



ASX ANNOUNCEMENT

15 June 2021

ASX: G1A

GALENA MAKES FINAL INVESTMENT DECISION FOR ABRA

HIGHLIGHTS:

- Final investment decision (FID) made to complete full development of Abra Base Metals Project, with first production scheduled for Q1 CY2023
- Underground decline development and on-site plant construction expected to commence Q3 CY2021 and Q4 CY2021 respectively
- Remaining project works funded by US\$110M Taurus Debt Facilities, final A\$40M Toho equity tranche to be received, and existing cash
- A\$40M Toho equity plus US\$30M initial drawdown under Taurus Debt Facilities expected to be received within 3-4 weeks
- Continued strong support from Project partner and 40% off-taker, Toho Zinc of Japan
- Managing Director role to transition to Tony James, a Mining Engineer with considerable senior underground development and operational experience

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 made the final investment decision ("**FID**") to complete the full development of Abra, with first production of its high-value, high-grade lead-silver concentrate scheduled for the first quarter of 2023 calendar year. The FID decision has been made following the satisfaction of key conditions to draw in excess of US\$30 million under the Taurus Debt Facilities.

Galena is also pleased to announce that with Abra's accelerated progress towards production, its transitioning the Managing Director role to Anthony (Tony) James. Mr James is a Mining Engineer with considerable senior underground operational and development experience. The Company's current Managing Director, Alex Molyneux will remain a Director with responsibility for key corporate development initiatives and strategic relationships.

Managing Director, Alex Molyneux commented, *"I'm ecstatic that everything is now in place and we've been able to make the final investment decision for Abra. Galena is now poised to join the ranks of high margin Australian producers, benefitting from buoyant base metals markets. I'd particularly like to thank our hard-working team who have achieved so many project milestones to get to this point and will soon be joined by approximately 260 more colleagues over the construction phase."*

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Commenting on the management transition, Chairman, Adrian Byass said, ***“As a board we’ve worked as a team to prioritise the needs of our flagship Abra Base Metals Project. Alex and Tony have worked hand-in-hand to date to achieve significant technical and corporate milestones, and with Abra moving to production I’m pleased we can make a transition that moves our senior mining engineering capability to the fore. We thank Alex for his significant contributions thus far and wish Tony every success going forward.”***

Abra Base Metals Project and schedule

Abra is poised to join the ranks of high margin Australian base metals producers. The Project is 17% complete as at 31 May 2021, based on A\$27.4 million of Project works which were pulled forward and executed ahead of FID. Completed Project works include: construction and commissioning of a 280-unit mine site village; mining of the box-cut; box-cut ground support works; installation of production water infrastructure (bores, pumps and water reticulation); installation of site communications; and various site clearing, roadworks and civil works. As a result, Abra is largely prepared for the deployment of key contractors for the construction of the plant and ancillary infrastructure, and deployment of the underground mining contractor.

In addition, 90% of contracts (by value) covering the Project’s remaining full development works are executed or awarded, further advancing on the completion of permitting, native title arrangements and offtake achieved in 2019. Among the key contracts, an engineering, procurement and construction contract has been executed with GR Engineering Services Limited for the supply of Abra’s 1.2 million tonne per annum lead sulphide flotation process plant and ancillary infrastructure under a guaranteed maximum price arrangement to the value of approximately A\$75 million. The underground mining services contract has been awarded to a tier one Australian mining contractor.

Under the current Project schedule, procurement of certain long-lead time items will take place immediately. The underground mining contractor is expected to initiate the portal and decline development in the 3rd quarter of 2021 calendar year and physical on-site plant construction is expected to commence in the 4th quarter of 2021 calendar year. First production of Abra’s high-value, high-grade lead-silver concentrate is scheduled for the first quarter of 2023 calendar year.

Funding package

The FID decision has been made following the satisfaction of certain key conditions to draw in excess of US\$30 million under the Taurus Debt Facilities (*see Galena ASX announcement of 12 November 2020 for more information on the terms of the Taurus Debt Facilities*).

Remaining project development works are funded by more than A\$200 million of funds, sourced from:

- US\$110 million of Taurus Debt Facilities (equivalent to A\$142 million at current exchange rates), made up of:
 - US\$100 million Project Finance Facility; and
 - US\$10 million Cost Overrun Facility;
- A\$40 million final equity investment tranche from Galena’s project partner, Toho Zinc Co., Ltd. (“Toho”); and
- the Company’s existing cash resources (A\$20.0 million as at 31 May 2021).

Toho has also confirmed their final A\$40 million AMPL equity investment tranche is expected to be contributed within the next three to four weeks. Toho has been a strong, flexible and supportive

partner for the Abra Project, since its overall A\$90 million investment was implemented in April 2019, and the A\$50 million investment received to date has been used to prepare the Abra site and advance early project works. Toho is the leading producer of lead in Japan and has entered into a binding offtake agreement to purchase 40% of Abra's production for an initial period of 10-years from the commencement of production.

The Company has also made an initial drawdown request under the Project Finance Facility of US\$30 million, which is expected to be received by the end of June. The Taurus Debt Facilities are secured against Abra Project assets and over the shares that each of Galena and Toho own in AMPL, and drawdowns remain subject to satisfaction of customary conditions precedent.

Management transition

With Abra's accelerated progress towards production, Galena is transitioning its Managing Director role to currently serving Non-Executive Director Anthony (Tony) James. Mr James is a Mining Engineer with considerable senior underground operational and development experience. He joined Galena's board in October 2018 and has been actively involved in Abra Project development initiatives, having also served on the board of directors of AMPL since the establishment of the active joint-venture with Toho in 2019.

The Company's current Managing Director, Alex Molyneux will remain a Director with responsibility for corporate development initiatives and strategic relationships. Since commencing as Managing Director in August 2018, Galena made a full transition from exploration to a company capable of building and operating a successful base metals mine. Under his guidance, Abra passed through: outstanding pre-Feasibility and Feasibility Studies; completed permitting, native title arrangements and offtake; executed major project contracts; and completed 17% of construction activities. However, Mr Molyneux's key contribution has been to assemble approximately A\$300 million in development funding from a mixture of strategic equity (Toho Investment Agreement and the investment in Galena by Mr Timothy Andrew Roberts' Warburton Portfolio Pty Ltd), debt (Taurus Debt Facilities) and public equity.

Mr James has been actively involved in both technical and corporate initiatives for the Company since the second half of 2018. Prior to Galena, Mr James' 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. Currently, Mr James serves as a Non-Executive Director of Apollo Consolidated, Wiluna Mining and Medallion Metals. 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.

Key terms of Mr James' Managing Director remuneration are set out in Appendix 1.

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

Galena Mining Ltd.



Alex Molyneux
Managing Director

About Abra Base Metals Project

77.28% 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}

Resource classification	Tonnes (Mt)	Lead grade (%)	Silver grade (g/t)
Measured	-	-	-
Indicated	16.9	7.4	17
Inferred	17.5	7.0	15
Total	34.5	7.2	16

Notes: 1. See Galena ASX announcement of 28 April 2021. Galena confirms that it not aware of any new information or data that materially affects the information included in Galena’s ASX announcement of 28 April 2021 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



Appendix 1 – Terms and conditions of Managing Director employment, Mr Anthony James

Appointment	16 June 2021
Term	Employment continues until terminated by either the Company or Mr James
Base remuneration	Base salary A\$450,000 (excluding compulsory Superannuation)
Performance rights	<p>Subject to shareholder, ASIC and ASX approval (as required), 7,500,000 performance rights in the Company, which will convert into fully paid ordinary shares based on the vesting and conversion conditions of each tranche.</p> <p>The current proposed vesting and conversion conditions of each tranche are set out below:</p> <p>(a) 2,000,000 if at any time whilst Mr James remains employed by the Company completion of construction of the Abra Base Metals Project occurs;</p> <p>(b) 2,000,000 if at any time whilst Mr James remains an employee of the Company commencement of commercial production at the Abra Base Metals Project (i.e., achievement of two quarters of positive cash receipts from customers less cash payments paid to suppliers and employees) occurs;</p> <p>(c) 1,750,000 if at any time whilst Mr James remains an employee of the Company the volume-weighted average price ("VWAP") of the Company's shares traded on the ASX equals or exceeds A\$0.60/share for 20 business days; and</p> <p>(d) 1,750,000 if at any time whilst Mr James remains an employee of the Company the VWAP of the Company's Shares traded on the ASX equals or exceeds A\$0.80/share for 20 business days.</p> <p>All unconverted performance rights will lapse five years from their grant date.</p> <p>In the event of a Change of Control prior to 16 June 2022 or prior to at least one of the aforementioned (a-d) performance rights tranches becoming unconditional, performance rights in aforementioned clause (a) will vest and be immediately convertible to Shares notwithstanding any other conditions or milestone triggers.</p> <p>In the event of a Change of Control on or after 16 June 2022 or after at least one of the aforementioned (a-d) performance rights tranches becoming unconditional, all remaining unvested and / or conditional performance rights will vest and be immediately convertible to Shares notwithstanding any other conditions or milestone triggers.</p>
Termination notice and	<p>Resignation by Mr James on 6 months' written notice.</p> <p>Termination by the Company on 6 months' written notice. The Company may elect to make a payment in lieu of the notice period (based on Mr James' base remuneration).</p> <p>Termination by the Company without notice for serious misconduct or other circumstances justifying summary dismissal</p>