

ASX ANNOUNCEMENT

9 April 2020

ASX: G1A

ABRA BOX-CUT COMPLETE – PROJECT UPDATE

GALENA MINING LTD. (“Galena” or the “Company”) (ASX: G1A) announces that Abra Mining Pty Limited (“**AMPL**”), the joint-venture company for the Abra Base Metals Project (“**Abra**” or the “**Project**”) has completed the construction of the box-cut for the Abra underground mine and provides a further Company and Project update.

Managing Director, Alex Molyneux commented, “**Abra construction is now 9% complete and site is de-risked for full construction. Progress on debt financing has been slowed down by COVID-19 but we’re in robust financial shape and have been careful not to commit beyond our means.**”

Box-cut completion and status of Abra site

Construction of the box-cut at Abra has now been completed by a third-party mining contractor. The established box-cut runs approximately 190 metres long (north-south) to a depth of 25 metres and an average width of approximately 45 metres (east-west). The southern wall, that is the base of the box-cut will house the location of the future main portal for the Abra underground mine decline. Having completed the box-cut works, the surface mining contractor has now demobilised from site.

Figure 1: Completed box-cut



Source: Galena.

A number of works have been completed at Abra to prepare it for the commencement of full construction, including:

- the aforementioned box-cut;
- site clearing and site roadworks (including topsoil storage);
- construction of the first stage of the permanent camp (including accommodation units for 80 persons along with full-sized kitchen and messing facilities); and
- installation of production water supply facilities and wastewater treatment facility.

Completion of these tasks provides a substantial de-risking of the Project in that they reduce the risk of timing, access and synchronisation issues during the mobilisation and works undertaken by the engineering construction and procurement (“**EPC**”) and underground mining contractors during the full construction phase.

Figure 2: Abra permanent camp



Source: Galena.

Abra Project and Company update (including COVID-19 update)

The Abra Project is now 9% complete. However, full construction, defined as being the plant procurement and construction works and underground mine development, have not commenced and will remain on hold until completion of the project financing debt arrangement.

AMPL continues to be engaged in active discussions with a short-listed group of banks regarding a project financing debt facility. However, issues of COVID-19-related market volatility, combined with practical issues associated with travel / logistics restrictions have delayed the ability to complete credit approvals on a mutually agreed set of terms. On the other hand, AMPL has also received a number of preliminary proposals from non-bank lenders as well who see the attraction of being able to leverage market conditions to gain exposure to a tier one project such as Abra. As such, AMPL will consider all options going forward.

Following de-mobilisation of the box-cut mining contractor, no further immediate actions will be required at Abra and the site will be able to be maintained in suspension with an appropriate supervisory staffing level.

The Company has been very careful not to commit to expenditure beyond its existing financial resources. The EPC contract has been awarded but procurement and construction actions will not be commenced under that contract until the Abra Project is fully funded. Likewise, a preferred tenderer has been selected for the potential award of the underground mining contract but mining works will not commence at this time. As at 31 March 2020, Galena has \$19.5M cash and no debt. The only financial commitment it has going forward is for the fabrication and delivery of the remainder of the permanent camp (accommodation units for an additional 200 persons and other ancillary buildings), which had an approximately \$5.5M remaining cost as at 31 March 2020.

A key element of Abra's overall project financing package continues to remain in place in that completion of Abra's project financing debt will trigger the final \$60M equity investment tranche into AMPL by Toho Zinc Co., Ltd. ("**Toho**") of Japan, thereby raising Toho's partnership stake in AMPL to 40%. Toho has already invested \$30M since April 2019, with the majority of such proceeds being used to conduct the Abra site construction works completed to date.

The Board of Directors of Galena authorized this announcement for release to the market.

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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

86.16% 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%.¹

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^{1, 2}

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

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

