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**GALENA**  
MINING LIMITED

**ABN 63 616 317 778**

**& Controlled Entities**

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# **Annual Report**

**For the year ended 30 June 2018**

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**Galena Mining Limited and Controlled Entities**

**ABN 63 616 317 778**

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# Galena Mining Limited and Controlled Entities

ABN 63 616 317 778

## CORPORATE DIRECTORY

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### Corporate Directory

<b>Directors</b>	Mr Adrian Byass Non-Executive Chairman
	Mr Jonathan Downes Non-Executive Director
	Mr Oliver Cairns Non-Executive Director
	Mr Timothy Morrison Non-Executive Director
<b>Managing Director/ Chief Executive Officer</b>	Mr Alexander Molyneux
<b>Chief Operating Officer</b>	Mr Troy Flannery
<b>Company Secretary</b>	Mr Stephen Brockhurst
<b>Registered Office &amp; Principal Place of Business</b>	Level 11, 216 St Georges Terrace Perth WA 6000
<b>Postal Address</b>	GPO Box 2517 Perth WA 6831
<b>Web Site</b>	<a href="http://www.galenamining.com.au">www.galenamining.com.au</a>
<b>Share Registry</b>	Security Transfer Australia Pty Ltd 770 Canning Highway Applecross WA 6153
<b>Auditors</b>	PKF Mack Level 4, 35 Havelock Street West Perth WA 6005
<b>Legal Advisors</b>	Steinepreis Paganin 16 Milligan Street Perth WA 6000
<b>Stock Exchange Listing</b>	ASX Code: <b>G1A</b>
<b>Country of Incorporation and Domicile</b>	Australia

# Galena Mining Limited and Controlled Entities

ABN 63 616 317 778

## DIRECTORS' REPORT

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Your directors present the following report on Galena Mining Limited and its controlled entity ("Galena" or the "Company" or "Group" or the "Consolidated Entity") for the financial year ended 30 June 2018.

### Directors

The names of directors in office at any time during or since the end of the financial year are:

Adrian Byass	Non-Executive Chairman
Johnathan Downes	Non-Executive Director
Oliver Cairns	Non-Executive Director
Timothy Morrison	Non-Executive Director (appointed 12 July 2017)
Alexander Molyneux	Chief Executive Officer / Managing Director (appointed 1 September 2018)

Unless noted above, all directors have been in office since the start of the financial year to the date of this report.

### Company Secretary

Stephen Brockhurst held office as Company Secretary since the start of the financial year until the date of this report.

### Principal Activities

The Company was officially listed on the ASX on 7 September 2017 after issuing 30,000,000 IPO shares at \$0.20 per share.

The principal activities of the Group include: acquisition; exploration; and advancement, of mineral projects.

### Operating Results

The loss of the Group for the financial year ended 30 June 2018 amounted to \$1,191,106 (2017: \$726,328).

### Financial Position

As at 30 June 2018 the Group had a cash balance of \$8,526,198 (2017: \$70,261) and a net asset position of \$16,844,121 (2017: \$50,346).

### Dividends Paid or Recommended

No dividends have been paid, and the directors do not recommend the payment of a dividend for the financial year ended 30 June 2018.

### Corporate Governance Statement

The Company has disclosed its corporate governance statement on the Company website at [www.galenamining.com.au](http://www.galenamining.com.au).

# Galena Mining Limited and Controlled Entities

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## DIRECTORS 'REPORT

### Significant Changes in State of Affairs

- On 7 September 2017, the Company was officially listed on the ASX after issuing 30,000,000 IPO shares (pre 1:5 share split) at \$0.20 per share.
- The Company completed the acquisition of Abra Mining Pty Ltd by issuing 17,500,000 shares (pre 1:5 share split) to the vendors at \$0.20 per share.
- On 19 March 2018, Shareholders approved the subdivision of issued capital on the basis that every one share be split into five shares.
- On 26 April 2018, the Company issued 58,064,520 shares to raise \$9,000,000 (before costs).

In the opinion of the directors, there were no other significant changes in the state of affairs of the Company that occurred during the period under review not otherwise disclosed in this report or in the financial report.

### Corporate

As at the date of this report, the following shares and options were on issue.

#### ORDINARY SHARES

	No.
Fully Paid Ordinary Shares	336,564,520

#### OPTIONS

6 cents expiring on 30 June 2020	11,750,000
30 cents expiring 6 February 2021	5,000,000
8 cents expiring on 30 June 2021	18,000,000

### Review of Operations

The Company lodged a prospectus with ASX to enable active exploration and advancement of Abra Base Metals Project ("Abra" or the "Project"), which the company acquired during the financial year. The Project is located 220km north of Meekatharra in Western Australia and the Galena is advancing it through continued exploration, various predevelopment works and detailed studies to establish economic viability of mining for base and precious metals. These metals, primarily including lead, silver, copper and gold are tradable on liquid international commodity exchanges.

#### Abra Base Metals Project

During September 2017, Galena commenced drilling on the Project which was completed in mid-December 2017. Twelve holes (AB70-72, 73A, 74-81) were completed for a total of 8,022m and approximately 4,000 core samples were taken and submitted to SGS Laboratories for assaying. All assays have been received with high-grade intersections in every hole.

Galena has a geologically controlled, high-grade model for Abra which is supported by the results of wide-spread drilling. Drill results continue to define both large strata bound shallow dipping zones of high-grade mineralisation as well as sub vertical vein hosted high-grade mineralisation within the feeder zone/core.

# Galena Mining Limited and Controlled Entities

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## DIRECTORS' REPORT

### Review of Operations (continued)

#### Metallurgical Test-work

During the financial year, Galena has completed the Pre-Feasibility Study (“PFS”) metallurgical test-work at Abra. Following on from the preliminary results, the completion of the final locked-cycle processing stages has delivered 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 exceeded expectations.

Composite samples delivered concentrate lead grades ranging from 69% to 81% (averaging 74.5%) with recoveries between 94% and 96% (averaging 95%). The test-work indicated that overall lead recoveries could be increased in the event a lower final concentrate grade is considered.

#### Metallurgical Program Details

Samples used in this round of PFS-level test-work were obtained from representative samples of the upper “strata bound” zone of mineralisation known as the ‘Apron’ as well in the vein hosted feeder zones of the deposit known as the ‘Core’. In both cases samples were obtained using wider diameter NQ diamond core drilling that was conducted by Galena Mining in late 2017 (see Table 1). Five composite samples were prepared and are considered representative of the deposit. Flotation processing test-work was applied, resulting in exceptionally high-grade lead-silver concentrate samples that were also free of any material deleterious elements.

*Table 1: Abra test work sample assays*

Composite	Pb%	Ag (g/t)	Zn%	Cu%	Fe%	BaO%	S%
S1	10.9	13.6	0.05	0.05	31.1	12.8	4.8
S2	10.1	19.3	0.1	0.13	8.2	17.5	6.5
S3	7.5	14.6	0.04	0.29	47.9	8.8	4.8
V1	7.5	15.1	0.01	0.41	9.8	1.6	2.9
V2	12.9	12.3	3.7	0.12	3.6	22.9	9.5

#### 2018 Scoping Study

The 2018 Scoping Study is primarily based on the new work undertaken by Galena and its study team, comprising of internal personnel and third-party independent industry expert consultants, in relation to underground mining, ore processing, mine-site infrastructure, environmental permitting, logistics and marketing. The Study is also underpinned by the extensive historical technical database that has been acquired by Galena.

The 2018 Scoping Study confirms Abra as an economically and technically robust development opportunity, with potential to become a globally significant, long-life, high margin West Australian lead-silver mine. There also remains considerable exploration potential for additional lead-silver mineralisation over that already identified in the March 2018 JORC Mineral Resource estimate (“March 2018 Resource”). Beneath the existing Abra lead-silver deposit is an additional mineralised zone with significant copper-gold intercepts.

# Galena Mining Limited and Controlled Entities

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## DIRECTORS' REPORT

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### **Review of Operations (continued)**

The potential development of Abra Base Metals Project coincides with a favourable outlook for lead. Increasing demand and reducing supply has placed the lead market into supply deficit and the lead price has averaged US\$0.97/lb over the last 10-years. Base case analysis in the Study assumes a US\$0.95/lb lead price.

The throughput rate assumed in the Study is 1 million tonnes per annum ("Mtpa"). The assumed mining and processing rate is based on mining studies performed on the March 2018 Resource. The high-grade model validated by recent Galena drilling supports a smaller, higher grade, higher margin mining and processing model compared with previous scenarios historically investigated for Abra. The production rate was selected after analysing different ore grades against practical underground mining rates and optimising the Project's future infrastructure, which is based on different capital cost and grade optimisation scenarios.

### **Mineral Resources and Mineable Material**

The March 2018 Resource was calculated based on 46,424m of diamond core drilling and 14,413 assayed samples. Galena completed 8,024m of diamond drilling between September and December 2017 to test a high-grade, stratiform and structural control model. Drilling conducted by previous owners, in addition to that completed by Galena, was included in the dataset.

This March 2018 Resource forms the basis of mineable material estimated for the Study after the application of a range of modifying factors including minimum mining width, cut-off grades, mining dilution and mining recovery. The mineable material assumed for the Study comprises: 9.2Mt at grades of 9.7% lead and 15g/t silver containing 842,500t lead and 4.2Moz silver. Approximately 51% of the mineable material is in the Indicated category of the Mineral Resource estimate, which includes the entire first two years of production. This ensures 100% of the payback period (< 1.5 years of production) is produced solely from Indicated Resources. Material drawn from the Indicated Resource category also exceeds 75% of mineable material up to year five of the mine plan.

The March 2018 Resource using inverse distance squared interpolation is presented in Table 2 and for ordinary kriging is shown Table 3.

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**DIRECTORS' REPORT**

**Review of Operations (continued)**

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

<b>INDICATED MINERAL RESOURCE (JORC)</b>				
<i>Lead cut-off %</i>	<i>Vol m<sup>3</sup></i>	<i>Tonnes</i>	<i>Lead %</i>	<i>Silver g/t</i>
5.0*	3,800,000	13,200,000	7.9	19
6.0	2,700,000	9,300,000	8.9	22
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
9.0	900,000	3,200,000	12.2	35
10.0	700,000	2,300,000	13.2	42
<b>INFERRED MINERAL RESOURCE (JORC)</b>				
<i>Lead cut-off %</i>	<i>Vol m<sup>3</sup></i>	<i>Tonnes</i>	<i>Lead %</i>	<i>Silver g/t</i>
5.0*	6,900,000	23,500,000	6.9	17
6.0	4,000,000	13,400,000	8.0	21
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
9.0	900,000	3,000,000	11.2	39
10.0	600,000	2,000,000	12.0	46
<b>TOTAL MINERAL RESOURCE (INFERRED AND INDICATED COMBINED) (JORC)</b>				
<i>Lead cut-off %</i>	<i>Vol m<sup>3</sup></i>	<i>Tonnes</i>	<i>Lead %</i>	<i>Silver g/t</i>
5.0*	10,700,000	36,600,000	7.3	18
6.0	6,600,000	22,700,000	8.4	21
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
9.0	1,800,000	6,300,000	11.7	37
10.0	1,300,000	4,300,000	12.7	44

\* denotes preferred cut-offs for Resource reporting

Nb. 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.

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**Galena Mining Limited and Controlled Entities**

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**DIRECTORS' REPORT**

**Review of Operations (continued)**

**Table 3: Abra March 2018 Resource (Ordinary kriged interpolation)**

<b>INDICATED MINERAL RESOURCE (JORC)</b>				
<i>Lead cut-off %</i>	<i>Vol m<sup>3</sup></i>	<i>Tonnes</i>	<i>Lead %</i>	<i>Silver g/t</i>
5.0*	3,900,000	13,600,000	7.6	18
6.0	2,800,000	9,600,000	8.5	21
7.0	1,900,000	6,400,000	9.5	26
7.5*	1,600,000	5,400,000	10.0	28
8.0	1,300,000	4,400,000	10.4	30
9.0	900,000	2,900,000	11.5	37
10.0	500,000	1,800,000	12.8	48
<b>INFERRED MINERAL RESOURCE (JORC)</b>				
<i>Lead cut-off %</i>	<i>Vol m<sup>3</sup></i>	<i>Tonnes</i>	<i>Lead %</i>	<i>Silver g/t</i>
5.0*	6,800,000	23,200,000	6.7	17
6.0	3,800,000	12,800,000	7.6	21
7.0	1,900,000	6,600,000	8.8	27
7.5*	1,400,000	4,900,000	9.3	31
8.0	1,100,000	3,600,000	9.9	36
9.0	600,000	2,100,000	10.9	45
10.0	400,000	1,400,000	11.6	53
<b>TOTAL MINERAL RESOURCE (INFERRED AND INDICATED COMBINED) (JORC)</b>				
<i>Lead cut-off %</i>	<i>Vol m<sup>3</sup></i>	<i>Tonnes</i>	<i>Lead %</i>	<i>Silver g/t</i>
5.0*	10,700,000	36,800,000	7.0	17
6.0	6,500,000	22,300,000	8.0	21
7.0	3,800,000	13,000,000	9.1	26
7.5*	3,000,000	10,300,000	9.7	29
8.0	2,300,000	8,000,000	10.2	33
9.0	1,500,000	5,000,000	11.2	40
10.0	900,000	3,200,000	12.3	51

*\* denotes preferred cut-offs for resource reporting*

*Nb. 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.*

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# Galena Mining Limited and Controlled Entities

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## DIRECTORS' REPORT

### Review of Operations (continued)

#### Mining Method

The proposed mining method comprises an underground mine accessed by a decline (see Figure 1). Initial mineralised material is expected to be mined early in 2021 calendar year.

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

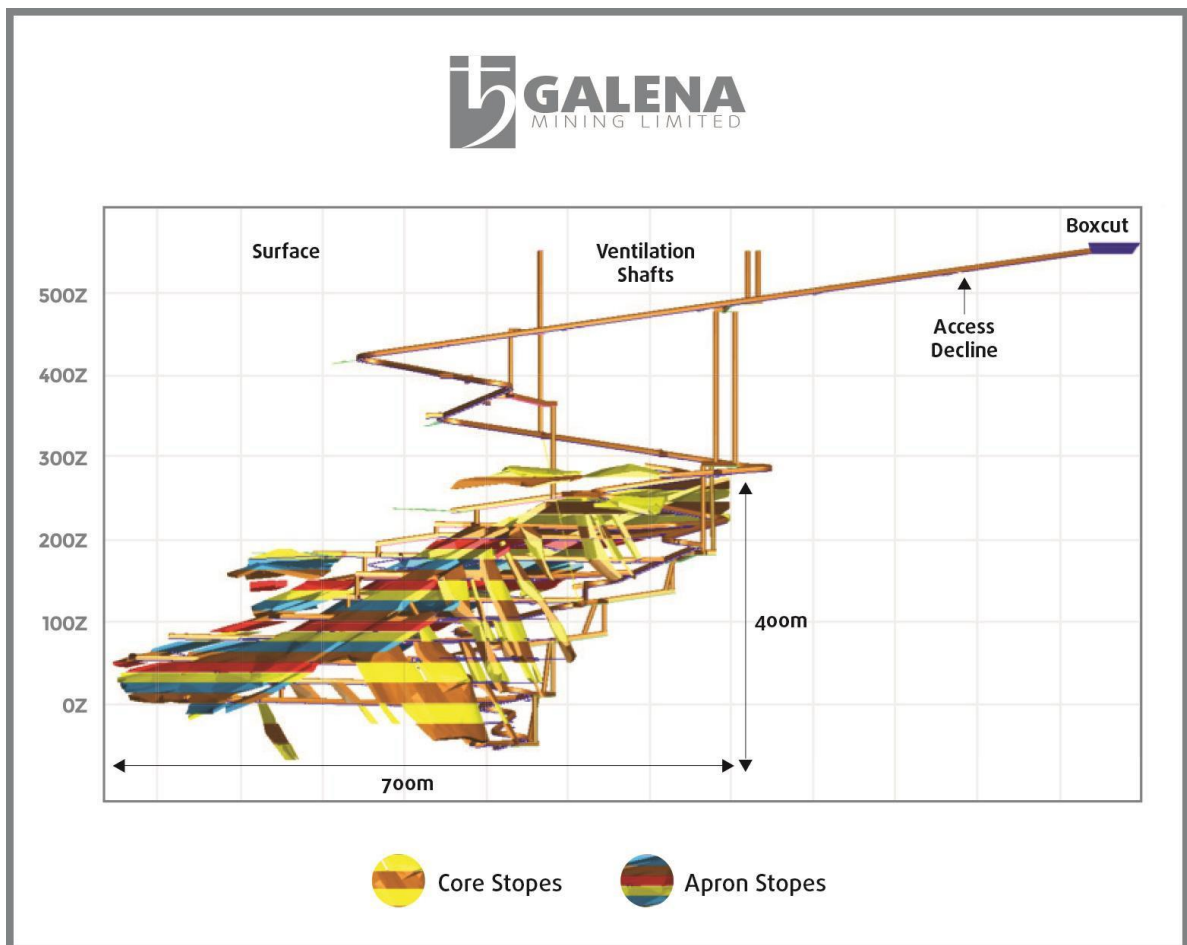


Figure 1: Abra's Conceptual Mine Design – Long Section View

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## DIRECTORS' REPORT

### Review of Operations (continued)

#### Processing

The 2018 Scoping Study proposes a 1Mtpa capacity processing plant. Processing will comprise crushing, grinding and two stages of conventional flotation and filtration to produce a high-grade lead-silver concentrate.

Processing facility construction is estimated to cost A\$66 million including A\$6 million of contingency. The construction is scheduled to commence mid-2019 calendar year, with a 15-month time frame for construction and commissioning. It is anticipated that the plant will produce approximately 130,000t concentrate per annum, containing 91,100t of lead and 453,000oz of silver.

#### Infrastructure, Transport and Logistics

The 2018 Scoping Study includes planned a accommodation facility of 136 permanent rooms and accompanying infrastructure, which includes access to roads, an upgraded airstrip (designed for planes capable of carrying 50 passengers), offices, workshops, communications, fuel storage and distribution facilities. Power will be provided by on-site diesel generation and water will be provided from nearby bore fields. Total site infrastructure costs are calculated at A\$35 million, including A\$3.5 million of contingency.

The primary outbound logistics plan is to transport lead concentrates in sealed half height sea containers by road to the port of Geraldton, which currently exports lead sulphide concentrate products from other mines.

#### Capital Expenditure

The capital expenditure required to production of first concentrate totals A\$153 million as presented in Table 4.

Table 4: Pre-Production Capital Cost Estimates

Pre-Production Capital Expenditure Estimate	(A\$) Million
Mine development	30.0
Processing	60.0
Surface infrastructure & management	35.0
Port & miscellaneous	5.0
Contingency & owners costs	23.0
Total	153.0

#### Operating Expenditure

The operating costs estimated for Abra in the 2018 Scoping Study are presented in Table 5.

Table 5: Estimate of C1 Operating Cost Estimates

Average Operating Costs Estimates	(US\$) €/lb
Mine	19.2
Mill	12.7
Treatment and refining charges plus outbound logistics	14.1
Total C1 cash cost	46.0

# Galena Mining Limited and Controlled Entities

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## DIRECTORS' REPORT

### Review of Operations (continued)

#### Projected Revenue and Key Economic Assumptions

Revenue and cash flow forecasts for the 2018 Scoping Study were developed using a consensus of analyst forecasts for the lead and silver prices together with an USD:AUD exchange rate of \$0.75, as included in Table 6 below.

**Table 6: Abra's Base Assumptions (life of mine averages)**

Description	Values	
Millions of tonnes per annum (Mtpa)	1.0	
Years construction	1.5-2.25	
Years ramp-up ranges	0.5-1.0	
Process recovery (%)	94	
Lead payability (%)	95	
Concentrate grade (% Lead)	75	
Mining grade	9.7% Pb	15 g/t Ag
Exchange rate – US\$D:AUD	0.75	
Prices - Base case (US\$)	Pb 0.95/lb	Ag 16.50/oz
Prices - Spot case (US\$)	Pb 1.14/lb	Ag 16.50/oz

Table 7 financials for the Base Case and Spot Price are based on the life of mine assumption tabulated above.

**Table 7: Financial and Production Metrics**

Key Financial and Production Metrics	
Processing capacity	1 Mtpa
Initial life of mine (LOM)	11 years
Average LOM lead metal production	91 ktpa
Average LOM silver metal production	450 ozpa
C1 cash cost	46 US\$/lb
All-in sustaining cost	56 US\$/lb
Pre-production capital expenditure	A\$153 m
	<b>Pre-tax</b>
Average net cash flow (Years 3-11)	A\$103 m
Net present value (10% discount rate and lead price of US\$0.95/lb) – long-term lead price case	A\$394 m
Internal rate of return – long term lead price case	60.9%
Project payback (from start of production)	1-1.5 yrs
Net Present Value (10% and lead price of US\$1.14/lb) – spot lead price case	A\$615 m
Internal rate of return – spot lead price case	82.5%

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# Galena Mining Limited and Controlled Entities

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## DIRECTORS' REPORT

### Review of Operations (continued)

#### Sensitivity Analysis

Sensitivity analysis using +/- 20% range pivoting on its base case (displayed in brackets) for the lead price (US\$0.95/lb), process recovery (94%), combined treatment and refining charges (US\$100/t concentrate), capital expenditure (\$150 million), operating expenditure (\$118/t ore) and mining production rate (1 Mtpa) are shown in Figure 2.

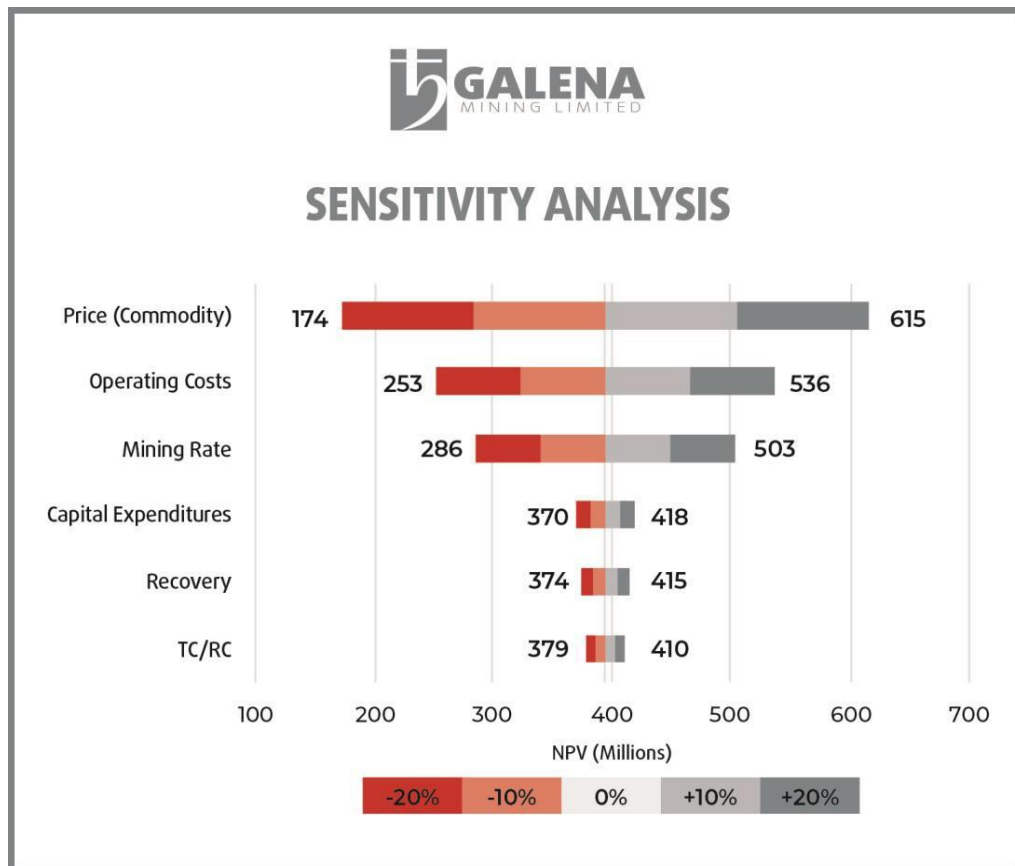


Figure 2: Abra's sensitivity analysis showing the project is very robust, as at lead prices of US\$0.76/lb NPV (10%) = \$174 million (versus June 2018 average spot price of US\$1.14/lb)

#### Timeline to Production

The 2018 Scoping Study shows commencement of construction during the third quarter of 2019 calendar year with an access decline extending to 300m vertical below surface. Planned extraction of the first mineralisation from development is scheduled for the first quarter of 2021 calendar year (see Figure 3).

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## DIRECTORS' REPORT

### Review of Operations (continued)

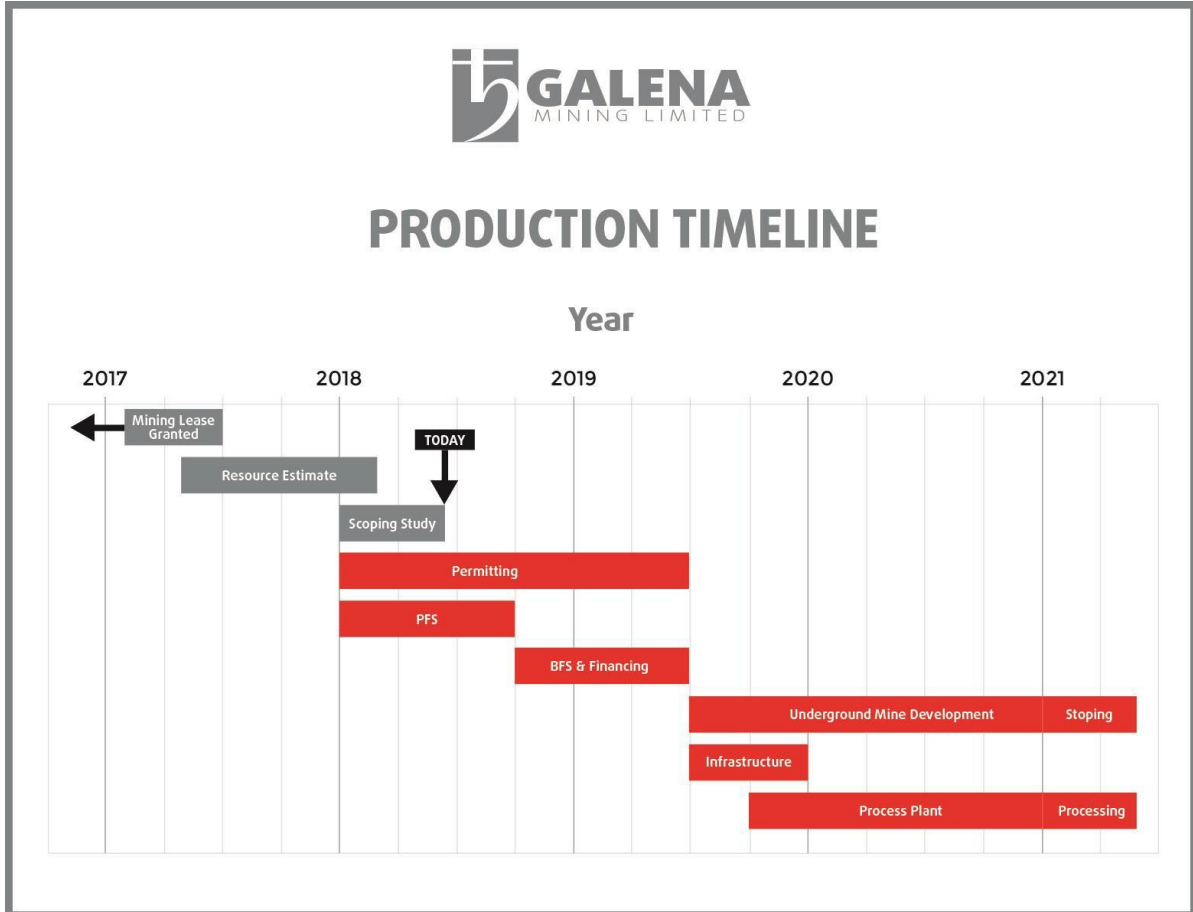


Figure 3: Abra's Proposed Development Timetable (Grey blocks have been completed)

### 2018 Resource Development Drilling Program

Galena is currently nearing completion of an 8,400m Resource development drilling program primarily aimed at converting the bulk of the high-grade Inferred portions of the March 2018 Resource into the Indicated category. This follows the drilling of 12 holes for 8,022m (AB70 – 81) drilled during 2017. The drilling program will also test for extensions to lead-silver mineralisation in several key areas where there is potential to add to the existing Resource. The program is expected to be complete in October 2018.

Drill-hole AB83 intersected stratiform mineralisation within the targeted Apron zone with results returning the exceptional intersection of 15.4m at 25.9% lead and 74g/t silver including 7.7m at 41.7% lead and 116g/t silver (see Figure 4). This is the highest grade intersection from the 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 5). Importantly this intersection is not only within Inferred rather than Indicated Resource material but is also outside of current proposed stoping area in the 2018 Scoping Study.

# Galena Mining Limited and Controlled Entities

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## DIRECTORS' REPORT

### Review of Operations (continued)

AB83 also intersected 5.76m at 9.6% lead and 29g/t silver from the hydrothermal vein zone within the underlying Core zone. The hole was extended to test the copper-gold potential lying below the existing known Abra deposit. The hole intersected 13m at 6.3g/t gold, 0.7% copper, 1.1% lead and 54g/t silver, including 8m at 9.5g/t gold, 0.6% copper, 1.4% lead and 77g/t silver. This is the highest grade gold intersection drilled at the Project to date and highlights the exciting future potential of Abra beyon. This mineralisation is outside of the March 2018 Resource.

Drill-hole AB82 also intersected mineralisation from the targeted Apron zone returning 4.2m at 8.1% lead and 14g/t silver. This intersection is within current Inferred Resource material.

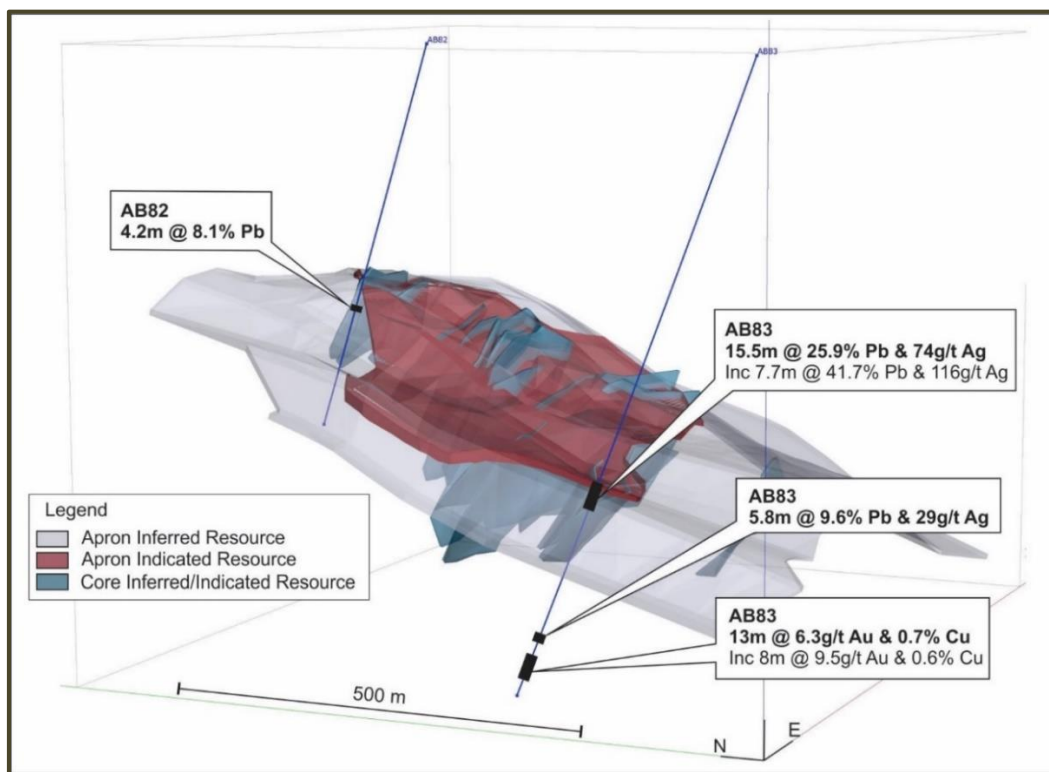


Figure 4: 3D model of the core and apron zones looking east showing AB82 and AB83, March 2018 Inferred and Indicated Resources outlines (>5% Pb wireframes)

# Galena Mining Limited and Controlled Entities

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## DIRECTORS' REPORT

### Review of Operations (continued)

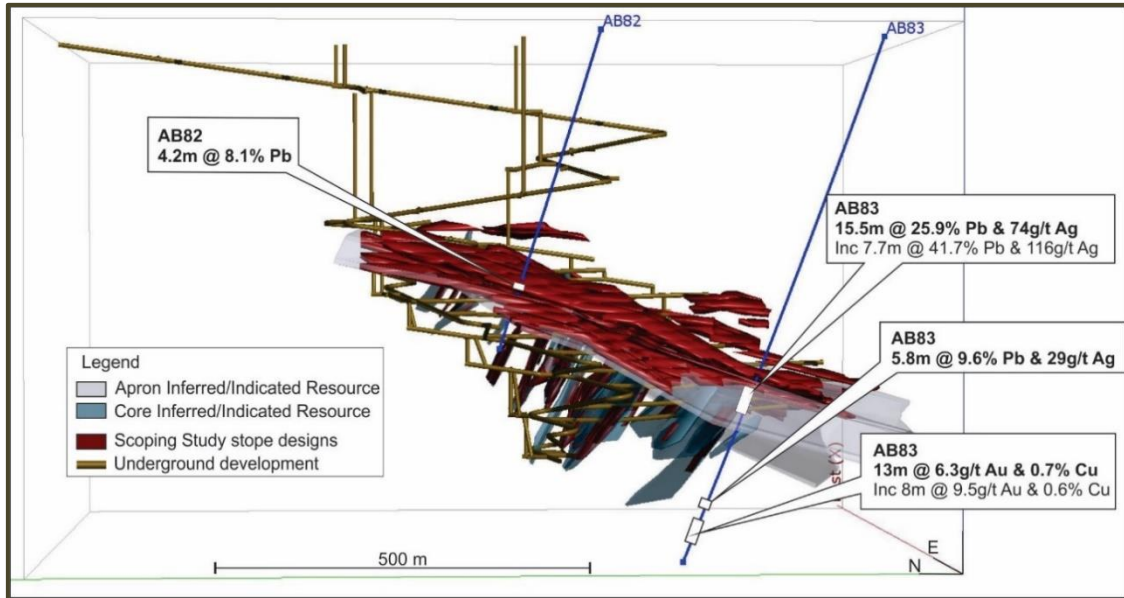


Figure 5: 3D model of the core and apron zones looking east showing AB82 and AB83, March 2018 Inferred and Indicated Resources outlines (>5% Pb wireframes) and scoping study underground mine development and stopes

### Woodlands Drilling

Drilling of two diamond core holes (GWD001 and GWD002) at the Woodlands prospect, west of Abra were completed for a total of 1,114m. 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 60m of 0.5 - 1% chalcopryite from 260m downhole, as well as other lesser amounts of chalcopryite and galena within chlorite altered, brecciated and veined sediments throughout the remainder of the hole. Hydrothermal magnetite and manganese were also widespread.

These 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 chalcopryite and mineralisation along with manganese and magnetite throughout much of the hole.

The most significant assays using a lead cut-off of 0.3% and copper cut-off of 0.2% for both holes were:

- 20.7m at 1.10% lead from 214.3m in GWD002, including 4.3m at 2.3% lead
- 16.8m at 1.46% lead from 259.2m in GWD002
- 22.5m at 0.52% copper from 523.5m in GWD002
- 12.4m at 0.84% copper and 0.34g/t Au from 529.0m in GWD002, including 7.4m at 1.16% copper
- 3.4m at 0.55% copper from 604.0m in GWD002
- 2.8m at 0.98% copper from 624.6m, including 1m at 2.0% copper and 2.7g/t gold
- 10.5m at 0.42% copper from 332.0m in GWD001 including 0.5m at 1.63% copper and 0.25g/t gold
- 11.0m at 0.46% copper from 349.0m in GWD001
- 3.6m at 0.86% copper from 374.0m in GWD001



# Galena Mining Limited and Controlled Entities

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## DIRECTORS' REPORT

### COMPETENT PERSONS' 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.

### Events after the Reporting Period

-On 3 July 2018, the Company released a Scoping Study on its Abra Project.

-On 5 July 2018, the Company announced the appointment of Mr Bill Cunningham as Company's Metals Marketing Consultant, as part of the expansion of key technical and management positions as the Abra lead-silver project advances.

-On 1 September 2018, the Company appointed Mr Alexander Molyneux as Chief Executive Officer/Managing Director.

-On 1 September 2018, the Company appointed Mr Edward Turner as the General Manager of Geology and Exploration.

No other matter or circumstance has arisen since the end of audited period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

### Information on Directors

The names of directors who held office from incorporation until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

#### **Mr Adrian Byass BSc Geol Hons, B. Econ, FSEG and MAIG Non-Executive Chairman**

Mr Byass has over 20 years' experience in the mining and minerals industry. This experience has principally been gained through evaluation and development of mining projects for a range of base, precious and specialty metals and bulk commodities. Due to his experience in resource estimation and professional association membership, Mr Byass is a competent person for reporting to the ASX for certain minerals. Mr Byass has also gained experience in corporate finance, capital raising, permitting and delivery of production-ready mining projects.

Mr Byass is an executive director of Infinity Lithium Corporation and is a non-executive director of Fertoz Limited.

#### *Interest in Shares and Options*

-11,100,000 fully paid ordinary shares

-2,500,000 options exercisable at \$0.06 on 30/06/2020

-5,000,000 options exercisable at \$0.08 on 30/06/2021

# Galena Mining Limited and Controlled Entities

ABN 63 616 317 778

## DIRECTORS' REPORT

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### Information on Directors (continued)

#### **Alexander Molyneux, BEc** **Managing Director**

Mr Molyneux is metals and mining industry executive and financier with 20-years industry experience. He joined Galena Mining on 1 September 2018.

Prior to Galena Mining, Mr Molyneux was CEO of Paladin Energy Limited (ASX: PDN) (2015 – 2018) one of the world's largest uranium companies, where he optimized its operating business and completed a US\$700M successful recapitalisation of the company and a re-listing on the ASX. Prior to that, Alex spent approximately five-years with Ivanhoe Mines Group and Ivanhoe Energy in various leadership capacities including as CEO and Director of SouthGobi Resources Ltd. (TSX: SGQ) (2009 – 2012).

Mr Molyneux currently serves on a number of public company boards, including: Argosy Minerals Ltd. (ASX: AGY), Metalla Royalty & Streaming Ltd. (TSX-V: MTA), Tempus Resources Ltd. (ASX: TMR) and Azarga Metals Corp. (TSX-V: AZR).

Prior to his mining industry executive and director roles, Mr Molyneux was Managing Director, Head of Metals and Mining Investment Banking, Asia Pacific for Citigroup. As a specialist resources investment banker, he spent approximately 10-years providing investment banking services to natural resources companies. Mr Molyneux holds a Bachelor Degree in Economics from Monash University.

#### *Interest in Shares and Options*

-2,500,000 performance rights, subject to shareholder approval, which will convert into shares upon the achievement of various milestones

-14,000,000 performance rights, subject to shareholder approval, which will convert into shares upon the achievement of various milestones

#### **Jonathan Downes BSc Geol, MAIG** **Non-Executive Director**

Mr Downes has over 20 years' experience in the minerals industry and has worked in various geological and corporate capacities. Experienced with nickel, gold and base metals, he has also been intimately involved with the exploration process through to production.

Mr Downes is on the board of several ASX-listed companies; he is currently the managing director of Ironbark Zinc Limited and is a non-executive director of Corazon Mining Limited.

#### *Interest in Shares and Options*

-13,162,950 fully paid ordinary shares

-2,500,000 options exercisable at \$0.06 on 30/06/2020

-5,000,000 options exercisable at \$0.08 on 30/06/2021

# Galena Mining Limited and Controlled Entities

ABN 63 616 317 778

## DIRECTORS' REPORT

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### Information on Directors (continued)

#### **Oliver Cairns MSI** **Non-Executive Director**

Mr Cairns has over 17 years' experience in the small to mid-cap corporate and capital markets space. A corporate financier, he was a Nominated Advisor for AIM companies in London for over eight years before relocating to Perth in 2007 where he established Pursuit Capital, a corporate and strategic advisory firm. His wide experience covers international capital raisings, M&A, IPOs, regulatory advice, investor relations and corporate governance.

Mr Cairns was a non-executive director of Vmoto Limited (ceased on 31 May 2017) and is a member of the Securities Institute (UK).

#### *Interest in Shares and Options*

-10,410,000 fully paid ordinary shares  
-2,500,000 options exercisable at \$0.06 on 30/06/2020  
-5,000,000 options exercisable at \$0.08 on 30/06/2021

#### **Timothy Morrison** **Non-Executive Director (Appointed 12 July 2017)**

Mr Morrison co-founded Empire Equity Limited a Merchant Banking and Corporate Advisory firm in 2008. Mr Morrison has extensive capital raising and management experience across multiple sectors and has worked as CEO, Executive and non-executive director for a number of ASX listed companies. Previously Mr Morrison worked with Westscheme Superannuation to establish and manage a Private Equity Fund targeting early stage venture opportunities. Mr Morrison has an MBA from the University of Western Australia.

Mr Morrison is currently a non-executive director of Titan Minerals Limited (formerly, Minera Gold Limited).

#### *Interest in Shares and Options*

-82,250,000 fully paid ordinary shares (i)

- (i) Held by Bloomgold Resources Pty Ltd, a company of which Mr. Morrison is a director.

### Information on Other Management

#### **Edward Turner B App Sc (Geol), MAIG** **Chief Executive Officer**

Mr Turner has 30 years' experience as a Geologist in Europe, South America, Africa and Australia. His roles have covered exploration and development of base, precious and specialty metals for leading mining companies. Mr Turner has extensive experience in the economic studies of base-metal deposits in open-pit and underground scenarios and related mining experience.

Mr Turner is the former Exploration Manager for Abra from 2008 to 2011. The Directors consider that Mr Turner brings a wealth of experience in relation to the Abra Deposit, its exploration history and the ability to efficiently advance the Project. Effective 1 September 2018, Mr Turner was appointed as the General Manager of Geology and Exploration.

# Galena Mining Limited and Controlled Entities

ABN 63 616 317 778

## DIRECTORS' REPORT

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### Information on Other Management (continued)

#### **Troy Flannery BEng(Min), MAppFin, FCMMC** **Chief Operating Officer (appointed 7 February 2018)**

Mr Flannery is a Mining Engineer with over 20 years' experience in the mining industry including 5 years in corporate and 16 years in senior mining engineering / project development roles. Mr Flannery has worked at numerous mining companies, mining consultancies & contractors (including BHP, Newcrest, Xstrata, St Barbara Mines & AMC Consultants). More recently, as the Hanking Gold Group Technical Services Manager, he was part of the corporate team that sold SXO for A\$330M to Minjar Gold in April 2017. SXO was acquired as a care and maintenance project for A\$23M in 2013 from St Barbara Mines.

#### **Stephen Brockhurst BComm** **Company Secretary**

Mr Brockhurst has 15 years' experience in the finance and corporate advisory industry and has been responsible for the preparation of the due diligence process and prospectuses on a number of initial public offers. His experience includes corporate and capital structuring, corporate advisory and company secretarial services, capital raising, ASX and ASIC compliance requirements.

Mr Brockhurst has served on the board and acted as Company Secretary for numerous ASX listed companies. He is currently a Director of Estrella Resources Limited and Kingwest Resources Limited and Company Secretary of Jacka Resources Limited, Bowen Coking Coal Limited and Nelson Resources Limited. He was also previously a Director of Roto-Gro Limited (resigned 5 February 2018).

### REMUNERATION REPORT (AUDITED)

The remuneration report, which forms part of the Directors' Report, outlines the remuneration arrangements in place for key management personnel (KMP) who are defined as those persons having the authority and responsibility for planning and directing the major activities of the Company, directly and indirectly, including any director (whether executive or otherwise).

#### **Remuneration Philosophy**

The performance of the Company depends on the quality of the Company's Directors, executives and employees and therefore the Company must attract, motivate and retain appropriately qualified industry personnel.

#### **Remuneration policy**

Remuneration levels for the executives are competitively set to attract the most qualified and experienced candidates, taking into account prevailing market conditions and the individual's experience and qualifications.

During the year, the Company did not have a separately established remuneration committee. The Board is responsible for determining and reviewing remuneration arrangements for the executive and non-executive Directors.

The remuneration of executive and non-executive Directors is not dependent on the satisfaction of performance conditions. Remuneration and share based payments are issued to align Directors' interest with that of shareholders.

# Galena Mining Limited and Controlled Entities

ABN 63 616 317 778

## DIRECTORS' REPORT

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### REMUNERATION REPORT (AUDITED)

#### Non-Executive Directors Remuneration

Mr Adrian Byass, Mr Jonathan Downes and Mr Oliver Cairns were appointed as Directors on 7 December 2016. Mr Timothy Morrison was appointed as a Director on 12 July 2017. All directors are entitled to receive \$50,000 per annum (inclusive of statutory superannuation), commencing upon the official admission of the Company to the ASX on 7 September 2017, for their roles as Directors of the Company and as per an appointment letter dated 23 March 2017 for Messrs. Byass, Downes and Cairns and as per an appointment letter dated 12 July 2017 for Mr Morrison.

The Company's Constitution provides that the remuneration of Non-Executive Directors will not be more than the aggregate fixed sum determined by a general meeting. Before a determination is made by the Company in a general meeting, the aggregate sum of fees payable by the Company to the Non-Executive Directors is a maximum of \$500,000 per annum. Summary details of remuneration of the Non-Executive Directors are provided in the table below. The remuneration is not dependent on the satisfaction of a performance condition.

Directors are entitled to be paid reasonable travelling, accommodation and other expenses incurred in consequence of their attendance at meetings of Directors and otherwise in the execution of their duties as Directors. A Director may also be paid additional amounts as fees or as the Directors determine where a Director performs extra services or makes any special exertions, which in the option of the Directors are outside the scope of the ordinary duties of a Director.

#### Other Executives Remuneration

##### Mr Edward Turner

Mr Edward Turner was appointed as Chief Executive Officer on 30 March 2017. His employment conditions are governed by an Executive Employment Agreement. The terms of agreement can be terminated by providing three (3) months written notice in case of the Company. Where the Company terminates the agreement, the Company will pay an amount equal to the remuneration equivalent of the balance of the notice period. Mr Turner is entitled to receive \$83,200 per annum (exclusive of statutory superannuation) for the equivalent of a 2-day per week roster or part thereof and an additional \$800 per day, commencing upon the official admission of the Company to the ASX, as per executive employment agreement dated 30 March 2017. On 12 April 2018, Mr Turner's contract conditions changed from part time to full time with Mr Turner being entitled to received \$208,000 per annum (exclusive of statutory superannuation). In addition, Mr Turner is also entitled to receive a bonus being the greater of a \$50,000 or the equivalent value of 500,000 fully paid ordinary shares (post 1:5 share split) in the Company based on a 5 day VWAP prior to the ASX release of a JORC Resource for the delivery of a 14Mt at 8% Pb JORC (Resource) within 2 years of Company listing on ASX. The performance condition for the bonus was satisfied during the financial year and Mr Turner received 500,000 fully paid ordinary shares in the Company at a VWAP per share of \$0.22594. Summary details of remuneration Key Management Personnel are provided in the table below.

Under the employment agreement and on the date on which the Company is reasonably satisfied that it is in a position to satisfy the conditions for admission to the official list of ASX, Mr Turner is entitled to receive 1,250,000 options exercisable at \$0.06 (on a post 1:5 share split basis) expiring on 30 June 2020, these options were issued during the 2017 financial period. Additionally under the employment agreement, Mr Turner is entitled to receive 1,250,000 options exercisable at \$0.08 (on a post 1:5 share split basis) expiring on 30 June 2021, these options were issued during the 2018 financial year.

##### Mr Troy Flannery

Mr Troy Flannery was appointed as Chief Operating Officer on 7 February 2018. His employment conditions are governed by an Executive Employment Agreement. The terms of agreement can be terminated by either party providing three (3) months written notice. Mr Flannery is entitled to receive \$180,000 per annum (exclusive of statutory superannuation). Mr Flannery was also entitled to receive 5,000,000 options exercisable at \$0.30 (on a post 1:5 share split basis) expiring on 6 February 2021, these options were issued on 7 February 2018.

Mr Flannery is also entitled to receive a bonus on the delivery of a positive Pre-Feasibility Study on the Abra deposit delivered on time and on budget as defined in the Executive Employment Agreement. The bonus will be payable upon the adoption of and ASX release of completion of the Pre-feasibility Study with a positive NPV and IRR, or determination of the Board to engage in a Feasibility Study on the Project based on the Pre-feasibility Study. The bonus amount is either \$75,000 cash or \$82,500 in shares based on a 14 day VWAP, at the election of Mr Flannery.

# Galena Mining Limited and Controlled Entities

ABN 63 616 317 778

## DIRECTORS' REPORT

### REMUNERATION REPORT (AUDITED)

#### Details of remuneration for the year ended 30 June 2018

The remuneration for each key management personnel of the Company during the year was as follows:

Key Management Person	Short-term Benefits	Post-employment Benefits	Other Long-term Benefits	Equity-settled share based Payments		Total	Share Based Payments as a percentage of Remuneration	Performance Related
	Cash, salary & commissions	Super-annuation	Other	Equity (iv)	Options (iii)			
	\$	\$	\$	\$	\$	\$	%	%
<b>Directors</b>								
Adrian Byass	37,291	3,542	-	-	-	40,833	-	-
Jonathan Downes	37,291	3,542	-	-	-	40,833	-	-
Oliver Cairns	37,291	3,542	-	-	-	40,833	-	-
Timothy Morrison(i)	37,291	3,542	-	-	-	40,833	-	-
<b>Sub-Total</b>	<b>149,164</b>	<b>14,168</b>	-	-	-	<b>163,332</b>	-	-
<b>Other</b>								
Edward Turner	157,736	14,985	-	112,970	28,250	313,941	44.98	35.98
Troy Flannery(ii)	60,000	5,700	-	-	348,000	413,700	84.12	-
<b>Sub-Total</b>	<b>217,736</b>	<b>20,685</b>	-	<b>112,970</b>	<b>376,250</b>	<b>727,641</b>	-	-
<b>TOTAL</b>	<b>366,900</b>	<b>34,853</b>	-	<b>112,970</b>	<b>376,250</b>	<b>890,973</b>	-	-

(i) Mr Morrison was appointed as Director on 12 July 2017.

(ii) Mr Flannery was appointed as COO on 7 February 2018.

(iii) Value of options were calculated using Black-Scholes Model.

(iv) Value of shares represents the Fair Value at grant date.

#### Other transactions with Key Management Personnel for the year ended 30 June 2018

-Bloomgold Resources Pty Ltd, a company of which Mr Morrison is a director, and Silverlight Holdings Pty Ltd, a company of which Mr Cairns is a director, were issued total of 87,500,000 shares (post 1:5 share split) for the consideration value of \$3,500,000 Galena's acquisition of Abra Mining Pty Ltd.

-EJ Turner Consulting, a company of which the CEO, Mr Edward Turner is a director, received \$26,560 for Geological Services for work performed on Abra Project.

**Galena Mining Limited and Controlled Entities**

ABN 63 616 317 778

**DIRECTORS' REPORT**

**REMUNERATION REPORT (AUDITED)**

**Details of remuneration for the period ended 30 June 2017**

The remuneration for each key management personnel of the Company during the period was as follows:

Key Management Person	Short-term Benefits	Post-employment Benefits	Other Long-term Benefits	Equity-settled share based Payments		Total	Options as a percentage of Remuneration	Performance Related
	Cash, salary & commissions	Super-annuation	Other	Equity	Options			
				\$	\$			
<b>Directors</b>								
Adrian Byass	-	-	-	-	85,775	85,775	100	-
Jonathan Downes	-	-	-	-	85,775	85,775	100	-
Oliver Cairns	-	-	-	-	85,775	85,775	100	-
<b>Sub-Total</b>	-	-	-	-	<b>257,325</b>	<b>257,325</b>	<b>100</b>	-
<b>Other</b>								
Edward Turner <sup>(i)</sup>	-	-	-	-	13,232	13,232	100	-
<b>Sub-Total</b>	-	-	-	-	<b>13,232</b>	<b>13,232</b>	<b>100</b>	-
<b>TOTAL</b>	-	-	-	-	<b>270,557</b>	<b>270,557</b>	<b>100</b>	-

(i) Mr Turner was appointed as CEO on 30 March 2017.

**Other transactions with Key Management Personnel for the period ended 30 June 2017**

-EJ Turner Consulting, a company of which the CEO, Mr Edward Turner is a director, received \$17,210 for Geological Services for work performed on Abra Project.

**Options and Rights Over Equity Instruments Granted as Compensation (all quoted shares and options are on post share split basis of 5 for 1)**

Details of options over ordinary shares in the Company that were granted as compensation to each key management person during the 2017 and 2018 financial period and details of options that have vested are as follows:

Director/Key Management Personnel	Number Options Granted	Grant Date	Fair Value per Option	Exercise Price per Option	Expiry Date	Number Options Vested
Adrian Byass	2,500,000	05-01-2017	\$0.01058	\$0.06	30-06-2020	2,500,000
Adrian Byass	5,000,000	30-03-2017	\$0.011862	\$0.08	30-06-2021	5,000,000
Jonathan Downes	2,500,000	05-01-2017	\$0.01058	\$0.06	30-06-2020	2,500,000
Jonathan Downes	5,000,000	30-03-2017	\$0.011862	\$0.08	30-06-2021	5,000,000
Oliver Cairns	2,500,000	05-01-2017	\$0.01058	\$0.06	30-06-2020	2,500,000
Oliver Cairns	5,000,000	30-03-2017	\$0.011862	\$0.08	30-06-2021	5,000,000
Edward Turner	1,250,000	30-03-2017	\$0.01058	\$0.06	30-06-2020	1,250,000
Edward Turner	1,250,000	30-08-2017	\$0.11300	\$0.08	30-06-2021	1,250,000
Troy Flannery	5,000,000	07-02-2018	\$0.0696	\$0.30	06-02-2021	5,000,000

# Galena Mining Limited and Controlled Entities

ABN 63 616 317 778

## DIRECTORS' REPORT

### REMUNERATION REPORT (AUDITED)

#### KMP Shareholdings

The number of ordinary shares in Galena Mining Limited held by each KMP of the Company during the financial period is as follows:

**30 June 2018**

	Balance at beginning of period	Granted as remuneration during the period	Issued on exercise of options during the period	Other changes during the period	Balance at end of period
Mr Adrian Byass	7,500,000	-	-	3,600,000	11,100,000
Mr Jonathan Downes	7,500,000	-	-	5,662,950	13,162,950
Mr Oliver Cairns	3,000,000	-	-	7,410,000	10,410,000
Mr Timothy Morrison (i)	-	-	-	82,250,000	82,250,000
Mr Edward Turner	-	500,000	-	-	500,000
Mr Troy Flannery (ii)	-	-	-	-	-
	18,000,000	500,000	-	98,922,950	117,422,950

- (i) Mr Morrison was appointed on 12 July 2017. This holding represents that of Bloomgold Resources Pty Ltd of which Mr Morrison is a director.  
(ii) Mr Flannery was appointed on 7 February 2018.

#### KMP Options Holdings

The number of options over ordinary shares held during the financial period by each KMP of the Company is as follows:

**30 June 2018**

	Balance at beginning of period	Granted during the period	Exercised during the period	Other changes during the period	Balance at end of period	Vested during the period	Vested and exercisable	Vested and unexercisable
30 June 2018								
Mr Adrian Byass	7,500,000	-	-	-	7,500,000	-	7,500,000	-
Mr Jonathan Downes	7,500,000	-	-	-	7,500,000	-	7,500,000	-
Mr Oliver Cairns	7,500,000	-	-	-	7,500,000	-	7,500,000	-
Mr Timothy Morrison (i)	-	-	-	-	-	-	-	-
Mr Edward Turner	1,250,000	1,250,000	-	-	2,500,000	-	2,500,000	-
Mr Troy Flannery (ii)	-	5,000,000	-	-	5,000,000	-	5,000,000	-
	23,750,000	6,250,000	-	-	30,000,000	-	30,000,000	-

- (i) Mr Morrison was appointed on 12 July 2017.  
(ii) Mr Flannery was appointed on 7 February 2018.

#### End of Remuneration Report



# Galena Mining Limited and Controlled Entities

ABN 63 616 317 778

## DIRECTORS' REPORT

### Meeting of Directors

During the period, 4 director's meetings were held. Attendance by each director during the period were as follows:

	Director's Meetings	
	Number eligible to attend	Director's meetings attended
Mr Adrian Byass	4	4
Mr Jonathan Downes	4	3
Mr Oliver Cairns	4	4
Mr Timothy Morrison	4	4

### Future Developments, Prospects and Business Strategies

Further information, other than as disclosed in this report, about likely developments in the operations of the Company and the expected results of those operations in future periods has not been included in this report as disclosure of this information would be likely to result in unreasonable prejudice to the Group.

### Environmental Issues

The operations and proposed activities of the Group are subject to State and Federal laws and regulations concerning the environment. As with most exploration projects and mining operations, the Group's activities are expected to have an impact on the environment, particularly if advanced exploration or field development proceeds. It is the Group's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws. In this regard, the Department of Minerals and Petroleum of Western Australia from time to time, review the environmental bonds that are placed on permits. The Directors are not in a position to state whether a review is imminent or whether the outcome of such a review would be detrimental to the funding needs of the Group.

### Proceedings on Behalf of the Group

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Group was not a party to any such proceedings during the year.

### Indemnity and insurance of officers

The Company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they be may be held personally liable, except when there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

# Galena Mining Limited and Controlled Entities

ABN 63 616 317 778

## DIRECTORS' REPORT

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### Indemnity and insurance of auditors

The Company has not, during the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial period, the Company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

### Non-Audit Services

The Board of Directors are satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The following fees were paid out to PKF Mack for non-audit services provided during the year ended 30 June 2018:

-Taxation compliance services	<u>\$2,950</u>
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### Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, PKF Mack, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is set out on page 26 and forms part of this Directors' Report for the year ending 30 June 2018.

This report is signed in accordance with a resolution of the Board of Directors.



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Adrian Byass  
Chairman

Dated this 20<sup>th</sup> day of September 2018

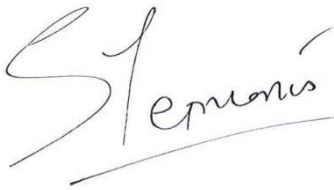
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## AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF GALENA MINING LIMITED

In relation to our audit of the financial report of Galena Mining Limited for the year ended 30 June 2018, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



PKF MACK



SIMON FERMANIS  
PARTNER

20 SEPTEMBER 2018  
WEST PERTH

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**Galena Mining Limited and Controlled Entities**

ABN 63 616 317 778

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	Year ended 30 June 2018	7 December 2016 to 30 June 2017*
		\$	\$
Revenue		61,855	-
<b>Expenses</b>			
Administration expenses		(193,257)	(66,045)
Share based payments	17	(489,220)	(323,074)
Initial public offering expenses		-	(191,967)
Consulting, Promotion & Marketing expenses		(85,000)	-
Corporate expenses		(138,155)	-
Compliance fees		(66,561)	-
Personnel expenses		(194,409)	-
Depreciation expense	7	(3,856)	-
Pre-acquisition exploration & evaluation expenditure		(50,662)	(145,242)
Other expenses	3	(54,811)	-
<b>Loss before income tax expense</b>		<b>(1,214,076)</b>	<b>(726,328)</b>
Income tax expense	2	-	-
<b>Loss after income tax for the year</b>		<b>(1,214,076)</b>	<b>(726,328)</b>
<b>Other comprehensive income net of income tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive loss for the year</b>		<b>(1,214,076)</b>	<b>(726,328)</b>
<b>Loss Per Share</b>			
Basic and diluted loss per share (cents per share)	4	<b>(0.49)</b>	(2.13)

The accompanying notes form part of these financial statements.

\*Parent Entity only.

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**Galena Mining Limited and Controlled Entities**

ABN 63 616 317 778

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018**

	Note	2018 \$	2017* \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	8,526,198	70,261
Trade and other receivables	6	331,689	6,787
Prepayments		98,863	-
<b>TOTAL CURRENT ASSETS</b>		<b>8,956,750</b>	<b>77,048</b>
<b>NON-CURRENT ASSETS</b>			
Plant & Equipment	7	24,696	-
Exploration & Evaluation expenditure	8	8,823,858	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>8,848,554</b>	<b>-</b>
<b>TOTAL ASSETS</b>		<b>17,805,304</b>	<b>77,048</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	945,412	26,702
Provisions	10	15,771	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>961,183</b>	<b>26,702</b>
<b>TOTAL LIABILITIES</b>		<b>961,183</b>	<b>26,702</b>
<b>NET ASSETS</b>		<b>16,844,121</b>	<b>50,346</b>
<b>EQUITY</b>			
Issued capital	11	18,085,201	453,600
Share based payment reserve	12	699,324	323,074
Accumulated losses		(1,940,404)	(726,328)
<b>TOTAL EQUITY</b>		<b>16,844,121</b>	<b>50,346</b>

The accompanying notes form part of these financial statements.

\*Parent Entity only.

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**Galena Mining Limited and Controlled Entities**

ABN 63 616 317 778

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018**

	Issued Capital	Share based payment reserve	Accumulated losses	Total
	\$	\$	\$	\$
<b>Balance at 1 July 2017</b>	<b>453,600</b>	<b>323,074</b>	<b>(726,328)</b>	<b>50,346</b>
Loss for the period	-	-	(1,214,076)	(1,191,106)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(1,214,076)	(1,191,106)
<i>Transactions with owner directly recorded in equity</i>				
Shares issued during the period	18,612,971	-	-	18,612,971
Options issued during the period	-	376,250	-	376,250
Share issue costs	(981,370)	-	-	(981,370)
<b>Balance at 30 June 2018</b>	<b>18,085,201</b>	<b>699,324</b>	<b>(1,940,404)</b>	<b>16,844,121</b>

	Issued Capital	Share based payment reserve	Accumulated losses	Total
	\$	\$	\$	\$
<b>Balance at 7 December 2016</b>	-	-	-	-
Loss for the period	-	-	(726,328)	(726,328)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(726,328)	(726,328)
<i>Transactions with owner directly recorded in equity</i>				
Shares issued during the period	453,600	-	-	453,600
Options issued during the period	-	323,074	-	323,074
<b>Balance at 30 June 2017*</b>	<b>453,600</b>	<b>323,074</b>	<b>(726,328)</b>	<b>50,346</b>

The accompanying notes form part of these financial statements.

\*Parent Entity only.

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**Galena Mining Limited and Controlled Entities**

ABN 63 616 317 778

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018**

	Note	Year ended 30 June 2018 \$	7 December 2016 to 30 June 2017* \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers and employees		(985,548)	(179,265)
Exploration and evaluation expenditure		(4,545,978)	(152,532)
Interest received		42,384	-
<b>Net cash (used in) operating activities</b>	14	<b>(5,489,142)</b>	<b>(331,797)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of plant & equipment		(28,552)	-
Payment for security deposit		(45,000)	-
<b>Net cash (used in) investing activities</b>		<b>(73,552)</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		15,000,001	453,600
Payment of transaction costs associated with issue of securities		(981,370)	(51,542)
<b>Net cash provided by financing activities</b>		<b>14,018,631</b>	<b>402,058</b>
Net increase in cash held		8,455,937	70,261
<b>Cash and cash equivalents at beginning of financial period</b>		<b>70,261</b>	<b>-</b>
<b>Cash and cash equivalents at end of financial period</b>	5	<b>8,526,198</b>	<b>70,261</b>

The accompanying notes form part of these financial statements.

\*Parent Entity only.

For personal use only

# Galena Mining Limited and Controlled Entities

ABN 63 616 317 778

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements and notes represent those of Galena Mining Limited and its controlled entities (together referred to as the "Company" or the "Group" or the "Consolidated Entity"). Galena Mining is a public company, incorporated and domiciled in Australia. The Consolidated Entity or the Group refers to the Company and the entity controlled during the year and at the year end.

The financial statements were authorised for issue on 20<sup>th</sup> September 2018 by the directors of the Company. The directors have the power to amend and reissue the financial statements.

#### **Basis of Preparation**

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The Company is a for-profit entity for financial reporting purposes under the Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and is based on historical costs, modified where applicable, by the measurement at fair value of financial assets and financial liabilities.

#### *Comparatives*

Galena Mining Limited was incorporated on 7 December 2016, therefore the comparative period for the statement of profit or loss and other comprehensive income, statement of cash flows and statement of changes in equity are for the period 7 December 2016 to 30 June 2017.

#### **Accounting Policies**

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report.

##### **a) Going Concern**

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Group incurred a loss for the period of \$1,214,076 and net cash outflows from operating activities of \$5,489,142. These conditions indicate a material uncertainty that may cast significant doubt about the ability of the Company and Group to continue as a going concern.

The directors believe the Group is a going concern as they have appropriate plans to raise additional capital to fund forecasted activities.

Should the Company or the Group be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Company or Group be unable to continue as a going concern and meet its debts as and when they fall due.



# Galena Mining Limited and Controlled Entities

ABN 63 616 317 778

## NOTES TO THE FINANCIAL STATEMENTS

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### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### b) Operating Segments

Operating segments are presented using the 'management approach' where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers. The Chief Operating Decision Maker is responsible for the allocation of resources to operating segments and assessing their performance.

#### c) Foreign Currency Translation

The financial statements are presented in Australian dollars, which is Galena Mining Limited's functional and presentation currency.

#### d) Income Tax

The income tax expense (revenue) for the period comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the period as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

# Galena Mining Limited and Controlled Entities

ABN 63 616 317 778

## NOTES TO THE FINANCIAL STATEMENTS

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### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### e) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current. Deferred tax assets and liabilities are always classified as non-current.

#### f) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the period in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

#### g) Financial Instruments

##### Recognition and Initial Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset.

Financial instruments are initially measured at fair value plus transactions costs except where the instrument is classified 'at fair value through profit or loss in which case transaction costs are expensed to profit or loss immediately.

##### Classification and Subsequent Measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measure at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortization of the difference between that initial amount and the maturity amount calculated using the effective interest method.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

# Galena Mining Limited and Controlled Entities

ABN 63 616 317 778

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### g) Financial Instruments (continued)

##### Classification and Subsequent Measurement

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instruments to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The Company does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

##### (i) *Financial assets at fair value through profit or loss*

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

##### (ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

##### (iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. All other investments are classified as current assets.

##### (iv) *Available-for-sale investments*

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are expected to be sold after 12 months from the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

##### (v) *Financial Liabilities*

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

# Galena Mining Limited and Controlled Entities

ABN 63 616 317 778

## NOTES TO THE FINANCIAL STATEMENTS

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### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### h) Impairment of Assets

At the end of each reporting date, the Company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

#### i) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within a 12 month period have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than 12 months have been measured at the present value of the estimated future cash outflows to be made for those benefits.

#### j) Equity-settled compensation

The Company operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black –Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

#### k) Fair Value Measurement

When an asset or liability, financial or non-financial is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either; in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

#### l) Issued Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

# Galena Mining Limited and Controlled Entities

ABN 63 616 317 778

## NOTES TO THE FINANCIAL STATEMENTS

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### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### m) Earnings per share

##### *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of Galena Mining Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares, outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

##### *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

#### n) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

#### o) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of 3 months or less.

#### p) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

#### q) Borrowing Costs

All borrowing costs are recognised as expense in the period in which they are incurred.

#### r) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

#### s) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent, Galena Mining Limited and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 22.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

# Galena Mining Limited and Controlled Entities

ABN 63 616 317 778

## NOTES TO THE FINANCIAL STATEMENTS

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### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### s) Principles of Consolidation (continued)

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as “non-controlling interests”. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary’s net assets on liquidation at either fair value or at the non-controlling interests’ proportionate share of the subsidiary’s net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

The financial report was authorised for issue on 20<sup>th</sup> September 2018 by the board of directors.

#### t) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

##### *Exploration and Evaluation Expenditure*

Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current. These costs are carried forward in respect of an area that has not at balance date reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, refer to the accounting policy stated in note 1(f).

##### *Share based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Significant judgement may be required in determining the valuation technique adopted. The fair value of the options issued in the current period are determined by an internal valuation using a Black-Scholes option pricing model, using the assumptions detailed in note 17. The assumptions detailed in this note are also judgemental.

For equity transactions with consultants and other employees, the fair value reflects the value attributable to services where applicable. Where there is no quantifiable value of services the value of options is calculated using the Black and Scholes option pricing model or in the case of share grants, the fair value of an ordinary share is utilised.

For instruments issued with market-based conditions, alternative valuation methodologies would be adopted.

#### u) New accounting standards for application in the current period

In the year ended 30 June 2018, the Group has reviewed all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting year.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to the Group accounting policies.

#### v) New accounting standards for application in future periods

##### **New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the company for the annual reporting period ended 30 June 2018. The Group’s assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the company, is set out below.

# Galena Mining Limited and Controlled Entities

ABN 63 616 317 778

## NOTES TO THE FINANCIAL STATEMENTS

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### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### v) New accounting standards for application in future periods (continued)

##### *AASB 9 Financial Instruments*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Group will adopt this standard from 1 July 2018 and the Group expects the impact to be insignificant as there is no hedge instrument in the Group as at the date of these financial statements

##### *AASB 15 Revenue from Contracts with Customers*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Group will adopt this standard from 1 July 2018. The impact of its adoption is expected to be insignificant based on current levels of activity and will be reassessed once the Group generates revenue.

# Galena Mining Limited and Controlled Entities

ABN 63 616 317 778

## NOTES TO THE FINANCIAL STATEMENTS

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### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### v) New accounting standards for application in future periods (continued)

##### *AASB 16 Leases*

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Group will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the Group. The impact of its adoption would be insignificant based on current activity.



**Galena Mining Limited and Controlled Entities**

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**NOTES TO THE FINANCIAL STATEMENTS**

	<b>2018</b>	<b>2017</b>
	\$	\$
<b>NOTE 2: INCOME TAX EXPENSE</b>		
<b>a. Recognised in the income statement:</b>		
Current tax	-	-
Deferred tax	-	-
Income tax as reported in the statement of comprehensive income	-	-
<b>b. Reconciliation of income tax expense to prima facie tax payable:</b>		
Loss from ordinary activities before income tax expense	(1,214,076)	(726,328)
Prima facie tax benefit on loss from ordinary activities before income tax at 27.5% (2017: 27.5%)	(333,871)	(199,740)
Increase in income tax due to:		
- Non-deductible expenses	136,003	89,758
- Changes in unrecognised temporary differences	(802,180)	42,232
- Unused tax losses not recognised	1,000,047	67,750
Income tax attributable to operating loss	-	-
The following deferred tax balances have not been recognised:		
<b>c. Deferred tax assets not recognised</b>		
Carry forward revenue losses	12,693,781	67,750
Accruals	8,320	2,338
Capital raising costs	247,576	42,232
Net deferred tax asset	<b>12,949,677</b>	112,320
The carry forward revenue losses are only available for offset subject to Galena Mining Limited and Abra Mining Pty Ltd satisfying the carried-forward loss tests for deductibility such as the Continuity of Ownership Test and the Same Business Test.		
<b>d. Deferred tax liabilities not recognised</b>		
Exploration expenditure	1,464,061	-
Interest receivable	5,241	-
Net deferred tax liability	<b>1,469,302</b>	-

Potential deferred tax assets attributable to tax losses and other temporary differences have not been brought to account at 30 June 2018 because the directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will only be obtained if:

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# Galena Mining Limited and Controlled Entities

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## NOTES TO THE FINANCIAL STATEMENTS

- the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the expenditure to be realised; and
- no changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the expenditure.

	2018	2017
	\$	\$
<b>NOTE 3: OTHER EXPENSES</b>		
Bank fees	3,211	-
Legal expenses	34,565	-
Other expenses	17,035	-
<b>Total Other Expenses</b>	<b>54,811</b>	<b>-</b>

	2018	2017
	\$	\$
	Cents per share	Cents per share
Basic and diluted loss per share		
The loss and weighted average number of ordinary shares used in this calculation of basic and diluted loss per share are as follows:	(0.49)	(2.13)
	\$	\$
Loss	(1,214,076)	(726,328)
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share (post share split)	249,341,192	34,093,902

As the Company is in a loss position the options outstanding at 30 June 2018 have no dilutive effects on the earnings per share calculation. The comparative for 30 June 2017 has been restated on a post share split basis.

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**Galena Mining Limited and Controlled Entities**

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**NOTES TO THE FINANCIAL STATEMENTS**

	<b>2018</b>	<b>2017</b>
	\$	\$
<b>NOTE 5: CASH AND CASH EQUIVALENTS</b>		
Cash at bank	1,526,198	70,261
Term deposits at call	7,000,000	-
<b>Total Cash and Cash Equivalents</b>	<b>8,526,198</b>	<b>70,261</b>

*Reconciliation to cash and cash equivalents at the end of the financial year*

The above figure is reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

Balance as above	8,526,198	70,261
Balance as per statement of cash flows	<b>8,526,198</b>	<b>70,261</b>

**NOTE 6: TRADE AND OTHER RECEIVABLES**

**Current**

GST receivable	267,218	6,787
Other trade receivables	19,471	-
Credit Card guarantee	45,000	-
<b>Total Trade and Other Receivables</b>	<b>331,689</b>	<b>6,787</b>

**NOTE 7: PLANT & EQUIPMENT**

Motor Vehicle

At cost	5,000	-
Accumulated depreciation	(915)	-
	4,085	-

Computer & Office Equipment

At cost	18,184	-
Accumulated depreciation	(2,614)	-
	15,570	-

Equipment and Tools

At cost	5,368	-
Accumulated depreciation	(327)	-
	5,041	-

<b>Total Plant and Equipment</b>	<b>24,696</b>	<b>-</b>
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# Galena Mining Limited and Controlled Entities

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## NOTES TO THE FINANCIAL STATEMENTS

<b>NOTE 8: EXPLORATION AND EVALUATION EXPENDITURE</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Exploration expenditure capitalised		
- Exploration and evaluation asset acquisition	3,500,000	-
- Exploration and evaluation costs incurred	5,323,858	-
	<b>8,823,858</b>	-

A reconciliation of the carrying amount of exploration and evaluation expenditure is set out below:

- Carrying amount at the beginning of the year	-	-
- Costs capitalised during the year	8,823,858	-
- Costs impaired during the year	-	-
Carrying amount at the end of the year	<b>8,823,858</b>	-

### **NOTE 9: TRADE AND OTHER PAYABLES**

#### **Current**

Sundry payables and accrued expenses	<b>945,412</b>	<b>26,702</b>
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Trade creditors are expected to be paid on 30 day terms.

### **NOTE 10: PROVISIONS**

#### **Current**

Provisions for employee entitlements	<b>15,771</b>	-
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**Galena Mining Limited and Controlled Entities**

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**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 11: ISSUED CAPITAL**

	2018 No.	2018 \$	2017 No.	2017 \$
<b>Movement in ordinary shares</b>				
<b>Balance at beginning of period</b>	<b>8,100,000</b>	<b>453,600</b>	-	-
Incorporation/promoter shares issued on 7 December 2016	-	-	3,600,000	3,600
Seed shares issued on 5 January 2017	-	-	1,500,000	150,000
Seed shares issued on 14 February 2017	-	-	2,750,000	275,000
Seed shares issued on 18 April 2017	-	-	250,000	25,000
Project acquisition shares issued on 30 August 2017	17,500,000	3,500,000	-	-
IPO shares issued on 30 August 2017	30,000,000	6,000,000	-	-
Share split on 1:5 basis on 23 March 2018	222,400,000	-	-	-
Share based payments issued on 3 April 2018	500,000	112,970	-	-
Placement shares issued on 26 April 2018	58,064,520	9,000,001	-	-
Share issue costs	-	(981,370)	-	-
<b>Balance at reporting date</b>	<b>336,564,520</b>	<b>18,085,201</b>	<b>8,100,000</b>	<b>453,600</b>

**Terms and conditions of issued capital**

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. The fully paid ordinary shares have no par value.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

**Capital risk management**

The Group objectives when managing capital are to safeguard its ability to continue as a going concern, so that it may continue to provide returns for shareholders and benefits for other stakeholders.

The Group's capital includes ordinary share capital and financial liabilities, supported by financial assets.

Due to the nature of the Group's activities, being mineral exploration, it does not have ready access to credit facilities, with the primary source of funding being equity raisings. Accordingly, the objective of the Group's capital risk management is to balance the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. This is achieved by maintaining appropriate liquidity to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The Group is not exposed to externally imposed capital requirements.

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# Galena Mining Limited and Controlled Entities

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## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 11: ISSUED CAPITAL

#### Capital risk management (Continued)

	2018	2017
	\$	\$
Cash and cash equivalents	8,526,198	70,261
Trade and other receivables	331,689	6,787
Trade and other payables	(961,183)	(26,702)
Working capital position	<b>7,896,704</b>	50,346

### NOTE 12: SHARE BASED PAYMENT RESERVE

The share based payments reserves record items recognised as expenses on valuation of employees and consultants options.

	2018	2017
	\$	\$
Opening balance 1 July	323,074	-
Share based payments vesting expense	376,250	323,074
Closing balance 30 June	<b>699,324</b>	323,074

Refer to Note 17 for valuation technique and assumptions.

	2018	2017
	\$	\$
Remuneration of the auditor of the parent entity for:		
— Investigating accountants report	-	22,500
— auditing or reviewing the financial report	36,950	14,100
— preparation of income tax	2,750	1,750
	<b>39,700</b>	38,350

**Galena Mining Limited and Controlled Entities**

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**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 14: CASHFLOW INFORMATION**

a. <b>Reconciliation of Cash Flow from Operations with Loss after Income Tax</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax	(1,214,076)	(726,328)
<u>Non-cash flows in loss</u>		
Share Based Payments	489,220	323,074
Depreciation	3,856	-
Other non-cash items	(15,771)	-
	<hr/>	<hr/>
	(736,771)	(403,254)
Changes in assets and liabilities;		
(Increase)/decrease in trade and other receivables	(279,902)	(6,787)
(Increase)/decrease in prepayments	(98,863)	-
(Increase)/decrease in exploration expenditure	(5,323,858)	-
Increase/(decrease) in trade payables and accruals	934,481	78,244
Increase/(decrease) in provisions	15,771	-
	<hr/>	<hr/>
Cashflow from operating activities	<b>(5,489,142)</b>	<b>(331,797)</b>

**b. Non-cash Financing and Investing Activities**

- 6,250,000 Options issued during the financial year as per employment agreement between Galena Mining Limited and Messrs. Turner and Flannery (on a post 1:5 share split basis).

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# Galena Mining Limited and Controlled Entities

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## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 15: TRANSACTIONS WITH RELATED ENTITIES

#### Key Management Personnel

The totals of remuneration paid or due to be paid to the KMP of the Company during the period are as follows:

	2018	2017
	\$	\$
Short-term employment benefits	366,900	-
Post-employment benefits	34,853	-
Other long-term benefits	-	-
Termination benefits	-	-
Share based payments	489,220	270,557
Total Remuneration paid or due to be paid	<u>890,973</u>	<u>270,557</u>

Transactions between related parties are on commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

-Bloomgold Resources Pty Ltd, a company of which Mr Morrison is a director, and Silverlight Holdings Pty Ltd, a company of which Mr Cairns is a director, were issued total of 87,500,000 shares (post 1:5 share split) for the consideration value of \$3,500,000 Galena's acquisition of Abra Mining Pty Ltd.

-EJ Turner Consulting, a company of which the CEO, Mr Edward Turner is a director, received \$26,560 for Geological Services for work performed on Abra Project (2017: \$17,210).

### NOTE 16: EVENTS AFTER REPORTING PERIOD

-On 3 July 2018, the Company released a Scoping Study on its Abra Project.

-On 5 July 2018, the Company announced the appointment of Mr Bill Cunningham as Company's Metals Marketing Consultant, as part of the expansion of key technical and management positions as the Abra lead-silver project advances.

-On 1 September 2018, the Company appointed Mr Alexander Molyneux as Chief Executive Officer/Managing Director.

-On 1 September 2018, the Company appointed Mr Edward Turner as the General Manager of Geology and Exploration.

No other matter or circumstance has arisen since the end of audited period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial periods.



**Galena Mining Limited and Controlled Entities**

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**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 17: SHARE BASED PAYMENTS**

Grant Date/entitlement	Number of Instruments	Grant Date	Fair value per instrument \$	Value \$
Unlisted Options issued on 5 January 2017 as per employment agreement exercisable at \$0.06* on or before 30 June 2020 (i) (Tranche 1)	7,500,000*	05/01/2017	0.01058	79,395
Unlisted Options issued on 5 January 2017 to Promoters agreement exercisable at \$0.06* on or before 30 June 2020 (i) (Tranche 1)	3,000,000*	05/01/2017	0.01058	31,758
Unlisted Options issued on 30 March 2017 as per employment agreement exercisable at \$0.06* on or before 30 June 2020 (i) (Tranche 1)	1,250,000*	30/03/2017	0.01058	13,232
Unlisted Options issued on 30 March 2017 as per employment agreement exercisable at \$0.08* on or before 30 June 2021 (ii) (Tranche 2)	15,000,000*	30/03/2017	0.011862	177,930
Unlisted Options issued on 30 March 2017 to Promoters agreement exercisable at \$0.08* on or before 30 June 2021 (ii) (Tranche 2)	1,750,000*	30/01/2017	0.011862	20,759
<b>Recognised in the period to 30 June 2017</b>				<b>323,074</b>
Unlisted Options issued on 30 August 2017 to the CEO as per employment agreement exercisable at \$0.08* on or before 30 June 2021	1,250,000*	30/08/2017	0.0226	28,250
Unlisted Options issued on 7 February 2018 to the COO as per employment agreement exercisable at \$0.30* on or before 6 February 2021	5,000,000*	07/02/2018	0.0696	348,000
<b>Recognised in the year to 30 June 2018</b>				<b>376,250</b>

\* The number and exercise price of the options granted are on a post 1:5 share split basis.

No options have expired or been exercised and therefore, the total options on issue at 30 June 2018 represent all those issued since incorporation noted above – 34,750,000 on a post-split basis.

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**Galena Mining Limited and Controlled Entities**

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**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 17: SHARE BASED PAYMENTS (continued)**

The below inputs have been adjusted to ensure they are on a post-split basis.

- (i) 1,250,000\* unlisted Options issued as part of employment agreement and to Promoters have been calculated using Black-Scholes option pricing model with the following inputs:

	<b>Tranche 3 Options Granted</b>
Expected volatility (%)	100
Risk free interest rate (%)	2.08
Weighted average expected life of options (years)	3.84
Expected dividends	Nil
Option exercise price (\$)	0.08
Share price at grant date (\$)	0.04
Fair value of option (\$)	0.0226
Number of options (post share-split)	1,250,000
Expiry date	30 June 2021

- (ii) 5,000,000\* unlisted Options issued as part of employment agreement have been calculated using Black-Scholes option pricing model with the following inputs:

	<b>COO Options Granted</b>
Expected volatility (%)	51
Risk free interest rate (%)	2.12
Weighted average expected life of options (years)	3
Expected dividends	Nil
Option exercise price (\$)	0.30
Share price at grant date (\$)	0.24
Fair value of option (\$)	0.0696
Number of options (post share-split)	5,000,000
Expiry date	30 June 2021

Both tranches were deemed to vest immediately as there are no vesting conditions.

Reconciliation of the number of options

	<b>2018 Number</b>	<b>2017 Number</b>
Opening balance at 1 July	5,700,000	-
Issued	1,250,000	5,700,000
Expired	-	-
Exercised	-	-
Other changes - Post-share split (1:5 basis)	27,800,000	-
Closing balance 30 June	<u>34,750,000</u>	<u>5,700,000</u>

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# Galena Mining Limited and Controlled Entities

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## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 18: CONTINGENT ASSETS AND LIABILITIES

In the opinion of the directors there were no contingent assets or liabilities as at 30 June 2018.

### NOTE 19: CAPITAL AND OTHER COMMITMENTS

Below table shows the expenditure commitments for Abra Project.

	30 June 2018	30 June 2017
	\$	\$
Within one year	141,921	-
Between 1 and 5 years	315,014	-
	<b>456,935</b>	-

In the opinion of directors, there were no capital or other commitments as at 30 June 2018.

### NOTE 20: OPERATING SEGMENTS

The Company has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. Since the acquisition of the Abra Project, the company manages primarily on the basis of one geographical segment being Australia, and two business segments being mineral exploration and treasury.

### NOTE 21: FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist mainly of deposits with banks, accounts receivable and accounts payable.

The Board of Directors has overall responsibility for the oversight and management of the Company's exposure to a variety of financial risks (including market risk, credit risk and liquidity risk).

#### **Credit risk**

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements.

The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions is spread amongst approved counterparties.

The company does not have any collateral. Credit risk related to balances with banks and other financial institutions is managed by the board. The board's policy requires that surplus funds are only invested with counterparties with a Standard & Poor's rating of at least AA-. All of the Company's surplus funds are invested with AA Rated financial institutions.

The Company does not have any material credit risk exposure to any single receivable or Company of receivables under financial instruments entered into by the Company.

# Galena Mining Limited and Controlled Entities

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## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 21: FINANCIAL RISK MANAGEMENT

#### **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The responsibility with liquidity risk management rests with the Board of Directors. The Company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate working capital is maintained. The Company's policy is to ensure that it has sufficient cash reserves to carry out its planned exploration activities over the next 12 months.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities and receivables.

#### **Financial liability and financial asset maturity analysis**

2018	Weighted Average Interest Rate	1 year or less \$	Between 1 & 2 years \$	Between 2 & 5 years \$	Total \$
<b>Non Derivatives</b>					
<i>Financial Assets</i>					
Cash and Cash Equivalents	2.18%	8,526,198	-	-	8,526,198
Trade and Other Receivables	-	286,689	-	-	286,689
<i>Financial Liabilities</i>					
Trade Payables	-	(945,412)	-	-	(945,412)
Net Financial Assets		<b>7,867,475</b>	-	-	<b>7,867,475</b>

2017	Weighted Average Interest Rate	1 year or less \$	Between 1 & 2 years \$	Between 2 & 5 years \$	Total \$
<b>Non Derivatives</b>					
<i>Financial Assets</i>					
Cash and Cash Equivalents	-	70,261	-	-	70,261
Trade and Other Receivables	-	6,787	-	-	6,787
<i>Financial Liabilities</i>					
Trade Payables	-	(26,702)	-	-	(26,702)
Net Financial Assets		<b>50,346</b>	-	-	<b>50,346</b>

#### **Market Risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

#### **Interest rate risk**

The Company manages interest rate risk by monitoring immediate and forecast cash requirements and ensuring adequate cash reserves are maintained.

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# Galena Mining Limited and Controlled Entities

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## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 21: FINANCIAL RISK MANAGEMENT

#### *Interest rate sensitivity analysis*

The following table illustrates sensitivities to the consolidated entity's exposures to changes in interest rates and equity prices. These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit	Equity
Year ended 30 June 2018	\$	\$
+/- 1% interest rate	+/- 85,262	+/- 85,262
Year ended 30 June 2017		
+/- 1% interest rate	+/- 703	+/- 703

#### Fair value of financial instruments

Unless otherwise stated, the carrying amount of financial instruments reflects their fair value.

### NOTE 22: INTEREST IN CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and the results of the following subsidiary in accordance with the accounting policy described in note 1:

Name	Country of Incorporation	Class of share	Equity holding	
			30 June 2018	30 June 2017
Abra Mining Pty Ltd	Australia	Ordinary	100%	-
Metal Range Ltd	Australia (i)	Ordinary	100%	-
MR1 Holding Pty Ltd	Australia (i)	Ordinary	100% (ii)	-

(i) Both entities were incorporated in the current year and have no activity.

(ii) MR1 Holding is a wholly owned subsidiary of Metal Range Limited only.

# Galena Mining Limited and Controlled Entities

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## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 23: PARENT ENTITY INFORMATION

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements.

#### STATEMENT OF FINANCIAL POSITION

	2018
	\$
<b>ASSETS</b>	
Current Assets	8,745,464
Non-Current Assets	75,598
<b>TOTAL ASSETS</b>	<b>8,821,062</b>
<b>LIABILITIES</b>	
Current Liabilities	184,786
Non-Current Liabilities	-
<b>TOTAL LIABILITIES</b>	<b>184,786</b>
<b>NET ASSETS</b>	<b>8,636,276</b>
<b>EQUITY</b>	
Issued Capital	18,085,201
Reserve	699,324
Retained Earnings	(10,148,249)
<b>TOTAL EQUITY</b>	<b>8,636,276</b>

#### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2018
	\$
Loss for the year	(942,921)
Other comprehensive income	-
Total comprehensive income	<b>(941,921)</b>

The 2017 Comparative in the Statement of Profit or Loss and Other Comprehensive Income and Statement of Financial Position is that of the parent only.

### NOTE 24: ASSET ACQUISITION

The acquisition of Abra Mining Pty Ltd during the financial year was determined to be an asset acquisition as Abra Mining Pty Ltd did not constitute a business under Accounting Standards. The excess consideration paid over the net assets of Abra Mining Pty Ltd totalling \$3,500,000 becomes exploration expenditure on consolidation per Note 8.

**Galena Mining Limited and Controlled Entities**

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**DIRECTORS' DECLARATION**

In accordance with a resolution of the directors of Galena Mining Limited, the directors of the company declare that:

1. the financial statements, notes and the remuneration report in the Directors' Report are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position of the consolidated entity as at 30 June 2018 and of its performance, for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including International Financial Reporting Standards) and the Corporations Regulations 2001;
2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

This declaration has been made after receiving the declarations required to be made by the directors in accordance with sections of 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors.



Adrian Byass  
Chairman

Perth, 20 September 2018

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**INDEPENDENT AUDITOR'S REPORT****TO THE MEMBERS OF GALENA MINING LIMITED****Report on the Financial Report****Opinion**

We have audited the accompanying financial report of Galena Mining Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion the financial report of Galena Mining Limited is in accordance with the Corporations Act 2001, including:

- i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
- ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

**Basis for Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibility section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence**

We are independent of the consolidated entity in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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**Impairment of exploration and evaluation expenditure****Why significant**

As at 30 June 2018 the carrying value of exploration and evaluation assets was \$8,823,858 (2017: NIL), as disclosed in Note 8. This represents 49.6% of the total assets of the consolidated entity.

The consolidated entity's accounting policy in respect of exploration and evaluation expenditure is outlined in Note 1(f) and Note 1(t).

Significant judgement is required:

- in determining whether facts and circumstances indicate that the exploration and evaluation assets should be tested for impairment in accordance with Australian Accounting Standard AASB 6 Exploration for and Evaluation of Mineral Resources ("AASB 6"); and
- in determining the treatment of exploration and evaluation expenditure in accordance with AASB 6, and the consolidated entity's accounting policy. In particular:
  - whether the particular areas of interest meet the recognition conditions for an asset; and
  - which elements of exploration and evaluation expenditures qualify for capitalisation for each area of interest.

**How our audit addressed the key audit matter**

Our work included, but was not limited to, the following procedures:

- Conducting a detailed review of management's assessment of impairment trigger events prepared in accordance with AASB 6 including:
  - assessing whether the rights to tenure of the areas of interest remained current at reporting date as well as confirming that rights to tenure are expected to be renewed for tenements that will expire in the near future;
  - obtaining representations from directors as to the status of ongoing exploration programmes for the areas of interest, as well as assessing if there was evidence that a decision had been made to discontinue activities in any specific areas of interest; and
  - obtaining and assessing evidence of the consolidated entity's future intention for the areas of interest, including reviewing future budgeted expenditure and related work programmes;
- testing, on a sample basis, exploration and evaluation expenditure incurred during the year for compliance with AASB 6 and the consolidated entity's accounting policy; and
- assessing the appropriateness of the related disclosures in Note 1(f), Note 1(t) and Note 8.

## Valuation of share based payments

### Why significant

During the year the consolidated entity issued 6,250,000 options on a post-split basis to employees as disclosed in Note 17. The consolidated entity has determined that these options have a fair value at grant date of \$376,250 which is material in the context of the current year's performance.

The valuation of share based payments utilises judgement in ascertaining the assumptions and inputs used in the valuation model. These assumptions and inputs are further described in Note 1 (t) and Note 17 to the financial report.

### How our audit addressed the key audit matter

Our work included, but was not limited to:

- Reviewing the key inputs including strike price, grant date fair value of the underlying security, expiry period of the option and the risk free rate adopted by the consolidated entity;
- Performing recalculations on the consolidated entity's volatility input; and
- Performing recalculation of the valuation based on the consolidated entity's inputs.

We also assessed the appropriateness of the Note disclosures Note 1 (t) and Note 17.

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## Other Information

Other information is financial and non-financial information in the annual report of the consolidated entity which is provided in addition to the Financial Report and the Auditor's Report. The directors are responsible for Other Information in the annual report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, the auditor does not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information in the Financial Report and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

## Directors' Responsibilities for the Financial Report

The Directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the Directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the Directors are responsible for assessing the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using a going concern basis of accounting unless the Directors either intend to liquidate the consolidated entity or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individual or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.

### Opinion

In our opinion, the Remuneration Report of Galena Mining Limited for the year ended 30 June 2018, complies with section 300A of the Corporations Act 2001.

## Responsibilities

The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

PKF Mack

PKF MACK

Simon Fermanis

SIMON FERMANIS  
PARTNER

20 SEPTEMBER 2018  
WEST PERTH

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# Galena Mining Limited and Controlled Entities

ABN 63 616 317 778

## SCHEDULE OF TENEMENTS

AS AT 31 AUGUST 2018

### Schedule of Tenements

Tenement	Project	Location	Registered holder	% Interest
E52/1413	Jillawarra	WA	Abra Mining Pty Ltd	100%
E52/1455	Mulgul	WA	Abra Mining Pty Ltd	100%
E52/3575	Jillawarra	WA	Galena Mining Limited	100%
E52/3630	Mulgul	WA	Galena Mining Limited	100%
G52/0286	Camp	WA	Abra Mining Pty Ltd	100%
G52/0292	Mulgul	WA	Abra Mining Pty Ltd	100%
L52/0121	Airstrip	WA	Abra Mining Pty Ltd	100%
M52/0776	Mulgul	WA	Abra Mining Pty Ltd	100%
P52/1578	Jillawarra	WA	Abra Mining Pty Ltd	100%
L52/0194*	Mulgul	WA	Abra Mining Pty Ltd	-*
P52/1580*	Jillawarra	WA	Abra Mining Pty Ltd	-*
P52/1581*	Jillawarra	WA	Abra Mining Pty Ltd	-*

\*Application only

## Galena Mining Limited and Controlled Entities

ABN 63 616 317 778

### SHAREHOLDER INFORMATION

The following additional information is required by the Australian Securities Exchange Ltd in respect of listed public companies only. The information is current as at 6 September 2018.

#### 1. Shareholding

##### a. Distribution of Shareholders

###### (i) Ordinary share capital

- 336,564,520 fully paid shares held by 730 shareholders. All issued ordinary share carry one vote per share and carry the rights to dividends.

Category (size of holding)	Class of Equity Security	
	Number of Holders	Fully Paid Ordinary Shares
1 - 1,000	23	2,606
1,001 – 5,000	64	241,826
5,001 – 10,000	74	596,678
10,001 – 100,000	351	16,271,618
100,001 – and over	218	319,451,792
	730	336,564,520

b. The number of shareholdings held in less than marketable parcels is 7

c. The Company had the following substantial shareholders listed in the holding company's register at the date of this report.

##### Fully Paid Ordinary Shares

Holder	Number	%
Bloomgold Resources Pty Ltd	82,250,000	24.44
J P Morgan Nominees Australia Ltd	18,556,952	5.51

##### Unlisted Options exercisable at \$0.08 on 30 June 2021

Holder	Number	%
Valiant Equity Management Pty Ltd	5,000,000	27.78
Kiandra Nominees Pty Ltd	5,000,000	27.78
Silverlight Holdings Pty Ltd	5,000,000	27.78
Mr Edward Turner	1,250,000	6.94

##### d. Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares

- Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

# Galena Mining Limited and Controlled Entities

ABN 63 616 317 778

## SHAREHOLDER INFORMATION

### e. 20 Largest holders of quoted equity securities (fully paid ordinary shares)

	Name	Number Held	Percentage %
1.	Bloomgold Resources Pty Ltd	82,250,000	24.44
2.	J P Morgan Nominees Australia Ltd	18,556,952	5.51
3.	Citicorp Nominees Pty Ltd	13,892,677	4.13
4.	HSBC Custody Nominees Australia Ltd	11,975,324	3.56
5.	Brispot Nominees Pty Ltd <House Head Nominees A/C>	10,467,099	3.11
6.	Kiandra Nominees Pty Ltd	10,000,000	2.97
7.	Fiona Van Den Berg	9,529,526	2.83
8.	Zerrin Inv Pty Ltd	8,500,000	2.53
9.	Silverlight Holdings Pty Ltd	8,250,000	2.45
10.	Connor Michael Maloney	7,251,000	2.15
11.	Valiant Equity Management Pty Ltd	7,000,000	2.08
12.	UBS Nominees Pty Ltd	6,462,128	1.92
13.	Tubechangers Pty Ltd <King Family A/C>	5,765,000	1.71
14.	National Nominees Ltd <DB A/C>	4,895,000	1.45
15.	Grasmere Nominees Pty Ltd	4,000,00	1.19
16.	National Nominees Ltd	3,673,205	1.09
17.	Carrick Durrant Ryan <CD & RV Ryan Fam N>	3,518,097	1.05
18.	BNP Paribas Nom Pty Ltd <IB AU Noms RetailC>	3,394,671	1.01
19.	HSBC Custody Nom Aust Ltd <Euroclear Bank SA>	2,500,000	0.74
19.	Valiant Equity Management Pty Ltd <Byass Family A/C>	2,500,000	0.74
20.	Lake Springs Pty Ltd <Lake Springs S/F A/C>	2,450,000	0.73
		<u>226,830,679</u>	<u>67.39</u>

- The Name of the Company Secretary is Mr Stephen Brockhurst.
- The address of the registered office and principal place of business in Australia is Level 11, 216 St Georges Terrace, Perth WA 6000. Telephone (08) 9481 0389.
- Registers of securities are held at the following address:  
Security Transfer Australia Pty Ltd  
770 Canning Highway  
Applecross WA 6153
- Stock Exchange Listing**  
Quotation has been granted for all the ordinary shares of the company on the Australian Securities Exchange Limited.



## Galena Mining Limited and Controlled Entities

ABN 63 616 317 778

### SHAREHOLDER INFORMATION

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6. **Restricted Securities**

The Company has the following restricted securities on issue as at the date of this report and post share-split.

- 105,500,000 fully paid ordinary shares escrowed for 24 months from 30 August 2017;
- 10,500,000 unlisted options exercisable at \$0.06 on or before 30 June 2020 held in escrow for 24 months from 7 September 2017;
- 16,750,000 unlisted options exercisable at \$0.08 on or before 30 June 2021 held in escrow for 24 months from 7 September 2017;

7. **Unquoted Securities**

The Company has the following unquoted securities on issue as at the date of this report

- 11,750,000 options exercisable at \$0.06 on or before 30 June 2020
- 18,000,000 options exercisable at \$0.08 on or before 30 June 2021
- 5,000,000 options exercisable at \$0.30 on or before 6 February 2021

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## Galena Mining Limited and Controlled Entities

ABN 63 616 317 778

### ADDITIONAL INFORMATION FOR PUBLIC LISTED COMPANIES

#### Use of Funds

Between the date of listing on ASX and the date of this report the Company has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives and as set out in the Prospectus dated May 2017.

#### Schedule of Tenements

Tenement	Project	Location	Registered holder	% Interest
E52/1413	Jillawarra	WA	Abra Mining Pty Ltd	100%
E52/1455	Mulgul	WA	Abra Mining Pty Ltd	100%
E52/3575	Jillawarra	WA	Galena Mining Limited	100%
E52/3630	Mulgul	WA	Galena Mining Limited	100%
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M52/0776	Mulgul	WA	Abra Mining Pty Ltd	100%
P52/1578	Jillawarra	WA	Abra Mining Pty Ltd	100%
L52/0194*	Mulgul	WA	Abra Mining Pty Ltd	-*
P52/1580*	Jillawarra	WA	Abra Mining Pty Ltd	-*
P52/1581*	Jillawarra	WA	Abra Mining Pty Ltd	-*

\*Application only

The Company has a 100% interest in the tenements. The transfer for all tenements has been effective upon the Company official listing on the ASX and completing Abra Mining acquisition of the tenements listed in the table above. The Department of Mines and Petroleum in WA, has transferred the title from Abra Mining Pty Ltd to the Company effective September 2017.