Galena Mining Limited

ASX : G1A

Shares on Issue
336,500,000

Cash (June Qtr)
$8.5m

Directors & Management

Non-Executive Chairman
Adrian Byass

CEO
Edward Turner

COO
Troy Flannery

Non-Executive Directors
Jonathan Downes
Oliver Cairns
Tim Morrison

Company Secretary
Stephen Brockhurst

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26 July 2018

HIGHLIGHTS

- **Abra Scoping Study shows outstanding economics**
- **Base case pre-tax, post royalties NPV_{10} of A$394 million and IRR of 61%**
- **Spot price metals case pre-tax, post royalties NPV_{10} of A$615 million and IRR of 82%**
- **Average life of mine cash (C1) costs of US$0.46/lb and total costs (C3) costs of US$0.56/lb (includes all royalties) – high margin, strongly cash generative operation**
- **Capex of $153 million for an initial 11 year mine life with a payback period of approximately 18 months**
- **Metallurgical test work results have exceeded expectations - high grade lead - silver concentrate averaging 74.5% lead (and 140 g/t silver) with recoveries averaging 95% lead;**
- **Significant (ongoing) infill drilling results deliver;**
  - **highest grade lead intercept from the "Apron" to date of 15.4m @ 25.9% lead and 74 g/t silver from 519.1m (AB083) and,**
  - **highest-grade gold intercept drilled to date of 8m @ 9.5 g/t gold, 1.4% lead, 0.6% copper and 77 g/t silver from 706m in AB83**
- **$9 million raised via an oversubscribed placement in April which was supported by European, Asian and domestic institutional investors.**
- **Woodlands drilling increases copper footprint**
- **Granting of important general purpose infrastructure licence subsequent to Quarter end**

Galena Mining Limited (ASX: G1A) ("Galena" or "the Company") is pleased to report on its extensive activities for the period ending 30 June 2018 towards bringing its Western Australian 100% owned world class Abra Base Metal Project ("Abra") into development. Abra has undergone substantial advances in the June Quarter, and immediately subsequent, which were highlighted by the release of a Scoping Study showing outstanding project economics. Supporting resource drilling, metallurgical and related technical work has been driven by an oversubscribed institutional placement conducted in April which has positioned Galena in a strong position as it progresses the Pre-Feasibility Study due in September 2018 and the follow on Bankable Feasibility Study.

SCOPING STUDY

Galena released results of a Scoping Study undertaken on its 100% owned Abra Base Metal Project (ASX release 28 June 2018).

The Study confirmed Abra as an economically outstanding and technically robust deposit, with potential to become a significant, long-life, high margin West Australian lead-silver producer (see Table 1). There remains considerable exploration potential for additional lead-silver mineralisation already identified to be converted to JORC Resource with additional drilling. The deposit is also zoned with significant copper-gold intercepts at depth.

Table 1: Key Financial and Production Metrics

Key Financial and Production Metrics	
Processing capacity	**1 Mtpa**
Initial mine life	**11 years**
Average lead metal production	**91 ktpa**
Average silver metal production	**450 ozpa**
C1 cost payable	**46 USc/lb**
All-in sustaining cost	**56 USc/lb**
Pre-production capital	**A$153 m**
	Pre-tax
Average net cash flow (Years 3-11)	**A$103 m**
Net Present Value (DR @ 10% & Pb = US$ 0.95/lb) - long term Pb Price	**A$394 m**
Internal Rate of Return – long term Pb price	**60.9%**
Project Payback (from start of Production)	**1-1.5 yrs**
Net Present Value (DR @ 10% & Pb = US$ 1.14/lb) – spot Pb price	**A$615 m**
Internal Rate of Return – spot Pb price	**82.5%**

These results are based on the resource delivered earlier in 2018 and announced in March which was completed in accordance with the guidelines of the 2012 JORC Code (see Table 2).

Table 2: Abra March 2018 JORC Resource Estimate (Inverse Distance interpolation)

INDICATED RESOURCE				
Pb% Cut off	***Vol m ^{3}***	***Tonnes***	***Pb%***	***Ag g/t***
7.0	**1,800,000**	**6,300,000**	**10.1**	**26**
7.5	**1,500,000**	**5,300,000**	**10.6**	**28**
8.0	**1,300,000**	**4,500,000**	**11.1**	**30**
INFERRED RESOURCE				
Pb% Cut off	***Vol m ^{3}***	***Tonnes***	***Pb%***	***Ag g/t***
7.0	**2,300,000**	**7,800,000**	**9.1**	**26**
7.5	**1,700,000**	**5,900,000**	**9.7**	**29**
8.0	**1,300,000**	**4,600,000**	**10.2**	**32**
TOTAL RESOURCE (INFERRED AND INDICATED COMBINED)				
Pb% Cut off	***Vol m ^{3}***	***Tonnes***	***Pb%***	***Ag g/t***
7.0	**4,100,000**	**14,100,000**	**9.5**	**26**
7.5	**3,300,000**	**11,200,000**	**10.1**	**28**
8.0	**2,700,000**	**9,100,000**	**10.7**	**31**

Ongoing drilling which commenced in the June Quarter has returned spectacular results in the assays received to date (ASX release 9 July 2018) and further supports the model used by Galena management. This infill drilling will be used to upgrade portions of the current resource which are classified as ‘Inferred’ to ‘Indicated’ in order to be included in production planning as part of the Pre-Feasibility Study. The planned mining method comprises an underground mine accessed by a decline (see Figure 1). Initial material is expected to be mined during the Q1 in CY2021.

Underground extraction will be mostly by sublevel open stoping mining and partly by room and pillar mining. These methods, together with paste filling high value stopes, will enable maximum extraction of the orebody. The underground material will be trucked to the surface via the access decline as shown in Figure 1.

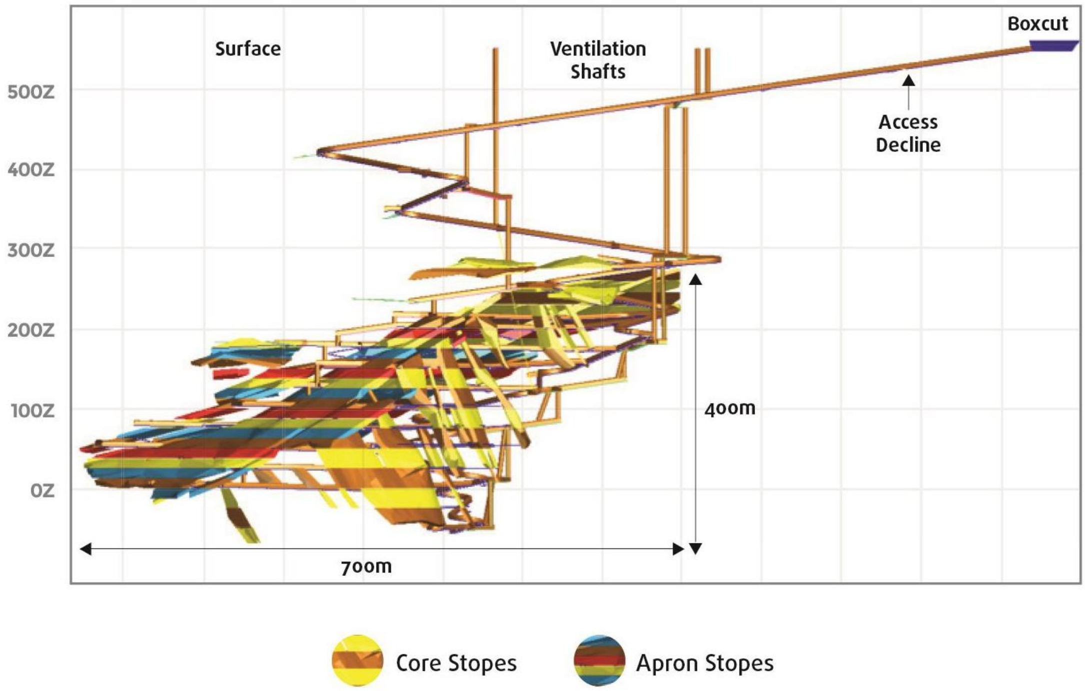

Figure 1: Abra's Conceptual Mine Design – Long Section View

Processing and metallurgical test work

Exceptional results have been achieved in metallurgical test-work (ASX release 7 June 2018). This has demonstrated that Abra can produce an exceptionally high-grade and clean lead-silver concentrate.

Following on from the preliminary results (ASX announcement dated 8th May 2018), the completion of the final locked-cycle processing stages has delivered further outstanding metallurgical results. The results have confirmed very high metal recoveries in an exceptionally high-grade and clean lead-silver concentrate. These results are from test work carried out by the internationally recognised global leader in this type of work, ALS Global (Burnie, Tasmania). Results exceed expectations and what was modelled in internal Scoping Study test-work conducted previously.

Composite samples delivered lead concentrate grades ranging from 69% – 81% (averaging 74.5%) with recoveries between 94% & 96% (averaging 95%).

Abra's very high lead grades in concentrate enables Galena to increase their metallurgical recoveries above 96% if desired and still maintain an extremely high lead-in-concentrate product.

Infrastructure, Transport and Logistics

Subsequent to the Quarter, Galena announced the granting of G52/292 which is adjacent to the granted mining licence (M52/776) which hosts Abra.

Timeline to Production

The Study shows commencement of construction during Q3 of CY2019 with a decline extending 300 metres vertical below surface. Planned extraction of the first mineralisation from development is scheduled for Q1 of CY2021 (see Figure 2).

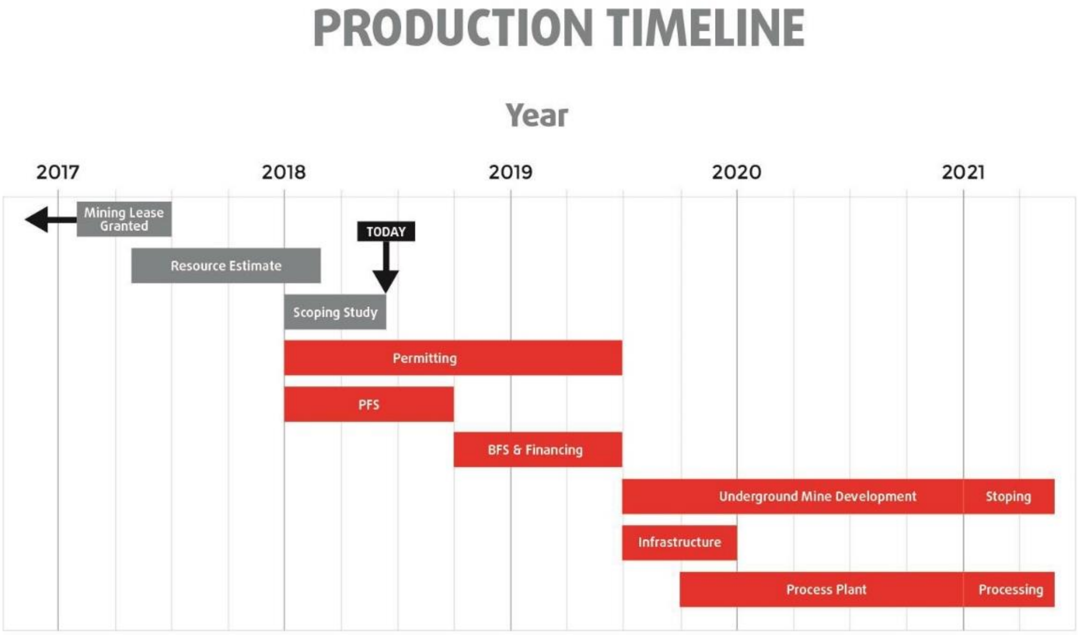

Figure 2: Abra's Proposed Development Timetable (Grey blocks have been completed)

2018 RESOURCE DEVELOPMENT DRILLING PROGRAM

As part of resource infill drilling which is ongoing, eight holes (AB83 – AB89) have been completed for 4,505 metres.

Drilling is primarily targeting the stratiform "Apron Zone" which is the most laterally continuous mineralisation and will be the focus of early stage underground development as highlighted by scoping study work.

Assays have been received for the first two drill holes completed (AB082 and AB083) in the have been released subsequent of the period (ASX release 9 July 2018) and further results are expected in the September Quarter.

Drillhole AB083 intersected stratiform mineralisation within the targeted Apron position with results returning the exceptional result of **15.4m @ 25.9% Pb** and 74 g/t Ag and including **7.7m @ 41.7% Pb** and 116 g/t Ag (see Figure 3). This is the highest grade lead and silver intercept from the stratiform "Apron" zone mineralisation encountered at the project to date. Mineralisation is gently dipping so intersection widths are interpreted to be close to true widths (see Figure 4). Importantly this intersection is not only within Inferred rather than Indicated material but is also outside of current planned stopes.

AB083 also intersected **5.76m @ 9.6% Pb** and 29 g/t Ag from a hydrothermal vein zone within the underlying "Core" zone. The hole was extended to test the copper-gold zone that lies deeper in the Abra deposit. The hole intersected **13m @ 6.3 g/t Au,** 1.1% Pb, 0.7% Cu and 54 g/t Ag (including **8m @ 9.5 g/t Au**, 1.4% Pb, 0.6% Cu and 77 g/t Ag). This is the highest grade gold intersection drilled at the project to date and highlights the exciting future potential of Abra. This mineralisation is outside of the current Abra JORC Resource. Mineralisation appears to be moderately north dipping and true width is interpreted to be approximately 60% of the downhole width.

Drillhole AB82 also intersected mineralisation from the targeted Apron position returning **4.2m @ 8.1% Pb** and 14 g/t Ag. This intersection is within current Inferred material.

Assays are pending for additional holes Two drill rigs are currently on site with the program expected be completed in early August.

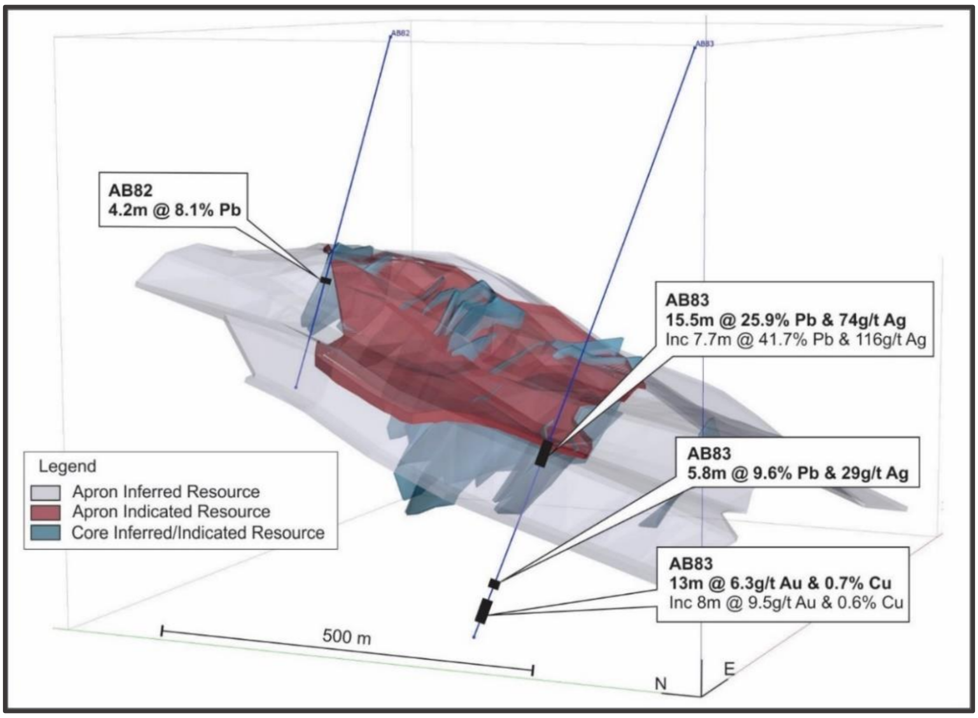

Figure 3: 3D model of the core and apron zones looking east showing AB82 and AB83, March 2018 Inferred and Indicated Resources outlines (>5% Pb wireframes).

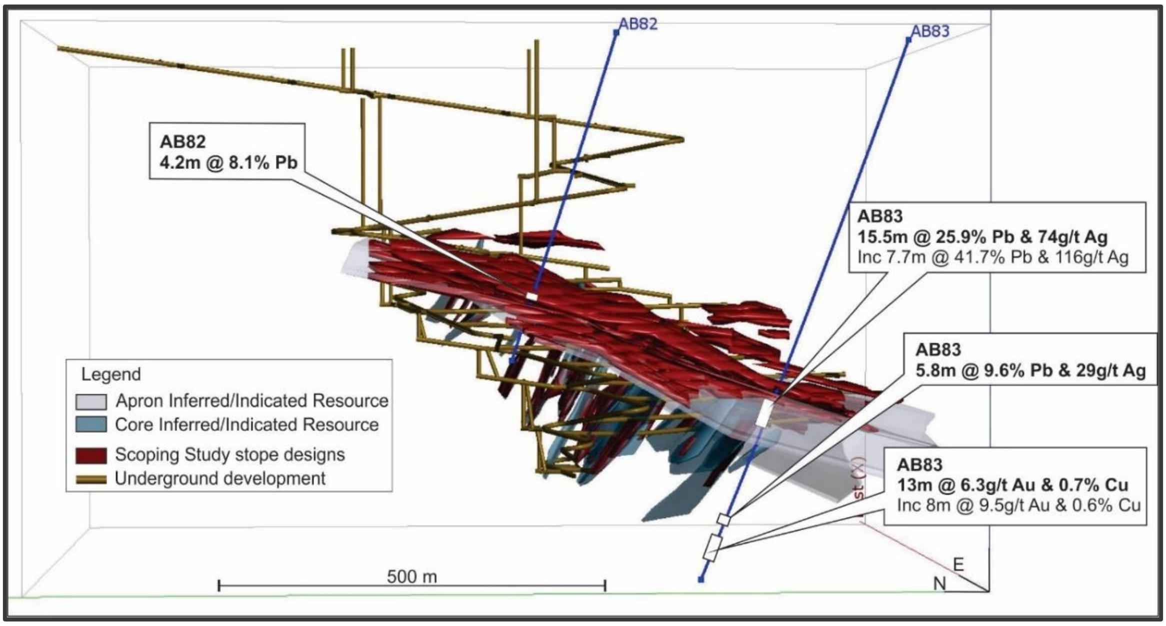

Figure 4: 3D model of the core and apron zones looking east showing AB82 and AB83, March 2018 Inferred and Indicated Resources outlines (>5% Pb wireframes) and scoping study underground mine development and stopes.

WOODLANDS DRILLING

Drilling of two diamond core holes (GWD001 and GWD002) at the Woodlands project west of Abra were completed for a total of 1,114 metres. The first of these was at the Leader 18 Prospect and the second at the 46-40 Prospect.

GWD001 at the Leader 18 prospect intersected approximately ***60 metres of 0.5 - 1% chalcopyrite from 260 metres*** downhole as well as other lesser amounts of chalcopyrite and galena within chlorite altered, brecciated and veined sediments throughout the remainder of the hole. Hydrothermal magnetite and manganese were also widespread.

Theses mineralised zones are interpreted as being part of the same mineralised system previously intersected in historic drilling however Galena's drilling intercepts are several hundred metres from the historic intersections. The system has therefore been significantly extended with this drilling. All assays are pending.

GWD002 at the 46-40 Prospect intersected more extensive and intense chalcopyrite and galena mineralisation along with manganese and magnetite throughout much of the hole.

The most significant assays using Pb cut off 0.3% and Cu cut off 0.2% for both holes were:

- 20.7m @ 1.10% Pb from 214.3m in GWD002 (Inc 4.3m @ 2.3% Pb)
- 16.8m @ 1.46% Pb from 259.2m in GWD002
- 22.5m @ 0.52% Cu from 523.5m in GWD002
- 12.4m @ 0.84% Cu and 0.34 g/t Au from 529.0m in GWD002 (Inc 7.4m @ 1.16% Cu)
- 3.4m @ 0.55% Cu from 604.0m inn GWD002
- 2.8m @ 0.98% Cu from 624.6m (Inc 1m @ 2.0 % Cu and 2.7 g/t Au)

- 10.5m @ 0.42% Cu from 332.0m in GWD001 (Inc 0.5m @ 1.63% Cu and 0.25 g/t Au)
- 11.0m @ 0.46% Cu from 349.0m in GWD001
- 3.6m @ 0.86% Cu from 374.0m in GWD001

Cash Position

As at the end of June 2018 quarter, the Company approximately had $8.5 million in cash comprised of cash at bank and term deposit balances. The Company remains funded for completion of the PFS in September 2018 and the BFS in 2019.

Competent Person Statement

The information in this report related to the Abra Mineral Resource estimate is based on work completed by Mr A Byass, B.Sc Hons (Geol), B.Econ, FSEG, MAIG a Director of Galena Mining Limited and Mr Don Maclean MSc (Geol), MAIG and RP Geo (Exploration and Mining), MSEG, a consultant to Galena Mining. Mr Byass was responsible for technical oversight and reporting of the estimate. Mr Maclean was responsible for data review, QAQC, development of the geological model and resource estimation. Mr Byass and Mr Maclean 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 Byass and Mr Maclean 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 E Turner B.App Sc, MAIG who is an employee of Galena Mining. Mr Turner 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 Turner consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

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APPENDIX 1: Galena Mining Significant Assay Results at Abra

Minimum Pb intersection: **4m @ 5.0%** Pb. Maximum internal dilution **4m @ <5.0%** Pb.
Minimum Cu intersection: **2m @1.0%** Cu. Minimum Au intersection: **2m @ 1.0ppm** Au.

HOLE ID	FROM	TO	INTERVAL (downhole)	GRADE Pb (%)	GRADE Ag (g/t)	GRADE Zn (%)	GRADE Cu (%)	GRADE Au (g/t)
AB82	371.2	375.4	4.2	8.1	14	-	-	-
AB83	519.1	534.5	15.4	25.9	74	-	-	-
Inc	*525.7*	*533.4*	*7.7*	*41.7*	*116*	-	-	-
	692	697.8	5.8	9.6	29	-	-	-
	705	718	13.00	1.1	54	-	0.7	6.3
Inc	706	714	8.00	1.4	77	-	0.6	9.5

APPENDIX 2: Galena Mining 2018 completed diamond core drill holes at Abra and their locations

Hole ID	E	N	Dip	Azi	Depth
AB82	7273461.0	660275	-73	1	**466.1**
AB83	7273064.0	660275	-70	354	**784.7**
AB84	7273554	660275	-75	355	**406.1**
AB85	7273442	660225	-67	356	**450.5**
AB86	7273165	660225	-69	355	**580.63**
AB87	7273353	660725	-73	355	**460.1**
AB88	7273096	660619	-72	355	**665.2**
AB89	7273061	660425	-72	355	**692.2**

APPENDIX 3: Galena Mining completed diamond core drill holes at Woodlands and their locations

Hole ID	E	N	Dip	Azi	Depth
GWD001	612645	7274060	-71	180	483.7
GWD002	611475	7275846	-66	161	630.0

Appendix 4 – Tenement Information as Required by the Listing Rule 5.3.3

Country	Location	Project	Tenement	Change in Holding (%)	Current Interest (%)
Australia	WA	Mulgul	M52/0776	0	100
Australia	WA	Jillawarra	E52/1413	0	100
Australia	WA	Mulgul	E52/1455	0	100
Australia	WA	Camp	G52/0286	0	100
Australia	WA	Camp	L52/0121	0	100
Australia	WA	Jillawarra	E52/3575	0	100