



**GALENA**  
MINING LIMITED

**ABN 63 616 317 778**

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**Annual Report**

**For the period 7 December 2016 to 30 June 2017**

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**Galena Mining Limited**

**ABN 63 616 317 778**

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**Galena Mining Limited**

**ABN 63 616 317 778**

**CORPORATE DIRECTORY**

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**Corporate Directory**

**Directors**

Mr Adrian Byass  
Non-Executive Chairman

Mr Jonathan Downes  
Non-Executive Director

Mr Oliver Cairns  
Non-Executive Director

Mr Timothy Morrison  
Non-Executive Director

**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](http://www.galenamining.com.au)

**Share Registry**

Security Transfer Australia Pty Ltd  
770 Canning Highway  
Applecross WA 6153

**Auditors**

PKF Mack  
Level 4, 35 Havelock Street  
West Perth WA 6005

**Legal Advisors**

Steinepreis Paganin  
16 Milligan Street  
Perth WA 6000

**Stock Exchange Listing**

ASX Code: **G1A**

**Country of Incorporation and Domicile**

Australia

# Galena Mining Limited

ABN 63 616 317 778

## DIRECTOR'S REPORT

For the period ended 30 June 2017

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Your directors present the following report on Galena Mining Limited ("the Company") for the financial period 7 December 2016 (from incorporation) to 30 June 2017.

### Directors

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

|                  |   |
|------------------|---|
| Adrian Byass     | Non-Executive Chairman                          |
| Johnathan Downes | Non-Executive Director                          |
| Oliver Cairns    | Non-Executive Director                          |
| Timothy Morrison | Non-Executive Director (appointed 12 July 2017) |

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

### Company Secretary

Stephen Brockhurst held office as Company Secretary since the incorporation and until the date of this report.

### Principal Activities

The Company was incorporated as an unlisted public company limited by shares on 7 December 2016 for the purpose of listing on the ASX, acquiring Abra Mining Pty Ltd ("Abra") and the proceeding to explore and develop the Projects held by this company.

On 12 May 2017 the Company lodged an Initial Public Offer Prospectus to raise \$6 million by the issue of 30,000,000 shares at \$0.20 per share.

### Operating Results

The loss of the Company for the period 7 December 2016 (from incorporation) amounted to \$726,328.

### Financial Position

As at 30 June 2017 the Company had a cash balance of \$70,261 and a net asset position of \$50,346.

### Dividends Paid or Recommended

No dividends have been paid, and the directors do not recommend the payment of a dividend for the financial period ended 30 June 2017.

### Corporate Governance Statement

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

# Galena Mining Limited

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## DIRECTOR'S REPORT

For the period ended 30 June 2017

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### Significant Changes in State of Affairs

- On 7 December 2016 the Company issued 3,600,000 fully paid ordinary shares to Promoters to raise a total of \$3,600.
- On 19 December 2016 the Company exercised its option to acquire 100% of Abra Mining Pty Ltd ("Abra") under the terms of the Heads of Agreement between Galena Mining Limited and Bloomgold Resource Pty Ltd ("Bloomgold").
- On 5 January 2017 the Company issued 1,500,000 Seed shares to raise a total of \$150,000.
- On 23 February 2017 the Company issued 2,750,000 Seed shares to raise a total of \$275,000.
- On 27 February 2017 the Company entered into a Share Sale Agreement with Bloomgold and Abra, pursuant to which the Company has agreed to purchase and Bloomgold has agreed to sell the Abra shares. The completion of same is dependent on the successful completion of the Initial Public Offering.
- On 30 March 2017 the Company appointed Edward Turner as the Chief Executive Officer.
- On 18 April 2017 the Company issued 250,000 seed shares raising \$25,000.
- On 12 May 2017 the Company lodged an Initial Public Offering Prospectus to raise \$6 million by the issue of 30,000,000 shares at \$0.20 per share.

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

### Corporate

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

| <b>ORDINARY SHARES</b>            | <b>2017</b> |
|-----------------------------------|-------------|
|                                   | <b>No.</b>  |
| Fully Paid Ordinary Shares        | 55,600,000  |
| <b>OPTIONS</b>                    |             |
| 30 cents expiring on 30 June 2020 | 2,350,000   |
| 40 cents expiring on 30 June 2021 | 3,600,000   |

### Review of Operations

On 23 February 2017, Galena Mining Limited ("Galena" or "the Company") entered into Share Sale Agreement to acquire all of the issued capital of Abra Mining Pty Ltd ("Abra") from Abra's sole shareholder, Bloomgold Resources Pty Ltd. The Company lodged a prospectus with ASX to enable active exploration and development of Abra Projects. The Projects are located 220km north of Meekatharra in Western Australia and are directed toward the identification of economic deposits of base metals. These metals are internationally traded and backed by international exchanges.

The **Mulgul Project** (upon listing Galena to hold 100%) is a group of mineral tenements that host a large scale of Abra lead and silver deposits as well as other prospects. Previous explorers have identified numerous prospects at Mulgul. Anomalies that have been described in historic material include Hyperion, Genie, Thea, Iceberg and Anth. Several of these, most notably Hyperion and Genie, have been drill tested and are interpreted by Galena to have intersected Abra style mineralisation.

# Galena Mining Limited

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## DIRECTOR'S REPORT

For the period ended 30 June 2017

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### Review of Operations (continued)

The **Jillawarra Project** (upon listing Galena to hold 100%) is a group of mineral tenements that host several prospects. The tenure lies to the west of and along strike and up-plunge of the sediments that host Abra. Previous explorers have utilised a combination of geophysics, geochemistry and performed limited drill testing. The principal prospects identified to date include Woodlands, Quartzite Well and Manganese Range. The magnetic geophysics that has been used by previous explorers to identify these prospects indicates the presence of very strong magnetic anomalies in comparison to Abra.

Upon the successful listing on ASX, the Company is putting programs in place to undertake exploration activities as set out in the Prospectus dated 12 May 2017.



Figure 1: September 2017 Camp established prior to drilling

### COMPETENT PERSONS' STATEMENTS

*The information in this report that relates to Exploration Results of the Company has been reviewed by Mr. Ed Turner, who is an employee of Galena Mining Limited and is a member of the Australasian Institute of Geoscientists and is bound by and follows the Institute's codes and recommended practices. Mr Ed Turner has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity to which he is undertaking to qualify as a Competent Person as defined in the VALMIN Code and in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Turner consents to the inclusion in this Prospectus of the matters based on his information in the form and context in which it appears.*

# Galena Mining Limited

ABN 63 616 317 778

## DIRECTOR'S REPORT

For the period ended 30 June 2017

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### Events after the Reporting Period

- On 12 July 2017 the Company appointed Mr Timothy Morrison as Non-Executive Director.
- On 30 August 2017 the Company issued the CEO 250,000 Options exercisable at \$0.40 on 30 June 2021.
- On 30 August 2017 the Company issued 17,500,000 shares to Bloomgold and finalised the acquisition of Abra.
- On 7 September 2017 the Company listed on the ASX and successfully raised \$6 million before costs by the issue of 30,000,000 shares at \$0.20 per share.

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.

### Information on Directors

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

#### **Mr Adrian Byass BSc Geol Hons, B. Econ, FSEG and MAIG Non-Executive Chairman (Appointed 7 December 2016)**

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

Mr Byass is the Managing Director of Plymouth Minerals Limited and is a non-executive director of Corazon Mining Limited and Fertoz Limited.

#### *Interest in Shares and Options*

- 2,220,000 fully paid ordinary shares
- 500,000 options exercisable at \$0.30 on 30/06/2020
- 1,000,000 options exercisable at \$0.40 on 30/06/2021

#### **Jonathan Downes BSc Geol, MAIG Non-Executive Director (Appointed 7 December 2016)**

Mr Downes has over 20 years' experience in the minerals industry and has worked in various geological and corporate capacities. Experienced with nickel, gold and base metals, he has also been intimately involved with numerous private and public capital raisings.

Mr Downes is on the board of several ASX-listed companies; he is a founding director of Moly Mines Limited, Siberia Mining Corporation Limited, Wolf Minerals Limited and Ironbark Zinc Limited and he is currently the managing director of Ironbark Zinc Limited and is a non-executive director of Corazon Mining Limited.

#### *Interest in Shares and Options*

- 2,632,590 fully paid ordinary shares
- 500,000 options exercisable at \$0.30 on 30/06/2020
- 1,000,000 options exercisable at \$0.40 on 30/06/2021

# Galena Mining Limited

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## DIRECTOR'S REPORT

For the period ended 30 June 2017

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### Information on Directors (continued)

#### **Oliver Cairns MSI**

#### **Non-Executive Director (Appointed 7 December 2016)**

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

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

#### *Interest in Shares and Options*

-2,082,000 fully paid ordinary shares

-500,000 options exercisable at \$0.30 on 30/06/2020

-1,000,000 options exercisable at \$0.40 on 30/06/2021

#### **Timothy Morrison**

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

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

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

#### *Interest in Shares and Options*

-16,450,000 fully paid ordinary shares (i)

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

### Information on Other Management

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

#### **Chief Executive Officer (Appointed 30 March 2017)**

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

Mr Turner is the former Exploration Manager for Abra from 2008-2011. The Directors consider that Mr Turner brings a wealth of experience in relation to the Abra Deposit, its exploration history and the ability to efficiently advance the Project.

# Galena Mining Limited

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## DIRECTOR'S REPORT

For the period ended 30 June 2017

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### Information on Other Management (continued)

#### Stephen Brockhurst BComm

Company Secretary (Appointed 7 December 2016)

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

Mr Brockhurst has served on the board and acted as Company Secretary for numerous ASX listed companies. He is currently a Director of Estrella Resources Limited, Roto-Gro International Limited and International Goldfields Limited and Company Secretary of Jacka Resources Limited, Lindian Resources Limited, Cabral Resources Limited, Raptor Resources Limited and Estrella Resources Limited.

### REMUNERATION REPORT (AUDITED)

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

#### Remuneration Philosophy

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

#### Remuneration policy

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

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

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

#### Non-Executive Directors Remuneration

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

Under the appointment letter Messrs. Byass, Downes and Cairns are also each entitled to be issued 500,000 options exercisable at \$0.30 on 30 June 2020 and 1,000,000 options exercisable at \$0.40 on 30 June 2021. The options were issued to Directors prior to the period end. The options were not issued with performance criteria.

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

# Galena Mining Limited

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## DIRECTOR'S REPORT

For the period ended 30 June 2017

### REMUNERATION REPORT (AUDITED)

#### Non-Executive Directors Remuneration (continued)

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

#### Other Executives Remuneration

Mr Edward Turner was appointed as Chief Executive Officer on 30 March 2017. His employment conditions are governed by an Executive Employment Agreement. The terms of agreement can be terminated by providing two (2) months written notice in case of the Company. Where the Company terminates the agreement, the Company will pay an amount equal to the remuneration equivalent of the balance of the notice period. Mr Turner is entitled to receive \$83,200 per annum (exclusive of statutory superannuation) for the equivalent of a 2-day per week roster or part thereof and an additional \$800 per day, commencing upon the official admission of the Company to the ASX, as per executive employment agreement dated 30 March 2017. Summary details of remuneration Key Management Personnel are provided in the table below. In addition, Mr Turner is also entitled to receive a bonus that will be the greater of a \$50,000 or the equivalent value of 100,000 fully paid ordinary shares in the Company based on a 5 day VWAP prior to the ASX release of a JORC Resource for the delivery of a 14Mt at 8% Pb JORC (Resource) within 2 years of Company listing on ASX.

Under the employment agreement and on the date on which the Company is reasonably satisfied that it is in a position to satisfy the conditions for admission to the official list of ASX, Mr Turner will be issued 250,000 options exercisable at \$0.30 expiring on 30 June 2020 and 250,000 options exercisable at \$0.40 expiring on 30 June 2021. The options were not issued with performance criteria.

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

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

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

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

# Galena Mining Limited

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## DIRECTOR'S REPORT

For the period ended 30 June 2017

### REMUNERATION REPORT (AUDITED)

#### Details of remuneration for the period ended 30 June 2017 (continued)

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

#### Options and Rights Over Equity Instruments Granted as Compensation

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

| Director/Key Management Personnel | Number Options Granted During Period | Grant Date | Fair Value per Option | Exercise Price per Option | Expiry Date | Number Options Vested During Period |
|-----------------------------------|--------------------------------------|------------|-----------------------|---------------------------|-------------|-------------------------------------|
| Adrian Byass                      | 500,000                              | 05-01-2017 | \$0.05293             | \$0.30                    | 30-06-2020  | 500,000                             |
| Adrian Byass                      | 1,000,000                            | 30-03-2017 | \$0.05931             | \$0.40                    | 30-06-2021  | 1,000,000                           |
| Jonathan Downes                   | 500,000                              | 05-01-2017 | \$0.05293             | \$0.30                    | 30-06-2020  | 500,000                             |
| Jonathan Downes                   | 1,000,000                            | 30-03-2017 | \$0.05931             | \$0.40                    | 30-06-2021  | 1,000,000                           |
| Oliver Cairns                     | 500,000                              | 05-01-2017 | \$0.05293             | \$0.30                    | 30-06-2020  | 500,000                             |
| Oliver Cairns                     | 1,000,000                            | 30-03-2017 | \$0.05931             | \$0.40                    | 30-06-2021  | 1,000,000                           |
| Edward Turner                     | 250,000                              | 30-03-2017 | \$0.05293             | \$0.30                    | 30-06-2020  | 250,000                             |

#### KMP Shareholdings

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

|                                 | Balance at beginning of period | Granted as remuneration during the period | Issued on exercise of options during the period | Other changes during the period | Balance at end of period |
|---------------------------------|--------------------------------|---|---|---------------------------------|--------------------------|
| <b>30 June 2017</b>             |                                |   |   |                                 |                          |
| Mr Adrian Byass                 | -                              | -   | -   | 1,400,000                       | 1,400,000                |
| Mr Jonathan Downes              | -                              | -   | -   | 1,500,000                       | 1,500,000                |
| Mr Oliver Cairns                | -                              | -   | -   | 600,000                         | 600,000                  |
| Mr Edward Turner <sup>(i)</sup> | -                              | -   | -   | -                               | -                        |
|                                 | -                              | -   | -   | 3,500,000                       | 3,500,000                |

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

# Galena Mining Limited

ABN 63 616 317 778

## DIRECTOR'S REPORT

For the period ended 30 June 2017

### REMUNERATION REPORT (AUDITED)

#### KMP Options Holdings

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

|                                 | Balance at beginning of period | Granted during the period | Exercised during the period | Other changes during the period | Balance at end of period | Vested during the period | Vested and exercisable | Vested and unexercisable |
|---------------------------------|--------------------------------|---------------------------|-----------------------------|---------------------------------|--------------------------|--------------------------|------------------------|--------------------------|
| <b>30 June 2017</b>             |                                |                           |                             |                                 |                          |                          |                        |                          |
| Mr Adrian Byass                 | -                              | 1,500,000                 | -                           | -                               | 1,500,000                | -                        | 1,500,000              | -                        |
| Mr Jonathan Downes              | -                              | 1,500,000                 | -                           | -                               | 1,500,000                | -                        | 1,500,000              | -                        |
| Mr Oliver Cairns                | -                              | 1,500,000                 | -                           | -                               | 1,500,000                | -                        | 1,500,000              | -                        |
| Mr Edward Turner <sup>(i)</sup> | -                              | 250,000                   | -                           | -                               | 250,000                  | -                        | 250,000                | -                        |
|                                 | -                              | 4,750,000                 | -                           | -                               | 4,750,000                | -                        | 4,750,000              | -                        |

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

#### End of Remuneration Report

#### Meeting of Directors

During the period, 2 director's meetings were held. Attendance by each director during the period were as follows:

|                    | Director's Meetings       |                              |
|--------------------|---------------------------|------------------------------|
|                    | Number eligible to attend | Director's meetings attended |
| Mr Adrian Byass    | 2                         | 2                            |
| Mr Jonathan Downes | 2                         | 2                            |
| Mr Oliver Cairns   | 2                         | 2                            |

#### Future Developments, Prospects and Business Strategies

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

#### Environmental Issues

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

**Galena Mining Limited**

**ABN 63 616 317 778**

**DIRECTOR'S REPORT**

**For the period ended 30 June 2017**

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**Proceedings on Behalf of the Company**

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

The Company was not a party to any such proceedings during the period.

**Indemnity and insurance of officers**

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

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

**Indemnity and insurance of auditors**

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

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

There were no non audit services provided by PKF Mack.

**Auditor's Independence Declaration**

Section 307C of the Corporations Act 2001 requires our auditors, PKF Mack, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is set out on page 13 and forms part of this Directors' Report for the year ending 30 June 2017.

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



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Adrian Byass  
Chairman

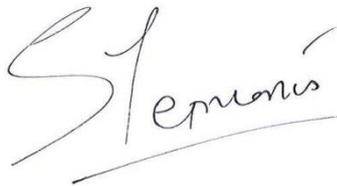
Dated this 28<sup>th</sup> day of September 2017

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

In relation to our audit of the financial report of Galena Mining Limited for the period ended 30 June 2017, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



PKF MACK



SIMON FERMANIS  
PARTNER

28 SEPTEMBER 2017  
WEST PERTH,  
WESTERN AUSTRALIA

**Galena Mining Limited**

**ABN 39 151 900 855**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD  
7 DECEMBER 2016 TO 30 JUNE 2017**

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|  | Note | 7 December 2016 to<br>30 June 2017<br>\$ |
|--|------|--|
| Revenue  |      | -  |
| <b>Expenses</b>                                      |      |  |
| Administration expenses                              |      | (66,045)                                 |
| Share based payments                                 | 13   | (323,074)                                |
| Initial public offering expenses                     |      | (191,967)                                |
| Pre-acquisition exploration & evaluation expenditure |      | (145,242)                                |
| <b>Loss before income tax expense</b>                |      | <u>(726,328)</u>                         |
| Income tax expense                                   | 2    | -  |
| <b>Loss after income tax for the year</b>            |      | <u>(726,328)</u>                         |
| <b>Other comprehensive income net of income tax</b>  |      | -  |
| <b>Total comprehensive loss for the year</b>         |      | <u><u>(726,328)</u></u>                  |
| <b>Loss Per Share</b>                                |      |  |
| Basic and diluted loss per share (cents per share)   | 3    | <u>(10.68)</u>                           |

The accompanying notes form part of these financial statements.

**Galena Mining Limited**  
**ABN 39 151 900 855**

**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017**

|                                  | Note | 2017<br>\$           |
|----------------------------------|------|----------------------|
| <b>ASSETS</b>                    |      |                      |
| <b>CURRENT ASSETS</b>            |      |                      |
| Cash and cash equivalents        | 4    | 70,261               |
| Trade and other receivables      | 5    | 6,787                |
| <b>TOTAL CURRENT ASSETS</b>      |      | <u><b>77,048</b></u> |
| <b>TOTAL ASSETS</b>              |      | <u><b>77,048</b></u> |
| <b>LIABILITIES</b>               |      |                      |
| <b>CURRENT LIABILITIES</b>       |      |                      |
| Trade and other payables         | 6    | 26,702               |
| <b>TOTAL CURRENT LIABILITIES</b> |      | <u><b>26,702</b></u> |
| <b>TOTAL LIABILITIES</b>         |      | <u><b>26,702</b></u> |
| <b>NET ASSETS</b>                |      | <u><b>50,346</b></u> |
| <b>EQUITY</b>                    |      |                      |
| Issued capital                   | 7    | 453,600              |
| Share based payment reserve      | 8    | 323,074              |
| Accumulated losses               |      | (726,328)            |
| <b>TOTAL EQUITY</b>              |      | <u><b>50,346</b></u> |

The accompanying notes form part of these financial statements.

**Galena Mining Limited**  
**ABN 63 616 317 778**

**STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 7 DECEMBER 2016 TO 30 JUNE 2017**

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

The accompanying notes form part of these financial statements.

**Galena Mining Limited**  
**ABN 39 151 900 855**

**STATEMENT OF CASH FLOWS FOR THE PERIOD 7 DECEMBER 2016 TO 30 JUNE 2017**

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|   | <b>Note</b> | <b>7 December 2016 to<br/>30 June 2017<br/>\$</b> |
|---|-------------|---|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                       |             |   |
| Payments to suppliers and employees                               |             | (179,265)   |
| Exploration and evaluation expenditure (pre-acquisition costs)    |             | (152,532)   |
| <b>Net cash (used in) operating activities</b>                    | <b>10</b>   | <b>(331,797)</b>                                  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                       |             |   |
| Proceeds from issue of shares                                     |             | 453,600   |
| Payment of transaction costs associated with public offering      |             | (51,542)  |
| <b>Net cash provided by financing activities</b>                  |             | <b>402,058</b>                                    |
| Net increase in cash held   |             | 70,261  |
| <b>Cash and cash equivalents at beginning of financial period</b> |             | <b>-</b>  |
| <b>Cash and cash equivalents at end of financial period</b>       | <b>4</b>    | <b>70,261</b>                                     |

The accompanying notes form part of these financial statements.

# Galena Mining Limited

ABN 63 616 317 778

## NOTES TO THE FINANCIAL STATEMENTS

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### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements and notes represent those of Galena Mining Limited (the "Company"). Galena Mining is a public company, incorporated and domiciled in Australia.

The financial statements were authorised for issue on 28<sup>th</sup> September 2017 by the directors of the Company. The directors have the power to amend and reissue the financial statements.

#### **Basis of Preparation**

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

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

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

#### *Comparatives*

Galena Mining Limited was incorporated on 7 December 2016 and this is the Company's first financial report since incorporation. As a result, there are no comparatives to include in the 30 June 2017 financial report.

#### **Accounting Policies**

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

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

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

The Company incurred a loss for the period of \$726,328 and net cash outflows from operating activities of \$331,797. These conditions indicate a material uncertainty that may cast significant doubt about the ability of the Company to continue as a going concern.

Subsequent to period end, the Company raised \$6 million before costs upon admission to the ASX. In addition, the directors have prepared a cash flow forecast, which indicates that the Company will have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this financial report.

Based on the cash flow forecasts and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate.

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

# Galena Mining Limited

ABN 63 616 317 778

## NOTES TO THE FINANCIAL STATEMENTS

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### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### b) Operating Segments

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

#### c) Foreign Currency Translation

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

#### d) Income Tax

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

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

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

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

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

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

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

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

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

# Galena Mining Limited

ABN 63 616 317 778

## NOTES TO THE FINANCIAL STATEMENTS

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### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

#### f) Exploration and Evaluation Expenditure

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

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

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

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one period of abandoning the site.

#### g) Financial Instruments

##### Recognition and Initial Measurement

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

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

##### Classification and Subsequent Measurement

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

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

# Galena Mining Limited

ABN 63 616 317 778

## NOTES TO THE FINANCIAL STATEMENTS

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### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### g) Financial Instruments (continued)

##### Classification and Subsequent Measurement

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

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

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

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

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

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

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

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

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

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

#### h) Financial Instruments

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

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

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

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

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

# Galena Mining Limited

ABN 63 616 317 778

## NOTES TO THE FINANCIAL STATEMENTS

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### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### h) Financial Instruments (continued)

##### (v) Financial Liabilities

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

##### i) Impairment of Assets

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

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

##### j) Employee Benefits

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

##### k) Equity-settled compensation

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

##### l) Fair Value Measurement

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

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

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

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

# Galena Mining Limited

ABN 63 616 317 778

## NOTES TO THE FINANCIAL STATEMENTS

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### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### m) Issued Capital

Ordinary shares are classified as equity.

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

#### n) Earnings per share

##### *Basic earnings per share*

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

##### *Diluted earnings per share*

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

#### o) Provisions

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

#### p) Cash and Cash Equivalents

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

#### q) Revenue

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

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

#### r) Borrowing Costs

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

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

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

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

#### t) Critical Accounting Estimates and Judgments

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

**Galena Mining Limited**

**ABN 63 616 317 778**

**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

**t) Critical Accounting Estimates and Judgments (continued)**

***Exploration and Evaluation Expenditure***

Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current. These costs are carried forward in respect of an area that has not at balance date reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, refer to the accounting policy stated in note 1(d). Costs incurred in relation to the Abra Project have been expensed during the period and will continue to be expensed until the acquisition of Abra is complete.

***Share based payment transactions***

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Significant judgement may be required in determining the valuation technique adopted. The fair value of the options issued in the current period are determined by an internal valuation using a Black-Scholes option pricing model, using the assumptions detailed in note 13. The assumptions detailed in this note are also judgemental.

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

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

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

In the year ended 30 June 2017, the Company has reviewed all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period.

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

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

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the company for the annual reporting period ended 30 June 2017. The company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the company, is set out below.

***AASB 9 Financial Instruments***

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

# Galena Mining Limited

ABN 63 616 317 778

## NOTES TO THE FINANCIAL STATEMENTS

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### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

##### *AASB 16 Leases*

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

# Galena Mining Limited

ABN 63 616 317 778

## NOTES TO THE FINANCIAL STATEMENTS

|   | 2017<br>\$ |
|---|------------|
| <b>NOTE 2: INCOME TAX EXPENSE</b>   |            |
| <b>a. Recognised in the income statement:</b>                                       |            |
| Current tax   | -          |
| Deferred tax  | -          |
| Income tax as reported in the statement of comprehensive income                     | -          |
| <b>b. Reconciliation of income tax expense to prima facie tax payable:</b>          |            |
| Loss from ordinary activities before income tax expense                             | (726,328)  |
| Prima facie tax benefit on loss from ordinary activities before income tax at 27.5% | (199,740)  |
| Increase in income tax due to:  |            |
| - Non-deductible expenses   | 89,758     |
| - Changes in unrecognised temporary differences                                     | 42,232     |
| - Unused tax losses not recognised  | 67,750     |
| Income tax attributable to operating loss   | -          |
| The following deferred tax balances have not been recognised:                       |            |
| <b>c. Deferred tax assets not recognised</b>  |            |
| Carry forward revenue losses  | 67,750     |
| Accruals  | 2,338      |
| Capital raising costs   | 42,232     |
| Net deferred tax asset  | 112,320    |

Potential deferred tax assets attributable to tax losses and other temporary differences have not been brought to account at 30 June 2017 because the directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will only be obtained if:

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

**Galena Mining Limited**

**ABN 63 616 317 778**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 3: EARNINGS PER SHARE**

|  | <b>Cents per share</b> |
|--|------------------------|
| Basic and diluted loss per share   |                        |
| The loss and weighted average number of ordinary shares used in this calculation of basic and diluted loss per share are as follows: | <u>(10.68)</u>         |
|  | <b>\$</b>              |
| Loss   | (726,328)              |
|  | <b>Number</b>          |
| Weighted average number of ordinary shares for the purposes of basic and diluted loss per share                                      | 6,801,220              |

As the Company is in a loss position the options outstanding at 30 June 2017 have no dilutive effects on the earnings per share calculation.

**2017**  
**\$**

**NOTE 4: CASH AND CASH EQUIVALENTS**

|  |                      |
|--|----------------------|
| Cash at bank   | <u><u>70,261</u></u> |
| <i>Reconciliation to cash and cash equivalents at the end of the financial year</i>  |                      |
| The above figure is reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows: |                      |
| Balance as above   | <u>70,261</u>        |
| Balance as per statement of cash flows   | <u>70,261</u>        |

**NOTE 5: TRADE AND OTHER RECEIVABLES**

**Current**

|                |                     |
|----------------|---------------------|
| GST receivable | <u><u>6,787</u></u> |
|----------------|---------------------|

**NOTE 6: TRADE AND OTHER PAYABLES**

**Current**

|                                      |                      |
|--------------------------------------|----------------------|
| Sundry payables and accrued expenses | <u><u>26,702</u></u> |
|--------------------------------------|----------------------|

Trade creditors are expected to be paid on 30 day terms.

**Galena Mining Limited**

**ABN 63 616 317 778**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 7: ISSUED CAPITAL**

|   | <b>2017</b>      | <b>2017</b>    |
|---|------------------|----------------|
|   | <b>No.</b>       | <b>\$</b>      |
| <b>Movement in ordinary shares</b>                      |                  |                |
| <b>Balance at beginning of period</b>                   | -                | -              |
| Incorporation/promoter shares issued on 7 December 2016 | 3,600,000        | 3,600          |
| Seed shares issued on 5 January 2017                    | 1,500,000        | 150,000        |
| Seed shares issued on 14 February 2017                  | 2,750,000        | 275,000        |
| Seed shares issued on 18 April 2017                     | 250,000          | 25,000         |
| <b>Balance at reporting date</b>                        | <b>8,100,000</b> | <b>453,600</b> |

**Terms and conditions of issued capital**

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

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

**Capital risk management**

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

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

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

|                             | <b>2017</b>   |
|-----------------------------|---------------|
|                             | <b>\$</b>     |
| Cash and cash equivalents   | 70,261        |
| Trade and other receivables | 6,787         |
| Trade and other payables    | (26,702)      |
| Working capital position    | <u>50,346</u> |

**Galena Mining Limited**

**ABN 63 616 317 778**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 8: SHARE BASED PAYMENT RESERVE**

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

A summary of the movements of all company options issued is as follows:

|  | <b>Number</b>    | <b>Weighted Average<br/>Exercise Price (\$)</b> |
|--|------------------|---|
| <b>Options outstanding as at 7 December 2016</b> | -                | -   |
| Issued   | 5,700,000        | 0.36  |
| Forfeited  | -                | -   |
| Exercised  | -                | -   |
| Expired  | -                | -   |
| <b>Options outstanding as at 30 June 2017</b>    | <u>5,700,000</u> | <u>0.36</u>                                     |
| <b>Options exercisable as at 30 June 2017</b>    | 5,700,000        | 0.36  |

The 5,450,000 unlisted options issued to directors and consultants are subject to an escrow period of 24 months from date of ASX listing.

The 250,000 unlisted options issued to Chief Executive Officer are subject to an escrow period of 12 months from date of issue, being 30 March 2017.

The weighted average remaining contractual life of options outstanding at the end of financial year was 3.6 years. See note 13 for valuation technique, assumptions and inputs.

|   | <b>2017</b>   |
|---|---------------|
|   | <b>\$</b>     |
| <b>NOTE 9: AUDITORS' REMUNERATION</b>                 |               |
| Remuneration of the auditor of the parent entity for: |               |
| — Investigating accountants report                    | 22,500        |
| — auditing or reviewing the financial report          | 14,100        |
|   | <u>36,600</u> |

**Galena Mining Limited**

**ABN 63 616 317 778**

**NOTES TO THE FINANCIAL STATEMENTS**

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|  | <b>2017</b>             |
|--|-------------------------|
|  | <b>\$</b>               |
| <b>NOTE 10: CASHFLOW INFORMATION</b>   |                         |
| <b>a. Reconciliation of Cash Flow from Operations with Loss after Income Tax</b>   |                         |
| Loss after income tax  | (726,328)               |
| <u>Non-cash flows in loss</u>  |                         |
| Share Based Payments   | 323,074                 |
|  | <hr/>                   |
|  | (403,254)               |
| Changes in assets and liabilities;   |                         |
| (Increase)/decrease in trade and other receivables   | (6,787)                 |
| Increase/(decrease) in trade payables and accruals   | 78,244                  |
|  | <hr/>                   |
| Cashflow from operating activities   | <u><u>(331,797)</u></u> |
| <b>b. Non-cash Financing and Investing Activities</b>  |                         |
| - 4,750,000 Options issued during the financial year as per employment agreement between Galena Mining Limited and Messrs. Byass, Downes, Cairns and Turner. |                         |
| - 950,000 Options issued to Promoters.   |                         |

**NOTE 11: TRANSACTIONS WITH RELATED ENTITIES**

**Key Management Personnel**

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

|   | <b>2017</b>           |
|---|-----------------------|
|   | <b>\$</b>             |
| Short-term employment benefits            | -                     |
| Post-employment benefits                  | -                     |
| Other long-term benefits                  | -                     |
| Termination benefits                      | -                     |
| Share based payments                      | 270,557               |
|   | <hr/>                 |
| Total Remuneration paid or due to be paid | <u><u>270,557</u></u> |

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

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

# Galena Mining Limited

ABN 63 616 317 778

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 12: EVENTS AFTER REPORTING PERIOD

- On 12 July 2017 the Company appointed Mr Timothy Morrison as Non-Executive Director.
- On 30 August 2017 the Company issued the CEO 250,000 Options exercisable at \$0.40 on 30 June 2021.
- On 30 August 2017 the Company issued 17,500,000 shares to Bloomgold and finalised the Abra acquisition.
- On 7 September 2017 the Company listed on the ASX and successfully raised \$6 million before costs by the issue of 30,000,000 shares at \$0.20 per share

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 13: SHARE BASED PAYMENTS

| Grant Date/entitlement   | Number of Instruments | Grant Date | Fair value per instrument \$ | Value \$       |
|--|-----------------------|------------|------------------------------|----------------|
| Unlisted Options issued on 5 January 2017 as per employment agreement exercisable at \$0.30 on or before 30 June 2020* (Tranche 1) | 1,500,000             | 05/01/2017 | 0.05293                      | 79,395         |
| Unlisted Options issued on 5 January 2017 to Promoters agreement exercisable at \$0.30 on or before 30 June 2020* (Tranche 1)      | 600,000               | 05/01/2017 | 0.05293                      | 31,758         |
| Unlisted Options issued on 30 March 2017 as per employment agreement exercisable at \$0.30 on or before 30 June 2020* (Tranche 1)  | 250,000               | 30/03/2017 | 0.05293                      | 13,232         |
| Unlisted Options issued on 30 March 2017 as per employment agreement exercisable at \$0.40 on or before 30 June 2021** (Tranche 2) | 3,000,000             | 30/03/2017 | 0.05931                      | 177,930        |
| Unlisted Options issued on 30 March 2017 to Promoters agreement exercisable at \$0.40 on or before 30 June 2021** (Tranche 2)      | 350,000               | 30/01/2017 | 0.05931                      | 20,759         |
|  |                       |            | <b>TOTAL</b>                 | <b>323,074</b> |

## Galena Mining Limited

ABN 63 616 317 778

### NOTES TO THE FINANCIAL STATEMENTS

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**NOTE 13: SHARE BASED PAYMENTS (continued)**

\*2,350,000 unlisted Options issued as part of employment agreement and to Promoters have been calculated using Black-Scholes option pricing model with the following inputs:

|   | <b>Tranche 1<br/>Options Granted</b> |
|---|--------------------------------------|
| Expected volatility (%)                           | 120                                  |
| Risk free interest rate (%)                       | 1.80                                 |
| Weighted average expected life of options (years) | 3                                    |
| Expected dividends                                | Nil                                  |
| Option exercise price (\$)                        | 0.30                                 |
| Share price at grant date (\$)                    | 0.10                                 |
| Fair value of option (\$)                         | 0.05293                              |
| Number of options                                 | 2,350,000                            |
| Expiry date                                       | 30 June 2020                         |

\*\*3,350,000 unlisted Options issued as part of employment agreement and to Promoters have been calculated using Black-Scholes option pricing model with the following inputs:

|   | <b>Tranche 2<br/>Options Granted</b> |
|---|--------------------------------------|
| Expected volatility (%)                           | 120                                  |
| Risk free interest rate (%)                       | 1.80                                 |
| Weighted average expected life of options (years) | 4                                    |
| Expected dividends                                | Nil                                  |
| Option exercise price (\$)                        | 0.40                                 |
| Share price at grant date (\$)                    | 0.10                                 |
| Fair value of option (\$)                         | 0.05931                              |
| Number of options                                 | 3,350,000                            |
| Expiry date                                       | 30 June 2021                         |

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

**NOTE 14: CONTINGENT ASSETS AND LIABILITIES**

In the opinion of the directors there were no contingent assets or liabilities as at 30 June 2017.

**NOTE 15: CAPITAL AND OTHER COMMITMENTS**

During the period, the Company entered into a Share Sale Agreement with Bloomgold Resources Pty Ltd ("Bloomgold") and Abra Mining Pty Ltd ("Abra") to acquire 100% of the issued capital of Abra. As part of the completion of the transaction, it is required that the Company be admitted to the official listing on ASX. While the listing process was ongoing, the Company has agreed to fund all the exploration activities of Abra, for which there is minimum annual commitments totalling \$591,000. The Company was admitted to the official ASX listing on 7 September 2017.

The consideration payable by the Company to acquire Abra is 17,500,000 shares in the Company. The Company issued the consideration shares on 30 August 2017.

In the opinion of directors, there were no further capital or other commitments as at 30 June 2017.

## Galena Mining Limited

ABN 63 616 317 778

### NOTES TO THE FINANCIAL STATEMENTS

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#### **NOTE 16: OPERATING SEGMENTS**

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

#### **NOTE 17: FINANCIAL RISK MANAGEMENT**

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

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

##### ***Credit risk***

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

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

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

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

##### ***Liquidity risk***

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

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

**Galena Mining Limited**

**ABN 63 616 317 778**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 17: FINANCIAL RISK MANAGEMENT**

***Liquidity risk (continued)***

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

**Financial liability and financial asset maturity analysis**

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

***Market Risk***

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

***Interest rate risk***

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

***Interest rate sensitivity analysis***

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

| Year ended 30 June 2017 | Profit<br>\$ | Equity<br>\$ |
|-------------------------|--------------|--------------|
| +/- 1% interest rate    | +/- 703      | +/- 703      |

**Fair value of financial instruments**

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

There has been no comparative for the prior year as the Company was incorporated on 7 December 2016.

**Galena Mining Limited**

**ABN 63 616 317 778**

**DIRECTOR'S DECLARATION**

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

1. the financial statements, notes and the remuneration report in the Directors' Report are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position of the company as at 30 June 2017 and of its performance, for the period ended on that date; and
  - (ii) complying with Australian Accounting Standards (including International Financial Reporting Standards) and the Corporations Regulations 2001;
2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

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

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



Adrian Byass  
Chairman

Perth, 28 September 2017

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

### Report on the Financial Report

#### Opinion

We have audited the accompanying financial report of Galena Mining Limited (the company), which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the period 7 December 2016 to 30 June 2017 ("period"), notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company.

In our opinion:

- a) The financial report of Galena Mining Limited is in accordance with the Corporations Act 2001, including:
  - i) Giving a true and fair view of the company's financial position as at 30 June 2017 and of its performance for the period ended on that date; and
  - ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

#### Basis for Opinion

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

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

#### Independence

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

#### Key Audit Matter

The key audit matter in our professional judgement, is of most significance to our audit of the financial report of the current period. This matter was addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. For the matter below, our description of how our audit addressed the matter is provided in that context.

## Share based payment

### Why significant

During the period ended 30 June 2017 the recognised value of share based payments issued totalled \$323,074 as disclosed in Note 13. The valuation of share based payments is highly judgemental.

A description of the judgement and estimates pertaining to share based payment transactions is outlined in Note 1 (t). Significant judgement is required in relation to:

- The valuation technique; and
- The assumptions and inputs used within the model.

### How our audit addressed the key audit matter

Our work included the following procedures:

- Obtaining management's valuation model and
  - Assessing reasonableness of the inputs utilised including strike price, share price at grant date, interest rate and dividend yield;
  - Considering the expiry term;
  - Performing recalculation on volatility adopted by management;
  - Comparing industry volatility averages; and
  - Performing valuation recalculation of vesting expense.
- Reviewing minutes of directors meetings, registers of members and securities holdings and enquiring of management to ensure all share based payments had been recognised;
- Assessed the appropriateness of the related disclosures in Note 1 (t) and Note 13.

## Other Information

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

The Other Information we obtained prior to the date of this Auditor's Report was the Director's Report, Shareholder Information, Schedule of Exploration Tenements and Additional Information for Public Listed Companies. The remaining Other Information, if any is expected to be made available to us after the date of the Auditor's Report.

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

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

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

## Directors' Responsibilities for the Financial Report

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the period ended 30 June 2017.

### Opinion

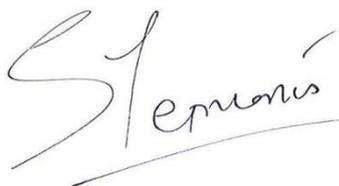
In our opinion, the Remuneration Report of Galena Mining Limited for the period ended 30 June 2017, complies with section 300A of the Corporations Act 2001.

### Responsibilities

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



PKF MACK



SIMON FERMANIS  
PARTNER

28 SEPTEMBER 2017  
WEST PERTH,  
WESTERN AUSTRALIA

**Galena Mining Limited**

**ABN 63 616 317 778**

**SCHEDULE OF EXPLORATION TENEMENTS**

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**AS AT 7 SEPTEMBER 2017**

| <b><i>Project</i></b> | <b><i>Tenement</i></b> | <b><i>Interest held by<br/>Galena Mining Limited</i></b> |
|-----------------------|------------------------|--|
| Jillawarra Project    | E52/1413               | 100%   |
| Mulgul Project        | E52/1455               | 100%   |
| Jillawarra Project    | E52/1971               | 100%   |
| Mulgul Project        | E52/2185               | 100%   |
| Camp                  | G52/0286               | 100%   |
| Camp                  | L52/0121               | 100%   |
| Mulgul Project        | M52/0776               | 100%   |

# Galena Mining Limited

ABN 39 151 900 855

## SHAREHOLDER INFORMATION

The following additional information is required by the Australian Securities Exchange Ltd in respect of listed public companies only. The information is current as at 31 August 2017.

### 1. Shareholding

#### a. Distribution of Shareholders

##### (i) Ordinary share capital

- 55,600,000 fully paid shares held by 391 shareholders. All issued ordinary share carry one vote per share and carry the rights to dividends.

| Category (size of holding) | Class of Equity Security |                            |
|----------------------------|--------------------------|----------------------------|
|                            | Number of Holders        | Fully Paid Ordinary Shares |
| 1 - 1,000                  | -                        | -                          |
| 1,001 – 5,000              | -                        | -                          |
| 5,001 – 10,000             | 142                      | 1,420,000                  |
| 10,001 – 100,000           | 164                      | 7,269,290                  |
| 100,001 – and over         | 85                       | 46,910,710                 |
|                            | <u>391</u>               | <u>55,600,000</u>          |

b. The number of shareholdings held in less than marketable parcels is 12.

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

#### **Fully Paid Ordinary Shares**

| Holder                      | Number     | %     |
|-----------------------------|------------|-------|
| Bloomgold Resources Pty Ltd | 16,450,000 | 29.59 |

#### **Unlisted Options exercisable at \$0.40 on 30 June 2021**

| Holder                            | Number    | %     |
|-----------------------------------|-----------|-------|
| Valiant Equity Management Pty Ltd | 1,000,000 | 27.78 |
| Kiandra Nominees Pty Ltd          | 1,000,000 | 27.78 |
| Silverlight Holdings Pty Ltd      | 1,000,000 | 27.78 |

#### d. Voting Rights

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

Ordinary shares

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

**Galena Mining Limited**  
**ABN 63 616 317 778**

**SHAREHOLDER INFORMATION**

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

|     | <b>Name</b>                                     | <b>Number Held</b> | <b>Percentage %</b> |
|-----|---|--------------------|---------------------|
| 1.  | Bloomgold Resources Pty Ltd                     | 16,450,000         | 29.59               |
| 2.  | Silverlight Holdings Pty Ltd                    | 1,650,000          | 2.97                |
| 3.  | Kiandra Nominees Pty Ltd                        | 1,500,000          | 2.70                |
| 4.  | National Nominees Ltd <DB A/C>                  | 1,475,000          | 2.65                |
| 5.  | Morgan Stanley Aust Sec <No 1 A/C>              | 1,450,000          | 2.61                |
| 6.  | Valiant Equity Management Pty Ltd               | 1,400,000          | 2.52                |
| 7.  | A22 Pty Ltd                                     | 1,175,000          | 2.11                |
| 8.  | Jetosea Pty Ltd                                 | 1,125,000          | 2.02                |
| 9.  | Lido Trading Ltd                                | 1,099,910          | 1.98                |
| 10. | Pershing Australia Nominees Pty Ltd <Accum A/C> | 885,000            | 1.59                |
| 11. | McMahon Nicholas <McMahon Family A/C>           | 700,000            | 1.26                |
| 12. | HSBC Custody Nominees Aust Ltd                  | 625,000            | 1.12                |
| 13. | Lake Springs Pty Ltd <Lake Springs S/F A/C>     | 525,000            | 0.94                |
| 14. | Kiandra Nominees PL                             | 500,000            | 0.90                |
| 15. | Merrill Lynch Aust                              | 500,000            | 0.90                |
| 16. | Gurravembi Inv PL                               | 500,000            | 0.90                |
| 17. | Wissemann Arnold                                | 500,000            | 0.90                |
| 18. | CS Third Nom PL <HSBC Cust Nom Aus Ltd)         | 450,000            | 0.81                |
| 19. | BNP Paribas Nom PL <Global Prime Omni>          | 450,000            | 0.81                |
| 20. | Primston PL                                     | 427,500            | 0.77                |
|     |   | <b>33,387,410</b>  | <b>60.05</b>        |

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

# Galena Mining Limited

ABN 39 151 900 855

## SHAREHOLDER INFORMATION

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### 6. Restricted Securities

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

- 21,100,000 fully paid ordinary shares escrowed for 24 months from 30 August 2017;
- 750,000 fully paid ordinary shares escrowed for 12 months from 5 January 2017;
- 1,375,000 fully paid ordinary shares escrowed for 12 months from 14 February 2017;
- 125,000 fully paid ordinary shares escrowed for 12 months from 18 April 2017;
- 2,100,000 unlisted options exercisable at \$0.30 on or before 30 June 2020 held in escrow for 24 months from 7 September 2017;
- 3,350,000 unlisted options exercisable at \$0.40 on or before 30 June 2021 held in escrow for 24 months from 7 September 2017;
- 250,000 unlisted options exercisable at \$0.30 on or before 30 June 2020 held in escrow for 12 months from 30 March 2017;
- 250,000 unlisted options exercisable at \$0.40 on or before 30 June 2021 held in escrow for 12 months from 30 August 2017.

### 7. Unquoted Securities

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

- 2,350,000 options exercisable at \$0.30 on or before 30 June 2020
- 3,600,000 options exercisable at \$0.40 on or before 30 June 2021

## Galena Mining Limited

ABN 63 616 317 778

### ADDITIONAL INFORMATION FOR PUBLIC LISTED COMPANIES

#### Use of Funds

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

#### Schedule of Mining Tenements

| Tenement | Project    | Location | Registered holder     | % Interest |
|----------|------------|----------|-----------------------|------------|
| E52/1413 | Jillawarra | WA       | Galena Mining Limited | 100%       |
| E52/1455 | Mulugul    | WA       | Galena Mining Limited | 100%       |
| E52/1971 | Jillawarra | WA       | Galena Mining Limited | 100%       |
| E52/2185 | Mulugul    | WA       | Galena Mining Limited | 100%       |
| G52/0286 | Camp       | WA       | Galena Mining Limited | 100%       |
| L52/0121 | Camp       | WA       | Galena Mining Limited | 100%       |
| M52/0776 | Mulugul    | WA       | Galena Mining Limited | 100%       |

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