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GALAN
LITHIUM LIMITED

AND CONTROLLED ENTITIES

ABN 87 149 349 646

Financial Report

Half Year ended 31 December 2019

DIRECTORS

Richard Homsany (Non-Executive Chairman)
Juan Pablo ('JP') Vargas de la Vega (Managing Director)
Terry Gardiner (Non-Executive Director)
Chris Chalwell (Non-Executive Director)
Daniel Jimenez (Non-Executive Director)
Jinyu (Raymond) Liu (Non-Executive Director)

COMPANY SECRETARY

Mike Robbins

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

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AUDITORS

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PERTH WA 6000

SHARE REGISTRY

Advanced Share Registry Limited
110 Stirling Highway
Nedlands WA 6009

STOCK EXCHANGE LISTING

The Company is listed on the Australian Securities Exchange Limited.
Home Exchange: Perth

ASX Code

GLN

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The Directors of Galan Lithium Limited ('the Company' or 'Galan') present the financial report of the Company and its Controlled Entities ('the Group') for the half year ended 31 December 2019. In order to comply with the provisions of the Corporations Act, the directors report as follows:

Directors

The names of Directors who held office during or since the end of the half year and until the date of this report are as follows.

Richard Homsany	Non-Executive Chairman (appointed 5 February 2020)
Nathan Bruce McMahon	Non-Executive Chairman (resigned 5 February 2020)
Juan Pablo ('JP') Vargas de la Vega	Managing Director
Chris Chalwell	Non-Executive Director
Terry Gardiner	Non-Executive Director
Daniel Jimenez	Non-Executive Director (appointed 4 September 2019)
Jinyu (Raymond) Liu	Non-Executive Director

The directors were in office for this entire period unless otherwise stated.

Mike Robbins holds the position of Company Secretary.

Results

The operating loss after income tax of the Group for the half year ended 31 December 2019 was \$1,345,628 (2018: \$623,790).

Corporate Structure

Galan is a company limited by shares that is incorporated and domiciled in Australia. Its listed equity securities are quoted on the Australian Securities Exchange (ASX).

Review of Operations

Corporate

At the end of the 2019 calendar year, the Group had cash reserves of \$901,566 (2018: \$1,917,182).

On 15 July 2019, the Argentinian authorities granted the Company permission to become a registered foreign shareholder of the Argentinian company Galan Exploraciones S.A. (GESA). Under the Argentine Corporations Code, a local company must have at least two shareholders. At the date of this report, the Company holds 95% of the issued shares in GESA with the remaining 5% being held in trust, on behalf of the Company, by Juan Pablo Vargas de la Vega.

On 4 September 2019, Galan announced the appointment of Mr Daniel Jimenez to the Board. Mr Jimenez is a civil industrial engineer and has, until recently, worked for world leader in the lithium industry, Sociedad Química y Minera de Chile (NYSE:SQM, Santiago Stock Exchange: SQM-A, SQM-B) for 28 years based in Santiago, Chile.

Equity

On 5 August 2019, the Company announced that it was undertaking a capital raising of \$2 million through a combination of a private placement to sophisticated investors and a share purchase plan offer to existing shareholders.

The Company received firm commitments from sophisticated investors to raise \$1 million through a share placement at 18 cents per share with one free unquoted option (exercisable on or before 31 August 2020 at \$0.25) also being issued on a one option for every two shares subscribed for basis (**Placement**). The 5,555,556 Placement shares and 2,777,778 options were issued on 14 August 2019 under the Company's existing placement capacity under ASX Listing Rule 7.1.

The Company also offered existing eligible shareholders, shares plus one free unquoted option (exercisable on or before 31 August 2020 at \$0.25) issued at the same price of \$0.18 and on the same terms as the Placement under a Share Purchase Plan (**SPP**) to raise up to a further \$1 million. The SPP closed on 13 September 2019 with

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applications received well in excess of the \$1m envisaged. The 5,555,485 shares and 2,777,691 options were issued on 17 September 2019.

Options

All current and previous Directors fully converted their \$0.15 options before their expiry date on 29 November 2019 with \$348,750 being raised in this reporting period.

\$200,000 was also raised on the conversion of \$0.14 options that expired on 31 December 2019.

Operations

The Company successfully and safely completed its drilling campaigns at Candelas, Pata Pila and Rana de Sal with no recorded lost time injuries (LTI's).

Candelas

Maiden JORC (2012) Compliant Resource

As announced on 1 October 2019, the Company released its maiden JORC (2012) compliant Mineral Resource estimate for the Candelas lithium brine project located in Catamarca province, Argentina. The resource estimate was completed by the Company's consultants SRK (Australia) and was conducted by their Australian and Argentinian based teams.

The indicated mineral resource estimate for the higher-grade Candelas North zone is 684,850 tonnes of contained lithium carbonate equivalent (LCE) product grading at 672mg/l Li (at 500mg/l Li cut off).

A summary of the Candelas North Zone mineral resource and sensitivity to grade-tonnage and cut-off, as well as an inferred resource for the Central Zone, is provided in the Summary of Resource Estimate (Table 2).

Summary of Resource Estimate and Reporting Criteria

The mineral resource estimation was undertaken by SRK Consulting (Australasia) (SRK) and was based upon results from a total of eight (8) holes drilled in the North and Central Zones of its tenement holding at Candelas for a total of 3,537 metres total length. See Table 1 for assays summary (C-01-19 to C-08-19) and Figure 1 for location of drill holes at Candelas.

The location of holes was mainly based on the results of gravity and Controlled Source Audio Magneto-Tellurics (CSMAT) data, and in most cases, located on survey lines.

Table 1: Candelas Drillhole Assays Summary (C-01-19 to C-08-19)

Hole ID	From (m)	To (m)	Interval (m)	Li mg/L	Mg mg/L	B mg/L	K mg/L	Mg:Li	Location
C-01-19	205	397	192 m@	802	2,224	577	8,219	2.77	Candelas North
C-02-19	470	662	192 m@	121	368	347	1,854	3.04	Candelas Central
C-03-19	311	454	143 m@	784	2,144	544	7,095	2.73	Candelas North
C-04-19	371	488	117 m@	141	525	349	1,880	3.72	Candelas Central
C-05-19	240	377	137 m@	680	1,721	506	6,682	2.53	Candelas North
C-06-19	350	404	54 m@	508	1,363	462	5,670	2.68	Candelas North
C-07-19	150	331	181 m@	99	126	281	1,859	1.27	Candelas North
C-08-19	270	340.4	70.4 m@	744	1,974	566	7,684	2.65	Candelas North

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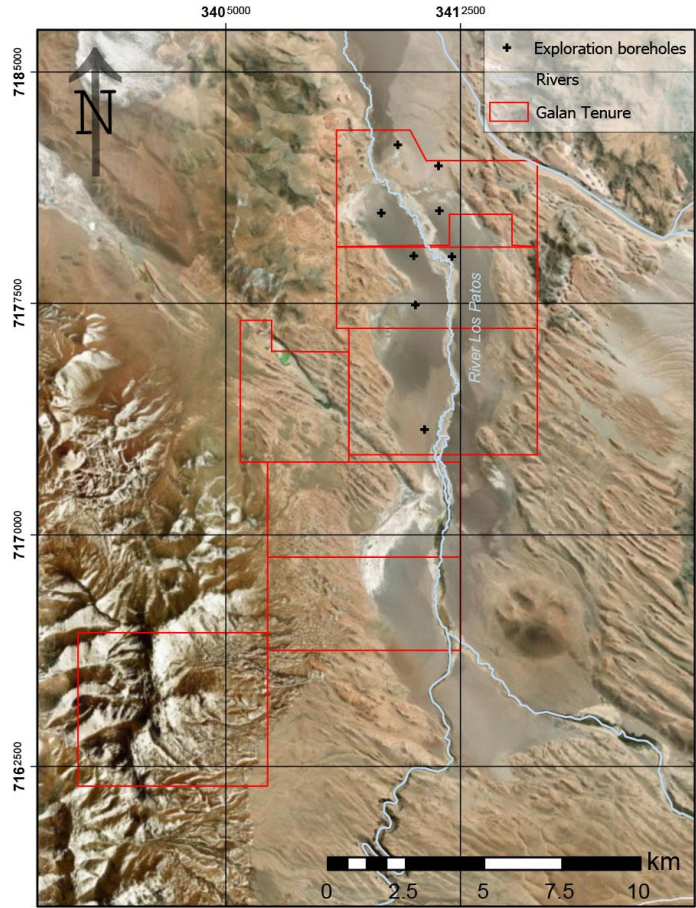


Figure 1: Location of resource drilling, Candelas Lithium brine project

The mineral resource estimates undertaken by SRK were determined for lithium and potassium. Lithium is reported as lithium carbonate (Li₂CO₃) equivalent, and potassium as potassium chloride (KCl). The Candelas project covers a structurally controlled basin in a lithium brine salar environment, with normal faults on the west and east and a number of northwest-southeast traverse faults that cut the deposit. A summary table (table 2) of the resource reported in accordance with the JORC Code guidelines is provided below:

Table 2: Mineral Resource Statement for Candelas Project – September 2019

Resource Category	In situ Li (t)	Li (mg/l)	LCE (t)	Avg. K (mg/l)	In situ K (t)	KCl Equiv. (t)
CANDELAS NORTH						
Indicated	166,834	496	888,020	5,193	1,734,090	3,306,900
CANDELAS CENTRAL						
Inferred	50,838	130	270,600	2,024	846,170	1,613,640

nb; Reported at zero cut-off grade. There may be minor discrepancies in the above table due to rounding.

The Mineral Resource Estimate is categorised for the North Zone as Indicated and the Central Zone as Inferred. The Inferred category primarily reflects the large spacing between the two drill holes within the Central Zone.

According to SRK, the maiden Candelas Mineral Resource represents geologically well-defined zones of low to high-grade lithium mineralisation. It comprises three main mineralised hydrogeologic domains spread over two zones. The units within the domains show some variation in thickness along strike and depth.

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Location & Tenure

The Candelas Project is part of the Hombre Muerto basin, one of the most globally prolific salt flats, located in the Argentinean Puna of the high Andes mountains at an elevation of approximately 4 km above sea-level. The Project comprises nine exploration permits, covering an area of ~17,750 hectares and lies adjacent to Galaxy Resources' and POSCO's Sal de Vida projects and FMC's Fenix lithium operations. It is approximately 1,400 km northwest of the capital of Buenos Aires and 170 km west-southwest of the city of Salta (in a straight line). See figure 2 for tenure and drill collar locations.

Geological Model

As part of the mineral resource estimation process, SRK conducted geological modelling of Candelas using the software packages Leapfrog™ (Seequent, geological modelling) and GEMSTM (Geovia, geological modelling and section interpretation).

The modelling used the following datasets:

- Gravity (original data and re-modelled profiles);
- Resistivity and Conductivity profiles (CSMAT);
- Downhole geophysics (particularly gamma);
- Assays obtained from Alex Stewart laboratory;
- Relative Brine Release Capacity data including total porosity and specific yield,
- Zelandez downhole data including total porosity and specific yield; and
- Lithological logs

The geology of the Candelas project is interpreted as a structurally controlled basin which forms a feeder channel to the Hombre Muerto basin to the north. A number of faults have been interpreted by Galan and are obvious from imagery and offset topographic ridges. These structures have been factored into the geological modelling of lithology to form hydrogeologic domains.

The west and east boundaries are determined by the north-south normal faults. The north boundary is constrained to the limit of the tenement, and the south boundary is about 200 m south of the last drill hole (C-02-19). The model has been divided in two by a major northwest-southeast fault. This structure provides a convenient break between the (1) North, and (2) Central zones. There are 5 holes in the North zone, but hole C-07-19 was drilled on a basement high and is not included in the final resource estimate. This zone has higher grades than the south and has reasonable drillhole coverage. The south zone has lower grades and only two holes located about 4 km apart. Therefore, this zone was treated differently for estimation of grades.

A proportional block model was created to cover the extents of the drill coverage over Candelas and confined by a wireframe model based upon the various lithologies. When choosing appropriate model cell dimensions, consideration was given to drill spacing, sample interval, the interpreted geometry and thickness of the hydrogeologic domains and the style of mineralisation.

Interpolated cell grades were visually compared to the drill hole sample composites to ensure that the cell grade estimates appear to be consistent with the drill hole data. Comparisons were conducted in cross section and long section. There was generally good correlation between the estimated and composite grades, with regional grade trends observed in the composites also evident in the model cells. No significant issues were identified, with local grade characteristics in the composite data being adequately reproduced in the model.

Statistical comparisons were also conducted between the interpolated model cell grades and the sample composite grades.

Resource Classification

The mineral resource estimate for the Candelas project has been classified in accordance with the JORC Code, 2012 edition. Numerous factors were taken into consideration when assigning the classification applied to the Mineral Resource estimate. Of these factors, it is considered that the classification has been primarily influenced by the drill coverage, geological complexity and data quality.

The Mineral Resource Estimate is categorised as a combination of Indicated (North zone) and Inferred (South zone). The Inferred category primarily reflects the two widely spaced drillholes at over 4km apart.

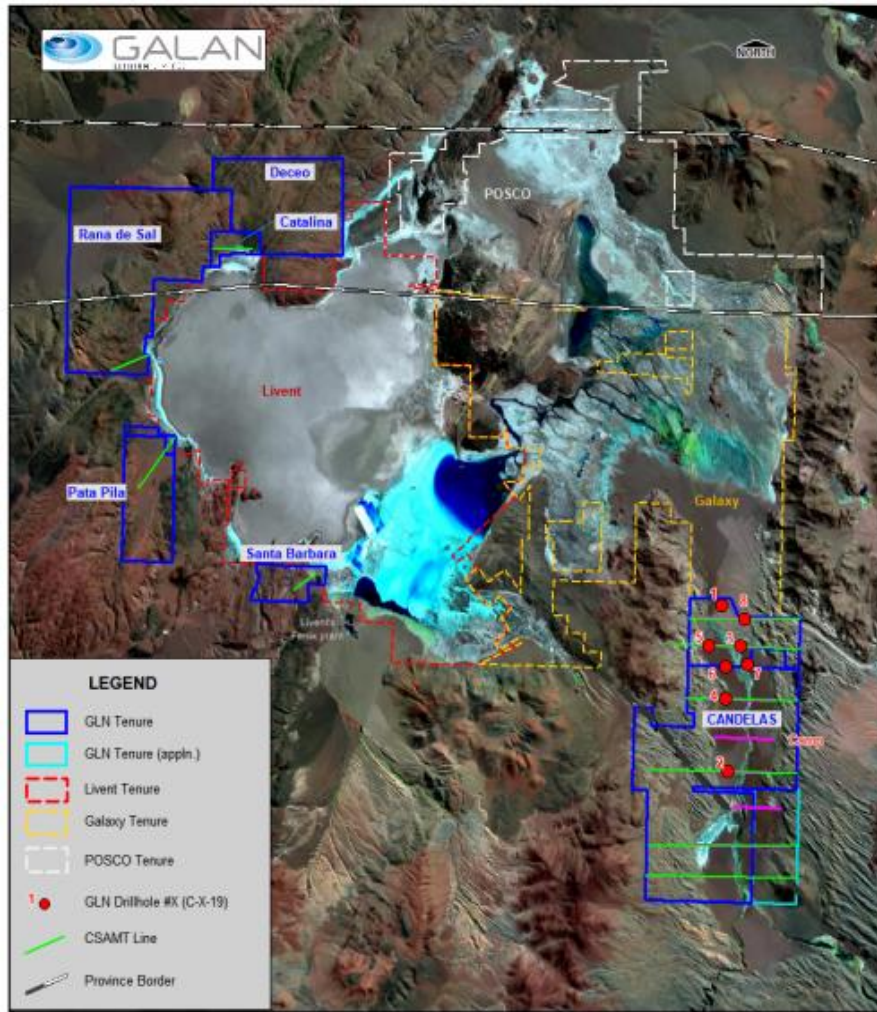


Figure 2: Location of drillholes and Galan Lithium Limited's tenure, salar Hombre Muerto, Argentina

Hombre Muerto West Tenements

The Rana de Sal and Pata Pila licenses cover large alluvial fan areas lying adjacent to Livent Corporation's (NYSE: LVHM) tenure, covering the western margin of the Hombre Muerto salar. Recent drilling returned significant intercepts of high grade/low impurity lithium bearing brines (ASX:GLN releases 11 September, 9 October 2019) from Pata Pila and from limited sampling at Rana del Sal. The results confirmed high grades with most samples returning lithium grades >900mg/l Li with low levels of Mg/Li (Table 4). Future bulk sampling of the entire aquifer is also planned.

Table 4: Previously reported laboratory and field test results, Pata Pila & Rana del Sal

Drillhole	Sample No.	From (m)	To (m)	S.G. (mg/l)	Cond. (mS/Cm2)	Li mg/l	Mg mg/l	Mg/Li
PP-01-19	607	99	121	1.220	>200	938	1,338	1.43
PP-01-19	609	254	301.5	1.222	>200	902	1,570	1.74
PP-01-19	610	493	541	1.219	>200	902	1,440	1.60
PP-01-19	611	544	580	1.221	>200	909	1,388	1.53
PP-01-19	612	582	647	1.200	>200	948	1,546	1.63
PP-01-19	613	651	718	1.200	>200	933	1,465	1.57
RS-01-19	614	32	80	1.100	>200	441	883	2.00
RS-01-19	615	83	122	1.210	>200	1,043	1,833	1.76

Geophysics

Single lines of CSAMT (Controlled Source Audio-frequency Magnetotellurics) surveying were initially conducted prior to the drilling over several of the Western Basin projects as seen in Figure 1 (ASX:GLN 18 October 2018). Following the positive follow up drilling results the Company conducted follow up detailed CSAMT surveys at

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Pata Pila and Rana de Sal (figure 1). The surveys successfully mapped extensive zones of high conductivity which, given the coincidence with the lithium bearing brines encountered in the drilling, were interpreted to represent horizons consistent with geological units saturated with brine.

Pata Pila

On 13 January 2020, the Company announced further outstanding lithium assay results from recent sampling performed at its Pata Pila tenement. These results will assist in the continued estimation of lithium brine resources at the Western Basin of the Hombre Muerto salar in Argentina. The Pata Pila license covers large alluvial fan areas lying adjacent to Livent Corporation's (NYSE: LVHM) tenure, covering part of the western margin of the Hombre Muerto salar (Figure 1).

These results confirm previous significant intercepts in drill data of high grade/low impurity lithium bearing brines from the Western Tenement project areas (ASX:GLN releases 11 September, 9 October and 19 December 2019).

An airlift test of 72 hours was performed retrieving brine from between the intervals of 40m to 718.5m. This provides an average grade for the drill hole, which is host to three main lithological units (sands, conglomerates and porous halites) that are the brine bearing aquifers that are estimated to combine to a total of between 350-400m in width. See ASX:GLN release 11 September 2019 for PP-01-19 drill logs. The next phase of test work will be to more accurately determine the flow rates from the aquifers.

Table 5: Pata Pila 72 hours air lift lab results

Drillhole	Sample No.	From (m)	To (m)	S.G. (mg/l)	Cond. (mS/Cm2)	Li mg/l	Mg mg/l	Mg/Li
PP-01-19	632	40	718.5	1.22	>200	946	1,412	1.49

Rana de Sal

On 15 January 2020, Galan was pleased to announce another outstanding lithium assay result from its Rana de Sal tenement. This result confirmed previous significant intercepts in drill data of high grade/low impurity lithium bearing brines from the Western Tenement project areas (ASX:GLN releases 11 September, 9 October and 19 December 2019). The Rana de Sal license covers large alluvial fan areas lying adjacent to Livent Corporation's (NYSE: LVHM) tenure, covering part of the western margin of the Hombre Muerto salar (Figure 1).

An airlift test of 72 hours was performed retrieving brine from between the intervals of 100m to 433m. This provides an average grade for the drill hole, which encountered mostly sands which make up the brine bearing aquifer. The aquifer is estimated to total approximately 330m in thickness. The next phase of test work will be to more accurately determine the flow rates from the aquifer.

Table 6: Rana de Sal 72 hours air lift lab results

Drillhole	Sample No.	From (m)	To (m)	S.G. (mg/l)	Cond. (mS/Cm2)	Li mg/l	Mg mg/l	Mg/Li
RS-01-19	624	100	433	1.22	>200	1,010	1,712	1.70

The data from Rana de Sal and Pata Pila will be used for the maiden resource estimate of the Western Tenements, which is expected during Q1 CY2020. The estimate will be conducted by the Company's resource consultants, SRK (Australia), utilising their Australian and Argentinian based teams, and who recently finalised a maiden resource over the *Candelas* project also located at Hombre Muerto (ASX: GLN 1 October 2019).

On the 12 March 2020, the Company released an ASX announcement for the Hombre Muerto West tenements. Please refer to the Subsequent Events section of this Directors' Report and note 7 in the Condensed Notes to the Financial Statements.

Significant changes in the state of affairs

Other than as disclosed elsewhere in the report, there have been no significant changes in the state of affairs of the Group to the date of this report.

Significant events after balance date

Equity

On 30 January 2020, the Company issued a total of 2,175,000 fully paid ordinary shares, for gross proceeds of \$425,000, to Acuity Capital under a Controlled Placement Agreement (CPA). The CPA provides Galan with up to \$5 million of standby equity capital up to 31 December 2020. Importantly, Galan retains full control of all aspects the placement process: having sole discretion as to whether or not to utilise the CPA, the quantum of issued shares, the minimum issue price of the shares and the timing of each placement tranche (if any). There are no requirements on Galan to utilise the CPA and Galan may terminate the CPA at any time, without cost or penalty.

Galan is able to set a floor price (at its sole discretion) and the final issue price will be calculated as the greater of that floor price set by GLN and a 10% discount to a Volume Weighted Average Price (VWAP) over a period of Galan's choosing (again at the sole discretion of Galan).

Also on 30 January 2020, a total of 142,695 fully paid ordinary shares were issued to a consultant, in lieu of services performed.

Corporate

The Company announced the appointment of Mr Richard Homsany as Non-Executive Chairman on 5 February 2020 following the retirement of Mr Nathan McMahon from the role on the same date.

On 26 February 2020, Galan announced that it has executed a Binding Heads of Agreement with Portofino Resources Inc (**Portofino**) for the purchase of the right to earn a 100% interest in the *Del Condor* and *Pucara* lithium brine salar projects that abut Galan's Hombre Muerto West tenements in Argentina.

Pending the completion of legal and title due diligence and any regulatory approvals, Galan will pay Portofino CDN\$100,000 in cash (inclusive of a CDN\$20,000 deposit) and issue 650,000 fully paid Galan shares for Portofino's 100% interest in the Hombre Muerto West Agreement (**HMW Agreement**). The HMW Agreement gives Portofino the rights to earn a 100% interest in the *Del Condor* and *Pucara* lithium brine projects. Galan has a three (3) month exclusivity period (with an option to extend for another three (3) months) with Portofino.

Maiden JORC (2012) Compliant Resource - Hombre Muerto West

On 12 March 2020, Galan announced its maiden JORC (2012) reported Mineral Resource estimate for the Hombre Muerto West lithium brine project located in Catamarca province, Argentina. The resource estimate was completed by the Company's consultants SRK Consulting (Australasia) and was conducted by their Australian based team.

The Inferred mineral resource estimate for Pata Pila and Rana de Sal is 1,080,775 tonnes of contained lithium carbonate equivalent (**LCE**) product grading at 946mg/l Li (with no Li cut off). A summary of the HMW mineral resource, is provided in the Mineral Resource Statement (Table 7).

Summary of Resource Estimate and Reporting Criteria

The mineral resource estimation was undertaken by SRK Consulting (Australasia) (**SRK**) and was based upon results from drill holes within the Pata Pila and Rana de Sal tenement holding at Hombre Muerto West for a total of 1,054 metres. See Tables 4, 5 and 6 for the assay summaries (PP-01-19 and RS-01-19) and Figure 3 for location of drill holes in the Western Basin tenements. The location of holes was mainly guided on the results of resistivity (Controlled Source Audio Magneto-Tellurics (CSMAT)) data.

Table 7: Mineral Resource Statement for Hombre Muerto West (March 2020)

Resource Category	Brine Vol. (m ³)	In situ Li (t)	Avg. Li (mg/l)	LCE (t)	Avg. K (mg/l)	In situ K (t)	KCl Equiv. (t)
Pata Pila							
Inferred	173,548,541	164,160	946	873,788	8,922	1,548,443	2,952,880
Rana de Sal							
Inferred	40,977,566	38,887	949	206,986	8,109	332,299	633,695
HMW Total	214,526,107	203,046	946	1,080,775	8,767	1,880,742	3,586,574

NB.; no cut-off grade for HMW, Li: 500mg/l cut off for Candelas North. These results refer to the drainable porosity, the specific yield (SY) values used are as follows: Sand – 10%, Gravel – 4% and Halite – 3%. There may be minor discrepancies in the above table due to rounding. The conversion for LCE = Li x 5.3228, KCl = K x 1.907.

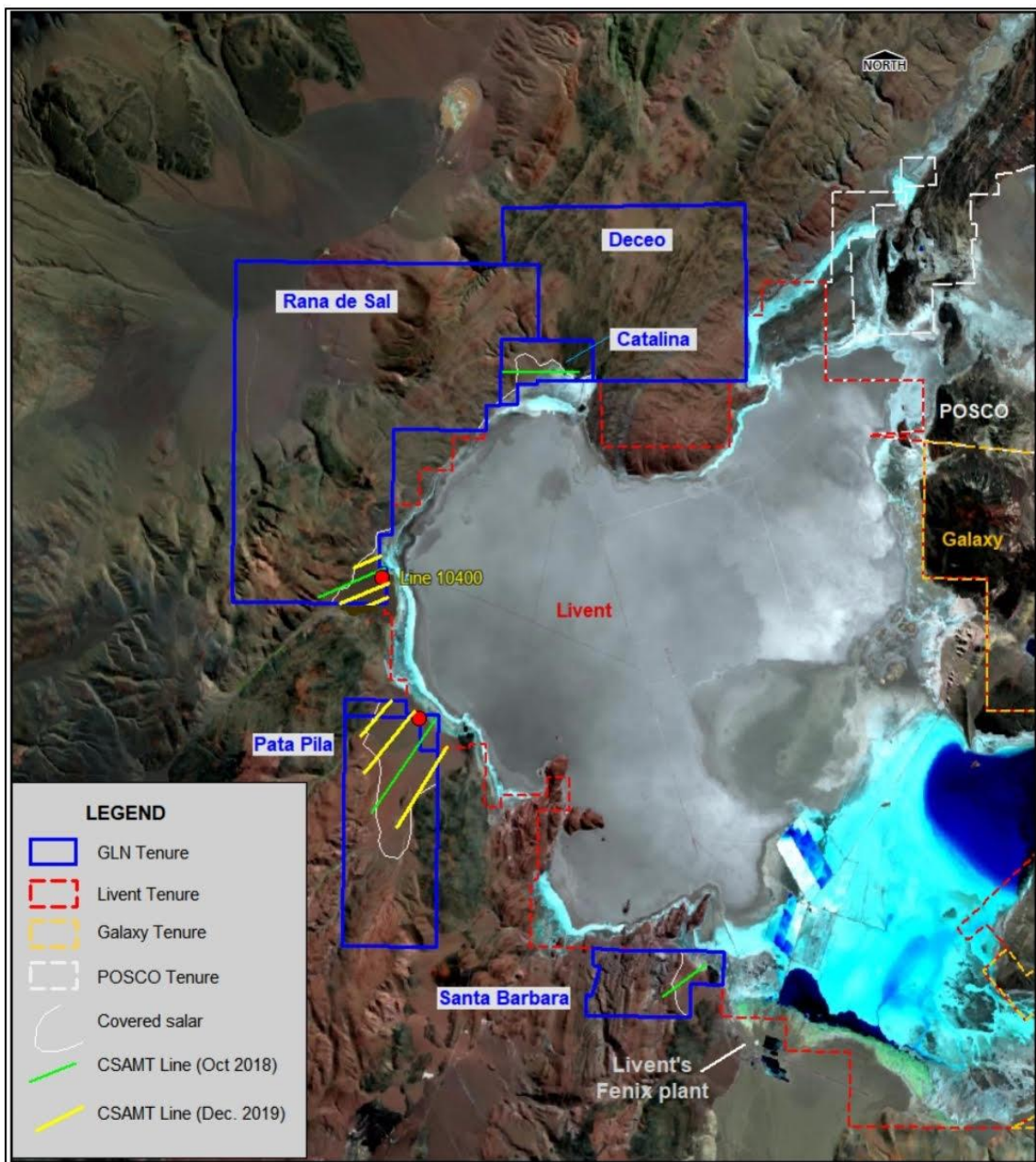


Figure 3: Galan Lithium Limited's Western Basin Projects, Hombre Muerto Salar Argentina

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According to SRK, the maiden Hombre Muerto West Mineral Resource represents geologically well-defined zones of high-grade lithium mineralisation. It comprises of significant mineralised hydrogeologic domains.

Location & Tenure

The Hombre Muerto West Project is located on the western shores of the Hombre Muerto, a world-renowned lithium bearing salar, located in the Argentinean Puna of the high Andes mountains at an elevation of approximately 4 km above sea-level. The Project comprises two exploration permits, covering a total area of 3,843 hectares and lies adjacent to Livent Corporation, Galaxy Resources and POSCO's Sal de Vida projects. It is approximately 1,400 km northwest of the capital of Buenos Aires and 170 km west-southwest of the city of Salta (in a straight line).

Geological Model

As part of the mineral resource estimation process, SRK conducted geological modelling of Pata Pila and Rana de Sal using the software packages GoCADTM (Paradigm, geological modelling) and GEMSTM (Geovia, geological modelling and section interpretation).

The modelling used the following datasets:

- Resistivity and Conductivity profiles (CSMAT);
- Downhole geophysics (particularly gamma);
- Assays obtained from Alex Stewart International laboratory;
- Zelandez downhole data including total porosity and specific yield; and
- Lithological logs.

Hombre Muerto West project areas are located along the western shores of the Salar. The Salar is a closed drainage basin, structurally controlled and bounded by normal faults. The drill holes were located upon alluvial fans that have prograded out onto the Salar. The younger alluvial fan deposits rest conformably upon the salar.

All borehole drilling was by the diamond drill method, with an internal triple tube for core recovery. Core was sampled in 1.5m lengths and logged by a geologist. Water/brine samples were taken from multiple target intervals using packer, bailer and airlift tests. Downhole geophysics were employed e.g. downhole geophysical profiling and borehole magnetic resonance. Geochemical analyses of brine were undertaken by ICP-MS in two independent accredited laboratories.

The resource boundaries of the hydrogeologic wireframes were determined as follows:

- Vertical limits are constrained between top of basement and top of sand / base of alluvial cover
- The western boundary is limited where the sand unit pinches out against basement
- The eastern margin is constrained by the tenement boundary
- The northern margin is constrained by a northeast-southwest very steeply dipping to the southeast fault, and
- The southern margin is constrained where the sand unit pinches out on shallow basement

In general, the style of geology has been assumed to be relatively flat to gentle basinward dipping stratigraphy with no preferred direction of mineralisation continuity.

A block model was created to cover the extents of both licence areas and was confined by a wireframe model based upon the various lithologies. When choosing appropriate model cell dimensions of 250 (easting) by 250 (northing) by 5m (elevation), consideration was given to drill spacing, sample interval, the interpreted geometry and thickness of the hydrogeologic domains and the style of mineralisation.

The main assay intervals for both holes are based on 72-hour airlift samples.

A simple Inverse Distance weighted (to the power value of 2) extrapolation was carried out, using an isotropic search that allowed all blocks coded with Sand, Gravel or Halite to be interpolated. The maximum extrapolated distance for Pata Pila is 2.57 km with an average distance of 1.3 km. For Rana de Sal, the maximum extrapolated distance is 1.1 km with an average distance of 0.6 km.

Resource Classification

The mineral resource estimate for the Pata Pila and Rana de Sal licence areas has been classified in accordance with the JORC Code, 2012 edition. This classification also conforms to the AMEC "Guidelines for Resource and Reserve Estimation for Brines".

Apart from the above, the Directors are not aware of any matters or circumstances at the date of the report, other than those referred to in this report or the financial statements or notes thereto, that has significantly affected or may significantly affect the operations, the results of operations or the state of affairs of the Company in subsequent financial years.

Auditor Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, Bentleys, to provide the Directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 14 and forms part of this Directors' Report for the half year ended 31 December 2019.

This report is signed in accordance with a resolution of the board of directors made pursuant to s 306(3) of the Corporations Act 2001.



Juan Pablo Vargas de la Vega – Managing Director
Perth, 13 March 2020

Competent Persons Statement

The information contained herein that relates to Exploration Results and geology is based on information compiled or reviewed by Dr Luke Milan, who has consulted to the Company. Dr Milan is a Member of the Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and types of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Milan consents to the inclusion of his name in the matters based on the information in the form and context in which it appears.

The information relating to Exploration Results and integrity of the database was compiled by Francisco Lopez (Geology). Mr Lopez is a full-time employee of Galan Lithium Limited and has been engaged by Galan as their Geology Manager. The integrity of the database and site inspection was done by Dr Michael Cunningham, GradDip (Geostatistics) BSc honours (Geoscience), PhD, MAusIMM, MAIG, MGSA, FGSL. Dr Cunningham is a Principal Consultant and full-time employee of SRK Consulting (Australasia) Pty Ltd. The information in this report that relates to the Mineral Resources estimation approach at Candelas was compiled by Dr Cunningham. He has sufficient experience relevant to the assessment and of this style of mineralisation to qualify as a Competent Person as defined by the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves – The JORC Code (2012)". Dr Cunningham consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements, and that all material assumptions and technical parameters have not materially changed. The Company also confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

Information within this report that relates to the Candelas resource estimate have previously been released in ASX:GLN announcement dated 1/10/19. Exploration Results for the Candelas Project have been previously announced in ASX:GLN announcements 4/10/18, 11/3/19, 20/3/19, 4/4/19, 29/5/19 and 2/7/19.

Information within this report that relates to the Hombre Muerto West resource have previously been released in ASX:GLN announcement dated 12/3/20. Information that relates to Exploration Results for the Western Tenements have previously been released in ASX:GLN announcements dated 9/10/19, 15/11/19, 19/12/19, 13/1/20 and 15/1/20.

In the opinion of the directors:

- (a) the financial statements and notes 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 31 December 2019 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134: "Interim Financial Reporting" and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors, made pursuant to section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the Board



Juan Pablo Vargas de la Vega – Managing Director
13 March 2020

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To the Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit partner for the review of the financial statements of Galan Lithium Limited for the period ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Yours faithfully

BENTLEYS
Chartered Accountants

DOUG BELL CA
Partner

Dated at Perth this 13th day of March 2020

GALAN LITHIUM LIMITED**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the half year ended 31 December 2019

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	Note	31 December 2019	31 December 2018
		\$	\$
Revenue			
Other income		935	2,215
Gain on financial assets at fair value through profit and loss		1,514	-
Administration and occupancy expenses		(482,659)	(365,953)
Corporate and compliance		(146,167)	(108,359)
Personnel expenses		(260,164)	(133,070)
Depreciation		(1,445)	(408)
Loss on financial assets at fair value through profit and loss		-	(2,506)
Share based payment expense	6	(457,642)	(15,709)
Loss before income tax		(1,345,628)	(623,790)
Income tax		-	-
Loss for the period		(1,345,628)	(623,790)
Other comprehensive income		-	-
Total comprehensive loss for the period		(1,345,628)	(623,790)
Basic loss per share (cents per share)		(0.96)	(0.65)

The accompanying notes form part of these financial statements.

GALAN LITHIUM LIMITED**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 December 2019

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		31 December 2019	30 June 2019
	Note	\$	\$
Current Assets			
Cash and cash equivalents		901,566	2,583,490
Prepayments		4,879	14,636
Trade and other receivables		3,504	53,487
Total Current Assets		<u>909,949</u>	<u>2,651,613</u>
Non-Current Assets			
Financial assets		24,825	21,311
Plant and equipment		5,457	6,902
Exploration and evaluation	3	18,866,308	15,312,411
Total Non-Current Assets		<u>18,896,590</u>	<u>15,340,624</u>
TOTAL ASSETS		<u>19,806,539</u>	<u>17,992,237</u>
Current Liabilities			
Trade and other payables		560,804	1,538,366
Total Current Liabilities		<u>560,804</u>	<u>1,538,366</u>
TOTAL LIABILITIES		<u>560,804</u>	<u>1,538,366</u>
NET ASSETS		<u>19,245,735</u>	<u>16,453,871</u>
Equity			
Issued capital	4	22,406,640	16,940,982
Reserves	6	3,125,240	6,844,900
Accumulated losses		(6,286,145)	(7,332,011)
TOTAL EQUITY		<u>19,245,735</u>	<u>16,453,871</u>

The accompanying notes form part of these financial statements.

GALAN LITHIUM LIMITED**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the half year ended 31 December 2019

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	31 December 2019	31 December 2018
	\$	\$
Cash Flows from Operating Activities		
Payments to suppliers, contractors and employees	(766,125)	(506,027)
Payments for exploration and evaluation	(3,421,521)	(1,281,898)
Interest received	935	2,198
	<u>(4,186,711)</u>	<u>(1,785,727)</u>
Cash Flows from Investing Activities		
Payments for investments acquired	<u>(2,000)</u>	<u>(2,000)</u>
Net cash flows used in investing activities	<u>(2,000)</u>	<u>(2,000)</u>
Cash Flows from Financing		
Proceeds from issue of equities net of issue costs	2,506,787	2,000,896
Proceeds from over payment on option conversion	-	14,420
Net cash flows used in financing activities	<u>2,506,787</u>	<u>2,015,316</u>
Net increase/(decrease) cash and cash equivalents	(1,681,924)	227,589
Cash and cash equivalents at the beginning of the financial period	<u>2,583,490</u>	<u>1,689,593</u>
Cash and cash equivalents at the end of the financial period	<u>901,566</u>	<u>1,917,182</u>

The accompanying notes form part of these financial statements.

GALAN LITHIUM LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2019

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	Issued Capital \$	Equity-based Payment Reserve \$	Accumulated losses \$	Total \$
Balance at 1 July 2018	10,161,339	2,630,302	(3,777,482)	9,014,159
Total comprehensive loss for the period	-	-	(623,790)	(623,790)
Issue of Equity	2,000,905	-	-	2,000,905
Performance shares issued	-	-	-	-
Vendor shares	-	-	-	-
Share issue costs	(63,792)	-	-	(63,792)
Option valuation	-	925,000	-	925,000
Fair value exercised options	-	-	-	-
Expiry of options	-	-	-	-
Option Reserve	60,950	(60,950)	-	-
Balance at 31 December 2018	12,159,402	3,494,352	(4,401,272)	11,252,482
	Issued Capital \$	Equity-based Payment Reserve \$	Accumulated losses \$	Total \$
Balance at 1 July 2019	16,940,982	6,844,900	(7,332,011)	16,453,871
Total comprehensive loss for the period	-	-	(1,345,628)	(1,345,628)
Issue of Equity	2,572,800	-	-	2,572,800
Performance shares issued	2,775,000	(2,775,000)	-	-
Vendor shares	-	57,050	-	57,050
Share issue costs	(60,000)	-	-	(60,000)
Option valuation	-	124,624	-	124,624
Fair value exercised options	177,858	(177,858)	-	-
Expiry of options	-	(2,391,494)	2,391,494	-
Option Reserve	-	1,443,018	-	1,443,018
Balance at 31 December 2019	22,406,640	3,125,240	(6,286,145)	19,245,735

The accompanying notes form part of these financial statements.

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1. CORPORATE INFORMATION

This interim financial report represents those of Galan Lithium Limited ('the Company' or 'Galan') and Controlled Entities ('the Group') for the half-year ended 31 December 2019 was authorised for issue in accordance with a resolution of the Directors on 13 March 2020.

Galan Lithium Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX). The principal activity of the Company is the exploration and development of mineral resources.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**(a) Statement of Compliance**

The interim financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001* and Accounting Standard AASB 134: *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS34: *Interim Financial Reporting*.

The condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2019 and any public announcements made by Galan during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

(b) Basis of Preparation

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period except for the impact of the standards and interpretations below in note 1(c). These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The financial report has also been prepared on an historical cost basis, modified where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial report is presented in Australian Dollars, which is the Group's functional currency.

(c) Accounting standards that are mandatorily effective for the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for an annual accounting period that begins on or after 1 July 2019.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

- AASB 16 *Leases*; and
- AASB Interpretation 23 *Uncertainty over Income Tax Treatments*.

AASB 16 *Leases* requires lessees to account for all leases under a single on-balance sheet model. The standard includes two recognition exemptions for lessees namely leases of 'low-value' assets and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessees will separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group has adopted AASB 16 Leases however its current leases fall within either the 'low-value' or 'short-term' recognition exemptions. The adoption of this standard has had no impact on the current or previous reporting period and as such there have been no adjustments to the opening balance of retained earnings.

AASB Interpretation 23 *Uncertainty over Income Tax Treatments* clarifies the application of the recognition and measurement criteria in AASB 112 *Income Taxes* when there is uncertainty over income tax treatments. The Interpretation addresses (a) whether an entity considers uncertain tax treatments separately; (b) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and (d) how an entity considers changes in facts and circumstances.

The adoption of this Interpretation has had no impact on the current or previous reporting period and as such there have been no adjustments to the opening balance of retained earnings.

(d) Significant Accounting Judgements and Key Estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. In preparing this half-year report, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2019.

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees and consultants by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black and Scholes model.

(e) 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 Group incurred a loss for the half year of \$1,345,628 (2018: \$623,790) and net cash outflows used in operating activities of \$4,186,711 (2018: \$1,785,727).

The Company will require further funding during the 2020 calendar year in order to meet day to day obligations as they fall due and to progress its exploration projects. Based on the Company's cash flow forecast, the Board of Directors is aware of the Company's need to access additional working capital funds in the next 12 months to enable the Company to continue its normal business activities and to ensure the realisation of assets and extinguishment of liabilities as and when they fall due.

Based on the above, the Directors consider the going concern basis of preparation to be appropriate for this half-year report.

In the event that the Company is not successful in raising funds from the issue of new equity, containing operating and exploration expenditures and the sale of non-core assets, there exists material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the half-year report.

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.

3. EXPLORATION AND EVALUATION

	31 December 2019	30 June 2019
Costs carried forward in respect of areas of interest:		
Exploration and evaluation phases at cost	18,866,308	15,312,411
Movement:		
Brought forward	15,312,411	7,604,797
Exploration expenditure capitalised during the half year	2,386,847	5,580,114
Performance shares capitalised during the half year (refer (c) and (d) below)	1,110,000	2,127,500
Candelas vendor shares	57,050	-
Exploration expenditure written off	-	-
Balance at reporting date	18,866,308	15,312,411

The value of the Company's interest in exploration expenditure is dependent upon:

- the continuance of the Company's rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

On 25 June 2018, the Company acquired 100% of the issued capital of Blue Sky under the Share Sale and Purchase Agreement. The purchase consideration was as follows:

- 3,000,000 fully paid ordinary shares in the capital of Galan and 3,000,000 options each at an exercise price of \$0.14 on or before 31 December 2019. These were issued on 25 June 2018.
- Issue to the Blue Sky vendors and shareholders of 17,000,000 Shares and 12,000,000 Options. These Shares were issued on 25 June 2018 and the Options on 15 August 2018.
- Upon the delineation by or on behalf of Galan of a JORC resource of not less than 80kt lithium carbonate equivalent within the area of the mining properties in which Blue Sky has an interest as at Completion, the issue of 15,000,000 Shares to the Blue Sky vendors and shareholders.
- Upon the commencement of commercial production from a pilot plant by or on behalf of Galan, the issue of 10,000,000 Shares to the Blue Sky vendors and shareholders.

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4. ISSUED CAPITAL

(a) Fully paid ordinary shares as at 31 December 2019

		31 December 2019 \$		30 June 2019 \$
Issued and fully paid ordinary capital		22,406,640		16,940,982
	31 Dec 2019	31 Dec 2019	30 Jun 2019	30 Jun 2019
	Number	\$	Number	\$
Balance at the beginning of the period	129,334,278	16,940,982	95,090,001	10,161,339
Issue of shares at \$0.14 each (i)	-	-	16,269,109	2,277,675
Issue of shares at \$0.14 each (ii)	-	-	180,891	25,325
Issue of shares at \$0.14 each (iii)	-	-	1,058,822	148,235
Issue of shares at \$0.15 each (iv)	-	-	675,000	101,250
Issue of Shares at \$0.275 each (v)	-	-	14,545,455	4,000,000
Issue of shares at \$0.33 (vi)	-	-	1,515,000	500,000
Issue of shares at \$0.18 (vii)	5,555,556	1,000,000	-	-
Issue of shares at \$0.18 (viii)	5,555,485	1,000,000	-	-
Issue of shares to consultant (ix)	131,089	24,050	-	-
Issue of shares at \$0.15 (x)	2,325,000	348,750	-	-
Issue of shares at \$0.14 (xi)	1,428,571	200,000	-	-
Performance shares vendors (xii)	15,000,000	2,775,000	-	-
	<u>159,329,979</u>	<u>22,288,782</u>	<u>129,334,278</u>	<u>17,213,824</u>
Transfer from equity-based reserve	-	177,858	-	60,950
Less: transaction costs	-	(60,000)	-	(333,792)
Balance at the end of the period	<u>159,329,979</u>	<u>22,406,640</u>	<u>129,334,278</u>	<u>16,940,982</u>

- (i) Issued on various dates between 19 July 2018 and 2 January 2019 on the conversion of Galan quoted options (exercisable at \$0.14 on or before 31/12/18).
- (ii) Issued on 14 January 2019 as an underwriting for Galan quoted options (exercisable at \$0.14 on or before 31/12/18).
- (iii) Issued on various dates between 25 January 2019 and 15 April 2019 on the conversion of Galan unquoted options (exercisable at \$0.14 on or before 31/12/19).
- (iv) Issued on 12 February 2019 and 5 March 2019 on the conversion of Galan unquoted options (exercisable at \$0.15 on or before 29/11/19).
- (v) Issued on 15 April 2019 under a placement announced to ASX on 9 April 2019.
- (vi) Issued on 16 April 2019 under a controlled placement agreement with Acuity Capital.
- (vii) Issued on 14 August 2019 under a share placement announced on 5 August 2019 (approved by shareholders at the AGM on 29/11/19).
- (viii) Issued on 17 September 2019 under a share purchase plan announced on 5 August 2019.
- (ix) Issued on 30 October 2019 to a consultant in lieu of services provided.
- (x) Issued on various dates between 30 October 2019 and 2 December 2019 on the conversion of Galan options (exercisable at \$0.15 on or before 29/11/19).
- (xi) Issued on various dates between 20 December 2019 and 30 December 2019 on the conversion of Galan options (exercisable at \$0.14 on or before 31/12/19).
- (xii) Issued to Blue Sky vendors on the attainment of 80Kt resource at Hombre Muerto (approved by shareholders at the AGM on 29/11/19).

(b) Unquoted options outstanding as at 31 December 2019

Expiry Date	Exercise Price	Number Under Option	Issue Date
31/8/20	\$0.60	5,350,000	28 February 2019
11/6/21	\$0.3438	4,000,000	13 June 2019
31/8/20	\$0.25	2,777,778	14 August 2019
31/8/20	\$0.25	2,777,691	17 September 2019
30/10/22	\$0.20	150,000	30 October 2019
1/12/21	\$0.25	2,000,000	2 December 2019

5. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of trade and other receivable and trade and other payables. These financial instruments are measured at amortised cost, less any provision for non-recovery. The carrying amount of the financial assets and liabilities approximate their fair value. The Company's financial assets held for trading are level-1 financial instruments and valued using the quoted bid prices from the Australian Securities Exchange as at the reporting date.

6. RESERVES

This reserve records the value of equity benefits provided to employees, consultants and directors as part of their remuneration, share based payments to third parties and option consideration for acquisitions.

	31 December 2019 \$	30 June 2019 \$
Opening balance	6,844,900	2,630,302
Valuation of options (i)	1,110,000	2,127,500
Issue of options to employees (ii)	-	1,754,696
Performance shares (iii)	333,018	393,352
Candelas vendor shares (iv)	57,050	-
Performance shares to vendors transferred to share capital	(2,775,000)	-
Issue of options to Director (v)	109,261	-
Issue of options to consultant (vi)	15,363	-
Fair value of exercised options transferred to share capital	(177,858)	(60,950)
Transfer to accumulated losses	(2,391,494)	-
Closing Balance	3,125,240	6,844,900

- (i) Represented by valuation of deferred consideration shares due to the Blue Sky vendors on acquisition.
- (ii) Represented by 5,350,000 unquoted options issued to employees and 4,000,000 unquoted options issued to consultants.
- (iii) Represented by 5,000,000 Class A and 5,000,000 Class B Performance shares issued to Managing Director, Mr Juan Pablo Vargas de la Vega.
- (iv) Represented by valuation of shares to be issued to Candelas vendor under option agreement with Blue Sky Lithium Pty Ltd
- (v) Represented by 2 million Director options (exercisable at \$0.25 on or before 21 December 2021 issued to a Director (as approved by shareholders on 29 November 2019)
- (vi) Represented by 150,000 options (exercisable at \$0.20 on or before 30 October 2022) issued to a consultant under their terms of engagement

Unquoted options are issued to directors, employees and consultants. The unquoted options may be subject to performance criteria, and are issued to directors, employees and consultants to increase goal congruence between executives, directors and shareholders. Unquoted options carry no dividend or voting rights.

Allotee	Number of Options	Fair Value at Grant Date per Option	Estimated Volatility	Life of Option (years)	Exercise Price	Share Price at Grant Date	Risk Free Interest Rate
Directors	2,000,000	\$0.05463	85%	2.00	\$0.25	\$0.16	1.75%
Consultants	150,000	\$0.10242	85%	3.01	\$0.20	\$0.19	1.75%

7. SUBSEQUENT EVENTS

Equity

On 30 January 2020, the Company issued a total of 2,175,000 fully paid ordinary shares, for gross proceeds of \$425,000, to Acuity Capital under a Controlled Placement Agreement (CPA). The CPA provides Galan with up to \$5 million of standby equity capital up to 31 December 2020. Importantly, Galan retains full control of all aspects the placement process: having sole discretion as to whether or not to utilise the CPA, the quantum of issued shares, the minimum issue price of the shares and the timing of each placement tranche (if any). There are no requirements on Galan to utilise the CPA and Galan may terminate the CPA at any time, without cost or penalty.

Galan is able to set a floor price (at its sole discretion) and the final issue price will be calculated as the greater of that floor price set by GLN and a 10% discount to a Volume Weighted Average Price (VWAP) over a period of Galan's choosing (again at the sole discretion of Galan).

Also on 30 January 2020, a total of 142,695 fully paid ordinary shares were issued to a consultant, in lieu of services performed.

Corporate

The Company announced the appointment of Mr Richard Homsany as Non-Executive Chairman on 5 February 2020 following the retirement of Mr Nathan McMahon from the role on the same date.

On 26 February 2020, Galan announced that it has executed a Binding Heads of Agreement with Portofino Resources Inc (**Portofino**) for the purchase of the right to earn a 100% interest in the *Del Condor* and *Pucara* lithium brine salar projects that abut Galan's Hombre Muerto West tenements in Argentina.

Pending the completion of legal and title due diligence and any regulatory approvals, Galan will pay Portofino CDN\$100,000 in cash (inclusive of a CDN\$20,000 deposit) and issue 650,000 fully paid Galan shares for Portofino's 100% interest in the Hombre Muerto West Agreement (**HMW Agreement**). The HMW Agreement gives Portofino the rights to earn a 100% interest in the *Del Condor* and *Pucara* lithium brine projects. Galan has a three (3) month exclusivity period (with an option to extend for another three (3) months) with Portofino.

Maiden JORC (2012) Compliant Resource - Hombre Muerto West

On 12 March 2020, Galan announced its maiden JORC (2012) reported Mineral Resource estimate for the Hombre Muerto West lithium brine project located in Catamarca province, Argentina. The resource estimate was completed by the Company's consultants SRK Consulting (Australasia) and was conducted by their Australian based team.

The Inferred mineral resource estimate for Pata Pila and Rana de Sal is 1,080,775 tonnes of contained lithium carbonate equivalent (**LCE**) product grading at 946mg/l Li (with no Li cut off).

Please refer to the Directors' Report for further details.

Apart from the above, the Directors are not aware of any matters or circumstances at the date of the report, other than those referred to in this report or the financial statements or notes thereto, that has significantly affected or may significantly affect the operations, the results of operations or the state of affairs of the Company in subsequent financial years.

8. SEGMENT INFORMATION

The Group currently only operates in one geographical area being Argentina and one industry, being exploration, for the half year ended 31 December 2019 which was the same as reported in the financial report for the year ended 30 June 2019. The Chief Operating Decision Makers are the Board of Directors and the management of the Company. There is currently only one operating segment identified, being exploration activities based in Argentina based on internal reports reviewed by the Chief Operating Decision Makers in assessing performance and allocation of resources.

The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of the financial statements.

9. COMMITMENTS AND CONTINGENCIES

There have been no material changes in commitments and contingent liabilities or assets since the annual reporting date.

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Independent Auditor's Review Report

To the Members of Galan Lithium Limited

We have reviewed the accompanying financial report of Galan Lithium Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the condensed consolidated statement of financial position as at 31 December 2019, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled during the period.

Directors Responsibility 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 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2019 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of the Consolidated Entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independent Auditor's Review Report

To the Members of Galan Lithium Limited (Continued)



Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Galan Lithium Limited and Controlled Entities is not in accordance with the *Corporations Act 2001* including:

- a. Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2019 and of its performance for the period ended on that date; and
- b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(e) in the financial report, which indicates that the Consolidated Entity incurred a net loss of \$1,345,628 during the half year ended 31 December 2019. As stated in Note 2(e), these events or conditions, along with other matters as set forth in Note 2(e), indicate that a material uncertainty exists that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

BENTLEYS
Chartered Accountants

DOUG BELL CA
Partner

Dated at Perth this 13th day of March 2020

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