



ASX ANNOUNCEMENT

12 April 2019

ASX: G1A

TOHO TRANSACTION COMPLETION

GALENA MINING LTD. ("**Galena**" or the "**Company**") (**ASX: G1A**) makes this announcement regarding the proposed transaction with Toho Zinc Co., Ltd. ("**Toho**") to invest \$90 million for a 40% joint-venture investment in Abra Mining Pty Ltd ("**AMPL**") as described in the Company's ASX announcements of 30 January 2019 and 1 April 2019 ("**Transaction**").

We are pleased to report that Toho, via its wholly-owned subsidiary CBH Western Australia Pty Ltd ("**CBHWA**") and Galena have executed the definitive documentation for the Transaction (including an Investment Agreement and AMPL Shareholders Agreement). Furthermore, the first tranche payment of \$20 million has been received by AMPL.

Managing Director, Alex Molyneux commented, *"I'm very pleased to welcome Toho as our partner for the development of the Abra Base Metals Project. Toho is a recognised player in the global lead and zinc industry and an experienced miner, so their investment represents one of the most positive endorsements possible."*

Under the terms of the Transaction, once certain closing formalities are completed, AMPL will issue new shares to CBHWA such that AMPL will be owned 8.89% by CBHWA and 91.11% by the Company. At that time, Galena will also receive a \$5 million intercompany loan repayment from AMPL. Subsequently, CBHWA will pay a second \$10 million payment tranche to AMPL once Galena issues the definitive feasibility study ("**DFS**") for the Abra Base Metals Project ("**Abra**" or the "**Project**") for an additional 4.44% of AMPL. A final \$60 million payment 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 the project financing debt have been satisfied. CBHWA will receive a further 26.67% of AMPL on payment of that final tranche, taking its total ownership of AMPL to 40.00%.

Abra is now being advanced towards the construction phase. As announced on 22 March 2019, initial project development drilling has commenced (including drilling to complete decline positioning, water bores and additional infill holes associated with early production horizons). In addition, Galena and Toho have agreed to utilise the first and second payment tranches from the Transaction to commence additional 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 (note: some of these items remain subject to final permitting).

GALENA MINING LTD.

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In light of the fast-track move towards construction and that the DFS for Abra remains expected in mid-2019, Galena no longer proposes to publish an optimised Abra pre-feasibility study as proposed prior to entering into the Toho Transaction. The Company's immediate focus will be on: commencing the early project works; finalising outstanding minor permitting approvals; completion of the DFS; and advancing discussions with project financing debt providers (including engaging with Japanese lenders introduced by Toho).

Galena Mining Ltd.,



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

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 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

