



ASX ANNOUNCEMENT

29 January 2019

ASX: G1A

ACTIVITIES REPORT FOR QUARTER ENDED 31 DECEMBER 2018

HIGHLIGHTS:

- Updated Resource, Reserve and mine model for Abra:
 - Updated JORC Mineral Resource estimate (Indicated plus Inferred) at 5.0% lead cut-off of 37.4Mt at 7.5% lead and 18g/t silver
 - Updated JORC Probable Ore Reserve estimate of 10.3Mt at 8.8% lead and 24g/t silver
 - 9% increase in lead metal grade in Ore Reserve and 7% increase in contained lead metal together with 18% increase in contained silver compared to previous Ore Reserve
 - Revised mine model material of 16.4Mt at 8.2% lead and 22g/t silver, compares favourably to mine model material previously assumed for PFS, with one extra year of mine-life and ~6% higher lead grade on average over life of mine
- Appointment of high-profile experienced underground miner to the Board, Mr Tony James
- Formal commencement of DFS for Abra, with completion anticipated in mid-2019

GALENA MINING LTD. (“Galena” or the “Company”) (ASX: G1A) reports on its activities for the quarter ending 31 December 2018 (the “Quarter”), largely focused on advancing its wholly-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

Abra comprises the granted Mining Lease, M52/0776 and is surrounded by the Exploration Licence E52/1455, together with several co-located General Purpose and Miscellaneous Leases.

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 remain on-track to be completed mid-2019.

Updated Resource, Reserve and mine model

On 18 December 2018, the Company announced completion of an updated JORC Code compliant Mineral Resource estimate ("**December 2018 Resource**") for Abra, which was independently prepared by Optiro Pty Ltd ("**Optiro**"). In addition, Galena has prepared an updated JORC Code compliant Ore Reserve estimate ("**December 2018 Reserve**") and a revised mine model assessed on the new Resource.

Key highlights of the work included:

- Updated JORC Mineral Resource estimate (Indicated plus Inferred) at 5.0% lead cut-off of 37.4Mt at 7.5% lead and 18g/t silver.
- Updated JORC Probable Ore Reserve estimate of 10.3Mt at 8.8% lead and 24g/t silver.
- 9% increase in lead metal grade in Ore Reserve and 7% increase in contained lead metal together with 18% increase in contained silver compared to previous Ore Reserve.
- Revised mine model material of 16.4Mt at 8.2% lead and 22g/t silver, compares favourably to mine model material previously assumed for PFS:
 - Approximately one-year extra life of mine vs. 14-years assumed for PFS.
 - ~6% higher average lead grade over life of mine.
 - Overall ~169kt additional lead metal.
 - Higher average silver grade and ~16% more silver metal.
 - Revised assessment of Resource geometry and revised mine model material results in ~13km less lateral development than assumed for PFS.

Given the potential for the combination of increased metal and lower development metres to materially improve the economic outcomes of the PFS, Galena intends to release an optimised PFS in early-2019 based on the revised mining model

The December 2018 Resource and December 2018 Reserve incorporates all of the exploration data gathered during the 2018 Resource Infill and Development Program, which was physically completed in the prior quarter.

Commercial initiatives in support of Abra development – project financing

During the Quarter, the Company continued discussions and facilitated due diligence engagement with a number of parties regarding project financing. Such parties include traditional project financing banks and strategic counterparties.

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.

During the Quarter, 3D inversion modelling of gravity and magnetic data at Woodlands and Manganese Range delineated strong anomalies at both locations. These anomalies are interpreted as being prospective for copper, gold, lead and silver and have yet to be tested with drilling.

CORPORATE

Appointment of high-profile experienced underground miner to the Board, Mr Tony James

On 15 October 2018 the Company announced the appointment of Mr Anthony (Tony) James as a Non-Executive Director and the concurrent resignation of Non-Executive Director, Mr Oliver (Olly) Cairns.

Mr James, a Mining Engineer, has considerable senior underground development operational and development experience. His experience includes having previously worked as Managing Director of various ASX-listed companies, including: Carbine Resources; Atherton Resources; and Mutiny Gold. At Atherton Resources he achieved a favourable outcome for shareholders which culminated in a cash takeover by Auctus Minerals. At Mutiny Gold he led the implementation of a revised development strategy for the Deflector copper-gold deposit in WA prior to the merger of that company with Doray Minerals. Mr James is currently a Non-Executive Director of both Apollo Consolidated and Blackham Resources.

Prior to Mr James' Managing Director and Non-Executive Director roles, he held a number of senior executive positions with international gold producer Alacer Gold, including President of its Australian operations. He also played a key role in Avoca Resources' initial growth and success leading the feasibility, development and operation of its Higginsville Gold Mine.

Reorganisation and potential divestment of non-core non-Abra assets

On 22 October 2018 Galena announced a reorganisation to consolidate its non-Abra polymetallic base metals exploration assets into a separate entity.

OUTLOOK

Cash position

As at the end of the Quarter, the Company had approximately \$3.3 million in cash comprised of cash at bank and term deposit balances. Having completed payments for the physical works associated with the 2018 Resource Infill and Development Program as at the date of this report, Galena expects a reduction in cash expenditure for the quarter ending 31 March 2019, compared to the Quarter passed.

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.

Upcoming value-adding Abra and corporate milestone workstreams include:

- Completion of an optimisation of the previously announced Abra PFS to incorporate the new mine model derived in association with the December 2018 Resource and Reserve, anticipated to complete in early-2019.
- Abra permitting works – Continuation of permitting initiatives with a view to have finalised remaining key permits required to commence development of Abra by the end of the second calendar quarter of 2019.
- Ongoing discussions with potential customers / offtakers.
- Continuation of discussions and due diligence engagement with project financing parties, including traditional project financing banks and strategic counterparties.
- Completion of the Abra DFS mid-2019.

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	P52/1580	100	100
Australia	WA	Jillawarra	P52/1581	100	100
Australia	WA	Abra	L52/0198 ⁽¹⁾	0	100

Notes: 1. Pending – Application Only.

About Abra Base Metals Project

Wholly-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 recently completed an outstanding pre-feasibility study (“**PFS**”) (see Galena ASX announcement of 25 September 2018) for development of a mine and processing facility with a 14-year life producing a high-value, high-grade lead-silver concentrate containing approximately 91kt of lead and 760koz of silver per year after ramp-up. Based on a pre-development capital expenditure estimate of A\$154 million, the PFS modelled a pre-tax net present value for Abra (at an 8% discount rate) of A\$528 million and an internal rate of return of 50%.

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. 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. 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

