



ASX ANNOUNCEMENT

29 July 2019

ASX: G1A

ACTIVITIES REPORT FOR QUARTER ENDED 30 JUNE 2019

HIGHLIGHTS:

- Closed Toho project equity transaction for Abra
 - Transaction for international lead and zinc smelting company, Toho Zinc to invest \$90M for a 40% ownership interest in AMPL, the previously wholly-owned Galena subsidiary which owns the Abra Base Metals Project
 - Investment to be made in three tranches: \$20M already received at completion; \$10M to be paid on completion of the Abra DFS; and \$60M to be paid on confirmation of project financing debt for the Project
 - Toho to assist AMPL potentially procure a contribution to project financing debt through the attractive programs available from policy financing for Japan-related projects
 - First \$20M tranche received such that Toho now owns 8.11% of AMPL and Galena 91.89%
- Second and final \$5M received from Kingfisher Capital (Tim Roberts investment vehicle) such that Tim Roberts now owns approximately 6.9% of Galena
- 13,642 metres of project development drilling completed at Abra including production water bores and much of the drilling to complete the positioning of the mine decline
- Initial works commenced such as purchase of initial camp module, option over pastefill plant and purchase of underground primary ventilation fan
- Conclusion of major permits subsequent to Quarter end
- Recruitment of CFO, Project Manager and Commercial Manager

GALENA MINING LTD. ("Galena" or the "Company") (ASX: G1A) reports on its activities for the quarter ending 30 June 2019 (the "Quarter"), largely focused on advancing its 91.89%-owned Abra Base Metals Project ("Abra" or the "Project") located in the Gascoyne region of Western Australia, targeting commencement of construction in 2019.

ABRA BASE METALS PROJECT (91.89%)

Abra comprises a granted Mining Lease, M52/0776 and is surrounded by the Exploration Licence E52/1455, together with several co-located General Purpose and Miscellaneous Leases. The Project is 100% owned by Abra Mining Pty Limited (“**AMPL**”), which in turn is currently 91.89% owned by Galena, with the remainder owned by Toho Zinc Co., Ltd. (“**Toho**”) (pursuant to an Investment Agreement and Shareholders Agreement with Toho).

Definitive feasibility study (“**DFS**”)

On 11 October 2018, Galena formally commenced its DFS works for Abra with the appointment of leading Australian engineering consulting and contracting company GR Engineering Services Limited (“**GR Engineering**”) (ASX: GNG) to undertake key portions of the DFS related to plant design, capital cost and operating cost estimation, process and non-process infrastructure evaluation. During the past eleven years GR Engineering has completed more than 40 design and construction projects and over 160 feasibility studies including several ‘flagship’ Australian base metals projects.

The DFS works continued during the Quarter and outstanding results were announced subsequent to the Quarter (see *Galena ASX announcement of 22 July 2019*).

Project development drilling

On 22 March October 2019, Galena announced commencement of initial project development drilling program at Abra, which the Company considers a major advancement of the Project. The drilling will complete decline positioning, water bores and additional infill holes associated with early production horizons.

Galena increased the scope of the project development drilling program during the Quarter and now anticipates drilling approximately 18,000 new cumulative linear metres of diamond core drill-holes at Abra adding approximately 30% new data to the Project’s total drilling database.

One of the main benefits of the initial project development drilling program is to increase drilling density (25m x 25m or better) over key areas of the first three years production horizons and subsequently de-risk the mine plan as early as possible. The program will generally aim to increase confidence within areas of the Abra Resource already categorized as Indicated and Inferred.

During the quarter the water bore drilling was completed and those holes were assessed for water production capability as described further in the DFS (see *Galena ASX announcement of 22 July 2019*).

By the end of the Quarter 27 drill-holes for 12,190 cumulative linear metres of the project development drilling had been completed (ie, approximately 68% of the program). Assays for the six holes (AB103-AB108) were publicly announced on 5 June 2019 (see *Galena ASX announcement*), including the following significant intersections:

- 23.1m at 16.7% lead and 82g/t silver (including 3.5m at 51.4% lead and 95g/t silver) in hole AB107
- 19.3m at 13.4% lead and 50g/t silver in hole AB103
- 11.0m at 8.8% lead and 21g/t silver in hole AB104

At the current rate of progress, the project development drilling program is anticipated to be physically complete in August 2019, with last assays and then an updated Mineral Resource estimate completed in the December quarter 2019.

Another round of excellent significant intersections were announced subsequent to the end of the Quarter (see *Galena ASX announcement of 19 July 2019*).

Initial project development activities

During the Quarter, initial Abra development activities were commenced.

An initial camp consisting of 80 accommodation units, the full-scale kitchen and mess hall and certain ancillaries was purchased from a permanent modular construction manufacturer. The facilities were ordered to meet the initial deployment of the construction workforce to Abra and to form the basis of the main long-term camp such that additional accommodation units will be added over time to eventually have the capacity to house the full workforce required for steady-state commercial operations. The facilities ordered are expected to be available ex-works during the next quarter.

Abra's project design incorporates cement paste backfill in the underground mine plan, with paste being prepared by an onsite pastefill plant utilising approximately 1/3 of plant tailings as raw material for the paste. During the Quarter, the Company entered into an Option Agreement that secures the right to purchase an existing pastefill plant that meets the Project requirements. The intention is to exercise the right to purchase the pastefill plant at any time until late April 2020 and then have the paste plant refurbished and relocated to Abra for use.

During the Quarter a primary ventilation fan was ordered for fabrication as a key long lead-time item for the underground mine development.

During the Quarter the Company continued to build out its project development team. John Blower joined as Project Manager with previous experience as Project Manager – Mine Infrastructure at Roy Hill Mine. Jude Turton also joined as Commercial Manager. A qualified lawyer, Ms Turton was previously Commercial Manager at Covalent Lithium, Independence Group and Sirius Resources.

Final permitting

During the Quarter, Galena continued to discuss its Works Approval submissions for construction of the proposed processing plant and tailings storage facilities for Abra with the Western Australian Department of Water and Environmental Regulation (“**DWER**”). At the same time, Galena also continued discussions with the Western Australian Department of Mines, Industry Regulation and Safety (“**DMIRS**”) regarding the Mining Proposal, Mine Closure Plan and Environmental Management System applications for Abra.

Subsequent to the Quarter, Galena announced that all major DWER and DMIRS approvals were concluded (see *Galena ASX announcement of 3 July 2019*).

Commercial initiatives in support of Abra development – project financing

During the Quarter, Galena completed the initial part of a transaction to bring in \$90 million in project equity for Abra. The Company executed definitive agreements with Toho setting out the

terms for Toho's investment of \$90 million in three tranches for a 40% ownership interest in Galena's previously wholly-owned subsidiary, AMPL (the "**Toho Transaction**"). Key relevant terms of the Toho Transaction include:

- Investment and investment structure – \$90 million total investment to be made via the subscription of new ordinary shares in AMPL such that Toho owns 40% of AMPL on completion of the full investment and Galena retains 60%.
- Tranched payment – \$20 million will be paid on initial closing of the transaction (for 8.89% of AMPL); \$10 million will be paid once Galena issues the DFS for Abra (for a further 4.44% of AMPL); and \$60 million will be paid once project financing debt for the Project has been confirmed (for a further 26.67% of AMPL, taking Toho's total ownership in AMPL to 40.00%).
- Toho funding support – Toho will assist AMPL to procure, by leveraging the attractive programmes available to it from its relationships with Japanese lenders, a contribution to project financing debt.
- Repayment of historical shareholder loans to Galena – As part of the Transaction, AMPL will repay \$10 million of historical shareholder loans back to Galena.
- Off-take – Galena and Toho will each enter into off-take agreements with AMPL to purchase their respective share of AMPL's high-grade high-value lead-silver concentrate on arms-length, benchmark terms. Each party will have rights to market and on-sell their respective share of purchased off-take.

During the Quarter the first \$20 million tranche was received from Toho.

During the Quarter, the Company continued to advance discussions with multiple banks with respect to the provision of project financing debt.

Near-Project exploration

There were no material near-Project exploration activities completed during the Quarter.

NON-ABRA PROSPECTS

Galena's non-Abra prospects consist of Woodlands, Manganese Range and Quartzite Well, which are located between approximately 20-50 kilometres or further to the west of Abra and reside within three granted Exploration Licences, being: E52/1413; E52/3575 and E52/3630.

There were no material non-Abra exploration activities completed during the Quarter.

CORPORATE

\$10M strategic investment secured for Galena from Kingfisher Capital / Tim Roberts

In the previous quarter, Kingfisher Capital Pte Ltd ("**Kingfisher Capital**") (an investment vehicle of Tim Roberts) and Galena signed a Subscription Agreement for Kingfisher Capital to invest \$10 million into Galena in two tranches of \$5 million each at \$0.40/share. Each tranche also included the additional issue to Kingfisher Capital of 2.5 million unlisted options to acquire Galena shares (1.25 million with a strike price of \$0.50/share and 1.25 million with a strike price of \$0.60/share), with an expiry of four years from issuance. The first \$5 million tranche and combined issuance of shares and options in the Company was completed on 26 March 2019. On 17 April 2019, the second and final \$5 million tranche and combined issuance of shares and options in the Company was completed (see *Galena ASX announcement of 17 April 2019*). On 27 June 2019 it was

reported that Kingfisher Capital's shares and options had been transferred to Mr Roberts' personal holding. Mr Roberts' currently continues to hold the relevant securities and owns approximately 6.9% of Galena's outstanding shares.

Recruitment of mining-experienced CFO

During the Quarter, the Company recruited Craig Barnes as its Chief Financial Officer (see *Galena ASX announcement of 14 June 2019*). Mr Barnes (BCom, BAcc (Hons), CA) is a chartered accountant with more than 20 years of experience in senior finance and financial management within the mining industry and previously the financial services industry. Before joining Galena, he held the position of Chief Financial Officer of Paladin Energy Limited since July 2014. Prior to that, Mr Barnes was the Chief Financial Officer of DRDGOLD Limited and its affiliated subsidiaries for more than 7-years. Mr Barnes has considerable relevant experience in bank debt project financing, treasury, mergers and acquisitions and implementation of accounting controls and systems. He also has relevant experience in participating in the management of producing mining assets held and developed through joint-ventures.

OUTLOOK

Cash position

As at the end of the Quarter, the Company, together with its subsidiaries had approximately \$27.8 million in cash comprised of cash at bank and term deposit balances.

Outlook

Galena continues to target commencement of construction at Abra in 2019, with initial production in 2021 and the first full-year of steady-state commercial production in 2022.

Given that the DFS was released prior to the release of this Quarterly report, upcoming value-adding Abra and corporate milestone workstreams include:

- Finalising non-Toho offtake – Continued engagement with a select sub-set of the nine parties that already submitted expressions of interest for Abra's high-value, high-grade lead-silver concentrate with a view to concluding formal offtake arrangements for the non-Toho 60% of Abra production.
- Conclusion of project financing debt
- Continued results from ongoing project development drilling
- Updates for Mineral Resource and Ore Reserves
- Initial project development milestones
- Mobilisation of underground mining contractor
- Full construction decision and execution of plant EPC contract

Galena Mining Ltd.



Alex Molyneux
Managing Director

Competent Person's Statement

The information in this report related to the Abra Ore Reserve estimate is based on work completed by Mr Roger Bryant, BEng (Mining, Member AUSIMM). Mr Bryant is an employee of Galena Mining Ltd. Mr Bryant has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Exploration Targets, Mineral Resources and Ore Reserves. Mr Bryant consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

The information in this report related to the December 2018 Resource estimate is based on work completed by Mr Don Maclean MSc (Geol), MAIG and RP Geo (Exploration and Mining), MSEG, a consultant to Galena Mining and Mr Mark Drabble B.App.Sci. (Geology), MAIG, MAusIMM, Principal Consultant at Optiro Pty Ltd. Mr Maclean was responsible for data review, QAQC, and development of the geological model. Mr Drabble was responsible for resource estimation, classification and reporting. Mr Maclean and Mr Drabble have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Exploration Targets, Mineral Resources and Ore Reserves. Mr Maclean and Mr Drabble consent to the inclusion in the report of the matters based on this information in the form and context in which it appears.

The information in this report to which this statement is attached that relates to exploration results and drilling data is based upon information compiled by Mr Don Maclean MSc (Geol), MAIG and RP Geo (Exploration and Mining), MSEG, a consultant to Galena Mining. Mr Maclean has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Exploration Targets, Mineral Resources and Ore Reserves. Mr Maclean consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

No new information

This report contains references to exploration results and Mineral Resource estimates, all of which have been cross-referenced to previous announcements made by the Company. The Company confirms that it is not aware of any new information or data that materially affects the information included in the relevant announcements and in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed.

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.

Appendix 3 – Tenement information as required by Listing Rule 5.3.3

Country	Location	Project	Tenement	Change in Holding (%)	Current Interest (%)
Australia	WA	Abra	M52/0776	0	100
Australia	WA	Jillawarra	E52/1413	0	100
Australia	WA	Abra	E52/1455	0	100
Australia	WA	Abra	G52/0286	0	100
Australia	WA	Abra	L52/0121	0	100
Australia	WA	Jillawarra	E52/3575	0	100
Australia	WA	Jillawarra	E52/3630	100	100
Australia	WA	Abra	G52/0292	100	100
Australia	WA	Abra	L52/0194	100	100
Australia	WA	Jillawarra*	E52/1413	100	100
Australia	WA	Jillawarra	P52/1580	100	100
Australia	WA	Jillawarra	P52/1581	100	100
Australia	WA	Abra	L52/0198	100	100
Australia	WA	Abra - Application	L52/0205	0	0

**Tenements P52/1580 and P52/1581 have now been amalgamated in E52/1413*

About Abra Base Metals Project

91.11% 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 PFS 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%.¹

Note: 1. Information relating to the production target and financial information derived from the production target is extracted from the ASX announcement of 25 September 2018. 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^{1, 2}

<u>Resource classification</u>	<u>Tonnes (Mt)</u>	<u>Lead grade (%)</u>	<u>Silver grade (g/t)</u>
Measured	-	-	-
Indicated	15.0	8.7	22
Inferred	22.4	6.7	15
Total	37.4	7.5	18

Notes: 1. See Galena ASX announcement of 18 December 2018. Galena confirms that it not aware of any new information or data that materially affects the information included in Galena’s ASX announcement of 18 December 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 JORC Ore Reserve statement^{1, 2}

<u>Reserve classification</u>	<u>Tonnes (Mt)</u>	<u>Lead grade (%)</u>	<u>Silver grade (g/t)</u>
Proved	-	-	-
Probable	10.3	8.8	24
Total	10.3	8.8	24

Notes: 1. See Galena ASX announcement of 18 December 2018. Galena confirms that it not aware of any new information or data that materially affects the information included in Galena’s ASX announcement of 18 December 2018 and confirms that all material assumptions and technical parameters underpinning the ore reserve estimates continue to apply and have not materially changed. 2. 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

