



ASX ANNOUNCEMENT

29 July 2020

ASX: G1A

US\$110M DEBT FACILITIES FOR GALENA'S ABRA PROJECT

HIGHLIGHTS:

- **US\$110M in Taurus Funds Management debt facilities for Abra Base Metals Project:**
 - **US\$100M term loan; and**
 - **US\$10M cost overrun facility**
- **Galena's project partner Toho supports the facilities and their A\$60M additional equity investment into Abra will be released alongside facility milestones**
- **A\$20M expenditure (~12%) has already been completed on the Project and Abra site is prepared for deployment of the EPC and other key development contractors**

GALENA MINING LTD. ("Galena" or the "Company") (**ASX: G1A**) announces that Abra Mining Pty Limited ("**AMPL**"), the joint-venture company for the Abra Base Metals Project ("**Abra**" or the "**Project**") has mandated Taurus Funds Management Pty Ltd ("**Taurus**") to provide US\$110 million in project financing debt facilities to be provided by its Taurus Mining Finance Fund No2 L.P. ("**Lender**"), made up of: a US\$100 million term loan ("**Project Finance Facility**"); plus a US\$10 million cost overrun loan ("**Cost Overrun Facility**") (together, the "**Taurus Debt Facilities**"). Furthermore, the Taurus Debt Facilities have been approved by Galena's co-shareholder in AMPL, Toho Zinc Co., Ltd. ("**Toho**"), thereby allowing the release of their final A\$60 million equity investment tranche into AMPL once the facilities are in place and drawdown conditions are met.

Managing Director, Alex Molyneux commented, "***The US\$110 million of debt funding, together with the final A\$60 million investment to be received from Toho on implementation of the facilities provides an efficient and fulsome funding package to bring the outstanding Abra base and precious metals project to fruition in a way that provides robust shareholder returns.***"

TAURUS DEBT FACILITIES

The Project Finance Facility consists of a US\$100 million, 69-month term loan primarily to fund capital expenditures for the development of Abra. Key terms include:

- Fixed interest of 8.0% per annum on drawn amounts, payable quarterly in arrears.

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- Arrangement fee of 2.5% and commitment fee of 2.0% on undrawn amounts.
- No mandatory hedging.
- Early repayment allowed without penalty.
- US\$30 million drawable until the previously announced infill drilling is complete (see *Galena ASX announcement of 8 July 2020*). The remainder will be drawable once the infill drilling is incorporated into the cash flow model and the model continues forecast compliance with lock up financial ratios.

The Cost Overrun Facility consists of a US\$10 million loan to finance identified cost overruns on the Project in capital expenditure and working capital. Fixed interest of 10.0% per annum will apply to amounts drawn under the Cost Overrun Facility.

Conditions precedent to the Taurus Debt Facilities include completion of due diligence, documentation of facility agreements, lodgement of security documentation, receipt of Toho's remaining A\$60 million equity investment (in sub-tranches, as described below) and other conditions customary for facilities of this nature.

In consideration of the Taurus Debt Facilities, AMPL proposes to issue the Lender a royalty of 1.125% of net smelter return, which is the same amount as the historical vendor royalty terminated by AMPL after completion of the Abra Feasibility Study (see *Galena ASX announcement of 4 December 2019*).

TOHO APPROVAL AND FINAL INVESTMENT TRANCHE

Galena's Project partner, Toho Zinc Co., Ltd. ("**Toho**") has approved the Taurus Debt Facilities, thereby allowing the release of its final A\$60 million equity investment tranche into AMPL once the facilities are in place and other drawdown conditions are met. Under the terms of the Toho investment arrangement (see *Galena ASX announcement of 30 January 2019*), the full payment of the final investment tranche will result in Toho increasing its shareholding in AMPL to 40% (from 13.84% currently), diluting Galena to 60% ownership. Toho, Taurus and Galena have agreed that the final A\$60 million Toho investment tranche will be split into two sub-tranches of: A\$20 million to be received prior to the drawdown of the first US\$30 million of the Project Finance Facility; and the remaining A\$40 million to be received once other conditions to drawing the remainder are met.

Toho has been a strong, flexible and supportive partner for the Abra Project, since its overall A\$90 million investment was agreed in January 2019, and the A\$30 million investment received to date has been used to prepare the Abra site and advance early project works. Toho is the leading producer of lead in Japan and has entered into a binding offtake agreement to purchase 40% of Abra's production for an initial period of 10-years from the commencement of production.

ABRA PROJECT UPDATE

To date, A\$20.0 million has been spent on Project development at Abra to complete 12% of Project works. Abra site is prepared for the deployment of key contractors for the construction of the plant and ancillary infrastructure, and deployment of the underground mining contractor. In addition, key agreements for such services are awarded or in a near-to-final state, further advancing on the completion of permitting, native title arrangements and offtake achieved in 2019.

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

For further information contact:

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Forward-looking statements

The contents of this announcement reflect various technical and economic conditions at the time of writing. Given the nature of the resources industry, these conditions can change significantly over relatively short periods of time. Consequently, actual results may vary from those in this announcement.

Some statements in this announcement regarding estimates or future events are forward-looking statements. They include indications of, and guidance on, future earnings, cash flow, costs and financial performance. Forward-looking statements include, but are not limited to, statements preceded by words such as “planned”, “expected”, “projected”, “estimated”, “may”, “Scheduled”, “intends”, “anticipates”, “believes”, “potential”, “predict”, “foresee”, “proposed”, “aim”, “target”, “opportunity”, “could”, “nominal”, “conceptual” and similar expressions.

Forward-looking statements, opinions and estimates included in this announcement are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements are provided as a general guide

only and should not be relied on as guarantee of future performance. Forward-looking statement may be affected by a range of variables that could cause actual results to differ from estimated results and may cause the Company's actual performance and financial results in future periods to materially differ from any projections of future performance or results expressed or implied by such forward-looking statements. So there can be no assurance that actual outcomes will not materially differ from these forward-looking statements.

About Abra Base Metals Project

86.16% owned by Galena, the Abra Base Metals Project ("**Abra**" or the "**Project**") is a globally significant lead-silver project located in the Gascoyne region of Western Australia (between the towns of Newman and Meekatharra, approximately 110 kilometres from Sandfire's DeGrussa Project).

Galena completed an outstanding definitive / bankable feasibility study ("**FS**") (see Galena ASX announcement of 22 July 2019) for development of a mine and processing facility with a 16-year life producing a high-value, high-grade lead-silver concentrate containing approximately 95kt of lead and 805koz of silver per year after ramp-up. Based on a pre-development capital expenditure estimate of A\$170 million, the FS modelled a pre-tax net present value for Abra (at an 8% discount rate) of A\$553 million and an internal rate of return of 39%.¹

Note: 1. Information relating to the production target and financial information derived from the production target is extracted from the ASX announcement of 22 July 2019. Galena confirms that that all material assumptions underpinning the production target, or forecast financial information derived from a production target, in that announcement continue to apply and have not materially changed.

Abra JORC Mineral Resource estimate^{1, 2}

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

Notes: 1. See Galena ASX announcement of 17 October 2019. Galena confirms that it not aware of any new information or data that materially affects the information included in Galena's ASX announcement of 17 October 2018 and confirms that all material assumptions and technical parameters underpinning the resource estimates continue to apply and have not materially changed. 2. Calculated using ordinary kriging method and a 5.0% lead cut-off grade. Tonnages are rounded to the nearest 100,000t, lead grades to one decimal place and silver to the nearest gram. Rounding errors may occur when using the above figures.

Abra location



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