

For personal use only



**GALAN**  
LITHIUM LIMITED

ACN 149 349 646

**AND CONTROLLED ENTITIES**

## **ANNUAL REPORT**

**30 June 2022**

---

## CONTENTS

Galan Lithium Limited Annual Report 2022

---

Corporate Directory	1
Directors' Report	2
Auditor's Independence Declaration	44
Consolidated Statement of Profit or Loss and Other Comprehensive Income	45
Consolidated Statement of Financial Position	46
Consolidated Statement of Changes in Equity	47
Consolidated Cash Flow Statement	48
Notes to the Financial Statements	49
Directors' Declaration	75
Independent Auditor's Report	76
Additional Shareholder Information	81

For personal use only

## **CORPORATE DIRECTORY**

Galan Lithium Limited Annual Report 2022

---

### **Directors**

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

### **CFO**

Graeme Fox

### **Company Secretary**

Mike Robbins

### **Registered Office**

Level 3, 30 Richardson Street  
West Perth, WA, 6005  
Ph: +61 8 9322 6283  
Fax: +61 8 9322 6398  
Email: [admin@galanlithium.com.au](mailto:admin@galanlithium.com.au)  
Website: [www.galanlithium.com.au](http://www.galanlithium.com.au)

### **Auditors**

Hall Chadwick  
283 Rokeby Road  
Subiaco WA 6008

### **Share Registry**

Advanced Share Registry Limited  
110 Stirling Highway  
Nedlands WA 6009

### **Home Stock Exchange Listing**

Australian Securities Exchange Limited (ASX) – Perth, Australia

**ASX Code - GLN**

**FSX Code - 9CH**

## DIRECTORS' REPORT

### Galan Lithium Limited Annual Report 2022

---

The Directors submit their report on Galan Lithium Limited (**the Company** or **Galan**) and its controlled entities (**the Group**) for the financial year ending 30 June 2022 (**the year**).

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).

#### 1. DIRECTORS & OFFICERS

The names and details of the Company's Directors in office during the year and until the date of this report are as follows. Directors were in office for the entire year unless otherwise stated.

##### **Richard Homsany - Non-Executive Chairman**

###### Experience

Mr Homsany is an experienced corporate lawyer who has extensive board and operational experience in the resources and energy sectors. He is Executive Chairman of ASX listed Toro Energy Limited (ASX:TOE), Executive Vice President, Australia of TSX listed Mega Uranium Ltd (TSX:MGA), Chairman of Health Insurance Fund of Australia Ltd and the principal of Cardinals Lawyers and Consultants, a boutique corporate and energy & resources law firm.

###### Other listed directorships

Redstone Resources Limited	Since November 2007
Toro Energy Limited	Since December 2013
Brookside Energy Limited	Since February 2020

###### Interest in shares and options

959,067 ordinary shares  
1,000,000 \$0.21 options (expire 8 October 2023)  
1,500,000 performance rights

##### **Juan Pablo ('JP') Vargas de la Vega - Managing Director**

###### Experience

JP is a Chilean/Australian mineral industry professional with 20 years' broad experience in ASX listed mining companies, stockbroking and private equity firms. JP has been a specialist lithium analyst in Australia, has also operated a private copper business in Chile and has worked for BHP, Rio Tinto and Codelco. He was the founder of Blue Sky Lithium Pty Ltd, the vendor of the original Argentinian assets and has been Galan's Managing Director since mid 2018.

###### Other listed directorships

Nil

###### Interest in shares and options

17,346,932 ordinary shares  
5,000,000 Class B performance shares  
500,000 \$0.21 options (expire 8 October 2023)  
3,000,000 performance rights

##### **Christopher William Chalwell - Non-Executive Director**

###### Experience

Mr Chalwell was previously the COO SKILLED Workforce Services Western Mining Region. He has been involved in the gas to coal conversion of the Mica Creek Power station in Mt Isa and the Pasmenco Century Mine in north Queensland. Extensive experience with feasibility studies, commercial reviews for project funding, contract appraisal and award.

## DIRECTORS' REPORT

Galan Lithium Limited Annual Report 2022

---

### Other listed directorships

Nil

### Interest in shares and options

3,100,001 ordinary shares  
750,000 performance rights

### **Terry James Gardiner - Non-Executive Director**

#### Experience

Mr Gardiner has 25 years' experience in capital markets, stockbroking & derivatives trading and prior to that had many years trading in equities & derivatives for his family accounts. Currently a Director of boutique stockbroking firm Barclay Wells Limited, a Non-Executive Director of Cazaly Resources Ltd and Non-Executive Chairman of Charger Metals NL plus non-executive positions with other ASX listed entities.

### Other listed directorships

Cazaly Resources Limited since December 2016.  
Roto-Gro International Limited since July 2019.  
Charger Metals NL since August 2021

### Interest in shares and options

6,580,487 ordinary shares  
500,000 \$0.21 options (expire 8 October 2023)  
1,500,000 performance rights

### **Daniel Jimenez - Non-Executive Director**

#### Experience

Mr Jimenez is a civil industrial engineer and MBA who previously worked for the 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, Belgium and the USA. His last position was as Senior Vice President Commercial Lithium, Iodine and Industrial Chemicals where he formulated the commercial strategy and marketing of SQM's industrial products and was responsible for over US\$900 million worth of sales.

### Other listed directorships

Nil

### Interest in shares and options

2,342,713 ordinary shares  
1,000,000 \$0.21 options (expire 8 October 2023)  
1,500,000 performance rights

### **Jinyu (Raymond) Liu - Non-Executive Director**

#### Experience

Mr Liu is a mining executive with extensive experiences in the mineral project development and investment. Mr Liu is the director of Heritage Minerals and the Founding Partner of Havelock Mining Investment, a Hong Kong investment company and has been involved with numerous investments in ASX listed companies. Mr Liu has worked for Fosun Group, Rio Tinto, KCGM and Mt Gibson Iron. He was formerly a director of Okapi Resources Ltd.

### Other listed directorships

Okapi Resources Limited (October 2017 – May 2021)

## DIRECTORS' REPORT

Galan Lithium Limited Annual Report 2022

---

### Interest in shares and options

18,135,860 ordinary shares  
1,000,000 \$0.21 options (expire 8 October 2023)  
750,000 performance rights

### **Graeme Fox – Chief Financial Officer**

Mr Fox commenced in February 2022 and is a qualified accountant and experienced business analyst, with over 25 years of experience in the mining, contracting and transport industries, with a focus on strategic planning, financial modelling, investment evaluation, management accounting and compliance. During the last 20 years, Graeme's career has been focussed in the resources sector, including diverse roles throughout the value chain, working with BHP, WMC & Macmahon.

### **Mike Robbins - Company Secretary**

Mr Robbins has over 25 years resource industry experience gathered at both operational and corporate levels, both within Australia and overseas. During that time, he has held numerous project and head office management positions and is also Company Secretary for Cazaly Resources Limited.

## **2. DIVIDENDS**

No dividend has been paid during the year and no dividend is recommended for the year.

## **3. DIRECTORS' MEETINGS**

The number of Directors' meetings held and conducted during the financial year and the number of meetings attended by each Director are:

	<b>Meetings</b>	
	<b>No. Eligible</b>	<b>No. Attended</b>
Mr Homsany	5	5
Mr Vargas de la Vegas	5	5
Mr Chalwell	5	4
Mr Gardiner	5	5
Mr Jimenez	5	4
Mr Liu	5	4

For details of the function of the Board and any relevant committees please refer to the Corporate Governance Statement on the Company's website at [www.galanlithium.com.au](http://www.galanlithium.com.au).

## **4. PRINCIPAL ACTIVITIES**

The principal activity of the Company during the course of the financial year consisted of mineral exploration, evaluation and development.

## **5. RISKS**

The Group actively manages a range of financial and non-financial business risks and uncertainties which can potentially have a material impact on the Group and its ability to achieve its goals and objectives. While every effort is made to identify and manage material risks and emerging risks, additional risks not currently known or detailed below may also adversely affect future performance.

### Exploration Risk

Mineral exploration and development are high risk undertakings due to the various levels of inherent uncertainty. There can be no assurance that exploration of the Group's tenements, or of any other tenements that may be acquired by the Group in the future, will result in the discovery of economic mineralisation. Even if economic mineralisation is discovered there is no guarantee that it can be commercially exploited.

## DIRECTORS' REPORT

### Galan Lithium Limited Annual Report 2022

---

#### Economic

General economic conditions, introduction of tax reform, new legislation, the general level of activity within the resources industry, investor sentiment, movements in interest and inflation rates, currency exchange rates and changes in commodity prices may have an adverse effect on the Group's exploration, development and possible production activities, as well as on its ability to fund those activities.

#### Resource Estimates

The Group's main projects may contain JORC Code compliant resources. There is no guarantee that a JORC Code compliant resource will be discovered on any of the Group's other tenements. Resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis the estimates are likely to change.

#### Access Risks – Cultural Heritage and Native Title

The Group must comply with various country specific cultural heritage and native title legislation including access agreements which require various commitments, such as base studies and compliant survey work, to be undertaken ahead of the commencement of mining operations.

#### Joint Ventures

The Group has and may have additional options where it can increase its holding in the selective assets by achieving or undertaking selected milestones. The Group's ability to achieve its objectives and earn or maintain an interest in these projects is dependent upon it and the registered holders of those tenements complying with their respective contractual obligations under joint venture agreements in respect of those tenements.

#### Environmental Risks

The operations and proposed activities of the Group are subject to each project's jurisdiction, laws and regulations concerning the environment. As with most exploration projects and mining operations, the Group's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. Any future legislation and regulations governing exploration, development and possible production may impose significant environmental obligations on the Group.

There can be no assurances that new environmental laws, regulations or stricter enforcement policies, once implemented, will not oblige the Group to incur significant expenses and undertake significant investments in such respect which could have a material adverse effect on the Group's business, financial condition and results of operations.

#### Climate Change

The Group recognises that physical and non-physical impacts of climate change may affect assets, productivity, markets and the community. Risks related to the physical impacts of climate change include the risks associated with increased severity of extreme weather events and chronic risks resulting from longer-term changes in climate patterns. Non-physical risks and opportunities arise from a variety of policy, legal, technological and market responses to the challenges posed by climate change and the transition to a lower carbon world.

#### Sovereign, Political and Title Risk

The Group has overseas interests which are subject to the risks associated with operating in a foreign country. These risks may include economic, social or political instability or change, hyperinflation, currency non-convertibility or instability and changes of law affecting foreign ownership, exchange control, exploration licensing, export duties, investment into a foreign country and repatriation of income or return of capital, environmental protection, land access and environmental regulation, mine safety, labour relations as well as government control over petroleum properties or government regulations that require the employment of local staff or contractors or require other benefits be provided to local residents.

## DIRECTORS' REPORT

### Galan Lithium Limited Annual Report 2022

---

The Group may also be hindered or prevented from enforcing its rights with respect to government instrumentalities because of the doctrine of sovereign immunity. Any project interest may be affected by changing political conditions and changes to laws and/or resource policies.

The commitment by local businesses, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licences and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance that joint ventures, licences, licence applications or other legal arrangements will not be adversely affected by the actions of government authorities or others and the effectiveness and enforcement of such arrangements cannot be assured. Further, there is no guarantee that any applications for tenements will be granted or granted on conditions satisfactory to the Group.

The Group cannot guarantee that the licences and/or tenements in which it may acquire an interest, if it completes the acquisition, or any other licences and/or tenements in which it has or may acquire in the future, will be renewed beyond their current expiry date and there is a material risk that, in the event the holder of those licences and/or tenements is unable to renew any of them beyond their current expiry date, all or part of the Group's interests in the corresponding projects may be relinquished. Further, there is no guarantee that any applications for mining licences and/or tenements will be granted or granted on conditions satisfactory to the Group.

The Group's future operations may be affected by changing political conditions and changes to laws and mineral and/or mining policies. The effects of these factors cannot be accurately predicted and developments may impede the operation or development of a project or even render it uneconomic.

## 6. OPERATIONS & CORPORATE REVIEW

### OPERATIONS

#### Safety

The Company continued its successful safety record with no recorded lost time injuries (LTI's) since the 2021 annual report.

#### ESG

The Company has 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 has been 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 is being used during Galan's feasibility study by tracking samples from its pilot lithium carbonate plant to marketable product. This partnership provides Galan with full traceability of their lithium supply chain



## DIRECTORS' REPORT

### Galan Lithium Limited Annual Report 2022

#### Mineral Resources

##### Hombre Muerto West

On 17 November 2020, Galan announced a revised JORC (2012) reported Mineral Resource estimate for the Hombre Muerto West lithium brine project of a world class 2.3 million tonnes LCE @ 946mg/l Li. The resource estimate was completed by the Company's consultants SRK Consulting (Australasia) (SRK) and was conducted by their Australian based team.

The initial Hombre Muerto West resource estimate (ASX: GLN 12 March 2020) was updated by SRK on 22 June 2020 to include the acquisition of the Deceo III concession, adjacent to the Pata Pila licence area and the resource estimate was re-classified from Inferred to Indicated. SRK have now updated the HMW resource based on the recent acquisition of the Del Condor concession and a review of specific yield values used in the resource calculations. The key HMW concessions (Del Condor, Deceo III, Pata Pila and Rana de Sal; see figure 1) have been combined to produce a total indicated resource of approximately 2.3 million 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 1).

##### Candelas

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 (Li<sub>2</sub>CO<sub>3</sub>) equivalent, and potassium as potassium chloride (KCl). Table 1 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 1 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 1: Mineral Resource Statement for Hombre Muerto West and Candelas North (November 2020)**

Resource Category	Brine Vol. (Mm <sup>3</sup> )	In situ Li (Kt)	Avg. Li (mg/l)	LCE (Kt)	Avg. K (mg/l)	In situ K (Kt)	KCl Equiv. (Kt)
<b>Hombre Muerto West: Sand Domain</b>							
Indicated	430	407	945	2,166	8,720	3,753	7,157
<b>Hombre Muerto West: Gravel Domain</b>							
Indicated	12	12	947	61	8,804	107	204
<b>Hombre Muerto West: Halite Domain</b>							
Indicated	8	8	946	40	8,846	70	134
HMW Total	450	426	946	2,267	9,725	3,931	7,496
<b>Candelas North (*)</b>							
Indicated	196	129	672	685	5,193	1,734	3,307
<b>Galan's Resource Inventory</b>							
Grand Total	646	555	858	2,952	8767	5,665	10,803

NB.: no cut-off grade for HMW, Li: 500mg/l cut off for Candelas North, no cut off for K based on 325,012,500 m<sup>3</sup> volume. 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. (\*) The Candelas North Mineral Resource Statement was originally announced by Galan on 1 October 2019. There may be minor discrepancies in the above table due to rounding.

For more detailed technical information surrounding the resources please refer to the ASX Announcement dated 17 November 2020 entitled 'Huge Increase in Hombre Muerto West (HMW) Resource – Now Over 2 Million Tonnes' and to the JORC Code Tables attached to that announcement and the December 2020 Quarterly Activities Report dated 29 October 2020.

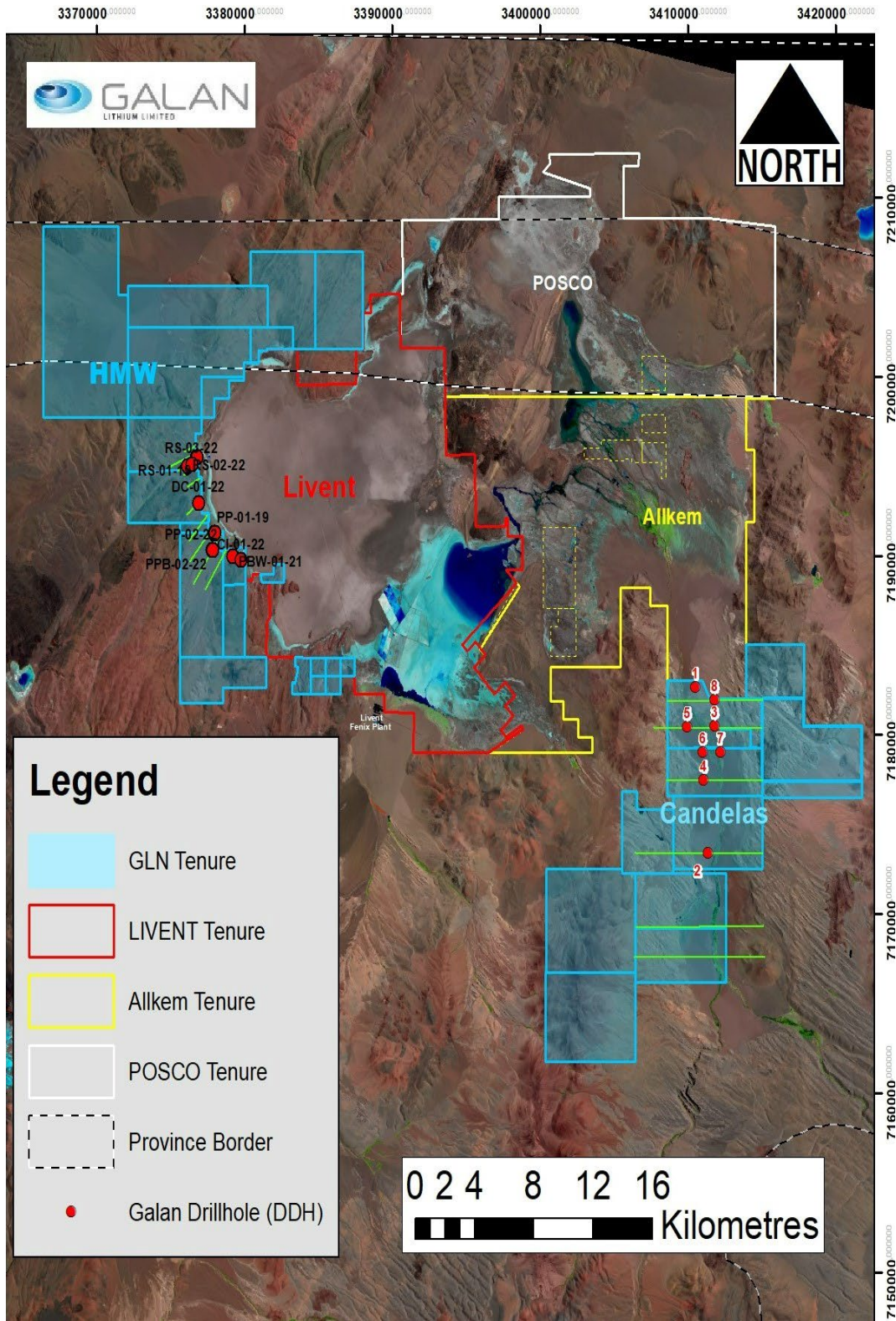


Figure 1: Galan's HMW and Candelas concessions (in blue) have a current combined total Indicated Resource of ~ 3Mt LCE @ 858mg/l Li

For personal use only

## DIRECTORS' REPORT

Galan Lithium Limited Annual Report 2022

### Hombre Muerto West

#### Updated PEA

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 (Figure 2).

Refer to Cautionary Statement at the end of the Directors Report.

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 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 2.

**Table 2: Preliminary Economic Assessment Comparative Results – HMW Project**

Parameters	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 (excluding ramp-up)	Years	40	40
Capital Cost (CAPEX)	US\$M	439	439
Capital Cost (ex-contingency and indirects)	US\$M	338	338
Average Annual Operating Cost (OPEX)	US\$/tonne	3,518	3,518
Average Li <sub>2</sub> CO <sub>3</sub> Selling Price (2025-2040)	US\$/tonne	11,687	18,594
Average Annual EBITDA	US\$M	174	287
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	33.1
Payback Period (After-Tax)	Years	4.3	2.75

Since the completion of the original HMW PEA Study, Galan confirmed laboratory lithium chloride concentrations of 6% Li and confirmed production of lithium carbonate battery grade of 99.88% LCE from its concentrate.

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).

**DIRECTORS' REPORT**

Galan Lithium Limited Annual Report 2022

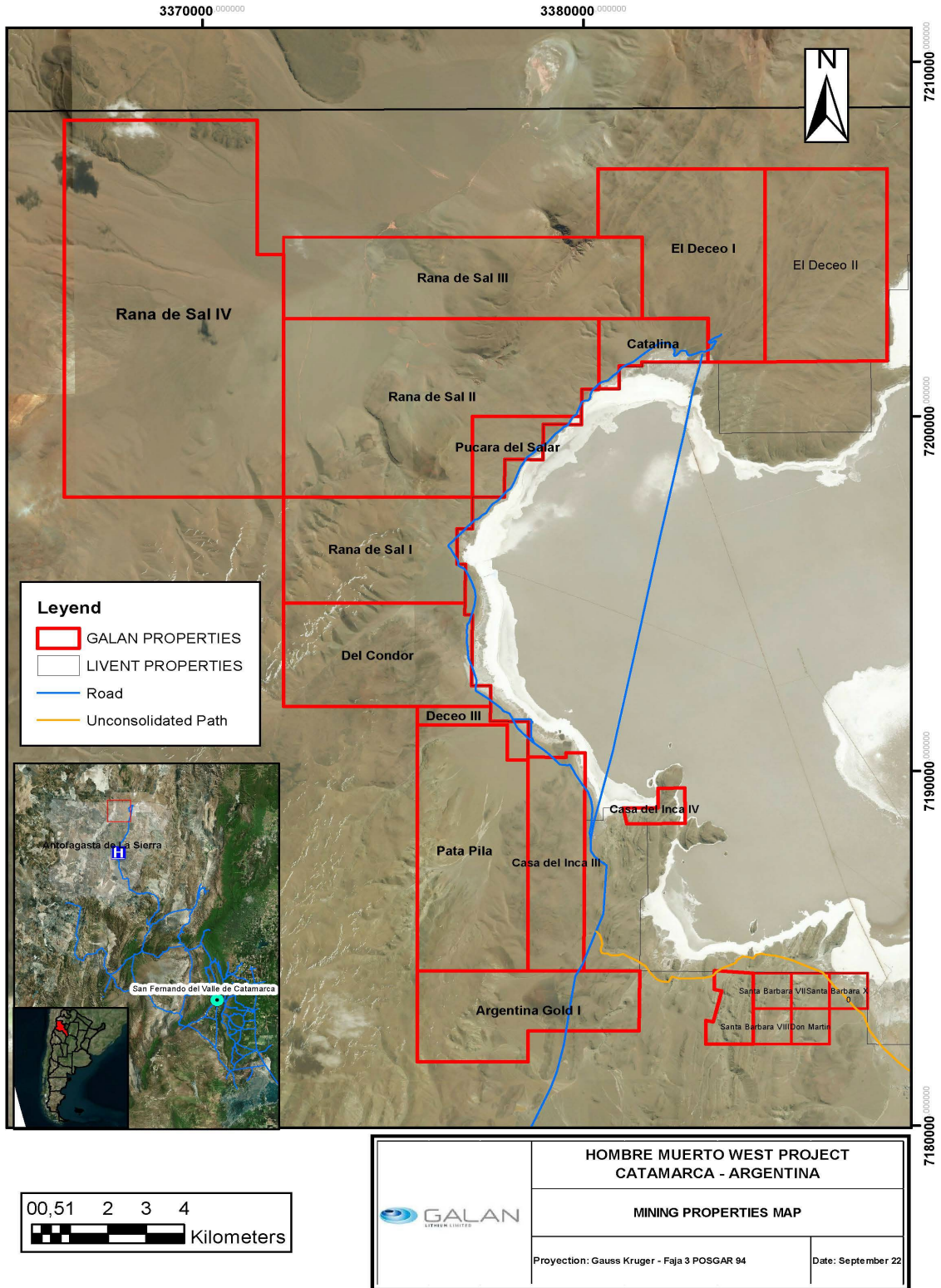


Figure 2: Hombre Muerto West Concessions, Catamarca Argentina

For personal use only

## DIRECTORS' REPORT

### Galan Lithium Limited Annual Report 2022

#### 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.

In November 2021, Roskill expected 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.

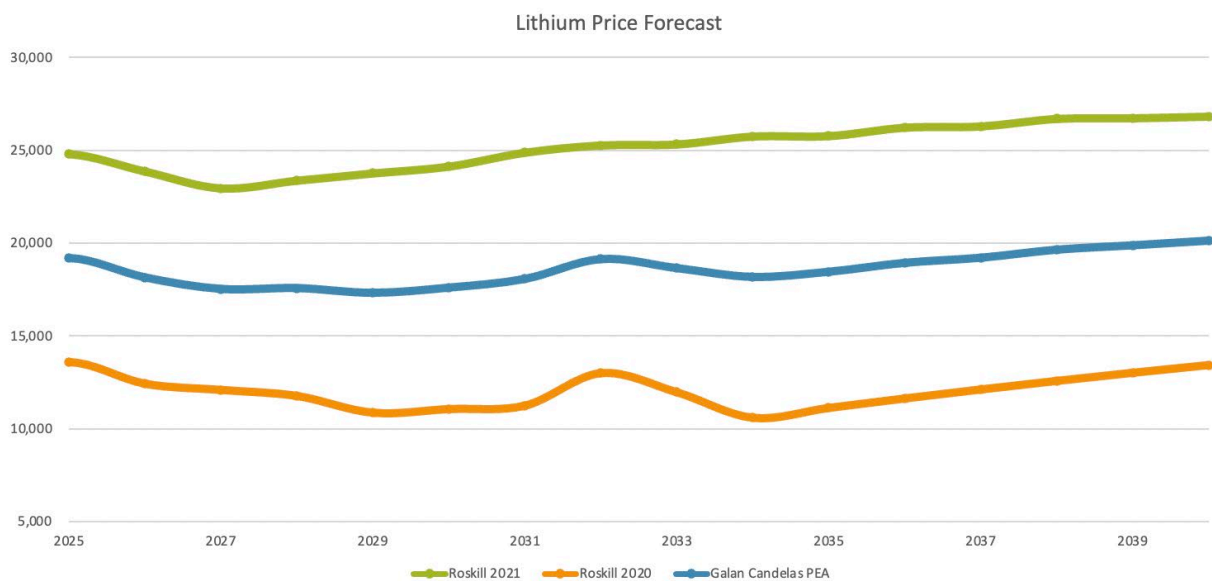


Figure 3: Long Term estimate of the Contracted Price of Battery Grade  $\text{Li}_2\text{CO}_3$  Developed by Roskill

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 their 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.

#### 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 relevant changes to the tax legislation in Argentina at the time.

## DIRECTORS' REPORT

### Galan Lithium Limited Annual Report 2022

No potential potassium credits were included in the economic evaluation. The key assumptions and results of the economic evaluation are displayed in Tables 3 and 4 respectively.

**Table 3: 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 4: Economic Evaluation Results of HMW Project**

Parameters	Units	Original PEA Values 21 Dec 2020 <sup>(1)</sup>	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) <sup>(2)</sup>	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.

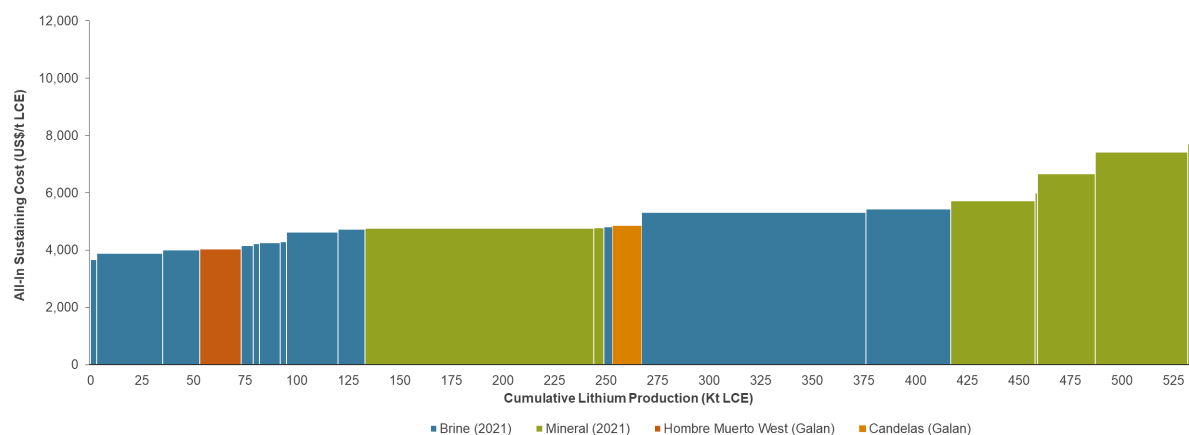
(2)- Payback years after the end of the investment period.

#### 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.

In November 2021, the Company 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 upon grant, the entire Galan project team mobilised to Argentina and the pilot plant and camp construction activities commenced.

During December 2021, Galan announced the Definitive Feasibility Study (DFS) tender and analysis for the HMW Project had been completed and that the HMW DFS would be led by Hatch.

Hatch is an independent, well credentialed firm that has been working with Galan's close knit, highly experienced group of consultants, including Ad-Infinity, SRK and WSP, along with their own project teams set-up in Argentina, Chile and Australia.

Pilot Plant progress

The construction of the first evaporation pond (S1, covering approximately 3,000m<sup>2</sup>) of the HMW Project Pilot Plant was completed in late March 2022 (Figure 6). Brine filling of the pond evaporation testing was commenced.

This was a major milestone given that it marked the commencement of large-scale piloting activities at the HMW Project. The data set to be obtained from this initial evaporation trial will allow the calibration of the simulation model to predict the completion time for achieving the first batch of brine concentrate with 6% of Li contents produced by the Pilot Plant.

A new expanded camp has been operational since mid-January 2022 with an additional 24-man camp being purchased and commissioned at the HMW site.

Galan has also recently applied for a new 200-person capacity camp facility to be located at the HMW Project.

The facility will deliver the additional accommodation capacity necessary for the commencement and completion of all construction activities required to take the HMW Project into commercial production. In parallel, the current operational camps at the HMW and Candelas Projects will continue to support Galan's exploration and piloting activities across these assets. These camps will also provide overflow accommodation and messing support during the most intensive construction phases at the HMW Project.

In mid-July 2022, Galan appointed Ausenco Limited as the Environmental Impact Assessment (EIA) consultant for the HMW Project. The EIA is an integral part of the current DFS for the HMW Project and is being developed and managed in parallel with Hatch, manager of the DFS process. Ausenco is being assisted by a group of seasoned professionals with significant experience in the Catamarca Province.

Galan is undertaking additional HMW Project studies that are required prior to making any investment decision. This, along with other manning issues, has moved the expected DFS completion to Q1 of 2023.



Figure 5: Brine from pumping well PBPP-1-21 located at Pata Pila



Figure 6: Evaporation Pond S1 Construction

For personal use only





**Figure 7: Aerial view of S1 pond filling with brine with camp and the Hombre Muerto salt flat in the background**

### Extensional Drilling Success

As announced on 7 April 2022, Galan completed its first drill hole in its latest drilling campaign at HMW.

Diamond drillhole, PP-02-22, was completed to a depth of 450m at Pata Pila. The Pata Pila licence covers large alluvial fan areas lying adjacent to Livent Corporation's (NYSE: LVHM) tenure (Figure 8). Results confirmed the HMW Project Mineral Resource extends to the east at depth, delivering further resource and potential production upside:

- Extends brine potential a further 800m from existing drillhole (PP-01-19) to within 1km of the neighbouring Livent tenement boundary.
- Downhole geophysics indicate high porosity intervals, particularly the sand units equating to high specific yield (porosity) and hydraulic conductivity.
- Core logs and cuttings reveal detailed units with abundant sand-dominant lithologies showing strong indicators for brine-bearing production aquifers.

The key purpose of PP-02-22 was to extend knowledge in the Pata Pila licence area so as to build-out the hydrogeological models required to confirm Reserve estimates at the HMW Project. The drillhole was designed to provide key geological data for testing extension to the existing HMW Project Mineral Resource, in both horizontal and vertical dimensions, from the salar limits.

Excellent recovery of drill core and cuttings from PP-02-22 revealed a highly detailed stratigraphic profile downhole. The new borehole revealed lithologies dominated by unconsolidated fine to medium sized sand for the majority of the 450m, apart from the topmost interval. Here, the top 90m of the hole consists of interbeds of gravel and fine to medium sands. Mud density measurements taken throughout the drilling confirm brines are present, typically 1.2g/ml or higher.

Downhole geophysical logging using Nuclear Magnetic Resonance (NMR) was undertaken to provide an accurate porosity and pore size distribution of the sediments, among other variables. The key results from this work include:

## DIRECTORS' REPORT

Galan Lithium Limited Annual Report 2022

- Confirmation of the conceptual geological model for the upgradient portion of the Pata Pila alluvial fan, corresponding to a thick sedimentary sequence (435 metres):
  - Main presence of sands between approximately 90 and 280 m bls. This interval is estimated to have a relatively high specific yield and hydraulic conductivity.
  - Further presence of sands between 355 and 435 m bls. This interval is estimated to have a high hydraulic conductivity, similar to the upper sand interval.
- NMR results indicates high porosity values for the overall sequence where specific yield values were generally estimated to be greater than 10%, with zones that exceed 20% and 30%. The higher values are closely related to the sand intervals.
- The drilling and geophysical results allowed for the identification of hydrogeological basement rock at a depth of 450 m bls. This depth corresponds to previously identified geoelectric unit through surface geophysics. This allows the use of this method to better constrain the conceptual model in the surrounding areas.

Analysis of the Zelandez results suggest favourable zones for potential brine extraction at PP-02-22. With the presence of thick sections containing medium-coarse clastic sediments in the upper 280 m and lower 355 m to 435 m bls, specific yield and hydraulic conductivity values are interpreted to be high in general.

The results from PP-02-22 have delivered substantial confirmation of, and further potential upside to, the existing Mineral Resource estimate at the HMW Project.

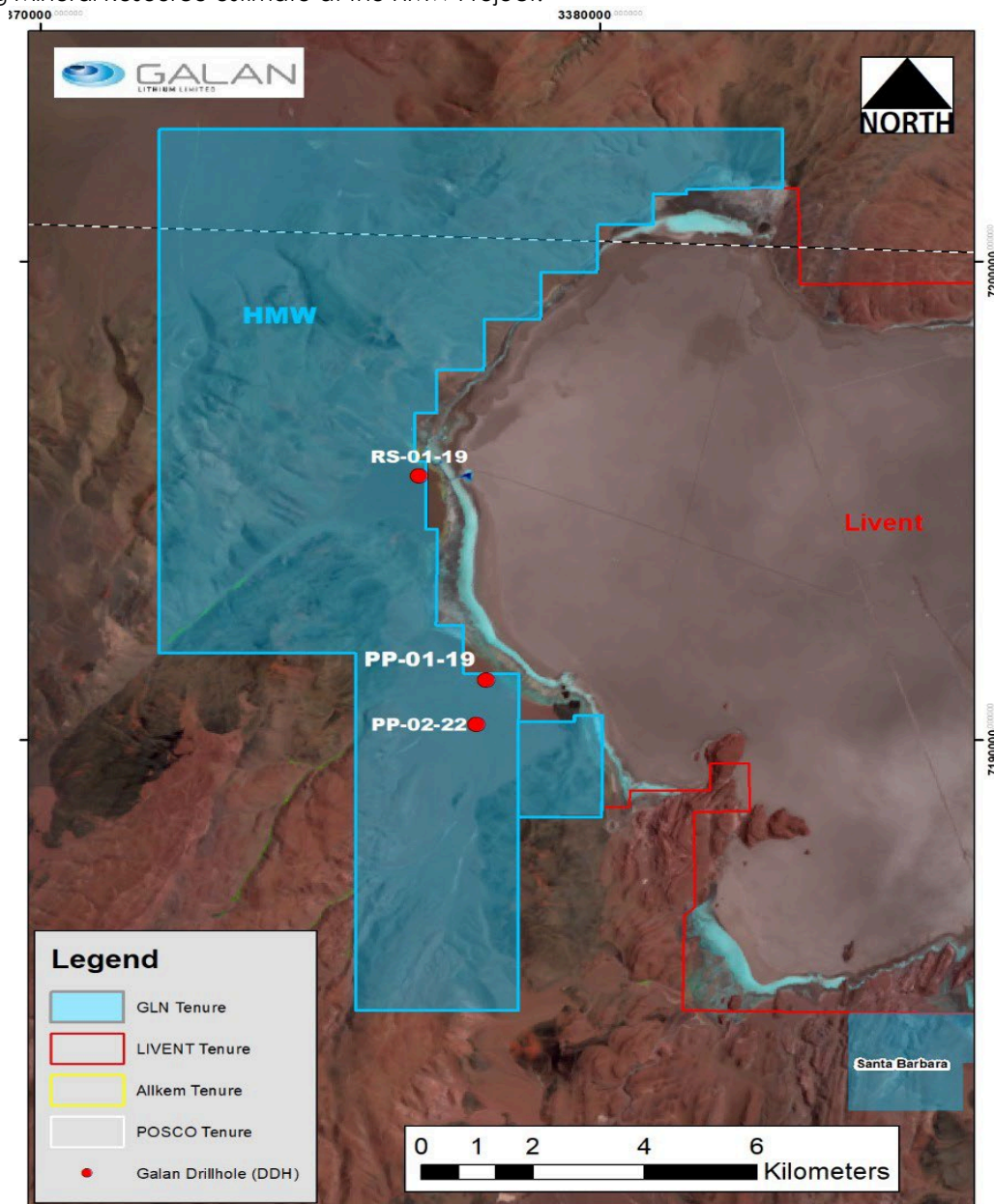


Figure 8: Location of Pata Pila Drillhole PP-02-22 at HMW Project

## DIRECTORS' REPORT

Galan Lithium Limited Annual Report 2022

### Well pump testing program

#### Pata Pila

The constant rate test was performed for 72 hours and observed with three (3) different piezometers. Aquifer response during the pumping test indicated favorable conditions (permeability) for brine production with expected flowrates between 15 – 20 L/s per well at Pata Pila.

Fourteen brine samples were collected throughout the duration of the test and analyzed for lithium (Li) at the Alex Stewart laboratory. Chemical results positively confirm a high-grade brine resource, with an increasing Li grade during pumping, stabilising at approximately 910 mg/L (see Figure 9 for results). The site operations and sampling procedures were supervised by SRK Consultants.

The 30-day long term pumping test at the first Pata Pila well (PPB-01-21) was successfully completed at the end of July. The sustained pumping rates were solid, ranging between 17 and 20 L/s. More than 150 brine samples were collected during this testing phase, with laboratory analysis returning an average Li grade of 874 mg/L (from a range of 821 to 927 mg /L).

The hydraulic testing of the second pumping well at Pata Pila (PPB-02-22) is set to commence shortly. This well is located approximately 800m upgradient in the Pata Pila alluvial fan (see Figure 11).

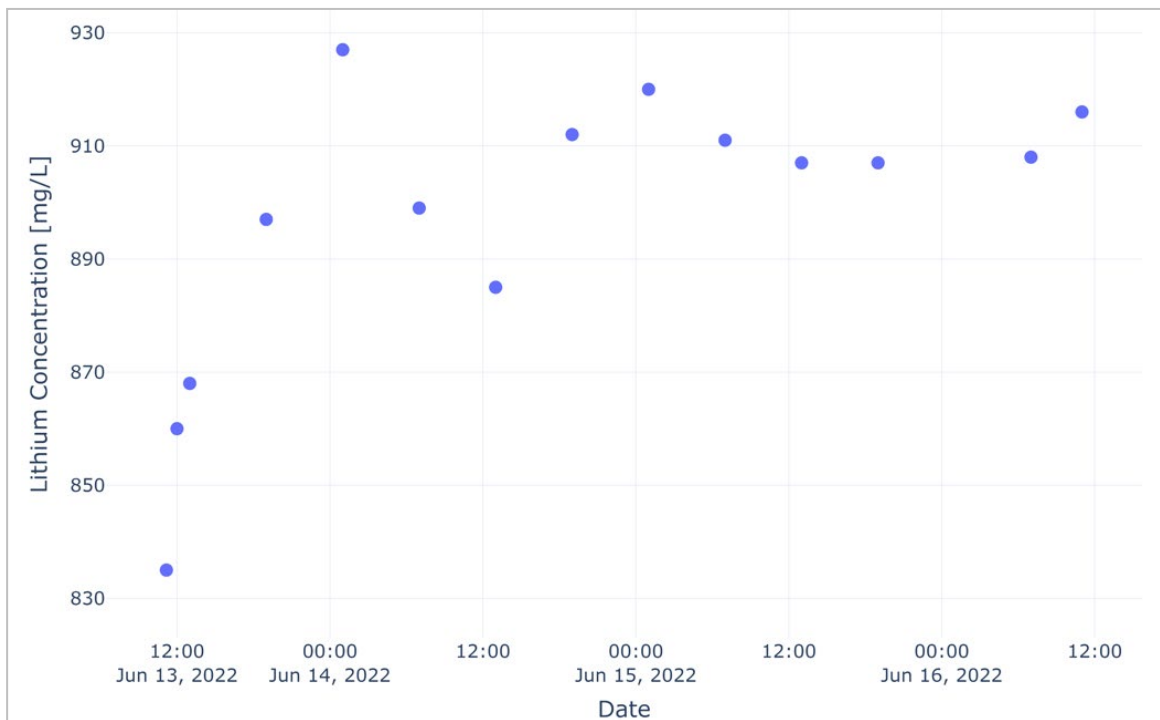


Figure 9 – Brine lithium grade (mg/L) results obtained during the 72 hours constant rate test at PPB-01-21.



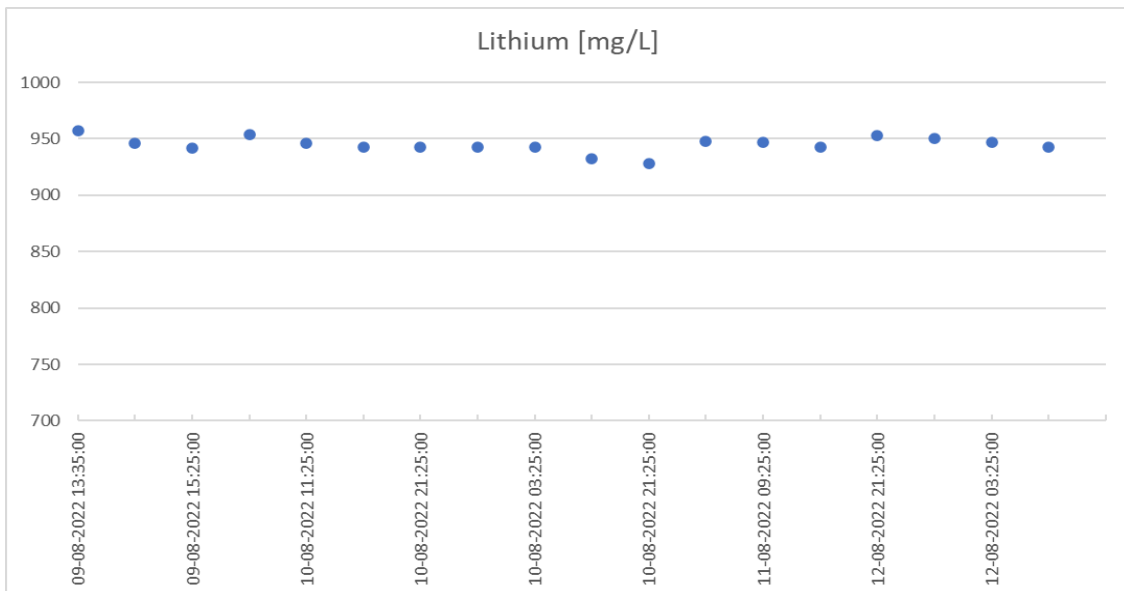
**Figure 10 – Brine discharge at PPB-01-21 during long term pumping test.**

Rana de Sal

As announced on 31 August 2022, the first pumping well at Rana de Sal (PBR-01-21) commenced its hydraulic testing. Following an initial step test, a 72-hour constant rate and recovery test was performed. During this test, the pumping rate was stabilised at 20 L/s and drawdown was measured in three monitoring wells. Eighteen (18) brine samples were also collected during this testing phase, with laboratory analysis returning outstanding Li grades ranging between 932 and 957 mg/L, with a mean of 945 mg/L (see Figure 11).

A long term (30-day) pumping test is set to commence shortly on PBR-01-21, with an expected initial flow rate in the range of 22 to 27 L/s.

Pumping tests are expected to conclude in early October 2022. All data obtained during the testing campaign is being analysed by SRK as part of the development of the Resource and Reserve model for the HMW Project.



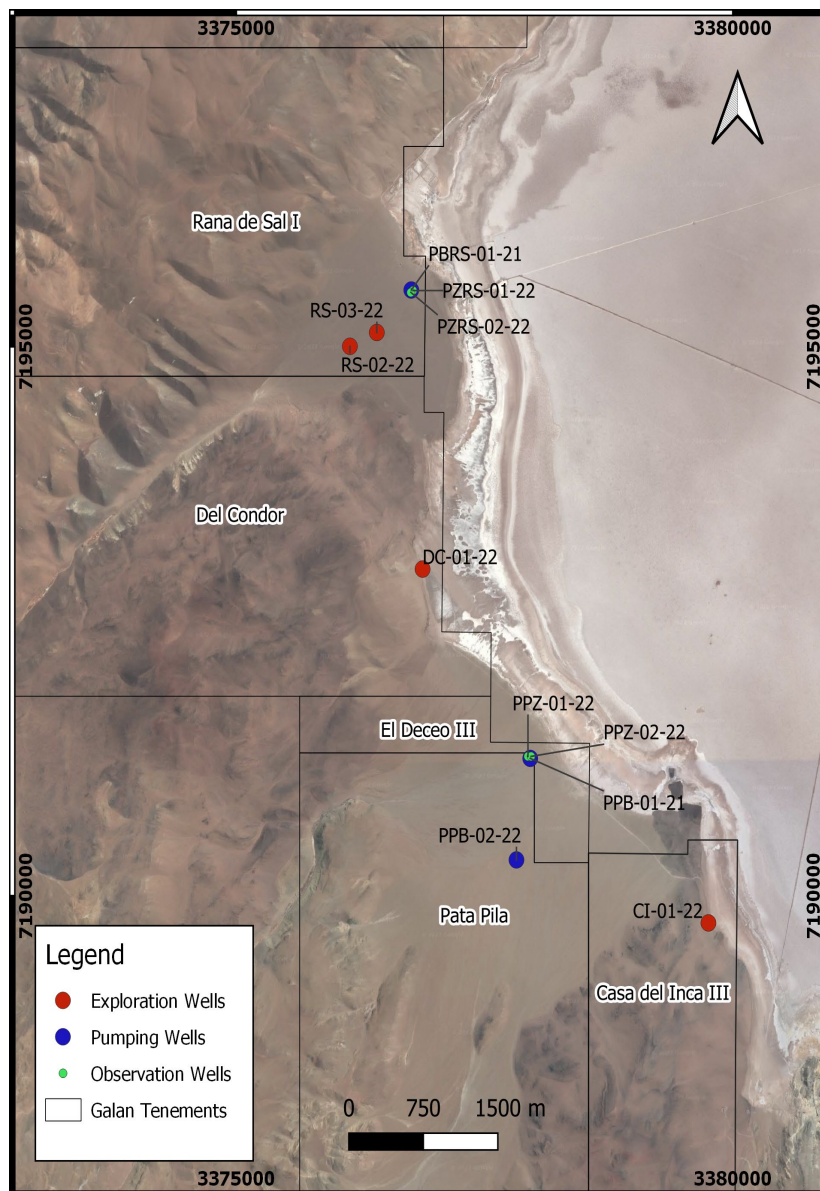
**Figure 11 – Brine lithium grades results (mg/L) for PBR-01-21 during 72-hour constant rate test**

**Porosity test (RBRC) outcomes at Pata Pila**

Data from the first batch of twenty (20) core samples obtained from the Pata Pila Diamond Drillhole undergoing Relative Brine Release Capacity (**RBRC**) testing has been received. These analyses were conducted at the Daniel B. Stephens & Associates (**DBS&A**) laboratories based in Albuquerque, USA. The RBRC results are positive with specific yield values consistent with reported values in the literature for medium-to-fine sand lithologies, and as previously described with respect to the core samples. The RBRC values ranged between 10.1% and 21.0%, with a mean specific yield value of 14.1%.

A batch of 39 core samples are being tested at the Daniel B. Stephens & Associates (**DBS&A**) laboratory based in Albuquerque USA for Relative Brine Release Capacity (**RBRC**). This second batch of representative samples was selected by SRK hydrogeologists from the brine-host aquifer at three (3) different locations distributed between the Pata Pila and Rana de Sal. Samples were taken from drillholes PPZ-02-22, PZRS-01-22 and RS-02-22 (see Figure 12).

A third batch of 34 core samples has been selected by SRK site geologists and are in transit to the DBS&A laboratory. This batch includes samples from the recently completed RS-03-22 exploration drillhole (410m total depth) at Rana de Sal.



**Figure 12 – Location of pumping and exploration wells at HMW Project**

## DIRECTORS' REPORT

Galan Lithium Limited Annual Report 2022

### Exploration Drilling

Exploration drilling continues at the HMW Project with the next drillhole (CI-01-22) located at Casa del Inca (Figure 12). This drillhole is designed to validate the potential hydrogeological extension of the brine reservoir between the Pata Pila alluvial fan and salar margin below recent lava flows in Casa del Inca, as suggested by surface resistivity surveys.

Drilling at CI-01-22 shows a fractured basalt unit overlying unconsolidated sands and gravels. The drillhole was completed to a depth of 155m. Following the finalization of CI-01-22, drilling will commence in del Condor (DC-01-22; see Figure 12) with the aim of improving certainty in the area connecting Rana de Sal and Pata Pila for the updated resource.

### 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 5.

**Table 5: 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

Refer to Cautionary Statement at the end of the Directors Report.

## DIRECTORS' REPORT

Galan Lithium Limited Annual Report 2022

---

### 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 13. 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 Allkem , 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

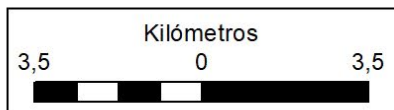
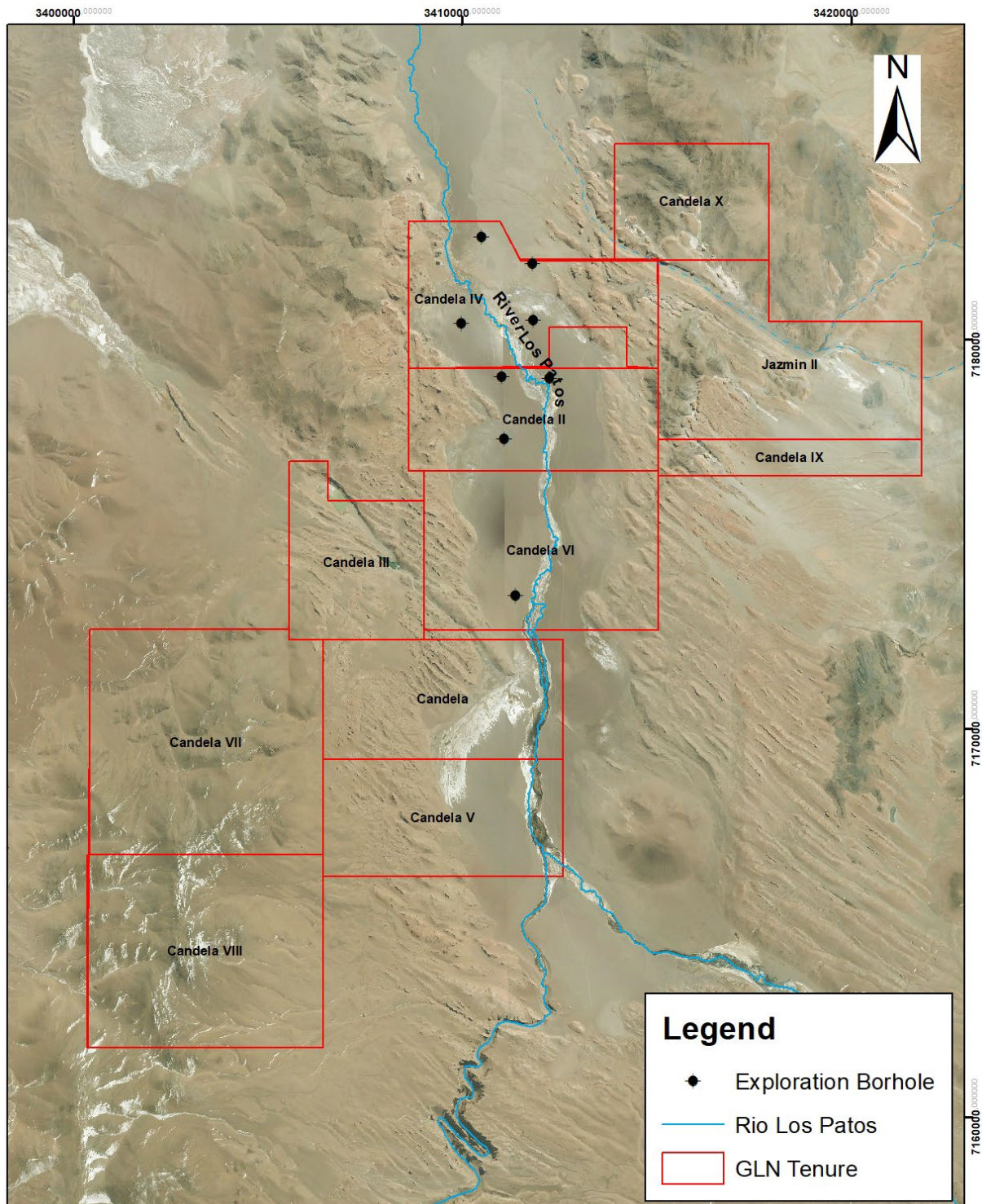
The climate in the Candelas Project area is classified as cold, high-altitude desert with sparse vegetation. Solar radiation is intense (especially during the summer months of October to March) resulting in high evaporation rates. Very strong winds are also typical, reaching speeds up to 80 km/h during 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

**DIRECTORS' REPORT**

Galan Lithium Limited Annual Report 2022

For personal use only



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

Figure 13: Candelas Concessions, Catamarca Argentina



#### 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 pre-concentration 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 will be further investigated to investigate and improve the project's future economics.

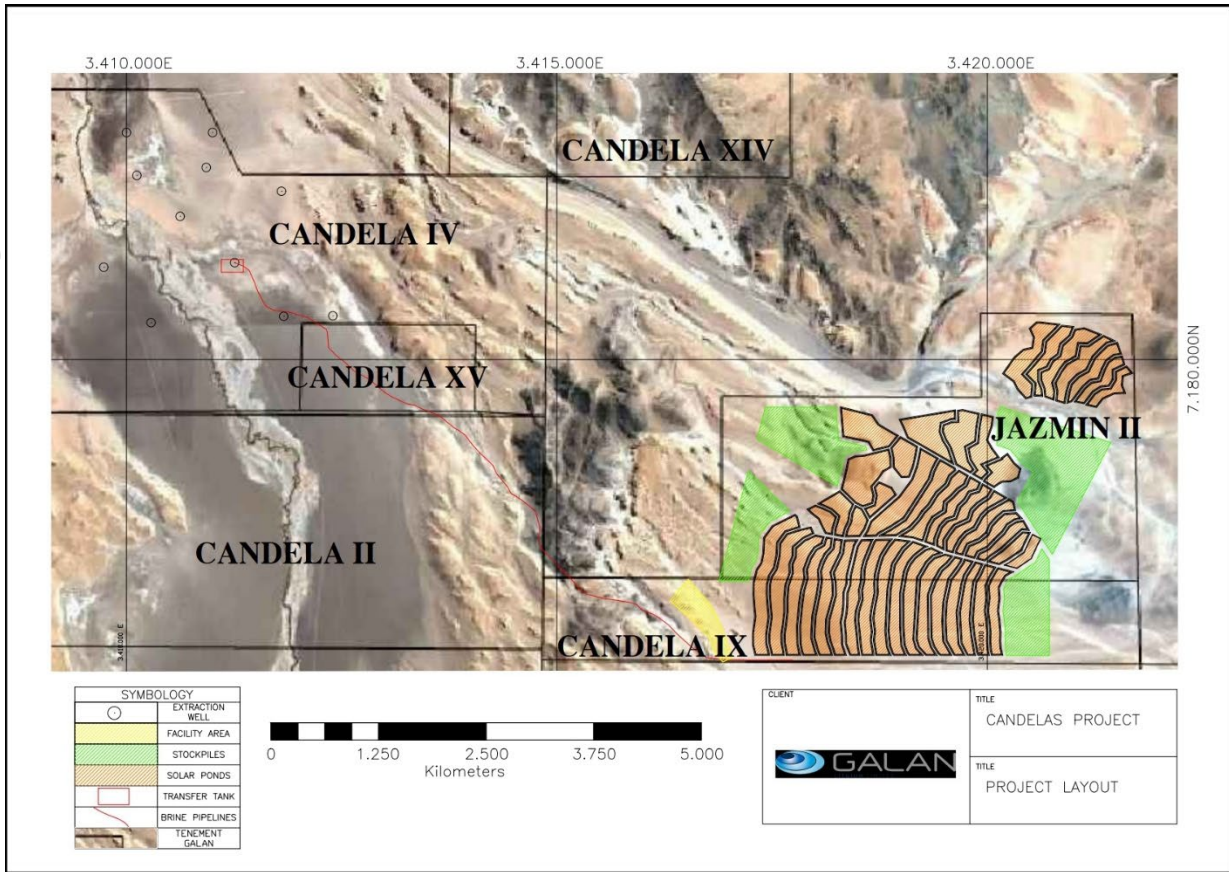
The raw brine flow coming from the wells field will be collected by a tank from where it will be pumped 150 m uphill to the buffer pond. From this first pond, the brine will commence the evaporation sequence through the ponds system.

Figure 14 shows the planned 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.'



**Figure14: Candelas Ponds Layout**

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.

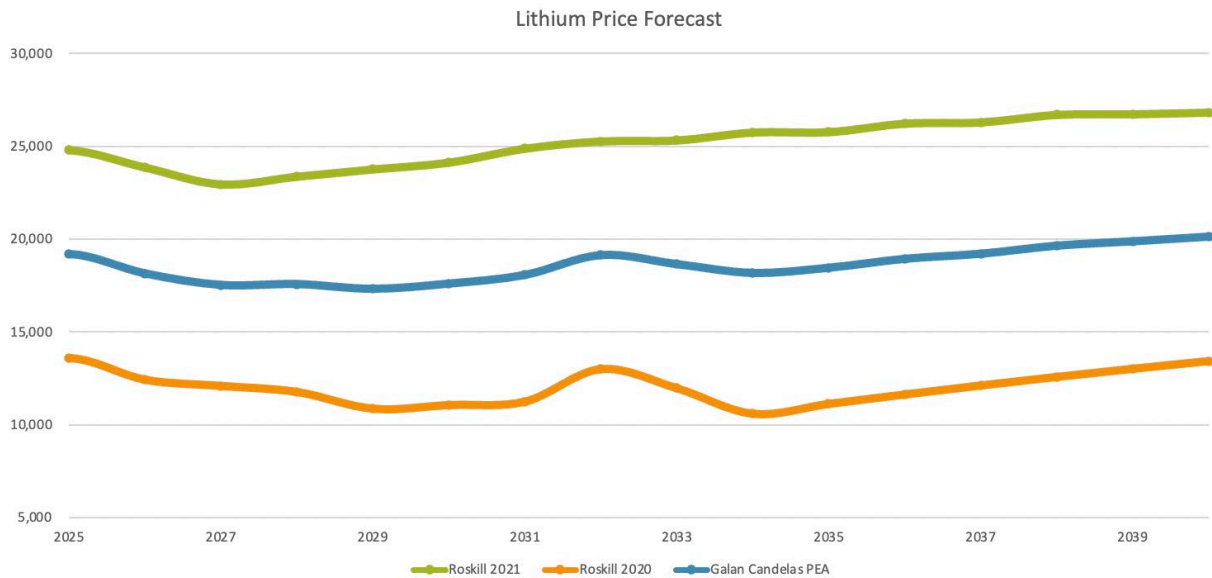
Roskill expects contract prices for lithium carbonate battery grade and hydroxide to remain near to or above US\$25,000/t on a long-term real (inflation adjusted) basis. After softening in 2019 and 2020, prices on a nominal basis the long-term lithium carbonate battery grade price is projected to rise 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 15 displays the forecast of the lithium carbonate price.

## DIRECTORS' REPORT

Galan Lithium Limited Annual Report 2022



**Figure 15: Long Term estimate of the Contracted Price of Battery Grade  $\text{Li}_2\text{CO}_3$  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.

### Capital (CAPEX) Estimate

#### 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.

#### Capex Estimate

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
<b>Total Direct Cost</b>	<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.'

## DIRECTORS' REPORT

Galan Lithium Limited Annual Report 2022

### 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  $\text{Li}_2\text{CO}_3$ .

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 16 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

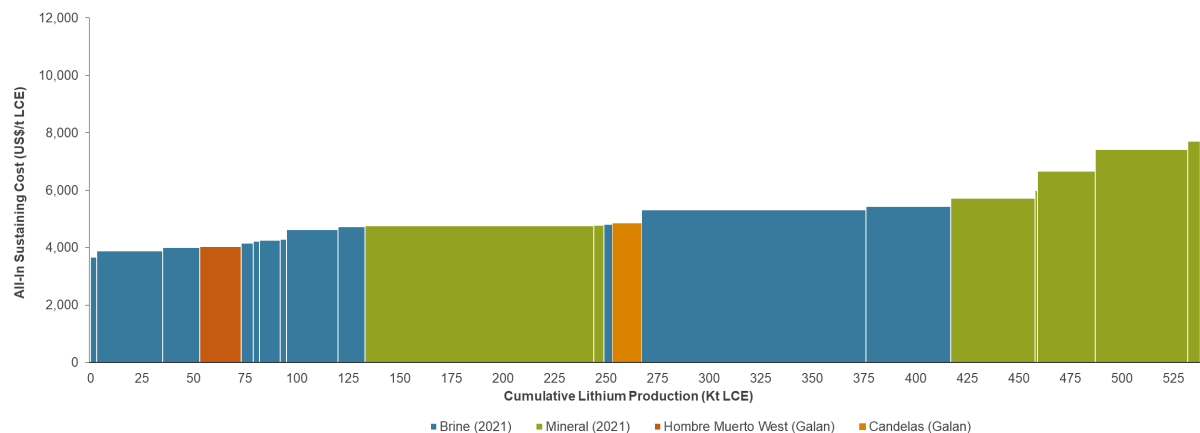


Figure 16: Lithium Production Cost Curve (source: Roskill – Lithium Cost Model Service)

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.

### 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.

## DIRECTORS' REPORT

### Galan Lithium Limited Annual Report 2022

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.

#### **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.'

## DIRECTORS' REPORT

Galan Lithium Limited Annual Report 2022

---

### Greenbushes South

The Greenbushes South lithium projects (held in a joint venture between Galan (80%) and Lithium Australia Ltd (ASX:LIT) (20%)) are located south of Perth and ranges between the towns Donnybrook and Nannup in the Southwest portion of Western Australia. Three major projects are comprised of four granted tenements and 2 pending tenements. The flagship project, **Greenbushes South** (E70/4790, E70/6263 – formerly E70/4889, P70/1702 & P70/1703) is located 3 km south of the of the world-class Greenbushes Lithium Mine which is owned and managed by Talison Lithium Pty Ltd. The **Kirup Project** (E70/4690, E70/4777, E70/5680) is located near the town of Donnybrook, and the **Donnelly Project** (E70/6264 – formerly E70/4629), is located in the Donnelly Forest 30 km south of the Greenbushes Mine (this project is 100% owned by Galan). These projects are linked by their relationship and proximity to Donnybrook-Bridgetown Shear Zone (**DBSZ**) which is the main mineralizing fault found at the Greenbushes Mine.

Over the past year Galan has conducted geologic mapping, surface sampling (soils and rock chips), and airborne geophysical surveys. Geologic mapping focused on delineating the surface expression of the DBSZ. Surface sampling primarily consisted of soil sampling in an attempt to use pathfinder elements, such as Sn, Ta, As, Cs, and Rb in soils to show potential for lithium-bearing pegmatites below the surface. Geophysical surveys methods included magnetic, radiometric, and elevation data. While the soil sampling and mapping has focused at the **Greenbushes South** project, airborne surveys have been completed over the projected strike of the DBSZ.

#### Airborne geophysics processed and key target zones identified

An airborne geophysical survey campaign was also conducted by Thomson Airborne with data being transferred to Southern Geoscience Consultants (**SGC**), to interpret results for potential lithium targets. A total of 7,622 km was flown at heights between 45 and 65 m. The geophysical survey acquired high-resolution magnetics and radiometrics above all Galan tenements (Figure 17).

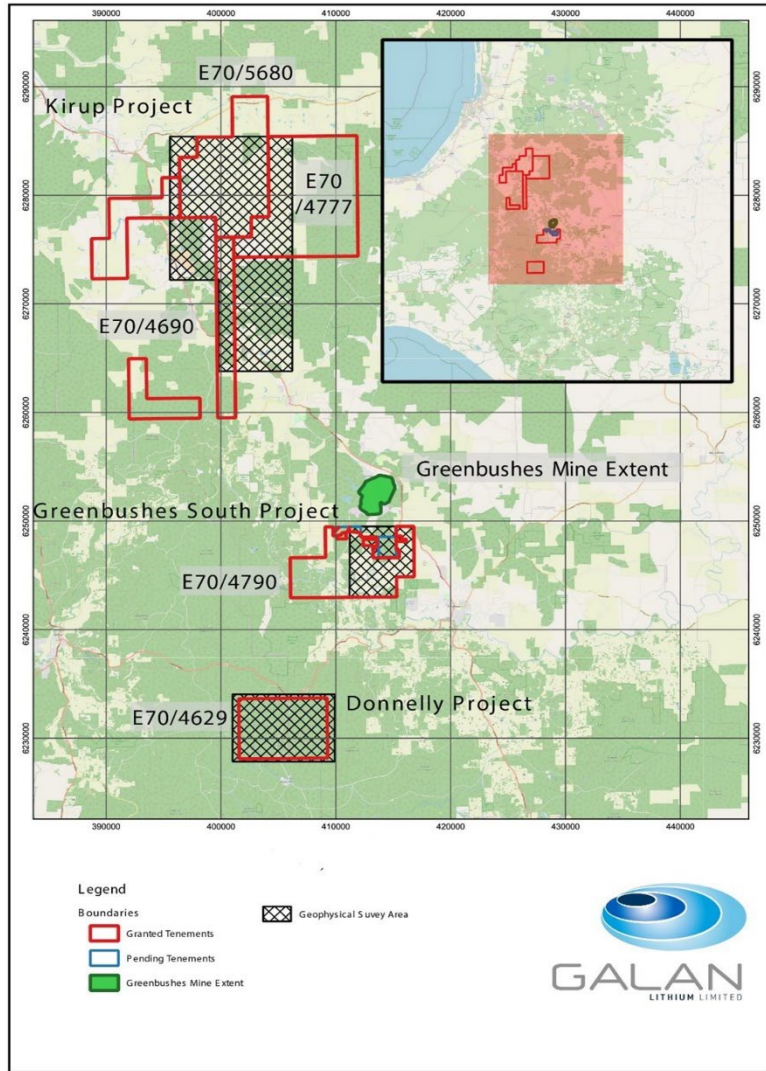
On 15 June 2022, the Company announcement headed "First Pegmatite Lens Discovered at Greenbushes South", provided the following update:

Galan has received the processed data and target generation report from the recent airborne geophysical survey campaign for its Greenbushes South tenement (E70/4790). This survey provided high-resolution radiometric and magnetic data from a fixed-wing aircraft flying at an average of 45 metres of terrain clearance, a significant improvement for resolution over previous publicly available data sets (Figure 18).

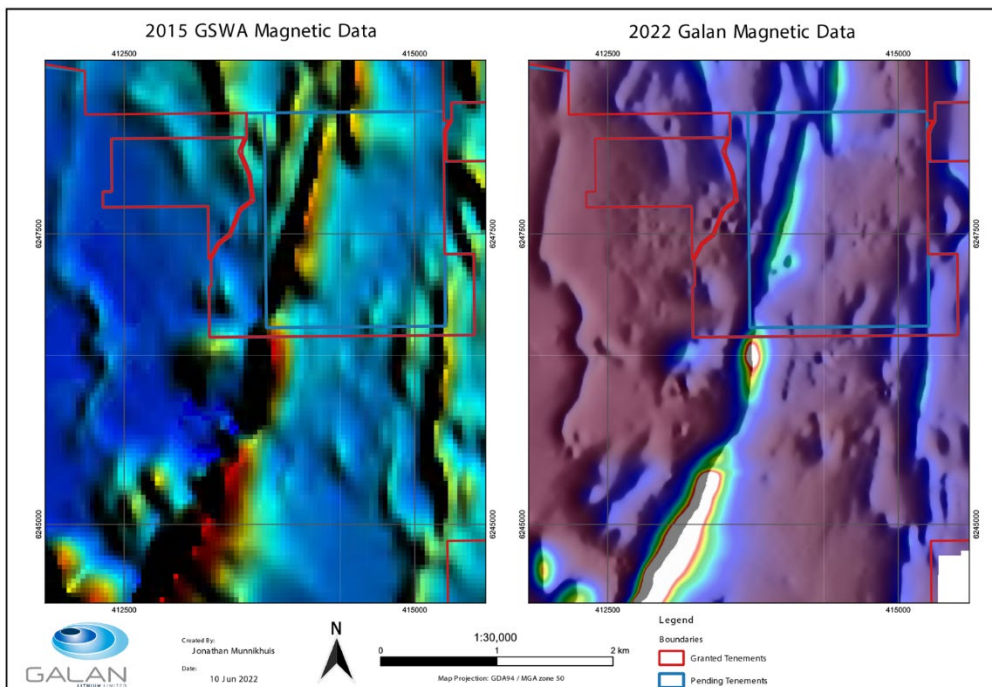
SGC provided processing and interpretation of this new data as well as the development of key target zones for lithium-bearing pegmatites. Target generation incorporated structural and lithological information (provided by the airborne data), as well as field mapping and surface geochemistry undertaken by Galan.

The new magnetic, radiometric and DEM data gives more precision to the location of the mineralising Donny-Brook Bridgetown Shear Zone (**DBSZ**), associated with the Greenbushes pegmatite. The final report from SGC identified twelve (12) pegmatite targets within Galan's granted E70/4790 tenement, and an additional six (6) pegmatite targets within Galan's pending tenements (Figure 19).

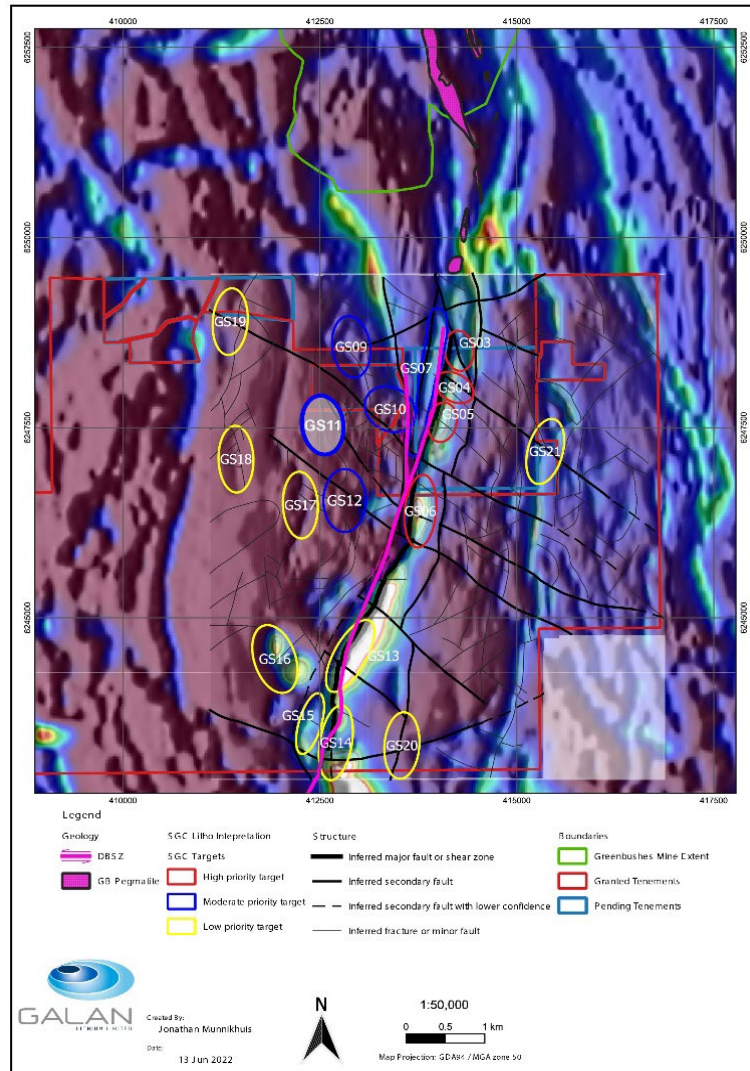
For personal use only



**Figure 17: Location of Greenbushes South tenements and geophysical survey areas**



**Figure 18: RTP Magnetic data comparison; 2015 GSWA data (left) and new 2022 airborne campaign data (right).**



**Figure 19: Potential pegmatite target locations for follow-up exploration activities with the first key target site sampled and mapped being GS11. Pink line highlights inferred trace of the Donny-Brook Bridgetown Shear Zone (DBSZ).**

Sampling and mapping program commenced; pegmatite outcrop discovered

Following the above, Galan initiated a soil sampling and field mapping program over the first of the newly identified targets on E70/4790.

Field mapping activities over the GS11 target area revealed an outcrop of approximately 200 m long by 40 m wide pegmatite. This pegmatite has similar macroscopic mineralogy to those pegmatites described at the Greenbushes Lithium Mine to the north. The assemblages are albite-quartz ± microcline ± muscovite ± garnet. The pegmatite lens hosts several tourmaline-rich zones at a metre scale and is recognized by coarse-grained tourmaline and high abundances of interstitial albite quartz and muscovite (Figure 20).

During the reporting period a total of 491 soil samples were taken from two target locations. Soils were taken at 50 m spacing along transects space 75 – 100 m apart. In November to December, samples were taken at the northern edge of Galan's E70/4790 tenement and at the mapped location of the Donnybrook Bridgetown Shear Zone. Pathfinder elements such as arsenic (As) and antimony (Sb) show elevated levels in soil samples near the trace of the DBSZ. When combined with historical data this indicates the potential for pegmatite targets within Galan's pending tenements to the north. Other pathfinder elements such as tin (Sn) and rubidium (Rb) show a lag signal east of the DBSZ. These elevated values of Sn are interpreted as coming from up topography and within Galan's pending tenements.



## DIRECTORS' REPORT

Galan Lithium Limited Annual Report 2022

In May 2022, Galan submitted geochemical assays from the soil sampling grids traversing the initial pegmatite discovery. The results confirm anomalous concentrations of lithium up to 215 ppm as well as for pathfinder elements such as As and Cs. A further 170 assays from this soil sampling program are pending, as well as the assays for 15 rock chip samples taken from the earlier mapped pegmatite outcrops. The returned soil results were assayed using the UltraFine+ assay technique that delivers high fidelity multi-element analysis derived from the ultrafine (< 2 µm) fraction of soil samples. The UltraFine+ method is an analytical process flow developed by CSIRO and LabWest which often returns stronger signals well above instrumental detection limits, usefully increasing signal-to-background ratios. Galan has now submitted all historical soil samples from Greenbushes South to be re-assayed utilising this method.

The Company has received the first batch (65 in total) of geochemical assays from the soil sampling grids traversing the initial pegmatite discovery. The results confirm anomalous concentrations of lithium up to 212 ppm (see Figure 20).

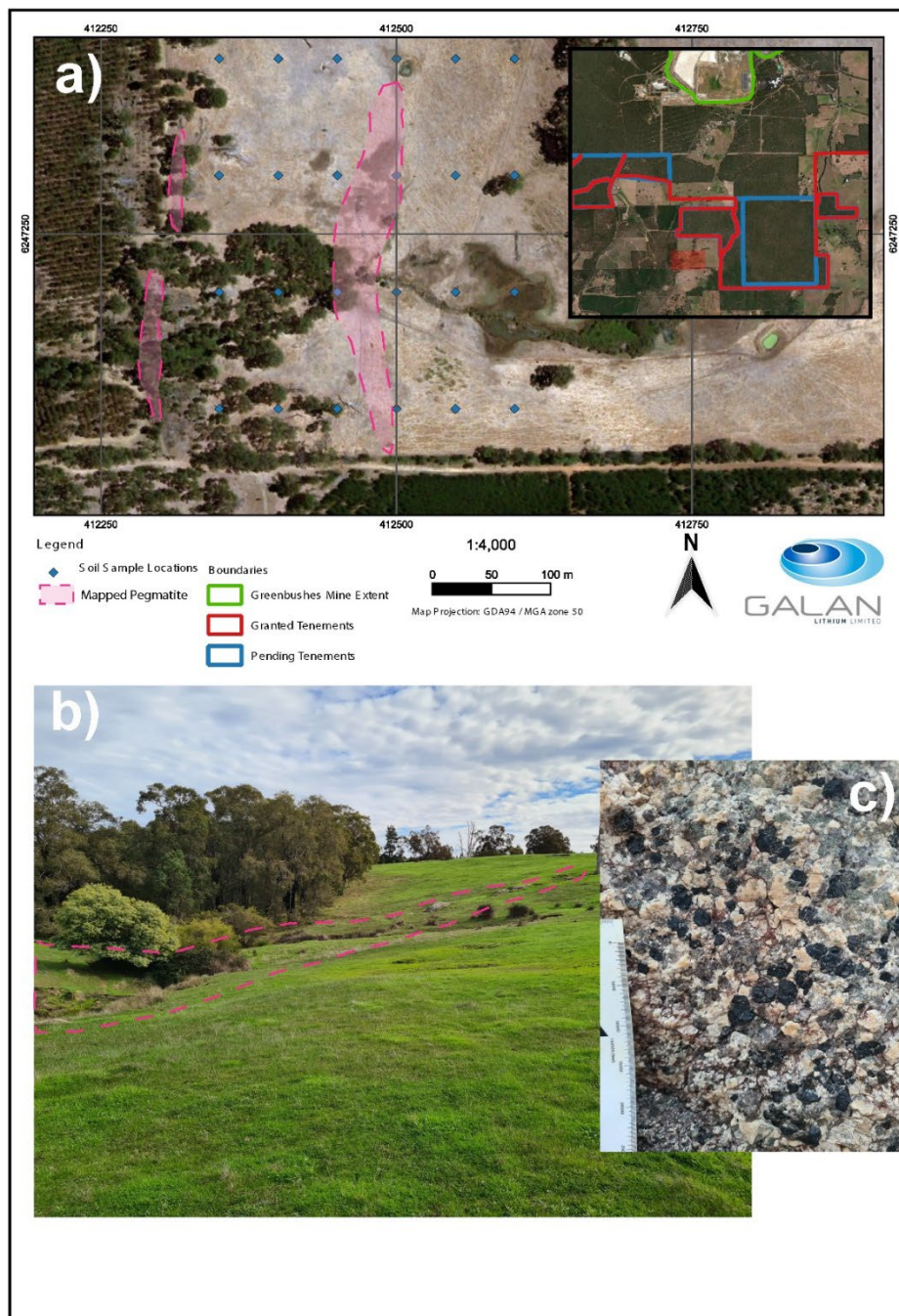
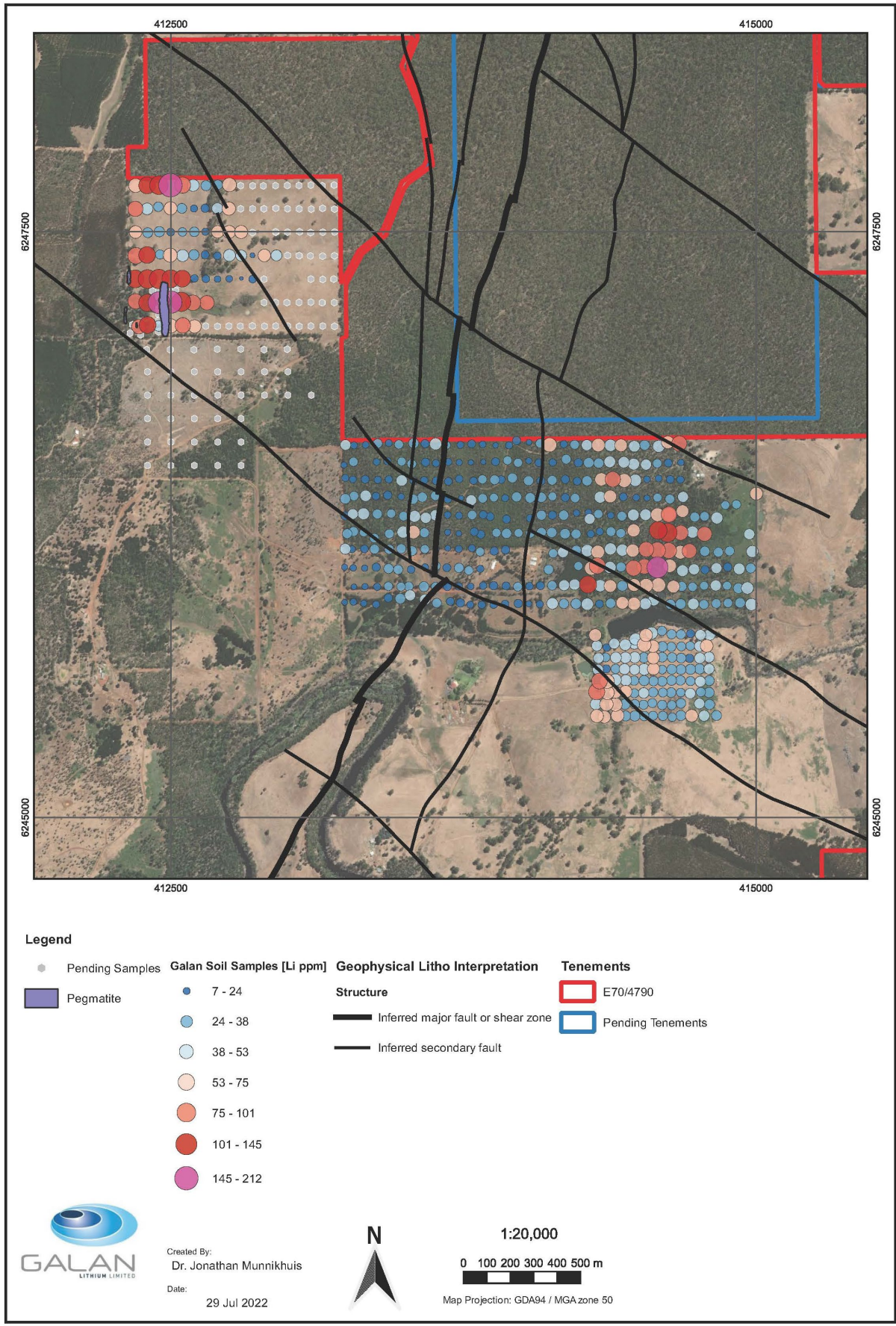


Figure 20: Outcrop Location and field photographs; a) Map of field location and soil sampling grid, red rectangle in the inset shows map boundary; b) Field photograph of outcropping pegmatite lens (pink line delineates mapped boundary); c) Photograph of pegmatite.

**DIRECTORS' REPORT**

Galan Lithium Limited Annual Report 2022

For personal use only



**Figure 21: Li in soil assay results spatially associated with mapped pegmatite.**

## DIRECTORS' REPORT

### Galan Lithium Limited Annual Report 2022

---

#### Ground Geophysics

A pilot study utilising ground-based geophysical techniques to explore blind (buried) pegmatite targets has been completed in the Greenbushes South project areas. The survey consists of passive seismic (HSVR) and gravity surveys conducted by Atlas Geophysics. Data processing is underway and results are expected to be available in late September 2022. Additionally, a resistivity study is also planned to be completed by GBG in the next few weeks to further aid in defining the orientation of pegmatite at depth. These will help identify drilling targets which plans are being developed for planned for early 2023

#### Conservation Management Plan for pending tenements

Galan has been working with an environmental consultant and with the Department of Biodiversity, Conservation and Attractions for the Conservation Management Plans for its planned exploration activities on pending Greenbushes South tenements (E70/4623- formerly E70/4889, P70/1702 & P70/1703) and at the Donnelly Project (E70/6264 – formerly E70/4629). The CMP outlines the proposed exploration and prospecting activities, management, and communications for work within the Hester State Forest and the Donnelly Forest. Galan has provided the DBCA with its planned soil sampling and ground geophysics activities within these state forests. Once these Conservation Management Plans are approved by staff at DBCA then the pending tenements applications for granted status be submitted for ministerial approval.

### **CORPORATE**

At the end of the 2022 financial year, the Group had cash reserves of \$53,894,847 (2021: \$15,570,917).

#### **Personnel**

In early February 2022, Mr Graeme Fox was appointed to the role of Chief Financial Officer (CFO). Mr Fox is an Australian CPA qualified accountant and experienced business analyst, with over 25 years of experience in the mining, contracting and transport industries, with a focus on strategic planning, financial modelling, investment evaluation, management accounting and compliance.

The Company also made the key appointment of Mr Alvaro Henríquez as Geology Manager in July 2022.

Mr Henríquez is a Chilean based hydrogeologist with over 20 years' applied geology and hydrogeology experience in the mining industry. He has led many exploration and production operations across Chile, Argentina, Australia and the United States. Alvaro's experience includes 11 years at SQM, where he served as the Hydrogeology Superintendent. He was responsible for the operational management of the Salar de Atacama lithium and potash brine reservoir evolution forecast for supporting short, medium and long-term mining plans. Alvaro was also responsible for the design, execution, and supervision of hydrogeological exploration campaigns, as well as the conceptual and numerical hydrogeological modelling. Alvaro is a Registered Competent Person in Mining Resources and Reserves evaluation at Comisión Calificadora de Competencias en Recursos y Reservas Mineras de Chile (part of CRIRSCO) and has previously signed off as the Competent Person on SQM technical reports.

#### **Equity Issues**

##### 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.

## DIRECTORS' REPORT

### Galan Lithium Limited Annual Report 2022

#### Shares

During the financial year ended 30 June 2022, Galan issued 16,272,015 fully paid ordinary Shares (excluding the above placement Shares) in the Company, as follows:

- 9,724,371 Shares upon the conversion of \$0.25 options expiring 31/3/22 (fully converted);
- 4,141,550 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;
- 104,094 Shares to a consultant in lieu of services provided;
- 2,000,000 Shares upon the conversion of \$0.25 options expiring 1/12/21;
- 140,000 Shares to the vendor of the Candelas project; and
- 12,000 Shares for Donnelly River data

#### Options

On 31 December 2021, a total of 500,000 options, exercisable at \$1.30 on or before 24/12/24, were issued to an employee.

#### 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.

On 14 April 2022, the Board awarded a total of 1,500,000 performance rights to key personnel in the Galan management team. The performance rights have the same hurdles and terms and conditions as those awarded to the Directors and were issued on 22 April 2022.

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.

#### Financial

The loss after tax for the year was \$5,082,886 (2021: \$907,891).

Cash and cash equivalents as at year end were \$53,894,847 (2021: \$15,570,917).

Exploration expenditure, including acquisitions, for the year was \$9,479,077 (2021: \$2,003,062) (excluding share valuations capitalised). All of this expenditure was on the Company's various lithium brine projects in the Hombre Muerto salar in Argentina and the Greenbushes South lithium project in Australia. There was \$209,170 in exploration expenditure written off for the year (2021: \$ Nil).

## DIRECTORS' REPORT

### Galan Lithium Limited Annual Report 2022

---

Net administration expenses and employee benefits for the year totalled \$2,185,952 (2021: \$1,561,626).

#### 7. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group that occurred during the financial year.

#### 8. AFTER BALANCE SHEET DATE EVENTS

##### Issue of Shares

On 5 August 2022, a total of 97,729 fully paid ordinary shares were issued in lieu of services provided by two consultants. On the same date, a further 30,950 fully paid ordinary shares were issued upon the conversion of \$0.21 options.

On 26 August 2022, 41,840 fully paid ordinary shares were issued in lieu of a 12-month investor marketing and generation campaign.

##### Issue of Performance Shares

On 12 August 2022, the Board awarded a total of 850,000 performance rights to key personnel in the Galan management team. The performance rights have the same hurdles and terms and conditions as those awarded to the Directors. The performance rights were issued on 26 August 2022.

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.

#### 9. FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The Directors continue the Group's strategy for the advancement of Shareholders' interests and asset values through well-defined work programmes on the Group's tenements and to implement a growth strategy to seek out further exploration, acquisition and joint venture opportunities.

Further information about likely developments in the operations of the Group and expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

#### 10. ENVIRONMENTAL ISSUES

The Group aims to comply with or exceed its environmental performance obligations. The Board believes that the Group has adequate systems in place for the management of its environmental requirements. The Group strives to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The Directors are not aware of any breach of environmental legislation for the financial year under review.

#### 11. REMUNERATION REPORT (Audited)

The remuneration report is set out under the following main headings:

- A Remuneration Philosophy
- B Remuneration Structure & Contractual Arrangements
- C Remuneration and Performance
- D Equity Based compensation
- E Voting and Comments at the Company's 2021 Annual General Meeting
- F Related Party Information
- G Details of Remuneration
- H Interests of Key Management Personnel (KMP)

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001. The remuneration arrangements detailed in this report are for the key management personnel comprising the Non-Executive Chairman, Managing Director and Non-Executive Directors.

## DIRECTORS' REPORT

Galan Lithium Limited Annual Report 2022

---

### 11. REMUNERATION REPORT (Audited) (Cont'd)

#### A Remuneration Philosophy

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company. The performance of the Company depends upon the quality of its key management personnel. To prosper the Company must attract, motivate and retain appropriately skilled directors and executives.

The Company's broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

#### B Remuneration Structure & Contractual Arrangements

The Company has in place letters of engagement for all Non-Executive Directors. The Directors hold office until the next annual general meeting at which point one third of the directors retire by rotation and will be eligible for election as a Director at that meeting in accordance with the Company's Constitution.

The Directors' appointments will automatically cease in the event that they give notice to the Board of their resignation as a Director or if they retire by rotation and are not re-elected as a Director by the Shareholders of the Company. More-over their appointment will be terminated immediately if, for any reason, they are disqualified or prohibited by law from being or acting as a Director or from being involved in the management of a Company.

The last remuneration increases for the following Non-Executive Directors was on 1 July 2020:

- Mr Homsany (Non-Executive Chairman) - \$60,000 per annum plus statutory superannuation
- Mr Gardiner (Non-Executive Director) - \$50,000 per annum plus statutory superannuation
- Mr Chalwell (Non-Executive Director) - \$36,000 per annum plus statutory superannuation
- Mr Liu (Non-Executive Director) - \$36,000 per annum plus statutory superannuation

On 1 July 2022, Mr Jimenez had his annual rate increased to \$US144,000 per annum.

On 1 April 2021, the Board increased the remuneration rate for Mr Vargas de la Vega ( Managing Director) to \$280,000 per annum plus statutory superannuation

Remuneration of Non-Executive Directors is based on fees approved by the Board of Directors (from within the remuneration pool approved by Shareholders from time to time at a general meeting) and is set at levels to reflect market conditions and encourage the continued services of the Directors. The current shareholder approved remuneration pool is \$300,000 per annum.

The Company does not offer any variable remuneration incentive plans or bonus schemes to Non-Executive Directors.

The Company is an exploration and development entity and therefore speculative in terms of performance. Consistent with attracting and retaining talented executives, directors and senior management personnel are paid market rates associated with individuals in similar positions within the same industry.

#### C Remuneration and Performance

During the reporting period, Director remuneration was not linked to either long term or short- term performance conditions. The Board feels that the terms and conditions of options, performance rights and shares held by Directors are a sufficient, long-term incentive to align the goals of the Directors with those of the shareholders to maximise shareholder wealth.

#### D Equity Based Compensation

Options and performance rights are issued to directors, employees and consultants. The options and performance rights may be subject to performance criteria, and are issued to directors, employees and consultants to increase goal congruence between executives, directors and shareholders. Options and performance rights do not carry any dividend or voting rights. Any option and performance right issues to directors requires shareholder approval.

## DIRECTORS' REPORT

Galan Lithium Limited Annual Report 2022

### 11. REMUNERATION REPORT (Audited) (Cont'd)

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

Number of Performance Rights							
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
<b>Total</b>		<b>3,000,000</b>	<b>1,500,000</b>	<b>1,500,000</b>	<b>750,000</b>	<b>1,500,000</b>	<b>750,000</b>

The following parameters were used to value the performance rights (with an underlying base share price of \$1.52 and each with a 5-year issue life):

Allotee	Number of Rights	Fair Value at Grant Date per Right	Estimated Volatility	Hurdle Price	Share Price at Grant Date	Risk Free Interest Rate
Directors	1,200,000	\$1.410	90%	\$2.25	\$1.52	1.645%
Directors	1,200,000	\$1.387	90%	\$2.50	\$1.52	1.645%
Directors	1,200,000	\$1.346	90%	\$3.00	\$1.52	1.645%
Directors	2,700,000	\$1.326	90%	\$3.25	\$1.52	1.645%
Directors	2,700,000	\$1.307	90%	\$3.50	\$1.52	1.645%

The hurdle price is 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.

#### E Voting and Comments at the Company's 2021 Annual General Meeting

The adoption of the Remuneration Report for the financial year ended 30 June 2021 was put to the shareholders of the Company at the Annual General Meeting held on 28 January 2022. The Company received 98% FOR vote (from valid proxies), of those shareholders who exercised their right to vote, in favour of the remuneration report for the 2021 financial year. The resolution was passed without amendment via a poll, with a 97% FOR vote. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

#### F Related Party Information

Barclay Wells Ltd was paid a total of \$Nil (2021: \$380,208) in capital raising fees for the 2022 financial year. Barclay Wells Ltd is considered by the Company to be a related Party, as a Galan Non-Executive Director, Mr Terry Gardiner, is also a director of Barclay Wells Ltd.

The Company received \$57,480 (2021: \$79,620) for the recoupment of Company Secretarial services from Cazaly Resources Ltd. Cazaly Resources Ltd is considered by the Company to be a related Party, as a Galan Non-Executive Director, Mr Terry Gardiner, is also a director of Cazaly Resources Ltd.

## DIRECTORS' REPORT

Galan Lithium Limited Annual Report 2022

### 11. REMUNERATION REPORT (Audited) (Cont'd)

The Company paid a total of \$113,950 (2021: \$96,500) under an Office Services Agreement with Cazaly Resources Ltd. Cazaly Resources Ltd is considered by the Company to be a related Party, as a Galan Non-Executive Director, Mr Terry Gardiner, is also a director of Cazaly Resources Ltd.

Cardinals Corporate Pty Ltd was paid a total of \$228,995 (2021:\$69,113) in legal fees for the 2022 financial year. Cardinals Corporate Pty Ltd is considered by the Company to be a related Party, as the Galan Non-Executive Chairman, Mr Richard Homsany, is a director of Cardinals Corporate Pty Ltd.

#### G Details of Remuneration

The key management personnel of the Company are the Managing Director, Non-Executive Chairman and Non-Executive Directors. Details of the remuneration of the key management personnel of the Company are set out below:

	Short-term Benefits				Post-Employment Benefits	Other Long-term Benefits	Equity Based Payment		Total	Performance Related
	Salary	Cash profit Share	Non-cash benefit	Other	Super-annuation	Other	Equity	Options/Rights (v)		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Mr Richard Homsany – Non-Executive Chairman (i)										
2022	64,200	-	-	-	1,800	-	-	166,158	232,158	71.6%
2021	60,000	-	-	-	5,700	-	-	81,655	147,355	55.4%
Mr Juan Pablo Vargas de la Vega – Managing Director										
2022	280,000	-	-	50,000	33,000	-	-	332,317	695,317	47.8%
2021	269,413	-	-	-	22,325	-	-	122,482	414,220	81.4%
Mr Terry Gardiner – Non Executive Director										
2022	50,000	-	-	-	5,000	-	-	166,158	221,158	75.1%
2021	50,000	-	-	-	4,750	-	-	122,482	177,232	69.1%
Mr Chris Chalwell – Non Executive Director (ii)										
2022	36,000	-	-	-	3,600	-	-	83,079	122,679	67.7%
2021	36,000	-	-	-	3,420	-	-	81,655	121,075	67.4%
Mr Raymond Liu – Non Executive Director (iii)										
2022	39,600	-	-	-	-	-	-	83,079	122,679	67.7%
2021	36,000	-	-	-	3,420	-	-	81,655	121,075	67.4%
Mr Daniel Jimenez – Non Executive Director (iv)										
2022	99,391	-	-	-	-	-	-	166,158	265,549	62.6%
2021	59,955	-	-	-	-	-	-	81,655	141,610	57.7%
<b>Total Remuneration</b>										
2022	569,191	-	-	50,000	43,400	-	-	996,949	1,659,540	60.1%
2021	511,368	-	-	-	39,615	-	-	571,584	1,122,567	50.9%

- (i) In 2022, Mr Homsany was paid a salary a total salary of \$60,000 plus statutory superannuation (\$66,000). \$18,000 was paid directly to Mr Homsany plus statutory superannuation of \$1,800. The balance of \$46,200 was paid to Cardinals Corporate Pty Ltd, a related party of Mr Homsany.
- (ii) Director fees of \$36,000 and superannuation of \$3,600 were due and payable to Westdev Pty Ltd, a company controlled by Mr Chalwell. An amount of \$3,600 was unpaid at 30 June 22.
- (iii) Outstanding Director fees of \$9,900 were due and payable to Mr Liu. These amounts were unpaid at 30 June 2022.
- (iv) Director fees of \$99,391 (\$US72,000) (2021 - \$59,955 (\$US45,000)) were paid to directly to Mr Jimenez.
- (v) At the Galan AGM held on 28 January 2022, shareholders approved the issue of 9m performance rights to Directors. The total value of the performance rights is \$12,080,700, which will be expensed and amortised over the 5 year life of the performance rights. The comparative figures reported in 2021, relate to the issue of options to Directors (exercisable at \$0.21 on or before 8 October 2023) as approved by shareholders on 11 September 2020. Refer to note 15 for the performance rights valuation method.



## DIRECTORS' REPORT

Galan Lithium Limited Annual Report 2022

### 11. REMUNERATION REPORT (Audited) (Cont'd)

#### H Interests of Key Management Personnel (KMP)

##### Share holdings

##### 30 June 2022

Name	Balance 1 July 2021	Purchased	Options Exercised	Sold/Other	Balance 30 June 2022
Richard Homsany	933,259	25,808	-	-	959,067
JP Vargas de la Vega	17,289,932	57,000	1,000,000	(1,000,000)	17,346,932
Chris Chalwell	2,301,878	50,000	1,357,143	(659,020)	3,050,001
Terry Gardiner	6,398,600	75,000	1,357,143	(1,250,256)	6,580,487
Jinyu (Raymond) Liu	18,054,432	10,000	71,428	-	18,135,860
Daniel Jimenez	324,442	-	2,324,442	(306,171)	2,342,713
<b>Total</b>	<b>45,302,543</b>	<b>217,808</b>	<b>6,110,156</b>	<b>(3,215,447)</b>	<b>48,425,060</b>

##### 30 June 2021

Name	Balance 1 July 2020	Purchased (iii)	Options Exercised	Sold/Other	Balance 30 June 2021
Richard Homsany	933,259	-	-	-	933,259
JP Vargas de la Vega	12,289,932	-	-	5,000,000 (ii)	17,289,932
Chris Chalwell	3,444,735	357,143	-	(1,500,000)	2,301,878
Terry Gardiner	6,041,457	357,143	-	-	6,398,600
Jinyu (Raymond) Liu	17,955,870	98,562	-	-	18,054,432
Daniel Jimenez	-	324,442	-	-	324,442
<b>Total</b>	<b>40,665,253</b>	<b>1,137,290</b>	<b>-</b>	<b>3,500,000</b>	<b>45,302,543</b>

##### Option holdings

##### 30 June 2022

Name	Balance 1 July 2021	Issued/Other	Exercised	Lapsed	Balance 30 June 2022
Richard Homsany	1,000,000	-	-	-	1,000,000
JP Vargas de la Vega	1,500,000	-	(1,000,000)	-	500,000
Chris Chalwell	1,357,143	-	(1,357,143)	-	-
Terry Gardiner	1,857,143	-	(1,357,143)	-	500,000
Jinyu (Raymond) Liu	1,071,428	-	(71,428)	-	1,000,000
Daniel Jimenez	3,324,442	-	(2,324,442)	-	1,000,000
<b>Total</b>	<b>10,110,156</b>	<b>-</b>	<b>(6,110,156)</b>	<b>-</b>	<b>5,000,000</b>

##### 30 June 2021

Name	Balance 1 July 2020	Issued/Other (iii)(iv)	Exercised	Lapsed	Balance 30 June 2021
Richard Homsany	55,554	1,000,000	-	(55,554)	1,000,000
JP Vargas de la Vega	-	1,500,000	-	-	1,500,000
Chris Chalwell	41,666	1,357,143	-	(41,666)	1,357,143
Terry Gardiner	27,777	1,857,143	-	(27,777)	1,857,143
Jinyu (Raymond) Liu	-	1,071,428	-	-	1,071,428
Daniel Jimenez (i)	2,000,000	1,324,442	-	-	3,324,442
<b>Total</b>	<b>2,124,997</b>	<b>8,110,156</b>	<b>-</b>	<b>(124,997)</b>	<b>10,110,156</b>

- (i) Exercisable at \$0.25 on or before 1 December 2021 (approved by shareholders at a general meeting held on 29 November 2019).
- (ii) On 20 July 2020, 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) Purchased under a placement announced 3 April 2020. Placement shares were issued at \$0.14 plus one free attaching option (exercisable at \$0.25 on or before 31 March 2022) on a one for one basis (approved by shareholders at a general meeting held on 11 September 2020). Allocation as follows: Mr Chalwell 357,143, Mr Gardiner 357,143, Mr Liu 71,428 and Mr Jimenez 324,442.
- (iv) Exercisable at \$0.21 on or before 8 October 2023 (approved by shareholders at a general meeting held on 11 September 2020). Allocation as follows: Mr Homsany 1,000,000, Mr Vargas de la Vega 1,500,000, Mr Chalwell 1,000,000, Mr Gardiner 1,500,000, Mr Liu 1,000,000 and Mr Jimenez 1,000,000.

## DIRECTORS' REPORT

Galan Lithium Limited Annual Report 2022

### 11. REMUNERATION REPORT (Audited) (Cont'd)

#### Performance Rights

At 30 June 2022, the Directors held the following performance rights (as approved by shareholders on 28 January 2022):

Richard Homsany	1,500,000
JP Vargas de la Vega	3,000,000
Chris Chalwell	750,000
Terry Gardiner	1,500,000
Jinyu (Raymond) Liu	750,000
Daniel Jimenez	1,500,000
<b>Total</b>	<b>9,000,000</b>

#### Performance Shares

On 6 June 2019, shareholders approved the issue of a total 10 million performance shares to Mr JP Vargas de la Vega upon the achievement of certain milestones on or before 31 July 2023. The 5 million Class A Performance Shares would convert to Shares upon the Company announcing an Indicated and Measured resource of 1Mt of lithium carbonate equivalent at a minimum grade of 400 mg/l of lithium pursuant to The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 (JORC Code) within a project in which the Company has an interest. The 5 million Class B Performance Shares would convert to Shares upon financial close for a commercial scale lithium production facility capable of production of at least 5,000tpa of lithium carbonate equivalent per annum.

On 22 July 2020, 5 million 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).

#### **End of Remuneration Report**

### 12. OPTIONS AND PERFORMANCE RIGHTS

#### **Options**

During, or since the end of the financial year, no options were forfeited, cancelled or expired or lapsed.

#### **Options on Issue**

At the date of this report the Company had the following options on issue:

<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Unquoted Options</b>
08/10/2023	\$0.21	5,940,000
04/02/2024	\$0.65	500,000
24/12/2024	\$1.30	500,000

#### **Performance Rights on Issue**

At the date of this report the Company had a total of 11,350,000 performance rights on issue (9,000,000 issued to Directors and 2,350,000 issued to management personnel).

### 13. PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purposes of taking responsibility on behalf of the Company for all or part of those proceedings.

## DIRECTORS' REPORT

Galan Lithium Limited Annual Report 2022

### 14. INDEMNIFYING OFFICERS & AUDITORS

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001 every Officer, or agent of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as Officer or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal. No indemnification has been paid with respect to the Company's auditor. The Company has insurance policies in place for Directors and Officers insurance.

### 15. NON-AUDIT SERVICES

The auditors have not provided any non-audit services to the Company in the financial year ended 30 June 2022.

### 16. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under Section 307C in relation to auditor's independence for the Year ended 30 June 2022 has been received and can be found on page 44.

Signed in accordance with a resolution of the Board of Directors.



**J P Vargas de la Vega**  
**Managing Director**  
**Perth, Western Australia**  
**Date: 29 September 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 Statements 2**

The information relating to the exploration results and integrity of the database was compiled by Mr Francisco Lopez (Geology) and Mr Alvaro Henriquez (Geology). Mr Lopez and Mr Alvarez are full-time employees of Galan Lithium Limited. 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.

## DIRECTORS' REPORT

Galan Lithium Limited Annual Report 2022

---

### **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.

## DIRECTORS' REPORT

Galan Lithium Limited Annual Report 2022

### Forward Looking Statements

This Annual 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

To the Board of Directors

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

As lead audit director for the audit of the financial statements Galan Lithium Limited for the financial year ended 30 June 2022, 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 audit; and
- any applicable code of professional conduct in relation to the audit.

Yours Faithfully

*Hall Chadwick*  
HALL CHADWICK WA AUDIT PTY LTD

*Mark Delaurentis*  
MARK DELAURENTIS CA  
Director

Dated this 29<sup>th</sup> day of September 2022  
Perth, Western Australia

For personal use only

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2022

Galan Lithium Limited Annual Report 2022

	Note	30 June 2022 \$	30 June 2021 \$
<b>Continuing Operations</b>			
Interest revenue	3	101,000	3,239
Gain on hyperinflation	9	-	1,978,431
Other Income	3	58,661	152,708
<b>Total</b>		159,661	2,134,378
Administration expenses		(1,375,732)	(887,096)
Compliance & regulatory expense		(366,590)	(275,349)
Employment expense		(810,220)	(674,530)
Fair value gain/(loss) on financial assets		(301,755)	86,998
Depreciation		(15,367)	(2,070)
Share based payments		(2,169,993)	(1,290,222)
Exploration written off	16	(202,889)	-
<b>Loss before income tax expenses</b>		(5,082,886)	(907,891)
Income tax expenses	4	-	-
<b>Loss for the year from continuing operations</b>		(5,082,886)	(907,891)
Exchange differences on translating foreign operations		68,797	(641,006)
Other comprehensive income		-	-
<b>Total comprehensive income and net loss for the Year attributable to the owners of the Company</b>		(5,014,089)	(1,548,897)
Basic and diluted weighted average loss per share (cents per share)	14	(1.78)	(0.43)

*The accompanying notes form part of these financial statements.*

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

Galan Lithium Limited Annual Report 2022

	Note	30 June 2022 \$	30 June 2021 \$
<b>Current Assets</b>			
Cash and cash equivalents	5	53,894,847	15,570,917
Prepayments		-	6,177
Trade and other receivables	6	59,239	21,490
<b>Total Current Assets</b>		53,954,086	15,598,584
<b>Non-Current Assets</b>			
Financial Assets	7	551,442	4,430
Plant & Equipment	8	2,596,737	91,933
Exploration and evaluation	9	33,020,242	23,408,544
<b>Total Non-Current Assets</b>		36,168,421	23,504,907
<b>Total Assets</b>		90,122,507	39,103,491
<b>Current Liabilities</b>			
Trade and other payables	10	2,507,512	420,342
Provisions		83,150	41,963
<b>Total Current Liabilities</b>		2,590,662	462,305
<b>Non-Current Liabilities</b>			
Environment Provision		671,474	291,975
<b>Total Non-Current Liabilities</b>		671,474	291,975
<b>Total Liabilities</b>		3,262,135	754,280
<b>Net Assets</b>		<b>86,860,372</b>	<b>38,349,211</b>
<b>Equity</b>			
Issued capital	11	96,254,698	44,384,368
Reserves	12	2,451,290	727,573
Accumulated losses	13	(11,845,616)	(6,762,730)
<b>Total Equity</b>		<b>86,860,372</b>	<b>38,349,211</b>

The accompanying notes form part of these financial statements.



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022

Galan Lithium Limited Annual Report 2022

Note	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total Equity \$
<b>Balance at 30 June 2020</b>	<b>24,801,369</b>	<b>3,160,402</b>	<b>(7,196,312)</b>	<b>20,765,459</b>
Net loss for the year	-	-	(907,891)	(907,891)
Other comprehensive income for the year net of tax	-	(641,006)	-	(641,006)
Total comprehensive loss for the year	-	(641,006)	(907,891)	(1,548,897)
<b>Transactions with owners recorded directly in equity:</b>				
Issue of Equity	15,334,096	-	-	15,334,096
Equity to be issued	90,677	-	-	90,677
Equity issued previous year	(331,096)	-	-	(331,096)
Performance shares issued	1,075,000	(1,075,000)	-	-
Options exercised	2,654,165	-	-	2,654,165
Vendor shares	717,420	(57,050)	-	660,370
Share issue costs	(565,783)	-	-	(565,783)
Option valuation	-	1,224,404	-	1,224,404
Performance shares issued	-	-	-	-
Fair value exercised options	608,520	(608,520)	-	-
Expiry of options	-	(1,341,473)	1,341,473	-
Option Reserve	-	65,816	-	65,816
<b>Balance at 30 June 2021</b>	<b>44,384,368</b>	<b>727,573</b>	<b>(6,762,730)</b>	<b>38,349,211</b>
Net loss for the year	-	-	(5,082,886)	(5,082,886)
Other comprehensive income for the year net of tax	-	68,797	-	68,797
Total comprehensive loss for the year	-	68,797	(5,082,886)	(5,014,089)
<b>Transactions with owners recorded directly in equity:</b>				
Issue of Equity	50,020,747	-	-	50,020,747
Equity to be issued	141,695	-	-	141,695
Equity issued previous year	(90,676)	-	-	(90,676)
Options exercised	3,935,818	-	-	3,935,818
Vendor shares	222,666	-	-	222,666
Share issue costs	(2,875,000)	-	-	(2,875,000)
Option valuation	-	621,979	-	621,979
Performance rights Valuation	-	1,104,365	-	1,104,365
Fair value exercised options	515,080	(515,080)	-	-
Option Reserve	-	443,656	-	443,656
<b>Balance at 30 June 2022</b>	<b>96,254,698</b>	<b>2,451,290</b>	<b>(11,845,616)</b>	<b>86,860,372</b>

The accompanying notes form part of these financial statements.

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2022

Galan Lithium Limited Annual Report 2022

	Note	30 June 2022 \$	30 June 2021 \$
<b>Cash flows from operating activities</b>			
Interest received		101,000	3,239
Other income		58,661	79,620
Cash paid to suppliers and employees		(2,176,531)	(1,573,889)
<b>Net cash used in operating activities</b>	16	<u>(2,016,870)</u>	<u>(1,491,030)</u>
<b>Cash flows from investing activities</b>			
Payments for Property, Plant & Equipment		(136,662)	(81,486)
Payments for exploration expenditure		(8,893,503)	(2,129,028)
Purchase of exploration assets		(705,731)	-
Payment for investments		(848,767)	(30,000)
<b>Net cash from / (used in) investing activities</b>		<u>(10,584,663)</u>	<u>(2,240,514)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of equity instruments		50,000,000	18,220,761
Proceeds from Option Conversion		3,940,996	-
Payment for share issue costs		(3,015,532)	(565,783)
<b>Net cash from financing activities</b>		<u>50,925,464</u>	<u>17,654,978</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		38,323,930	13,923,434
<b>Cash and cash equivalents at beginning of the year</b>		<u>15,570,917</u>	<u>1,647,483</u>
<b>Cash and cash equivalents at end of year</b>	5	<u>53,894,847</u>	<u>15,570,917</u>

The accompanying notes form part of these financial statements.

For personal use only

## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2022

---

### STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements and notes represent those of Galan Lithium Limited (**the Company** or **Galan**) and its controlled entities (**the Group**) for the financial year ended 30 June 2022. Galan is a publicly listed company, incorporated and domiciled in Australia. The financial statements were authorised for issue on 29 September 2022 by the Directors of the Company.

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### BASIS OF PREPARATION

###### (a) Statement of compliance

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

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

###### (b) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by the Company at the end of the reporting period. A controlled entity is any entity over which the Company has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities, as at 30 June 2022 is contained in Note 22 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the Group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the Company.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the Equity section of the consolidated Statement of Financial Position and Statement of Profit or Loss and other Comprehensive Income. The non-controlling interest in the net assets comprises their interests at the date of the original business combination and their share of changes in equity since that date.

###### (c) 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 year of \$5,082,886 (2021: \$907,891) and net cash outflows used in operating activities of \$2,016,870 (2021: \$1,491,030).

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.

## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2022

---

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

### (d) Basis of measurement

The financial statements have been prepared on an accrual basis and are based on the historical cost, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

### (e) Functional and presentation currency

These financial statements are 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 Lito S.A. ('GLSA'), the two Argentinian based subsidiaries of Galan Lithium Limited.

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

### (f) Income tax

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

Current income tax expense charged to the profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

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

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit and loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the Year when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

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

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

## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2022

---

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

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

Revenues, expenses and assets are recognised net of the amount of GST, except where the GST incurred is not recoverable from the relevant tax authority.

Receivables and payables are stated with amounts of GST receivable or payable. The net amount of GST recoverable from, or payable to, the relevant tax authority is included with other receivables or payables in the statement of financial position.

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

### (h) Financial Instruments

#### Financial Assets

##### Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

##### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2022

---

### Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and

either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows

### **Financial Liabilities**

#### Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payable and convertible notes.

#### Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

#### **(i) Impairment of Assets**

At the end of each reporting year, the Company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

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

#### **(j) Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting Year.

#### **(k) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments, and bank overdrafts.

## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2022

---

### (l) Revenue and other Income

Interest Revenue is recognised as interest accrues using the effective interest method. At reporting date the Company had no other revenue sources.

### (m) Trade and other payables

Trade and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Company prior to the end of the reporting date and are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

### (n) Equity settled compensation

The Company operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting Year, with a corresponding increase to the option reserve.

Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve

The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

### (o) Exploration, Evaluation and Development Expenditure

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

Accumulated costs in relation to an area of interest that is abandoned are written off in full against profit in the year in which the decision to abandon the areas is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

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

### (p) Critical accounting estimates and judgements

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

#### *Key Judgements –Exploration and evaluation expenditure*

The Company capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded.

## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2022

---

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

### *Key Judgments – Environmental Issues*

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the Company's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

### *Key Estimates – Taxation*

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the Company as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by the Australian Taxation Office.

### *Key Estimates – equity settled transactions*

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of options is determined by an internal valuation using Black-Scholes option pricing model.

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

## **(q) Foreign Currency Transaction and Balances**

### **Functional and presentation currency**

The Company has adopted the US dollar as the functional currency for the Argentinian subsidiaries. The Company's financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

### **Transaction and balances**

Profit and loss foreign currency transactions are translated into the functional currency using the average exchange rate for the financial year.

Balance sheet foreign currency items are translated at the year-end exchange rate.

Exchange differences arising on the translation of monetary items are recognised in the Statement of Profit or Loss and Other Comprehensive Income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise exchange differences are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

## **(r) Fair value measurements**

The Company measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition.

### **(i) Fair Value Hierarchy**

AASB 13: *Fair Value Measurement* requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:



## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2022

### Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

### Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

### Level 3

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

### (ii) Valuation techniques

The Company selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation technique selected by the Company is the market approach ie. valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

When selecting a valuation technique, the Company gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

The following table provides the fair values of the Company's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

	Level 1 \$	30 June 2022 Level 2 \$	Level 3 \$	Total \$
<b>Recurring fair value measurements</b>				
<i>Financial assets at fair value through profit or loss:</i>				
- Australian listed shares	551,442	-	-	551,442

	Level 1 \$	30 June 2021 Level 2 \$	Level 3 \$	Total \$
<b>Recurring fair value measurements</b>				
<i>Financial assets at fair value through profit or loss:</i>				
- Australian listed shares	4,430	-	-	4,430

### (s) New, revised or amending accounting standards and interpretations adopted

#### Adoption of new and revised Accounting Standards

The Group has adopted all new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2020.

## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2022

---

### Standards and Interpretations in issue not yet adopted

The Group has reviewed the new and revised Standards and Interpretations on issue not yet adopted for the year ended 30 June 2022. As a result of this review the Group has 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.

## **2. OPERATING SEGMENTS**

The Company is currently managed primarily on the basis of its exploration activity. Operating segments are therefore determined on the same basis.

### Exploration

Segment assets, including acquisition costs of exploration licenses, all expenses related to the tenements and profit on sale of tenements are reported on in this segment.

### Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the segment assets note, deferred tax assets and intangible assets have not been allocated to operating segments.

### Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Company as a whole and are not allocated. Segment liabilities include trade and other payables.

### Unallocated items

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- non-recurring items of revenue or expense;
- deferred tax assets and liabilities.

## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2022

### 2. OPERATING SEGMENTS (Cont'd)

	Exploration	Unallocated	Total
30 June 2022	\$	\$	\$
<b>Revenue</b>			
Interest	-	101,000	101,000
Inflation adjustment	-	-	-
Other	-	58,661	58,661
<b>Total segment revenue</b>	-	159,661	159,661
<b>Segment net operating loss (profit) after tax</b>	-	(5,082,886)	(5,082,886)
Share based payments	-	(2,169,993)	(2,169,993)
<b>Segment assets</b>			
Exploration expenditure	33,020,242	-	33,020,242
Cash and cash equivalents	-	53,894,847	53,894,847
Other assets	2,468,221	739,197	3,207,418
<b>Total segment assets</b>	35,488,463	54,634,044	90,122,507
<b>Segment liabilities</b>	2,928,504	333,631	3,262,135
	<b>Exploration</b>	<b>Unallocated</b>	<b>Total</b>
<b>30 June 2021</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b>			
Interest	-	3,239	3,239
Inflation adjustment	1,978,431	-	1,978,431
Other	-	152,708	152,708
<b>Total segment revenue</b>	1,978,431	155,947	2,134,378
<b>Segment net operating loss (profit) after tax</b>	1,978,431	(2,886,322)	(907,891)
Share based payments	-	(1,290,222)	(1,290,222)
<b>Segment assets</b>			
Exploration expenditure	23,408,544	-	23,408,544
Cash and cash equivalents	83,293	15,487,624	15,570,917
Other assets	99,433	24,597	124,030
<b>Total segment assets</b>	23,591,270	15,512,221	39,103,491
<b>Segment liabilities</b>	590,020	164,260	754,280

## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2022

### 3. REVENUE AND OTHER INCOME

	30 June 2022	30 June 2021
	\$	\$
Interest received from financial institutions	101,000	3,239
<u>Other Income</u>		
Sundry	-	2,509
Company secretarial recoupment	58,661	79,620
Cashflow boost payment	-	70,579
	<u>58,661</u>	<u>152,708</u>

### 4. INCOME TAX EXPENSE

#### (a) Income tax expense

Current tax	-	-
Deferred tax	-	-

#### (b) Reconciliation of income tax expense to prima facie tax payable

The prima facie tax payable on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:

Accounting loss before tax	(5,082,886)	(907,891)
Prima facie tax on accounting loss at 25% (2021:26%)	(1,270,722)	(236,052)
Add / (Less)		
Tax effect of:		
Non-deductible expenses	666,478	375,823
Non-assessable income	-	(374,672)
Difference in global tax rates	-	(4,962)
Share issue cost deduction	(38,830)	(22,820)
Deferred tax assets not brought to account	643,073	262,683
Income tax attributable to operating loss	<u>-</u>	<u>-</u>

The applicable weighted average effective tax rates as follows

Nil%                      Nil %

#### (c) Deferred tax assets

Unused tax losses	-	-
Set-off of deferred tax liabilities	-	-
	<u>-</u>	<u>-</u>

#### (d) Deferred tax liabilities

Other	-	-
Set-off of deferred tax assets	-	-
	<u>-</u>	<u>-</u>

#### (e) Tax losses

Unused tax losses for which no deferred tax asset has been recognised	1,449,219	726,537
Tax effect of unused available fraction tax losses for which no deferred tax asset has been recognised	-	-
Unrecognised temporary differences	868,540	903,281
	91,848	73,209
	<u>2,409,607</u>	<u>1,703,027</u>

## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2022

### 5. CASH AND CASH EQUIVALENTS

	30 June 2022 \$	30 June 2021 \$
Cash at bank	3,894,847	1,910,247
Deposits at call (i)	50,000,000	13,660,670
	<u>53,894,847</u>	<u>15,570,917</u>

(i) The effective interest rate on short-term bank deposits was 1.28% (2021: 0.27%).

### 6. TRADE AND OTHER RECEIVABLES

GST receivables and other debtors	<u>59,239</u>	<u>21,490</u>
-----------------------------------	---------------	---------------

There were no trade receivables past due but not impaired. Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 17 for more information on the risk management policy of the Company and the credit quality of the Company's trade receivables.

### 7. FINANCIAL ASSETS

Shares in listed corporations at fair value	<u>551,442</u>	<u>4,430</u>
---	----------------	--------------

### 8. PROPERTY, PLANT AND EQUIPMENT

Plant and Equipment		
At cost	1,846,686	90,904
Accumulated depreciation	<u>(9,991)</u>	<u>(2,768)</u>
	<u>1,836,695</u>	<u>88,136</u>
Computer Equipment		
At cost	82,565	6,803
Accumulated depreciation	<u>(12,438)</u>	<u>(3,006)</u>
	<u>70,127</u>	<u>3,797</u>
Motor Vehicle		
At cost	694,219	-
Accumulated depreciation	<u>(4,305)</u>	<u>-</u>
	<u>689,914</u>	<u>-</u>
	<u>2,596,737</u>	<u>91,933</u>

## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2022

### 9. EXPLORATION AND EVALUATION

	30 June 2022	30 June 2021
	\$	\$
Costs carried forward in respect of areas of interest:		
Brought forward	23,408,544	19,551,263
Exploration expenditure capitalised during the year	9,479,077	1,291,592
Share valuation capitalised	-	208,600
Candelas vendor shares issued	78,750	26,600
Candela vendor shares to be issued	-	51,100
Greenbushes vendor shares	20,760	451,770
Pucara/Del Condor shares	-	182,000
Hyperinflation	-	1,978,431
Foreign exchange translation	33,111	(332,812)
Balance at reporting date	<u>33,020,242</u>	<u>23,408,544</u>

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.

#### Asset acquisition – Hombre Muerto Lithium Project

On 25 June 2018, the Company acquired 100% of the issued capital of Blue Sky Lithium Pty Ltd ('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 (the shares and options were issued on 25 June 2018).
- Issue to the Blue Sky vendors and shareholders of 17,000,000 Shares and 12,000,000 Options (the 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 (the shares were issued on 2 December 2019).
- Upon the commencement of commercial production from a pilot plant by on or behalf of Galan, the issue of 10,000,000 Shares to the Blue Sky vendors and shareholders.

#### **Purchase consideration**

The fair value of the consideration for the acquisition was as follows:

25,000,000 ordinary shares	\$4,625,000
25,000,000 options	<u>\$2,518,475</u>
Total consideration	\$7,143,475

As at 30 June 2022, the probability of meeting the milestone listed in (d) above was revised and as such a value of \$443,656 (see Note 14) has been attributable to these shares as deferred consideration.

## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2022

---

### 10. TRADE AND OTHER PAYABLES

	30 June 2022	30 June 2021
	\$	\$
Trade payables	1,296,416	149,409
Accruals	1,211,096	270,933
	<u>2,507,512</u>	<u>420,342</u>

Accounts payable are non-interest bearing and are predominantly settled on 30-45 day terms.

### 11. ISSUED CAPITAL

	2022	2022
	Number	\$
Fully paid ordinary shares (2021: 244,649,086 - \$44,384,368)	304,399,362	<u>96,254,698</u>

#### Ordinary Shares

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholder meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

For personal use only

## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2022

### 11. ISSUED CAPITAL (Cont'd)

	30 Jun 2022	30 Jun 2022	30 Jun 2021	30 Jun 2021
	Number	\$	Number	\$
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)	9,724,371	2,431,093	-	-
Option conversions at \$0.21 (xv)	4,141,550	869,725	-	-
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)	104,094	92,815	-	-
Option conversions at \$0.25 (xx)	2,000,000	500,000	-	-
Vendor shares – Candelas (vi)	140,000	129,850	-	-
Vendor shares – Donnelly River	12,000	20,760	-	-
	<b>304,399,362</b>	<b>98,563,611</b>	<b>244,649,086</b>	<b>44,582,062</b>
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)	-	141,671	-	-
Transfer from equity-based reserve	-	515,080	-	608,520
Less: transaction costs	-	(2,875,000)	-	(565,782)
Balance at the end of the period	<b>304,399,362</b>	<b>96,254,698</b>	<b>244,649,086</b>	<b>44,384,368</b>



## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2022

### 11. ISSUED CAPITAL (Cont'd)

- (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).
- (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) Shares to be issued to a study consultant in lieu of services provided (6 months to June 2022 - \$133,684) and to a geological consultant (\$8,000) in lieu of services provided.

#### Performance Shares

On 6 June 2019, shareholders approved the issue of a total 10 million performance shares to Mr JP Vargas de la Vega upon the achievement of certain milestones on or before 31 July 2023. The 5 million Class A Performance Shares would convert to Shares upon the Company announcing an Indicated and Measured resource of 1Mt of lithium carbonate equivalent at a minimum grade of 400 mg/l of lithium pursuant to The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 (JORC Code) within a project in which the Company has an interest. The 5 million Class B Performance Shares would convert to Shares upon financial close for a commercial scale lithium production facility capable of production of at least 5,000tpa of lithium carbonate equivalent per annum.

On 20 July 2020, the 5 million Class A Performance Shares were issued to the Managing Director (milestone announced 22 June 2020).

The valuation of the Class B performance shares as at 30 June 2022 was conducted by management (see Note 15).

#### Options as at 30 June 2022

The following unquoted options remained on issue as at 30 June 2022:

Expiry Date	Exercise Price	Unquoted Options
08/10/2023	\$0.21	5,970,950
04/02/2024	\$0.65	500,000
24/12/2024	\$1.30	500,000

## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2022

### 11. ISSUED CAPITAL (Cont'd)

#### Performance Rights as at 30 June 2022

There were a total of 10,500,000 performance rights on issue at 30 June 2022.

#### Capital risk management

The Board controls the capital of the Company in order to provide the shareholders with adequate returns and ensure that the Company can fund its operations and continue as a going concern. The Company's capital includes ordinary share capital. There are no externally imposed capital requirements.

	30 June 2022 \$	30 June 2021 \$
Cash and cash equivalents	53,894,847	15,570,917
Trade and other receivables	59,239	21,490
Trade and other payables	(2,507,512)	(420,342)
Working capital position	51,446,574	15,172,065

### 12. RESERVES

This reserve records the value of equity benefits provided to employees and directors as part of their remuneration, share based payments to 3<sup>rd</sup> parties plus option consideration for acquisitions.

#### Equity Based Reserve

Opening balance	1,786,297	3,578,120
Issue of options to employees (i)	621,979	-
Performance shares milestone achieved	-	(1,075,000)
Valuation of Performance rights (ii)	1,104,365	-
Issue of options to directors and consultants	-	828,791
Performance shares (iii)	443,656	65,816
Candelas vendor shares	-	(57,050)
Issue of options to an advisor	-	179,934
Issue of options to a consultant	-	148,037
Issue of options to an advisor	-	67,642
Fair value of exercised options transferred to share capital	(515,080)	(608,520)
Transfer to accumulated losses	-	(1,341,473)
Closing Balance	3,441,217	1,786,297

#### Foreign Currency Translation Reserve

(989,927)	(1,058,724)
2,451,290	727,573

- (i) Represented by 500,000 options (exercisable at \$1.30 on or before 24 December 2024) issued to an employee
- (ii) Represented by 9,000,000 performance rights issued to directors and 1,500,000 performance rights issued to senior management, which are being expensed and amortised over the 5 year life of the performance rights.
- (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.

## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2022

### 13. ACCUMULATED LOSSES

	30 June 2022	30 June 2021
	\$	\$
Opening balance	(6,762,730)	(7,196,312)
Loss for the Year	(5,082,886)	(907,891)
Transfer from Reserves	-	1,341,473
Closing Balance	(11,845,616)	(6,762,730)

### 14. LOSS PER SHARE

	Number	Number
Basic weighted average number of ordinary shares outstanding during the year used in calculation of diluted loss/share	285,590,123	212,523,206
Diluted weighted average number of ordinary shares outstanding during the year used in calculation of diluted loss/share	292,561,073	212,523,206
	\$	\$
Loss used in the calculation of basic and diluted loss per share	(5,082,886)	(907,891)

### 15. SHARE BASED PAYMENTS

#### Options

Options are issued to directors, employees and consultants. The options may be subject to performance criteria, and are issued to directors, employees and consultants to increase goal congruence between executives, directors and shareholders. Options carry no dividend or voting rights. The fair value of share options issued during the year was \$621,979.

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
Employee	500,000	1.22429	98%	3	1.3	1.845	1.34%

#### Performance Rights

#### Directors

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.

Vesting Hurdle	Number of Performance Rights						
	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
<b>Total</b>		<b>3,000,000</b>	<b>1,500,000</b>	<b>1,500,000</b>	<b>750,000</b>	<b>1,500,000</b>	<b>750,000</b>

## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2022

### 15. SHARE BASED PAYMENTS (Cont'd)

The following parameters were used to value the performance rights (with an underlying base share price of \$1.52 and each with a 5-year issue life):

Allotee	Number of Rights	Fair Value at Grant Date per Right	Estimated Volatility	Hurdle Price	Share Price at Grant Date	Risk Free Interest Rate
Directors	1,200,000	\$1.410	90%	\$2.25	\$1.52	1.645%
Directors	1,200,000	\$1.387	90%	\$2.50	\$1.52	1.645%
Directors	1,200,000	\$1.346	90%	\$3.00	\$1.52	1.645%
Directors	2,700,000	\$1.326	90%	\$3.25	\$1.52	1.645%
Directors	2,700,000	\$1.307	90%	\$3.50	\$1.52	1.645%

The total value of the Director Performance Rights was \$12,080,700. This amount is being expensed and amortised over the 5 year life of the performance rights, resulting in an expense of \$996,949 during this period. The Rights were valued using a barrier up-and-in trinomial pricing model with a Parisian barrier adjustment. The model, produced by an external consultant, takes into consideration that the Rights will vest at any time during the performance period, given that the VWAP of the Company's shares exceeds the relevant barrier over 20 consecutive trading days.

#### Management

On 22 April 2022, the Company issued a total of 1,500,000 Performance Rights to senior management. The terms and conditions of the performance rights were the same as those for the above Director Performance Rights. The following parameters were used to value the performance rights (with an underlying base share price of \$2.00 and each with a 5-year issue life):

Allotee	Number of Rights	Fair Value at Grant Date per Right	Estimated Volatility	Hurdle Price	Share Price at Grant Date	Risk Free Interest Rate
Management	300,000	\$1.927	90%	\$2.25	\$2.00	2.835%
Management	300,000	\$1.904	90%	\$2.50	\$2.00	2.835%
Management	300,000	\$1.859	90%	\$3.00	\$2.00	2.835%
Management	300,000	\$1.838	90%	\$3.25	\$2.00	2.835%
Management	300,000	\$1.817	90%	\$3.50	\$2.00	2.835%

The total value of the Management Performance Rights was \$2,803,500. This amount is being expensed and amortised over the 5 year life of the performance rights, resulting in an expense of \$107,414 during this period. The Rights were valued using a barrier up-and-in trinomial pricing model with a Parisian barrier adjustment. The model, produced by an external consultant, takes into consideration that the Rights will vest at any time during the performance period, given that the VWAP of the Company's shares exceeds the relevant barrier over 20 consecutive trading days.

## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2022

### 15. SHARE BASED PAYMENTS (Cont'd)

The following table illustrates the movements and the number and weighted average exercise prices of share-based payment options on issue during the year:

	2022		2021	
	Number of Options	Weighted Ave Exercise Price \$	Number of Options	Weighted Ave Exercise Price \$
<b>Balance at 1 July 2021</b>	22,486,871	0.21	24,297,614	0.31
Expired during the year	-	-	(10,905,469)	0.42
Exercised during the year	(16,015,921)	0.25	(9,551,858)	0.28
Issued during the year	500,000	1.30	18,646,584	0.24
<b>Balance at 30 June 2022</b>	<u>6,970,950</u>	0.32	<u>22,486,871</u>	0.21
<b>Exercisable at 30 June 2022</b>	<u>6,970,950</u>		<u>22,486,871</u>	

The options outstanding at 30 June 2022 had a weighted average remaining life of 1.38 years (2021 – 1.46 years). The weighted average fair value of the options outstanding at 30 June 2022 was \$0.32 (2021 – \$0.05).

#### Performance Shares

Alloftee	Number of Shares	Fair Value at Grant Date per Option	Probability	Life of Shares (years)	Expiry Date	Expected exercise date
<u>Blue Sky Milestones</u>						
- Share A		Vested for vendors on 2 December 2019 <sup>(i)</sup>				
- Share B	10,000,000	\$0.185	40%	N/A	N/A	N/A
<u>Juan Pablo Vargas de la Vega ("Managing Director") Performance Shares</u>						
- Class A		Vested for Managing Director on 22 July 2020 <sup>(ii)</sup>				
- Class B	5,000,000	\$0.215	40%	3.1	July 2023	Jun 2023

The calculation of the value of the above performance shares resulted in a share-based expense of \$443,656 during the year, which is based on management's assessment of the probability of the milestones being met.

- (i) Milestone of 80kt lithium carbonate lithium JORC resource achieved 1 October 2019
- (ii) Milestone of 1Mt lithium carbonate JORC (2012) compliant Indicated resource achieved 22 June 2020.

#### Blue Sky Milestones

Under the Share Sale and Purchase Agreement for the acquisition of Blue Sky, there is one final allotment of 10 million shares to the Blue Sky vendors and shareholders outstanding. These are due upon the commencement of commercial production from a pilot plant.

## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2022

### 15. SHARE BASED PAYMENTS (Cont'd)

#### Managing Director Performance Shares

On 6 June 2019, shareholders approved the issue of a total 10 million performance shares to Mr JP Vargas de la Vega upon the achievement of certain milestones on or before 31 July 2023. The 5 million Class A Performance Shares would convert to Shares upon the Company announcing an Indicated and Measured resource of 1Mt of lithium carbonate equivalent at a minimum grade of 400 mg/l of lithium pursuant to The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 (JORC Code) within a project in which the Company has an interest. The 5 million Class B Performance Shares would convert to Shares upon financial close for a commercial scale lithium production facility capable of production of at least 5,000tpa of lithium carbonate equivalent per annum.

On 20 July 2020, 5 million 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).

### 16. CASH FLOW INFORMATION

#### Reconciliation from the net loss after tax to the net cash flow from operations

	30 June 2022 \$	30 June 2021 \$
Loss from ordinary activities after income tax	(5,082,886)	(907,891)
Government Grant	-	(73,088)
Gain on hyper inflation	-	(1,978,431)
Gain on sale of shares	-	-
Fair value adjustment to investments	301,775	(86,998)
Exploration Written off	202,889	-
Depreciation	15,367	2,070
Share based payments	2,169,993	1,290,222
<b>Changes in assets and liabilities</b>		
- (increase)/decrease in trade and other receivables	(31,572)	(11,106)
- Increase/(decrease) in provisions	41,186	110,690
- Increase/(decrease) in trade and other payables	366,398	163,502
<b>Cash flow from operations</b>	<b>(2,016,870)</b>	<b>1,491,030</b>

## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2022

### 17. FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist of deposits with banks, accounts receivable and payable. The main risks arising from the Company's financial instruments are interest rate risk, credit risk, and liquidity risk. Risk management is carried out by the Board of Directors who monitor, evaluate, and manage the Company's financial risk. The financial receivables and payables of the Company in the table below are due or payable within 30 days.

	Variable Interest Rate \$	Fixed Maturity – 1 Year or Less \$	Non-interest Bearing \$	2022 Total \$
<b>2022</b>				
<u>Financial assets</u>				
Cash and cash equivalents	3,894,847	50,000,000	-	53,894,847
Receivables	-	-	59,239	59,239
Held for trading financial assets	-	-	551,442	551,442
Total financial assets	3,894,847	50,000,000	610,681	54,505,528
Weighted average effective interest rate				1.3%
<u>Financial liabilities</u>				
Trade payables and accruals			(2,507,512)	(2,507,512)
Net financial assets				51,998,016

	Variable Interest Rate \$	Fixed Maturity – 1 Year or Less \$	Non-interest Bearing \$	2021 Total \$
<b>2021</b>				
<u>Financial assets</u>				
Cash and cash equivalents	1,910,247	13,660,670	-	15,570,917
Receivables	-	-	21,490	21,490
Held for trading financial assets	-	-	4,430	4,430
Total financial assets	1,910,247	13,660,670	25,920	15,596,837
Weighted average effective interest rate				0.27%
<u>Financial liabilities</u>				
Trade payables and accruals	-	-	(420,342)	(420,342)
Net financial assets				15,176,495

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. All financial instruments measured at fair value are level one, meaning fair value is determined from quoted prices, in active markets for identical assets.

#### Financial risk management objectives and policies

The Board of Directors monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including fair value and interest rate risk), credit risk and liquidity risk. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2022

### 17. FINANCIAL RISK MANAGEMENT (Cont'd)

#### Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financing loss from defaults. The Company exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Credit risk related to balances with banks and other financial institutions is managed by the board. The board's policy requires that surplus funds are only invested with counterparties with Standard & Poor's rating of at least AA-. All of the Company's surplus funds are invested with a AA- rated financial institution.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised below:

	30 June 2022	30 June 2021
	\$	\$
Cash and cash equivalents - Australia	51,292,355	15,487,624
Receivables – Australia	59,239	12,944

The carrying amount of financial assets recorded in the financial statements, net of any provision for losses, represents the Company's maximum exposure to credit risk.

All Australian receivables noted above are due within 30 days.

#### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

#### Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company has no borrowings. The Company's non-cash investments can be realised to meet accounts payable arising in the normal course of business.

#### Interest rate risk exposure

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk as it invests funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate deposits. The Company has no borrowings.



## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2022

### 17. FINANCIAL RISK MANAGEMENT (Cont'd)

	30 June 2022	30 June 2021
	\$	\$
<u>Interest bearing financial instruments</u>		
Cash and cash equivalents	51,292,355	15,487,624
Weighted average effective interest rate	1.3%	0.27%

#### Sensitivity analysis

##### **Interest rate risk**

The Company has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. The sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

##### Interest rate sensitivity analysis

At 30 June 2022, the effect on loss as a result of changes in the interest rate, with all variables remaining constant would be as follows:

##### Change in loss

Increase in interest rate by 100 basis points	538,948	77,437
Decrease in interest rate by 100 basis points	(538,948)	(77,437)

##### Change in equity

Increase in interest rate by 100 basis points	538,948	77,437
Decrease in interest rate by 100 basis points	(538,948)	(77,437)

##### Foreign currency sensitivity analysis

At 30 June 2022, the effect on loss as a result of changes in the Foreign currency, with all variables remaining constant would be as follows:

##### Change in loss

Increase in 20% of Australian Dollar against the Argentinian Peso	341,997	25,293
Decrease in 20% of Australian Dollar against the Argentinian Peso	(341,997)	(25,293)

##### Change in equity

Increase in 20% of Australian Dollar against the Argentinian Peso	341,997	25,293
Decrease in 20% of Australian Dollar against the Argentinian Peso	(341,997)	(25,293)

### 18. KEY MANAGEMENT PERSONNEL (KMP) COMPENSATION

Refer to the remuneration report contained in the directors' report for details of remuneration paid or payable to each member of the Company's key management personnel for the year ended 30 June 2022.

The totals of remuneration paid to KMP of the Company during the year are as follows:

Short term employee benefits	619,191	511,368
Post-employment benefits	43,400	39,615
Other long term benefits	-	-
Equity based payments	996,949	571,582
	<u>1,659,540</u>	<u>1,122,565</u>

## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2022

### 18. KEY MANAGEMENT PERSONNEL (KMP) COMPENSATION (Cont'd)

Barclay Wells Ltd was paid a total of \$Nil (2021: \$380,208) in capital raising fees for the 2022 financial year. Barclay Wells Ltd is considered by the Company to be a related Party, as a Galan Non-Executive Director, Mr Terry Gardiner, is also a director of Barclay Wells Ltd.

The Company received \$57,480 (2021: \$79,620) for the recoupment of Company Secretarial services from Cazaly Resources Ltd. Cazaly Resources Ltd is considered by the Company to be a related Party, as a Galan Non-Executive Director, Mr Terry Gardiner, is also a director of Cazaly Resources Ltd.

The Company paid a total of \$113,950 (2021: \$96,500) under an Office Services Agreement with Cazaly Resources Ltd. Cazaly Resources Ltd is considered by the Company to be a related Party, as a Galan Non-Executive Director, Mr Terry Gardiner, is also a director of Cazaly Resources Ltd.

Cardinals Corporate Pty Ltd was paid a total of \$228,995 (2021: \$69,113) in legal fees for the 2022 financial year. Cardinals Corporate Pty Ltd is considered by the Company to be a related Party, as the Galan Non-Executive Chairman, Mr Richard Homsany, is a director of Cardinals Corporate Pty Ltd.

### 19. COMMITMENTS

The mining tenement option obligations, which include declared tenement commitments at Greenbushes and an outstanding payment for Candelas are not provided for in the financial statements and are payable as follows:

	30 June 2022	30 June 2021
	\$	\$
No longer than one year	1,447,019	93,147
Longer than one year but not longer than five years	464,966	1,210,912
Longer than five years	-	-
	1,911,985	1,304,059

A summary of the material outstanding mining tenement option obligations are as follows:

#### **Candelas Properties – Candela, Candela II, Candela III, Candela IV, Candela V and Candela VI**

- Final purchase option payment of USD 910,000 due within 54 months of contract signing.
- The Company has a 24 month term for developing exploration works or any work related mining activities and must maintain the mining properties in good standing.
- The Candelas titleholder must grant an authorization for developing mining works, grant exclusivity in favour of the Company during the agreement's life and supply evidence a certificate of property regarding the mining properties.
- The term of the agreement can be extended by both parties.
- Once all payments are completed, the irrevocable transfer of the mining rights will be implemented.

#### **Catalina Property – Full Ownership**

A long-standing dispute between the political border between Salta and Catamarca that includes the northern part of the Salar del el Hombre Muerto has been taking place without a final resolution so far. During this time, both mining authorities claiming the right on the disputed area, have been issuing mining rights that in practical terms ended up in overlapping of such rights over the same area and granted by each province with different names.

## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2022

### 19. COMMITMENTS (Cont'd)

This is the case of the Catalina exploitation right. Its titleholder denounced a company working on his property with a mining right issued by the province of Salta. The Border dispute between the provinces have a resolution of the Federal Supreme Court in the case "Provincia de Catamarca c/ Provincia de Salta s/Ordinario 2015" stating basically that, being an issue of definition of the political border between two provinces, the Supreme Court cannot rule over the case but according to our Federal Constitution, art. 75. 15 (the Federal Congress should define the borders between provinces) is an exclusive right of the Federal Congress. Therefore, up until the Congress settles the final border between Salta and Catamarca, even though according to the Mining Judge of Catamarca Catalina belongs to its current titleholder Mr. Navarro, Catalina will remain as a disputed area, and there is no guarantee that its title holder could freely work on the area.

Catalina is located in a disputed area between Salta and Catamarca without final definition, therefore the ownership of the area will be disputed by Salta up until the Congress takes a final decision. It is not expected that such a resolution will take place in the foreseeable near future. The property will be challenged by the private owner from the Salta side and by the province of Salta itself, and it will be difficult to work there peacefully.

### 20. EVENTS SUBSEQUENT TO THE REPORTING DATE

#### Issue of Shares

On 5 August 2022, a total of 97,729 fully paid ordinary shares were issued in lieu of services provided by two consultants. On the same date, a further 30,950 fully paid ordinary shares were issued upon the conversion of \$0.21 options.

On 26 August 2022, 41,840 fully paid ordinary shares were issued in lieu of a 12-month investor marketing and generation campaign.

#### Issue of Performance Shares

On 12 August 2022, the Board awarded a total of 850,000 performance rights to key personnel in the Galan management team. The performance rights have the same hurdles and terms and conditions as those awarded to the Directors. The performance rights were issued on 26 August 2022.

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.

### 21. REMUNERATION OF AUDITORS

	30 June 2022	30 June 2021
	\$	\$
<u>Remuneration of the auditor for:</u>		
Auditing and reviewing the financial reports YE 30 June 2021	5,727	-
Auditing and reviewing the financial reports YE 30 June 2022	37,244	30,000
	<u>42,971</u>	<u>30,000</u>

### 22. CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned	
		2022	2021
Galan Lithium Limited (Parent Entity)	Australia		
Blue Sky Lithium Pty Ltd (Controlled Entity)	Australia	100%	100%
Galan Exploraciones S.A. (GESA)	Argentina	100%	100%
Galan Litio S.A. (GLSA)	Argentina	100%	-

## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2022

On 15 July 2019, the Argentinian authorities granted the Company permission to become a registered foreign shareholder of GESA. Under the Argentine Corporations Code, a local company must have at least two shareholders. At the date of this report, the Company now holds 95% of the issued shares in GESA with the remaining 5% being held in trust, on behalf of the Company, by Mr Vargas de la Vega. During the year, a second company was registered in the Salta province in Argentina - Galan Lito SA ('GLSA') under the same ownership structure as GESA.

### 23. PARENT ENTITY DISCLOSURES

	30 June 2022	30 June 2021
	\$	\$
<b>(a) Statement of financial position</b>		
<b>Assets</b>		
Current assets	51,351,594	15,500,567
Non-current assets	35,583,612	22,406,380
<b>Total assets</b>	<b>86,935,206</b>	<b>37,906,947</b>
<b>Liabilities</b>		
Current liabilities	873,967	323,455
Non-current liabilities	-	-
<b>Total liabilities</b>	<b>873,967</b>	<b>323,455</b>
<b>Equity</b>		
Issued capital	96,254,698	44,384,368
<u>Reserves:</u>		
Equity based payment reserve	3,441,212	1,786,299
Retained losses	(13,634,671)	(8,587,174)
<b>Total Equity</b>	<b>86,061,239</b>	<b>37,583,492</b>
<b>(b) Statement of Profit or Loss and Other Comprehensive Income</b>		
Total profit/ (loss)	(5,047,496)	(2,583,922)
<b>Total comprehensive income</b>	<b>(5,047,496)</b>	<b>(2,583,922)</b>

### 24. CONTINGENT LIABILITIES

Galan Lithium Limited has the following material contingent liabilities as at 30 June 2022:

Under the Share Sale and Purchase Agreement for the acquisition of Blue Sky, there is one final allotment of 10 million shares to the Blue Sky Lithium Pty Ltd vendors and shareholders outstanding. These are due upon the commencement of commercial production from a pilot plant.

On 6 June 2019, shareholders approved the issue of a total 10 million performance shares to Mr JP Vargas de la Vega upon the achievement of certain milestones on or before 31 July 2023. The 5 million Class A Performance Shares would convert to Shares upon the Company announcing an Indicated and Measured resource of 1Mt of lithium carbonate equivalent at a minimum grade of 400 mg/l of lithium pursuant to The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 (JORC Code) within a project in which the Company has an interest. The 5 million Class B Performance Shares would convert to Shares upon financial close for a commercial scale lithium production facility capable of production of at least 5,000tpa of lithium carbonate equivalent per annum.

On 20 July 2020, the above 5 million Class A Performance Shares were issued to the Managing Director (milestone announced 22 June 2020).

Assessments are conducted by management at each reporting date to determine the likelihood of the milestones being achieved. As at 30 June 2022 \$443,656 was reflected in the share based payment expense (2021: \$65,816) relating to an increase in probability of milestone achievement from 25% to 40% for the 5 million Managing Director Class B performance shares and the 10 million outstanding Blue Sky Lithium PTY Ltd shares. This increase in probability was driven by the award of an EPCM contract during the year for the definitive feasibility study currently underway at Hombre Muerto West.

## DIRECTORS' DECLARATION

Galan Lithium Limited Annual Report 2022

---

In accordance with a resolution of the directors of Galan Lithium Limited, the directors of the company declare that:

1. the financial statements and notes, as set out, on pages 45 to 74, are in accordance with the Corporations Act 2001 and:
  - a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
  - b. give a true and fair view of the financial position as at 30 June 2022 and of the performance for the year ended on that date of the Company;
2. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
3. the directors have been given the declarations required by s 295A of the Corporations Act 2001 from the Managing Director and Chief Financial Officer.

**On behalf of the Directors**



**JP Vargas de la Vega**  
**Managing Director**  
**Perth, Western Australia**  
**29 September 2022**

INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF GALAN LITHIUM LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Galan Lithium Limited (“the Company”) and its subsidiaries (“the Group”), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors’ declaration.

In our opinion:

- a. the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Group’s financial position as at 30 June 2022 and of its financial performance for the year then ended; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group 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* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

For personal use only

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b><i>Exploration and Evaluation</i></b></p> <p>As disclosed in Note 9 to the financial statements, the Group had an exploration and evaluation balance of \$33,020,242 as at 30 June 2022.</p> <p>Exploration and evaluation expenditure is a key audit matter due to:</p> <ul style="list-style-type: none"> <li>• The significance of the balance to the Group's financial position.</li> <li>• The level of judgement required in evaluating management's application of the requirements of AASB 6 Exploration for and Evaluation of Mineral Resources ("AASB 6"). AASB 6 is an industry specific accounting standard requiring the application of significant judgements, estimates and industry knowledge. This includes specific requirements for expenditure to be capitalised as an asset and subsequent requirements which must be complied with for capitalised expenditure to continue to be carried as an asset.</li> <li>• The assessment of impairment of exploration and evaluation expenditure requiring judgement.</li> </ul>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Assessing management's determination of its areas of interest for consistency with the definition in AASB 6. This involved analysing the tenements in which the Group holds an interest and the exploration programs planned for those tenements.</li> <li>• For each area of interest, we assessed the Group's rights to tenure by corroborating to agreements in place.</li> <li>• We considered the activities in each area of interest to date and assessed the planned future activities for each area of interest by evaluating budgets.</li> <li>• Substantiated a sample of expenditure by agreeing to supporting documentation.</li> <li>• We assessed each area of interest for one or more of the following circumstances that may indicate impairment of the capitalised expenditure: <ul style="list-style-type: none"> <li>○ the licenses for the right to explore expiring in the near future or are not expected to be renewed;</li> <li>○ substantive expenditure for further exploration in the specific area is neither budgeted or planned decision or intent by the Group to discontinue activities in the specific area of interest due to lack of commercially viable quantities of resources; and</li> </ul> <p style="margin-left: 40px;">data indicating that, although a development in the specific area is likely to proceed, the carrying amount be recovered in full from successful development or sale.</p> </li> </ul>

For personal use only

Key Audit Matter	How our audit addressed the Key Audit Matter
	<ul style="list-style-type: none"> <li>Assessing the adequacy of the disclosures included in Note 9 to the financial statements</li> </ul>
<p><b>Accounting for Share Based Payments</b></p>	
<p>As disclosed in Note 15 to the financial statements, during the year ended 30 June 2022 the Group incurred a share based payments expense of \$2,169,993.</p> <p>Share based payments are considered to be a key audit matter due to:</p> <ul style="list-style-type: none"> <li>the value of the transactions;</li> <li>the complexities involved in the recognition and measurement of these instruments; and</li> <li>the judgement involved in determining the inputs used in the valuations.</li> </ul>	<p>Our procedures amongst others included:</p> <ul style="list-style-type: none"> <li>Analysing agreements to identify the key terms and conditions of share based payments issued and relevant vesting conditions in accordance with AASB 2 Share Based Payments;</li> <li>Evaluating valuation models and assessing the assumptions and inputs used;</li> <li>Assessing the amount recognised during the year in accordance with the vesting conditions of the agreements; Assessing the achievement of relevant milestones; and</li> <li>Assessing the adequacy of the disclosures included in Note 15 to the financial statements.</li> </ul>

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the Financial Report

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

For personal use only



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

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

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

## Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2022. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

## Auditor's Opinion

In our opinion, the Remuneration Report of the Company, for the year ended 30 June 2022, complies with section 300A of the Corporations Act 2001.

*Hall Chadwick*  
HALL CHADWICK WA AUDIT PTY LTD

*Mark Delaurentis*  
MARK DELAURENTIS CA  
Director

Dated this 29<sup>th</sup> day of September 2022  
Perth, Western Australia

For personal use only

## ADDITIONAL SHAREHOLDER INFORMATION

Galan Lithium Limited Annual Report 2022

Additional information required by Australian Securities Exchange Limited and not shown elsewhere in this Annual Report is as follows. The information is made up to 16 September 2022.

### DETAILS OF EQUITY SECURITIES

#### ORDINARY SHAREHOLDERS

There are 304,569,881 fully paid ordinary shares on issue, held by 6,704 individual shareholders. Each member entitled to vote may vote in person or by proxy or by attorney and on a show of hands every person who is a member or a representative or a proxy of a member shall have one vote and on a poll every member present in person or by proxy or attorney or other authorised representative shall have one vote for each share held.

#### TWENTY LARGEST SHAREHOLDERS (AS AT 16 SEPTEMBER 2022)

Fully Paid Ordinary Shareholders	Number	Percentage
BNP Paribas Noms Pty Ltd (DRP)	20,417,982	6.7%
Juan Pablo Vargas de la Vega	17,034,902	5.6%
Havelock Mining Investment Ltd	16,983,004	5.6%
Citicorp Nominees Pty Ltd	16,110,060	5.3%
J P Morgan Nominees Australia Pty Limited	11,938,862	3.9%
HSBC Custody Nominees (Australia) Limited	11,749,262	3.9%
HSBC Custody Nominees (Australia) Limited-GSCO ECA	10,759,891	3.5%
Ms Margaret Lynette Harvey	7,485,714	2.5%
UBS Nominees PTY LTD	4,699,288	1.5%
HSBC Custody Nominees (Australia) Limited-GSI EDA	4,682,794	1.5%
BNP Paribas Nominees PTY LTD <IB AU NOMS RETAILCLIENT DRP>	4,628,997	1.5%
Leada Holdings Pty Ltd (Leada Investment A/c)	4,452,500	1.5%
Mrs Alison Claire Ovenden	4,275,000	1.4%
Clive Jones (The Alyse Investment A/C)	4,199,254	1.4%
Mr Zhaoyang Liu	3,971,425	1.3%
Mr Terry James Gardiner	3,623,600	1.2%
MR T J Gardiner + MRS V H Gardiner (Terry James Gardiner F/Fund)	2,956,887	1.0%
Mr Bradley William Smith	2,924,500	1.0%
BNP Paribas Nominees PTY LTD ACF Clearstream	2,428,301	0.8%
Chalwell Pension Fund	2,100,001	0.7%
	<b>157,422,224</b>	<b>51.8%</b>

#### VOTING RIGHTS

Subject to any rights or restrictions for the time being attached to any class or classes (at present there are none) at general meetings of shareholders or classes of shareholders:

- each shareholder entitled to vote, may vote in person or by proxy, attorney or representative;
- on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and
- on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held, or in respect of which he/she has appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares shall have a fraction of a vote equivalent to the proportion which the amount paid up bears to the total issue price for the share.

#### VOTING RIGHTS

There are 403 shareholders who hold less than a marketable parcel of shares.

## ADDITIONAL SHAREHOLDER INFORMATION

Galan Lithium Limited Annual Report 2022

### DISTRIBUTION OF SHARE HOLDERS (AS AT 16 SEPTEMBER 2022)

	Ordinary Shares
1 to 1,000	1,075,753
1,001 to 5,000	6,539,203
5,001 to 10,000	7,052,625
10,001 to 100,000	42,277,159
100,001 and over	247,625,141
	<b>304,569,881</b>

### SUBSTANTIAL SHAREHOLDERS

As at report date, the following shareholders are recorded as Substantial Shareholders pursuant to their last notices lodged in accordance with section 671B of the Corporations Act:

Substantial Shareholder	Ordinary Shares held	% Held
Raymond Liu/Hongze Group Ltd/Havelock Mining Investments Ltd	18,054,432	6.24%
Juan Pablo Vargas de la Vega and associated entities	17,289,932	5.98%
L1 Capital Pty Ltd	15,528,580	5.23%

The percentage set out above is based on the total issued share capital at the date of ASX notification of substantial shareholder interest.

### SHARE BUY-BACKS

There is no current on-market buy-back scheme.

### OTHER INFORMATION

Galan Lithium Limited, incorporated and domiciled in Australia, is a public listed Company limited by shares.

### INTEREST IN MINING TENEMENTS (AS AT 16 SEPTEMBER 2022)

Argentina (Hombre Muerto projects) - 100% right, interest and/or title

DECEO I, II, III  
CANDELA I - VI  
CASA DEL INCA I, II, III, IV  
CATALINA  
SANTA BARBARA  
PATA PILA  
RANA de SAL I, II, III  
PUCARA  
DEL CONDOR  
JAZMIN II  
ARGENTINA GOLD

Australia (Greenbushes South project) – 80% Interest (G) Granted or (P) Pending

E70/4690 (G)	P70/1699 (P)
E70/4790 (G)	P70/1700 (P)
E70/6264 (P) (100% GLN)	P70/1701 (P)
E70/4777 (G)	P70/1702 (P)
E70/6263 (P)	P70/1703 (P)
E70/5680 (G)	P70/1704 (P)
P70/1698 (P)	