



## ASX ANNOUNCEMENT

24 October 2019

ASX: G1A

### GALENA OFFTAKE AGREEMENT WITH IXM

#### HIGHLIGHTS:

- Galena to sell 65ktpa lead-silver concentrate to tier one international trading firm, IXM for 10-years and procure the material by purchasing its 60% share of Abra's production from AMPL
- IXM offtake at a premium to benchmark, which is estimated to generate significant pre-tax cash flow for Galena
- IXM also providing US\$12M financing facility at the Galena level to provide an additional option for back-up liquidity during construction and ramp-up phases at Abra

**GALENA MINING LTD.** ("Galena" or the "Company") (**ASX: G1A**) announces that it has entered into an offtake agreement with IXM S.A. ("**IXM**") for the supply of high-value, high-grade lead-silver concentrates (the "**IXM Offtake**") from its Abra Base Metals Project ("**Abra**" or the "**Project**"). At the same time, Galena has entered into a back-to-back agreement with the Abra Project joint-venture company currently owned 86.67% by Galena, Abra Mining Pty Limited ("**AMPL**") to procure the concentrates that will be supplied by Galena to IXM (the "**AMPL Offtake**").

Managing Director, Alex Molyneux commented, "*I'm pleased Galena has entered into an offtake agreement with a tier one buyer that reflects the premium value of Abra's high-grade concentrate product. The arrangement demonstrates a higher value over and above the assumptions used in the feasibility study.*"

Under the IXM Offtake, Galena has agreed to sell IXM 65,000 tonnes per year of high-value, high-grade Abra lead-silver concentrates for a period of 10-years from the commencement of production at the Project. The agreed volume largely accounts for the 60% of Abra production that is not already been earmarked for offtake to Toho Zinc Co., Ltd. ("**Toho**"), Galena's joint-venture partner in AMPL. The IXM Offtake will be priced based on standard metal payabilities for lead concentrates and pricing based on London Metal Exchange ("**LME**") quoted lead metal price, with treatment and refining charges deducted from the payable amount based on the annual benchmark for equivalent lead concentrates together with an adjustment in favour of Galena (ie, Galena to realise a premium to benchmark).

Upon entering into the IXM Offtake, Galena will exercise its right under the AMPL Shareholders Agreement to purchase its 60% share of Abra's production for an initial period of 10-years from the commencement of production. Galena's purchase price from AMPL will be based on standard metal payabilities and pricing based on LME quoted lead metal price, with a treatment and refining charges deduction based on the annual benchmark published for equivalent lead concentrates.

The premium in favour of Galena under the IXM Offtake will generate significant annual pre-tax cash flow for the Company once Abra is in steady state production. The premium represents the high-quality nature of Abra's concentrate, which is anticipated to be the world's highest grade lead concentrate commercially available. Galena further notes, that the premium to be realised under the proposed offtake arrangements represents a premium to the assumptions used in the Abra feasibility study, which assumed benchmark terms with no adjustment (*see Galena ASX announcement of 22 July 2019*).

In addition to offtake, IXM and the Company have agreed indicative terms with respect to a US\$12 million financing facility ("**IXM Facility**") to be available in two tranches of US\$6 million each during: Project construction; and ramp-up. The IXM Facility is not intended to be part of the Abra project financing debt facilities currently being arranged, for which AMPL will be the borrower. However, it provides a valuable additional source of funding that Galena may draw as an option to in the event it, or AMPL have liquidity requirements during critical phases of Abra's development.

The IXM Offtake is a legally binding full-form agreement, conditional on commencement of production at Abra on or before 31 December 2023 and the commencement of commercial production (ie, production at or higher than approximately nameplate capacity) on or before 31 December 2024. Furthermore, finalisation of the IXM Facility is a condition precedent under the IXM Offtake.

IXM was established in 2005 as a metals trading division of Louis Dreyfus Company prior to a 2018 sale to NCCL (a commodities fund) and a 2019 sale and consolidation into China Molybdenum Co., Ltd., a US\$10 billion international mining company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange. With headquarters in Geneva, Switzerland, IXM is a top tier global base metals merchant, with annual consolidated net revenue in excess of US\$12.5 billion and operations in 62 countries. IXM's website for further information is [www.ixmetals.com](http://www.ixmetals.com).

**Galena Mining Ltd.,**



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**Alex Molyneux**  
Managing Director

## Forward-looking statements

The contents of this announcement reflect various technical and economic conditions at the time of writing. Given the nature of the resources industry, these conditions can change significantly over relatively short periods of time. Consequently, actual results may vary from those in this announcement.

Some statements in this announcement regarding estimates or future events are forward-looking statements. They include indications of, and guidance on, future earnings, cash flow, costs and financial performance. Forward-looking statements include, but are not limited to, statements preceded by words such as “planned”, “expected”, “projected”, “estimated”, “may”, “Scheduled”, “intends”, “anticipates”, “believes”, “potential”, “predict”, “foresee”, “proposed”, “aim”, “target”, “opportunity”, “could”, “nominal”, “conceptual” and similar expressions.

Forward-looking statements, opinions and estimates included in this announcement are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements are provided as a general guide only and should not be relied on as guarantee of future performance. Forward-looking statement may be affected by a range of variables that could cause actual results to differ from estimated results and may cause the Company’s actual performance and financial results in future periods to materially differ from any projections of future performance or results expressed or implied by such forward-looking statements. So there can be no assurance that actual outcomes will not materially differ from these forward-looking statements.

## About Abra Base Metals Project

86.67% owned by Galena, the Abra Base Metals Project (“**Abra**” or the “**Project**”) is a globally significant lead-silver project located in the Gascoyne region of Western Australia (between the towns of Newman and Meekatharra, approximately 110 kilometres from Sandfire’s DeGrussa Project).

Galena completed an outstanding definitive / bankable feasibility study (“**FS**”) (see *Galena ASX announcement of 22 July 2019*) for development of a mine and processing facility with a 16-year life producing a high-value, high-grade lead-silver concentrate containing approximately 95kt of lead and 805koz of silver per year after ramp-up. Based on a pre-development capital expenditure estimate of A\$170 million, the FS modelled a pre-tax net present value for Abra (at an 8% discount rate) of A\$553 million and an internal rate of return of 39%.<sup>1</sup>

*Note: 1. Information relating to the production target and financial information derived from the production target is extracted from the ASX announcement of 22 July 2019. Galena confirms that that all material assumptions underpinning the production target, or forecast financial information derived from a production target, in that announcement continue to apply and have not materially changed.*

Abra JORC Mineral Resource estimate<sup>1, 2</sup>

Resource classification	Tonnes (Mt)	Lead grade (%)	Silver grade (g/t)
Measured	-	-	-
Indicated	16.7	8.5	24
Inferred	24.4	6.5	14
<b>Total</b>	<b>41.1</b>	<b>7.3</b>	<b>18</b>

Notes: 1. See Galena ASX announcement of 17 October 2019. Galena confirms that it not aware of any new information or data that materially affects the information included in Galena's ASX announcement of 17 October 2018 and confirms that all material assumptions and technical parameters underpinning the resource estimates continue to apply and have not materially changed. 2. Calculated using ordinary kriging method and a 5.0% lead cut-off grade. Tonnages are rounded to the nearest 100,000t, lead grades to one decimal place and silver to the nearest gram. Rounding errors may occur when using the above figures.

Abra location

