

## MINING FLASHNOTE

# Galena Mining Limited (ASX G1A)

30 July 2020

### Stock Data

Share Price:	A\$0.255
Market Cap (M):	A\$117.39
EV (M):	A\$118.07

### Price Chart



### 52 Week Range

A\$0.385	A\$0.255
A\$0.15	

### Company Summary

Galena Mining is focusing on bringing its 60% owned Abra lead-silver mine into production in late 2022.

### MAIN SHAREHOLDERS HOLDING

Bloomberg Res PL	17.18%
Roberts Timothy Andrew	14.37%
Warburton Por PTY	7.88%
UBS AG	7.72%

Source: Galena Mining

### Peter Rose

Tel: +44 (0)20 3463 5034

Peter.Rose@brandonhillcapital.com

www.brandonhillcapital.com

## Galena Mining announces US\$110M Debt Facility for the Abra Project

### The Event

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

### Highlights

The key points of this loan agreement are:

- Total loan facility of US\$110M
- Fixed interest of 8% pa on drawn amounts payable quarterly in arrears
- Arrangement fee of 2.5% and commitment fee of 2% on undrawn amounts
- No mandatory hedging
- Early repayments allowed without penalty
- US\$30M drawable until the previously announced infill drilling is complete. The remainder will be drawable once the infill drilling is incorporated into the cash flow model and the model continues forecast compliance with lock up financial ratios.
- In consideration of the Taurus Debt facilities, AMPL proposes to issue the lender a royalty of 1.125% of net smelter returns.

### Comment

Assuming that Galena meets the terms and conditions applying to the Taurus loan, they are fully funded, which is an excellent position to be in. The key issue is the infill drilling. This will be a material de-risking the orebody. At the moment the resources are a mix of Indicated and Inferred and the drill pattern is essentially 40m by 40m going up to 50m by 50m. During the feasibility study, the Indicated resources were upgraded to probable ore reserves. However, there are no measures resources, which would have upgraded to proven ore reserves. The planned infill drilling is expected to resolve this, certainly for the first few years on mine life.

One drill rig will be on site next week, with an additional two rigs to follow. By the time the necessary holes have been drilled, assayed and the mine plans etc re-run, BHC anticipates that this will be close to Christmas. Some long lead items can be ordered and it is probable that a start will be made on the decline, but the timing of the commencement of production in our model will slip by at least 6 months.

Following the A\$12M raising earlier in July, combined with additional money from Toho and the allowed drawdown from Taurus, Galena are well funded for this infill drilling.

## Research Disclosures

### **Peter Rose**

Peter has 34 years' experience in equities as a resources analyst; he has been at Brandon Hill Capital for 13 years, after having spent 11 years with Deutsche Bank in Australia. Prior to this he spent 2 years with Prudential Bache and 6 years with James Capel. Peter's industry experience includes 16 years as a metallurgist, 3 years with De Beers in South Africa and 9 years in the uranium industry, six of which were spent at the Ranger Uranium mine. Peter holds a BSc degree in Applied Mineral Science from Leeds University UK and a Bachelor of Commerce from the University of South Africa. Peter is also a member of the Institute of Materials, Mining & Metallurgy and a chartered engineer.

**Tel: +44 (0)20 3463 5034**

**Peter.Rose@brandonhillcapital.com**

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Research disclosure as of 30 July 2020

Company Name	Disclosure
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## Brandon Hill Contact List

### International Sales

**Oliver Stansfield**

Tel: +44 20 3463 5061

Email: [oliver.stansfield@brandonhillcapital.com](mailto:oliver.stansfield@brandonhillcapital.com)

### Corporate Finance & Broking

**Jonathan Evans**

Tel: +44 20 3463 5016

Email: [jonathan.evans@brandonhillcapital.com](mailto:jonathan.evans@brandonhillcapital.com)

**Wei Jiao**

Tel: +44 20 3463 5019

Email: [wei.jiao@brandonhillcapital.com](mailto:wei.jiao@brandonhillcapital.com)

### Research

**Peter Rose**

Tel: +44 20 3463 5034

Email: [peter.rose@brandonhillcapital.com](mailto:peter.rose@brandonhillcapital.com)

**Enzo Aliaj**

Tel: +44 20 3463 5026

Email: [enzo.aliaj@brandonhillcapital.com](mailto:enzo.aliaj@brandonhillcapital.com)