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GALENA

MINING LIMITED

ABN 63 616 317 778

And Controlled Entities

Interim Financial Report

For the half year ended 31 December 2019

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

Directors	Mr Adrian Byass Non-Executive Chairman
	Mr Alexander Molyneux Managing Director/Chief Executive Officer
	Mr Jonathan Downes Non-Executive Director
	Mr Timothy Morrison Non-Executive Director
	Mr Anthony James Non-Executive Director
	Mr Stewart Howe Non-Executive Director
AMPL Chief Executive Officer	Mr Troy Flannery
Company Secretary	Mr Stephen Brockhurst
Registered Office & Principal Place of Business	Level 11, 216 St Georges Terrace Perth WA 6000
Postal Address	GPO Box 2517 Perth WA 6831
Web Site	www.galenamining.com.au
Share Registry	Automic Pty Ltd Level 2, 267 St Georges Terrace Perth WA 6000
Auditors	PKF Perth Level 5, 35 Havelock Street West Perth WA 6005
Legal Advisors	King & Wood Mallesons Level 30, QV1 Building, 250 St Georges Terrace Perth WA 6000
Stock Exchange Listing	ASX Code: G1A
Country of Incorporation and Domicile	Australia

Galena Mining Limited and Controlled Entities

ABN 63 616 317 778

DIRECTOR'S REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2019

Your directors present the following report on Galena Mining Limited (the "Company" or "Galena") and its controlled entities, including Abra Mining Pty Ltd ("AMPL") (together referred to hereafter as the "Group"), for the period ended 31 December 2019.

DIRECTORS

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

Adrian Byass	Non-Executive Chairman
Alexander Molyneux	Managing Director / Chief Executive Officer
Johnathan Downes	Non-Executive Director
Timothy Morrison	Non-Executive Director
Anthony James	Non-Executive Director
Stewart Howe	Non-Executive Director (appointed 26 November 2019)

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

Since listing on the ASX on 7 September 2017 the Company has continued to focus on exploration and pre-development works at the Abra Base Metals Project ("Abra" or the "Project"), together with early stage exploration works at other mineral prospects within the Group's portfolio.

OPERATING RESULTS

The Group incurred a loss for the period ended 31 December 2019 of \$5,595,273 (31 December 2018: \$1,278,808 loss) and net cash outflows of \$514,807 (31 December 2018: \$5,237,567 outflow). The Group loss after tax for the half year ended 31 December 2019 includes a \$4,000,000 payment for extinguishment of part of a royalty obligation which is non-recurring in nature, with the remaining 'underlying' loss being \$1,595,273.

At 31 December 2019, the Group had a net working capital surplus of \$22,556,992 (30 June 2019: \$25,280,087), including cash and cash equivalents of \$27,462,610 (30 June 2019: \$27,977,417).

REVIEW OF OPERATIONS

Highlights

- Delivered outstanding FS for Abra.
- Mining-experienced bank appointed to lead the project financing debt arrangement procured seven submissions from banks in response to AMPL's proposal to fund construction of Abra Base Metals Project.
- Finalisation of all necessary major permits for Abra.
- Second \$10M tranche received from Toho increasing their interest in AMPL to 13.33% with Galena retaining 86.67%.

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DIRECTOR'S REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2019

- Warburton (an associated entity of Tim Roberts) purchased an additional 30,400,000 shares from certain individual shareholders increasing Tim Roberts' beneficial interest in Galena to 14.7%.
- Additional high-grade assay results received as Abra's project development drilling program successfully concluded with a total of 43 diamond core drillholes (18,255 metres) completed between April and August 2019.
- Completed 4% of Abra project development works.
- Upgraded Abra JORC Mineral Resource estimate (Indicated plus Inferred) at a 5.0% lead cut-off increased to 41.1Mt at 7.3% lead and 18g/t silver – ~8% increase in contained lead and ~10% increase in contained silver vs prior Resource.
- Formalised offtake agreements that enable Galena to purchase Abra concentrate from AMPL at benchmark terms and then on-sell to IXM at a premium.
- Cancellation of a historical 1.125% vendor royalty on Abra to reduce total historical vendor and other non-Government royalty equivalent payments from 3.5% to 2.375%.
- Appointed lead industry expert, Mr Stewart Howe to Galena board of directors.

Abra Base Metals Project (86.16%)

Abra comprises a granted Mining Lease, M52/0776 and is surrounded by the Exploration Licence E52/1455, together with several co-located General Purpose and Miscellaneous Leases. The Project is 100% owned by AMPL, which as at 31 December 2019 was 86.16% owned by Galena, with the remainder owned by Toho (pursuant to an Investment Agreement and Shareholders Agreement with Toho).

Abra is well located with the availability of key infrastructure and close access to water, public roads, existing mining operations and the towns of Meekatharra and Newman. Lead-silver concentrate will be transported by road to the port of Geraldton (or potentially Port Hedland) in the mid-west of Western Australia.

Definitive / bankable feasibility study ("FS")

An outstanding FS was completed for the Project in July 2019. The FS envisages development of an underground mine and conventional flotation concentration processing facility with a 16-year life producing a high-value, high-grade lead-silver concentrate containing approximately 95kt of lead and 805koz of silver per year after ramp-up. Based on a pre-development capital expenditure estimate of A\$170 million, the FS modelled a pre-tax net present value for Abra (at an 8% discount rate) of A\$553 million and an internal rate of return of 39%.

Final permitting

During the half year to 31 December 2019, Abra received the following major approvals:

- The Western Australian Department of Mines, Industry Regulation and Safety ("DMIRS") for the Mining Proposal, Mine Closure Plan and Native Vegetation Clearing Permit.
- The Western Australian Department of Water and Environment Regulation ("DWER") Works Approval for the processing plant and tailings storage facility.
- Approval by the State Mining Engineer for the Abra Project Management Plan.
- Dangerous Goods licence.

Together with the previously received DWER Works Approval, the approvals received during the half year constitute all the major approvals required for construction, mining and production at Abra.

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DIRECTOR'S REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2019

Project construction / development

During the half year to 31 December 2019, the Company completed approximately 4% of the Abra Base Metals Project construction including the following:

- Permanent camp construction – The first stage of the permanent camp was completed, including accommodation units for 80 persons along with a full-sized kitchen and messing facilities. Facilities were connected to services and ready for occupation by the end of December 2019.
- Water supply and wastewater treatment facility – Pumps were installed at three previously drilled water bores and 3km of water distribution pipe work was completed in November 2019 and then facilities for potable water supply and wastewater treatment were largely completed by the end of December 2019.
- Topsoil clearing and storage, ground preparation at the permanent camp site and various site and access roadworks were completed in October 2019.

Safety and environment

During the half year to 31 December 2019, 15,760 employee and contractor work hours were recorded at Abra with no medically treated injuries or lost time injuries recorded.

No environmental reportable incidences or exceedances were recorded during the half year.

Project development drilling

On 22 March 2019, Galena announced commencement of an initial project development drilling program at Abra, which the Company considers a major advancement of the Project. The drilling involved decline positioning, water bores and additional infill holes associated with early production horizons.

During the half year to 31 December 2019, project development drilling was successfully concluded with a total of 43 drillholes for 18,255 cumulative linear metres and 4,094 half core samples. All the assay results have been received with some of the most significant intercepts announced on 14 August 2019.

An upgraded Mineral Resource estimate for Abra was completed incorporating the new drilling information.

Resource upgrade

During the half year to 31 December 2019, the Company reported an upgraded JORC Mineral Resource estimate (Indicated plus Inferred) for Abra at a 5.0% lead cut-off of 41.1Mt at 7.3% lead and 18g/t silver (the "October 2019 Resource"), representing an approximately 8% increase in contained lead and 10% increase in contained silver in comparison to the December 2018 Resource. The Indicated portion of the October 2019 Resource is now 16.7Mt at 8.5% and 24g/t silver, holding approximately 114Kt more lead and approximately 2.1Moz more silver than the December 2019 Resource.

The Company believes that the 2019 Project Development Drilling program that resulted in the October 2019 Resource succeeded in its main aim of increasing geological confidence within the north western Apron Zone sector (i.e., the first three years of the Abra mine plan), adding an additional 1.7Mt of Indicated Resource, mainly from that sector.

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DIRECTOR'S REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2019

Abra JORC Mineral Resource estimate (October 2019 Resource)¹

Resource classification	Tonnes (Mt)	Lead grade (%)	Silver grade (g/t)
Measured	-	-	-
Indicated	16.7	8.5	24
Inferred	24.4	6.5	14
Total	41.1	7.3	18

Notes: 1. Calculated using ordinary kriging method and a 5.0% lead cut-off grade. Tonnages are rounded to the nearest 100,000t, lead grades to one decimal place and silver to the nearest gram. Rounding errors may occur when using the above figures.

AMPL Commercial initiatives in support of Abra development – Toho Transaction

In April 2019, Galena executed definitive agreements with Toho setting out the terms for Toho's investment of \$90 million in three tranches for a 40% ownership interest in Galena's previously wholly-owned subsidiary, AMPL (the "Toho Transaction"). Key relevant terms of the Toho Transaction include:

- Investment and investment structure – \$90 million total investment to be made via the subscription of new ordinary shares in AMPL such that Toho owns 40% of AMPL on completion of the full investment and Galena retains 60%.
- Tranched payment – \$20 million will be paid on initial closing of the transaction (for 8.89% of AMPL); \$10 million will be paid once Galena issues the DFS for Abra (for a further 4.44% of AMPL); and \$60 million will be paid once project financing debt for the Project has been confirmed (for a further 26.67% of AMPL, taking Toho's total ownership in AMPL to 40.00%).
- Toho funding support – Toho will assist AMPL to procure, by leveraging the attractive programmes available to it from its relationships with Japanese lenders, a contribution to project financing debt.
- Repayment of historical shareholder loans to Galena – As part of the Transaction, AMPL will repay \$10 million of historical shareholder loans back to Galena.
- Off-take – Galena and Toho each have the right to enter into off-take agreements with AMPL to purchase their respective share of AMPL's high-grade high-value lead-silver concentrate on arms-length, benchmark terms, with each party maintaining rights to market and on-sell their respective share of purchased off-take.

To date, AMPL has received \$30 million from Toho under the Toho Transaction.

Both Galena and Toho elected to take up their rights to off-take during the half year, with each party entering into contracts to purchase their respective fully invested share of AMPL's production (60% in the case of Galena and 40% in the case of Toho) from AMPL on benchmark terms for an initial period of 10-years from the commencement of production (expected in 2021).

Commercial initiatives in support of Abra development – bank financing

During the half year to 31 December 2019, a mining-experienced bank, leading the project financing debt arrangement on behalf of AMPL procured seven submissions from banks in response to AMPL's proposal on its targeted debt structure / terms and a group of those were short-listed for detailed discussions. An independent technical expert completed a technical due diligence report for use by the short-listed banks, which largely completed due diligence. AMPL continues to be engaged in detailed discussions with the short-listed bank group with a view to finalising credit approvals on a mutually agreed set of terms.

Near-Project exploration

There were no material near-Project exploration activities completed during the half year.

Galena Mining Limited and Controlled Entities

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DIRECTOR'S REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2019

Non-Abra prospects

Galena's non-Abra prospects consist of Woodlands, Manganese Range and Quartzite Well, which are located between approximately 20-50 kilometres or further to the west of Abra and reside within three granted Exploration Licences, being: E52/1413; E52/3575 and E52/3630.

A limited diamond drilling campaign was undertaken on the Manganese Range prospect on E52/1413 during October and November 2019 to test a large-scale coincident gravity and electromagnetic anomaly identified in 2018 by new and re-processed geophysical survey data. The program consisted of two drill-holes for a combined 1,014 cumulative linear metres. Visual logging indicated that copper, zinc and lead mineralisation appeared to be present in both holes, with assays still pending at the end of December 2019, although results are unlikely to be material to the Company. More importantly, the Manganese Range drilling identified the presence of the right stratigraphy and strong alteration Galena is targeting within its Edmund Basin tenements for potential discovery of commercial base and precious metals deposits.

Corporate

Tim Roberts / Warburton increased stake in Galena to 14.7%

On 9 September 2019, Galena announced that Warburton Portfolio Pty Ltd ("Warburton") purchased 30,400,000 shares from certain individual shareholders. Being an associated entity of Tim Roberts, the effect of the Warburton share purchase was to increase Tim Roberts' beneficial interest in the Company to 14.7%.

Offtake agreement with IXM

In October 2019, Galena concluded an offtake agreement with IXM S.A. ("IXM") to sell IXM 65,000 tonnes per year of Abra lead-silver concentrates for a period of 10-years from the commencement of production at the Project. Such agreed volume largely accounts for the 60% of Abra production that Galena has entered into an agreement with AMPL to procure. Under the back to back arrangement, Galena will purchase concentrates from AMPL on benchmark terms and then on-sell to IXM with an adjustment to benchmark terms in favour of Galena (i.e., Galena will realise a premium to benchmark).

In addition to offtake, IXM and the Company have agreed indicative terms with respect to a US\$12 million financing facility ("IXM Facility") to be available in two tranches of US\$6 million each during: Project construction; and ramp-up. The IXM Facility is not intended to be part of the Abra project financing debt facilities currently being arranged, for which AMPL will be the borrower. However, it provides a valuable additional source of funding that Galena may draw as an option in the event it, or AMPL, have additional liquidity requirements during critical phases of Abra's development.

Cancellation of 1.125% Abra royalty

In December 2019, the Company announced that AMPL terminated a 1.125% historical vendor royalty on Abra by entering into a transaction with the individual royalty holder. Under the transaction, AMPL paid consideration for the royalty termination of: \$1.6 million in cash; plus 7,000,000 shares in Galena. The consideration required for the termination was provided to AMPL by each of its shareholders, with \$1.6 million contributed by Toho's wholly-owned subsidiary CBH Western Australia Pty Ltd and the 7,000,000 Galena shares contributed by the Company.

Following the royalty termination, total historical vendor and other non-Government royalty equivalent payments applicable to Abra have reduced from 3.5% to 2.375%.

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DIRECTOR'S REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2019

Global lead industry expert appointed to the board

Mr Stewart Howe was nominated to the Galena board in late-November 2019.

Mr Howe is a mining and chemical engineer with considerable management experience in the global lead / zinc industry. His experience includes six years as Chief Development Officer at Zinifex Limited, which at the time was one of the world's largest miners and smelters of lead and zinc with assets on three continents. During his tenure at Zinifex, Mr Howe oversaw some of the most significant transactions in the global lead/zinc industry, including the spin-off of Zinifex's smelters to create Nyrstar N.V. and restarting development of the Dugald River Mine now owned by MMG.

During the past ten years Mr Howe has provided advisory roles to boards, private equity and financiers related to restructuring and acquisition of mining assets in base metals and bulk commodities. He has advised the South Australian Government for six years on its financial support for redevelopment of the Port Pirie lead smelter. Mr Howe is also an experienced director, chairing the board of Whittle Consulting Group and serving on the boards of a government owned water authority and not-for-profit organisations.

Prior to his tenure at Zinifex and non-executive director career, Mr Howe spent 23 years at BP in various executive and management roles.

Outlook

With Abra in construction, the Company continues to target initial production in 2021 and the first full-year of steady-state commercial production in 2022.

Upcoming value-adding Abra and corporate milestone workstreams include:

- Conclusion of project financing debt.
- Commencement of the box-cut.
- Full construction decision and execution of plant EPC contract.
- Mobilisation of the underground mining contractor.

CORPORATE

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

- 385,472,853 fully paid ordinary shares on issue;
- 11,750,000 options exercisable at \$0.06 on or before 30 June 2020;
- 5,000,000 options exercisable a \$0.30 on or before 6 February 2021;
- 18,000,000 options exercisable at \$0.08 on or before 30 June 2021; and
- 16,500,000 various class performance rights.
- 6,050,000 options exercisable at \$0.06 on or before 30 June 2020;
- 5,000,000 options exercisable at \$0.30 on or before 6 February 2021;
- 10,750,000 options exercisable at \$0.08 on or before 30 June 2021.
- 1,250,000 options exercisable at \$0.50 on or before 26 March 2023;
- 1,250,000 options exercisable at \$0.60 on or before 26 March 2023;
- 1,250,000 options exercisable at \$0.50 on or before 17 April 2023;
- 1,250,000 options exercisable at \$0.60 on or before 17 April 2023;
- 13,000,000 performance rights exercisable on or before 9 November 2023;
- 2,000,000 performance rights exercisable on or before 13 August 2024; and
- 1,800,000 share appreciation rights exercisable at \$0.17 on or before 21 January 2024.

Galena Mining Limited and Controlled Entities

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DIRECTOR'S REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2019

CHANGES IN STATE OF AFFAIRS

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.

EVENTS AFTER THE REPORTING PERIOD

- On 30 January 2020, the Company announced that AMPL, the joint-venture company for the Abra Base Metals Project had commenced construction of the box-cut for the Abra underground mine.
- On 10 February 2020, the Company announced that AMPL had awarded an engineering, procurement and construction ("EPC") contract to GR Engineering Services Limited ("GRES") for the supply of a 1.2 million tonne per annum lead sulphide flotation process plant and ancillary infrastructure. The EPC contract remains conditional on financial close of the proposed project financing debt facilities.

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.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, PKF, to provide the Directors of the Group with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is set out on page 10 and forms part of this Directors' Report for the period ended 31 December 2019.

This report is signed in accordance with a resolution of the Board of Directors, made pursuant to s306(3) of the Corporations Act 2001.



Adrian Byass
Chairman

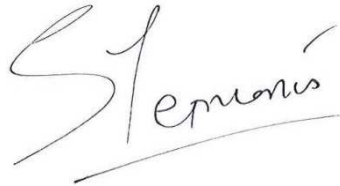
Dated this 2nd day of March 2020

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

In relation to our review of the financial report of Galena Mining Limited for the half year ended 31 December 2019, 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 PERTH



SIMON FERMANIS
PARTNER

2 March 2020
WEST PERTH,
WESTERN AUSTRALIA

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2019**

	Note	31 December 2019 \$	31 December 2018 \$
Revenue	3	269,913	56,233
Expenses			
Administration expenses		(336,911)	(346,695)
Consulting, promotion and marketing expenses		(85,709)	(110,822)
Personnel expenses		(581,147)	(172,255)
Corporate expenses		(102,878)	(125,144)
Compliance fees		(130,503)	(49,468)
Exploration expensed		-	(316,896)
Royalty termination	4	(4,000,000)	-
Share-based payments	10	(332,242)	(153,320)
Depreciation		(46,391)	(4,224)
Foreign exchange loss		(16,920)	(6,642)
Other expenses	5	(232,484)	(49,575)
Loss before income tax expense		(5,595,273)	(1,278,808)
Income tax expense		-	-
Net loss for the period		(5,595,273)	(1,278,808)
Other comprehensive income net of income tax		-	-
Total comprehensive loss for the period		(5,595,273)	(1,278,808)
Loss for the period attributable to:			
Non-controlling interest		(549,210)	-
Members of the parent		(5,046,063)	-
Total comprehensive loss for the period		(5,046,063)	(1,278,808)
Basic and diluted loss per share (cents per share)		(1.35)	(0.38)

The accompanying notes form part of these financial statements.

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Galena Mining Limited and Controlled Entities

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note	31 December 2019 \$	30 June 2019 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	27,462,610	27,977,417
Trade and other receivables		362,828	772,112
Prepayments		465,221	141,955
TOTAL CURRENT ASSETS		28,290,659	28,891,484
NON-CURRENT ASSETS			
Plant and equipment	7	10,963,067	1,196,169
Lease asset		125,181	-
Exploration and evaluation	8	20,724,333	18,164,654
TOTAL NON-CURRENT ASSETS		31,812,581	19,360,823
TOTAL ASSETS		60,103,240	48,252,307
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		5,605,301	3,563,363
Lease liability		57,837	-
Provisions		70,529	48,034
TOTAL CURRENT LIABILITIES		5,733,667	3,611,397
NON-CURRENT LIABILITIES			
Lease liability		69,694	-
TOTAL LIABILITIES		5,803,361	3,611,397
NET ASSETS		54,299,879	44,640,910
EQUITY			
Issued capital	9	31,995,025	28,591,025
Share-based payment reserve	10	1,315,049	1,064,807
Equity reserve		26,071,954	17,680,860
Accumulated losses		(10,025,103)	(4,979,040)
Parent interest		49,356,925	42,357,652
Non-controlling interest		4,942,954	2,283,258
TOTAL EQUITY		54,299,879	44,640,910

The accompanying notes form part of these financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Issued capital	Share-based payment reserve	Equity reserve	Accumulated losses	Non- controlling interest	Total
	\$	\$		\$	\$	\$
Balance at 1 July 2018	18,085,201	699,324	-	(2,629,104)	-	16,155,421
Loss for the period	-	-	-	(1,278,808)	-	(1,278,808)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss	-	-	-	(1,278,808)	-	(1,278,808)
<i>Transactions with owners directly recorded in equity:</i>						
Shares issued during the period	80,208	-	-	-	-	80,208
Vesting expense recognised	-	73,112	-	-	-	73,112
Share issue costs	(1,883)	-	-	-	-	(1,883)
Balance at 31 December 2018	18,163,526	772,436	-	(3,907,912)	-	15,028,050
Balance at 1 July 2019	28,591,025	1,064,807	17,680,860	(4,979,040)	2,283,258	44,640,910
Loss for the period	-	-	-	(5,046,063)	(549,210)	(5,595,273)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss	-	-	-	(5,046,063)	(549,210)	(5,595,273)
<i>Transactions with owners directly recorded in equity:</i>						
Shares issued during the year	3,404,000	-	-	-	-	3,404,000
Share-based payments	-	250,242	-	-	-	250,242
Share issue costs	-	-	-	-	-	-
Partial disposal of interest in subsidiary	-	-	8,391,094	-	3,208,906	11,600,000
Balance at 31 December 2019	31,995,025	1,315,049	26,071,954	(10,025,103)	4,942,954	54,299,879

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	31 December 2019 \$	31 December 2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(1,419,654)	(242,501)
Exploration and evaluation expenditure	(5,763,269)	(4,980,358)
Interest paid	(2,942)	-
Interest received	159,991	40,333
Royalty termination	(1,600,000)	-
Net cash (used in) operating activities	(8,625,874)	(5,182,526)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from partial disposal of subsidiary	11,600,000	-
Purchase of plant and equipment	(5,134)	(1,699)
Project development expenditure	(4,405,799)	-
Loans to other entities	-	(51,459)
Net cash provided by (used in) investing activities	7,189,067	(53,158)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	922,000	-
Payment of costs associated with issue of securities	-	(1,883)
Net cash provided by financing activities	922,000	(1,883)
Net decrease in cash held	(514,807)	(5,237,567)
Cash and cash equivalents at beginning of financial period	27,977,417	8,526,198
Cash and cash equivalents at end of financial period	27,462,610	3,288,631

The accompanying notes form part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

NOTE 1: BASIS OF PREPARATION OF HALF YEAR FINANCIAL REPORT

Statement of compliance

The half year financial report is a general-purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

a) Going Concern

The half year 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 ended 31 December 2019 of \$5,595,273 (31 December 2018: \$1,278,808 loss) and net cash outflows of \$514,807 (31 December 2018: \$5,237,567 outflow).

At 31 December 2019, the Group had a net working capital surplus of \$22,556,992 (30 June 2019: \$25,280,087), including cash and cash equivalents of \$27,462,610 (30 June 2019: \$27,977,417).

At the date of this report, the Directors are satisfied there are reasonable grounds to believe that, having regard to the Group's financial position and its available financing options, the Group will be able to meet its obligations as and when they fall due.

b) Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australia dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Group's 2019 annual financial report for the financial year ended 30 June 2019, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The half year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual report and any public announcements made by Galena Mining Limited and its controlled entity during the half year in accordance with the continuous disclosure requirements of The Corporations Act 2001 and The ASX Listing Rules.

c) Adoption of new or revised accounting standards and interpretation

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to their operations and effective for the current half year. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Galena Mining Limited and Controlled Entities

ABN 63 616 317 778

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

c) Adoption of new or revised accounting standards and interpretation (continued)

The following new Accounting Standards or Interpretations are most relevant to the Group for the half year:

AASB 16 Leases

The consolidated group has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (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 improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption

It has been determined by the Group that, other than the adoption of AASB 16, there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business.

NOTE 2: OPERATING SEGMENTS

The Group 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. The Abra Project, is managed primarily on the basis of one geographical segment being Australia, and one business segment being mineral exploration and development in Western Australia.

NOTE 3: REVENUE

	31 December 2019	31 December 2018
	\$	\$
Interest received	269,913	56,233
Total Revenue	269,913	56,233

NOTE 4: ROYALTY TERMINATION

Royalty termination	4,000,000	-
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In December 2019, the Company announced that AMPL terminated a 1.125% historical vendor royalty on Abra by entering into a transaction with the individual royalty holder. Under the transaction, AMPL paid consideration for the royalty termination of: \$1.6 million in cash; plus 7,000,000 shares in Galena. The consideration required for the termination was provided to AMPL by each of its shareholders, with \$1.6 million contributed by Toho's wholly-owned subsidiary CBH Western Australia Pty Ltd and the 7,000,000 Galena shares contributed by the Company.

Following the royalty termination, total historical vendor and other non-Government royalty equivalent payments applicable to Abra have reduced from 3.5% to 2.375%.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

NOTE 5: OTHER EXPENSES

	31 December 2019	31 December 2018
	\$	\$
Interest paid	2,942	-
Legal fees	225,994	31,675
Communication costs	1,969	6,594
Other expenses	1,579	11,306
Total Other Expenses	<u>232,484</u>	<u>49,575</u>

NOTE 6: CASH AND CASH EQUIVALENTS

	31 December 2019	30 June 2019
	\$	\$
Cash at bank	4,387,610	2,854,715
Term deposits at call	23,075,000	25,122,702
Total Cash and Cash Equivalents	<u>27,462,610</u>	<u>27,977,417</u>

NOTE 7: PLANT AND EQUIPMENT

Motor Vehicle		
At cost	8,018	8,018
Accumulated depreciation	(3,341)	(2,671)
	<u>4,677</u>	<u>5,347</u>
Computer and Office Equipment		
At cost	34,505	29,371
Accumulated depreciation	(13,370)	(9,474)
	<u>21,135</u>	<u>19,897</u>
Equipment and Tools		
At cost	2,350	2,350
Accumulated depreciation	(483)	(385)
	<u>1,867</u>	<u>1,965</u>
Construction work in progress at cost	<u>10,935,388</u>	<u>1,168,960</u>
Total Plant and Equipment	<u>10,963,067</u>	<u>1,196,169</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

NOTE 8: EXPLORATION AND EVALUATION

	31 December 2019	30 June 2019
Exploration expenditure capitalised	\$	\$
- Exploration and evaluation asset acquired	3,674,165	3,674,165
- Exploration and evaluation costs incurred	17,050,168	14,490,489
	20,724,333	18,164,654

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

- Carrying amount at beginning of the period	18,164,654	8,169,949
- Costs capitalised	2,559,679	9,820,540
- Acquisition of Abra tenements	-	174,165
Carrying amount at the end of the period	20,724,333	18,164,654

NOTE 9: ISSUED CAPITAL

	31 December 2019	30 June 2019
	\$	\$
Movement in ordinary shares		
Balance at beginning of period	28,591,025	18,085,201
Shares issued during the period for cash	922,000	10,000,000
Shares issued during the period for no cash	2,400,000	-
Share-based payments*	82,000	507,708
Share issue costs	-	(1,884)
Balance at reporting date	31,995,025	28,591,025

	No.	No.
Movement in ordinary shares		
Balance at beginning of period	364,522,853	336,564,520
Shares issued during the period for cash	12,950,000	25,000,000
Shares issued during the period for no cash	7,000,000	-
Share-based payments	1,000,000	2,958,333
Balance at reporting date	385,472,853	364,522,853

*Reflects the Fair Value of share-based payments.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

NOTE 10: SHARE-BASED PAYMENT RESERVE

The share-based payments reserve records items recognised as expenses on valuation of employees and consultants' options and performance rights.

	31 December 2019	30 June 2019
	\$	\$
Balance at beginning of period	1,064,807	699,324
Share-based payments vesting expense	332,242	792,983
Share-based payments shares issued	(82,000)	(427,500)
Balance at reporting date	1,315,049	1,064,807

Refer to Note 11 for valuation technique and assumptions.

NOTE 11: SHARE-BASED PAYMENTS

Grant Date/entitlement	Number of Instruments	Grant Date	Fair value per instrument \$	Value \$
Performance Rights issued on 9 November 2018 exercisable on or before 9 November 2023 (i)	16,500,000	09/11/2018	0.0846	1,395,500
Share Appreciation Rights issued on 13 February 2019 to employees exercisable on or before 21 January 2024 (ii)	1,260,000	13/02/2019	0.1095	137,907
Total value at 30 June 2019				1,533,407
Performance Rights issued on 8 November 2019 exercisable on or before 13 August 2024 (iii)	2,000,000	08/11/2019	0.1987	397,440
Share Appreciation Rights issued on 8 November 2019 to directors exercisable on or before 21 January 2024 (iv)	540,000	08/11/2019	0.1095	59,130
Total value at 31 December 2019				456,570

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Galena Mining Limited and Controlled Entities

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

NOTE 11: SHARE-BASED PAYMENTS (continued)

- (i) 16,500,000 Performance Rights issued as part of engagement agreement have been calculated using Black-Scholes option pricing model with the following inputs:

Performance Rights Granted on 9 November 2018	
Expected volatility (%)	90
Risk free interest rate (%)	2.02
Weighted average expected life of options (years)	4.47
Expected dividends	Nil
Option exercise price (\$)	Nil
Share price at grant date (\$)	0.19
Fair value of option (\$)	0.0846
Expiry date	9 November 2023

- (ii) 1,260,000 Share Appreciation Rights issued have been calculated using Black-Scholes option pricing model with the following inputs:

Share Appreciation Rights Granted on 13 February 2019	
Expected volatility (%)	70
Risk free interest rate (%)	1.94
Weighted average expected life of options (years)	1.75
Expected dividends	Nil
Option exercise price (\$)	0.17
Share price at grant date (\$)	0.19
Fair value of option (\$)	0.1095
Expiry date	21 January 2024

- (iii) 2,000,000 Performance Rights issued as part of employment agreement have been calculated using Black-Scholes option pricing model with the following inputs:

Performance Rights Granted on 8 November 2019	
Expected volatility (%)	70
Risk free interest rate (%)	0.68
Weighted average expected life of options (years)	4.47
Expected dividends	Nil
Option exercise price (\$)	Nil
Share price at grant date (\$)	0.37
Fair value of option (\$)	0.1987
Expiry date	13 August 2024

- (iv) 540,000 Share Appreciation Rights issued have been calculated using Black-Scholes option pricing model with the following inputs:

Share Appreciation Rights Granted on 8 November 2019	
Expected volatility (%)	70
Risk free interest rate (%)	0.68
Weighted average expected life of options (years)	1.75
Expected dividends	Nil
Option exercise price (\$)	0.17
Share price at grant date (\$)	0.37
Fair value of option (\$)	0.1095
Expiry date	21 January 2024

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Galena Mining Limited and Controlled Entities

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

NOTE 11: SHARE-BASED PAYMENTS (continued)

At the end of the period, the following options over unissued ordinary shares were outstanding:

- 6,050,000 options exercisable at \$0.06 on or before 30 June 2020;
- 5,000,000 options exercisable at \$0.30 on or before 6 February 2021;
- 10,750,000 options exercisable at \$0.08 on or before 30 June 2021.
- 1,250,000 options exercisable at \$0.50 on or before 26 March 2023;
- 1,250,000 options exercisable at \$0.60 on or before 26 March 2023;
- 1,250,000 options exercisable at \$0.50 on or before 17 April 2023;
- 1,250,000 options exercisable at \$0.60 on or before 17 April 2023;
- 13,000,000 performance rights exercisable on or before 9 November 2023;
- 2,000,000 performance rights exercisable on or before 13 August 2024; and
- 1,800,000 share appreciation rights exercisable at \$0.17 on or before 21 January 2024.

Reconciliation of the number of Options, Performance Rights and Share Appreciation Rights

	31 December 2019 Number	30 June 2019 Number
Balance at beginning of period	55,010,000	34,750,000
Issued	2,540,000	22,760,000
Expired	-	-
Exercised	(13,950,000)	(2,500,000)
Balance at reporting date	43,600,000	55,010,000

NOTE 12: CONTINGENT ASSETS AND LIABILITIES

In the opinion of the directors there were no contingent assets or liabilities as at 31 December 2019.

NOTE 13: CAPITAL AND OTHER COMMITMENTS

	31 December 2019 \$	30 June 2019 \$
Expenditure commitments for Abra Project*		
Within one year	2,820,851	4,515,289
Between 1 and 5 years	1,223,404	652,000
	4,044,255	5,167,289
Office rental commitments		
Within one year	57,837	75,466
Between 1 and 5 years	69,549	157,792
	127,386	233,258

* Native title compensation arrangements were agreed by AMPL in May 2019 and expected payments under this agreement have been included in the above expenditure commitments for the Abra Project.

In the opinion of directors, there were no further capital or other commitments as at 31 December 2019.

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Galena Mining Limited and Controlled Entities

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

NOTE 14: EVENTS AFTER REPORTING PERIOD

- On 30 January 2020, the Company announced that AMPL, the joint-venture company for the Abra Base Metals Project had commenced construction of the box-cut for the Abra underground mine.
- On 10 February 2020, the Company announced that AMPL had awarded an engineering, procurement and construction ("EPC") contract to GR Engineering Services Limited ("GRES") for the supply of a 1.2 million tonne per annum lead sulphide flotation process plant and ancillary infrastructure. The EPC contract remains conditional on financial close of the proposed project financing debt facilities.

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.

NOTE 15: GROUP INFORMATION

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	
			31 December 2019	30 June 2019
Abra Mining Pty Ltd	Australia	Ordinary	86.16%	91.11%
Metal Range Ltd ⁽ⁱ⁾	Australia	Ordinary	100%	100%
MR1 Holding Pty Ltd ⁽ⁱ⁾	Australia	Ordinary	100% ⁽ⁱⁱ⁾	100% ⁽ⁱⁱ⁾
GML Marketing Pty Ltd ⁽ⁱ⁾	Australia	Ordinary	100%	-

(i) Entities have no activity.

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

Proportion of equity interest held by non-controlling entity

Name	Country of Incorporation	Non-controlling interest	
		31 December 2019	30 June 2019
Abra Mining Pty Ltd	Australia	13.84%	8.89%

On 12 April 2019, the Company completed a transaction with Toho to invest \$90,000,000 for a 40% joint-venture investment in AMPL. During the reporting period AMPL received the second tranche payment of \$10,000,000 and an additional \$1,600,000 for the buy-back and termination of a royalty and issued new shares to Toho's wholly-owned subsidiary, CBHWA, such that AMPL is owned 13.84% by CBHWA and 86.16% by Galena. The transaction has been accounted for as an equity transaction with a non-controlling interest in accordance with AASB 10 Consolidations which specifies accounting for non-controlling interests, resulting in the following:

	\$
Proceeds from the issue of new shares in AMPL to CBHWA	11,600,000
Net assets attributable to non-controlling interest	(3,208,906)
Increase in equity attributable to parent (represented by increase in equity reserve)	<u>8,391,094</u>

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Galena Mining Limited

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DIRECTORS' DECLARATION

In the opinion of the directors of Galena Mining Limited:

1. the financial statements and notes thereto are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Group as at 31 December 2019 and of its performance, for the half year ended on that date; and
 - (ii) complying with AASB 134 – Interim Financial Reporting 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 is made in accordance with a resolution of the Board of Directors.



Adrian Byass
Chairman

Perth, 2 March 2020

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF GALENA MINING LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Galena Mining Limited (the company) and controlled entities (consolidated group), which comprises the consolidated statement of financial position as at 31 December 2019, and 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 half-year ended on that date, a statement of accounting policies, other selected explanatory notes, and the directors' declaration of the consolidated group comprising the company and the entities it controlled at 31 December 2019, or during the half year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Galena Mining Limited is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the consolidated group's financial position as at 31 December 2019, and of its financial performance for the half-year ended on that date; and
- (b) complying with the Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. In accordance with the Corporations Act 2001, we have given the directors' of the company a written Auditor's Independence Declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors' of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the Corporations Regulations 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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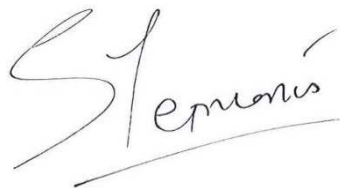
Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated group's financial position as at 31 December 2019 and its performance for the half year ended on that date, and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Galena Mining Limited and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



PKF PERTH

SIMON FERMANIS
PARTNER2 MARCH 2020
WEST PERTH,
WESTERN AUSTRALIA

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