price earned for minerals will fall to a point where it becomes uneconomic to extract them from the ground and process. The principal metals in the Group's portfolio are gold, copper and rare earth elements ("REE") and phosphorus (as phosphate). The prices of these elements have decreased during the year but nevertheless remain in general viable. The economics of

all the Group's projects are kept under close review on a regular basis.

#### **Financial risk**

The three main types of financial risk faced by the Group are credit risk, liquidity risk and currency risk. Liquidity risk is the risk of insufficient working and investment capital. The Group's goal is to finance its exploration and activities from operational cash flow from operations but in the absence of such cash flow, the Group relies on the issue of equity share capital to finance its activities. Galileo secured additional funds by way of a placing during the year under review to advance exploration activities in order to further develop a mineral resource estimate, advance metallurgical test work and continue with a Preliminary Economic Assessment ("PEA") of the Company's Glenover project.

The Group finances its overseas operations by purchasing South African Rand with Pound Sterling in the United Kingdom and transferring it to meet local operating costs. The Group does not hedge its exposure and is therefore exposed to currency fluctuations between these two currencies and local currencies but this policy will be reviewed from time to time. The Group maintains tight financial and budgetary control to keep its operations cost effective to mitigate these financial risks.

#### **Strategic risk**

Significant and increasing competition exists for mineral acquisition opportunities throughout the world. As a result of this competition, the Group may be unable to acquire rights to exploit additional attractive mining properties on terms it considers acceptable. Accordingly, there can be no assurance that the Group will acquire any interest in additional operations that would yield reserves or result in commercial mining operations. The Group expects to undertake sufficient due diligence where warranted to help ensure opportunities are subjected to proper evaluation.

#### **Funding risk**

The Group has raised funds via equity contributions from new and existing shareholders and asset disposal, thereby ensuring the Company remains a going concern until such time that it enters into an off-take agreement/debt financial arrangement. The directors regularly review cash flow requirements to ensure the Company can meet financial obligations as and when they fall due.

#### **Exploration risk**

Exploration risk is the risk of investing cash and resources on projects which may not provide a return. The Group addresses this risk by using its skills, experience and local knowledge to select only the most promising areas to explore. Mineral exploration and development of the Group's mineral exploration properties is speculative in nature and is contingent upon obtaining satisfactory exploration results. Mineral exploration and development involves substantial expenses and a high degree of risk, which even a combination of experience, knowledge and

careful evaluation may not be able adequately to mitigate. The degree of risk reduces substantially when a Group's properties move from the exploration phase to the development phase.

#### **Operational risk**

Exploration and subsequent mining operations are subject to hazards normally encountered in exploration, development and production. Although it is intended to take adequate precautions during each stage of development to minimise risk, there is a possibility of a material adverse impact on the Group's operations and its financial results. The Group will develop and maintain policies appropriate to the stage of development of its various projects. Recruiting and retaining skilled and qualified personnel are critical to the Group's success. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. While the Group has good relations with its employees, these relations may be impacted by changes in the scheme of labour relations, which may be introduced by the relevant governmental authorities. Adverse changes in such legislation may have a material adverse effect on the Group's business, results of operations and financial condition. Members of staff are encouraged to discuss with management matters of interest to the employees and subjects affecting day-to-day operations of the Group.

#### **Mining risk**

There is no guarantee that the minerals contained in the various assets can be mined either practically, technically or at a cost less than the realisable value of the contained minerals. The cost of development and access may preclude the development of the mine. Should a mine be developed there is no assurance that operations can continue since operations are dependent on product prices, direct operating cost and the cost of "stay in business" capital. Mining operations are often challenged by difficult mining and/or slope stability conditions, variability of grade, excess water and small faulting. All of these factors could adversely affect mining production rate and therefore profitability.

#### **Processing risk**

REEs are relatively difficult to process and as such require complex chemistry solutions to gain satisfactory recovery and quality. The recovery of one element may be at the sacrifice of another rare-earth element and no assurance can be given that the ultimate suite of elements that can be recovered can be done so economically. Should the Company elect to progress to recovery only to concentrate, then there is no assurance that a global market exists for the concentrate. Shareholders and investors should be aware that the cost of building a rare-earth processing plant is considerably higher than other mineral processing plants and that the Company may not be able to raise sufficient finance to build such a plant.

### Political stability

The Group is conducting its activities in South Africa and in the United States of America. The directors believe that the government of South Africa supports the development of natural resources by foreign investors and actively monitors the situation. However, there is no assurance that future political and economic conditions in South Africa will not result in the government of South Africa adopting different policies regarding foreign development and ownership of mineral resources. Any changes in policy affecting ownership of assets, taxation, rates of exchange, environmental protection, labour relations, repatriation of income and return of capital, may affect the Group's ability to develop the projects. The Company is complying with current South African mining charter code of practice and black economic empowerment legislation (refer to the directors' report). The politics of the USA are well understood and transparent with full democracy. Federal law could change in the USA thereby affecting the cost of mineral concession ownership. Nevada Mining Law could change to the detriment of future mining development.

### Uninsurable risks

The Group may become subject to liability for accidents, pollution and other hazards, which it cannot insure or against which it may elect not to insure because of premium costs or for other reasons, such as in amounts, which exceed policy limits.

### Security of tenure

The Group investigates its rights to explore and extract minerals from all of its material properties and, to the best of its knowledge; those rights are expected to be in good standing. However, no assurance can be given that the Group will be able to secure the grant or the renewal of existing mineral rights and tenures on terms satisfactory to it, or that governments in the jurisdiction in which the Group operates will not revoke or significantly alter such rights or tenures or that such rights or tenures will not be challenged or impugned by third parties, including local governments or other claimants. Although the Group is not aware of any existing title uncertainties with respect to any of its future material properties, there is no assurance that such uncertainties, if negative, will not result in future losses or additional expenditures, which could have an adverse impact on the Group's future cash flows, earnings, results of operations and financial condition.

### Market perception

Market perception of mining and exploration companies may change, which could impact on the value of investors' holdings and impact on the ability of the Company to raise further funds by issue of further shares in the Company.

### Glenover licence

Glenover has six new order prospecting rights covering a surface area of 15,802 hectares. These mineral assets are located primarily on the farm Glenover 371 LQ, but are also

spread across other farms. The Department of Mineral Resources granted renewal of Glenover's prospecting right on the Glenover rare earth phosphate concession to November 2017.

### Environmental factors

All mining operations have some degree of an environmental risk. Although the directors have made reasonable assessment, no assurance can be given that no outstanding or intended claims against disturbance of the environment exist. Rare earths are often associated with radioactivity and the Glenover project has amongst other minerals, radioactive thorium present in the ore. The directors have considered the significance of this and what potential problems may be presented due to the presence of radioactive minerals. They have concluded that the potential radioactivity will not prevent operations but no assurance can be given that the presence of radioactivity will impact on either capital or operating cost or both. In addition, the Group will also be subjected to, where appropriate, clean-up costs and for any toxic or hazardous substances, which may be produced as a result of its operation. Environmental legislation and permitting are evolving in a non-mining supportive manner, which could result in onerous standards and enforcement with the risk of consequential fines, penalties and closure. As the Company develops, the directors intend to carry out the appropriate environmental base-line studies with experts outsourced from independent environmental consultancies.

### Reserve and resource estimates

The Group's future reported reserves and resources of Glenover are only estimates. No assurance can be given that the estimated reserves and resources will be recovered or that they will be recovered at the rates estimated. Mineral and metal reserve and resource estimates are based on limited sampling and, consequently, are uncertain because the samples may not be representative. Mineral and metal reserve and resource estimates may require revision (either up or down) based on actual production experience or further sampling. Any future reserve and/or resource figures will be estimates and there can be no assurance that the minerals are present, will be recovered or can be brought into profitable production. Furthermore, a decline in the market price for natural resources that the Group may discover or invest in could render reserves containing relatively lower grades of these resources uneconomic to recover and may ultimately result in a restatement of reserves.

## 2. GOING CONCERN

The Group has sufficient financial resources to enable it to continue in operational existence for the foreseeable future, to continue the current development programme and meet its liabilities as they fall due. The directors have further reviewed the Group's cash flow forecast. In the light of this review and the current financial position, they are satisfied that the Company and Group have access to adequate resources to continue in operational existence for

the foreseeable future. Accordingly, the directors consider it appropriate to continue to adopt the going-concern basis in preparing these financial statements. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 3. EVENTS AFTER THE REPORTING PERIOD

Other than the events described in the Operations Report and the transactions described below, the directors are not aware of any matter or circumstances arising that should be disclosed since the end of the financial year. Refer to note 35 for details on subsequent events.

### 4. DIRECTORS' SHAREHOLDING ANALYSIS

Directors' direct and indirect interests in the ordinary shares of the Company as at the date of this report were as follows:

|                           | At 31 March 2016 |           | At 31 March 2015 |           |
|---------------------------|------------------|-----------|------------------|-----------|
|                           | Shares           | % holding | Shares           | % holding |
| Beneficial owner          |                  |           |                  |           |
| Colin Bird                | 48,185,000       | 24.81     | 43,185,000       | 34.69     |
| Andrew Sarosi             | 10,000           | 0.01      | 10,000           | 0.01      |
| John Richard Wollenberg   | 3,300,000        | 1.70      | 2,800,000        | 2.25      |
| The Cardiff Property plc* | 900,000          | 0.46      | 900,000          | 0.72      |

\*John Richard Wollenberg and his family are 43.86% shareholders in the Cardiff Property plc

Colin Bird holds 48,185,000 ordinary shares of 1 pence each or 24.81% of the Company's issued share capital. This makes him a majority shareholder in Galileo with potentially significant influence over the affairs of the Company.

Refer to note 31 for directors' emoluments and options granted to the directors.

### 5. CAPITAL STRUCTURE AND SHARE ISSUE

During the period under review the Company issued 69,250,000 new ordinary shares as follows:

| Date             | Number of ordinary shares | Purpose of issue   |
|------------------|---------------------------|--------------------|
| 19 August 2015   | 31,250,000                | Issue for cash     |
| 17 December 2015 | 500,000                   | Settlement of debt |
| 1 March 2016     | 32,000,000                | Issue for cash     |
| 1 March 2016     | 5,500,000                 | Director dealing   |

Subsequent to the period under review the Company issued 500,000 new ordinary shares as follows:

|              |         |                    |
|--------------|---------|--------------------|
| 5 April 2016 | 500,000 | Settlement of debt |
|--------------|---------|--------------------|

#### Allotment of shares

As special business at the annual general meeting, a resolution will be proposed to renew the power of your directors to allot equity securities, pursuant to section 551 of the Companies Act 2006, such power being to equity securities having an aggregate nominal value of £194,253.

This authority may be renewed for five years but, in common with modern corporate governance practice, it is your directors' intention that the resolution be limited to one year and that its renewal be proposed at each annual general meeting.

#### Pre-emption rights

As special business at the annual general meeting, a resolution will be proposed to renew for a further year the power of your directors to allot equity securities for cash without first offering such securities to existing shareholders. The aggregate nominal amount of equity securities, which may be allotted in this way shall not exceed £194,253.

### 6. DIVIDENDS

No dividends were declared or paid to shareholders during the year under review.

### 7. DIRECTORS

The directors of the Company during the year and to the date of this report are disclosed under Corporate Information on page 2 of this report.

## 8. SECRETARY

The secretary of the Company is Capita Asset Services, a division of Capita Registrars Ltd with address: 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

## 9. AUDITORS

A resolution proposing the appointment of the auditors, Chapman Davis LLP, will be put to vote at the annual general meeting.

## 10. DISCLOSURE OF INFORMATION TO AUDITORS

The directors, who held office at the date of approval of this directors' report, confirm that as far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

## 11. DIRECTORS' RESPONSIBILITIES AND APPROVAL

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 judgements 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.

## 12. RELATED PARTY TRANSACTIONS

Related party transactions are disclosed in note 29.

## 13. FINANCIAL INSTRUMENTS

For the period under review the Group held no financial instruments, outside of cash and receivables. Financial risk management policies are disclosed in note 32.

## 14. POLITICAL AND CHARITABLE CONTRIBUTIONS

The Group made no charitable donations (2015: £Nil) and no political donations (2015: £Nil) during the year.

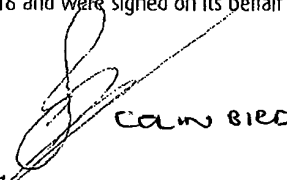
The Company's independent auditors, Chapman Davis LLP, audited the Group's consolidated annual financial statement, and their report is presented on pages 14-15.

The Group and Company annual financial statements set out on pages 16 to 45, which have been prepared on the going-concern basis, were approved by the Board on 7 September 2016 and were signed on its behalf by:

Colin Bird  
Chairman

7 September 2016

COMPANY NUMBER: 05679987



## **Independent Auditors' Report**

### **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF GALILEO RESOURCES PLC**

We have audited the financial statements of Galileo Resources Plc for the year ended 31 March 2016 which comprise the Group and Company Statements of Financial Position, Statements of Comprehensive Income, Statements of Changes in Equity, Statements of Cash Flows and the related notes 1 to 35. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities set out in the Directors' Report, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Group Strategic Report and the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent company's affairs as at 31 March 2016 and of the Group's and the parent company's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

#### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Group Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we required for our audit.

We have nothing to report by exception.

**Rowan J Palmer**  
(Senior Statutory Auditor)

For and on behalf of Chapman Davis LLP  
Chartered Accountants and Statutory Auditors  
London  
United Kingdom

7 September 2016

## Statements of Financial Position

as at 31 March 2016

| Figures in Pound Sterling                | Note(s) | Group        |              | Company      |              |
|------------------------------------------|---------|--------------|--------------|--------------|--------------|
|                                          |         | 2016         | 2015         | 2016         | 2015         |
| <b>Assets</b>                            |         |              |              |              |              |
| <b>Non-current assets</b>                |         |              |              |              |              |
| Intangible assets                        | 4       | 2,667,062    | 2,487,111    | -            | -            |
| Investments in subsidiaries              | 5       | -            | -            | 2,357,599    | 2,357,599    |
| Investment in joint ventures             | 6       | 1,868,370    | 2,257,137    | -            | -            |
| Loans to joint ventures and subsidiaries | 7       | 79,457       | 94,412       | 5,350,128    | 5,192,559    |
| Other financial assets                   | 8       | 556,078      | 369,543      | 198,908      | -            |
|                                          |         | 5,170,967    | 5,208,203    | 7,906,635    | 7,550,158    |
| <b>Current assets</b>                    |         |              |              |              |              |
| Trade and other receivables              | 10      | 20,453       | 20,321       | -            | -            |
| Cash and cash equivalents                | 11      | 135,086      | 180,871      | 136,264      | 173,042      |
|                                          |         | 155,539      | 201,192      | 136,264      | 173,042      |
| <b>Total assets</b>                      |         | 5,326,506    | 5,409,395    | 8,042,899    | 7,723,200    |
| <b>Equity and liabilities</b>            |         |              |              |              |              |
| <b>Equity</b>                            |         |              |              |              |              |
| Share capital                            | 12      | 23,854,957   | 23,153,707   | 23,854,957   | 23,153,707   |
| Reserves                                 |         | 155,384      | 520,256      | 1,834,960    | 1,834,960    |
| Accumulated loss                         |         | (18,977,249) | (18,557,622) | (17,711,657) | (17,330,857) |
|                                          |         | 5,033,092    | 5,116,341    | 7,978,260    | 7,657,810    |
| <b>Liabilities</b>                       |         |              |              |              |              |
| <b>Non-current liabilities</b>           |         |              |              |              |              |
| Other financial liabilities              | 15      | 2,692        | 2,675        | -            | -            |
| <b>Current liabilities</b>               |         |              |              |              |              |
| Trade and other payables                 | 16      | 290,722      | 290,379      | 64,639       | 65,390       |
| <b>Total liabilities</b>                 |         | 293,414      | 293,054      | 64,639       | 65,390       |
| <b>Total equity and liabilities</b>      |         | 5,326,506    | 5,409,395    | 8,042,899    | 7,723,200    |

These financial statements were approved by the directors and authorised for issue on 7 September 2016 and are signed on their behalf by

Colin Bird

Andrew Sarosi

Company number: 05679987

## Statements of Comprehensive Income

for the year ended 31 March 2016

| Figures in Pound Sterling                              | Note(s) | Group            |                     | Company          |                     |
|--------------------------------------------------------|---------|------------------|---------------------|------------------|---------------------|
|                                                        |         | 2016             | 2015                | 2016             | 2015                |
| <b>Revenue</b>                                         |         |                  |                     |                  |                     |
| Operating expenses                                     | 18      | (435,862)        | (10,772,494)        | (381,575)        | (10,680,523)        |
| <b>Operating loss</b>                                  |         | <b>(435,862)</b> | <b>(10,772,494)</b> | <b>(381,575)</b> | <b>(10,680,523)</b> |
| Investment revenue                                     | 19      | 48,578           | 49,118              | 775              | 778                 |
| Finance Costs                                          |         | (2)              | -                   | -                | -                   |
| Fair value adjustments                                 | 20      | -                | 8,394               | -                | 8,394               |
| Loss from equity accounted investments                 | 6       | (32,341)         | (11,803)            | -                | -                   |
| <b>Loss for the year</b>                               |         | <b>(419,627)</b> | <b>(10,726,785)</b> | <b>(380,800)</b> | <b>(10,671,351)</b> |
| <b>Other comprehensive income:</b>                     |         |                  |                     |                  |                     |
| Exchange differences on translating foreign operations | 24      | (364,872)        | 3,208,498           | -                | -                   |
| <b>Total comprehensive loss for the year</b>           |         | <b>(784,499)</b> | <b>(7,518,287)</b>  | <b>(380,800)</b> | <b>(10,671,351)</b> |
| Loss per share in pence (basic)                        | 25      | (0.3)            | (9.4)               |                  |                     |

All operating expenses and operating losses relate to continuing activities.

# Statements of Changes in Equity

as at 31 March 2016

| 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 |
|---------------------------------------------------------------------------------------------|---------------|---------------|---------------------|--------------------------------------|----------------|-----------------------------|----------------|------------------|--------------|
| <b>Group</b>                                                                                |               |               |                     |                                      |                |                             |                |                  |              |
| Balance at 1 April 2014                                                                     | 4,415,359     | 17,188,573    | 21,603,932          | (4,523,202)                          | -              | 787,139                     | (3,736,063)    | (7,830,837)      | 10,037,032   |
| Loss for the year                                                                           | -             | -             | -                   | -                                    | -              | -                           | -              | (10,726,785)     | (10,726,785) |
| Other comprehensive income                                                                  | -             | -             | -                   | 3,208,498                            | -              | -                           | 3,208,498      | -                | 3,208,498    |
| Total comprehensive loss for the year                                                       | -             | -             | -                   | 3,208,498                            | -              | -                           | 3,208,498      | (10,726,785)     | (7,518,287)  |
| Issue of shares                                                                             | 1,319,778     | 229,997       | 1,549,775           | -                                    | 1,047,821      | -                           | 1,047,821      | -                | 2,597,596    |
| Total contributions by and distributions to owners of Company recognised directly in equity | 1,319,778     | 229,997       | 1,549,775           | -                                    | 1,047,821      | -                           | 1,047,821      | -                | 2,597,596    |
| Balance at 1 April 2015                                                                     | 5,735,137     | 17,418,570    | 23,153,707          | (1,314,704)                          | 1,047,821      | 787,139                     | 520,256        | (18,557,522)     | 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    |

| Figures in Pound Sterling                                                                       | Share capital | Share premium | Total share capital | Foreign currency transaction reserve | Convertible instruments reserve | Other NDR | Total reserves | Accumulated loss | Total equity |
|-------------------------------------------------------------------------------------------------|---------------|---------------|---------------------|--------------------------------------|---------------------------------|-----------|----------------|------------------|--------------|
| <b>Company</b>                                                                                  |               |               |                     |                                      |                                 |           |                |                  |              |
| Balance at 1 April 2014                                                                         | 4,415,359     | 17,188,573    | 21,603,932          | -                                    | -                               | 787,139   | 787,139        | (6,659,506)      | 15,731,565   |
| Loss for the year                                                                               | -             | -             | -                   | -                                    | -                               | -         | -              | (10,671,351)     | (10,671,351) |
| Total comprehensive loss for the year                                                           | -             | -             | -                   | -                                    | -                               | -         | -              | (10,671,351)     | (10,671,351) |
| Issue of shares                                                                                 | 1,319,778     | 229,997       | 1,549,775           | -                                    | 1,047,821                       | -         | 1,047,821      | -                | 2,597,596    |
| Total contributions by and distributions to owners of Company recognised directly in equity     | 1,319,778     | 229,997       | 1,549,775           | -                                    | 1,047,821                       | -         | 1,047,821      | -                | 2,597,596    |
| Balance at 1 April 2015                                                                         | 5,735,137     | 17,418,570    | 23,153,707          | -                                    | 1,047,821                       | 787,139   | 1,834,960      | (17,330,857)     | 7,657,810    |
| Loss for the year                                                                               | -             | -             | -                   | -                                    | -                               | -         | -              | (380,800)        | (380,800)    |
| Total comprehensive loss for the year                                                           | -             | -             | -                   | -                                    | -                               | -         | -              | (380,800)        | (380,800)    |
| Issue of shares                                                                                 | 69,250        | 632,000       | 701,250             | -                                    | -                               | -         | -              | -                | 701,250      |
| Total contributions by and distributions to owners of the 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          | -                                    | 1,047,821                       | 787,139   | 1,834,960      | (17,711,657)     | 7,978,260    |
| Note(s)                                                                                         | 12            | 12            | 12                  | 14                                   |                                 |           |                |                  |              |

COMPANY NUMBER : 05679987

## Statements of Cash Flows

for the year ended 31 March 2016

| Figures in Pound Sterling                       | Note(s) | Group            |                  | Company          |                  |
|-------------------------------------------------|---------|------------------|------------------|------------------|------------------|
|                                                 |         | 2016             | 2015             | 2016             | 2015             |
| <b>Cash flows from operating activities</b>     |         |                  |                  |                  |                  |
| Cash used in operations                         | 26      | (459,601)        | (622,455)        | (382,326)        | (480,817)        |
| Investment Revenue                              | 19      | 45               | 1,420            | 775              | 778              |
| Finance Cost                                    |         | (2)              | -                | -                | -                |
| <b>Net cash from operating activities</b>       |         | <b>(459,558)</b> | <b>(621,035)</b> | <b>(381,551)</b> | <b>(480,039)</b> |
| <b>Cash flows from investing activities</b>     |         |                  |                  |                  |                  |
| Additions to intangible assets                  | 4       | (163,701)        | (139,520)        | -                | -                |
| Loans advanced                                  | 7       | 14,956           | (14,608)         | (157,569)        | (306,073)        |
| Purchase/(sale) of financial assets             |         | (138,732)        | 366,433          | (198,908)        | 408,320          |
| <b>Net cash flows from investing activities</b> |         | <b>(287,477)</b> | <b>212,305</b>   | <b>(356,477)</b> | <b>102,247</b>   |
| <b>Cash flows from financing activities</b>     |         |                  |                  |                  |                  |
| Proceeds on share issue                         |         | 701,250          | 239,997          | 701,250          | 239,997          |
| Repayment of other financial liabilities        |         | -                | 2,615            | -                | -                |
| <b>Net cash flows from financing activities</b> |         | <b>701,250</b>   | <b>242,612</b>   | <b>701,250</b>   | <b>239,997</b>   |
| Total cash movement for the year                |         | <b>(45,785)</b>  | <b>(166,118)</b> | <b>(36,778)</b>  | <b>(137,795)</b> |
| Cash acquired                                   | 27      | -                | 22,170           | -                | -                |
| Cash at the beginning of the year               |         | <b>180,871</b>   | <b>324,819</b>   | <b>173,042</b>   | <b>310,837</b>   |
| <b>Total cash at end of the year</b>            | 11      | <b>135,086</b>   | <b>180,871</b>   | <b>136,264</b>   | <b>173,042</b>   |

## **Accounting Policies**

### **1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS**

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.

#### **1.1 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.

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value

recognised in profit or loss as part of the gain or loss on disposal of the controlling interest.

#### **Business combinations**

The Group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

Contingent consideration is included in the cost of the combination at fair value as at the date of acquisition. Subsequent changes to the assets, liability or equity which arise as a result of the contingent consideration are not affected against goodwill, unless they are valid measurement period adjustments.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 Business combinations are recognised at their fair values at acquisition date, except for non-current assets (or disposal group) that are classified as held-for-sale in accordance with IFRS 5 non-current assets held-for-sale and discontinued operations, which are recognised at fair value less costs to sell.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

On acquisition, the Group assesses the classification of the acquiree's assets and liabilities and reclassifies them where the classification is inappropriate for Group purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

Non-controlling interests arising from a business combination, which are present ownership interests, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, are measured either at the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets or at fair value. The treatment is not an accounting policy choice but is selected for each individual business combination, and disclosed in the note for business combinations. All other components of non-controlling interests are measured at their acquisition date fair values, unless another measurement basis is required by IFRSs.

In cases where the Group held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in profit or loss for

the year. Where the existing shareholding was classified as an available-for-sale financial asset, the cumulative fair value adjustments recognised previously to other comprehensive income and accumulated in equity are recognised in profit or loss as a reclassification adjustment.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree.

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

Goodwill arising on acquisition of foreign entities is considered an asset of the foreign entity. In such cases the goodwill is translated to the functional currency of the Group at the end of each reporting period with the adjustment recognised in equity through to other comprehensive income.

#### **Investment in associates**

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

An investment in associate is accounted for using the equity method, except when the investment is classified as held-for-sale in accordance with IFRS 5 non-current assets held-for-sale and discontinued operations. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate, less any impairment losses.

Losses in an associate in excess of the Group's interest in that associate are recognised only to the extent that the Group has incurred a legal or constructive obligation to make payments on behalf of the associate.

Any goodwill on acquisition of an associate is included in the carrying amount of the investment; however, a gain on acquisition is recognised immediately in profit or loss.

Profits or losses on transactions between the Group and an associate are eliminated to the extent of the Group's interest therein.

When the Group reduces its level of significant influence or loses significant influence, the Group proportionately reclassifies the related items which were previously accumulated in equity through other comprehensive income to profit or loss as a reclassification adjustment. In such cases, if an investment remains, that investment is measured to fair value, with the fair value adjustment being recognised in profit or loss as part of the gain or loss on disposal.

#### **Interests in joint ventures**

A joint venture is a contractual agreement whereby the Group and other parties undertake an economic activity that is subject to joint control that is when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control.

#### **Jointly controlled entities**

An interest in a jointly controlled entity is accounted for using the equity method, except when the investment is classified as held-for-sale in accordance with IFRS 5 non-current assets held-for-sale and discontinued operations. Under the equity method, interests in jointly controlled entities are carried in the consolidated statement of financial position at cost adjusted for post-acquisition changes in the Group's share of net assets of the jointly controlled entity, less any impairment losses. Profits or losses on transactions between the Group and a joint venture are eliminated to the extent of the Group's interest therein.

When the Group loses joint control, the Group proportionately reclassifies the related items which were previously accumulated in equity through other comprehensive income to profit or loss as a reclassification adjustment. In such cases, if an investment remains, that investment is measured to fair value, with the fair value adjustment being recognised in profit or loss as part of the gain or loss on disposal.

#### **1.2 Significant judgements and sources of estimation uncertainty**

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

##### **Options granted**

Management used the ABC model to determine the value of the options issued at listing date and will use the Black Scholes Formula for subsequent options being granted. Additional details regarding the estimates are included in note 13 – share-based payments.

##### **Fair value estimation**

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over the counter

derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

### 1.3 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the Company; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

| Item                   | Average useful life |
|------------------------|---------------------|
| Furniture and fixtures | 5 years             |
| Computer equipment     | 3 years             |

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

### 1.4 Exploration and evaluation costs

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if:

- sufficient data exist to determine technical feasibility and commercial viability; and
- facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units ("CGU") to which the exploration activity related.

Exploration and evaluation assets are carried forward in the balance sheet under intangible assets.

### 1.5 Investments in subsidiaries

#### Company annual financial statements

In the Company's separate annual financial statements, investments in subsidiaries are carried at:

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Company; plus
- any costs directly attributable to the purchase of the subsidiary.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

## 1.6 Investment in joint ventures

### Company annual financial statements

An investment in a joint venture is carried at cost less any accumulated impairment.

In respect of its interests in jointly controlled operations, the Company recognises in its annual financial statements:

- the assets that it controls and the liabilities that it incurs; and
- the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the joint venture.

In respect of its interest in jointly controlled assets, the Company recognises in its annual financial statements:

- its share of the jointly controlled assets, classified according to the nature of the assets;
- any liabilities that it has incurred;
- its share of any liabilities incurred jointly with the other venturers in relation to the joint venture;
- any income from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and
- any expenses that it has incurred in respect of its interest in the joint venture.

## 1.7 Investments in associates

### Company annual financial statements

An investment in an associate is carried at cost less any accumulated impairment.

## 1.8 Financial instruments

### Classification

The Group classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through profit or loss designated
- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. Classification is reassessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

### Initial recognition and measurement

Financial instruments are recognised initially when the Group becomes a party to the contractual provisions of the instruments.

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

Regular way purchases of financial assets are accounted for at trade date.

### Subsequent measurement

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period.

Net gains or losses on the financial instruments at fair value through profit or loss exclude dividends and interest.

Dividend income is recognised in profit or loss as part of other income when the Group's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

### Loans to (from) Group companies and Joint Ventures

These include loans to and from holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to Group companies are classified as loans and receivables.

Loans from Group companies are classified as financial liabilities measured at amortised cost.

Inter-company loans bear no interest.

### Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

Trade and other receivables are classified as loans and receivables.

### Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

## 1.9 Tax

### Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

### Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

### Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income; or

- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

## 1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

### Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

## 1.11 Share-capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## 1.12 Share-based payments

Goods or services received or acquired in a share based payment transaction are recognised when the goods or as the services are received. A corresponding increase in equity is recognised if the goods or services were received in an equity-settled share based payment transaction or a liability if the goods or services were acquired in a cash-settled share based payment transaction.

When the goods or services received or acquired in a share based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

For equity-settled share-based payment transactions the goods or services received and the corresponding increase in equity are measured, directly, at the fair value of the goods or services received provided that the fair value can be estimated reliably.

If the fair value of the goods or services received cannot be estimated reliably, or if the services received are employee services, their value and the corresponding

increase in equity, are measured, indirectly, by reference to the fair value of the equity instruments granted.

Vesting conditions which are not market related (i.e. service conditions and non-market related performance conditions) are not taken into consideration when determining the fair value of the equity instruments granted. Instead, vesting conditions which are not market related shall be taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognised for goods or services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Market conditions, such as a target share price, are taken into account when estimating the fair value of the equity instruments granted. The number of equity instruments are not adjusted to reflect equity instruments which are not expected to vest or do not vest because the market condition is not achieved.

If the share-based payments granted do not vest until the counterparty completes a specified period of service, Group accounts for those services as they are rendered by the counterparty during the vesting period, (or on a straight-line basis over the vesting period).

If the share based payments vest immediately the services received are recognised in full.

### 1.13 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

### 1.14 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and

- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Interest is recognised, in profit or loss, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

### 1.15 Translation of foreign currencies

#### Functional and presentation currency

Items included in the annual financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates (functional currency).

The consolidated annual financial statements are presented in Pound Sterling which is the Group functional and presentation currency.

#### Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in South African Rand, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and

- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in South African Rand by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

#### **Investments in subsidiaries, joint ventures and associates**

The results and financial position of a foreign operation are translated into the functional currency using the following procedures:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each item of profit or loss are translated at exchange rates at the dates of the transactions; and
- all resulting exchange differences are recognised to other comprehensive income and accumulated as a separate component of equity.

Exchange differences arising on a monetary item that forms part of a net investment in a foreign operation are recognised initially to other comprehensive income and accumulated in the translation reserve. They are recognised in profit or loss as a reclassification adjustment through to other comprehensive income on disposal of net investment.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation.

The cash flows of a foreign subsidiary are translated at the exchange rates between the functional currency and the foreign currency at the dates of the cash flows.

#### **1.16 Going concern**

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, they are satisfied that the Group has or has access to adequate resources to continue in operational existence for the foreseeable future.

## **2. NEW STANDARDS AND INTERPRETATIONS**

These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

#### **New standards, amendments and interpretations adopted by the Company**

No new and/or revised Standards and Interpretations have been required to be adopted, and/or are applicable in the current year by/to the Company, as standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the Company.

#### **New standards, amendments and interpretations not yet adopted**

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements, were in issue but not yet effective for the year presented:

- IFRS 9 in respect of Financial Instruments which will be effective for the accounting periods beginning on or after 1 January 2018.
- IFRS 14 in respect of Regulatory Deferral Accounts which will be effective for accounting periods beginning on or after 1 January 2016.
- IFRS 15 in respect of Revenue from Contracts with Customers which will be effective for accounting periods beginning on or after 1 January 2017.
- Amendments to IFRS 10, IFRS 12 and IAS 28 in respect of the application of the consolidation exemption to investment entities which will be effective for accounting periods beginning on or after 1 January 2016.
- Amendments to IFRS 10 and IAS 28 in respect of the treatment of a Sale or Contribution of Assets between an Investor and its Associate or Joint Venture which will be effective for accounting periods beginning on or after 1 January 2016.
- Amendments to IFRS 11 in respect of Accounting for Acquisitions of Interest in Joint Operations which will be effective for accounting periods beginning on or after 1 January 2016.

## Notes to the Financial Statements

- Amendments to IAS 1 in respect of determining what information to disclose in annual financial statements which will be effective for accounting periods beginning on or after 1 January 2016.
  - Amendments to IAS 16 and IAS 38 in respect of Clarification of Acceptable Methods of Depreciation and Amortisation which will be effective for accounting periods beginning on or after 1 January 2016.
  - Amendments to IAS 16 and IAS 41 in respect of Bearer Plants which will be effective for accounting periods beginning on or after 1 January 2016.
  - Amendments to IAS 27 to allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates which will be effective for accounting periods beginning 1 January 2016.
  - Annual improvements to IFRS's which will be effective for accounting periods beginning on or after 1 January 2016 as follows:
    - IFRS 5 – Changes in methods of disposal
    - IFRS 7 – Servicing contracts
    - IFRS 7 – Applicability of the amendments to IFRS 7 to condensed interim financial statements
    - IAS 19 – Discount rate: Regional market issue
    - IAS 34 – Disclosure of information “elsewhere in the interim financial report”
- There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

### 3. PROPERTY, PLANT AND EQUIPMENT

| Figures in Pound Sterling | Cost/<br>Valuation | 2016<br>Impairment<br>loss | Carrying<br>value | Cost/<br>Valuation | 2015<br>Accumulated<br>depreciation | Carrying<br>value |
|---------------------------|--------------------|----------------------------|-------------------|--------------------|-------------------------------------|-------------------|
| <b>Group</b>              |                    |                            |                   |                    |                                     |                   |
| Furniture and fixtures    | 282                | (282)                      | –                 | 282                | (282)                               | –                 |
| <b>Total</b>              | 282                | (282)                      | –                 | 282                | (282)                               | –                 |

| <b>Company</b>            |                    |                            |                   |                    |                                     |                   |
|---------------------------|--------------------|----------------------------|-------------------|--------------------|-------------------------------------|-------------------|
| Figures in Pound Sterling | Cost/<br>Valuation | 2016<br>Impairment<br>loss | Carrying<br>value | Cost/<br>Valuation | 2015<br>Accumulated<br>depreciation | Carrying<br>value |
| Furniture and fixtures    | 282                | (282)                      | –                 | 282                | (282)                               | –                 |

#### Reconciliation of property, plant and equipment

| Figures in Pound Sterling | Group – 2016       |                    |       | Group – 2015       |                                  |       |
|---------------------------|--------------------|--------------------|-------|--------------------|----------------------------------|-------|
|                           | Opening<br>balance | Impairment<br>loss | Total | Opening<br>balance | Foreign<br>exchange<br>movements | Total |
| Furniture and fixtures    | 282                | (282)              | –     | 282                | (282)                            | –     |
| Computer software         | –                  | –                  | –     | –                  | –                                | –     |
|                           | 282                | (282)              | –     | 282                | (282)                            | –     |

#### Reconciliation of property, plant and equipment

| Figures in Pound Sterling | Group – 2016       |                    |       | Group – 2015       |                                  |       |
|---------------------------|--------------------|--------------------|-------|--------------------|----------------------------------|-------|
|                           | Opening<br>balance | Impairment<br>loss | Total | Opening<br>balance | Foreign<br>exchange<br>movements | Total |
| Furniture and fixtures    | 282                | (282)              | –     | 282                | (282)                            | –     |

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the Company.

**4. INTANGIBLE ASSETS**

| Figures in Pound Sterling                 | Cost/<br>Valuation | 2016<br>Accumulated<br>depreciation | Carrying<br>value | Cost/<br>Valuation | 2015<br>Accumulated<br>depreciation | Carrying<br>value |
|-------------------------------------------|--------------------|-------------------------------------|-------------------|--------------------|-------------------------------------|-------------------|
| <b>Group</b>                              |                    |                                     |                   |                    |                                     |                   |
| Exploration and evaluation asset – U.S.A. | 2,667,062          | –                                   | 2,667,062         | 2,487,111          | –                                   | 2,487,111         |

## Reconciliation of intangible assets

|      | Opening   | Additions | Additions<br>through<br>business<br>combinations | Foreign<br>Exchange | Impairment   | Total     |
|------|-----------|-----------|--------------------------------------------------|---------------------|--------------|-----------|
| 2016 | 2,487,111 | 163,701   | –                                                | 16,250              | –            | 2,667,062 |
| 2015 | 6,635,128 | 139,520   | 2,638,849                                        | 3,248,256           | (10,174,642) | 2,487,111 |

The exploration and evaluation asset is a South African Rand denominated asset. It is carried at cost adjusted for any foreign currency movements during the period under review.

**5. INVESTMENTS IN SUBSIDIARIES**

| Name of Company                                                                           | % voting<br>power<br>2016 | % voting<br>power<br>2015 | Carrying<br>amount<br>2016 | Carrying<br>amount<br>2015 |
|-------------------------------------------------------------------------------------------|---------------------------|---------------------------|----------------------------|----------------------------|
| Skiptons Global Investments Ltd – Incorporated in British Virgin Islands                  | 100.00                    | 100.00                    | 10,166,000                 | 10,166,000                 |
| Galileo Resources SA (Proprietary) Limited – Incorporated in the Republic of South Africa | 100.00                    | 100.00                    | –                          | –                          |
| St Vincent Minerals                                                                       | 100.00                    | 100.00                    | 2,357,599                  | 2,357,599                  |
|                                                                                           |                           |                           | 12,523,599                 | 12,523,599                 |
| Impairment of investment – Skiptons                                                       |                           |                           | (10,166,000)               | (10,166,000)               |
|                                                                                           |                           |                           | 2,357,599                  | 2,357,599                  |

The carrying amounts of subsidiaries are shown net of impairment losses.

Galileo holds 100% of the issued share capital in Galileo Resources SA (Proprietary) Limited, incorporated in the Republic of South Africa, through its fully owned subsidiary, Skiptons Global Investment Ltd (BVI).

The principal activity of Galileo Resources SA (Proprietary) Limited is the same as that of Galileo Resources Plc.

**6. INVESTMENT IN JOINT VENTURES**

| Name of Company | % holding<br>2016 | % holding<br>2015 | Carrying<br>amount<br>2016 | Carrying<br>amount<br>2015 |
|-----------------|-------------------|-------------------|----------------------------|----------------------------|
| Glenover        | 33.99             | 33.99             | 1,868,370                  | 2,257,137                  |

Glenover – Incorporated in the Republic of South Africa

Galagen – Incorporated in the Republic of South Africa

Galileo's direct investment in Glenover is 29% and it also has an indirect investment in Glenover through its shareholding in Galagen of 4.99% resulting in a total economic interest in Glenover of 33.99%. Galileo is currently carrying the BEE in terms of its interest in Glenover. The shareholders are currently reviewing the funding of the BEE interest in the project.

The carrying amounts of joint ventures are shown net of impairment losses.

Galileo's share of the equity accounted profit/loss for the Joint Venture is recognised from the date of acquisition on 4 July 2011.

**Summary of Groups interest in joint venture – South Africa**

| Figures in Pound Sterling                   | Group<br>2016    | 2015             |
|---------------------------------------------|------------------|------------------|
| Carrying value at the beginning of the year | 2,257,137        | 2,313,663        |
| Additional investment                       | -                | -                |
| Effect of change in translation currency    | (356,426)        | (44,723)         |
| Equity accounted loss for the year          | (32,341)         | (11,803)         |
| <b>Carrying value at year end</b>           | <b>1,868,370</b> | <b>2,257,137</b> |

**The Group's share of the Joint Venture investment in Glenover**

Summary of the Group's interests in the Joint Venture.

|                                           |                 |                 |
|-------------------------------------------|-----------------|-----------------|
| Current assets                            | 1,081           | 1,238           |
| Non-current assets                        | 673,281         | 782,789         |
| Current liabilities                       | (29,964)        | (33,150)        |
| Non-current liabilities                   | (89,948)        | (54,962)        |
| <b>Net assets</b>                         | <b>554,450</b>  | <b>695,915</b>  |
| Income                                    | 169             | 860             |
| Interest received                         | 4,468           | 24,127          |
| Expenses                                  | (35,178)        | (51,212)        |
| Taxation                                  | (1,800)         | 14,422          |
| <b>Equity accounted loss for the year</b> | <b>(32,341)</b> | <b>(11,803)</b> |

Galileo agreed to a request from joint venture partner Fer-Min-Ore to extend the completion of a conditional sale agreement until 28 February 2016 and post previous cover review agreed to a further extension until 28 August 2016. The commercial terms of the extended sale agreement, pursuant to which the Company has offered to dispose of all the Company's rights, title, interest and shares in the capital of Glenover for a purchase consideration of US\$4 million, subject to financing, are unchanged. The Company impaired the value of the exploration and evaluation asset with the remaining value residing in the investment in joint venture as fully described in note 6.

**7. LOANS TO JOINT VENTURES AND SUBSIDIARIES**

| Figures in Pound Sterling                  | Group<br>2016 | 2015 | Company<br>2016  | 2015             |
|--------------------------------------------|---------------|------|------------------|------------------|
| <b>Loans to subsidiaries</b>               |               |      |                  |                  |
| Galileo Resources SA (Proprietary) Limited |               |      | 4,945,989        | 4,934,842        |
| Skiptons Global Investment Ltd             |               |      | 3,272            | 2,472            |
| St Vincent Minerals                        |               |      | 400,867          | 255,245          |
|                                            |               |      | <b>5,350,128</b> | <b>5,192,559</b> |

**Loans to Joint Ventures**

|          |        |        |   |   |
|----------|--------|--------|---|---|
| Glenover | 79,457 | 94,412 | - | - |
|----------|--------|--------|---|---|

**8. OTHER FINANCIAL ASSETS**

| Figures in Pound Sterling                           | Group<br>2016  | 2015           | Company<br>2016 | 2015     |
|-----------------------------------------------------|----------------|----------------|-----------------|----------|
| <b>Fair value through profit or loss-designated</b> |                |                |                 |          |
| Galagen – Ordinary shares                           | 8              | 9              | -               | -        |
| Galagen – B Preference shares                       | 353,913        | 365,673        | -               | -        |
|                                                     | <b>353,921</b> | <b>365,682</b> | <b>-</b>        | <b>-</b> |

The above non-listed preference share investment represents the “B” class zero percent coupon rate preference shares issued by Galagen for its investment in Glenover as part of the BBEE transaction.

Preference share dividends are not receivable as the share are represented by zero percent coupon rate and are only redeemable after three years.

| Figures in Pound Sterling                                        | Group<br>2016  | 2015           | Company<br>2016 | 2015     |
|------------------------------------------------------------------|----------------|----------------|-----------------|----------|
| <b>Loans and receivables</b>                                     |                |                |                 |          |
| Galagen                                                          | 202,157        | 3,861          | 198,908         | -        |
| This loan bears no interest and has no fixed terms of repayment. |                |                |                 |          |
| <b>Total other financial assets</b>                              | <b>556,078</b> | <b>369,543</b> | <b>198,908</b>  | <b>-</b> |
| <b>Non-current assets</b>                                        |                |                |                 |          |
| At fair value through profit or loss – designated                | 353,921        | 365,682        | -               | -        |
| Loans and receivables                                            | 202,157        | 3,861          | 198,908         | -        |
|                                                                  | <b>556,078</b> | <b>369,543</b> | <b>198,908</b>  | <b>-</b> |

**8. OTHER FINANCIAL ASSETS** (continued)

Fair value hierarchy of financial assets at fair value through profit or loss.

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

Level 1 represents those assets which are measured using unadjusted quoted prices for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (as prices) or indirectly (derived from prices).

Level 3 applies inputs which are not based on observable market data.

| Figures in Pounds Sterling                        | Group          |                | Company |      |
|---------------------------------------------------|----------------|----------------|---------|------|
|                                                   | 2016           | 2015           | 2016    | 2015 |
| <b>Level 3 – Class 1 Unlisted ordinary shares</b> | <b>8</b>       | <b>9</b>       | –       | –    |
| Class 2 Unlisted preference shares                | 353,913        | 365,673        | –       | –    |
|                                                   | <b>353,921</b> | <b>365,682</b> | –       | –    |
|                                                   | <b>353,921</b> | <b>365,682</b> | –       | –    |

**Reconciliation of financial assets at fair value through profit or loss measured at level 3****Group – 2016**

| Figures in Pound Sterling            | Opening balance | Foreign exchange movement | Gains or losses in profit or loss | Total          |
|--------------------------------------|-----------------|---------------------------|-----------------------------------|----------------|
| Class 1 – Unlisted ordinary shares   | 9               | (1)                       | –                                 | 8              |
| Class 2 – Unlisted preference shares | 365,673         | (59,563)                  | 47,803                            | 353,913        |
|                                      | <b>365,682</b>  | <b>(59,564)</b>           | <b>47,803</b>                     | <b>353,921</b> |

**Group – 2015**

|                                      | Opening balance | Foreign exchange movement | Gains or losses in profit or loss | Total          |
|--------------------------------------|-----------------|---------------------------|-----------------------------------|----------------|
| Class 1 – Unlisted ordinary shares   | 10              | (1)                       | –                                 | 9              |
| Class 2 – Unlisted preference shares | 324,265         | (6,290)                   | 47,698                            | 365,673        |
|                                      | <b>324,275</b>  | <b>(6,291)</b>            | <b>47,698</b>                     | <b>365,682</b> |

The Group has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

**9. FINANCIAL ASSETS BY CATEGORY**

The accounting policies for financial instruments have been applied to the line items below:

| Figures in Pound Sterling   | Group – 2016          |                                                |                | Group – 2015          |                                                |                |
|-----------------------------|-----------------------|------------------------------------------------|----------------|-----------------------|------------------------------------------------|----------------|
|                             | Loans and receivables | Fair value through profit or loss – designated | Total          | Loans and receivables | Fair value through profit or loss – designated | Total          |
| Other financial assets      | 202,157               | 353,921                                        | 556,078        | 3,861                 | 365,682                                        | 369,543        |
| Trade and other receivables | 20,453                | –                                              | 20,453         | 20,321                | –                                              | 20,321         |
| Cash and cash equivalents   | 135,086               | –                                              | 135,086        | 180,809               | –                                              | 180,809        |
|                             | <b>357,696</b>        | <b>353,921</b>                                 | <b>711,617</b> | <b>204,991</b>        | <b>365,682</b>                                 | <b>570,673</b> |

| Figures in Pound Sterling | Company – 2016        |                                                |                  | Company – 2015        |                                                |                  |
|---------------------------|-----------------------|------------------------------------------------|------------------|-----------------------|------------------------------------------------|------------------|
|                           | Loans and receivables | Fair value through profit or loss – designated | Total            | Loans and receivables | Fair value through profit or loss – designated | Total            |
| Loans to Group companies  | 5,350,128             | –                                              | 5,350,128        | 5,192,559             | –                                              | 5,192,559        |
| Other financial assets    | 198,908               | –                                              | 198,908          | –                     | –                                              | –                |
| Cash and cash equivalents | 136,264               | –                                              | 136,264          | 173,042               | –                                              | 173,042          |
|                           | <b>5,685,300</b>      | <b>–</b>                                       | <b>5,685,300</b> | <b>5,365,601</b>      | <b>–</b>                                       | <b>5,365,601</b> |

| Figures in Pounds Sterling             | Group<br>2016 | 2015          | Company<br>2016 | 2015     |
|----------------------------------------|---------------|---------------|-----------------|----------|
| <b>10. TRADE AND OTHER RECEIVABLES</b> |               |               |                 |          |
| Prepayments                            | 15,554        | 15,454        | -               | -        |
| Other receivables                      | 4,899         | 4,867         | -               | -        |
|                                        | <b>20,453</b> | <b>20,321</b> | <b>-</b>        | <b>-</b> |

The directors consider that the carrying amount of trade and other receivables approximates to fair value.

### 11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

|               |                |                |                |          |
|---------------|----------------|----------------|----------------|----------|
| Cash on hand  | 522            | 62             | 460            | -        |
| Bank balances | 134,564        | 180,809        | 135,804        | -        |
|               | <b>135,086</b> | <b>180,871</b> | <b>136,264</b> | <b>-</b> |

Credit quality of cash at bank and short-term deposits, excluding cash on hand.

The credit quality of cash at bank and short-term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

#### Credit rating

|            |                |                |                |          |
|------------|----------------|----------------|----------------|----------|
| F1 + (ZAF) | 134,564        | 180,809        | 135,804        | -        |
| Other      | 522            | 62             | 460            | -        |
|            | <b>135,086</b> | <b>180,871</b> | <b>136,264</b> | <b>-</b> |

| Figures in Pounds Sterling                                        | 2016               | Group<br>2015      | Company<br>2016    | 2015               |
|-------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| <b>12. SHARE CAPITAL</b>                                          |                    |                    |                    |                    |
| <b>Authorised share capital</b>                                   |                    |                    |                    |                    |
| <b>Unlimited ordinary shares of 0.01 pence (2014: 0.05 pence)</b> |                    |                    |                    |                    |
| <b>Issued share capital</b>                                       |                    |                    |                    |                    |
| Reported as at 1 April 2015                                       | 124,502,721        | 88,307,183         | 124,502,721        | 88,307,183         |
| Acquisitions                                                      | –                  | 26,195,538         | –                  | 26,195,538         |
| Issues for cash                                                   | 69,250,000         | 10,000,000         | 69,250,000         | 10,000,000         |
| <b>Reported as at 31 March 2016</b>                               | <b>193,752,721</b> | <b>124,502,721</b> | <b>193,752,721</b> | <b>124,502,721</b> |
| <b>Reconciliation of share capital:</b>                           |                    |                    |                    |                    |
| Ordinary shares of 0.1p                                           | 193,753            | 124,503            | 193,753            | 124,503            |
| Deferred shares of 4.9p                                           | 5,610,634          | 5,610,634          | 5,610,634          | 5,610,634          |
| Share premium                                                     | 18,050,570         | 17,418,570         | 18,050,570         | 17,418,570         |
|                                                                   | <b>23,854,957</b>  | <b>23,153,707</b>  | <b>23,854,957</b>  | <b>23,153,707</b>  |

During the period under review the Company issued 69,250,000 new ordinary shares as follows:

| Date             | Number of ordinary shares | Purpose of Issue   |
|------------------|---------------------------|--------------------|
| 19 August 2015   | 31,250,000                | Issue for cash     |
| 17 December 2015 | 500,000                   | Settlement of debt |
| 1 March 2016     | 32,000,000                | Issue for cash     |
| 1 March 2016     | 5,500,000                 | Director dealing   |

Subsequent to the period under review the Company issued 500,000 new ordinary shares as follows:

| Date         | Number of ordinary shares | Purpose of Issue   |
|--------------|---------------------------|--------------------|
| 5 April 2016 | 500,000                   | Settlement of debt |

### 13. SHARE-BASED PAYMENTS

| Share option group                                                  | Number                   |
|---------------------------------------------------------------------|--------------------------|
| Outstanding at the beginning of the year                            | 4,495,000                |
| Outstanding at the end of the year                                  | 4,495,000                |
| No options were granted during the financial period under review.   |                          |
| Outstanding options                                                 | Exercise from grant date |
| Options exercisable at £0.23 on or before 01/09/2016                | 3,850,000                |
| Options exercisable at £0.23 on or before 19/01/2017                | 1,095,000                |
| A summary of options held by directors at year-end are given below. |                          |
| Name                                                                | Number of options        |
| Colin Bird                                                          | 500,000                  |
| Chris Molefe                                                        | 250,000                  |
| Richard Wollenberg                                                  | 2,500,000                |
| Andrew Sarosi                                                       | 250,000                  |

The above options were granted to the directors on 1 October 2011 at a strike price of £0.23 per share.

**13. SHARE-BASED PAYMENTS** (continued)

The options are exercisable at any time during a five-year period from the date of grant. The holders of options may exercise them at any time up to 1 September 2016. Options are valued using the Black Scholes model, a commonly used option pricing model. The calculation of volatility used in the model is based upon the share price and equity instrument movements during the financial period. The following factors are all taken into consideration when the options are valued:

- Weighted average share price
- Expected volatility
- Expected dividends
- Stock price
- Exercise price
- Option life
- Risk free interest rate

The above model applies to all grants made after 1 October 2011. No new grants were made during the period under review. Share-based payments represent the value of unexercised share options to directors and employees. The charge for share options to profit and loss amounted to £nil (2015: £nil).

**14. FOREIGN CURRENCY TRANSLATION RESERVE**

Translation reserve comprises exchange differences on consolidation of foreign subsidiaries, foreign exchange profits or losses on inter-company loan accounts and revaluation of foreign intangibles recognised as part of a business combination.

| Figures in Pound Sterling                                         | Group<br>2016 | 2015        | Company<br>2016 | 2015 |
|-------------------------------------------------------------------|---------------|-------------|-----------------|------|
| Exchange differences on consolidation of foreign subsidiaries     | 631,555       | 361,620     | –               | –    |
| Foreign exchange profits or losses on inter-company loan accounts | (2,122,279)   | (1,461,873) | –               | –    |
| Foreign intangibles recognised as part of a business combination  | (188,852)     | (214,451)   | –               | –    |
|                                                                   | (1,679,576)   | (1,314,704) | –               | –    |

**15. OTHER FINANCIAL LIABILITIES**

| Figures in Pound Sterling      | Group<br>2016 | 2015  | Company<br>2016 | 2015 |
|--------------------------------|---------------|-------|-----------------|------|
| <b>Held at amortised cost</b>  |               |       |                 |      |
| Fer Min Ore                    | 5             | 6     | –               | –    |
| Loans                          | 2,687         | 2,669 | –               | –    |
| <b>Non current liabilities</b> | 2,692         | 2,675 | –               | –    |
| At amortised cost              |               |       |                 |      |
| Current liabilities            | 2,692         | 2,675 | –               | –    |

**16. TRADE AND OTHER PAYABLES**

|                          |         |         |          |        |
|--------------------------|---------|---------|----------|--------|
| Trade and other payables | 189,857 | 246,547 | (36,226) | 21,559 |
| Accrued expense          | 100,865 | 43,832  | 100,865  | 43,831 |
|                          | 290,722 | 290,379 | 64,639   | 65,390 |

**17. FINANCIAL LIABILITIES BY CATEGORY**

The accounting policies for financial instruments have been applied to the line items below:

| Figures in Pounds Sterling  | Group – 2016                            |                | Group – 2015                            |                |
|-----------------------------|-----------------------------------------|----------------|-----------------------------------------|----------------|
|                             | Financial liabilities at amortised cost | Total          | Financial liabilities at amortised cost | Total          |
| Other financial liabilities | 2,692                                   | 2,692          | 2,675                                   | 2,675          |
| Trade and other payables    | 290,772                                 | 290,772        | 290,379                                 | 290,379        |
|                             | <b>293,414</b>                          | <b>293,414</b> | <b>293,054</b>                          | <b>293,054</b> |

| Figures in Pounds Sterling | Company – 2016                          |        | Company – 2015                          |        |
|----------------------------|-----------------------------------------|--------|-----------------------------------------|--------|
|                            | Financial liabilities at amortised cost | Total  | Financial liabilities at amortised cost | Total  |
| Trade and other payables   | 64,639                                  | 64,639 | 65,390                                  | 65,390 |

| Figures in Pounds Sterling | Group |      | Company |      |
|----------------------------|-------|------|---------|------|
|                            | 2016  | 2015 | 2016    | 2015 |

**18. OPERATING LOSS**

Operating loss for the year is stated after accounting for the following:

|                                                 |         |              |         |              |
|-------------------------------------------------|---------|--------------|---------|--------------|
| Operating lease charges                         |         |              |         |              |
| Premises contractual amounts                    | 83,050  | 94,926       | 49,637  | 78,475       |
| Impairment of subsidiaries                      | -       | -            | -       | (10,166,000) |
| Impairment of exploration and evaluation assets | -       | (10,174,642) | -       | -            |
| Loss on exchange differences                    | -       | 715          | -       | 319          |
| Employee costs – including management           | 161,784 | 191,293      | 161,784 | 170,700      |
| Auditors Remuneration – refer note 23.          |         |              |         |              |
| Directors Remuneration – refer note 31.         |         |              |         |              |

**19. INVESTMENT REVENUE**

|                            |               |               |            |            |
|----------------------------|---------------|---------------|------------|------------|
| Interest revenue           |               |               |            |            |
| Bank interest              | 775           | 1,078         | 775        | 778        |
| Interest preference shares | 47,803        | 48,040        | -          | -          |
|                            | <b>48,578</b> | <b>49,118</b> | <b>775</b> | <b>778</b> |

**20. FAIR VALUE ADJUSTMENTS**

|                        |   |       |   |       |
|------------------------|---|-------|---|-------|
| Other financial assets | - | 8,394 | - | 8,394 |
|------------------------|---|-------|---|-------|

Fair value adjustments represents the profit made on the sale of the Company's investment in Praetorian Resources Ltd, in an amount of 8,394.

| Figures in Pounds Sterling                                                                                                                                                                                                                                                                                                                                                                                                                                               | Group |            | Company |            |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|------------|---------|------------|
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 2016  | 2015       | 2016    | 2015       |
| <b>21. IMPAIRMENT OF ASSETS</b>                                                                                                                                                                                                                                                                                                                                                                                                                                          |       |            |         |            |
| Rare Earth International incorporated in the British Virgin Islands                                                                                                                                                                                                                                                                                                                                                                                                      | -     | -          | -       | -          |
| Skiptons incorporated in the British Virgin Islands                                                                                                                                                                                                                                                                                                                                                                                                                      |       |            |         |            |
| Galileo agreed to a request from joint venture partner Fer-Min-Ore, to extend the completion of a conditional sale agreement until 28 August 2016. The commercial terms of the extended sale agreement, pursuant to which the Company has offered to dispose of all the Company's rights, title, interest and shares in the capital of Glenover for a purchase consideration of USD4 million, subject to financing, are unchanged. This option lapsed by mutual consent. | -     | 10,166,000 | -       | 10,166,000 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | -     | 10,166,000 | -       | 10,166,000 |

**22. TAXATION**

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

|                                                    |           |              |           |              |
|----------------------------------------------------|-----------|--------------|-----------|--------------|
| Accounting loss                                    | (419,294) | (10,726,785) | (380,800) | (10,671,351) |
| Tax at the applicable tax rate of 20% (2015: 20%)  | (83,925)  | (2,145,357)  | (76,160)  | (2,134,270)  |
| <b>Tax effect of adjustments on taxable income</b> |           |              |           |              |
| Expenses not allowed for tax purposes              | -         | 2,033,200    | -         | 2,033,200    |
| Tax losses carried forward                         | 83,925    | 112,157      | 76,160    | 101,070      |
|                                                    | -         | -            | -         | -            |

No provision has been made for 2016 tax as the Group has no taxable income. The estimated tax loss available for set off against future taxable income is £1,602,315 (2015: £1,518,390). 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.

| Figures in Pounds Sterling          | Group  |        | Company |        |
|-------------------------------------|--------|--------|---------|--------|
|                                     | 2016   | 2015   | 2016    | 2015   |
| <b>23. AUDITORS' REMUNERATION</b>   |        |        |         |        |
| Current year – parent               | 12,500 | 15,996 | 12,500  | 12,500 |
| Prior year under provision – parent | -      | -      | -       | -      |
| Current year – subsidiaries         | -      | -      | -       | -      |
| Total fees                          | 12,500 | 15,996 | 12,500  | 12,500 |

**24. OTHER COMPREHENSIVE INCOME**

Components of other comprehensive income

| Figures in Pound Sterling                               | Gross     | Group – 2016<br>Tax | Net       | Gross     | Group – 2015<br>Tax | Net       |
|---------------------------------------------------------|-----------|---------------------|-----------|-----------|---------------------|-----------|
| Exchange differences through other comprehensive income | (364,872) | -                   | (364,872) | 3,208,498 | -                   | 3,208,498 |

## 25. EARNINGS PER SHARE

### Basic 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.

Where there is a discontinued operation, earnings per share is determined for both continuing and discontinued operations.

Basic earnings per share was based on a loss of £419,294 (2015: loss of £10,726,785) and a weighted average number of ordinary shares of 148,691,077 (2015: 114,164,433).

| Figures in Pound Sterling                                                                       | Group            |                     |
|-------------------------------------------------------------------------------------------------|------------------|---------------------|
|                                                                                                 | 2016             | 2015                |
| <b>Reconciliation of loss attributable to equity holders of the parent to loss for the year</b> |                  |                     |
| Profit or loss for the year attributable to equity holders of the parent                        | (784,499)        | (7,518,287)         |
| <b>Adjusted for:</b>                                                                            |                  |                     |
| Foreign exchange movements during the year                                                      | (364,872)        | (3,208,498)         |
| <b>Loss for the year</b>                                                                        | <b>(419,627)</b> | <b>(10,726,785)</b> |
| <b>Loss per share</b>                                                                           |                  |                     |
| Basic loss per share (pence)                                                                    | (0.3)            | (9.4)               |
| Diluted loss per share (pence)                                                                  | (0.3)            | (9.4)               |

### Diluted earnings per share

In the determination of diluted earnings per share, profit or loss attributable to the equity holders of the parent and the weighted average number of ordinary shares are adjusted for the effects of all dilutive potential ordinary shares.

Where there is a discontinued operation, diluted earnings per share is determined for both continuing and discontinued operations.

Diluted earnings per share are equal to earnings per share because there are no dilutive potential ordinary shares in issue.

| Figures in Pound Sterling              | Group            |                  | Company          |                  |
|----------------------------------------|------------------|------------------|------------------|------------------|
|                                        | 2016             | 2015             | 2016             | 2015             |
| <b>26. CASH USED IN OPERATIONS</b>     |                  |                  |                  |                  |
| Loss before taxation                   | (419,627)        | (10,726,785)     | (380,800)        | (10,671,351)     |
| <b>Adjustments for:</b>                |                  |                  |                  |                  |
| Loss from equity accounted investments | 32,341           | 11,803           | -                | -                |
| Investment revenue                     | (48,578)         | (49,118)         | (775)            | (778)            |
| Fair value adjustments                 | -                | (8,394)          | -                | (8,394)          |
| Finance Costs                          | 2                | -                | -                | -                |
| Impairment loss                        | -                | 10,166,000       | -                | 10,166,282       |
| Other non cash items                   | (24,682)         | (29,374)         | -                | -                |
| <b>Changes in working capital:</b>     |                  |                  |                  |                  |
| Trade and other receivables            | (132)            | 2,908            | -                | -                |
| Trade and other payables               | 343              | 10,223           | (751)            | 33,424           |
|                                        | <b>(459,601)</b> | <b>(622,455)</b> | <b>(382,326)</b> | <b>(480,817)</b> |

| Figures in Pound Sterling                                           | Group<br>2016 | 2015          | Company<br>2016 | 2015         |
|---------------------------------------------------------------------|---------------|---------------|-----------------|--------------|
| <b>27. MOVEMENT IN INVESTMENTS<br/>(INCL SUBS, JVS &amp; ASSOC)</b> |               |               |                 |              |
| <b>Fair value of assets acquired through business combination</b>   |               |               |                 |              |
| Intangible assets                                                   | -             | 2,638,849     | -               | -            |
| Trade and other receivables                                         | -             | 22,661        | -               | -            |
| Trade and other payables                                            | -             | (234,802)     | -               | -            |
| Cash                                                                | -             | 22,170        | -               | -            |
| Other financial liabilities                                         | -             | (91,279)      | -               | -            |
|                                                                     | -             | 2,357,599     | -               | -            |
| <br>Consideration paid                                              |               |               |                 |              |
| Issue of equity – 26,195,538 ordinary shares in Galileo             | -             | 2,357,599     | -               | -            |
|                                                                     | -             | 2,357,599     | -               | -            |
| <br><b>28. COMMITMENTS</b>                                          |               |               |                 |              |
| The Group had no material commitments at the year-end date.         |               |               |                 |              |
| <br><b>29. RELATED PARTY BALANCES AND TRANSACTIONS</b>              |               |               |                 |              |
| <b>Loan accounts – owed by related parties</b>                      |               |               |                 |              |
| Glenover                                                            | 79,457        | 94,412        | -               | -            |
| <b>Amounts paid – to related parties</b>                            |               |               |                 |              |
| Lion Mining Finance Ltd (“LMF”).                                    |               |               |                 |              |
| Galileo paid rent and administrative service cost to LMF.           |               |               |                 |              |
| Colin Bird is a director of both Galileo and LMF.                   | 35,400        | 72,264        | -               | -            |
| Jubilee Platinum Plc.                                               | -             | 2,805         | -               | -            |
| Galileo paid rent to Jubilee Plc for their South African office.    |               |               |                 |              |
| Colin Bird is Chairman of both Galileo and Jubilee Platinum Plc.    |               |               |                 |              |
| <br><b>30. EMPLOYEE COST</b>                                        |               |               |                 |              |
| Salaries and wages                                                  | 6,960         | 21,718        | 6,960           | 6,960        |
| Social securities                                                   | -             | 2,459         | -               | 2,459        |
| <b>Total</b>                                                        | <b>6,960</b>  | <b>24,177</b> | <b>6,960</b>    | <b>9,419</b> |
| Average number of employees                                         | 1             | 1             | 1               | 1            |

**31. DIRECTORS' AND PRESCRIBED OFFICER'S EMOLUMENTS**

| Figures in Pound Sterling        | Directors' fees   |
|----------------------------------|-------------------|
| <b>Executive</b>                 |                   |
| <b>2016</b>                      |                   |
| Colin Bird                       | 25,000            |
| Andrew Sarosi                    | 25,000            |
|                                  | <u>50,000</u>     |
| <b>2015</b>                      |                   |
| Colin Bird                       | 25,000            |
| Andrew Sarosi                    | 25,000            |
|                                  | <u>50,000</u>     |
| <b>Non executive</b>             |                   |
| <b>2016</b>                      |                   |
| Christopher Molefe               | 15,000            |
| Richard Wollenberg               | 15,000            |
|                                  | <u>30,000</u>     |
| <b>2015</b>                      |                   |
| Christopher Molefe               | 15,000            |
| Richard Wollenberg               | 15,000            |
|                                  | <u>30,000</u>     |
| <b>Figures in Pound Sterling</b> | <b>Emoluments</b> |
| <b>2016</b>                      |                   |
| Executive management             | <u>78,000</u>     |
| <b>2015</b>                      |                   |
| Executive management             | <u>78,000</u>     |

## 32. RISK MANAGEMENT

### Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in note 12 cash and cash equivalents disclosed in note 11, and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio.

### Financial risk management

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out under policies approved by the Board. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The Group's risk to liquidity is a result of the funds available to cover future commitments. The Group manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the Group's financial liabilities and net settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| Group                       | Less than<br>1 year | Between 2<br>and 5 years |
|-----------------------------|---------------------|--------------------------|
| At 31 March 2016            |                     |                          |
| Trade and other payables    | 290,722             | -                        |
| Other financial liabilities | -                   | 2,692                    |
| At 31 March 2015            |                     |                          |
| Trade and other payables    | 290,377             | -                        |
| Other financial liabilities | -                   | 2,675                    |

**32. RISK MANAGEMENT** (continued)**Company**

|                          |                     |
|--------------------------|---------------------|
| At 31 March 2016         | Less than<br>1 year |
| Trade and other payables | 64,639              |
| At 31 March 2015         | Less than<br>1 year |
| Trade and other payables | 65,390              |

**Interest rate risk**

The Group's interest rate risk arises from cash held and short-term deposits.

The Company does not face any significant interest rate risk as it has no borrowings.

**Credit risk**

Credit risk consists mainly of cash deposits, cash equivalents, and trade debtors. The Company only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

Financial assets exposed to credit risk at year-end were as follows:

| Financial instrument                                | Group   |         | Company   |           |
|-----------------------------------------------------|---------|---------|-----------|-----------|
|                                                     | 2016    | 2015    | 2016      | 2015      |
| Trade and other receivables                         | 20,453  | 20,321  | -         | -         |
| Cash and cash equivalents                           | 135,086 | 180,871 | 136,264   | 173,042   |
| Other financial assets                              | 556,078 | 369,543 | 198,908   | -         |
| Loans to Group companies and other related entities | -       | -       | 5,350,128 | 5,192,559 |

**Foreign exchange risk**

The Group is exposed to fluctuations in foreign currencies arising from having deposits in various currencies as well as the purchase of goods and services in currencies other than the Group's measurement currency.

Galileo Group operates internationally and the USD exposed to foreign exchange risk arising from various currency exposures primarily with respect to the ZAR, the CAD, the USD and Pound Sterling. Galileo Group is exposed to currency risk on cash reserves, deposits received, trade receivables, and trade payables. The most significant of these being the inter-company loans which it holds with its subsidiaries Galileo Resources SA (ZAR) and St Vincent Minerals (CAD and USD).

Profit is less sensitive to movement in Pound Sterling exchange rates in 2016 than 2015 hence the significant adjustment to the fair value of the intangible assets.

The Group does not hedge its foreign exchange on funding of projects as management is of the opinion that it would not have reduced these foreign currency fluctuations. Currency movements mainly include movements that arise as a result of South African Rand denominated projects that are re valued at each period end.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

The table below classifies the Group's foreign currency risk between the different functional currencies as at year-end, and the respective balance thereof:

**32. RISK MANAGEMENT** (continued)

Exchange rates used for conversion of foreign items were:

|                   |             |                    |
|-------------------|-------------|--------------------|
| ZAR : £ (Average) | 1 : 0.04854 | (2015: 1 : 0.0561) |
| ZAR : £ (Spot)    | 1 : 0.0469  | (2015: 1 : 0.0557) |
| USD : £ (Average) | 1 : 0.6637  | (2015: 1 : 0.6209) |
| USD : £ (Spot)    | 1 : 0.6959  | (2015: 1 : 0.6740) |

The Group reviews its foreign currency exposure, including commitments on an ongoing basis.

**33. GOING CONCERN**

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the Company to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations for the Company and that the operations have the continued support of the holding company.

The directors have also considered the Group's ability to fund its planned projects and general operating costs. They consider the Group is sufficiently funded and anticipate that as projects come on line, the new cash raised will be sufficient to further develop current and future planned projects and provide adequate working capital. Throughout the development of projects, executive management and the directors will monitor the timing and required funding requirements of each project to ensure that the Group remains a going concern.

**34. SEGMENTAL REPORTING ON INCOME AND LOSSES ATTRIBUTABLE TO VARIOUS OPERATIONAL SEGMENTS**

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 and net assets is given below:

|                                                    | 2016                               |                       | 2015                               |                       |
|----------------------------------------------------|------------------------------------|-----------------------|------------------------------------|-----------------------|
|                                                    | Loss from operating activities (£) | Country of operations | Loss from operating activities (£) | Country of operations |
| Rare earths, aggregates and iron ore and manganese | (32,341)                           | South Africa,         | (11,803)                           | South Africa,         |
| Gold, Copper                                       | (44,324)                           | USA                   | (47,805)                           | USA                   |
| Corporate costs and impairments                    |                                    | South Africa,         |                                    | South Africa,         |
|                                                    |                                    | USA                   |                                    | USA                   |
|                                                    |                                    | and United            |                                    | and United            |
|                                                    | (342,962)                          | Kingdom               | (10,667,177)                       | Kingdom               |
| <b>Total</b>                                       | <b>(419,627)</b>                   |                       | <b>(10,726,785)</b>                |                       |

### 35. SUBSEQUENT EVENTS

#### 35.1 Issue of shares for cash

The Company completed a placing of 500,000 new ordinary shares of 0.1 pence each in Galileo to settle debt of £6,000 at a placing price of 1.2 pence per share.

#### 35.2 Extension of agreement in respect of potential sale of interest in joint venture

On 28 August 2015, the Company had agreed to a request from joint venture partner Fer-Min-Ore, to extend the completion of the conditional sale agreement until 28 August 2016.

The offer lapsed by mutual consent on 28 August 2016. The Company has a South African Rare Earth/Phosphate project, which has undergone independent preliminary economic assessment. The Company is working with its partner on two options to add value to the position.

35.3 Galileo and its wholly owned subsidiary St. Vincent Minerals US Inc ("SVMUS") executed an Asset Purchase Agreement (the "Agreement") with a subsidiary of Waterton Precious Metals Fund II Cayman, LP ("Waterton") on 30 August 2016. Under the terms of the Agreement, Waterton has purchased the Company's advanced Gabbs gold-copper property in Nevada for a consideration of USD2.5 million cash. The reason behind the sale, amongst other things, is the Company's strategic decision to reduce exposure to gold exploration and focus instead on exploration and funding on its Concordia copper project in Namaqualand, Northern Cape Province in South Africa. The Company retains its greenfield Ferber copper-gold and Crow Springs gold properties in Nevada, for which the Company continues to seek JV/farm-out partners or sale and as announced 27 June 2016, it is in a farm-out JV with Orogen Gold Resources Plc on its Silverton gold property, also in Nevada. The Company further added another 210 claims surrounding Ferber, following the quitclaim of these claims by a major mining company.

## **Notice of Annual General Meeting**

Notice is hereby given that the Annual General Meeting of Galileo Resources Plc will be held at Fladgate LLP, 16 Great Queen Street, London, WC2B 5DQ, on 29 September 2016 at 11:00 a.m., for the following purposes:

To consider and, if deemed fit, to pass resolutions 1 – 6 as ordinary resolutions and resolutions 7 – 8 as special resolutions.

### **ORDINARY BUSINESS**

#### **Resolution number 1**

To receive the reports of the directors and auditors and the financial statements for the year ended 31 March 2016 for the Group and the Company.

#### **Resolution number 2**

To re-elect Andrew Sarosi as a Director of the Company.

#### **Resolution number 3**

To confirm the re-election of Chris Molefe as Director of the Company.

#### **Resolution number 4**

To confirm the appointment of Chapman David LLP as statutory auditor of the Company from the conclusion of this meeting to the conclusion of the next shareholder meeting, at which the reports of the directors and auditors and the financial statements are laid before the Company.

#### **Resolution number 5**

To authorise the Directors to determine auditors' remuneration for the year ended 31 March 2016.

#### **Resolution number 6**

That the Directors be generally and unconditionally authorised, pursuant to and in accordance with section 551 of the Companies Act 2006 of the United Kingdom ('the Act'), in substitution for all previous powers granted to them thereunder, (but without prejudice to the continuing power of the directors):

- (i) to allot shares in the Company or grant rights, warrants or options to subscribe for, or convert any relevant security into shares in the Company (together "Relevant Securities") pursuant to an offer or agreement made by the Company before the date that this resolution is passed; and
- (ii) to exercise all the powers of the Company to allot and make offers to allot relevant securities up to an aggregate nominal amount of £64,103 (representing approximately 33% of the total issued share capital of the Company, as at the last practicable date prior to the publication of the Notice of meeting).

### **SPECIAL BUSINESS**

#### **Resolution number 7**

Resolved that, subject to the passing of resolution 6, the directors be and they are hereby empowered in substitution for any such power previously granted pursuant to section 570 and section 573 of the Companies Act 2006 to allot equity securities (as defined in section 560 of that Act) for cash pursuant to the authority referred to in resolution 6 above, as if section 561(1) of that Act or any pre-emption provisions contained in the articles of association of the Company or otherwise did not apply to any such allotment, provided that this power:

- (a) shall be limited to the allotment of equity securities up to an aggregate nominal amount of £194,253 representing 100% of the Company's issued share capital; and
- (b) shall expire on the date of the next Annual General Meeting of the Company or 15 months from the passing of this resolution, whichever is the earlier, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the board may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

#### **Resolution number 8**

This resolution seeks Shareholder approval to authorise the Company to, at its discretion, issue shares to directors in lieu of directors' deferred remuneration and allowances over the period to 30 September 2017.

Shares issued in lieu of directors' remuneration will be issued on a quarterly basis for services that have been provided to the Company during that quarter (payment in arrears). The share shall be issued at a price representing the quarterly average weighted share price.

If Shareholder approval is not obtained, directors' remuneration will accrue on a non-cash basis to the directors. The shares will be issued at the average share price over the quarter during which the services have been rendered.

By order of the board

*Registered office:*  
4th Floor  
2 Cromwell Place  
London, SW7 2JE  
7 September 2016

## NOTES

- (1) A member of the Company may appoint one or more proxies to attend, speak and vote instead of the member. A proxy of a member need not also be a member. A member may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to a different share.
- (2) The instrument appointing a proxy, and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority, must be deposited with the Company's Registrars, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA no less than 48 hours (excluding non-business days) before the time for holding the meeting. A Form of Proxy accompanies this document for use by members.
- (3) Completion of the Form of Proxy will not preclude a member from attending and voting in person.
- (4) A corporation which is a member of the Company may authorise a person (who need not be a member of the Company) to act as its representative to attend, speak and vote (on a show of hands or a poll) on its behalf. Holders of ordinary shares are entitled to attend and vote at General Meetings of the Company. On a vote by a show of hands, every member who is present has one vote and every proxy present who has been duly appointed by a member entitled to vote has one vote, unless the proxy has been appointed by more than one member and has been instructed by more than one member to vote for the resolution and by one or more members to vote against the resolution, in which case the proxy has one vote for and one against. On a poll vote, every member who is present in person or by proxy has one vote for every ordinary share of which he/she is the holder.
- (5) To be valid this proxy must be completed and signed and sent or delivered the Company's Registrars, Neville Registrars Ltd, Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA no later than 11:00 a.m. on 27 September 2016.
- (6) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 as amended the Company specifies that only those shareholders registered in the Register of Members of the Company as at 11:00 a.m. on 27 September 2016 (the "Specified Time") shall be entitled to attend or vote at the Annual General Meeting in respect of the number of shares registered in their names at that time. Changes to entries on the relevant register of members (the "Register") for certificated or uncertificated shares of the Company after the Specified Time shall be disregarded in determining the rights of any person to attend or vote at the Annual General Meeting. Should the Annual General Meeting be adjourned to a time not more than 48 hours after the Specified Time, that time will also apply for the purpose of determining the entitlement of shareholders to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Annual General Meeting. Should the Annual General Meeting be adjourned for a longer period, to be so entitled, shareholders must have been entered on the Register at the time which is 48 hours (excluding non-business days) before the time fixed for the adjourned Annual General Meeting or, if the Company gives notice of the adjourned Annual General Meeting, at the time specified in the Notice.
- (7) There are no Directors' service contracts of more than one year's duration.
- (8) Copies of Contracts of Service and letters of appointment (including indemnities) between any director and the Company or its subsidiaries are available for inspection at the registered office of the Company during normal business hours and will also be available for inspection at the place of the Annual General Meeting until the conclusion of the Annual General Meeting.
- (9) CREST members who wish to appoint a Proxy or Proxies through the CREST electronic Proxy appointment service may do so for the Annual General Meeting and any adjournment thereof by using the procedures described in the CREST manual. CREST personal members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a Proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with CRESTCO's specifications and must contain the information required for such instructions, as described in the CREST manual. All messages relating to the appointment of a Proxy or an instruction to a previously appointed proxy must be transmitted so as to be received by Neville Registrars Limited (ID: 7RA11) no later than 11:00 a.m. on 27 September 2016. Normal system timings and limitations will apply in relation to the input of CREST Proxy Instructions. It is therefore the responsibility of the CREST member concerned to take such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable their CREST sponsor(s) or voting service provider(s) are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 as amended.
- (10) As at 6 September 2016, being the last practicable date before the date of this Notice there were 194,252,721 ordinary shares in issue, each with equal voting rights. The total number of voting rights in the Company as at 6 September 2016, being the last practicable date before the date of this Notice is 194,252,721. Holders of ordinary shares are entitled to attend, speak and vote, either in person or by proxy, at General Meetings of the Company.

Notice of Annual General Meeting

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## Form of Proxy

(Incorporated and Registered in England and Wales with Registered Number 5679987)

I/We being (a) member(s) of the Company and entitled to vote at the Annual General Meeting hereby appoint the chairman of the meeting

or

(see note 1 below) as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting to be held at Fladgate LLP, 16 Great Queen Street, London, WC2B 5DG on 29 September 2016 at 11:00 a.m. and at any adjournment thereof, as indicated below:

| Resolutions (*Special Resolutions)                                                                                                                  | FOR | AGAINST | WITHHELD |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|-----|---------|----------|
| 1 To receive the reports of the directors and auditors and the financial statements for the year ended 31 March 2016 for the Group and the Company. |     |         |          |
| 2 To re-elect Andrew Sarosi as a Director of the Company.                                                                                           |     |         |          |
| 3 To re-elect Chris Molefe as Director of the Company.                                                                                              |     |         |          |
| 4 To confirm the appointment of Chapman Davis LLP as statutory auditor of the Company.                                                              |     |         |          |
| 5 To authorise the directors to determine auditors' remuneration for the year ended 31 March 2016.                                                  |     |         |          |
| 6 To authorise the directors to allot and grant options over shares in accordance with section 551 of the Companies Act 2006.                       |     |         |          |
| 7* To empower the directors to allot equity securities.                                                                                             |     |         |          |
| 8* To authorise the Company to, at its discretion, issue shares to directors in lieu of remuneration.                                               |     |         |          |

Signed ..... Date .....

Name(s) .....

### Notes:

1. Should a member wish to nominate any other person, strike out "the chairman of the meeting or" and insert the name of the alternative proxy who need not be a member of the Company.
2. Please indicate with an X in the boxes above how you wish your votes to be cast. In the absence of any specific direction, the proxy will vote or abstain as he/she thinks fit.
3. An appointment by a corporation must be under the common seal (if any) or, if none, under the hand of a duly authorised officer.
4. Any one of the joint holders may attend or appoint a proxy to attend at the meeting but the vote of the senior present, in person or by proxy, will be accepted to the exclusion of the other. Seniority shall be determined by the order in which the names stand in the register of shareholders in respect of the joint holding.
5. To be valid this proxy must be deposited at the registered office of Neville Registrars Ltd at Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA at least 48 hours (excluding non-business days) before the time appointed for holding the meeting or adjourned meeting (as the case may be).

**For your notes**

For your notes

For your notes

