

Galena Mining Ltd

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Galena Mining on track for initial production at Abra Base Metals Project in 2021

Galena Mining Ltd (ASX:G1A) has started construction of its Abra Base Metals project with the aim of being up and running for initial production in 2021.

During the December quarter the first stage of the permanent camp, water supply and water treatment facility work was largely completed as well as topsoil clearing and storage, ground preparation at the permanent camp site and various site and access roadworks.

Resource upgrade

Galena also reported an upgraded JORC-compliant indicated and inferred mineral resource estimate for Abra of 41.1 million tonnes at 7.3% lead and 18 g/t silver at a 5.0% lead cut-off.

This represents an 8% increase in contained lead and 10% increase in contained silver in comparison to the December 2018 resource.

The higher category indicated portion of the resource now sits at 16.7 million tonnes at 8.5% lead and 24 g/t silver.

Toho transaction

Prior to the quarter, Galena executed definitive agreements with Toho setting out the terms for Toho's investment of \$90 million in three tranches for a 40% ownership interest in Galena's subsidiary, AMPL.

This included a tranching payment of \$20 million paid on initial closing of the transaction for 8.89% of AMPL.

Once Galena issues the DFS for Abra a further \$10 million will be paid for an additional 4.44% of AMPL, with \$60 million paid once project financing debt for the project has been confirmed for a further 26.67%.

Under the terms Galena and Toho will each have the right to enter into offtake agreements with AMPL to purchase their respective share of AMPL's high-grade high-value lead-silver concentrate on arms-length, benchmark terms.

Offtake agreements

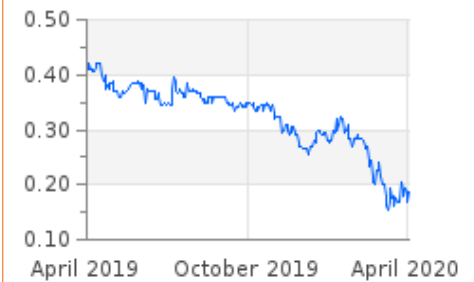
Galena concluded an offtake agreement with IXM SA, a Swiss metal commodity trading company, to sell 65,000 tonnes per year of Abra lead-silver concentrates for 10-years from the start of production at the project.

Galena and IXM have also agreed to indicative terms for a US\$12 million financing facility to be available in two tranches of US\$6 million each during project construction and ramp-up.

Price: 0.185

Market Cap: \$71.33 m

1 Year Share Price Graph



Share Information

Code: G1A

Listing: ASX

52 week High Low
0.43 0.15

Sector: General mining & base metals

Website: www.galenamining.com.au

Company Synopsis:

Galena Mining Ltd (ASX:G1A) is listed on the Australian Securities Exchange.

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While not a part of the Abra debt facilities being arranged, it will provide an additional source of funding for Galena to draw as an option in the event it, or AMPL, have additional liquidity requirements during critical phases of Abra's development.

Financial outlook

At the end of the quarter, the company and its subsidiaries had approximately \$27.5 million in cash.

An historical 1.125% vendor royalty on Abra was cancelled which reduced historical and non-government royalty equivalent payments from 3.5% to 2.375%.

AMPL is continuing detailed discussions with a shortlisted group of banks to finalise credit approvals.

Next steps

For the upcoming year Galena is focused on the conclusion of project financing debt, commencing the box-cut, a full construction decision and execution of plant EPC contract and mobilisation of the underground mining contractor.

Initial production is expected in 2021 with the first full-year of steady-state commercial production in 2022.

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