



ASX ANNOUNCEMENT

27 January 2023

ASX: G1A

ACTIVITIES REPORT FOR QUARTER ENDED 31 DECEMBER 2022

HIGHLIGHTS:

- **Abra Project construction completed on time in December 2022. Project construction expenditure within 1% of budget.**
- **Ore commissioning commenced and first concentrate produced in January 2023.**
- **Focus now on completing plant commissioning and ramping up production.**
- **Underground development achieved a record 1,122m advance during the Quarter with the decline reaching 1,268mRL. (282m vertical below the surface and 45m below top of the orebody).**
- **Cash balance at Quarter-end A\$41.0M.**

GALENA MINING LTD. (“Galena” or the “Company”) (**ASX: G1A**) reports on its activities for the quarter ended 31 December 2022 (the “Quarter”), primarily focused on construction of its 60%-owned Abra Base Metals Mine (“Abra” or the “Project”) located in the Gascoyne region of Western Australia.

ABRA BASE METALS MINE (60%-OWNED)

Abra comprises a granted Mining Lease, M52/0776 and surrounding Exploration Licence E52/1455, together with several co-located General Purpose and Miscellaneous Leases. The Project is 100% owned by Abra Mining Pty Limited (“**AMPL**” the Abra Project joint-venture entity), which in turn is 60% owned by Galena, with the remainder owned by Toho Zinc Co., Ltd. (“**Toho**”) of Japan.

Abra is fully permitted, and construction of the processing plant and surface infrastructure was completed in December 2022. First production of its lead-silver concentrate occurred in January 2023 with first product shipment scheduled for the March 2023 quarter.

Project construction / development

Abra Project construction works were completed by the end of the Quarter and ore commissioning commenced with first ore feed into the plant and first concentrate produced as part of the plant commissioning process in early January 2023 (see *Galena ASX announcements of 10 January 2023 and 13 January 2023*). Abra construction completed within 1% of forecast construction costs.

Operational Readiness

By the end of the quarter 90% of the operational staff have been employed along with both internal and external maintenance service providers. All site critical spares have been identified and procured. Site reagents and other consumables have been established.

Underground power, ventilation, and the installation of the second egress (ladderways) have enabled multiple ore headings to be operational and the primary pumping station will be completed in the March quarter.

The site assay laboratory was nearing completion by the end of the quarter and final commissioning in January is expected to significantly improve assay turn around and controls.

Applications are being lodged for regulatory approvals, licences or permits as they are required for completion of construction, commissioning and commencement of operations.

Underground mining – During the Quarter, 1,122 metres of development was completed and at Quarter-end total development reached 3,592 metres consisting of 1,978 metres of decline development and 1,614 metres of lateral development. The decline reached 1,268mRL, 45 metres below the top of the Abra orebody and 282 metres vertically below the surface.

During December, several ore drives commenced on the 1,280 and 1,300mRL levels which will deliver the required ore for plant commissioning in January 2023. At the end of the Quarter, a total of 26,000t of ore had been stockpiled on the ROM pad in preparation for ore processing commissioning and the commencement of concentrate production.

During the quarter a total of 75 (10,777m) underground diamond holes were completed for grade control and mine planning purposes. Mine planning and scheduling work was completed with this information in preparation for the production activities in 2023.

On 24 December 2022, the primary ventilation fan motor failed, and alternative ventilation fans were installed to resume underground work. Five days of mining activities were lost during this time and this delay is not expected to delay the plant processing commissioning during January 2023.

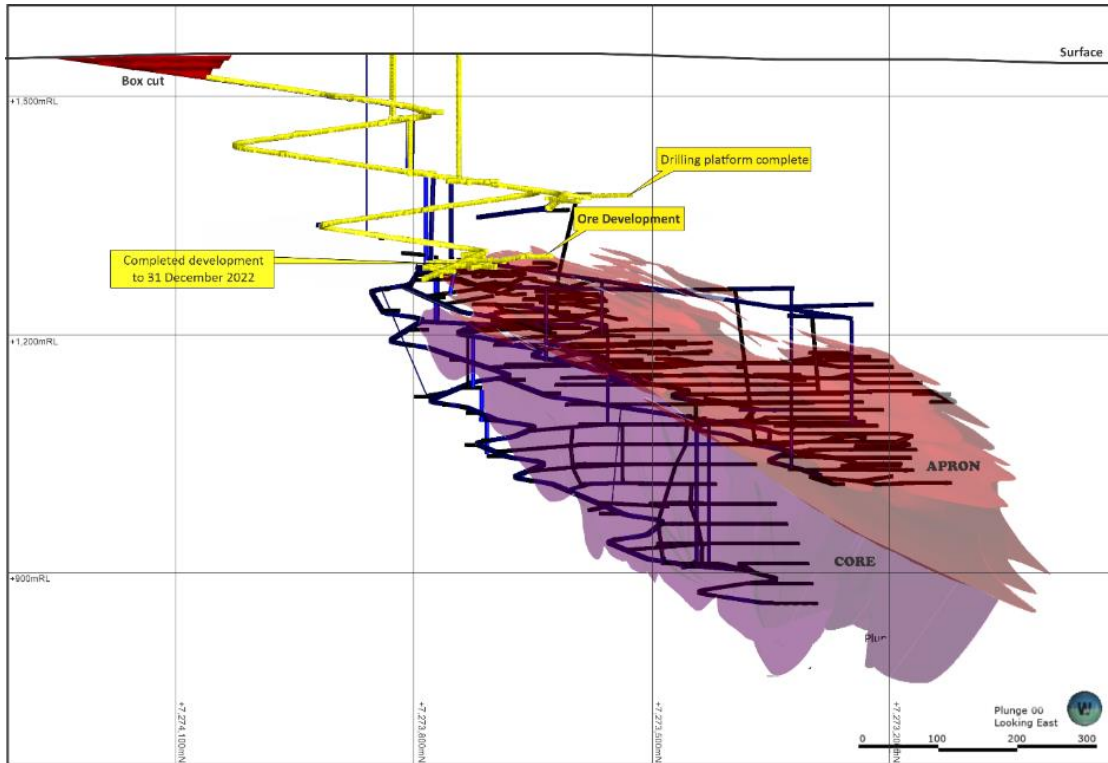


Figure 1 – Underground mine development as at Quarter-end (highlighted in yellow).



Figure 2 – Abra 1300mRL ore drive showing extensive high-grade mineralisation.

Processing plant and associated infrastructure works – By the end of the Quarter, the engineering, procurement, and construction (“**EPC**”) contract works being conducted by GR Engineering Services Ltd. (“**GR Engineering**”) were completed. Practical completion of the processing plant was achieved ahead of schedule on 23 December 2023 and ore commissioning commenced on 9 January 2023. The tailing’s storage facility earthworks and lining were also completed during the Quarter. Ore commissioning of the Abra plant is taking place under the guidance of GR Engineering, with the aim for successful completion, including completion of punch list items and performance testing by early February 2023.

Paste-fill plant – During the Quarter, Paste-fill plant equipment refurbishment work continued in Perth and GRES continued the erection of structural steel, installation of mechanical equipment, piping and electrical services. A new cement silo was also completed and placed into position. The Paste-fill plant was approximately 89% complete at the end of the Quarter. Paste fill is not required to be delivered underground until mid-2023.

Power plant – Pacific Energy Limited (“**Pacific Energy**” previously Contract Power) completed construction of the 10MW natural gas fired power station and integrated 6MW solar array. Commissioning of the power station was completed during the Quarter with permanent power being supplied to the underground mine, processing plant, camp and other non-process infrastructure. Pacific Energy also completed integration of the solar farm and battery energy storage system (BESS).

Safety and environment

During the Quarter, 192,014 employee and contractor work hours were recorded at the Abra site. Abra had one Medical Treatment Injury in the Quarter, when a contractor received a deep laceration to the forehead after a rock bolt fell from the wall it was leaning on.

Commercial initiatives in support of Abra development – project financing debt

In November 2020, Galena 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 (see *Galena ASX announcement of 12 November 2020*).

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.
- 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 now fully drawn (see Galena ASX announcement of 23 September 2022) and are secured against Abra Project assets and over the shares that each of Galena and Toho own in AMPL.

JILLAWARRA PROJECT (100%-OWNED NON-ABRA PROSPECTS)

Galena's non-Abra prospects located in the Jillawarra Project area 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.

During the Quarter, the Company conducted minor exploration activities within the Jillawarra exploration licences.

CORPORATE

Payments to related parties of the entity and their associates

The Company's Quarterly Cashflow Report (Appendix 5B) follows this activities report. The total amount paid to related parties of the Company and their associates, as per item 6.1 of the Appendix 5B, was A\$237k and includes payments to directors for fees, salaries, and consulting costs for the Quarter.

OUTLOOK

Cash position

As at the end of the Quarter, the Company, together with its subsidiaries had approximately A\$41.0 million in cash comprised of cash at bank and term deposit balances.

Outlook

Upcoming value adding Abra and corporate milestone workstreams include:

- Completion of ore commissioning and production ramp-up to achieve first product shipment in the March quarter.
- Continued development of the Abra decline and installation of associated mine infrastructure to progress access to the orebody and commence ore development and underground stoping. Work will continue with underground drilling for grade control, resource definition and exploration purposes. Mine primary ventilation and pumping infrastructure will continue to be installed during the March quarter.
- Complete construction and commissioning of the Paste-fill plant.
- Continued transition into mine production during the ramp-up stage of the project. This includes ongoing recruitment, training, and identification of key production related tasks to be completed.

- The Company’s previously provided production guidance for CY2023 in the table below continues to apply (see Galena ASX announcement of 25 July 2022).

Key Outcomes ¹	Production Guidance CY2023
Mill Throughput	0.8-1.0 Mtpa
Lead Grade Mined	7.6%
Silver Grade Mined	16.6 g/t
Lead Metal Production	53-68 ktpa
Silver Metal Production	325-425 kozpa
Lead C1 Direct Cash Cost ²	US\$0.55-0.65/lb
Average Annual EBITDA	A\$45-55M
Lead Metal Price ³	US\$0.90/lb
Exchange rate – US\$ per A\$1 ³	0.68

Table Notes

- Key outcomes and metrics shown reference 100% of Project. Abra Project is owned 60% by Galena & 40% by Toho Zinc.
- Includes a by-product credit for net silver revenue of US\$0.04/lb (A\$0.06/lb).
- Lead metal price and exchange rate at the time of the Galena ASX announcement of 25 July 2022.

Figures 3-15 (below) show recent photographs of the progress of the Abra Project construction.



**Figure 3 – Abra processing plant and mine site commissioning January 2023
(Photo – 20 January 2023).**



Figure 4 – Processing plant crushing section commissioned in December quarter (Photo – 20 January 2023).



Figure 5 – Processing plant grinding, flotation, thickening and filtration sections commissioned in December quarter (Photo – 20 January 2023).



Figure 6 – High grade lead-silver concentrate in Abra's flotation tank (Photo 12 January 2023).



Figure 7 – George MacPherson (Abra Chief Operating Officer) and Melanie Flynn (Abra Processing Manager) inspecting first concentrate production in Abra's concentrate shed (Photo 12 January 2023).



Figure 8. – Intertek on site laboratory fit out (December 2022).



Figure 9 – Village permanent power connected (December 2022).



Figure 10 – Paste plant structural steel being erected (December 2022).

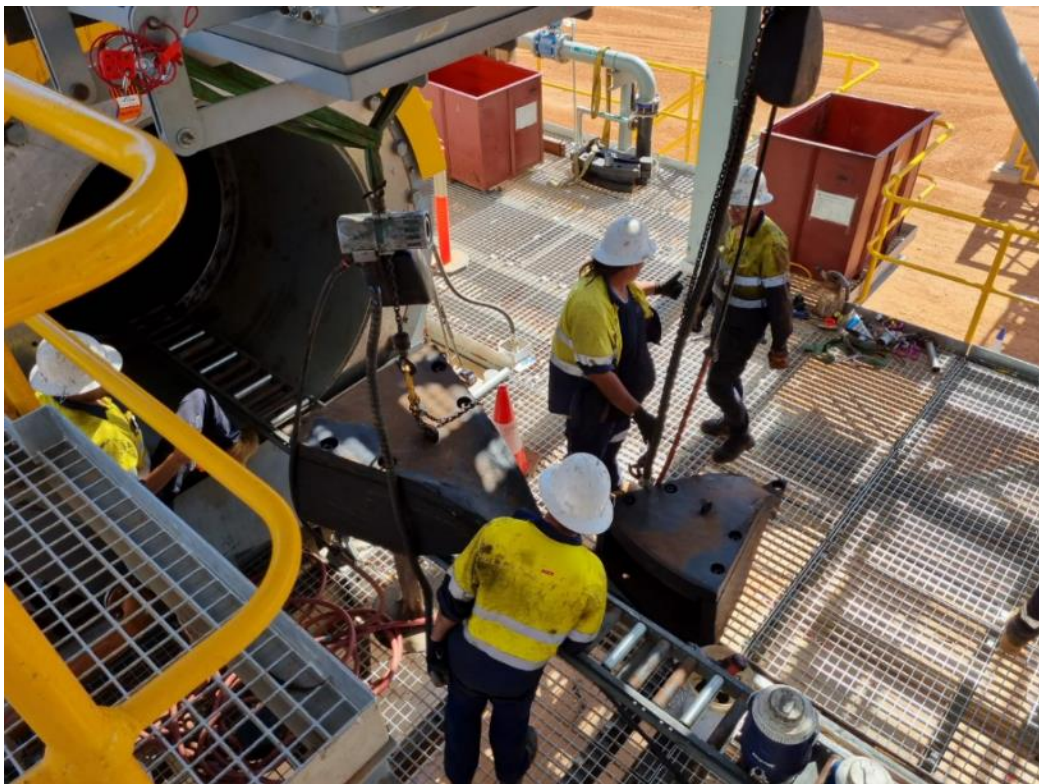


Figure 11 – Mill lining works being completed (December 2022).



Figure 12 – Reagent mixing tanks (December 2022).



Figure 13 – Tails concentrate thickener pumps commissioning (December 2022).



Figure 14 – Tailings storage facility TSF (December 2022).



Figure 15 – Abra Decline (November 2022).

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

Galena Mining Ltd.

Anthony (Tony) James
Managing Director

Competent Person's Statement

The information in this report to which this statement is attached that refers to exploration results, drilling and geophysical data is based upon information compiled by Mr Angelo Scopel (BSc. Geology, MAIG), an employee of Galena Mining. Mr Scopel has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Exploration Targets, Mineral Resources and Ore Reserves. Mr Scopel consents to the inclusion in the report of matters based on this information in the form and context in which it appears.

The information in this report related to the Abra April 2021 Resource is based on work completed by Mr Angelo Scopel BSc (Geol), MAIG, a fulltime employee of Galena Mining and Mr Mark Drabble B.App.Sci. (Geology), MAIG, MAusIMM, Principal Consultant at Optiro Pty Ltd. Mr Scopel was responsible for data review and QAQC, and. Mr Drabble was responsible for the development of the geological model, resource estimation, classification, and reporting. Mr Scopel and Mr Drabble have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Exploration Targets, Mineral Resources and Ore Reserves. Mr Scopel and Mr Drabble consent to the inclusion in the report of the matters based on this information in the form and context in which it appears.

No new information

This report contains references to exploration results and Mineral Resource estimates, all of which have been cross-referenced to previous announcements made by the Company. The Company confirms that it is not aware of any new information or data that materially affects the information included in the relevant announcements and in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed.

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.

Appendix 1 – Tenement information as required by Listing Rule 5.3.3

Country	Location	Project	Tenement	Change in Holding (%)	Current Interest (%)
<u>Tenements owned by Galena or wholly-owned subsidiaries:</u>					
Australia	WA	Jillawarra	E52/1413	0	100
Australia	WA	Jillawarra	E52/3575	0	100
Australia	WA	Jillawarra	E52/3581	0	100
Australia	WA	Jillawarra	E52/3630	0	100
Australia	WA	Jillawarra	E52/3823	0	100
<u>Tenements owned by Galena's 60%-owned subsidiary Abra Mining Pty Limited:</u>					
Australia	WA	Abra	M52/0776	0	100
Australia	WA	Abra	E52/1455	0	100
Australia	WA	Abra	G52/0286	0	100
Australia	WA	Abra	G52/0292	0	100
Australia	WA	Abra	L52/0121	0	100
Australia	WA	Abra	L52/0194	0	100
Australia	WA	Abra	L52/0198	0	100
Australia	WA	Teano	L52/205	0	100
Australia	WA	Ervilla	L52/206	0	100
Australia	WA	Teano	L52/210	0	100
Australia	WA	Three Rivers	L52/214	0	100
Australia	WA	TEANO	L52/240	100	100

About Abra Base Metals Mine

60% owned by Galena, the Abra Base Metals Mine (“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).

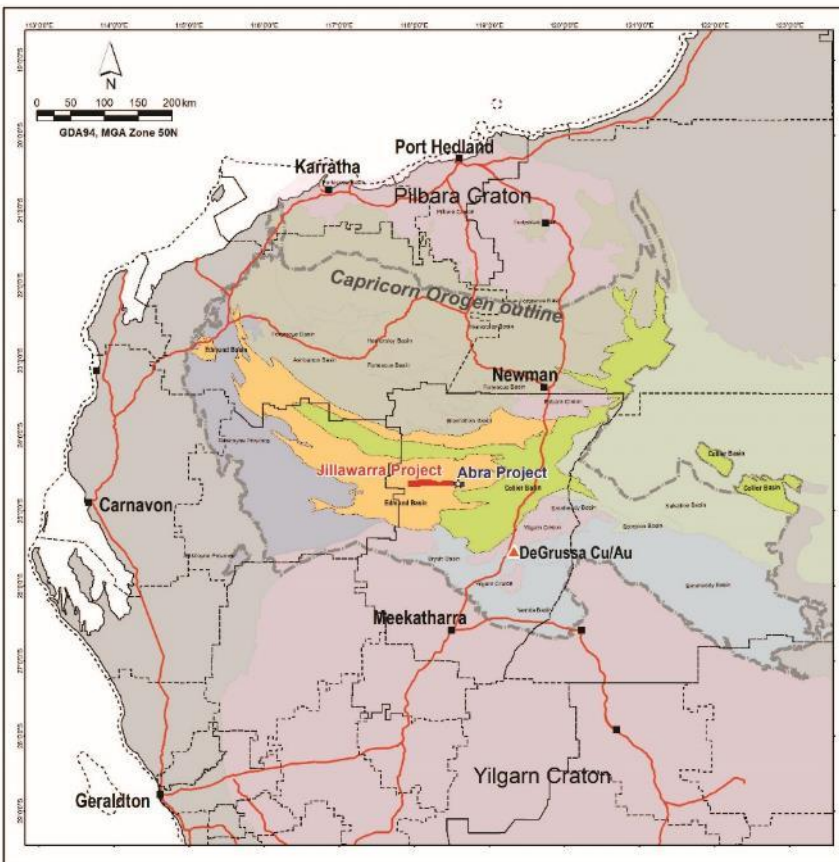
Galena completed an outstanding definitive / bankable feasibility study (“FS”) (see *Galena ASX announcement of 22 July 2019*) for development of an underground mine and processing facility to produce a high-value, high-grade lead-silver concentrate. A ‘final investment decision’ to complete the Project was made in June 2021 and construction is ongoing to reach first commercial production in the first quarter of 2023 calendar year.

Abra JORC Mineral Resource estimate^{1, 2}

Resource classification	Tonnes (Mt)	Lead grade (%)	Silver grade (g/t)
Measured	-	-	-
Indicated	16.9	7.4	17
Inferred	17.5	7.0	15
Total	34.5	7.2	16

Notes: 1. See Galena ASX announcement of 28 April 2021. Galena confirms that it not aware of any new information or data that materially affects the information included in Galena’s ASX announcement of 28 April 2021 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



Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Galena Mining Limited

ABN

63 616 317 778

Quarter ended ("current quarter")

31 December 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	(25,662)	(60,582)
(c) production	-	-
(d) staff costs	(2,371)	(4,133)
(e) administration and corporate costs	(367)	(924)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	291	389
1.5 Interest and other costs of finance paid	(3,355)	(6,416)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(31,464)	(71,666)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation	(74)	(249)
(e) investments	-	-
(f) other non-current assets	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) equity investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(74)	(249)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	56	17,206
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(1,132)
3.5	Proceeds from borrowings	12,000	48,603
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	12,056	64,677
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	60,464	48,220
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(31,464)	(71,666)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(74)	(249)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	12,056	64,677

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	40,982	40,982

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	40,957	60,439
5.2	Call deposits	25	25
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	40,982	60,464

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

237

-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Payments to directors, including non-executive directors for fees, salaries and consulting costs for the quarter.

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	161,435	161,435
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities	161,435	161,435
7.5 Unused financing facilities available at quarter end		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	
US\$110 million secured project financing debt facilities provided by Taurus Mining Finance Fund No2 L.P., comprising:		
<ul style="list-style-type: none"> • US\$100 million, 69-month term loan with fixed interest of 8.0% per annum; and • US\$10 million cost overrun facility with fixed interest of 10.0% per annum. 		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(31,464)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	(74)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(31,538)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	40,982
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	40,982
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	1.30
8.8	If Item 8.7 is less than 2 quarters, please provide answers to the following questions:
1.	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?
Answer:	
No, construction of the Abra Base Metals Mine (" Abra " or " Project ") was completed by 31 December 2022. Project development expenditure will therefore decrease significantly in the March 2023 quarter. Furthermore, Abra's first production and revenue from lead concentrate sales is expected in the March 2023 quarter.	
2.	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

Yes, the Company completed a share placement of \$17M before costs on 21 September 2022. Proceeds from the share placement were used to provide Abra a temporary unsecured reserve facility ("**URF**"). The URF of \$30M comprises of \$18M from the Company and \$12M contributed by joint-venture partner CBH Western Australia Pty Ltd ("**CBHWA**"). The URF will provide a funding buffer to Abra during the critical initial commissioning and ramp-up stages of the project. The \$12M contribution from CBHWA was received in November 2022. In addition, Abra's first production and revenue from lead concentrate sales is expected in the March 2023 quarter.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Yes, the Directors are satisfied there are reasonable grounds to believe that, having regard to the Company's position and available financing options, the operations and business objectives will continue to be met.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 27 January 2023

Authorised by: By the Board of Galena Mining Limited
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.