



## ASX ANNOUNCEMENT

30 January 2019

ASX: G1A

### GALENA SECURES \$90M PROJECT EQUITY FOR ABRA

#### HIGHLIGHTS:

- International lead and zinc smelting company, Toho Zinc to invest \$90M for a 40% ownership interest in Galena's currently wholly-owned subsidiary AMPL, which owns Abra Base Metals Project
- Toho to assist AMPL to potentially procure a contribution to project financing debt through the attractive programs available from policy financing for Japan-related projects
- Toho and Galena each have a right to off-take their percentage share of Abra production on arms-length, benchmark terms, and then on- sell to third-parties
- Initial tranche of \$20M to be paid on closing of the transaction and a further \$10M to be paid on completion of the Abra DFS, with these tranches mainly applied to commence Abra project development works
- Final \$60M tranche to be paid on confirmation of project financing debt
- Abra permitting and DFS works remain on-track and results of PFS optimisation expected to be released in coming weeks

**GALENA MINING LTD.** ("Galena" or the "Company") (ASX: G1A) is pleased to announce that it has 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 3 tranches for a 40% ownership interest in Galena's currently wholly-owned subsidiary, Abra Mining Pty Ltd ("AMPL") (the "Transaction") subject to the satisfaction of agreed conditions and execution of binding documentation. Assuming each tranche of Toho's investment is completed, Galena will retain a 60% controlling shareholding in AMPL and will appoint three out of five directors on its board. AMPL is the owner of the Abra Base Metals Project ("Abra" or the "Project"). As part of the Transaction, Toho proposes to assist AMPL to potentially procure part a contribution to project financing debt through attractive programs available from policy financing for Japan-related projects.

Managing Director, Alex Molyneux commented, *"This is a great transaction that provides the equity required to develop Abra, recognising the strategic value of the Project. Furthermore, Toho is a key player in the global lead and zinc industry and an experienced miner so we look forward to the benefits of a true partnership in the development of Abra."*

The Transaction is subject to a number of conditions as set out later in this announcement. Based on timelines for confirmatory due diligence works and third-party regulatory approvals, Galena currently anticipates the definitive documentation to be executed and the first payment to be made in April 2019.

## **KEY TERMS OF THE TRANSACTION**

The key material terms of the Transaction are:

- Investor – Toho Zinc or a wholly-owned subsidiary (directly or indirectly).
- 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 a definitive feasibility study for Abra (“**DFS**”) (for a further 4.44% of AMPL); and \$60 million will be paid once project financing debt for the Project has been confirmed on terms acceptable to both Galena and Toho and all conditions for draw down for the full amount of project financing debt have been satisfied (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.
- AMPL shareholders agreement – Toho and Galena will enter into a shareholders agreement to jointly manage AMPL. Such agreement will have terms and conditions typically associated with an incorporated mining joint-venture of the nature proposed. AMPL’s board will consist of five directors, three to be appointed by Galena and two by Toho. The Chairman of AMPL will be selected from within the three Galena representatives.
- Exclusivity – Subject to certain exclusions (including continued discussions with respect to project financing debt), Galena has granted Toho exclusivity to pursue the Transaction until 31 March 2019 (or such other date as the parties may agree).

## **CONDITIONS OF THE TRANSACTION**

Conditions that need to be satisfied for any part of the proposed Transaction to proceed include:

- Confirmatory due diligence – Toho has completed a period of commercial due diligence. However, the Transaction is subject to confirmatory due diligence whereby

if a fact, matter or circumstance which identifies any liabilities, costs, expenses or other arrangements imposing in total an aggregate liability on or otherwise reducing the value of AMPL or Abra by equal to or greater than \$2 million (other than specific matters which have already been disclosed by Galena) is identified, Toho has the right not to proceed with the Transaction.

- Definitive documentation – Both parties to be satisfied with and execute the required definitive documents (ie, AMPL subscription agreement, AMPL shareholders agreement and off-take agreements).
- Final internal approvals for definitive documentation – Both parties receiving final internal approvals for the execution of the aforementioned definitive documentation.
- Third-party consents – Necessary third party consents including applicable regulatory and stock exchange approvals.
- Foreign Investment Review Board (“**FIRB**”) approval – Toho to receive FIRB approval for the Transaction.

## **ABOUT TOHO ZINC**

Toho was founded with the establishment of the Annaka Zinc Smelter and Refinery in 1937 followed by its zinc and lead mine operation in Japan. With the addition of further smelters and refineries including Chigirishima Lead Smelter and Refinery in 1955, Toho has grown to account for 20% of the Japanese domestic market share for zinc production, and is the Japanese leader in lead production and a leading domestic producer of silver, and the only primary lead smelter in Japan.

Toho has four core business areas: mineral resources; smelting and refining; environment and recycling; and electronic components.

In 2010, Toho acquired the publicly-listed Australian mining company CBH Resources Limited (“**CBH**”) to increase Toho’s self-sufficiency for zinc and lead ore. Through CBH, Toho continues to be a significant miner of lead, zinc and silver in Australia via the Rasp and Endeavor mines in New South Wales.

Toho is listed on the Tokyo Stock Exchange under the ticker 5707.

## **NEXT STEPS AND OUTLOOK**

Galena continues to target commencement of construction of Abra in 2019, with initial production in 2021 and the first full-year of steady-state commercial production in 2022, with the Transaction being a key step in providing the equity funding required to do so.

Galena and Toho have agreed to apply the majority of the first two tranches (together comprising \$30 million) of Toho’s investment to pre-development and early development works at the Abra, thereby substantially advancing and de-risking the Project.

Other value-adding Abra and corporate milestone workstreams remain on-track including the proposed delivery of an optimised Abra pre-feasibility study in early-2019 and completion of the DFS in mid-2019.

**Galena Mining Ltd.,**



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**Alex Molyneux**  
Managing Director

#### 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

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%.<sup>1</sup>

*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 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<sup>1, 2</sup>

<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
<b>Total</b>	<b>37.4</b>	<b>7.5</b>	<b>18</b>

*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<sup>1, 2</sup>

<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
<b>Total</b>	<b>10.3</b>	<b>8.8</b>	<b>24</b>

*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

