



ASX ANNOUNCEMENT

29 April 2019

ASX: G1A

ACTIVITIES REPORT FOR QUARTER ENDED 31 MARCH 2019

HIGHLIGHTS:

- Secured \$90M project equity 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 on completion of the Transaction; \$10M to be paid on completion of the Abra DFS; and \$60M to be paid on confirmation of project financing debt for the Project
 - Transaction completion occurred subsequent to the Quarter and AMPL received the first \$20M tranche
 - Toho to assist AMPL potentially procure a contribution to project financing debt through the attractive programs available from policy financing for Japan-related projects
- Additional \$10M strategic investment secured for Galena from Kingfisher Capital
- Commencement of initial project development drilling program at Abra, which includes production water bores and drilling to complete the positioning of the mine decline
- Continued progress on permit finalisation and DFS works

GALENA MINING LTD. (“Galena” or the “Company”) (ASX: G1A) reports on its activities for the quarter ending 31 March 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 pursuant to the Investment 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 remain on-track to be completed mid-2019.

Initial project development drilling

On 22 March 2019, Galena announced commencement of initial project development drilling 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. Under the program, Galena anticipates drilling in excess of 15,000 new cumulative linear metres of diamond core drill-holes adding approximately 25% 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 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.

Near-Project exploration

During the Quarter two drill holes were advanced within the greater Hyperion Prospect, which lies within E52/1455.

The first diamond core drill hole, HY003, was drilled approximately 1.4 kilometres to the west of the historic HY1 drill hole which intersected 6.05 metres at 9.86% lead in the equivalent stratigraphic position of Abra’s Apron Zone. HY003 was targeting a gravity and magnetic anomaly that was interpreted as being a western extension to the main Hyperion Prospect which includes HY1. HY003 finished at 694 metres and did not intersect any significant mineralisation.

The second drill hole at Hyperion, HYRC002D is a diamond core extension of a 2017 RC pre-collar, HYRC002 which had finished at 218 metres. The diamond core tail finished at 670 metres. HYRC002D is approximately 400 metres west of HY1 and was also targeting a gravity and magnetic anomaly interpreted as being an extension of the main Hyperion Prospect. Noteworthy mineralisation, was intersected in the equivalent stratigraphic position of Abra’s Apron Zone. This included 6.6 metres at 2.7% lead and 27g/t silver from 615.8 metres, including 0.3 metres at 17.8% lead and 112g/t silver from 620.6 metres.

The Hyperion Prospect remains open to the north, east and south and continues to warrant further drill testing.

Final permitting

Galena received notification that its application for a Works Approval for construction of the proposed processing plant and tailings storage facilities for Abra were accepted by the Western Australian Department of Water and Environmental Regulation (“**DWER**”). This application is in addition to a DWER Works Approval application for mine construction that was accepted in September 2018. The Mining Proposal, Mine Closure Plan and Environmental Management System applications were lodged and accepted by the Western Australian Department of Mines, Industry Regulation and Safety (“**DMIRS**”) in the previous quarter.

The latest DWER Works Approval application is considered the final major approval to be submitted and based on current estimated processing times at the various departments, it is anticipated to be the final approval received to put Abra in a position to have received all major permits.

Commercial initiatives in support of Abra development – project financing

During the Quarter, Galena announced that it had secured \$90 million in project equity for Abra. The Company executed a Terms Sheet with Toho Zinc Co., Ltd. (“**Toho**” or “**Toho Zinc**”) setting out the proposed 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 intercompany loans to Galena – As part of the Transaction, AMPL will repay \$10 million of historical intercompany 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.

Subsequent to the Quarter the parties entered into definitive documentation for the Toho Transaction and the first \$20 million tranche was received such that AMPL is now 91.89% owned by Galena and 8.89% by Toho’s wholly-owned subsidiary CBH Western Australia Pty Ltd. An initial \$5 million intercompany loan repayment was also received by Galena from AMPL.

Galena believes the partnership with Toho at the AMPL level provides the equity required for the development of Abra as the Project is currently envisaged. During the Quarter, the Company continued to advance discussions with multiple parties with respect to the provision of project financing debt.

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 exploration activities completed on the non-Abra prospects during the Quarter.

CORPORATE

Additional \$10M strategic investment secured for Galena from Kingfisher Capital

During the Quarter, Kingfisher Capital Pte Ltd ("**Kingfisher Capital**") 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.

Subsequent to the Quarter, the second \$5 million tranche and combined issuance of shares and options in the Company was completed.

The placement of new shares to Kingfisher Capital was completed using Galena's placement capacity under Listing Rule 7.1.

OUTLOOK

Cash position

As at the end of the Quarter, the Company, together with its subsidiaries had approximately \$6.7 million in cash comprised of cash at bank and term deposit balances. Subsequent to the Quarter, \$20 million was received on completion of the initial tranche of the Toho Transaction plus a further \$5 million was received on completion of the second tranche of the Kingfisher Capital strategic investment.

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:

- Continuation of the initial project development drilling program.
- Commencement of selected early project works – Galena and Toho have agreed to utilise the first and second payment tranches from the Toho Transaction to commence early project works, including: establishment of initial site camp; certain site infrastructure works;

mine boxcut development; initial underground decline development; and procurement of certain long lead-time items.

- Abra permitting works – Continuation of permitting initiatives with a view to have finalised remaining key permits required to commence development of Abra.
- Ongoing discussions with potential customers for the remaining 60% of Abra offtake that remains uncommitted.
- Continuation of discussions and due diligence engagement with project financing debt providers, including traditional project financing banks.
- 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.

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	100	100

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 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%.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

