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**GALAN**  
LITHIUM LIMITED

**AND CONTROLLED ENTITIES**

**ABN 87 149 349 646**

**Financial Report**

**Half Year ended 31 December 2021**

**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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West Perth WA 6005  
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Website: [www.galanlithium.com.au](http://www.galanlithium.com.au)

**AUDITORS**

Hall Chadwick WA Audit Pty Ltd  
283 Rokeby Road  
Subiaco WA 6008

**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 2021. 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
Juan Pablo ('JP') Vargas de la Vega	Managing Director
Chris Chalwell	Non-Executive Director
Terry Gardiner	Non-Executive Director
Daniel Jimenez	Non-Executive Director
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 2021 was \$1,625,604 (2020: \$464,652).

### **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 under the ticker GLN.

### **Review of Operations**

#### **Corporate**

At the end of the 2021 calendar year, the Group had cash reserves of \$59,401,668 (June 2021: \$15,570,917).

#### **Placement**

On 13 August 2021, the Company announced the completion of a A\$50 million (before costs) placement to institutional, sophisticated and professional investors, at A\$1.15 per share to accelerate the development of its strategic lithium projects in Argentina and Australia.

Canaccord Genuity (Australia) Limited acted as Lead Manager and Bookrunner to the placement.

The issue of 25,872,594 Shares Tranche 1 shares, under that placement, was completed on 20 August 2021 under the Company's existing 7.1 and 7.1A placement capacity. Shareholder approval for the completion of tranche 2 (17,605,667 Shares) of the Placement was obtained from shareholders at a general meeting held on 12 October 2021. The issue of the tranche 2 placement shares was finalised on 18 October 2021.

#### **Other Equity Issues**

In the six months to 31 December 2021, Galan issued a total of 7,224,859 fully paid ordinary Shares (excluding the above placement Shares) in the Company, as follows:

- 3,141,548 Shares upon the conversion of \$0.25 options expiring 31/3/22;
- 1,689,215 Shares upon the conversion of \$0.21 options expiring 8/10/23;
- 150,000 Shares upon the conversion of \$0.90 options expiring 7/5/24;
- 104,096 Shares to a consultant in lieu of services provided;
- 2,000,000 Shares upon the conversion of \$0.25 options expiring 1/12/21; and
- 140,000 Shares to the vendor of the Candelas project

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In regard to COVID-19, Galan remains committed to delivering on our goals whilst maintaining high safety standards for our employees, contractors and consultants by adhering to the recommended practices mandated by the authorities in Australia, Argentina and Chile.

## Operations

### **Cautionary Statement**

The Preliminary Economic Assessments (**PEA's**) are preliminary technical and economic studies (equivalent to a JORC Scoping Study) of the potential viability of the Hombre Muerto West (HMW) and Candelas Lithium Brine Projects, required to reach a decision to proceed with more definitive studies. They are based on preliminary/low-level technical and economic assessments that are not sufficient to support the estimation of Ore Reserves or provide certainty that the conclusions/results of the PEA will be realised. Further exploration and evaluation work and appropriate studies are required before Galan will be in a position to estimate any Ore Reserves or to provide any assurance of an economic development case.

The economic analysis results should be treated as preliminary in nature and caution should be exercised in their use as a basis for assessing a project's feasibility. The HMW and Candelas PEA's were based on material assumptions including assumptions about the availability of funding. While Galan considers all of the material assumptions to be based on reasonable grounds, there is no certainty that they will prove to be correct or that the range of outcomes indicated by the PEA's will be achieved.

To achieve the range of proposed feasibility studies and potential mine development outcomes indicated in the PEA's, additional funding will be required. Investors should note that there is no certainty that Galan will be able to raise funding when needed. It is also possible that such funding may only be available on terms that may be dilutive to or otherwise affect the value of Galan's existing shares. It is also possible that Galan could pursue other 'value realisation' strategies such as a sale, partial sale or joint venture of the project. If it does, this could materially reduce Galan's proportionate ownership of its projects.

All of the material included in the mining schedules used in both PEA's are within Galan's Indicated Mineral Resources.

Process and engineering works for both PEA's were developed to support capital and operating estimates (and following AUSIMM Guidelines for this study level), and given the preliminary and confidential nature of the plant information, the capital cost margin of error is  $\pm 30\%$  on the 'factored cases' estimated figures and operating cost is  $\pm 30\%$ . Key assumptions used in the PEA's are outlined in the ASX announcements dated 30 November 2021 (Candelas) and 21 December 2020 (HMW). An updated HMW economic study was released to the market, entitled "Updated HMW Economic Study – NPV Increases to US\$2.2b", on 9 December 2021 where apart from a change to the average long term lithium price assumption (2024-2040) of US\$18,594/t LCE, all other original PEA assumptions were the same as those contained in the ASX announcement dated 21 December 2020. Galan has concluded it has a reasonable basis for providing the forward-looking statements in those announcements and this presentation.

The Mineral Resources information in these PEA reports were extracted from the ASX announcements entitled "Huge Increase in Hombre Muerto West (HMW) Indicated Resource – Now Over 2 Million Tonnes" dated 17 November 2020 and "High Grade Maiden Lithium Resource Exceeds Expectations" dated 1 October 2019 available at [www.galanlithium.com.au](http://www.galanlithium.com.au) and [www.asx.com](http://www.asx.com). Galan confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. Galan confirms that the form and context in which the Competent Person's findings are presented have not been materially modified.

Given the uncertainties involved, all figures, costs and estimates quoted are approximate values and within the margin of error range expressed in the relevant sections throughout the ASX announcements dated 9 December 2021, 30 November 2021 and 21 December 2020. Investors should not make any investment decisions based solely on the results of the PEA's.

### Forward Looking Statements

This Half Year Report contains forecasts and forward-looking statements which are no guarantee of future performance and which involve certain risks. Actual results and future outcomes will in all likelihood differ from those outlined herein. The report should not be construed as an offer or invitation to subscribe for or purchase securities in Galan. Nor is it an inducement to make offer or an invitation with respect to said securities.

Forward-looking statements are statements that are not historical facts. Words such as "expect(s)", "feel(s)", "believe(s)", "will", "may", "anticipate(s)" and similar expressions are intended to identify forward-looking statements. These statements include, but are not limited to statements regarding future production, resources or reserves and exploration results. All of such statements are subject to certain risks and uncertainties, many of which are difficult to predict and generally beyond the control of the Company, that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. These risks and uncertainties include, but are not limited to: (i) those relating to the interpretation of drill results, the geology, grade and continuity of deposits and conclusions of economic evaluations, (ii) risks relating to possible variations in reserves nor recovery rates and changes in project parameters as plans continue to be refined, (iii) the potential for delays in exploration or development activities or the completion of feasibility studies, (iv) risks related to commodity price and foreign exchange rate fluctuations, (v) risks related to failure to obtain adequate financing on a timely basis and on acceptable terms or delays in obtaining governmental approvals or in the completion of development or construction activities, and (vi) other risks and uncertainties related to the Company's prospects, properties and business strategy. Our audience is cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof, and we do not undertake any obligation to revise and disseminate forward-looking statements to reflect events or circumstances after the date hereof, or to reflect the occurrence of or non-occurrence of any events.

The Company has not completed definitive feasibility studies on its projects. Accordingly, there is no certainty that such projects will be economically successful. Resources that are not reserves do not have demonstrated economic viability.

### Lithium classification and conversion factors

Lithium grades are normally presented in mass percentages or milligrams per litre (or parts per million (ppm)). Grades of deposits are also expressed as lithium compounds in percentages, for example as a per cent. lithium oxide (Li<sub>2</sub>O) content or per cent. lithium carbonate (Li<sub>2</sub>CO<sub>3</sub>) content. Lithium carbonate equivalent ("LCE") is the industry standard terminology for, and is equivalent to, Li<sub>2</sub>CO<sub>3</sub>. Use of LCE is to provide data comparable with industry reports and is the total equivalent amount of lithium carbonate, assuming the lithium content in the deposit is converted to lithium carbonate, using the conversion rates in the table included further below to get an equivalent Li<sub>2</sub>CO<sub>3</sub> value in per cent. Use of LCE assumes 100% recovery and no process losses in the extraction of Li<sub>2</sub>CO<sub>3</sub> from the deposit. Conversion Factors for Lithium Compounds and Minerals:

Convert from		Convert to Li	Convert to Li <sub>2</sub> O	Convert to Li <sub>2</sub> CO <sub>3</sub>
Lithium	Li	1.000	2.153	5.323
Lithium Oxide	Li <sub>2</sub> O	0.464	1.000	2.473
Lithium Carbonate	Li <sub>2</sub> CO <sub>3</sub>	0.188	0.404	1.000

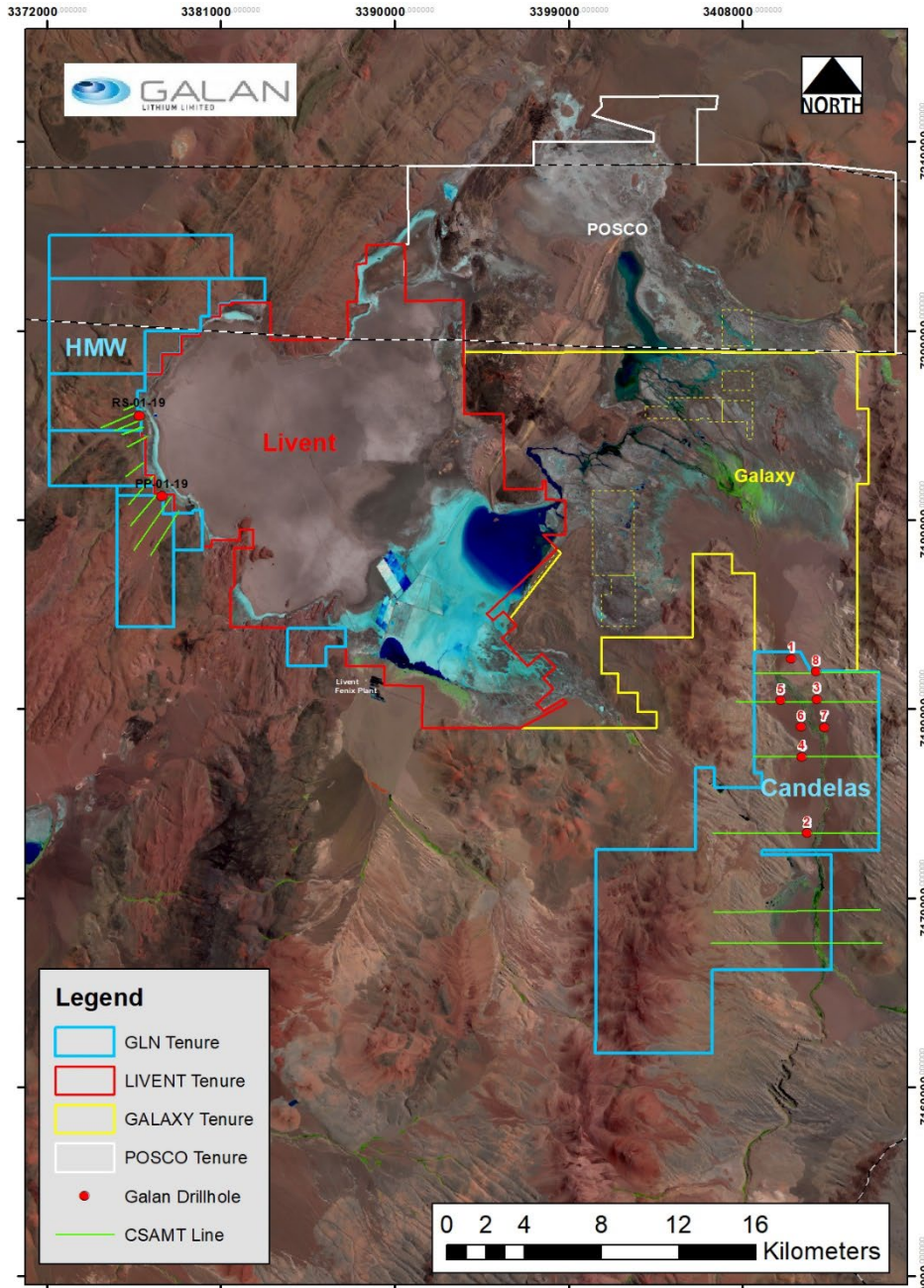


Figure 1: Location of Galan's concessions (in blue). Galan currently has a combined total Indicated Resource of 2.95Mt LCE @ 858mg/l Li

**Hombre Muerto West**

On 9 December 2021, Galan announced the results of an updated Preliminary Economic Assessment ("PEA") study for its 100% owned flagship Hombre Muerto West (HMW) Project in the Catamarca Province in Argentina.

The original PEA (as per ASX announcement dated 21 December 2020) was based on an average Li price of US\$11,687/t to the year 2040. The updated HMW economic study uses the same conservative Li price of US\$18,594/t as used in the study for Galan's second project (Candelas) (as per ASX announcement dated 30 November 2021). The updated economic study retains the original production profile of 20,000 tonnes per annum of battery grade lithium and no changes or improvements were made to Capex/ Opex estimations used in the original PEA study. The updated economic study results also reflected recent changes to the tax legislation in Argentina.

The preparation of the Project's original PEA was disclosed on 21 December 2020 was carried out by several well-regarded consultants. The mineral resource estimate was prepared by SRK, the lithium recovery method was designed by Ad-Infinity, while Worley Chile reviewed the potential recovery method, the project's

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potential layout and infrastructure, capital and operating cost estimates and preliminary economic evaluation. The other sections of the original PEA were managed by employees of Galan Lithium Limited. The updated economic study results were managed by Ad-Infinity and employees of Galan.

Key financial comparative highlights are presented in Table 1.

**Table 1: Preliminary Economic Assessment Comparative Results – HMW Project**

Parameters	Units	Original PEA Values 21 Dec 2020	Updated PEA Values 9 Dec 2021
<b>Lithium Carbonate Production</b>	Tonnes/year	20,000	20,000
<b>Project Life Estimate (excluding ramp-up)</b>	Years	40	40
<b>Capital Cost (CAPEX)</b>	US\$M	439	439
<b>Capital Cost (ex-contingency and indirects)</b>	US\$M	338	338
<b>Average Annual Operating Cost (OPEX)</b>	US\$/tonne	3,518	3,518
<b>Average Li<sub>2</sub>CO<sub>3</sub> Selling Price (2025-2040)</b>	US\$/tonne	11,687	18,594
<b>Average Annual EBITDA</b>	US\$M	174	287
<b>Pre-Tax Net Present Value (NPV)</b>	US\$M	1,011	2,193
<b>After-Tax Net Present Value (NPV)</b>	US\$M	684	1,338
<b>Pre-Tax Internal Rate of Return (IRR)</b>	%	22.8	37.5
<b>After-Tax Internal Rate of Return (IRR)</b>	%	19.1	33.1
<b>Payback Period (After-Tax)</b>	Years	4.3	2.75

Since the completion of the original HMW PEA Study, Galan has confirmed laboratory lithium chloride concentrations of 6% Li several times and confirmed production of lithium carbonate battery grade of 99.88% LCE from its concentrate. It has also received permits for new drilling and Stage 1 construction permits for the HMW camp and pilot plant. During 2022, the Company will be undertaking a definitive feasibility level study (DFS) with the appointment of an independent, well credentialed engineering firm (see below). Galan also expects the new HMW drilling to increase its Indicated Resources as well as a likely move into the Measured and Indicated Mineral Resource category. A key part of the DFS will be the formulation of a more robust hydrogeological model that supports the base case production level at HMW and potentially increases the production profile beyond 20ktpa along with a Reserve statement.

On 1 November 2021, the Company announced that it has received the essential government permits from the Ministra - Ministerio de Minería (Mine Minister) in Catamarca to build its Stage 1 pilot plant and new camp accommodation at its HMW lithium brine project. These permits were critical path items for the HMW feasibility study and the pace at which it moves forward. Upon grant, the entire Galan project team mobilised to Argentina and pilot plant and new camp construction activities commenced.

On 14 December 2021, Galan announced the Feasibility Study tender and analysis for the HMW Project had been completed and the study work was awarded to Hatch.

Hatch is an independent, well credentialed firm that will work with Galan's close knit, highly experienced group of consultants, including Ad-Infinity, SRK and WSP, along with its own project teams set-up in Argentina, Chile and Australia. The Feasibility Study is expected to be delivered in late Q4 2022.



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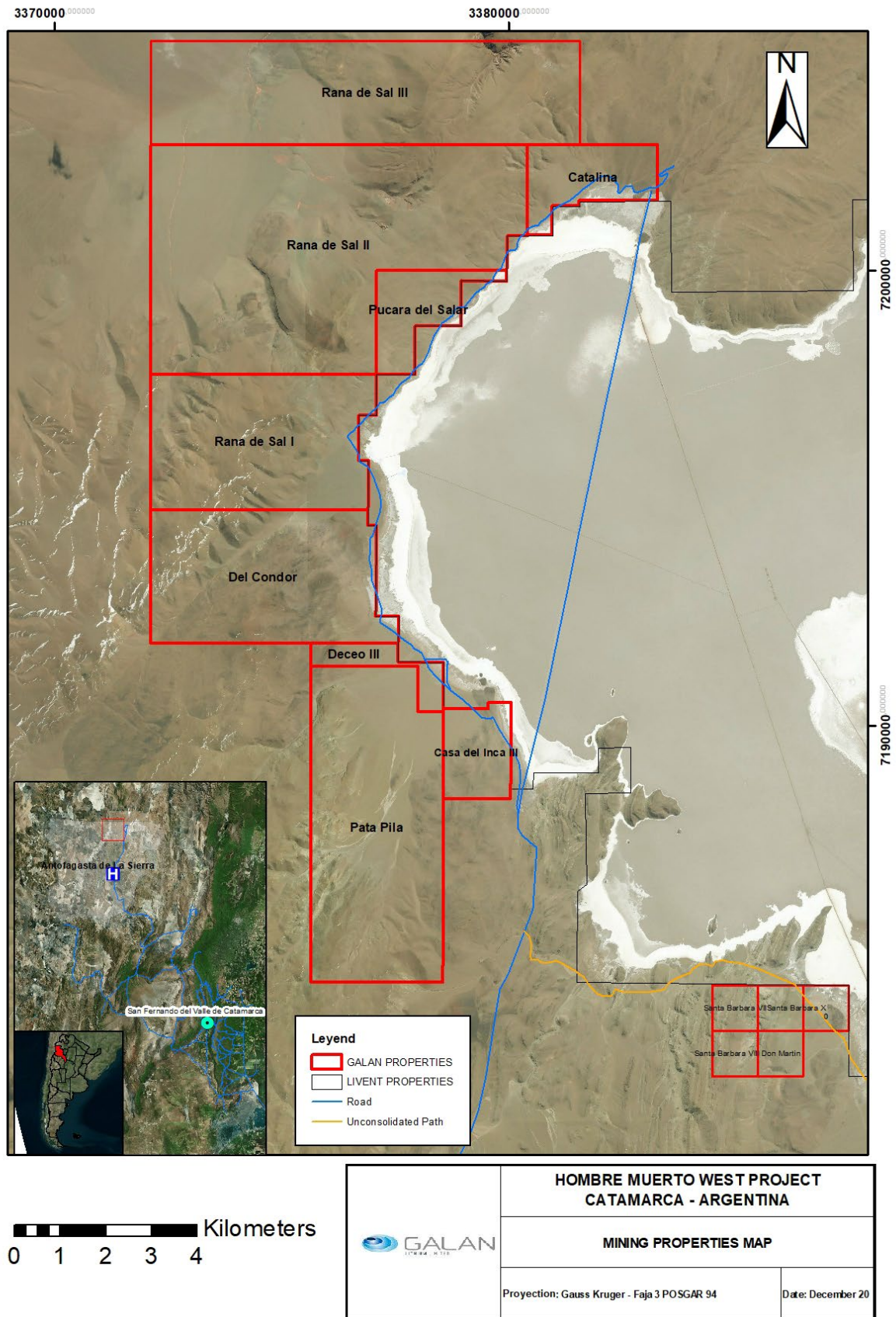


Figure 2: Hombre Muerto West Properties Map, Catamarca Argentina

**Updated Economic Information**

Please note that apart from the revised lithium price assumption detailed below, no other changes or improvements were made to production or Capex/Opex estimations that were used in the original PEA study (as per ASX release dated 21 December 2020).

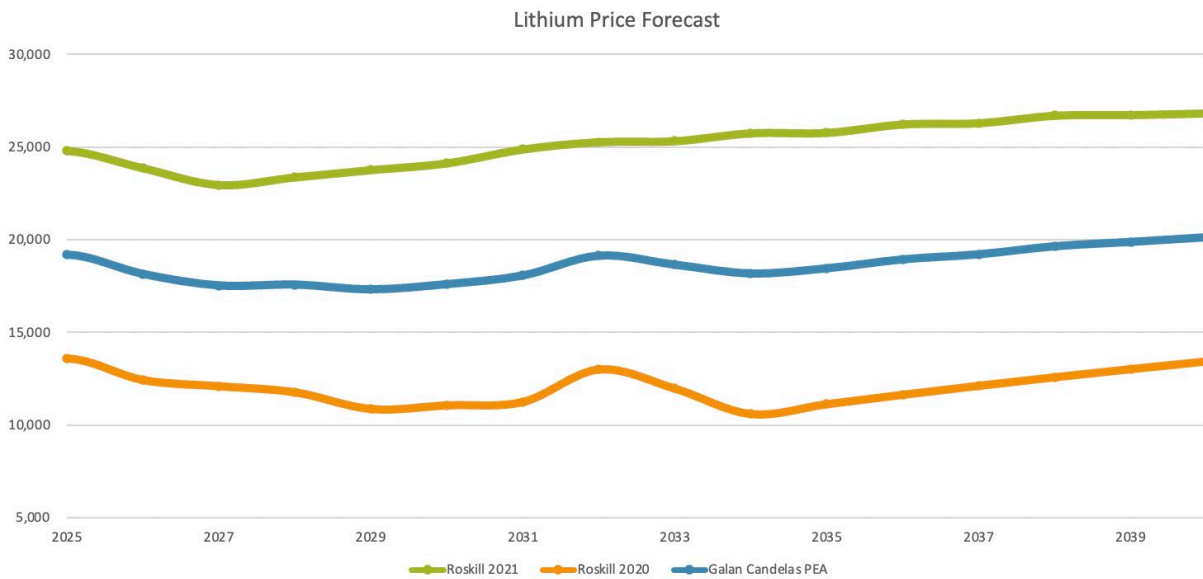
Market and Contracts

The battery grade lithium carbonate price forecast (for the period 2025-2040) utilised to run the economic evaluation of The Project was taken from the 18<sup>th</sup> Edition Update 1 - October 2021 (v2) of the Lithium Market developed by Roskill (\*). Galan has assumed a conservative view to long term lithium pricing. As a result, Galan has taken a mid-point between the long-term pricing between the 17<sup>th</sup> and 18<sup>th</sup> Editions from Roskill of US\$18,594/t.

Roskill expects contract prices for lithium carbonate battery grade and hydroxide to remain near to or above US\$25,000/t on a long-term real (inflation adjusted) basis. After softening in 2019 and 2020, prices on a nominal basis the long-term lithium carbonate battery grade price is projected to rise to around US\$30,000-40,000/t.

Strong demand growth for refined lithium products is forecast to be sustained by expanding production, new market entrants and the draw-down of stockpiled material through to 2026, though a fundamental supply deficit is expected to form in the late 2020s. Significant further investment in expanding production capacity at existing operations, in addition to new projects and secondary lithium sources will be necessary to meet projected demand growth through to 2030.

Figure 3 displays the forecast of the lithium carbonate price.



**Figure 3: Long Term estimate of the Contracted Price of Battery Grade Li<sub>2</sub>CO<sub>3</sub> Developed by Roskill**

The average lithium carbonate price for the period 2025-2040 is US\$18,594/t. This price is estimated on a real base, excluding the impact of the inflation.

(\*) Roskill was formed in 1930 and have a rich heritage in understanding complex commodity supply chains and global trends and translating our knowledge into meaningful insights.

The company's global team is headquartered in London and boasts representation across six continents. Roskill were acquired by Wood Mackenzie in June 2021, combining the two companies' capabilities in order to provide comprehensive, integrated analysis, data, and insight from across the value chain.

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### Economic Evaluation

The updated economic evaluation of the HMW Project was conducted following the industry standards for this project stage. A discount rate of 8% was utilised for present value calculations.

Forecasted lithium carbonate prices for the period 2020-2040, utilised for the economic evaluation, were provided by Roskill. The lithium carbonate price for the period from 2041 onwards was left constant, at the 2040 value, as indicated by Galan.

The updated economic results also reflect recent changes to the tax legislation in Argentina.

No potential potassium credits were included in the economic evaluation. The key assumptions and results of the economic evaluation are displayed in Tables 2 and 3 respectively.

**Table 2: Key Assumptions Utilised for the Economic Evaluation**

Assumption	Units	Original PEA Values 21 Dec 2020	Updated PEA Values 9 Dec 2021
Lithium Carbonate Production	Tonnes/year	20,000	20,000
Project Life Estimate	Years	40	40
Discount Rate	%	8	8
Royalty	%	3	3
Corporate Tax	%	25	35
Dividend Payment Withholding Tax	%	10	7
Capital Cost (CAPEX)	US\$m	439	439
Sustaining Capital	US\$m	116	116
Average Annual Operating Cost (OPEX)	US\$/tonne	3,518	3,518
Average Li <sub>2</sub> CO <sub>3</sub> Selling Price (2020-2040)	US\$/tonne	11,687	18,594

**Table 3: Economic Evaluation Results of HMW Project**

Parameters	Units	Original PEA Values 21 Dec 2020 (1)	Updated PEA Values 9 Dec 2021
Average Income	US\$m	258	376
Average Provincial Royalty	US\$m	6	11.3
Average Operating Expenses	US\$m	70	70
Average Corporate and Withholding Taxes	US\$m	55	119
Average Annual EBITDA	US\$m	174	287
Average Annual Operational Free Cash Flow	US\$m	117	190
Pre-Tax Net Present Value (NPV)	US\$m	1,011	2,193
After-Tax Net Present Value (NPV)	US\$m	684	1,338
Pre-Tax Internal Rate of Return (IRR)	%	22.8	37.5
After-Tax Internal Rate of Return (IRR)	%	19.1	31.1
Payback Period (After-Tax) (2)	Years	4.3	2.75

(1) - the Average figures for the income, Provincial Royalty, Operating Expenses, Corporate and Withholding Taxes, EBITDA and Operational Free Cash Flow have been estimated only considering the full production time of the operating period.

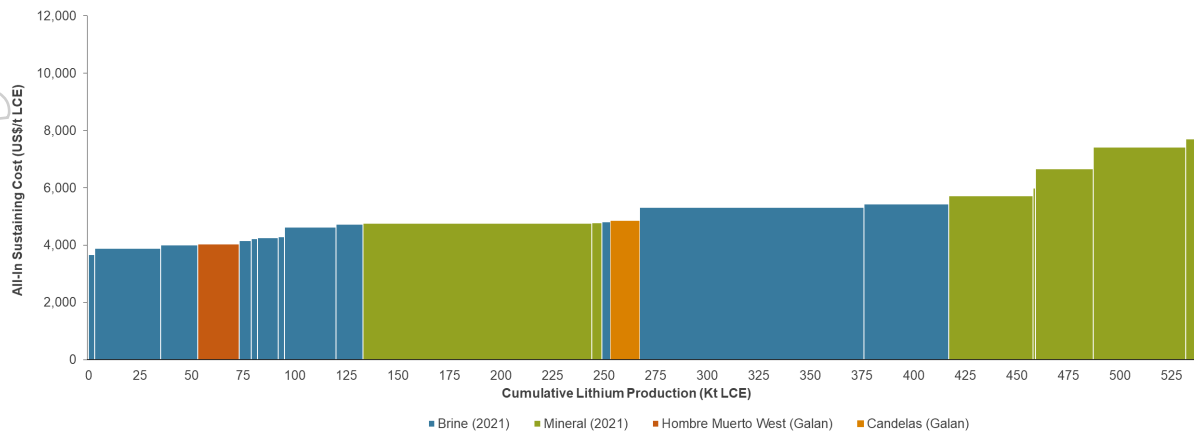
(2)- Payback years after the end of the investment period.

#### HMW Project Within the Lithium Cost Curve

The lithium carbonate equivalent cost curve was prepared by Roskill based on the information updated to September 2021.

The All-in Production cost includes the cash operating cost plus the sustaining capex and royalty cost adjusted to a lithium carbonate price of US\$12,500/t.

Figure 4 displays the lithium carbonate equivalent cost curve and the location of the HMW (left in red) as well as Candelas project (in the middle in orange) within the industry cost curve. The cost curve shows that Galan's Projects could be a low-cost competitive solution as both projects sit within the first half of the cost curve



**Figure 4: Lithium Production Cost Curve (source: Roskill – Lithium Cost Model Service)**

Note: 2021 costs have been adjusted to reflect a royalty rate for a lithium carbonate price of US\$12,500/t.

HMW Project Timetable

Galan is planning additional HMW Project studies that are required prior to making any investment decision. It has commenced a definitive feasibility level study (DFS) with the recent appointment of Hatch, an independent, well credentialed engineering. In parallel, the completion of the EIA study and subsequent application for the exploitation permit will be conducted. The commencement of the construction is planned for Q4 of 2022 subject to the approval of the exploitation permit and successful completion of the financing activities. The construction and commissioning should take two years to allow the project the start of production early 2025 and achieving the production ramp up in Q3 2026.

Candelas

On 30 November 2021, Galan announced the results of the PEA for its 100% owned Candelas Project also in the Catamarca Province, Argentina. The PEA, at a minimum, complies with the Canadian NI 43-101 regulation known as a PEA and is equivalent to a JORC Scoping Study.

The Study estimated a production profile of 14,000 tonnes per annum of battery grade lithium carbonate product including some technical grade product for the first three (3) years. The PEA process has provided significant economic outcomes for the Candelas Project which Galan believes can be optimised and enhanced further to refine the Project's obvious potential.

The preparation of the Candelas Project's PEA was managed by Ad Infinitum and Galan's Project Manager for the engineering inputs including the recovery method, project layout and infrastructure, capital cost and operating cost estimates and overall economic evaluation. The other sections of the study were managed by consultants and employees of Galan Lithium Limited.

Key financial highlights are presented in Table 4.

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Table 4: Preliminary Economic Assessment Results – Candelas Project

Parameters	Units	Values
Lithium Carbonate Production	Tonnes/year	14,000
Project Life Estimate (excluding ramp-up)	Years	25
Capital Cost (CAPEX)	US\$M	408
Capital Cost (ex-contingency and indirects)	US\$M	302
Average Annual Operating Cost (OPEX)	US\$/tonne	4,277
Average Li <sub>2</sub> CO <sub>3</sub> Selling Price (2025-2040)	US\$/tonne	18,594
Average Annual EBITDA	US\$M	188
Pre-Tax Net Present Value (NPV)	US\$M	1,225
After-Tax Net Present Value (NPV)	US\$M	660
Pre-Tax Internal Rate of Return (IRR)	%	27.9
After-Tax Internal Rate of Return (IRR)	%	20.9
Payback Period (After-Tax)	Years	4.75

## Project Background

### Location

The Candelas Project is part of the Hombre Muerto basin, one of the most globally prolific salt flats, located in the Argentinean Puna plateau of the high Andes mountains at an elevation of approximately 4,000 m above sea level. The Project is in the geological province of Altiplano Puna, 90 km north of the town of Antofagasta de la Sierra, province of Catamarca, Argentina as shown in Figure 5. The Project is located to the East and South of the Salar del Hombre Muerto. Candelas lies approximately 40km ESE of the Hombre Muerto West project under feasibility study, also by Galan. The Candelas Project is hosted within a ~15km by 3-4km wide structurally controlled basin that has infilled with sediments that host the Li bearing brines.

The Candelas Project is in close proximity to other world class lithium projects owned by Orocobre (formerly Galaxy Resources), Posco and Livent. It is around 1,400 km northwest of the capital of Buenos Aires and 170 km west-southwest of the city of Salta (in a straight line).

### Tenements

The Candelas Project comprises fourteen exploration permits (Candelas and Jazmin), covering an area of ~24,072 hectares.

Design work shows the Candelas brine wells will be located in the North of the Candelas tenements. The main objective of these wells is the extraction of brine, rich in lithium, from the Salar which is then pumped to the first preconcentration solar evaporation ponds. The preconcentration and precipitation ponds will be located in the east of the Candelas tenements away from the Rio De Los Patos river that feeds the salar.

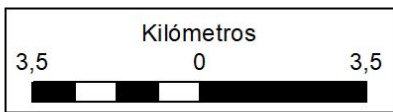
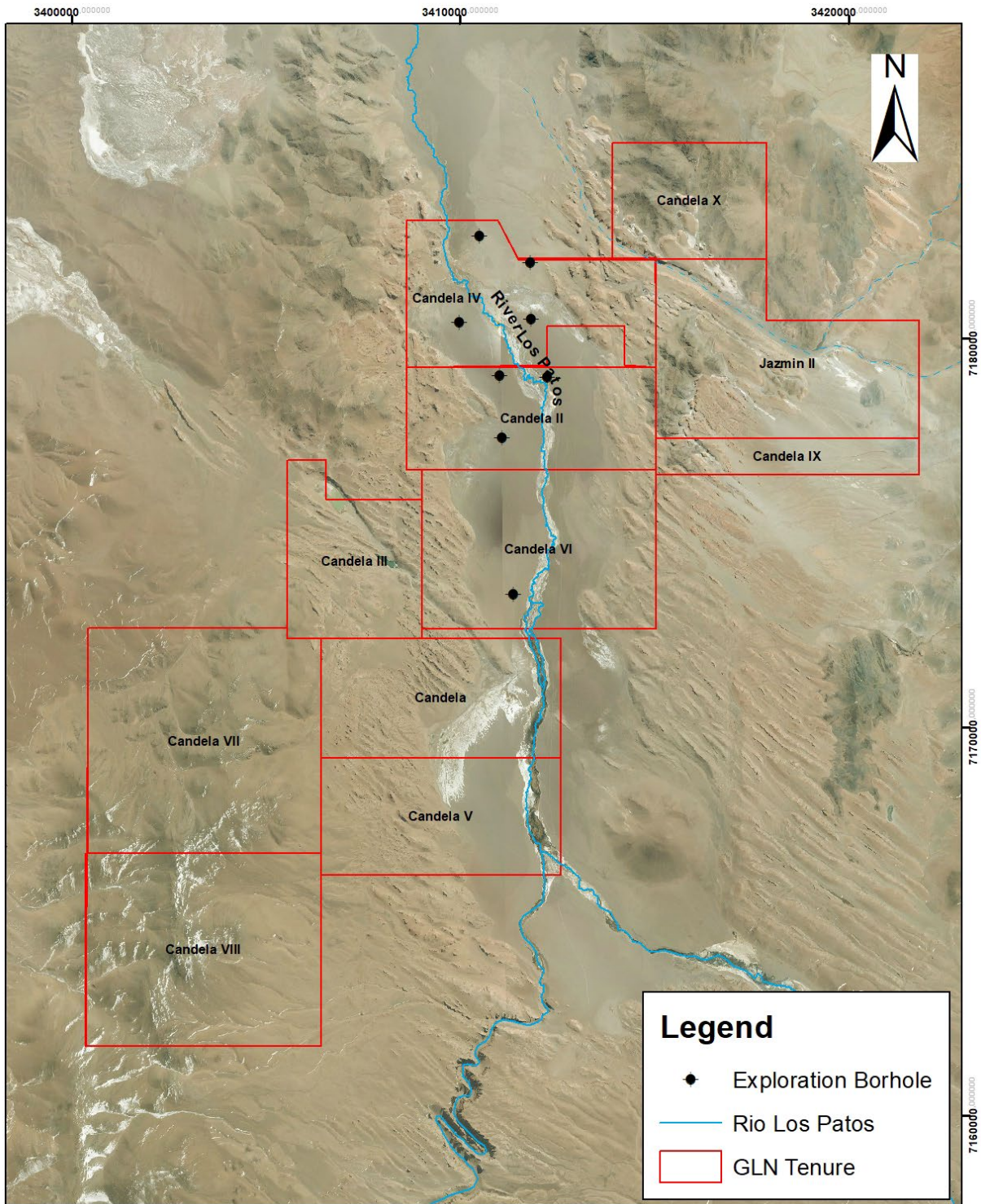
### Climate

The climate in the Candelas Project area is classified as cold, high-altitude desert with sparse vegetation. Solar radiation is intense (especially during the summer months of October to March) resulting in high evaporation rates. Very strong winds are also typical, reaching speeds up to 80 km/h during the dry season. However, in summer, warm to cool winds normally develop after midday and reduce in strength during the evening hours.

Precipitation data from meteorological sources showed a mean annual precipitation of around 86.4 mm. Precipitation typically occurs between the months of December and March, during which about 82% of annual rain fall occurs. From April to November, it is typically dry with average daily mean temperatures of approximately 5.3°C

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	<b>CANDELAS PROJECT CATAMARCA - ARGENTINA</b>	
	<b>MINING PROPERTIES MAP</b>	
	Projection: Gauss Kruger - Faja 3 POSGAR 94	Date: November 20

Figure 5: Candelas Properties Map, Catamarca Argentina

### Resource Estimate

The mineral resource estimation was undertaken by SRK Consulting (Australasia) (SRK) and was based upon results from drill holes within the Candelas tenement holdings for a total of 3,537 metres. The mineral resource estimates undertaken by SRK were determined for lithium and potassium. Lithium is reported as lithium carbonate ( $\text{Li}_2\text{CO}_3$ ) equivalent, and potassium as potassium chloride (KCl). Table 2 below provides a summary of the resource reported in accordance with the JORC Code guidelines. According to SRK, the Candelas Mineral Resource represents geologically well-defined zones of brines hosting high-grade lithium. It is comprised of significant Li bearing hydrogeologic domains. The sedimentological units hosting the Li brines are laterally extensive and show some variation in thickness along strike and depth.

The Mineral Resource estimate (see GLN ASX announcement dated 1 October 2019) displayed in Table 2 was used for the preparation of the PEA of the Candelas Project. The total mine of life production is 25 years to produce around 364kt LCE. The Study uses a predicted Li recovery of 61.6%, hence the total initial resource to feed the project is estimated at 590kt LCE. This represents around 86% of the total resource of Candelas using a cut-off grade of 500mg/l Li.

**Table 5: Mineral Resource Statement for Candelas (October 2019)**

Resource Category	In situ Li (kt)	Avg. Li (mg/l)	LCE (kt)	Avg. K (mg/l)	In situ K (kt)	KCl Equiv. (kt)
Indicated	167	672	685	5,193	1,734	3,307

NB.: 500mg/l Li cut-off grade for Candelas. These results refer to the drainable porosity, the specific yield (SY) values used are as follows: Sand – 12.5%, Gravel – 6% and Halite – 4%. 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.

### MINING AND PROCESS METHODOLOGY

#### Brine Extraction

The brine extraction will be pumped via eleven production wells, including contingency for maintenance purposes. The pumped raw brine will be pumped to a surge pond then onto the first pond of the evaporation ponds system. The total average raw brine flow required to feed the evaporation ponds system is 204 l/s.

#### Recovery Method

The process defined and designed for the Candelas Project is based on conventional evaporation ponds as preconcentration and purification and a lithium carbonate plant, all defined to produce 14,000tpa of battery grade  $\text{Li}_2\text{CO}_3$ .

The process obtains brine from wells located in the North of the Candelas tenements, within the properties of the project. This brine will be pumped to the pre-concentration ponds, from where the first pond will be fed. Through the action of solar radiation, wind and other environmental conditions, water will evaporate from the brine, generating a change in the equilibrium point of this liquid, which will prompt the precipitation of salts and the concentration of lithium present in this brine. Two separate reagent additions are designed to facilitate the precipitation of impurities as particular salts thereby not precipitating the lithium present in the brine as much as possible. Once this brine reaches a lithium concentration suitable for the treatment in the lithium carbonate plant, it will be stored in reservoir ponds to be available to feed the  $\text{Li}_2\text{CO}_3$  Plant. Lithium is lost to the ponds as minor seepage, entrainment and minor co-precipitation.

For more information on the Mining and Process Methodology please refer to the ASX Announcement dated 30 November 2021 entitled 'Excellent Preliminary Economic Assessment Results for Candelas Project in Catamarca, Argentina.'

**Project Layout & Infrastructure**

The Candelas Project has developed a layout allowing for the ponds to not interfere with the aesthetics of the Rio De Los Patos river channel and the main thoroughfare in the region. The brine wells are located within the river channel, whilst the evaporation ponds system, lithium carbonate plant, water wells, camp, etc. are located between 150 and 300 m uphill from the valley floor. The location of the evaporation ponds should be further investigated, Galan would seek for additional favourable terrain to improve the project future economics.

The raw brine flow coming from the wells field will be collected by a tank from where it will be pumped 150 m uphill to the buffer pond. From this first pond, the brine will commence the evaporation sequence through the ponds system.

Figure 6 shows the Candelas Ponds layout.

The evaporation ponds system has an effective evaporation area of 509 Ha. The system has been designed to fit with the topography, and the brine flow between ponds will be mainly carried out through gravity where the pumping between ponds will be minimised.

The lithium carbonate plant was located next to the ponds reservoir and close to the main access to the project. The totality of the utilities (water, power, reagent plants, etc.) are located in the same area. The administration area including the camp, mess, offices, warehouse, etc. is also situated within walking distance of the lithium carbonate plant.

For more information on the Project Layout & Infrastructure please refer to the ASX Announcement dated 30 November 2021 entitled 'Excellent Preliminary Economic Assessment Results for Candelas Project in Catamarca, Argentina.'

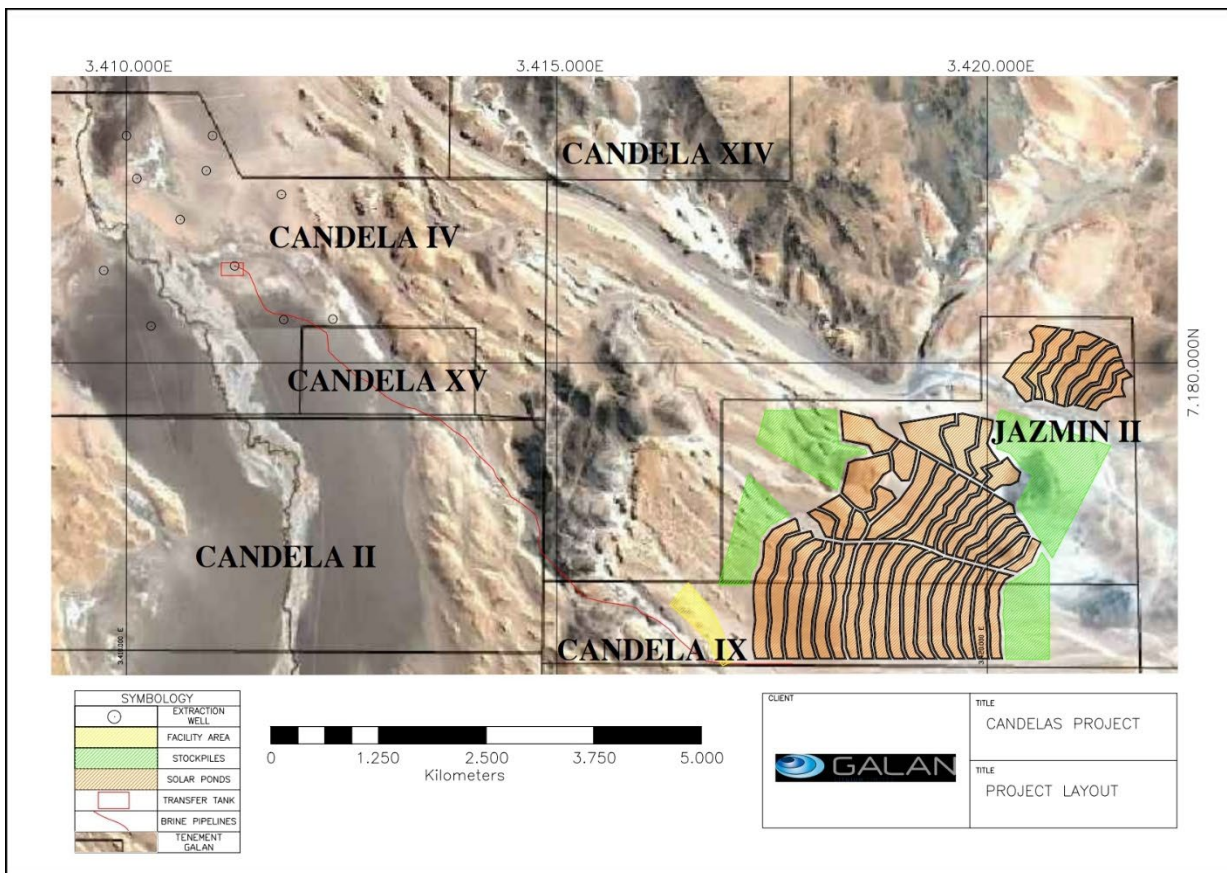


Figure 6: Candelas Ponds Layout

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**Environmental and Social Studies**

The Candelas Project has an existing permit to run exploration and project studies related activities. Galan is analysing the environmental footprint for the project in order to organize the coming activities.

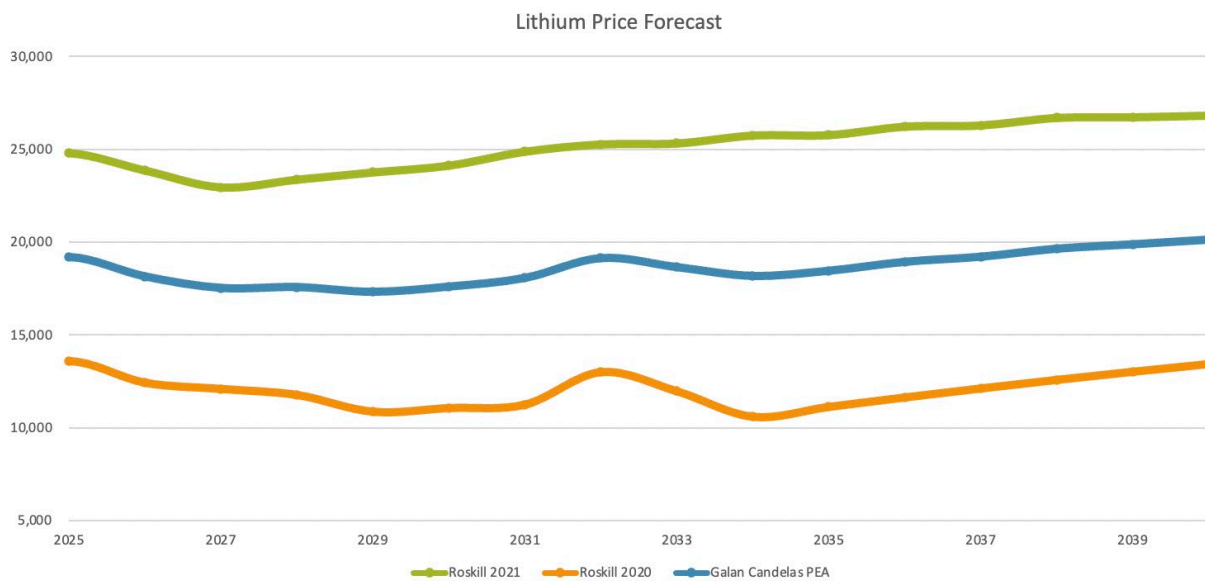
**Market and Contracts**

The battery grade lithium carbonate price forecast (for the period 2025-2040) utilised to run the economic evaluation of The Project was taken from the 18<sup>th</sup> Edition Update 1 - October 2021 (v2) of the Lithium Market developed by Roskill (\*). Galan has assumed a conservative view to long term lithium pricing. As a result, Galan has taken a mid-point between the long-term pricing between the 17<sup>th</sup> and 18<sup>th</sup> Editions from Roskill of US\$18,594/t.

Roskill expects contract prices for lithium carbonate battery grade and hydroxide to remain near to or above US\$25,000/t on a long-term real (inflation adjusted) basis. After softening in 2019 and 2020, prices on a nominal basis the long-term lithium carbonate battery grade price is projected to rise to around US\$30,000-40,000/t .

Strong demand growth for refined lithium products is forecast to be sustained by expanding production, new market entrants and the draw-down of stockpiled material through to 2026, though a fundamental supply deficit is expected to form in the late 2020s. Significant further investment in expanding production capacity at existing operations, in addition to new projects and secondary lithium sources will be necessary to meet projected demand growth through to 2030.

Figure 7 displays the forecast of the lithium carbonate price.



**Figure 7: Long Term estimate of the Contracted Price of Battery Grade Li<sub>2</sub>CO<sub>3</sub> Developed by Roskill**

The average lithium carbonate price for the period 2025-2040 is US\$18,594/t. This price is estimated on a real base, excluding the impact of the inflation.

(\*) Roskill was formed in 1930 and have a rich heritage in understanding complex commodity supply chains and global trends and translating our knowledge into meaningful insights.

**Capital (CAPEX) Estimate**

Scope of the Capital Cost Estimate

The estimation includes direct and indirect project costs, owner costs and contingency.

Technical Scope

The present study addresses the design at a PEA level for the construction of a battery-grade Lithium Carbonate Production Plant, which mainly considers brine extraction wells, solar evaporation ponds, brine treatment plant, purification plant for magnesium, calcium and boron, lithium carbonate plant, drying, micronizing, packing and storage of lithium carbonate for an annual production of 14,000 tonnes.

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### General

To estimate the CAPEX of all items included in the project scope, the Company included the following items in its calculation base:

- Direct Construction and Assembly Costs;
- Indirect Project Costs; and
- Contingency: estimate based on a percentage of the total cost, according to cost engineering standards.

The contingency was calculated as a percentage of the total cost according to engineering standards. Due to the level of engineering development, a contingency of 25% is defined for this project.

The CAPEX is based on information available in October 2021. The capex estimate should cover the precision range established for a PEA study (profile), as defined by NI43-101. Typical range of precision for PEA studies (profile):  $\pm 30 - 50\%$ . For this study an accuracy of  $+ 30\%$ ,  $-15\%$  is considered.

The origin of prices for costs of equipment, materials and third-party subcontracts have been obtained from reference data taken from similar projects.

The origin of quantities was obtained from similar engineering designs carried out for other projects and referential estimates/factorisations.

For the Candelas Project, no equipment or material quotes were sourced to estimate CAPEX. The information used is only based on information from the Ad Infinitum database, as well as reference prices of other projects recently carried.

### Capex Estimate Results

Table 6 presents a summary of the capital cost estimate (CAPEX) required for the implementation of the Candelas Project in accordance with the scope developed and all the information available in this stage.

**Table 6: Capital Cost Estimate of Candelas Project**

Description	US\$ M
Brine Wells and Brine Transport	20.6
Evaporation Ponds System	143.2
Ponds Reagent Plant	11.2
Lithium Carbonate Plant	51.9
Lithium Carbonate Reagent plants	12.3
Utilities	29.1
Infrastructure	33.7
Total Direct Cost	<b>302.0</b>
Total Indirect Cost	30.2
<b>Total Capex without contingency</b>	<b>332.2</b>
Contingency (30%)	75.5
<b>Total Capex</b>	<b>407.7</b>

For more information on the Capex Estimate please refer to the ASX Announcement dated 30 November 2021 entitled 'Excellent Preliminary Economic Assessment Results for Candelas Project in Catamarca, Argentina.'

### Operating Cost (OPEX) Estimate

The scope for the Candelas Project considers the development of engineering documents that are necessary for the elaboration of a study at the PEA level, specifically for a Lithium Carbonate Plant, which will produce 14,000 tpa of battery grade  $\text{Li}_2\text{CO}_3$ .

The estimate of the operating cost considered base information provided by Galan and third parties, engineering deliverables developed by Ad Infinitum and price inputs from representative sources of the current market which were validated by both Ad Infinitum and Galan.

For this study, an accuracy of + 30%, -15% is considered for OPEX costs.

The battery limits to be considered for the development of the operating cost estimate are:

- From : In situ brine feed from Candelas brine wells.
- To : Final product of Lithium Carbonate, battery grade CIF to China

Based on all information developed, an OPEX estimation was calculated for the project (presented in Table 7).

**Table 7: Operating Cost Estimate of Candelas Project**

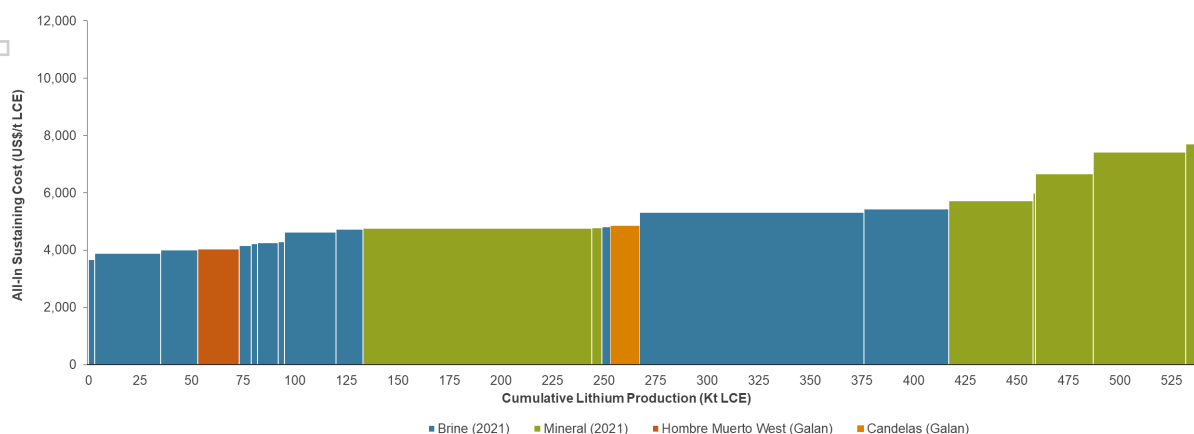
Description	US\$/t LCE
Reagents	1,344
Water	60
Salt Harvesting and Stockpiles	466
Power and Diesel	892
Wages	361
Transport	204
Camp and Mess	184
Maintenance	465
<b>Direct Costs</b>	<b>3,976</b>
G&A	301
<b>Total</b>	<b>4,277</b>

For more information on the Opex Estimate please refer to the ASX Announcement dated 30 November 2021 entitled 'Excellent Preliminary Economic Assessment Results for Candelas Project in Catamarca, Argentina.'

**Candelas Project Within the Lithium Cost Curve**

The lithium carbonate equivalent cost curve was prepared by Roskill based on the information updated to September 2021. The All-in Production cost includes the cash operating cost plus the sustaining capex and royalty cost adjusted to a lithium carbonate price of US\$12,500/t.

Figure 8 displays the lithium carbonate equivalent cost curve and the location of the Candelas Project as well as HMW project within the industry cost curve. The cost curve shows that Galan's Projects could be a low-cost competitive solution as both projects sit within the first half of the cost curve



**Figure 8: Lithium Production Cost Curve (source: Roskill – Lithium Cost Model Service)**

Note: 2021 costs have been adjusted to reflect a royalty rate for a lithium carbonate price of US\$12,500/t with Candelas costs inclusive of royalty rate at the price received.

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### Project Timetable

Galan has defined a base program to perform additional studies for Candelas Project prior to make any investment decision. These studies may involve a PFS and FS stages. In parallel, the definition and completion of the EIA study and subsequent application for the exploitation permit will be conducted.

The base of this Study has assumed to be a stand-alone and independent from the Study and/or potential development of the HMW project. Galan needs to review and rank which project would be developed first. Furthermore, the Galan has now two potential production fronts and would also review to integrate Candelas Project with the more advanced HMW Project.

The commencement of the construction is assumed for Q1 of 2025 subject to the approval of the exploitation permit and successful completion of the financing activities. The construction and commissioning should take two years to allow the project the start of production early 2027.

### Economic Evaluation

The economic evaluation of the Candelas Project was conducted by Galan and Ad Infinitum following the industry standards for this type of exercise. A discount rate of 8% was utilised for running the evaluation.

The forecast of lithium carbonate prices for the period 2025-2040 utilised for the economic evaluation was provided by Roskill. The lithium carbonate price for the period beyond 2041 a continuation of this price.

The tax and royalty assumptions were provided by Galan and no potential potassium credits were included in the economic evaluation. The key assumptions and results of the economic evaluation are displayed in Tables 8 and 9 respectively.

**Table 8: Key Assumptions Utilized for the Economic Evaluation of Candelas Project**

Assumption	Units	Values
Lithium Carbonate Production	tonnes/year	14,000
Project Life Estimate	Years	25
Discount Rate	%	8
Royalty	%	3
Corporate Tax	%	35
Dividend Payment Withholding Tax	%	7
Capital Cost (CAPEX)	US\$M	408
Sustaining Capital	US\$M	99
Average Annual Operating Cost (OPEX)	US\$/tonne	4,277
Average Li <sub>2</sub> CO <sub>3</sub> Selling Price (2025-2040)	US\$/tonne	18,594
Weighted Average Li <sub>2</sub> CO <sub>3</sub> Selling Price LoM	US\$/tonne	19,392

**Table 9: Economic Evaluation Results of Candelas Project**

Parameters	Units	Values
Average Income	US\$M	261
Average Provincial Royalty	US\$M	8
Average Operating Expenses	US\$M	58
Average Corporate and Withholding Taxes	US\$M	70
Average Annual EBITDA	US\$M	188
Average Annual Operational Free Cash Flow	US\$M	126
Pre-Tax Net Present Value (NPV)	US\$M	1,225
After-Tax Net Present Value (NPV)	US\$M	660
Pre-Tax Internal Rate of Return (IRR)	%	27.9
After-Tax Internal Rate of Return (IRR)	%	20.9
Payback Period (After-Tax)	Years	4.75

For more information on the Sensitivity Analysis please refer to the ASX Announcement dated 30 November 2021 entitled 'Excellent Preliminary Economic Assessment Results for Candelas Project in Catamarca, Argentina.'

On 21 September 2021, The Company announced that it had formed a collaborative partnership with Circular Ltd (**Circular**) to establish full lithium traceability and dynamic CO<sub>2</sub> and environmental, social and governance (**ESG**) tracking for its lithium brine assets, in Argentina's Lithium triangle.

Galan will be implementing Circular's solution to help its future market products to meet sustainability objectives for ethical sourcing, CO<sub>2</sub> transparency and other ESG performance metrics (e.g. water consumption). Circular's solution will be used during Galan's feasibility study stage by tracking samples from its pilot lithium carbonate plant to marketable product. This partnership provides Galan with full traceability of their lithium supply chain.

### **Greenbushes South**

On 15 November 2021, the Company provided an update for its ongoing exploration program at the Greenbushes South Lithium project (joint venture between GLN (80%) and LIT (20%)). The Project is located approximately 3 kms south of the world-class Greenbushes Lithium Mine which is owned and managed by Talison Lithium Pty Ltd.

UltraMag Geophysics undertook four lines and roughly 5 km of Deep Ground Penetrating Radar surveys in October 2021. The survey lines were undertaken perpendicular to the inferred trace of the Donnybrook-Bridgetown Shear Zone (DBSZ). The preliminary results confirmed that the method was successful in being able to penetrate to about 40 – 50 m in depth. The survey could delineate the presence of the DBSZ to depth and three potential blind pegmatites like targets at depth (see Figure 9). The general location of the pegmatite-like targets identified by the DGPR survey corresponds to geochemical anomalies of pathfinder elements (As, Sb) in historical surface soil assays. Future surveys will follow up on these pegmatites like targets at depth.

The ongoing soil sampling program focuses on the surface expression of the DBSZ that hosts the Greenbushes deposit (see Figure 10). The DBSZ is a steeply dipping, N-S trending shear zone, primarily associated with syntectonic emplacement of the lithium-bearing pegmatites of the Greenbushes mine to the north. Recognised in geophysical data, this prominent geologic feature and the recent mapping helped identify its surface expression through the Greenbushes South project.

Conservation management plans were submitted to the Department of Biodiversity, Conservation and Attractions to extend our access to the DBSZ. Once approved, Galan will undertake further soil sampling, geophysical, and air-core drilling programs. Additionally, the Company is planning future high-resolution UAV magnetic surveys to identify the target boundaries' scale and investigate if the program could incorporate other geophysical methods. Combined with the historical data, these initial surveys serve as a positive sign for future targeted soil and geophysical surveys along the DBSZ to help identify potential blind pegmatite bodies.

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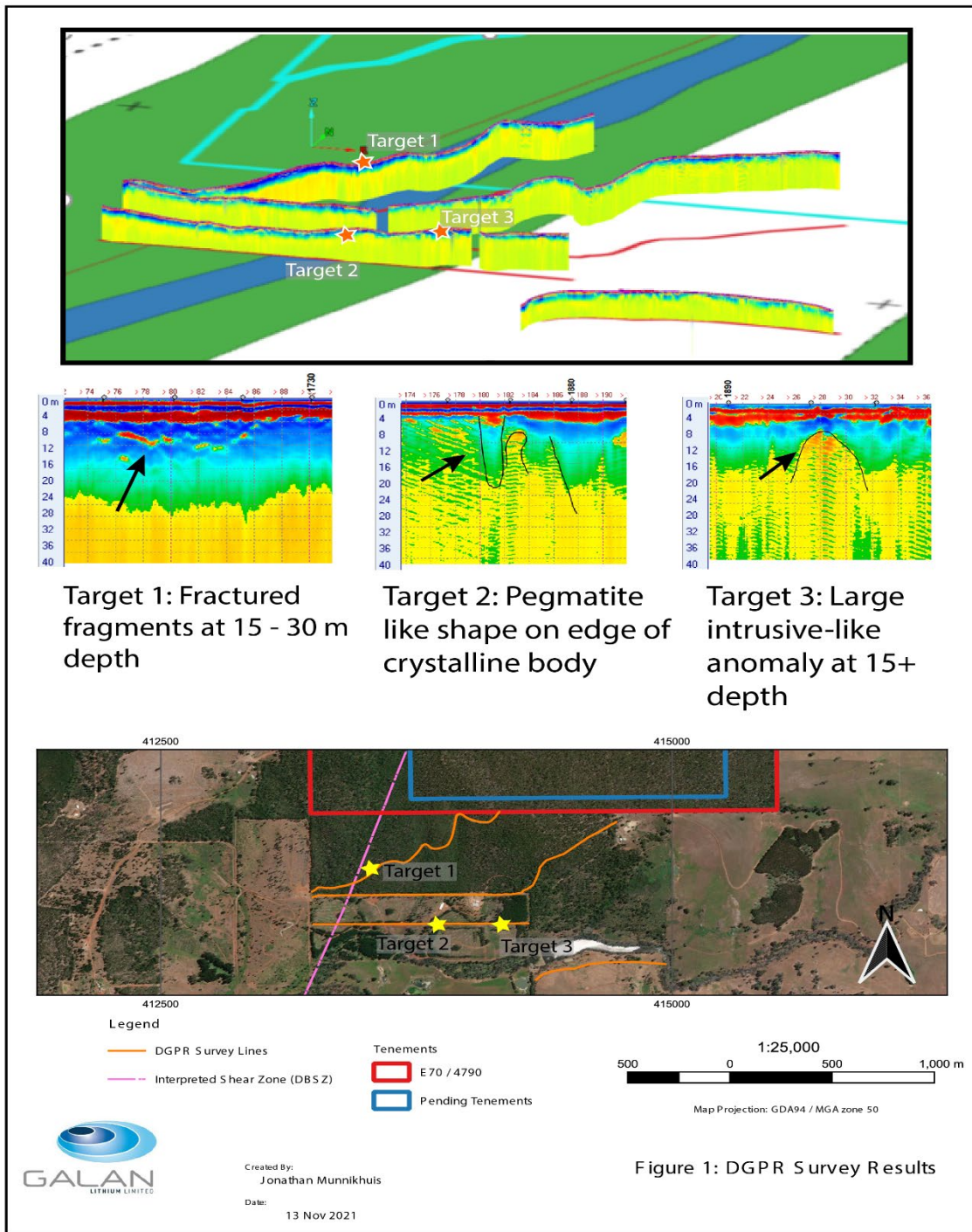


Figure 1: DGPR S survey Results

Figure 9: Deep ground penetrating radar profiles for the four lines completed. Three potential targets were identified by Ultramag Geophysics, and the method was capable of identifying the shear zone (DBSZ).

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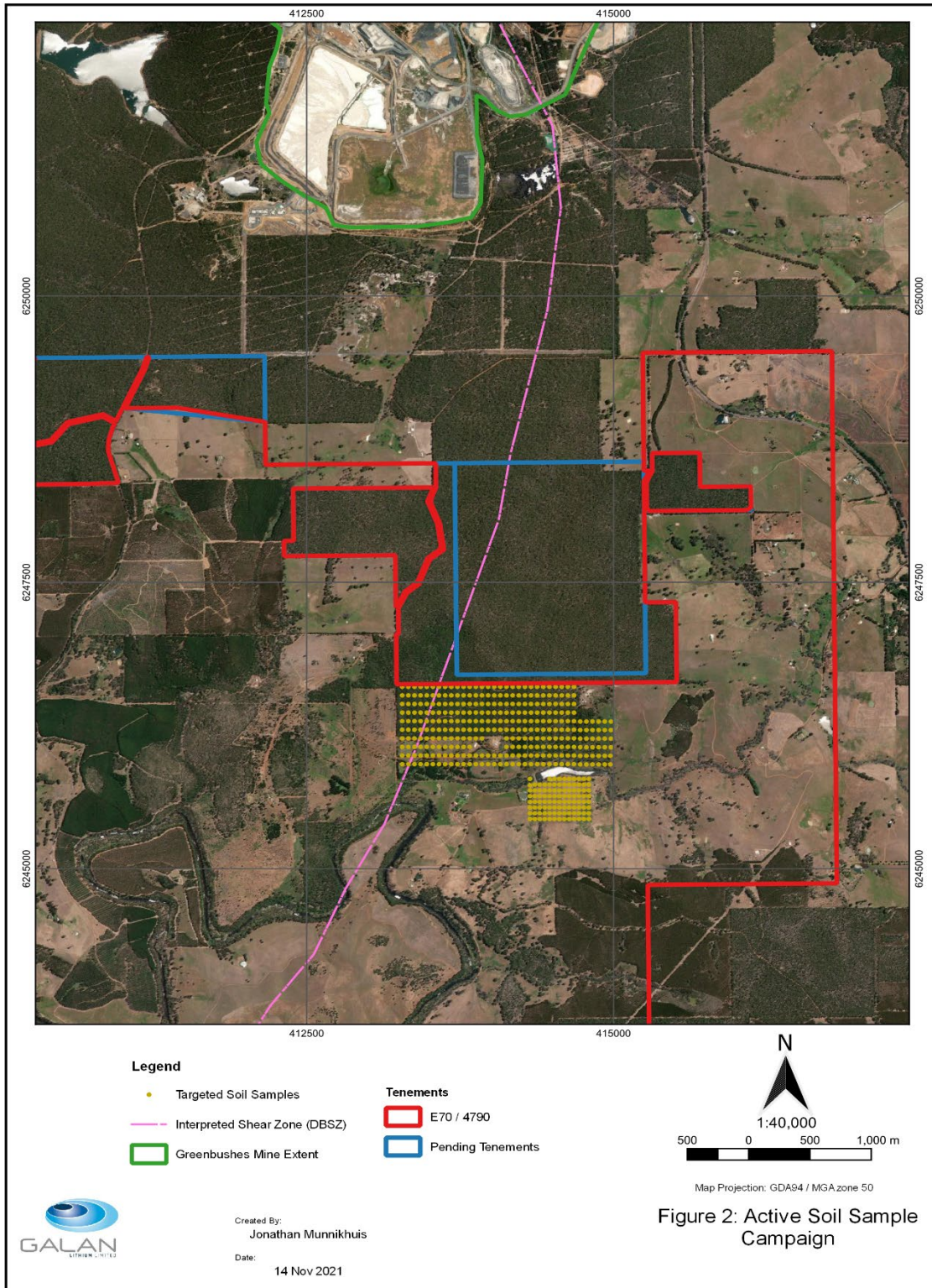


Figure 2: Active Soil Sample Campaign

Figure 10: Map of Greenbushes South licence areas and current soil sampling program underway.

**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.

**Subsequent events after balance date****Appointment of Chief Financial Officer**

On 9 February 2022, the Company announced the appointment of Mr Graeme Fox to the role of Chief Financial Officer.

**Issue of Shares**

On 7 January 2022, 307,143 fully paid ordinary shares were issued on the conversion of \$0.25 options  
 On 14 January 2022, 200,000 fully paid ordinary shares were issued on the conversion of \$0.25 options  
 On 17 January 2022, 1,000,000 fully paid ordinary shares were issued on the conversion of \$0.25 options  
 On 9 March 2022, 1,062,857 fully paid ordinary shares were issued on the conversion of \$0.25 options.

**Issue of Performance Shares**

On 25 February 2022, the Company issued 9,000,000 Director Performance Rights to the Galan directors on the terms and conditions approved by shareholders at the Galan AGM on 28 January 2022.

Performance Rights Details							
Vesting Hurdle	ASPM	Vargas de la Vega	Homsany	Gardiner	Chalwell	Jimenez	Liu
H1	\$2.25	400,000	200,000	200,000	100,000	200,000	100,000
H2	\$2.50	400,000	200,000	200,000	100,000	200,000	100,000
H3	\$3.00	400,000	200,000	200,000	100,000	200,000	100,000
H4	\$3.25	900,000	450,000	450,000	225,000	450,000	225,000
H5	\$3.50	900,000	450,000	450,000	225,000	450,000	225,000
Total		3,000,000	1,500,000	1,500,000	750,000	1,500,000	750,000

The hurdles are based on the Company's adjusted share price milestone (ASPM) of the Shares. The price target ascribed to the performance hurdles is the VWAP over 20 consecutive Trading Days on which Shares are traded in the 5 years from issue, adjusted to reflect various types of changes in Share issues/splits/consolidations, Share price, bonus issues, dividends/capital returns, cash/scrip/in specie distributions.

Once the relevant ASPM is reached, the corresponding Right vests and each vested Right gives the holder the option to formally subscribe for one Share, before the date that is 15 years from the date of issue of the Right. A Right will expire on the date that is 5 years from its date of issue.

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 Group in subsequent financial years.

**Auditor Independence Declaration**

Section 307C of the Corporations Act 2001 requires our auditors, Hall Chadwick WA Audit, 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 25 and forms part of this Directors' Report for the half year ended 31 December 2021.



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, 15 March 2022

#### **Competent Persons Statements**

##### **Competent Persons Statement 1**

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.

##### **Competent Persons Statement 2**

The information relating to the Exploration Results and integrity of the database was compiled by Mr 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 an Associate Principal Consultant of SRK Consulting (Australasia) Pty Ltd. The information in this report that relates to the Mineral Resources estimation approach at Candelas and Hombre Muerto West 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.

##### **Competent Persons Statement 3**

The information contained herein that relates to the progress of the laboratory test work and study development related activities have been directed by Mr. Marcelo Bravo. Mr. Bravo is Chemical Engineer and managing partner of Ad-Infinitem Spa. with over 25 years of working experience and he is a Member of the Chilean Mining Commission and has sufficient experience which is relevant 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'. Mr. Bravo consents to the inclusion of his name in the matters based on the 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.

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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 2021 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**  
**15 March 2022**

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To the Board of Directors,

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

As lead audit Director for the review of the financial statements of Galan Lithium Limited for the period ended 31 December 2021, 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

*Hall Chadwick*  
HALL CHADWICK WA AUDIT PTY LTD

*Mark Delaurentis*  
MARK DELAURENTIS CA  
Director

Dated this 15<sup>th</sup> day of March 2022  
Perth, Western Australia

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

For the half year ended 31 December 2021

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	Note	31 December 2021 \$	31 December 2020 \$
Revenue			
Other income		46,639	73,467
Gain on financial assets at fair value through profit and loss		(2,080)	17,780
Administration and occupancy expenses		(614,442)	(292,664)
Corporate and compliance		(250,926)	(94,990)
Personnel expenses		(325,970)	(324,490)
Depreciation		(2,303)	132
Gain on hyperinflation		-	1,197,746
Exploration expenditure written off		(132,628)	-
Share based payment expense	5	(343,894)	(1,041,633)
<b>Loss before income tax</b>		(1,625,604)	(464,652)
Income tax		-	-
<b>Loss for the period</b>		(1,625,604)	(464,652)
Exchange differences on translating foreign operations		(12,057)	(950,994)
Other comprehensive income		-	-
<b>Total comprehensive loss for the period</b>		(1,637,661)	(1,415,646)
Basic loss per share (cents per share)		(0.59)	(0.24)

The accompanying notes form part of these financial statements.

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

As at 31 December 2021

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		31 December 2021	30 June 2021
	Note	\$	\$
<b>Current Assets</b>			
Cash and cash equivalents		59,401,668	15,570,917
Prepayments		6,177	6,177
Trade and other receivables		74,650	21,490
Total Current Assets		<u>59,482,495</u>	<u>15,598,584</u>
<b>Non-Current Assets</b>			
Financial assets		385,910	4,430
Plant and equipment		92,146	91,933
Exploration and evaluation	3	<u>27,101,818</u>	<u>23,408,544</u>
Total Non-Current Assets		<u>27,579,874</u>	<u>23,504,907</u>
<b>TOTAL ASSETS</b>		<u>87,062,369</u>	<u>39,103,491</u>
<b>Current Liabilities</b>			
Trade and other payables		638,759	420,342
Provisions		<u>351,558</u>	<u>333,938</u>
Total Current Liabilities		<u>990,317</u>	<u>754,280</u>
<b>TOTAL LIABILITIES</b>		<u>990,317</u>	<u>754,280</u>
<b>NET ASSETS</b>		<u><b>86,072,052</b></u>	<u>38,349,211</u>
<b>Equity</b>			
Issued capital	4	93,725,141	44,384,368
Reserves	5	735,245	727,573
Accumulated losses		<u>(8,388,334)</u>	<u>(6,762,730)</u>
<b>TOTAL EQUITY</b>		<u><b>86,072,052</b></u>	<u>38,349,211</u>

The accompanying notes form part of these financial statements.

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

For the half year ended 31 December 2021

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	31 December 2021	31 December 2020
	\$	\$
<b>Cash Flows from Operating Activities</b>		
Payments to suppliers, contractors and employees	(1,162,566)	(601,633)
Interest received	17,899	379
Cash received from government grant	-	70,579
	<hr/>	<hr/>
Net cash flows used in operating activities	(1,144,667)	(530,675)
<b>Cash Flows from Investing Activities</b>		
Payments for exploration expenditure	(3,470,994)	(1,663,701)
Payments for investments acquired	(383,560)	(30,000)
	<hr/>	<hr/>
Net cash flows used in investing activities	(3,854,554)	(1,693,701)
<b>Cash Flows from Financing</b>		
Proceeds from issue of equities net of issue costs	48,842,029	3,847,096
Proceeds from over payment on option conversion	-	(257,008)
	<hr/>	<hr/>
Net cash flows used in financing activities	48,842,029	3,590,088
Net increase/(decrease) cash and cash equivalents	43,842,808	1,365,712
Cash and cash equivalents at the beginning of the financial period	15,570,917	1,647,483
FX adjustment	(12,057)	-
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the financial period</b>	<b>59,401,668</b>	<b>3,013,195</b>

The accompanying notes form part of these financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2021

30

	Issued Capital	Reserves	Accumulated losses	Total
	\$	\$	\$	\$
<b>Balance at 1 July 2020</b>	24,801,369	3,160,402	(7,196,312)	20,765,459
Loss for the period	-	-	(464,652)	(464,652)
Foreign currency movement	-	(950,994)	-	(950,994)
Total comprehensive loss for the period	-	(950,994)	(464,652)	(1,415,646)
Issue of Equity	3,847,096	-	-	3,847,096
Equity to be issued	(197,428)	(57,050)	-	(254,478)
Performance shares issued	1,075,000	(1,075,000)	-	-
Vendor and consultant shares	182,000	-	-	182,000
Share issue costs	(257,008)	-	-	(257,008)
Option valuation	-	1,041,633	-	1,041,633
Fair value exercised options	-	-	-	-
Options conversions	-	-	-	-
<b>Balance at 31 December 2020</b>	<b>29,451,029</b>	<b>2,118,991</b>	<b>(7,660,964)</b>	<b>23,909,056</b>
	Issued Capital	Reserves	Accumulated losses	Total
	\$	\$	\$	\$
<b>Balance at 1 July 2021</b>	44,384,368	727,573	(6,762,730)	38,349,211
Loss for the period	-	-	(1,625,604)	(1,625,604)
Foreign currency movement	-	(12,057)	-	(12,057)
Total comprehensive loss for the period	-	(12,057)	(1,625,604)	(1,637,661)
Issue of Equity	50,000,000	-	-	50,000,000
Equity to be issued	(48,100)	-	-	(48,100)
Performance shares issued	-	-	-	-
Vendor and consultant shares	222,666	-	-	222,666
Share issue costs	(2,875,000)	-	-	(2,875,000)
Option valuation	-	343,894	-	343,894
Fair value exercised options	324,178	(324,165)	-	1,717,042
Option Conversions	1,717,029	-	-	-
<b>Balance at 31 December 2021</b>	<b>93,725,141</b>	<b>735,245</b>	<b>(8,388,334)</b>	<b>86,072,052</b>

**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 2021 was authorised for issue in accordance with a resolution of the Directors on 15 March 2022.

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****• 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 2021 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.

**• 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 presentation currency.

**Determination of functional currency of Argentinian subsidiaries**

Based on the primary indicators under IAS 21 – The Effects of Change in Foreign Exchange Rates – Effective 1 July 2021 the Company has adopted the US dollar as the functional currency of Galan Exploraciones S.A. ('GESA') and Galan Litio S.A., the two Argentinian based subsidiaries of Galan Lithium Limited. The historical cost basis has been used to value the non-monetary balances as at this date, subsequent balances will be remeasured at each reporting date.

The Company has recently headed into the next development phase for its Argentinian projects including a Definitive Feasibility Study for its HMW Project. The material contracts associated with the DFS will be in USD including drilling, camp rental and purchase, some pilot plant constructions costs, engineering, resource and reserves and project modelling.

All tenement and project acquisitions in Argentina have been and continue to be in USD.

Galan has a loan agreement in place with GESA that is USD denominated. All transfers to Argentina are done in USD. GESA also has a loan agreement in place with Galan Litio SA (a recently incorporated Galan Argentinian subsidiary) that is USD denominated. All cash call transfers to Argentina are executed in USD.

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- **New accounting standards, interpretations and amendments adopted by the Group**

*Standards and Interpretations applicable to 31 December 2021*

In the period ended 31 December 2021, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Group accounting policies.

*Standards and Interpretations in issue not yet adopted*

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the half-year ended 31 December 2021. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Company and, therefore, no change is necessary to Group accounting policies.

**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 2021.

*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.

- **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 \$1,625,604 (2020: \$464,652) and net cash outflows used in operating activities of \$1,144,667 (2020: \$530,675).

On 13 August 2021, the Company announced the completion of a A\$50 million (before costs) placement to institutional, sophisticated and professional investors, at A\$1.15 per share to accelerate the development of its strategic lithium projects in Argentina and Australia.

The two-tranche placement provided the Company with significant flexibility with respect to its ongoing capital expenditure requirements at HMW, Candelas and Greenbushes South.

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

## 3. EXPLORATION AND EVALUATION

	31 December 2021	30 June 2021
Costs carried forward in respect of areas of interest:		
Exploration and evaluation phases at cost	27,101,818	23,408,544
<b>Movement:</b>		
Brought forward	23,408,544	19,551,263
Exploration expenditure capitalised during the half year	3,714,041	1,291,592
Share valuation capitalised	-	208,600
Candelas shares to be issued	-	26,600
Candelas vendor shares issued	78,750	51,100
Greenbushes vendor shares	-	451,770
Pucara/Del Condor vendor shares	-	182,000
Hyperinflation	-	1,978,431
Exploration asset written off	(132,628)	-
Foreign exchange translation	33,111	(332,812)
Balance at reporting date	27,101,818	23,408,544

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.

**4. ISSUED CAPITAL**

			31 Dec 2021 Number	31 Dec 2021 \$
Fully paid ordinary shares (30 June 2021: 244,649,086)			295,352,206	93,725,141
	31 Dec 2021 Number	31 Dec 2021 \$	30 Jun 2021 Number	30 Jun 2021 \$
Balance at the beginning of the period	244,649,086	44,384,368	172,488,590	24,801,369
Placement shares at \$0.14 (i)			5,846,584	818,522
Performance right conversions (ii)			5,000,000	1,075,000
Vendor shares – Del Condor Pucara (iii)			1,300,000	182,000
Consultant shares (iv)			513,505	113,536
Placement shares at \$0.13 (v)			23,076,924	3,000,000
Vendor shares – Candelas (vi)			420,000	83,650
Vendor shares – Greenbushes South (vii)			1,221,000	451,770
Acuity shares at \$0.256 (viii)			5,000,000	1,280,000
Placement shares at \$0.50 (ix)			20,200,000	10,100,000
Option conversions at \$0.20 (x)			2,000,000	400,000
Option conversions at \$0.20 (xi)			150,000	30,000
Option conversions at \$0.25 (xii)			3,364,358	841,090
Option conversions at \$0.3438 (xiii)			4,000,000	1,375,200
Consultant shares (xiv)			30,625	22,050
Option conversions at \$0.21 (xv)			37,500	7,875
Option conversions at \$0.25 (xii)	3,141,548	659,725	-	-
Option conversions at \$0.21 (xv)	1,689,215	422,304	-	-
Placement shares at \$1.15 (xvi)	25,872,594	29,753,483	-	-
Placement shares at \$1.15 (xvii)	17,605,667	20,246,517	-	-
Option conversions at \$0.90 (xviii)	150,000	135,000	-	-
Consultant shares (xix)	104,096	92,815	-	-
Option conversions at \$0.25 (xx)	2,000,000	500,000	-	-
Vendor shares – Candelas (vi)	140,000	129,850	-	-
	295,352,206	96,324,062	244,649,086	44,582,062
Shares to be issued	-	-	-	(247,100)
Shares to be issued	-	-	-	(28,574)
Shares to be issued	-	-	-	(55,422)
Shares to be issued (iv)	-	(39,564)	-	39,564
Shares to be issued (vi)	-	(51,100)	-	51,100
Shares to be issued (xxi)	-	42,565	-	-
Transfer from equity-based reserve	-	324,178	-	608,520
Less: transaction costs	-	(2,875,000)	-	(565,782)
Balance at the end of the period	295,352,206	93,725,141	244,649,086	44,384,368

(i) Issued on various dates under a placement announced on 23 June 2020.

(ii) 5,000,000 Class A Performance Shares were converted to fully paid ordinary shares and issued to Mr JP Vargas de la Vega (milestone announced 22 June 2020).

(iii) Issued to vendors as part consideration for tenement acquisitions (Del Condor and Pucara).

(iv) Issued on various dates to a consultant in lieu of services provided (April 2020 - March 2021).

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- (v) Issued under a placement, led by Argonaut Securities Ltd, announced on 12 October 2020
- (vi) Issued to the vendor as part consideration for tenement acquisitions (Candelas).
- (vii) Issued to the vendor as part consideration for tenement acquisitions (Greenbushes South).
- (viii) Issued under a controlled placement agreement with Acuity.
- (ix) Issued on various dates under a placement announced on 27 January 2021.
- (x) Issued upon the conversion of unquoted options (exercisable @ \$0.20 on or before 30/10/22).
- (xi) Issued upon the conversion of unquoted options (exercisable @ \$0.20 on or before 30/10/23).
- (xii) Issued on various dates upon the conversion of unquoted options (exercisable @ \$0.25 on or before 31/3/22).
- (xiii) Issued on various dates upon the conversion of unquoted options (exercisable @ \$0.3438 on or before 11/6/21).
- (xiv) Issued to a consultant in lieu of services provided
- (xv) Issued on various dates upon the conversion of unquoted options (exercisable @ \$0.21 on or before 8/10/23).
- (xvi) Issued as Tranche 1 of a placement announced on 13 August 2021.
- (xvii) Issued as Tranche 2 of a placement announced on 13 August 2021 (approved by shareholders on 12 October 2021).
- (xviii) Issued upon the conversion of unquoted options (exercisable at \$0.90 on or before 7/5/24).
- (xix) Issued to a consultant in lieu of services provided (April-September 2021).
- (xx) Issued upon the conversion of unquoted options (exercisable at \$0.25 on or before 1/12/21).
- (xxi) Estimate of shares to be issued to a consultant in lieu of services provided (October-December 2021).

Unquoted options

Expiry Date	Exercise Price	Number Under Option	Issue Date
31 March 2022	\$0.25	8,035,157	Various
8 October 2023	\$0.21	6,970,950	9 October 2020
4 February 2024	\$0.60	500,000	5 February 2021
24 December 2024	\$1.30	500,000	31 December 2021

**5. 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 2021 \$	30 June 2021 \$
Opening balance of Reserves	727,573	3,578,120
<u>Movement in Equity Based Payment Reserve</u>		
Performance shares milestone achieved	-	(1,075,000)
Performance shares	32,908	65,816
Candelas vendor shares (i)	-	(57,050)
Issue of options to a consultant (iv)	-	148,037
Fair value of exercised options transferred to share capital	(324,165)	(608,520)
Issue of options to directors and consultants (ii)	-	828,791
Issue of options to advisors (iii)	-	247,576
Issue of options to employees (v)	310,986	-
Transfer to accumulated losses	-	(1,341,473)
Closing Balance	19,729	(1,791,823)
<u>Movement in Foreign Currency Translation Reserve</u>	(12,057)	(1,058,724)
<b>Closing balance of Reserves</b>	735,245	727,573

- (i) Represented by valuation of shares to be issued to Candelas vendor under option agreement with Blue Sky Lithium Pty Ltd.
- (ii) Represented by 7,000,000 options (exercisable at \$0.21 on or before 8 October 2023) issued to Directors and 3,150,000 options (exercisable at \$0.21 on or before 8 October 2023) (as approved by shareholders on 11 September 2020).
- (iii) Represented by 2,000,000 options (exercisable at \$0.20 on or before 31 October 2023) issued to an Advisor under the terms of their engagement and 150,000 options (exercisable at \$0.90 on or before 7 May 2024) issued to an Advisor under the terms of their engagement.
- (iv) Represented by 500,000 options (exercisable at \$0.60 on or before 4 February 2024) issued to a Consultant.
- (v) Represented by 500,000 options (exercisable at \$1.30 on or before 24 December 2024) issued to an Employee.

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.

Alloftee	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
Employee	500,000	\$1.22429	98%	3.00	\$1.30	\$1.845	1.34%

**6. SUBSEQUENT EVENTS**

**Appointment of Chief Financial Officer**

On 9 February 2022, the Company announced the appointment of Mr Graeme Fox to the role of Chief Financial Officer.

**Issue of Shares**

On 7 January 2022, 307,143 fully paid ordinary shares were issued on the conversion of \$0.25 options  
 On 14 January 2022, 200,000 fully paid ordinary shares were issued on the conversion of \$0.25 options  
 On 17 January 2022, 1,000,000 fully paid ordinary shares were issued on the conversion of \$0.25 options  
 On 9 March 2022, 1,062,857 fully paid ordinary shares were issued on the conversion of \$0.25 options.

**Issue of Performance Shares**

On 25 February 2022, the Company issued 9,000,000 Director Performance Rights to the Galan directors on the terms and conditions approved by shareholders at the Galan AGM on 28 January 2022.

Performance Rights Details							
Vesting Hurdle	ASPM	Vargas de la Vega	Homsany	Gardiner	Chalwell	Jimenez	Liu
H1	\$2.25	400,000	200,000	200,000	100,000	200,000	100,000
H2	\$2.50	400,000	200,000	200,000	100,000	200,000	100,000
H3	\$3.00	400,000	200,000	200,000	100,000	200,000	100,000
H4	\$3.25	900,000	450,000	450,000	225,000	450,000	225,000
H5	\$3.50	900,000	450,000	450,000	225,000	450,000	225,000
Total		3,000,000	1,500,000	1,500,000	750,000	1,500,000	750,000

The hurdles are based on the Company's adjusted share price milestone (ASPM) of the Shares. The price target ascribed to the performance hurdles is the VWAP over 20 consecutive Trading Days on which Shares are traded in the 5 years from issue, adjusted to reflect various types of changes in Share issues/splits/consolidations, Share price, bonus issues, dividends/capital returns, cash/scrip/in specie distributions.

Once the relevant ASPM is reached, the corresponding Right vests and each vested Right gives the holder the option to formally subscribe for one Share, before the date that is 15 years from the date of issue of the Right. A Right will expire on the date that is 5 years from its date of issue.

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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 Group in subsequent financial years.

**7. 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 2021 which was the same as reported in the financial report for the year ended 30 June 2021. 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.

**8. 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

### Conclusion

We have reviewed the accompanying half-year financial report of Galan Lithium Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other selected explanatory notes, and the directors' declaration.

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

- a. Giving a true and fair view of the Galan Lithium Limited financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134: *Interim Financial Reporting* and *Corporations Regulations 2001*.

### Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of 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 that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001 which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

### Responsibility of the Directors for the Financial Report

The directors of the Galan Lithium Limited are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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### Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year 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 2021 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.

A review of a half-year 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.

*Hall Chadwick*  
HALL CHADWICK WA AUDIT PTY LTD

*Mark Delaurentis*  
MARK DELAURENTIS CA  
Director

Dated this 15<sup>th</sup> day of March 2022  
Perth, Western Australia

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