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GALENA MINING LIMITED

ABN 63 616 317 778

Interim Financial Report

For the half year ended 31 December 2021

GALENA MINING LIMITED AND CONTROLLED ENTITIES

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The financial report covers the Group consisting of Galena Mining Limited and its controlled entities.

GALENA MINING LIMITED AND CONTROLLED ENTITIES

CORPORATE DIRECTORY

DIRECTORS	Mr Adrian Byass Non-Executive Chairman
	Mr Anthony James Managing Director / Chief Executive Officer
	Mr Alexander Molyneux Executive Director
	Mr Stewart Howe Non-Executive Director
	Mr Jonathan Downes (resigned 29 October 2021) Non-Executive Director
	Mr Neville Gardiner (appointed 20 October 2021) Non-Executive Director
COMPANY SECRETARY	Mr Stephen Brockhurst
REGISTERED OFFICE	Level 11, 216 St Georges Terrace Perth WA 6000
CORPORATE OFFICE	Level 2, 1100 Hay Street West Perth WA 6005
POSTAL ADDRESS	PO Box 297 West Perth WA 6872
WEB SITE	www.galenamining.com.au
SHARE REGISTRY	Automic Pty Ltd Level 5, 191 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

DIRECTOR'S REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2021

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 2021.

DIRECTORS

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

Adrian Byass	Non-Executive Chairman
Anthony James	Managing Director / Chief Executive Officer
Alexander Molyneux	Executive Director
Stewart Howe	Non-Executive Director
Johnathan Downes	Non-Executive Director (resigned 29 October 2021)
Neville Gardiner	Non-Executive Director (appointed 20 October 2021)

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

COMPANY SECRETARY

Stephen Brockhurst held office as Company Secretary since the start of the financial period 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 development works at the Abra Base Metals Mine ("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 2021 of \$2,605,625 (31 December 2020: \$1,255,296 loss) and net cash outflows of \$36,718,743 (31 December 2020: \$24,813,569 inflows).

FINANCIAL POSITION

At 31 December 2021, the Group had a net working capital surplus of \$35,989,222 (30 June 2021: \$93,298,155), including cash and cash equivalents of \$59,476,819 (30 June 2021: \$96,195,562).

REVIEW OF OPERATIONS

Highlights

- **Abra 39% complete at 31 December 2021**
- **Underground mining contractor (ByrneCut) commenced in early October, with 440m of underground development achieved by 31 December 2021**
- **EPC contractor (GR Engineering) commenced on-site processing plant construction in early November 2021**
- **New 1.8km Abra aerodrome construction was completed in December 2021 and operational from early January 2022**
- **Mr Neville Gardiner appointed to the board**
- **Cash balance of A\$59.5 million at 31 December 2021**
- **Exploration at Jillawarra project conducted during the half year**

GALENA MINING LIMITED AND CONTROLLED ENTITIES

DIRECTOR'S REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2021

Abra Base Metals Mine (60% Galena owned)

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 2021 was 60% 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 in the mid-west of Western Australia. Abra has received all the major approvals required for construction, mining and production. First production of its high-value, high-grade lead-silver concentrate is currently scheduled for the first quarter of 2023 calendar-year.

Project construction / development

During the half year, Abra construction works continued, substantially increasing the construction works as the half year progressed. At 31 December 2021 Abra was 39% complete.

Abra construction works conducted during the half year were comprised of contractor mobilisation, geotechnical drilling, site civil and earthworks, underground development, processing plant construction and ongoing front-end engineering design and procurement.

- **Geotechnical drilling** – In July 2021, five drill-holes were completed for geotechnical assessment of the proposed raise bore locations for future underground ventilation requirements. In September 2021, a diamond drill hole was completed from the portal location down the axis of the first 250 metres of proposed decline development, geotechnical information from that hole is being used to provide detailed information regarding expected ground conditions during initial decline development phase.
- **Procurement of plant long lead-time items** – In August 2021, the Company announced placement of significant orders for A\$9 million of long lead-time items including the ball mill (CITIC HIC 2.5Mw 5.0m x 5.6m) and concentrate filter (Ishigaki fully automated horizontal batch pressure filter). An additional A\$3 million of plant long lead-time procurement commitments were made, including crushers and flotation cells.
- **Underground Mining** – On 5 October 2021 the mining contractor for Abra, Byrnegut Australia Pty Ltd (“Byrnegut”) commenced operations associated with the development of the underground mine. During the half year, underground development progressed ahead of schedule and successfully passed through the upper weathered and transitional rock zones into fresh rock. At 31 December 2021, underground development had reached 440 metres (i.e., approximately 29% complete for the pre-production phase of the project).
- **Processing plant and associated infrastructure works** – On 5 November 2021, the Company announced that GR Engineering Services Ltd. (“GR Engineering”), the engineering, procurement, and construction (“EPC”) contractor for Abra’s processing plant had commenced on-site construction works with the installation of footings and concrete works ongoing. By 31 December 2021, the EPC contract was approximately 38% complete (based on earned value). Final design and drafting is 78% complete and procurement activities, which continued to be advanced ahead of schedule as much as possible, were approximately 54% complete. Actual on-site construction was approximately 7% complete and is expected to accelerate rapidly in the first few months of 2022.
- **Aerodrome and flight services** – Construction was completed of Abra’s new 1.8-kilometre aerodrome on 12 December 2021, which provides significantly improved site access and logistical capacity for the life of the Project, with the ability to land and handle small jets and turboprop aircraft with capacity of more than 70 seats. AMPL entered an air charter services contract with Cobham Aviation Services Australia Pty Ltd (“Cobham”) and commenced regular air services between Perth and Abra utilising Cobham’s modern 76-seat Q400 aircraft and Perth terminal facilities.

GALENA MINING LIMITED AND CONTROLLED ENTITIES

DIRECTOR'S REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2021

Safety and environment

During the half year to 31 December 2021, 124,444 employee and contractor work hours were recorded at Abra. During this time Abra had two Restricted Work Injuries. The first injury occurred in October 2021, involving an underground employee receiving an eye injury and the second occurred in November 2021 when a surface construction worker fractured his wrist falling from a safety step. Both employees have recovered and returned to normal work duties. Each incident and follow up actions have been completed, and both incidents were investigated.

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

Commercial initiatives in support of Abra development – project financing debt

On 12 November 2020, Galena finalised US\$110 million in debt facilities arranged by Taurus Funds Management. The facilities include a US\$100 million Project Finance Facility plus a US\$10 million Cost Overrun Facility.

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.
- Arrangement fee of 2.5% (already paid) and commitment fee of 2.0% on undrawn amounts.
- 1.125% net smelter return royalty.
- No mandatory hedging.
- Early repayment allowed without penalty.

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.

As at 31 December 2021, AMPL had drawn (and received) US\$30 million under the Project Finance Facility, leaving US\$80 million available to be drawn under remaining facilities.

The Taurus Debt Facilities are secured against Abra's assets and over the shares that each of Galena and Toho own in AMPL, and additional drawdowns remain subject to satisfaction of customary conditions precedent.

Near-Project exploration

During the half year, the interpretation of the downhole electromagnetic survey completed along the diamond drill-hole AB195 at Abra Deposit was concluded with several conductive plates identified north and south of the surveyed drill-hole. These plates have been identified as potential exploration drill targets.

The Company also announced the identification and ranking of the top six priority exploration targets within the Abra joint venture outside of the Abra Base Metals Mine footprint. The targets are identified as Genie, Jasmine, Lamplight, Sultan, Ale, and Bazaar.

Preparations were made to drill an exploration hole at the Jasmine Prospect, approximately 1.5 kilometres northeast of Abra. Drilling will target a coincidental magnetic, gravity and electromagnetic anomaly and the potential extension of the lead and silver mineralisation previously defined at Jasmine in drill-hole AB14A.

Genie and Jasmine Prospects have had minimum drilling completed to test the targets and both have shown similar stratigraphic sequence, alteration, and mineralisation as for Abra. Both targets are within a three-kilometre radius of the Abra mine site.

GALENA MINING LIMITED AND CONTROLLED ENTITIES

DIRECTOR'S REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2021

Non-Abra prospects (100% Galena owned)

Galena's non-Abra prospects consist of Woodlands, Manganese Range, Quartzite Well and Copper Chert, which comprise more than 60 kilometres of continuous strike directly to the west of Abra and reside within five granted Exploration Licences, being: E52/1413; E52/3575; E52/3581; E52/3630; and E52/3823.

The Company announced the conclusion of the target review and ranking of Jillawarra Project with the definition of seven high-priority targets: JHP31, 46-40, TP, Copper Chert, QWMR, Coolina and Fencers prospects.

During the half year, the Company completed a reconnaissance diamond drilling program targeting three of its targets within the Woodlands Complex associated with the Jillawarra Project area. No significant mineralisation was found in the holes whilst the stratigraphic and geological understanding of the region continues to provide significant encouragement for ongoing significant discoveries.

All the diamond drillhole samples for the 2021 drilling program have now been submitted to the lab in Perth for multi-element analysis. All the assays are still pending.

Despite no massive and high-grade mineralisation identified within these drillholes, the drilling results are encouraging with base metal mineralisation identified in all the drillholes including the new mineral prospect, Boulder Prospect.

Impact of COVID-19

Abra is a fly-in-fly-out ("FIFO") site in the Gascoyne Region of Western Australia, with flights to site originating from Perth Airport. Several measures have been implemented to protect employees and contractors working on the Project, in line with recommended Government guidelines and procedures.

Changes in Government guidelines and / or general business operability because of the ongoing COVID-19 pandemic have the potential to impact Abra and the Company. Such impacts could include (but are not limited to) delays to Project development initiatives and / or the incurring of extra costs.

The boards of both Galena and AMPL continue to monitor the evolving COVID-19 situation and how it might impact the Company's operations and strategy.

Corporate

Appointment of Mr Neville Gardiner to the Board and retirement of Mr Jonathan Downes

During the Quarter, Mr Neville Gardiner was appointed to the board as a Non-Executive Director. He replaced the retiring Non-Executive Director, Mr Jonathan Downes who was a founding director of the Company.

Mr Gardiner brings a wealth of experience with over 30 years' advising boards and company management on general management, mergers and acquisitions, equity and debt capital markets, transaction structuring, capital allocation and complex commercial arrangements. His career achievements include senior executive leadership roles in Deloitte, Torridon Partners, Bank of America Merrill Lynch, and Macquarie Bank. Mr Gardiner's experience and knowledge base associated with the mining and resources sector in Australia will be extremely beneficial to the ongoing management, direction, and growth of the Company.

GALENA MINING LIMITED AND CONTROLLED ENTITIES

DIRECTOR'S REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2021

Outlook

Company activities are centred around full construction of the Abra Base Metals Mine to achieve first production in the first quarter of 2023 calendar year.

Upcoming value adding Abra and corporate milestone workstreams include:

- Completion of all site bulk earthworks except for the Tailings Storage facility ("TSF"). The TSF has been deliberately delayed to complete an engineering review and revise the stage 1 design and work program for that facility. The delay will enable the construction of the facility to be carried out in the cooler months of the year and more importantly enable wall building material to maximise the use of underground waste currently being produced from the underground development.
- Commencement of the construction of the liquid natural gas - solar 10MW power station.
- Finalisation of the detailed engineering for the processing plant and ongoing key procurement to achieve key construction milestones. Increase in steel installation activities and the completion of key offshore items such as crushers and thickeners.
- Continuing underground development targeting the completion of a further 675m during the March Quarter of 2022. During the next quarter it is planned to also complete the first 2, 4.5m raise bore holes from the surface down to underground development in preparation for ongoing underground ventilation requirements. Raise drilling is expected to commence in February 2022.
- Finalisation of the non-processing infrastructure requirements to enable completion of those works in line with site requirements and budget expectations. This work includes mine change house facility, site laboratory requirements and core processing facilities.
- Commence detailed operations preparedness planning for production and ramp-up stage. Exploration drilling at the Jasmine target, approximately 1.5km from Abra.

CORPORATE

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

- 476,405,353 fully paid ordinary shares on issue;
- 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;
- 9,000,000 performance rights exercisable on or before 9 November 2023;
- 2,000,000 performance rights exercisable on or before 13 August 2024;
- 1,145,000 share appreciation rights exercisable at \$0.17 on or before 21 January 2024; and
- 1,400,000 share appreciation rights exercisable at \$0.24 on or before 1 September 2025.

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.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 12 January 2022, AMPL completed a placement of A\$5 million and issued 6,083,233 new shares to its parent company, Galena and 4,055,489 new shares to Toho's wholly-owned subsidiary, CBHWA.

On 1 February 2022, the Company announced that AMPL had received US\$35 million following completion of the second drawdown of the Taurus Debt Facilities.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not significantly impacted the Company up to 31 December 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since the end of 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.

GALENA MINING LIMITED AND CONTROLLED ENTITIES

DIRECTOR'S REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2021

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, PKF Perth, 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 9 and forms part of this Directors' Report for the period ended 31 December 2021.

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



Adrian Byass
Chairman

Dated this 23rd day of February 2022

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**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 2021, 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



SHANE CROSS
PARTNER

23 FEBRUARY 2022,
WEST PERTH,
WESTERN AUSTRALIA

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GALENA MINING LIMITED AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2021

	Note	Period ended 31 December 2021 \$	Period ended 31 December 2020 \$
Revenue	5	125,317	445,808
Expenses			
Corporate and administration expenses		(407,928)	(446,902)
Depreciation and amortisation		(173,617)	(100,585)
Employee costs		(739,424)	(501,172)
Share-based payments		(110,006)	(494,361)
Exploration and evaluation expenditure		-	(62,056)
Foreign exchange loss		(1,227,206)	(21,337)
Loss before finance costs and income tax		(2,532,864)	(1,180,605)
Finance costs		(72,761)	(74,691)
Loss before income tax		(2,605,625)	(1,255,296)
Income tax expense		-	-
Net loss for the period		(2,605,625)	(1,255,296)
Other comprehensive income net of income tax		-	-
Total comprehensive loss for the period		(2,605,625)	(1,255,296)
Loss for the period attributable to:			
Non-controlling interest		(539,105)	30,993
Members of the parent		(2,066,520)	(1,286,289)
Total comprehensive loss for the period		(2,605,625)	(1,255,296)
Basic and diluted loss per share (cents per share)		(0.55)	(0.28)

The accompanying notes form part of these financial statements.

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GALENA MINING LIMITED AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Note	31 December 2021 \$	30 June 2021 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	59,476,819	96,195,562
Trade and other receivables		1,920,702	104,095
Prepayments		1,763,197	223,671
TOTAL CURRENT ASSETS		63,160,718	96,523,328
NON-CURRENT ASSETS			
Plant and equipment	7	119,196,506	65,301,696
Right-of-use assets	8	2,636,904	1,844,353
Exploration and evaluation assets	9	8,027,886	6,648,789
TOTAL NON-CURRENT ASSETS		129,861,296	73,794,838
TOTAL ASSETS		193,022,014	170,318,166
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		25,775,797	2,227,960
Lease liabilities	8	889,486	769,745
Provisions	10	506,213	227,468
TOTAL CURRENT LIABILITIES		27,171,496	3,225,173
NON-CURRENT LIABILITIES			
Lease liabilities	8	1,035,344	623,180
Provisions	10	2,107,914	1,667,882
Interest bearing loans and borrowings	11	32,202,493	31,852,545
TOTAL NON-CURRENT LIABILITIES		35,345,751	34,143,607
TOTAL LIABILITIES		62,517,247	37,368,780
NET ASSETS		130,504,767	132,949,386
EQUITY			
Issued capital	12	48,287,278	48,006,327
Share-based payment reserve	13	1,537,325	1,657,270
Consolidation reserve		52,727,720	52,727,720
Accumulated losses		(16,632,542)	(14,566,022)
Parent interest		85,919,781	87,825,295
Non-controlling interest		44,584,986	45,124,091
TOTAL EQUITY		130,504,767	132,949,386

The accompanying notes form part of these financial statements.

GALENA MINING LIMITED AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2021

	Issued capital	Share-based payment reserve	Equity reserve	Accumulated losses	Non-controlling interest	Total
	\$	\$		\$	\$	\$
Balance at 1 July 2020	34,854,887	1,248,187	26,071,954	(11,015,695)	4,932,970	56,092,303
Loss for the period	-	-	-	(1,286,289)	30,993	(1,255,296)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss	-	-	-	(1,286,289)	30,993	(1,255,296)
<i>Transactions with owners directly recorded in equity:</i>						
Shares issued during the period	12,196,500	-	-	-	-	12,196,500
Share-based payments	-	299,361	-	-	-	299,361
Share issue costs	(680,060)	-	-	-	-	(680,060)
Partial disposal of interest in subsidiary	-	-	15,404,536	-	11,795,464	27,200,000
Balance at 31 December 2020	46,371,327	1,547,548	41,476,490	(12,301,984)	16,759,427	93,852,808
Balance at 1 July 2021	48,006,327	1,657,270	52,727,720	(14,566,022)	45,124,091	132,949,386
Loss for the period	-	-	-	(2,066,520)	(539,105)	(2,605,625)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss	-	-	-	(2,066,520)	(539,105)	(2,605,625)
<i>Transactions with owners directly recorded in equity:</i>						
Shares issued during the period	280,951	(229,951)	-	-	-	51,000
Share-based payments	-	110,006	-	-	-	110,006
Balance at 31 December 2021	48,287,278	1,537,325	52,727,720	(16,632,542)	44,584,986	130,504,767

The accompanying notes form part of these financial statements.

GALENA MINING LIMITED AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

	Note	Period ended 31 December 2021 \$	Period ended 31 December 2020 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(3,585,939)	(424,364)
Other income		-	383,829
Interest received		125,317	61,978
Net cash provided by (used in) operating activities		(3,460,622)	21,443
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(28,603,175)	(2,677,606)
Exploration and evaluation expenditure		(1,397,923)	(6,836,380)
Proceeds from partial disposal of subsidiary		-	27,200,000
Net cash provided by (used in) investing activities		(30,001,098)	17,686,014
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		51,000	12,001,500
Payments of lease liabilities		(465,337)	-
Transaction costs associated with issue of shares		-	(680,060)
Borrowing costs		(2,842,686)	(4,215,328)
Net cash provided by (used in) financing activities		(3,257,023)	7,106,112
Net (decrease)/increase in cash held		(36,718,743)	24,813,569
Cash and cash equivalents at beginning of period		96,195,562	9,053,747
Cash and cash equivalents at end of period	6	59,476,819	33,867,316

The accompanying notes form part of these financial statements.

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GALENA MINING LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

NOTE 1: CORPORATE INFORMATION

The interim condensed consolidated financial statements of Galena Mining Limited and its controlled entities (collectively, the Group) for the six months ended 31 December 2021 were authorised for issue in accordance with a resolution of the directors on 23 February 2022.

Galena Mining Limited is a limited company, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange (ASX). The nature of the operations and principal activities of the Group are described in the Directors' report.

NOTE 2: BASIS OF PREPARATION

The interim consolidated financial statements for the six months ended 31 December 2021 are general purpose condensed financial statements prepared in accordance with AASB 134 'Interim Financial Reporting' and the Corporations Act 2001.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 30 June 2021 and considered together with any public announcements made by Galena Mining Limited during the half-year ended 31 December 2021.

The accounting policies adopted are consistent with those applied by the Group in the preparation of the annual consolidated financial statements for the year ended 30 June 2021. The group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. It has been determined by the Group that there are no new Accounting Standards or Interpretations that have a material or otherwise impact on its business.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not significantly impacted the Group up to 31 December 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

NOTE 3: GOING CONCERN

The interim consolidated financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The Group incurred a loss for the period ended 31 December 2021 of \$2,605,625 (31 December 2020: \$1,255,296) and net cash outflows of \$36,718,743 (31 December 2020: \$24,813,569 inflows).

At 31 December 2021, the Group had a net working capital surplus of \$35,989,222 (30 June 2021: \$93,298,155), including cash and cash equivalents of \$59,476,819 (30 June 2021: \$96,195,562). 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.

GALENA MINING LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

NOTE 4: SEGMENT INFORMATION

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 Group is managed primarily on the basis of one geographical segment being Australia, and has the following operating segments:

- The Abra Base Metals Mine segment which is a globally significant lead-silver project currently in development and located in the Gascoyne region of Western Australia.
- The Exploration segment which undertakes exploration and evaluation activities in Western Australia.
- The Other Activities segment which includes all corporate expenses that cannot be directly attributed to the Group's operating segments.

Segment Results

Half year ended 31 December 2021

	Abra Base Metals Mine	Exploration	Other Activities	Consolidated
	\$	\$	\$	\$
Interest received	92,487	-	32,830	125,317
Revenue	92,487	-	32,830	125,317
Corporate and administration expenses	(26,043)	-	(381,885)	(407,928)
Depreciation and amortisation	(115,976)	-	(57,641)	(173,617)
Employee costs	-	-	(739,424)	(739,424)
Share-based payments	-	-	(110,006)	(110,006)
Foreign exchange loss	(1,225,917)	-	(1,289)	(1,227,206)
Loss before finance costs and income tax	(1,275,449)	-	(1,257,415)	(2,532,864)
Finance costs	(72,315)	-	(446)	(72,761)
Loss before income tax	(1,347,764)	-	(1,257,861)	(2,605,625)
Income tax expense	-	-	-	-
Net loss for the half year	(1,347,764)	-	(1,257,861)	(2,605,625)

Segment assets	170,233,464	8,027,886	14,760,664	193,022,014
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Segment liabilities	60,544,746	-	1,972,501	62,517,247
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Other segment information

Capital expenditure (i)	51,417,577	1,379,098	180,912	52,977,587
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- (i) Capital expenditure consists of additions to plant and equipment, mine development; right-of-use assets and exploration and evaluation assets.

GALENA MINING LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

NOTE 4: SEGMENT INFORMATION (CONTINUED)

Segment Results

Half year ended 31 December 2020

	Abra Base Metals Mine	Exploration	Other Activities	Consolidated
	\$	\$	\$	\$
Interest received	19,355	-	42,624	61,979
Other income	366,329	-	17,500	383,829
Revenue	385,684	-	60,124	445,808
Corporate and administration expenses	(142,671)	-	(304,231)	(446,902)
Depreciation and amortisation	(72,767)	-	(27,818)	(100,585)
Employee costs	-	-	(501,172)	(501,172)
Share-based payments	-	-	(494,361)	(494,361)
Exploration and evaluation expenditure	-	(62,056)	-	(62,056)
Foreign exchange loss	(10,382)	-	(10,955)	(21,337)
Profit/(Loss) before finance costs and income tax	159,864	(62,056)	(1,278,413)	(1,180,605)
Finance costs	(73,423)	-	(1,268)	(74,691)
Profit/(Loss) before income tax	86,441	(62,056)	(1,279,681)	(1,255,296)
Income tax expense	-	-	-	-
Net profit/(loss) for the half year	86,441	(62,056)	(1,279,681)	(1,255,296)

Segment assets	57,025,465	28,012,183	15,277,666	100,315,314
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Segment liabilities	6,343,981	-	118,525	6,462,506
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Other segment information

Capital expenditure (i)	30,794,454	9,847,529	48,323	40,690,306
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(i) Capital expenditure consists of additions to plant and equipment, mine development; right-of-use assets and exploration and evaluation assets.

NOTE 5: REVENUE

	31 December 2021	31 December 2020
	\$	\$
Interest received	125,317	61,979
Other income	-	383,829
Total Revenue	125,317	445,808

GALENA MINING LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

NOTE 6: CASH AND CASH EQUIVALENTS

	31 December 2021	30 June 2021
	\$	\$
Cash at bank	59,451,819	96,170,562
Term deposits at call	25,000	25,000
Total Cash and Cash Equivalents	59,476,819	96,195,562

NOTE 7: PLANT AND EQUIPMENT

Reconciliation of the carrying amounts for each class of plant and equipment is set out below.

	Rehabilitation Asset	Mine Properties	Plant and Equipment	Mines Under Construction	Total
31 December 2021	\$	\$	\$	\$	\$
Opening net carrying amount	1,622,978	22,759,041	117,972	40,801,705	65,301,696
Additions	-	160,548	180,913	53,155,003	53,496,464
Transfer from exploration	-	-	-	-	-
Depreciation and amortisation	-	-	(22,085)	-	(22,085)
Change in rehabilitation provision	420,431	-	-	-	420,431
Closing net carrying amount	2,043,409	22,919,589	276,800	93,956,708	119,196,506

At 31 December 2021

At cost	2,043,409	22,919,589	323,668	93,956,708	119,243,374
Accumulated depreciation	-	-	(46,868)	-	(46,868)
	2,043,409	22,919,589	276,800	93,956,708	119,196,506

	Rehabilitation Asset	Mine Properties	Plant and Equipment	Mines Under Construction	Total
30 June 2021	\$	\$	\$	\$	\$
Opening net carrying amount	-	-	22,079	26,362,247	26,384,326
Additions	-	-	121,331	14,439,458	14,560,789
Transfer from exploration	-	22,759,041	-	-	22,759,041
Depreciation and amortisation	-	-	(25,438)	-	(25,438)
Change in rehabilitation provision	1,622,978	-	-	-	1,622,978
Closing net carrying amount	1,622,978	22,759,041	117,972	40,801,705	65,301,696

At 30 June 2021

At cost	1,622,978	22,759,041	167,219	40,801,705	65,350,943
Accumulated depreciation	-	-	(49,247)	-	(49,247)
	1,622,978	22,759,041	117,972	40,801,705	65,301,696

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GALENA MINING LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

NOTE 8: LEASES

The Group has lease contracts for site communication equipment and for its corporate office. The communication equipment has a three-year lease term and the corporate office lease has a five-year lease term. The Group's obligations under its leases are secured by the lessor's title to the leased assets.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

Right-Of Use Assets	31 December 2021	30 June 2021
	\$	\$
Communication Equipment		
Balance at beginning of period	1,807,262	1,472,743
Additions	-	501,393
Depreciation expense	(98,707)	(166,874)
Balance at reporting date	<u>1,708,555</u>	<u>1,807,262</u>
Corporate Office		
Balance at beginning of period	37,091	92,727
Additions	944,084	-
Depreciation expense	(52,826)	(55,636)
Balance at reporting date	<u>928,349</u>	<u>37,091</u>
Total Right-Of-Use Assets	<u>2,636,904</u>	<u>1,844,353</u>

Set out below are the carrying amounts of lease liabilities and the movements during the period:

Lease Liabilities		
Balance at beginning of period	1,392,925	1,522,618
Additions	944,084	536,458
Accretion of interest	53,158	132,931
Payments	(465,337)	(799,082)
Balance at reporting date	<u>1,924,830</u>	<u>1,392,925</u>
Current	889,486	769,745
Non-current	1,035,344	623,180
Depreciation expense for right-of use assets	151,533	222,510
Interest expense on lease liabilities	53,158	132,931
Total amount recognised in profit or loss	<u>204,691</u>	<u>355,441</u>

GALENA MINING LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

NOTE 9: EXPLORATION AND EVALUATION ASSETS

	31 December 2021	30 June 2021
	\$	\$
Exploration expenditure capitalised		
- Exploration and evaluation asset acquired	3,674,086	3,674,086
- Exploration and evaluation costs incurred	4,353,800	2,974,703
	<u>8,027,886</u>	<u>6,648,789</u>

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

- Carrying amount at beginning of the period	6,648,789	21,175,802
- Costs capitalised	1,379,097	8,232,028
- Transferred to mine properties	-	(22,759,041)
Carrying amount at the end of the period	<u>8,027,886</u>	<u>6,648,789</u>

NOTE 10: PROVISIONS

	31 December 2021	30 June 2021
	\$	\$
Current		
Provision for employee entitlements	<u>506,213</u>	<u>227,468</u>
Non-current		
Provision for mine rehabilitation	<u>2,107,914</u>	<u>1,667,882</u>

The movement in provision for mine rehabilitation during the half year is set out below:

Balance at beginning of period	1,667,882	-
Arising during the period	-	1,622,978
Unwinding of discount	19,602	44,904
Inflation and discount rate adjustments	420,430	-
Balance at reporting date	<u>2,107,914</u>	<u>1,667,882</u>

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GALENA MINING LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

NOTE 11: INTEREST BEARING LOANS AND BORROWINGS

	31 December 2021	30 June 2021
	\$	\$
Non-current		
Secured US\$110 million Taurus Debt Facilities March 2027	<u>32,202,493</u>	<u>31,852,545</u>

Secured US\$100 million term loan facility

In November 2020, the Company put in place US\$110 million in finalised debt facilities arranged by Taurus Funds Management. The facilities include a US\$100 million Project Finance Facility plus a US\$10 million Cost Overrun Facility. In June 2021, AMPL received the first drawdown under the Project Finance Facility in the amount of US\$30 million and in January 2022, the second drawdown of US\$35 million was received leaving US\$45 million undrawn under remaining facilities at the date of this report.

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.
- Arrangement fee of 2.5% and commitment fee of 2.0% on undrawn amounts.
- 1.125% net smelter return royalty.
- No mandatory hedging.
- Early repayment allowed without penalty.

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.

The Taurus Debt Facilities are secured against Abra's assets and over the shares that each of Galena and Toho own in AMPL, and additional drawdowns remain subject to satisfaction of customary conditions precedent.

There have been no breaches in the covenants of any interest bearing loans and borrowings in the current or prior period.

GALENA MINING LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

NOTE 12: ISSUED CAPITAL

	31 December 2021	30 June 2021
	\$	\$
Movement in ordinary shares		
Balance at beginning of period	48,006,327	34,854,887
Shares issued during the period for cash	51,000	-
Shares issued during the period for no cash	229,951	12,001,500
Share-based payments*	-	1,830,000
Share issue costs	-	(680,060)
Balance at reporting date	48,287,278	48,006,327

	31 December 2021	30 June 2021
	Number	Number
Movement in ordinary shares		
Balance at beginning of period	476,105,353	403,205,353
Shares issued during the period for cash	300,000	-
Shares issued during the period for no cash	-	57,150,000
Share-based payments	-	15,750,000
Balance at reporting date	476,405,353	476,105,353

*Reflects the Fair Value of share-based payments.

NOTE 13: 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 2021	30 June 2021
	\$	\$
Balance at beginning of period	1,657,270	1,248,187
Share-based payments vesting expense	110,006	1,079,083
Share-based payments shares issued	(229,951)	(670,000)
Balance at reporting date	1,537,325	1,657,270

Refer to Note 14 for valuation technique and assumptions.

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GALENA MINING LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

NOTE 14: SHARE-BASED PAYMENTS

Grant Date/entitlement	Number of Instruments	Grant Date	Fair value per instrument \$	Value \$
Share Appreciation Rights issued on 1 September 2020 to employees and directors exercisable on or before 1 September 2025 (iii)	2,500,000	01/09/2020	0.1349	337,144
Total value at 31 December 2020				337,144

- (i) 2,500,000 Share Appreciation Rights issued have been calculated using Black-Scholes option pricing model with the following inputs:

Share Appreciation Rights Granted on 1 September 2020	
Expected volatility (%)	70
Risk free interest rate (%)	0.38
Weighted average expected life of options (years)	1.5
Expected dividends	Nil
Option exercise price (\$)	0.24
Share price at grant date (\$)	0.25
Fair value of option (\$)	0.1349
Expiry date	1 September 2025

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

- 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;
- 9,000,000 performance rights exercisable on or before 9 November 2023;
- 2,000,000 performance rights exercisable on or before 13 August 2024;
- 1,310,000 share appreciation rights exercisable at \$0.17 on or before 21 January 2024; and
- 2,300,000 share appreciation rights exercisable at \$0.24 on or before 1 September 2025.

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

	31 December 2021	30 June 2021
	Number	Number
Balance at beginning of period	20,110,000	37,385,000
Issued	-	2,500,000
Expired / lapsed	(200,000)	(4,025,000)
Exercised	(300,000)	(15,750,000)
Balance at reporting date	19,610,000	20,110,000

GALENA MINING LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

NOTE 15: CONTINGENT ASSETS AND LIABILITIES

In the opinion of the directors there were no contingent assets or liabilities as at 31 December 2021.

NOTE 16: CAPITAL AND OTHER COMMITMENTS

Expenditure commitments for Abra	31 December 2021	30 June 2021
	\$	\$
Within one year	96,324,100	405,384
Between 1 and 5 years	1,247,358	657,517
	<u>97,571,458</u>	<u>1,062,901</u>

In the opinion of directors, there were no further capital or other commitments as at 31 December 2021.

NOTE 17: SIGNIFICANT EVENTS AFTER REPORTING PERIOD

On 12 January 2022, AMPL completed a placement of A\$5 million and issued 6,083,233 new shares to its parent company, Galena and 4,055,489 new shares to Toho's wholly-owned subsidiary, CBHWA.

On 1 February 2022, the Company announced that AMPL had received US\$35 million following completion of the second drawdown of the Taurus Debt Facilities.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not significantly impacted the Company up to 31 December 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

NOTE 18: 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 2:

Name	Country of Incorporation	Class of share	Equity holding 31 December 2021	Equity holding 30 June 2021
Abra Mining Pty Ltd	Australia	Ordinary	60.00%	60.00%
GML Marketing Pty Ltd ⁽ⁱ⁾	Australia	Ordinary	100.00%	100.00%

(i) Entities have no activity.

Proportion of equity interest held by non-controlling entity

Name	Country of Incorporation	Non-controlling interest	
		31 December 2021	30 June 2021
Abra Mining Pty Ltd	Australia	40.00%	40.00%

On 12 April 2020, the Company completed a transaction with Toho to invest \$90,000,000 in various tranches for a 40% joint-venture investment in AMPL. During FY2021, AMPL received the third tranche payment of \$20,000,000 (2019: \$10,000,000 received) from Toho and an additional \$18,000,000 equity from Galena and Toho. AMPL issued new shares to Galena and Toho's wholly-owned subsidiary, CBHWA, such that AMPL is currently owned 60% by Galena and 40% by CBHWA. The transactions have 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:

	31 December 2021	30 June 2021
	\$	\$
Proceeds from the issue of new shares in AMPL to CBHWA	-	67,200,000
Net assets attributable to non-controlling interest	-	(40,544,234)
Increase in equity attributable to parent (i)	-	26,655,766

(i) Represented by an increase in the consolidation reserve.

GALENA MINING LIMITED AND CONTROLLED ENTITIES

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 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 2021 and of its performance, for the half 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 to 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, 23rd day of February 2022

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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 half-year financial report of Galena Mining Limited (the company) and controlled entities (consolidated entity) which comprises the consolidated statement of financial position as at 31 December 2021, 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, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at 31 December 2021, 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 accompanying 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 entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report.

Independence

We are independent of the company in accordance with the auditor independence requirements of 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 (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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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 Act 2001 and for such internal controls as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 entity's financial position as at 31 December 2021 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporation Regulations 2001.

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



SHANE CROSS
PARTNER

23 FEBRUARY 2022
WEST PERTH,
WESTERN AUSTRALIA