



ANNUAL REPORT

30 June 2021

CONTENTS

Galan Lithium Limited Annual Report 2021

Corporate Directory	1
Directors' Report	2
Auditor's Independence Declaration	32
Consolidated Statement of Profit or Loss and Other Comprehensive Income	33
Consolidated Statement of Financial Position	34
Consolidated Statement of Changes in Equity	35
Consolidated Cash Flow Statement	36
Notes to the Financial Statements	37
Directors' Declaration	63
Independent Auditor's Report	64
Additional Shareholder Information	71

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)

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
Website: www.galanlithium.com.au

Auditors

Hall Chadwick WA Audit Pty Ltd (formerly Bentleys Audit & Corporate (WA) Pty Ltd))
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 2021

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 2021 (**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

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
Central Iron Ore Ltd (TSX:V)	Since October 2010

Interest in shares and options

933,259 ordinary shares
1,000,000 \$0.21 options (expire 8 October 2023)

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

Experience

JP is a Chilean/Australian mineral industry professional with 19 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. Founder of Blue Sky Lithium Pty Ltd, vendor of the original Argentinian assets.

Other listed directorships

Nil

Interest in shares and options

17,289,932 ordinary shares
5,000,000 Class B performance shares
1,500,000 \$0.21 options (expire 8 October 2023)

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.

Other listed directorships

Nil

DIRECTORS' REPORT

Galan Lithium Limited Annual Report 2021

Interest in shares and options

2,301,878 ordinary shares
357,143 \$0.25 options (expire 31 March 2022)
1,000,000 \$0.21 options (expire 8 October 2023)

Terry James Gardiner - Non-Executive Director

Experience

Mr Gardiner has 20+ 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 Ltd since December 2016.
Roto-Gro International Limited since July 2019.
Affinity Energy and Health Limited since October 2019.
Charger Metals NL since August 2021

Interest in shares and options

6,448,600 ordinary shares
307,143 \$0.25 options (expire 31 March 2022)
1,500,000 \$0.21 options (expire 8 October 2023)

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

324,442 ordinary shares
2,000,000 options exercisable at \$0.25 expiring on or before 1 December 2021
324,442 \$0.25 options (expire 31 March 2022)
1,000,000 \$0.21 options (expire 8 October 2023)

Jinyu (Raymond) Liu - Non-Executive Director

Experience

Mr Liu is a mining executive with extensive experiences in 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 2021

Interest in shares and options

18,054,432 ordinary shares

71,428 options (expire 31 March 2022)

1,000,000 \$0.21 options (expire 8 October 2023)

Mike Robbins - Company Secretary

Mr Robbins has over 20 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:

	Meetings	
	No. Eligible	No. Attended
Mr Homsany	8	8
Mr Vargas de la Vegas	8	8
Mr Chalwell	8	7
Mr Gardiner	8	7
Mr Jimenez	8	8
Mr Liu	8	8

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.

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

There are specific risks associated with the activities of the Group and general risks which are largely beyond the control of the Group and the Directors. The risks identified below, or other risk factors, may have a material impact on the future financial performance of the Group and the market price of the Company's shares.

All mining ventures are exposed to risks and the Group and the Board continues to monitor risks associated with current projects whilst also analysing the risks associated with any new mining opportunities. These risks may cover such areas as:

Title Risk

This may specifically cover mining tenure whereby country specific mining laws and legislation apply.

Any opportunity in Australia and overseas, specifically Argentina, will be subject to particular risks associated with operating in Australia or the respective 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 mineral 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 2021

Exploration Risk

The Board realises that mineral exploration and development are high risk undertakings due to the high level 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.

Any future exploration activities of the Group may be affected by a range of factors including geological conditions, limitations on activities due to seasonal weather patterns, unanticipated operational and technical difficulties, industrial and environmental accidents, native title process, changing government regulations and many other factors beyond the control of the Group.

Economic

General economic conditions, introduction of tax reform, new legislation, the general level of activity within the resources industry, movements in interest, inflation and currency exchange rates may have an adverse effect on the Group's 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. This may result in alterations to development and mining plans which may, in turn, adversely affect the Group's operations and the value of the Company's quoted securities.

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.

It is possible that some areas of those tenements may not be available for exploration due to cultural heritage and native title legislation or invalid access agreements. The Group may need to obtain the consent of the holders of such interests before commencing activities on affected areas of the tenements. These consents may be delayed or may be given on conditions which are not satisfactory to the Group.

JV and Contractual Risk

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, and the registered holders complying with the terms and conditions of the tenements and any other relevant legislation.

Market conditions

Share market conditions may affect the value of the Company's quoted securities regardless of the Group's operating performance. Share market conditions are affected by many factors such as:

- general economic outlook;
- introduction of tax reform or other new legislation;
- interest rates and inflation rates;
- changes in investor sentiment toward particular market sectors;
- Covid-19
- the demand for, and supply of, capital; and
- terrorism or other hostilities.

DIRECTORS' REPORT

Galan Lithium Limited Annual Report 2021

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

Volatility in Global Credit and Investment Markets

Global credit, commodity and investment markets have recently experienced a high degree of uncertainty and volatility. The factors which have led to this situation have been outside the control of the Group and may continue for some time resulting in continued volatility and uncertainty in world stock markets (including the Australian Securities Exchange (ASX)). This may impact the price at which the Company's quoted securities trade regardless of operating performance and affect the Company's ability to raise additional equity and/or debt to achieve its objectives, if required.

Commodity Price Volatility and Exchange Rates Risks

If the Group achieves success leading to mineral production, the revenue it will derive through the sale of lithium or any other minerals it may discover exposes the potential income of the Group to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Group. Such factors include supply and demand fluctuations for commodities and metals, technological advancements, forward selling activities and other macro-economic factors such as inflation expectations, interest rates and general global economic conditions.

Furthermore, international prices of various commodities are denominated in United States dollars whereas the income and expenditure of the Group are and will also be taken into account in Australian dollars and Argentinian pesos. This exposes the Group to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar and Argentinian peso as determined in international markets.

If the price of commodities declines this could have an adverse effect on the Group's exploration, development and possible production activities, and its ability to fund these activities.

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.

The cost and complexity of complying with the applicable environmental laws and regulations may prevent the Group from being able to develop potential economically viable mineral deposits. The Group may require approval from the relevant authorities before it can undertake activities that are likely to impact the environment. Failure to obtain such approvals or to obtain them on terms acceptable to the Group may prevent the Group from undertaking its desired activities. The Group is unable to predict the effect of additional environmental laws and regulations, which may be adopted in the future, including whether any such laws or regulations would materially increase the Group's cost of doing business or affect its operations in any area.

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.

DIRECTORS' REPORT

Galan Lithium Limited Annual Report 2021

Sovereign and Political Risks

Mineral exploration tenure in Argentina is governed by Argentinian legislation.

Its interests in Argentina will be 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.

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 future material adverse changes in government policies or legislation in Argentina that affect ownership, mineral exploration, development or mining activities, may affect the viability and profitability of the Group.

The legal system operating in Argentina is different to that in Australia and this may result in risks such as:

- Different forms of legal redress in the courts whether in respect of a breach of law or regulation, or in ownership dispute.
- A higher degree of discretion on the part of governmental agencies.
- Differences in political and administrative guidance on implementing applicable rules and regulations including, in particular, as regards local taxation and property rights.
- Different attitudes of the judiciary and court.
- Difficulty in enforcing judgments.

The commitment by local business people, 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.

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 in Argentina 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.

The above risks are not exhaustive but cover the main exposure areas observed by the Group. The Group is continually assessing industry type risk (eg. resources, commercial, commodity prices & volatility, insurance and environmental) and general type risk (eg. economic, inflationary, share markets, government & legal and global volatility).

DIRECTORS' REPORT

Galan Lithium Limited Annual Report 2021

6. OPERATIONS & CORPORATE REVIEW

OPERATIONS

The Company continued its successful safety record with no recorded lost time injuries (LTI's) since the 2020 annual report.

Hombre Muerto West Project

Resource

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).

Summary of Resource Estimate and Reporting Criteria

The mineral resource estimation was undertaken by SRK Consulting (Australasia) (**SRK**) and was based upon results from drill holes within the Pata Pila, Deceo III and Rana de Sal tenement holdings at Hombre Muerto West (see figure 1) for a total of 1,054 metres (see ASX: GLN 12 March 2020 for a summary of drill data). The hydrogeologic domains were constrained by logged units within both holes and from interpretation of ten geophysical profiles (controlled source audio-frequency magnetotellurics [CSMAT]). The mineral resource estimates undertaken by SRK were determined for lithium and potassium. Lithium is reported as lithium carbonate (Li₂CO₃) equivalent, and potassium as potassium chloride (KCl). Table 1 below provides a summary of the resource reported in accordance with the JORC Code guidelines. According to SRK, the maiden Hombre Muerto West Mineral Resource represents geologically well-defined zones of high-grade lithium mineralisation. It comprises significant mineralised hydrogeologic domains.

Table 1: Mineral Resource Statement for Hombre Muerto West and Candelas North (November 2020)

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

DIRECTORS' REPORT

Galan Lithium Limited Annual Report 2021

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 m³ 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 resource statement 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.

Preliminary Economic Assessment (PEA)

Cautionary Statement

The Preliminary Economic Assessment (**PEA**) is a preliminary technical and economic study (equivalent to a JORC Scoping Study) of the potential viability of the HMW Lithium Brine Project required to reach a decision to proceed with more definitive studies. It is 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 project feasibility. The PEA was 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 will be achieved.

To achieve the range of proposed feasibility studies and potential mine development outcomes indicated in the PEA, 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 the project.

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

Process and engineering works for the PEA 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 ±30% on the 'factored cases' estimated figures and operating cost is ±30%. Key assumptions used in the PEA are outlined in the body of this announcement. Galan has concluded it has a reasonable basis for providing the forward-looking statements in this announcement.

The Mineral Resources information in this report is extracted from the ASX announcement entitled "Huge Increase in Hombre Muerto West (HMW) Indicated Resource – Now Over 2 Million Tonnes" dated 17 November 2020 available at www.galanlithium.com.au and 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 announcement 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 this announcement. Investors should not make any investment decisions based solely on the results of the PEA.

DIRECTORS' REPORT

Galan Lithium Limited Annual Report 2021

On 21 December 2020, Galan announced the results of a Preliminary Economic Assessment (**PEA**) for its 100% owned Hombre Muerto West Project in 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 PEA process provided significant economic outcomes for the HMW Project which Galan believes can be finessed and enhanced further to optimise the Project's obvious potential. The Study estimated a production profile of 20,000 tonnes per annum of battery grade lithium carbonate product. The analysis provides outcomes that are considered very competitive with compelling results for the lithium industry.

For more detailed and technical information on the PEA please refer to the ASX Announcement dated 21 December 2020 entitled 'Compelling Preliminary Economic Assessment Results for 100% Owned Hombre Muerto West (HMW) Project in Catamarca, Argentina.'

The preparation of the Project's PEA 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 study were managed by employees of the Company. Key financial highlights are presented in Table 2.

Table 2: Preliminary Economic Assessment Results

Parameters	Units	Values
Lithium Carbonate Production	Tonnes/year	20,000
Project Life Estimate	Years	40
Capital Cost (CAPEX)	US\$ m	439
Capital Cost (ex-contingency)	US\$ m	338
Average Annual Operating Cost (OPEX)	US\$/tonne	3,518
Average Li ₂ CO ₃ Selling Price (2020-2040)	US\$/tonne	11,687
Average Annual EBITDA (NPV)	US\$m	174
Pre-Tax Net Present Value (NPV)	US\$m	1,011
After-Tax Net Present Value (NPV)	US\$m	684
Pre-Tax Internal Rate of Return (IRR)	%	22.8
After-Tax Internal Rate of Return (IRR)	%	19.1
Payback Period (After-Tax)	Years	4.3

Project Background

Location

The Hombre Muerto West (HMW) 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 (asl). The project is in the geological province of Puna, 90 km north of the town of Antofagasta de la Sierra, province of Catamarca, Argentina as shown in Figure 1. The HMW Project is located to the West and South of the Salar del Hombre Muerto.

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

Tenements

The HMW Project originally comprised six exploration permits Rana de Sal (I, II and III), Pata Pila, Catalina and Deceo III (Figure 2), covering an area of ~9,493 hectares. It also includes the Santa Barbara suite of concessions. The Company completed the purchase of a 100% interest in the Del Condor and Pucara lithium brine salar projects that abut Galan's original HMW tenure in Argentina (ASX:GLN 4 November 2020). The Del Condor and Pucara concessions comprise two claim blocks totalling 1,804 hectares. These two concessions have not been used for the development of the PEA because at the completion of engineering design, the acquisition of these tenements was not completed.

DIRECTORS' REPORT

Galan Lithium Limited Annual Report 2021

Design work shows the HMW brine wells will be located in the Rana de Sal and Pata Pila areas. 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.

PEA HMW Resource

The mineral resource estimation was undertaken by SRK Consulting (Australasia) Pty Ltd (SRK) and was based upon results from drill holes within the Pata Pila and Rana de Sal tenement holding at Hombre Muerto West for a total of 1,054 metres (see ASX: GLN 17 November 2020 for a summary of drill data). The mineral resource estimates undertaken by SRK were determined for lithium and potassium. Lithium is reported as lithium carbonate (Li₂CO₃) equivalent, and potassium as potassium chloride (KCl). Table 3 below provides a summary of the resource reported in accordance with the JORC Code guidelines. According to SRK, the Hombre Muerto West Mineral Resource represents geologically well-defined zones of high-grade lithium mineralisation. It is comprised of significant mineralised hydrogeologic domains. The units within the domains show some variation in thickness along strike and depth.

The Mineral Resource estimate (see ASX: GLN 17th November 2020) displayed in Table 3 was used for the preparation of the PEA of HMW Project. The total mine of life production is 40 years to produce around 800kt LCE. The Study assumes a Li recovery of 58.5%, hence the total initial resource to feed the project is estimated at 1.37Mt LCE. This presents around 60% of the total resource of HMW. As a result, the Project has the potential to increase its production while maintaining a long mine life.

Table 3: Mineral Resource Statement for Hombre Muerto West (November 2020)

Resource Category	Brine Vol. (Mm ³)	In situ Li (Kt)	Avg. Li (mg/l)	LCE (Kt)	Avg. K (mg/l)	In situ K (Kt)	KCl Equiv. (Kt)
Hombre Muerto West: Sand Domain							
Indicated	430	407	945	2,166	8,720	3,753	7,157
Hombre Muerto West: Gravel Domain							
Indicated	12	12	947	61	8,804	107	204
Hombre Muerto West: Halite Domain							
Indicated	8	8	946	40	8,846	70	134
HMW Total	450	426	946	2,267	8,725	3,931	7,496

NB.: no cut-off grade for HMW. 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 above resource excludes the Catalina and Santa Barbara concessions.

Mining and Process Methodology

Brine Extraction

The brine extraction will be conducted through seven production wells. The raw brine will be pumped directly to the first pond of the evaporation ponds system. The total average raw brine flow required to feed the evaporation ponds system is 203 l/s.

Recovery Method

The process defined and designed for the Hombre Muerto West Project is mainly based on conventional evaporation ponds and a lithium carbonate plant, all defined to produce 20,000 tpa of battery grade Li₂CO₃. The process considers obtaining brine from wells located both in the Rana de Sal and Pata Pila areas, within the properties of the HMW 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. The addition of reagents was designed to facilitate the precipitation of impurities but not the lithium present in the brine. The overall Li recovery of the process design is 58.5%.

DIRECTORS' REPORT

Galan Lithium Limited Annual Report 2021

For more detailed technical information on the Mining and Process Methodology please refer to the ASX Announcement dated 21 December 2020 entitled 'Compelling Preliminary Economic Assessment Results for 100% Owned Hombre Muerto West (HMW) Project in Catamarca, Argentina.'

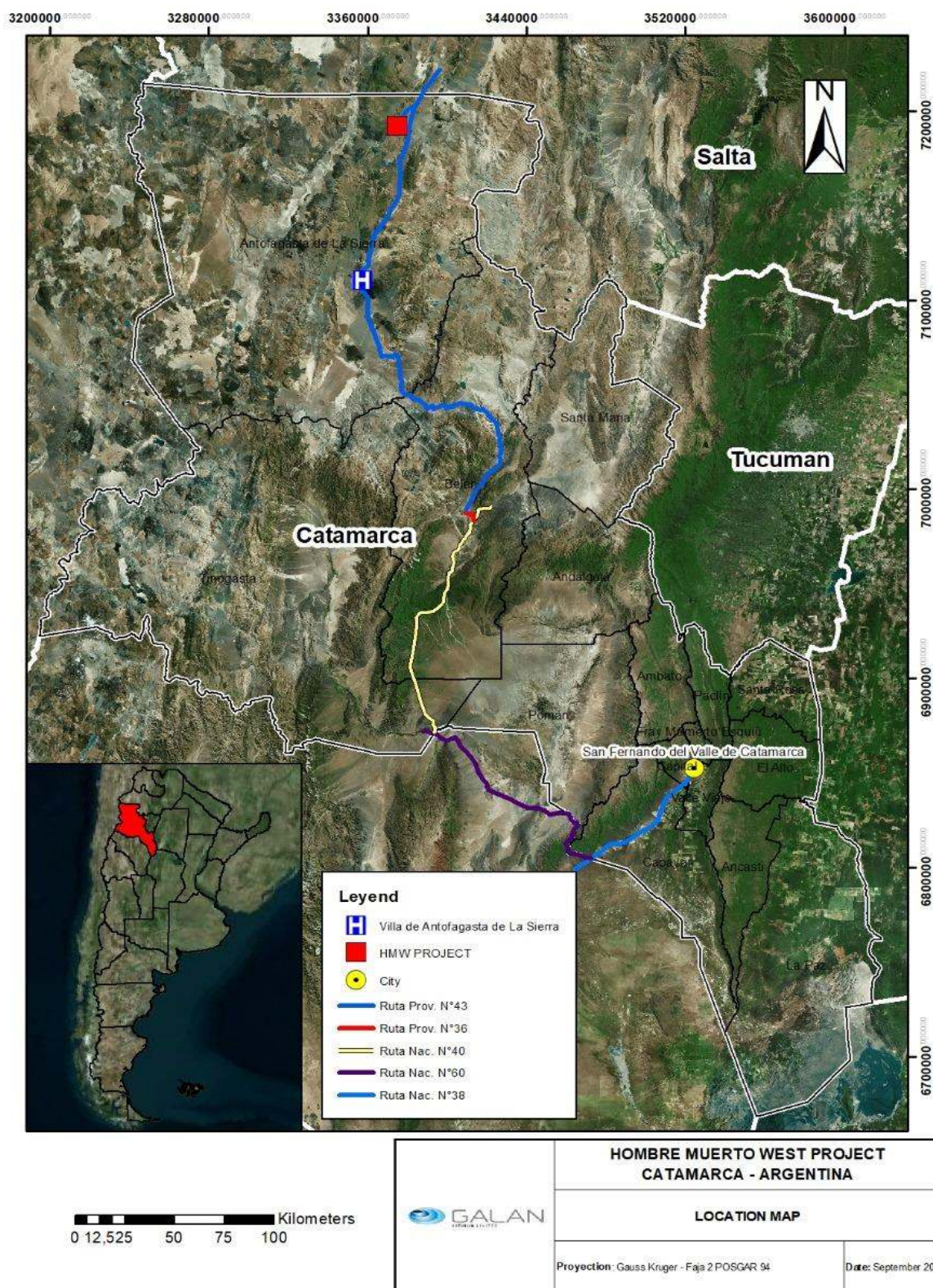


Figure 1: HMW Project, Hombre Muerto Salar, Catamarca Argentina

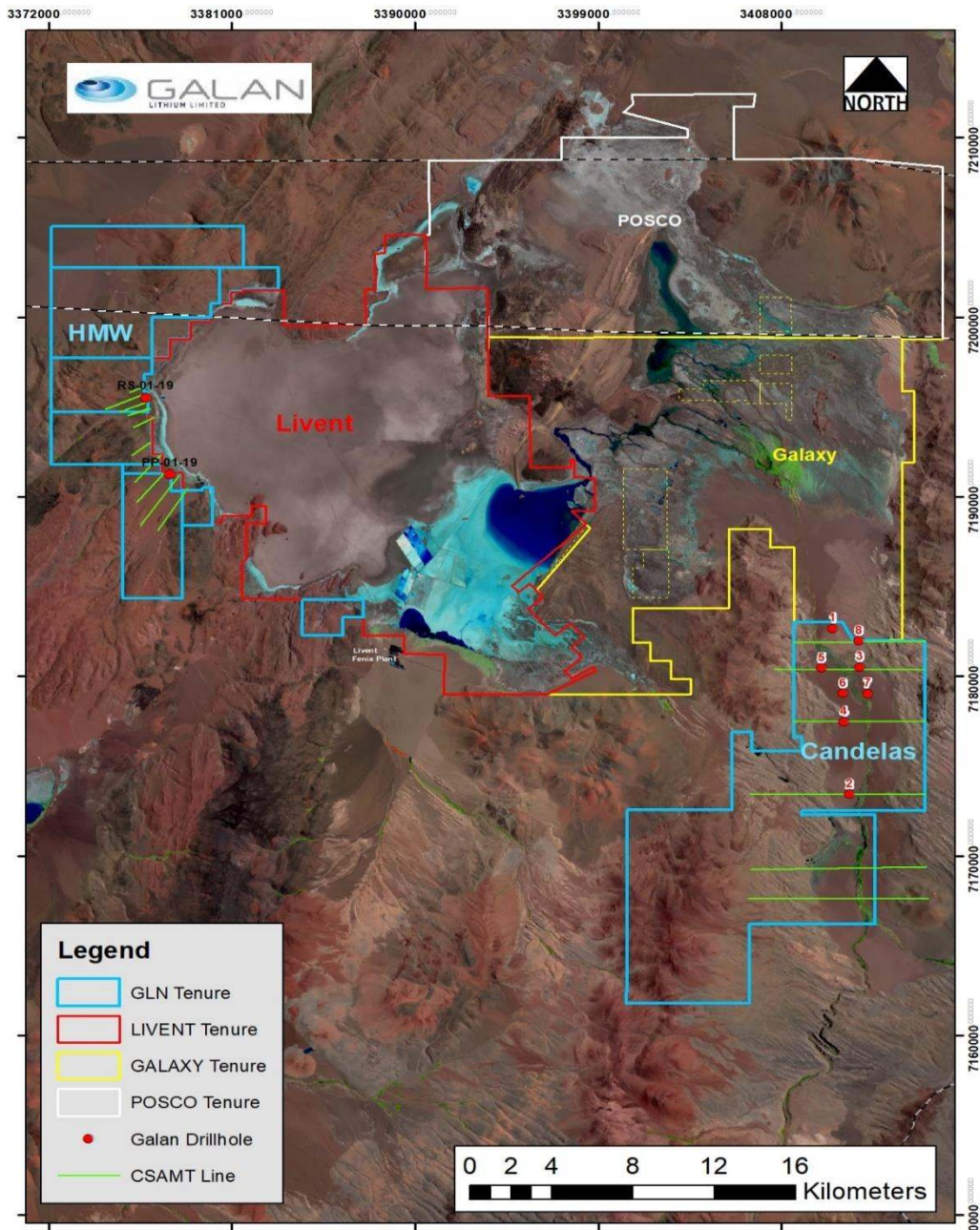


Figure 2: Hombre Muerto Properties Map

Project Layout & Infrastructure

HMW Project has developed a layout allowing the closer location of the totality of the main project areas. The brine wells field, evaporation ponds system, lithium carbonate plant, water wells, camp, etc. are located within a radius of around 6km. These facilities are also located next to the Hombre Muerto Salar. Figure 3 shows HMW Project Layout describing the major infrastructure items.

The project layout prioritised the usage of the Pata Pila and Deceo III tenements because at the time of the completion of the engineering design of the HMW Project, the acquisition of Del Condor tenement was not fully completed. The study team of Galan has the opinion that the next study phase should consider the relocation of several infrastructure items, especially some evaporation pond units, to the Del Condor's area mainly due to the favourable topography. This engineering design change may have a positive impact in decreasing the Project's capital costs.

The evaporation ponds system has an effective evaporation area of 550 Ha. The system has been designed to take advantage of the topography to operate the majority of the brine transfer activities using the gravity. The pond system design in Figure 3 has since been updated following further studies (refer Figure 6).

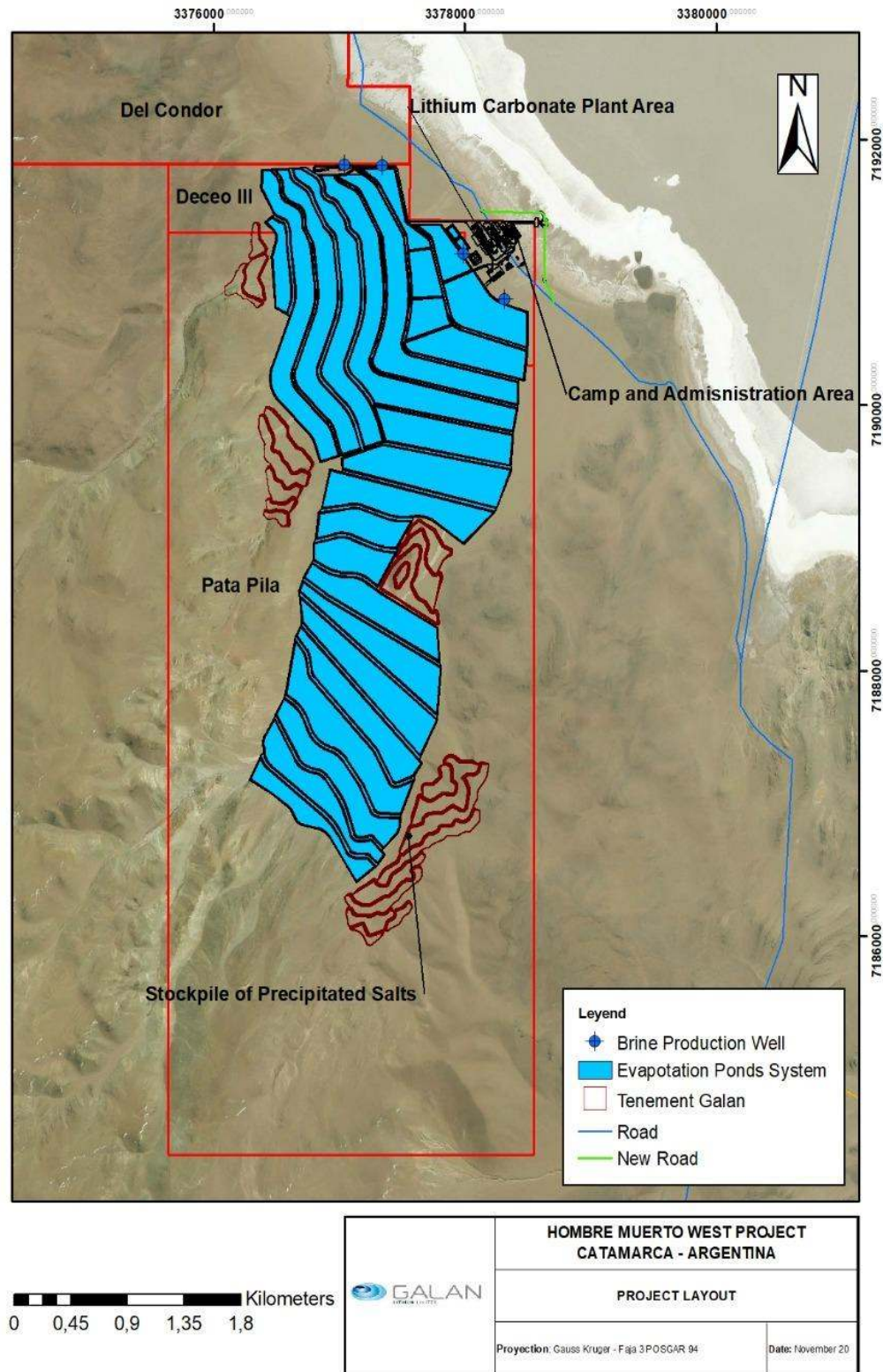


Figure 3: HMW Project Layout in PEA

Environmental and Social Studies

The HMW Project has an existing permit to run exploration and project studies related activities. Galan is advancing with the development of activities to have a better definition of the environmental and social base lines. In addition, the Company is also collecting valuable information for the coming development of the environmental and social impact assessment study of the HMW Project.

Market and Contracts

The battery grade lithium carbonate price forecast (for the period 2020-2040) utilised to run the economic evaluation of the HMW Project was taken from the 17th Edition of the Lithium Market developed by Roskill (*).

Roskill expects contract prices for lithium carbonate and hydroxide to remain near to or above US\$10,000/t on a long-term real (inflation adjusted) basis. After softening in 2019 and 2020, prices on a nominal basis are projected to rise to around US\$13,500-15,000/t (carbonate) and US\$14,500-16,500/t (hydroxide) in 2025 (around US\$12,000-15,000/t in real terms, adjusting for inflation).

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 4 displays the forecast of the lithium carbonate price.

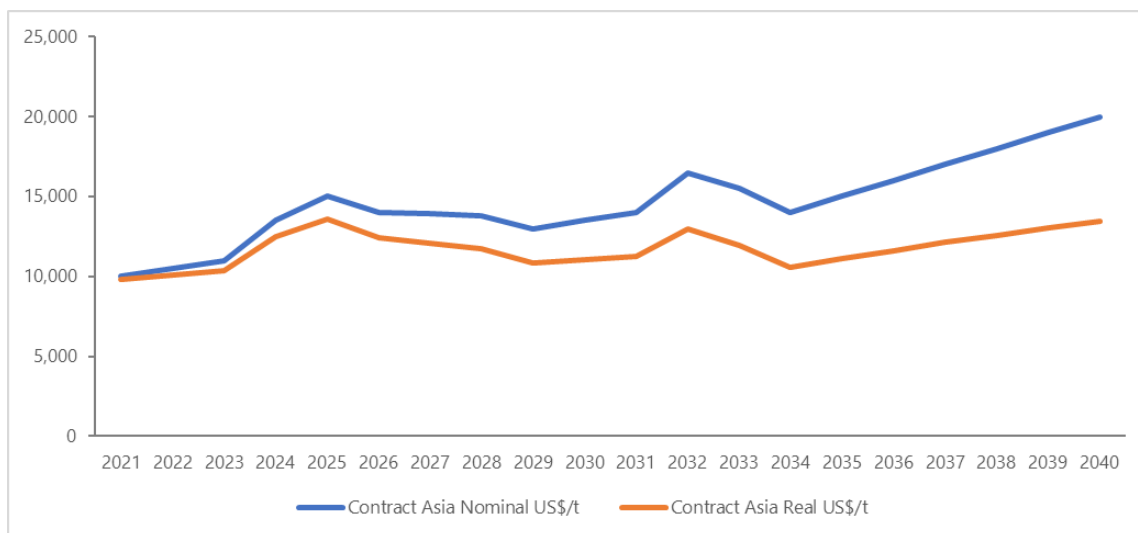


Figure 4: Long Term estimate of the Contracted Price of Battery Grade Li_2CO_3 developed by Roskill

The average lithium carbonate price for the period 2020-2040 is US\$11,678/t. This price is estimated on a real base, excluding the impact of the inflation.

(*) Roskill is an independent, private company that has nearly 50 years' experience of research and consulting in metals, minerals and chemical industries, and their end-use industries. The company was founded in 1930 as one of the UK's first management consultancies. Today the Group is headquartered in the UK and consists of five companies, Roskill Holdings, Roskill Information Services, Roskill Consulting Group, Roskill Germany and Roskill China. The company has additional representation in Africa, Japan, Oceania the Middle East and the Americas.

Capital (CAPEX) EstimateScope of the Capital Cost Estimate

The estimation includes direct and indirect project costs, owner costs and contingency. Direct costs include equipment and materials supplied by Galan, labour, construction equipment, materials supplied by the construction contractor, indirect costs and construction contractor profits.

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 20,000 tonnes.

The CAPEX developed in this document includes the evaluation of all the equipment involved in the plant described in the previous paragraph.

DIRECTORS' REPORT

Galan Lithium Limited Annual Report 2021

The capex estimate should cover the precision range established for a PEA study (profile), as defined by NI43-101, the main scopes of which are indicated below:

- Typical range of precision for PEA studies (profile): $\pm 30 - 50\%$. For this study an accuracy of $+ 30\%$, -15% is considered.
- Origin of prices: costs of equipment, materials and third-party subcontracts have been obtained from reference data taken from similar projects or from representative database information from consultants.
- Origin of quantities: they obtained from similar engineering designs carried out for other projects and referential estimates/factorisations.
- The CAPEX is based on information available on 9 November 2020.

Capex Estimate Results

Table 4 presents a summary of the capital cost estimate (CAPEX) required for the implementation of the HMW Project in accordance with the scope developed and all the information available in this stage.

Table 4: Capital Cost Estimate of HMW Project

Area	US\$ M
Brine Wells and Brine Transport	12.7
Evaporation Ponds System	146.8
Ponds Reagent Plant	4.2
Lithium Carbonate Plant	55.6
Lithium Carbonate Reagent plants	11.3
Utilities	36.9
Infrastructure	31.8
Total Direct Cost	299.3
Total Indirect Cost	38.3
Total Capex without contingency	337.7
Contingency (30%)	101.3
Total Capex	438.9

For more information on the CAPEX Estimate please refer to the ASX Announcement dated 21 December 2020 entitled 'Compelling Preliminary Economic Assessment Results for 100% Owned Hombre Muerto West (HMW) Project in Catamarca, Argentina.'

Operating Cost (OPEX) Estimate

The scope for the HMW Project considers the development of the necessary engineering documents that are necessary for the elaboration of a study at the PEA level, specifically for a Lithium Carbonate Plant, which will produce 20,000 tpa of battery grade Li_2CO_3 .

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

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

From : Brine feed from Rana de Sal and Pata Pila brine wells.
To : Final product of Lithium Carbonate, battery grade CIF to China

Based on all information developed, an OPEX estimation was calculated for the project. Two scenarios are defined, where a different cost is predicted of salt harvesting, due to the change in the haul distance to the salt stockpiles. All other items in the OPEX are assumed as remaining constant through the years of the Project.

The OPEX for both scenarios are presented in Table 5.

Table 5: Operating Cost Estimate of HMW Project

Operational Expenditure	Scenario 1: Stockpiles near ponds		Scenario 2: Stockpiles far from ponds	
	US\$ / Tonne Li ₂ CO ₃	Total 000 US\$	US\$ / Tonne Li ₂ CO ₃	Total 000 US\$
DIRECT COSTS				
Chemical Reactives and Reagents	1,659	33,188	1,659	33,188
Salt Removal and Transport	264	5,277	434	8,671
Energy	375	7,492	375	7,492
Manpower	241	4,821	241	4,821
Transport	181	3,613	181	3,613
Catering & Camp Services	142	2,830	142	2,830
Maintenance	316	6,323	316	6,323
DIRECT COSTS SUBTOTAL	3,177	63,544	3,347	66,939
INDIRECT COSTS				
General & Administration - Local	171	3,416	171	3,416
INDIRECT COSTS SUBTOTAL	171	3,416	171	3,416
TOTAL PRODUCTION COSTS	3,348	66,961	3,518	70,355

Scenario 2 is the most representative operating cost of the project, with OPEX at US\$3,518 /t Li₂CO₃ and it is the cost for around 37 years of operation after the ramp up is completed. Scenario 1 only lasts for the first three year operation when the production rate does not reach the full annual capacity.

For more information on the OPEX Estimate please refer to the ASX Announcement dated 21 December 2020 entitled 'Compelling Preliminary Economic Assessment Results for 100% Owned Hombre Muerto West (HMW) Project in Catamarca, Argentina.'

HMW Project Within the Lithium Cost Curve

The lithium carbonate equivalent cost curve was prepared by Roskill based on the information updated to September 2020. 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 5 displays the lithium carbonate equivalent cost curve and the location of the HMW Project within the industry cost curve.

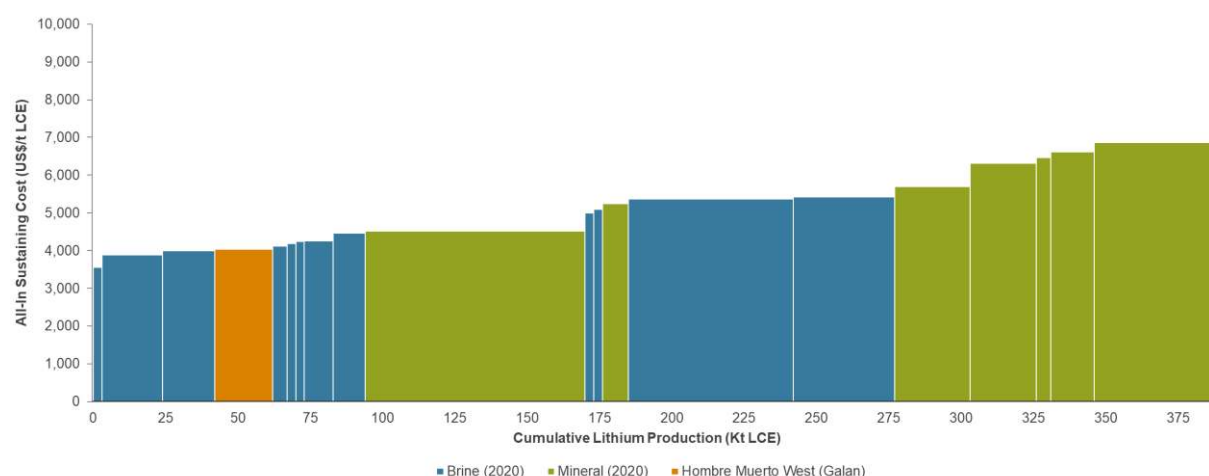


Figure 5: Lithium Production Cost Curve (source: Roskill – Lithium Cost Model Service)

Note: 2020 costs have been adjusted to reflect a royalty rate for a lithium carbonate price of US\$12,500/t

Project Timetable

Galan is planning, in the coming 18 months, to perform additional HMW Project studies that will be required prior to making any investment decision. These studies may involve a PFS and FS stages. In parallel, the completion of the EIA study and subsequent application for the exploitation permit will be conducted.

The commencement of the construction is planned for Q4 of 2022 subject to the approval of the exploitation permit and successful completion of the financing activities. The construction and commissioning should take two years to allow the project the start of production early 2025 and achieving the production ramp up in Q3 2026.

Table 6 shows the most important milestones for the development of HMW Project.

Table 6: HMW Project Development Milestones

Milestone	Completion Timeframe
EIA Approval	Q4 2022
Start Construction	Q4 2022
Start Ponds Filling	Q3 2023
Mechanical Completion	Q3 2024
First Lithium Carbonate (Commissioning complete)	Q4 2024
Plant Ramp Up Period	Q1 2025 to Q3 2026

Economic Evaluation

The 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 tax and royalty assumptions were provided by Galan.

No potential potassium credits were included in the economic evaluation.

The key assumptions and results of the economic evaluation are displayed in Tables 7 and 8 respectively.

Table 7: Key Assumptions Utilized for the Economic Evaluation

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

DIRECTORS' REPORT

Galan Lithium Limited Annual Report 2021

Table 8: Economic Evaluation Results of HMW Project

Parameters	Units	Values ⁽¹⁾
Average Income	US\$m	258
Average Provincial Royalty	US\$m	6
Average Operating Expenses	US\$m	70
Average Corporate and Withholding Taxes	US\$m	55
Average Annual EBITDA	US\$m	174
Average Annual Operational Free Cash Flow	US\$m	117
Pre-Tax Net Present Value (NPV)	US\$m	1,011
After-Tax Net Present Value (NPV)	US\$m	684
Pre-Tax Internal Rate of Return (IRR)	%	22.8
After-Tax Internal Rate of Return (IRR)	%	19.1
Payback Period (After-Tax) ⁽²⁾	Years	4.3

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

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

For more information on the Sensitivity Analysis please refer to the ASX Announcement dated 21 December 2020 entitled 'Compelling Preliminary Economic Assessment Results for 100% Owned Hombre Muerto West (HMW) Project in Catamarca, Argentina.'

HMW Project Update since PEA

Test work results

As announced on 22 March 2021, HMW's lithium chloride (LiCl) concentrate increased significantly to 6% Li (32%LCE*). This high-grade result is directly comparable to SQM's and Albermarle's LiCl concentrate produced from the Atacama basin in Chile.

The second round of test work on HMW's raw brine was conducted in Antofagasta using the first stage of natural brine evaporation process and finalised using accelerated evaporation in a wind tunnel under controlled conditions. The test work was fully managed and conducted by lithium experts Ad-Infinity. As Galan's technical advisors, Ad-Infinity recommended the use of reagents to remove impurities and to avoid the risk of precipitation of Li salts causing losses of this valuable element.

The results far exceeded Galan's expectations, with the lithium chloride concentrate increasing by 25% to 6% Li (vs. 4.8% Li estimation for the Scoping Study/PEA, ASX announcement 21 December 2020). The HMW project's Li grade, is one of the highest publicly known brine concentration levels in the world, using the evaporation process. This result was made possible through the optimisation process developed using the Ad-Infinity prediction model. These grades provide Galan with exciting commercial opportunities for a lithium chlorine concentrate product.

Furthermore, the low levels of impurities contained in the lithium chlorine brine were also significant. The main contaminants like SO₄, Mg and Ca were reduced significantly. Whilst B and other elements like K, Na and Cl are low they are expected to be removed during the treatment at a downstream process. Galan's study team is confident that this brine concentrate quality could be converted into a high-quality battery grade product while remaining cost competitive.

On 12 July 2021, Galan was also pleased to announce that the proof of concept laboratory test of the HMW Project's Lithium Carbonate Equivalent (LCE) achieved 99.88% of purity (minimum requirement of battery grade quality of >99.5% LCE).

The test procedure and test work activities were developed and supervised by Ad-Infinity. They initially optimised the concentration stage, producing a purer product thus reducing reagent consumption and opex costs. Importantly at the next stage, further reagent cost reductions were identified, as a cleaner concentrate requires less reagents and volume impurities to be removed for the precipitation of lithium carbonate. As a result, the battery grade was obtained with no requirement to do undertake an additional purification step using dissolution with CO₂.

DIRECTORS' REPORT

Galan Lithium Limited Annual Report 2021

On the back of the developing test procedures, Ad-Infinitem also identified other opportunities for further improving results. These opportunities will be adopted in the future test work activities at both laboratory and pilot plant levels with the possibility to further improve the quality of the battery grade lithium carbonate product.

This proof of concept milestone adds more flexibility to the adoption of a preferable processing design for the HMW Project. The study team is working on different alternatives to optimise the combined outcome for the pond design and lithium carbonate plant design.

Feasibility Update

As announced on 17 May 2021, the Company commenced initial feasibility foundation works for the HMW Project.

The Company appointed WSP Consulting Chile (**WSP**) and SRK Consulting (Australia) Pty Ltd (**SRK**) in respect of transforming the huge HMW resource into reserves, the main foundation for its feasibility study.

WSP will provide support and design work, including production wells, for different aspects related to the hydrogeology of the HMW tenements located in the Hombre Muerto Salar Basin. WSP's team includes two former SQM employees who have a long history working with lithium brines.

SRK, in association with WSP, will review the current resource estimate and then undertake reserve conversion work for the HMW project.

The following early works have commenced:

- Aerial survey to supply the topography data required at feasibility study level quality;
- Design of the mass balance for the brine concentrate with 6% of Li plus design of the pilot plant;
- Process design and mass balance of lithium plant for 6% of Li but also considering a lower Li content for selecting the optimum lithium plant design; and

Preparation works for the feasibility studies have progressed with Ad-Infinitem for creating the design of the pilot plant and a specialised topography and ponds designing consultant for the preparation of a revised design of the evaporation ponds system, which includes the most favourable terrain at Rana de Sal and Del Condor mining tenements.

On 19 August 2021, Galan announced that, following the recent receipt of the next round of drilling permits from the Secretaria de Estado de Minería - Gobierno de Catamarca (the authority that approves drilling permits in Catamarca, Argentina), it would commence its next drilling programme over the HMW Project. The first bore drill hole was completed at Pata Pila revealing further brine potential (as announced on 29 September 2021).

Key Tenement Acquisition

Galan has executed a binding option agreement with a private Argentinian individual for the purchase of a right to earn a 100% interest in the *Casa Del Inca III* lithium brine tenement (announced 15 July 2021). The acquisition increases and consolidates Galan's project footprint in the South American Lithium Triangle in Catamarca, Argentina.

Casa del Inca III is located within the world-class, Salar del Hombre Muerto, where Livent Corporation (NYSE:LTHM) is currently producing lithium carbonate and Galaxy Resources Limited (ASX:GXY) is developing its Sal de Vida project. More importantly, it sits alongside Galan's Pata Pila interest, which shares the same geology setting forming part of the suite of tenements that comprise the HMW project.

Galan has agreed to initially acquire 300ha for a total of US\$150,000 with the initial deposit of US\$80,000 being paid.

Figure 6 shows the *Casa del Inca III* location where it abuts the east side of the Pata Pila tenement and highlights the initial 300ha to be purchased under the Agreement plus the total 900ha, if required. Figure 6 also shows the revised pond system design as the PEA did not include the November 2020 purchase of the Del Condor concession which offered potential to extend and add ponds to the north. Further extension options will be available after the recent execution of the option to purchase the *Casa del Inca* tenement. To the west, Rana de Sal II and III also have excess ground to add more ponds if necessary.

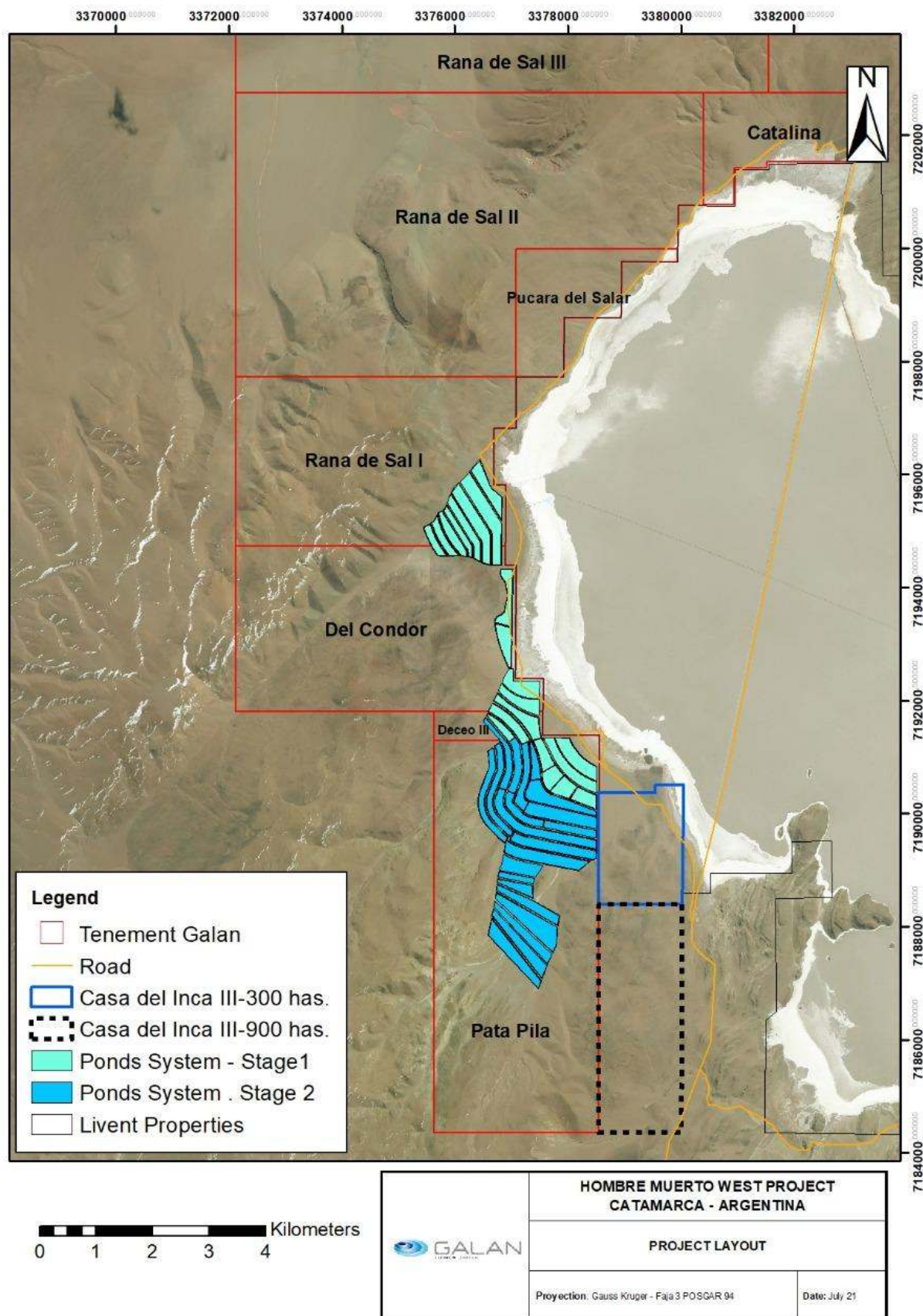


Figure 6: Location of Casa del Inca III concession (300ha in blue; 900ha dotted) and GLN's other HMW concessions (in red). Revised pond system design is also highlighted.

DIRECTORS' REPORT

Galan Lithium Limited Annual Report 2021

Candelas

The main focus for the past financial year has been the HMW Project and therefore minimal work was undertaken on the Candelas project. However, as announced on 20 July 2021, the brine concentrate modelling undertaken by Ad-Infinity showed results up to 6%Li. The Company now plans to commence a scoping study at Candelas (see figure 3) building from the data accumulated from HMW's detailed studies and PEA (released 21 December 2020).

The scoping study will be performed by Galan's in-house engineering team whilst Ad-Infinity in Chile will oversee the chemical processing and other relevant study sections. The study is expected to be finalised during Q4 2021.

Greenbushes South

In January 2021, Galan entered into a sale and joint venture with Lithium Australia NL (ASX:LIT) for an 80% for the Greenbushes South Lithium project ('Greenbushes South Project'), which is located 200 km south of Perth, the capital of Western Australia. With an area of 353 km², the Project was originally acquired by Lithium Australia NL due to its proximity to the Greenbushes Lithium Mine ('Greenbushes'), given that the Project covers the southern strike projection of the geological structure that hosts Greenbushes. The project area commences only about 3km south of the current Greenbushes open pit mining operations.

For more information on the Greenbushes South Project acquisition please refer to the ASX Announcement dated 14 January 2021 entitled 'Galan to Acquire an 80% Interest in Greenbushes South Lithium Project, Western Australia and increase its tenure in a world class lithium district.'

During the Q2 2021, Galan completed its initial exploration sampling and mapping work at the Greenbushes South Project.

A major goal of the field mapping was to identify and map the surface expression of the Donnybrook-Bridgetown Shear Zone (DBSZ) that hosts the Greenbushes deposit. The DBSZ is a steeply dipping, N-S trending, shear zone associated which is primarily associated with syntectonic emplacement of the lithium bearing pegmatites of the Greenbushes mine to the north. This major geologic feature is recognised in geophysical data and the recent mapping helped identify its surface expression through the Greenbushes South project.

25 soil samples and 15 rock chip samples were taken perpendicular to strike of the DBSZ. Assays of soil and rock chip samples taken from near the DBSZ surface expression have arsenic (As) concentrations up to 574 ppm, up to 16 ppm antimony (Sb) and up to 12 ppm of tin (Sn). Additional samples taken from previously mapped pegmatite outcrops have concentrations of up to 27 ppm of tin (Sn).

This data, combined with the historical data, indicate that the DBSZ and its associated geochemical footprint continues along strike from the Greenbushes Deposit into the project area. These initial samples serve as a positive sign for future targeted soil and geophysical surveys along the DBSZ to help identify potential blind pegmatite bodies. Plans for further soil and rock chip sampling have been finalised but there have been field work delays due to the unusually high rainfall in the region.

In May 2021, two additional licences (E70/4777 and E70/5680) were granted.

In early July 2021, the Company had fruitful meetings with the Department of Biodiversity, Conservation and Attractions (DBCA) in respect of formulating its Conservative Management Plan for the project.

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 (Li₂O) content or per cent. lithium carbonate (Li₂CO₃) content. Lithium carbonate equivalent ("LCE") is the industry standard terminology for, and is equivalent to, Li₂CO₃. 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 Li₂CO₃ value in per cent. Use of LCE assumes 100% recovery and no process losses in the extraction of Li₂CO₃ from the deposit.

DIRECTORS' REPORT

Galan Lithium Limited Annual Report 2021

Conversion Factors for Lithium Compounds and Minerals:

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

CORPORATE

Covid-19

Galan remains committed to delivering on our goals whilst maintaining the highest possible safety and health standards for our employees, contractors and consultants by adhering to all the recommended practices mandated by the authorities in Australia, Argentina and Chile.

Equity

Shares

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).

On 27 August 2020, a total of 842,674 fully paid ordinary shares were issued to Portofino Resources Inc (650,000) and a consultant (192,674) as per the terms and conditions of their respective agreements. Portofino Resources Inc were also paid on 26 August 2020 the remaining outstanding funds of \$CDN50,000 due under the HMW Agreement.

On 20 October 2020, a total of 23,076,924 fully paid ordinary shares were issued, at an issue price of \$0.13, under a placement led by Argonaut Securities Ltd. Argonaut Securities Ltd were also issued 2,000,000 unquoted options exercisable at \$0.20 on or before 31 October 2023 as part of their fee.

On 4 November 2020 a total of 650,000 fully paid ordinary shares were issued to a vendor in respect of the final acquisition costs of the Del Condor and Pucara concessions.

On 8 January 2021, the following equity was issued:

- 420,000 fully paid ordinary shares to the Candelas vendor under the terms of the agreement;
- 256,226 fully paid ordinary shares to a consultant for services provided; and
- 793,572 fully paid ordinary shares on the conversion of \$0.25 options

On 22 January 2021, the Company issued the following:

- 1,221,000 fully paid ordinary shares to Lithium Australia NL for an 80% interest in the Greenbushes South Lithium project;
- 912,143 fully paid ordinary shares on the conversion of \$0.25 options;
- 500,000 fully paid ordinary shares on the conversion of \$0.3438 options; and
- 5,000,000 fully paid ordinary shares to Acuity Capital under a Controlled Placement Deed

On 27 January 2021, the Company announced that it had successfully received firm commitments for an over-subscribed placement for 20 million shares at an issue price of \$0.50 per share to raise \$10 million (before costs). A total of 20,200,000 fully paid ordinary shares were issued under the placement on 29 January 2021 (9,240,000 shares), 1 February 2021 (8,960,000 shares) and 11 February 2021 (2,000,000 shares).

On 29 January 2021, the Company issued the following:

- 200,000 fully paid ordinary shares on the conversion of \$0.25 options; and
- 2,000,000 fully paid ordinary shares on the conversion of \$0.20

On 11 February, 19 February and 9 March 2021, 300,000, 357,143 and 180,000 fully paid ordinary shares were respectively issued upon the conversion of \$0.25 options.

DIRECTORS' REPORT

Galan Lithium Limited Annual Report 2021

On 23 April 2021, the Company issued the following:

- 96,500 fully paid ordinary shares on the conversion of \$0.25 options;
- 150,000 fully paid ordinary shares on the conversion of \$0.20 options; and
- 64,605 fully paid ordinary shares to a consultant for services provided

On 7 May, 21 May and 28 May 2021, 321,429, 25,000 and 178,571 fully paid ordinary shares were respectively issued upon the conversion of \$0.25 options.

On 21 May, 28 May, 2 June and 11 June 2021, 500,000, 550,000, 2,000,000 and 450,000 fully paid ordinary shares were respectively issued upon the conversion of \$0.3438 options.

On 11 June 2021, the Company issued 30,625 fully paid ordinary shares to a consultant for services provided.

On 29 June 2021, 37,500 fully paid ordinary shares were issued upon the conversion of \$0.21 options.

Options

On 9 October 2020, after approval from shareholders on 11 September 2020, the Company issued a total of 10,150,000 unquoted options exercisable at \$0.21 on or before 8 October 2023, to Directors and consultants.

On 5 February 2021, 500,000 unquoted options (exercisable at \$0.65 on or before 4 February 2024) were issued to a consultant.

On 7 May 2021, 150,000 unquoted options (exercisable at \$0.90 on or before 7 May 2024) were issued to a consultant.

MSCI Global Index

On 19 May 2021, it was announced that Galan had been added to the MSCI (Morgan Stanley Capital International) Australia Micro-Cap Index. The advantages for Galan on the admission to the MSCI index are increased exposure to global institutions, broader exposure to worldwide investment markets, increased liquidity and further access to capital sources.

Restatement of Financial Statements

In late February 2021, the Group became aware of a material hyperinflation accounting change to the audited financial statements of its wholly owned Argentinian subsidiary, Galan Exploraciones S.A. These changes have impacted the opening position of its financial statements. Please refer to note 24 in the Condensed Notes to the Financial Statements for more detailed information.

Financial

The loss after tax for the year was \$907,891 (2020: \$2,255,795). The Company's net assets were \$38,349,211 at the end of the year compared to \$20,765,459 in 2020.

Cash and cash equivalents as at year end were \$15,570,917 (2020: \$1,647,483).

Exploration expenditure, including acquisitions, for the year was \$2,003,062 (2020: \$3,185,119) (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 no exploration expenditure written off for the year (2020: \$ Nil).

Administration expenses and employee benefits for the year totalled \$1,561,626 (2020: \$1,535,455).

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

On 15 July 2021, Galan announced that it had executed a binding Option Agreement with a private Argentinian individual for the purchase of the right to earn a 100% interest in the *Casa Del Inca III* lithium brine tenement. The acquisition increases and consolidates the Hombre Muerto West project footprint in the South American Lithium Triangle in Catamarca, Argentina.

Galan agreed to initially acquire 300ha for a total of US\$150,000 with the initial deposit of US\$80,000 being paid on 12 July 2021.

The initiation of a scoping study on Galan's Candelas project was announced on 20 July 2021. The scoping study will be performed by Galan's in-house engineering team whilst Ad-infinity in Chile will oversee the chemical processing and other relevant study sections. The study is expected to be completed during Q4 2021.

On 13 August 2021, the Company announced the completion of a \$50 million institutional placement to accelerate the development of its strategic lithium projects. Canaccord Genuity (Australia) Limited acted as the lead manager and book runner for the two-tranche placement which was conducted at an issue price of \$1.15 per share.

Under tranche one of the placement, the Company received gross proceeds of \$29.8m and issued a total of 24,326,574 shares (on 20 August 2021) under its existing placement capacity under ASX Listing Rules 7.1 and 7.1A.

As a result of the significant demand received in the placement, Galan will also be seeking to issue a further 17.6 million new fully paid ordinary shares, at an issue price of \$1.15 in a second tranche (for gross proceeds of \$20.2 million). Completion of the tranche two placement is subject to Galan Shareholder approval, to be sought at a General Meeting of shareholders on 12 October 2021. The Company acknowledges the strong support from two institutional investors with a track record of successful investment in the natural resources sector, who will be the sole allottees in the second tranche.

Since the end of the financial year the following equity has been issued:

- On 9 July 2021, 228,572 \$0.25 options and 25,000 \$0.21 options were exercised and converted into fully paid ordinary shares
- On 16 July 2021, 400,000 \$0.25 options were exercised and converted into fully paid ordinary shares
- On 20 August 2021, 25,872,594 fully paid ordinary shares were issued under tranche one of a placement
- On 20 August 2021, 72,000 \$0.25 options were exercised and converted into fully paid ordinary shares

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 has a policy of complying with or exceeding 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 2020 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.

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 non-executive 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 he or she give notice to the Board of their resignation as a Director or if he or she retires by rotation and is not re-elected as a Director by the Shareholders of the Company. Moreover his or her appointment will be terminated immediately if, for any reason, he or she becomes disqualified or prohibited by law from being or acting as a Director or from being involved in the management of a Company.

The annual director's fees for Mr Gardiner were increased to \$50,000 per annum (plus statutory superannuation) from 1 July 2020 (previously \$36,000 per annum).

The annual director's fees for Mr Jimenez were increased to \$US72,000 per annum from 1 April 2021 (previously \$US36,000 per annum).

From 1 July 2020, the annual fees for the other Non-Executive Directors were revised to \$36,000 per annum (plus statutory superannuation) with the fees for the Non-Executive Chairman being revised to \$60,000 (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.

DIRECTORS' REPORT

Galan Lithium Limited Annual Report 2021

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

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.

During the financial year, the Company produced a very positive PEA, completed a \$20m placement and broke through the \$100m market cap barrier. These benchmark achievements signalled two Board reviews of the Managing Director's annual remuneration levels. From 1 July 2020, the annual remuneration was increased to \$220,000 per annum (plus statutory superannuation). A further increase to the current rate of \$280,000 per annum (plus statutory superannuation) was approved by the Board from 1 April 2021.

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 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

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

Allottee	Number of Options	Fair Value at Grant Date per Option	Estimated Volatility	Life of Option (years)	Exercise Price	Share Price at Grant Date	Risk Free Interest Rate
Directors	7,000,000	\$0.0817	109%	3.00	\$0.21	\$0.14	0.20%

The above options issued to the Directors, were approved by shareholders at the general meeting held on 11 September 2020.

E Voting and Comments at the Company's 2020 Annual General Meeting

The adoption of the Remuneration Report for the financial year ended 30 June 2020 was put to the shareholders of the Company at the Annual General Meeting held 27 November 2020. The Company received 97% of the vote (from valid proxies), of those shareholders who exercised their right to vote, in favour of the remuneration report for the 2020 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 \$380,208 (2020: \$77,400) in capital raising fees for the 2021 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 \$79,620 (2020: \$Nil) 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 \$96,500 (2020: \$122,853) 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.

DIRECTORS' REPORT

Galan Lithium Limited Annual Report 2021

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

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		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Mr Richard Homsany – Non-Executive Chairman (i)										
2021	60,000	-	-	-	5,700	-	-	81,655	147,355	55.4%
2020	25,000	-	-	-	-	-	-	-	25,000	-
Mr Nathan McMahon – Non-Executive Chairman (ii)										
2021	-	-	-	-	-	-	-	-	-	-
2020	21,000	-	-	-	-	-	-	-	21,000	-
Mr Juan Pablo Vargas de la Vega – Managing Director										
2021	269,413	-	-	-	22,325	-	-	122,482	414,220	29.6%
2020	164,384	-	-	-	15,616	-	785,848	-	965,848	81.4%
Mr Terry Gardiner – Non Executive Director										
2021	50,000	-	-	-	4,750	-	-	122,482	177,232	69.1%
2020	36,000	-	-	-	-	-	-	-	36,000	-
Mr Chris Chalwell – Non Executive Director (iii)										
2021	36,000	-	-	-	3,420	-	-	81,655	121,075	67.4%
2020	36,000	-	-	-	-	-	-	-	36,000	-
Mr Raymond Liu – Non Executive Director (iv)										
2021	36,000	-	-	-	3,420	-	-	81,655	121,075	67.4%
2020	36,000	-	-	-	-	-	-	-	36,000	-
Mr Daniel Jimenez – Non Executive Director (Appointed 4 September 2019) (v)										
2021	59,955	-	-	-	-	-	-	81,655	141,610	57.7%
2020	40,024	-	-	-	-	-	-	109,260	149,284	73.2%
Total Remuneration										
2021	511,368	-	-	-	39,615	-	-	571,584	1,122,567	50.9%
2020	358,408	-	-	-	15,616	-	785,848	109,260	1,269,132	70.5%

- (i) Pro-rata Director fees of \$25,000 (2020 financial year) were due and payable to Mr Homsany (appointed as Non-Executive Chairman on 5 February 2020). Director fees of \$60,000 plus superannuation of \$5,700 (2021 financial year) were also due and payable to Mr Homsany. These amounts were unpaid at 30 June 2021.
- (ii) Pro-rata Director fees of \$21,000 for 2020 were paid to Kingsreef Pty Ltd, a company controlled by Mr McMahon. Mr McMahon resigned as Non-Executive Chairman on 5 February 2020.
- (iii) Director fees of \$36,000 and superannuation of \$3,420 were due and payable to Westdev Pty Ltd, a company controlled by Mr Chalwell.
- (iv) Outstanding Director fees of \$6,000 (2020 financial year) and \$36,000 plus statutory superannuation of \$3,420 (2021 financial year) were due and payable to Mr Liu. These amounts were unpaid at 30 June 2021.
- (v) Director fees of \$59,955 (\$US45,000) (2020 - \$40,024 (\$US29,700)) were paid to Mr Jimenez (appointed as a Non-Executive Director on 4 September 2019).

DIRECTORS' REPORT

Galan Lithium Limited Annual Report 2021

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

H Interests of Key Management Personnel (KMP)

Share holdings

30 June 2021

Name	Balance 1 July 2020	Purchased (vii)	Options Exercised	Sold /Other	Balance 30 June 2021
Nathan McMahon (i)	-	-	-	-	-
Richard Homsany (i)	933,259	-	-	-	933,259
JP Vargas de la Vega	12,289,932	-	-	5,000,000	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 (ii)	-	324,442	-	-	324,442
Total	40,665,253	1,137,290	-	3,500,000	45,302,543

30 June 2020

Name	Balance 1 July 2019	Purchased	Options Exercised	Other	Balance 30 June 2020
Nathan McMahon (i)	6,269,167	-	750,000	(7,019,167)	-
Richard Homsany (i)	-	-	-	933,259	933,259
JP Vargas de la Vega	7,127,274	45,000	-	5,117,658 (vi)	12,289,932
Chris Chalwell	2,511,402	183,333	750,000	-	3,444,735
Terry Gardiner	5,195,902	95,555	750,000	-	6,041,457
Jinyu (Raymond) Liu	13,367,640	-	-	4,588,230 (vi)	17,955,870
Daniel Jimenez (ii)	-	-	-	-	-
Total	34,471,385	323,888	2,250,000	3,619,980	40,665,253

Option holdings

30 June 2021

Name	Balance 1 July 2020	Issued/Other (vii)(viii)	Exercised (iii)	Lapsed	Balance 30 June 2021
Nathan McMahon (i)	-	-	-	-	-
Richard Homsany (i)	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 (ii)	2,000,000	1,324,442	-	-	3,324,442
Total	2,124,997	8,110,156	-	(124,997)	10,110,156

30 June 2020

Name	Balance 1 July 2019	Issued/Other	Exercised (iii)	Lapsed	Balance 30 June 2020
Nathan McMahon (i)	750,000	-	(750,000)	-	-
Richard Homsany (i)	-	55,554	-	-	55,554
JP Vargas de la Vega	5,117,659	(1,428,571)	-	(3,689,088)	-
Chris Chalwell	750,000	41,666	(750,000)	-	41,666
Terry Gardiner	750,000	27,777	(750,000)	-	27,777
Jinyu (Raymond) Liu	6,588,230	-	-	(6,588,230)	-
Daniel Jimenez (ii)	-	2,000,000 (v)	-	-	2,000,000
Total	13,955,889	696,426	(2,250,000)	(10,277,318)	2,124,997

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

- (i) Mr Nathan McMahon resigned on 5 February 2020. Mr Richard Homsany was appointed on the same date.
- (ii) Mr Jimenez was appointed on 4 September 2019.
- (iii) Exercisable at \$0.15 on or before 29 November 2019 (approved by shareholders at the AGM held on 24 November 2017).
- (iv) Exercisable at \$0.14 on or before 31 December 2019 (approved by shareholders at a general meeting held on 4 May 2018) issued as part of the Blue Sky acquisition.
- (v) Exercisable at \$0.25 on or before 1 December 2021 (approved by shareholders at a general meeting held on 29 November 2019).
- (vi) A total of 15,000,000 were Issued to Blue Sky vendors on the attainment of 80Kt resource at Hombre Muerto. Mr Vargas de la Vega and Mr Liu were original Blue Sky vendors (approved by shareholders at the AGM held on 29 November 2019).
- (vii) 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.
- (viii) 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.

Performance Share holdings

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****Options forfeited or cancelled**

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

Options Expired or Lapsed

During, or since the end of the financial year, 5,555,469 options (exercisable at \$0.25 on or before 31 August 2020) and 5,350,000 options (exercisable at \$0.60 on or before 31 August 2020) expired.

Options on Issue

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

Expiry Date	Exercise Price	Unquoted Options
01/12/2021	\$0.25	2,000,000
31/03/2022	\$0.25	8,792,299
08/10/2023	\$0.21	10,037,500
04/02/2024	\$0.60	500,000
07/05/2024	\$0.90	150,000

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 2021

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 2021.

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 2021 has been received and can be found on page 32.

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



J P Vargas de la Vega - Managing Director
Perth, Western Australia
Date: 30 September 2021

Competent Persons Statements

Competent Persons Statement 1

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

Competent Persons Statement 2

The information relating to the Exploration Results and integrity of the database was compiled by Mr Francisco Lopez (Geology). Mr Lopez is a full-time employee of Galan Lithium Limited and has been engaged by Galan as their Geology Manager. The integrity of the database and site inspection was done by Dr Michael Cunningham, GradDip, (Geostatistics) BSc honours (Geoscience), PhD, MAusIMM, MAIG, MGSA, FGSL. Dr Cunningham is an Associate Principal Consultant of SRK Consulting (Australasia) Pty Ltd.

Competent Persons Statement 3

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 4

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.

To the Board of Directors

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

As lead audit Partner for the audit of the financial statements Galan Lithium Limited for the financial year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the 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

Partner

Dated this 30th day of September 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR YEAR ENDED 30 JUNE 2021

Galan Lithium Limited Annual Report 2021

		30 June 2021 \$	Restated * 30 June 2020 \$
	Note		
Continuing Operations			
Interest revenue	3	3,239	1,174
Gain on hyperinflation	8	1,978,431	361,451
Other Income	3	152,708	29,421
Total		2,134,378	392,046
Administration expenses		(887,096)	(936,122)
Compliance & regulatory expense		(275,349)	(196,314)
Employment expense		(674,530)	(599,333)
Fair value gain/(loss) on financial assets		86,998	(2,679)
Depreciation		(2,070)	(2,871)
Share based payments	14	(1,290,222)	(910,522)
Loss before income tax expenses		(907,891)	(2,255,795)
Income tax expenses	4	-	-
Loss for the year from continuing operations		(907,891)	(2,255,795)
Exchange differences on translating foreign operations		(641,006)	(417,718)
Other comprehensive income		-	-
Total comprehensive income and net loss for the Year attributable to the owners of the Company		(1,548,897)	(2,673,513)
Basic weighted average loss per share (cents per share)	13	(0.43)	(1.49)
Diluted weighted average loss per share (cents per share)	13	(0.43)	(1.49)

* Refer to note 24 for details on restatement
The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

Galan Lithium Limited Annual Report 2021

	Note	30 June 2021 \$	Restated * 30 June 2020 \$
Current Assets			
Cash and cash equivalents	5	15,570,917	1,647,483
Prepayments		6,177	1,220
Trade and other receivables	6	21,490	15,341
Total Current Assets		15,598,584	1,664,044
Non-Current Assets			
Financial Assets	7	4,430	22,632
Plant & Equipment		91,933	7,609
Exploration and evaluation	8	23,408,544	19,551,263
Total Non-Current Assets		23,504,907	19,581,504
Total Assets		39,103,491	21,245,548
Current Liabilities			
Trade and other payables	9	420,342	256,841
Provisions		333,938	223,248
Total Current Liabilities		754,280	480,089
Total Liabilities		754,280	480,089
Net Assets		38,349,211	20,765,459
Equity			
Issued capital	10	44,384,368	24,801,369
Reserves	11	727,573	3,160,402
Accumulated losses	12	(6,762,730)	(7,196,312)
Total Equity		38,349,211	20,765,459

* Refer to note 24 for details on restatement
The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

Galan Lithium Limited Annual Report 2021

Note	Issued Capital	Restated * Reserves	Restated * Accumulated Losses	Restated * Total Equity
	\$	\$	\$	\$
Balance at 1 July 2019	16,940,982	6,844,900	(7,332,011)	16,453,871
Net loss for the year	-	-	(2,255,795)	(2,255,795)
Other comprehensive income for the year net of tax	-	(417,718)	-	(417,718)
Total comprehensive loss for the year	-	(417,718)	(2,255,795)	(2,673,513)
Transactions with owners recorded directly in equity:				
Issue of equity	4,105,083	-	-	4,105,083
Equity to be issued	331,096	-	-	331,096
Equity issued previous year	-	-	-	-
Performance shares issued	2,775,000	(2,775,000)	-	-
Options exercised	548,750	-	-	548,750
Vendor shares	-	57,050	-	57,050
Share issue costs	(77,400)	-	-	(77,400)
Option valuation	-	124,624	-	124,624
Fair value exercised options	177,858	(177,858)	-	-
Expiry of options	-	(2,391,494)	2,391,494	-
Option Reserve	-	1,895,898	-	1,895,898
Balance at 30 June 2020	24,801,369	3,160,402	(7,196,312)	20,765,459
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)
Transactions with owners recorded directly in equity:				
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
Fair value exercised options	608,520	(608,520)	-	-
Expiry of options	-	(1,341,473)	1,341,473	-
Option Reserve	-	65,816	-	65,816
Balance at 30 June 2021	44,384,368	727,573	(6,762,730)	38,349,211

*Refer to note 24 for details on restatement
The accompanying notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT **FOR THE YEAR ENDED 30 JUNE 2021**

Galan Lithium Limited Annual Report 2021

	Note	30 June 2021 \$	30 June 2020 \$
Cash flows from operating activities			
Interest received		3,239	1,174
Other income		79,620	29,421
Cash paid to suppliers and employees		(1,573,889)	(1,695,262)
Net cash used in operating activities	15	(1,491,030)	(1,664,667)
Cash flows from investing activities			
Payments for Property, Plant & Equipment		(81,486)	(3,579)
Payments for exploration expenditure		(2,129,028)	(4,171,290)
Payment for investments		(30,000)	(4,000)
Net cash from / (used in) investing activities		(2,240,514)	(4,178,869)
Cash flows from financing activities			
Proceeds from issue of equity instruments		18,220,761	4,984,929
Payment for share issue costs		(565,783)	(77,400)
Net cash from financing activities		17,654,978	4,907,529
Net increase/(decrease) in cash and cash equivalents		13,923,434	(936,007)
Cash and cash equivalents at beginning of the year		1,647,483	2,583,490
Cash and cash equivalents at end of year	5	15,570,917	1,647,483

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2021

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 2021. Galan is a publicly listed company, incorporated and domiciled in Australia. The financial statements were authorised for issue on 30 September 2021 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 2021 is contained in Note 21 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2021

(e) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Group's functional currency.

The accounting policies set out below have been applied consistently to all years presented in these financial statements, and have been applied consistently by the Group.

(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.

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/Value Added Tax (GST/VAT)

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

Receivables and payables are stated with amounts of GST/VAT receivable or payable. The net amount of GST/VAT 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/VAT 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.

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

NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2021

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:

Loans and Borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

(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 with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial positions, at reporting date the Company had no such overdraft.

(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.

NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2021

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2021

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 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 functional currency of each of the entities in the Company is measured using the currency of the primary economic environment in which the entity operates. 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 2021

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:

		30 June 2021			
		Level 1	Level 2	Level 3	Total
		\$	\$	\$	\$
Recurring fair value measurements					
<i>Financial assets at fair value through profit or loss:</i>					
-	Australian listed shares	4,430	-	-	4,430
		30 June 2020			
		Level 1	Level 2	Level 3	Total
		\$	\$	\$	\$
Recurring fair value measurements					
<i>Financial assets at fair value through profit or loss:</i>					
-	Australian listed shares	22,632	-	-	22,632

NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2021

(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.

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 2021. 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.

(t) Hyper Inflation

The Argentinean economy has been considered a hyperinflationary economy, according to the criteria set out in the accounting standard "Financial Reporting in Hyperinflationary Economies" (AASB 129). As the current functional currency of the Argentinian operations has been determined to be the Argentine Peso, the requirements of AASB 129 have been applied.

This determination was carried out on the basis of a series of qualitative and quantitative criteria which include the presence of an accumulated inflation rate of over 100% in the past three years. According to AASB 129, the financial statements of the subsidiary "Galan Exploraciones (Argentina)" must be restated by applying a general price index to the historical cost, in order to reflect the changes in the purchasing power of the Argentine Peso, on the closing date of these financial statements.

For consolidation purposes in Galan Lithium Limited and as a result of the application of AASB 129, the results and the financial position of our Argentine subsidiary were restated. Previously, the results of the Argentine subsidiary were converted at an average exchange rate for the period for monetary items and converted at balance date exchange rate for non-monetary items, as is the case for the conversion of the results for the rest of the Group in other countries whose economies are not considered hyperinflationary.

Refer to **Note 24** for restatement workings.

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 2021

2. OPERATING SEGMENTS (Cont'd)

	Exploration	Unallocated	Total
30 June 2021	\$	\$	\$
Revenue			
Interest	-	3,239	3,239
Inflation adjustment	1,978,431	-	1,978,431
Other	-	152,708	152,708
Total segment revenue	1,978,431	155,947	2,134,378
Segment net operating loss (profit) after tax	1,978,431	(2,886,322)	(907,891)
Share based payments	-	(1,290,222)	(1,290,222)
Segment assets			
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
Total segment assets	23,591,270	15,512,221	39,103,491
Segment liabilities	590,020	164,260	754,280
	Restated *	Restated *	Restated*
	Exploration	Unallocated	Total
30 June 2020	\$	\$	\$
Revenue			
Interest	-	1,174	1,174
Inflation adjustment	361,451	-	361,451
Other	-	29,421	29,421
Total segment revenue	361,451	30,595	392,046
Segment net operating loss (profit) after tax	361,451	(2,617,246)	(2,255,795)
Share based payments	-	(910,522)	(910,522)
Segment assets			
Exploration expenditure	19,551,263	-	19,551,263
Cash and cash equivalents	12,498	1,634,985	1,647,483
Other assets	4,799	42,003	46,802
Total segment assets	19,568,560	1,676,988	21,245,548
Segment liabilities	130,119	349,970	480,089

* Refer to note 24 for details on restatement

NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2021

3. REVENUE AND OTHER INCOME

	30 June 2021 \$	30 June 2020 \$
Interest received from financial institutions	3,239	1,174
<u>Other Income</u>		
Sundry	2,509	-
Company secretarial recoupment	79,620	-
Cashflow boost payment	70,579	29,421
	<u>152,708</u>	<u>29,421</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	(907,891)	(2,255,795)
Prima facie tax on accounting loss at 26% (2020:30%)	(236,052)	(676,739)
Add / (Less)		
Tax effect of:		
Non-deductible expenses	375,823	404,421
Non-assessable income	(374,672)	(8,826)
Difference in global tax rates	(4,962)	-
Share issue cost deduction	(22,820)	(10,157)
Deferred tax assets not brought to account	262,683	291,301
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	726,537	1,568,701
Tax effect of unused available fraction tax losses for which no deferred tax asset has been recognised	903,281	-
Unrecognised temporary differences	73,209	54,814
	<u>1,703,027</u>	<u>1,623,515</u>

NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2021

5. CASH AND CASH EQUIVALENTS

	30 June 2021 \$	30 June 2020 \$
Cash at bank	1,910,247	146,485
Deposits at call (i)	13,660,670	1,500,998
	<u>15,570,917</u>	<u>1,647,483</u>

(i) The effective interest rate on short-term bank deposits (30-90 day maturity) was 0.27% (2020: 0.20%).

6. TRADE AND OTHER RECEIVABLES

GST receivables and other debtors	<u>21,490</u>	<u>15,341</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 16 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>4,430</u>	<u>22,632</u>
---	--------------	---------------

8. EXPLORATION AND EVALUATION

	30 June 2021 \$	Restated * 30 June 2020 \$
Costs carried forward in respect of areas of interest:		
Brought forward	19,551,263	15,312,411
Exploration expenditure capitalised during the year	1,291,592	3,128,069
Share valuation capitalised	208,600	1,110,000
Candelas vendor shares issued	26,600	-
Candela vendor shares to be issued	51,100	57,050
Greenbushes vendor shares	451,770	-
Pucara/Del Condor shares	182,000	-
Hyperinflation	1,978,431	361,451
Foreign exchange translation	(332,812)	(417,718)
Balance at reporting date	<u>23,408,544</u>	<u>19,551,263</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.

* Refer note 24 for restated balances.

NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2021

8. EXPLORATION AND EVALUATION (Cont'd)

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:

- (a) 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).
- (b) 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).
- (c) 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).
- (d) 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 2021, the probability of meeting the milestone listed in (d) above was revised and as such a value of \$65,816 (see Note 14) has been attributable to these shares as deferred consideration.

9. TRADE AND OTHER PAYABLES

	30 June 2021	30 June 2020
	\$	\$
Trade payables	149,409	199,034
Accruals	270,933	57,807
	<u>420,342</u>	<u>256,841</u>

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

10. ISSUED CAPITAL

	2021 Number	2021 \$
Fully paid ordinary shares (2020: 172,488,590 - \$24,801,369)	244,649,086	<u>44,384,368</u>

NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2021

10. ISSUED CAPITAL (Cont'd)

	30 Jun 2021	30 Jun 2021	30 Jun 2020	30 Jun 2020
	Number	\$	Number	\$
Balance at the beginning of the period	172,488,590	24,801,369	129,334,278	16,940,982
Placement shares at \$0.18 (i)	-	-	5,555,556	1,000,000
SPP shares at \$0.18 (ii)	-	-	5,555,485	1,000,000
Consultant shares at \$0.183 (iii)	-	-	131,089	24,050
Option conversions at \$0.15 (iv)	-	-	2,325,000	348,750
Option conversions at \$0.14 (v)	-	-	1,428,571	200,000
Vendor shares at \$0.15 (vi)	-	-	15,000,000	2,775,000
Consultant shares at \$0.16 (vii)	-	-	142,695	22,817
Acuity shares at \$0.1954 (viii)	-	-	2,175,000	425,000
Acuity shares at \$0.25 (viii)	-	-	1,000,000	250,000
Placement shares at \$0.14 (ix)	-	-	2,071,429	290,000
Consultant shares at \$0.20 (x)	-	-	98,771	19,316
Placement shares at \$0.14 (xi)	-	-	5,170,716	723,900
Acuity shares at \$0.14 (viii)	-	-	2,500,000	350,000
Placement shares at \$0.14 (xi)	1,765,000	247,100	-	-
Performance right conversions (xii)	5,000,000	1,075,000	-	-
Placement shares at \$0.14 (xi)	2,255,714	315,800	-	-
Vendor shares at \$0.155 (xiii)	650,000	100,750	-	-
Consultant shares at \$0.1483 (xiv)	192,674	28,574	-	-
Placement shares at \$0.14 (xv)	1,825,870	255,622	-	-
Placement shares at \$0.13 (xvi)	23,076,924	3,000,000	-	-
Vendor shares at \$0.125 (xvii)	650,000	81,250	-	-
Vendor shares at \$0.199 (xviii)	420,000	83,650	-	-
Consultant shares at \$0.149 (xix)	81,069	12,087	-	-
Consultant shares at \$0.217 (xix)	175,157	37,931	-	-
Vendor shares at \$0.37 (xx)	1,221,000	451,770	-	-
Acuity shares at \$0.256 (viii)	5,000,000	1,280,000	-	-
Placement shares at \$0.50 (xxi)	20,200,000	10,100,000	-	-
Consultant shares at \$0.541 (xxii)	64,605	34,944	-	-
Option conversions at \$0.20 (xxiii)	2,000,000	400,000	-	-
Option conversions at \$0.20 (xxiv)	150,000	30,000	-	-
Option conversions at \$0.25 (xxv)	3,364,358	841,090	-	-
Option conversions at \$0.3438 (xxvi)	4,000,000	1,375,200	-	-
Consultant shares at \$0.72 (xxvii)	30,625	22,050	-	-
Option conversions at \$0.21 (xxviii)	37,500	7,875	-	-
	244,649,086	44,582,062	172,488,590	24,369,815
Shares to be issued (xxix)	-	(247,100)	-	247,100
Shares to be issued (xxx)	-	(28,574)	-	28,574
Shares to be issued (xv)	-	(55,422)	-	55,422
Shares to be issued (xxxi)	-	39,564	-	-
Shares to be issued (xxxii)	-	51,100	-	-
Transfer from equity-based reserve	-	608,520	-	177,858
Less: transaction costs	-	(565,782)	-	(77,400)
Balance at the end of the period	244,649,086	44,384,368	172,488,590	24,801,369

NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2021

10. ISSUED CAPITAL (Cont'd)

- (i) Issued on 14 August 2019 under a placement announced on 5 August 2019.
- (ii) Issued on 17 September 2019 under a share purchase plan announced on 5 August 2019.
- (iii) Issued on 30 October 2019 to a consultant in lieu of services provided for the period Mar-Sep 2019.
- (iv) Issued on various dates between 30 October 2019 and 2 December 2019 on the conversion of unquoted options (exercisable at \$0.15 on or before 29/11/19).
- (v) Issued on various dates between 20 December 2019 and 30 December 2019 on the conversion of unquoted options (exercisable at \$0.14 on or before 31/12/19).
- (vi) Issued to Blue Sky vendors on the attainment of 80Kt resource at Hombre Muerto.
- (vii) Issued on 30 January 2020 to a consultant in lieu of services provided for the period Oct-Dec 2019.
- (viii) Issued under a controlled placement agreement with Acuity. Shares were issued on 30 January 2020 (2,175,000), 17 March 2020 (1,000,000), 29 June 2020 (2,500,000) and 22 January 2021 (5,000,000).
- (ix) Issued on 9 April 2020 as part of a placement announced on 3 April 2020.
- (x) Issued on 9 June 2020 to a consultant in lieu of services provided for the period Jan-Mar 2020.
- (xi) Issued as part of a placement announced on 23 June 2020. Shares were issued on 29 June 2020 (5,170,716), 1 July 2020 (1,765,000 shares) and 22 July 2020 (2,255,714 shares).
- (xii) 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).
- (xiii) Issued on 27 August 2020 to a vendor as part consideration for tenement acquisitions (Del Condor & Pucara).
- (xiv) Issued on 27 August 2020 to a consultant in lieu of services provided for the period Apr-Jun 2020.
- (xv) Issued on 9 October 2020, to Directors, as part of a placement announced on 3 April 2020 (approved by shareholders on 11 September 2020). Funds of \$55,422 were received prior to 30 June 2020.
- (xvi) Issued on 20 October 2020 under a placement announced on 12 October 2020.
- (xvii) Issued on 4 November 2020 to a vendor as part consideration for tenement acquisitions (Del Condor & Pucara).
- (xviii) Issued on 8 January 2021 to a vendor as part consideration for tenement acquisition (Candelas).
- (xix) Issued on 8 January 2021 to a consultant in lieu of services provided for the period Jul-Dec 2020 (81,069 @ \$0.149 and 175,157 @ \$0.217).
- (xx) Issued on 22 January 2021 to a vendor as consideration for tenement acquisitions (Greenbushes South).
- (xxi) Issued on 29 January 2021 (9,240,000 shares), 1 February 2021 (8,960,000 shares) and 11 February 2021 (2,000,000 shares) under a placement announced on 27 January 2021.
- (xxii) Issued on 23 April 2021 to a consultant in lieu of services provided for the period Jan-Mar 2021.
- (xxiii) Issued on 29 January 2021 on the conversion of unquoted options (exercisable at \$0.20 on or before 30/10/22).
- (xxiv) Issued on 23 April 2021 on the conversion of unquoted options (exercisable at \$0.20 on or before 30/10/23).
- (xxv) Issued on various dates between 8 January 2021 and 28 May 2021 on the conversion of unquoted options (exercisable at \$0.25 on or before 31/3/22).
- (xxvi) Issued on various dates between 8 January 2021 and 11 June 2021 on the conversion of unquoted options (exercisable at \$0.3438 on or before 11/6/21).
- (xxvii) Issued on 11 June 2021 to a consultant in lieu of services provided.
- (xxviii) Issued on 29 June 2021 on the conversion of unquoted options (exercisable at \$0.21 on or before 8/10/23).
- (xxix) Shares to be issued as part of the placement announced on 23 June 2020. Funds received up to 30 June 2020 but shares not issued until 1 July 2020.
- (xxx) Shares to be issued to a consultant in lieu of services provided for the period April-June 2020.
- (xxxi) Shares to be issued to a consultant in lieu of services provided for the period April-June 2021.
- (xxxii) Shares to be issued to a vendor as part consideration for tenement acquisition (Candelas).

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.

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 2021 was conducted by management (see Note 14).

NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2021

10. ISSUED CAPITAL (Cont'd)

Options as at 30 June 2021

The following unquoted options remained on issue as at 30 June 2021:

Expiry Date	Exercise Price	Unquoted Options
01/12/2021	\$0.25	2,000,000
31/03/2022	\$0.25	9,724,371
08/10/2023	\$0.21	10,112,500
04/02/2024	\$0.60	500,000
07/05/2024	\$0.90	150,000

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 2021 \$	30 June 2020 \$
Cash and cash equivalents	15,570,917	1,647,483
Trade and other receivables	21,490	15,341
Trade and other payables	(420,342)	(311,179)
Working capital position	15,172,065	1,351,645

11. RESERVES

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

	30 June 2021 \$	Restated * 30 June 2020 \$
<u>Equity Based Reserve</u>		
Opening balance	3,578,120	6,844,900
Valuation of options (i)	-	1,110,000
Performance shares milestone achieved	(1,075,000)	(2,775,000)
Issue of options to a consultant (ii)	-	15,364
Issue of options to directors and consultants(vi)	828,791	-
Performance shares (iv)	65,816	785,898
Candelas vendor shares (v)	(57,050)	57,050
Valuation of options to Director (v)	-	109,260
Issue of options to an advisor (vii)	179,934	-
Issue of options to a consultant (viii)	148,037	-
Issue of options to an advisor (ix)	67,642	-
Fair value of exercised options transferred to share capital	(608,520)	(177,858)
Transfer to accumulated losses	(1,341,473)	(2,391,494)
Closing Balance	1,786,297	3,578,120
<u>Foreign Currency Translation Reserve</u>	(1,058,724)	(417,718)
	727,573	3,160,402

NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2021

11. RESERVES (Cont'd)

*Refer note 24 for restated balances

- (i) Represented by valuation of deferred consideration shares due to the Blue Sky Lithium Pty Ltd vendors on acquisition.
- (ii) Represented by 150,000 options (exercisable at \$0.20 on or before 30 October 2022) issued to a consultant under their terms of engagement.
- (iii) Represented by 5,000,000 Class A and 5,000,000 Class B Performance shares issued to Managing Director, Mr Juan Pablo Vargas de la Vega.
- (iv) Represented by valuation of shares to be issued to Candelas vendor under option agreement with Blue Sky Lithium Pty Ltd.
- (v) Represented by 2,000,000 Director options (exercisable at \$0.25 on or before 21 December 2021 issued to a Director (as approved by shareholders on 29 November 2019).
- (vi) Represented by 7,000,000 options (exercisable at \$0.21 on or before 8 October 2023) issued to Directors and 3,150,000 options (exercisable at \$0.21 on or before 8 October 2023) (as approved by shareholders on 11 September 2020).
- (vii) Represented by 2,000,000 options (exercisable at \$0.20 on or before 31 October 2023) issued to an Advisor under the terms of their engagement.
- (viii) Represented by 500,000 options (exercisable at \$0.60 on or before 4 February 2024) issued to a Consultant.
- (ix) Represented by 150,000 options (exercisable at \$0.90 on or before 7 May 2024) issued to an Advisor under the terms of their engagement.

12. ACCUMULATED LOSSES

	30 June 2021 \$	Restated * 30 June 2020 \$
Opening balance	(7,196,312)	(7,332,011)
Loss for the Year	(907,891)	(2,255,795)
Transfer from Reserves (refer Note 11)	1,341,473	2,391,494
Closing Balance	(6,762,730)	(7,196,312)

* Refer note 24 for restated balances.

13. LOSS PER SHARE

	Number	Number
Basic and diluted weighted average number of ordinary shares outstanding during the year used in calculation of diluted loss/share	212,523,206	151,179,207
	\$	\$
Loss used in the calculation of basic and diluted loss per share	(907,891)	(2,255,795)

NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2021

14. SHARE BASED PAYMENTS

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

Allotee	Number of Options	Fair Value at Grant Date per Option	Estimated Volatility	Life of Option (years)	Exercise Price	Share Price at Grant Date	Risk Free Interest Rate
Directors	7,000,000	\$0.08165	109%	3.00	\$0.21	\$0.140	0.20%
Consultants	3,150,000	\$0.08165	109%	3.00	\$0.21	\$0.140	0.20%
Consultant	500,000	\$0.29607	85%	3.00	\$0.65	\$0.575	0.75%
Advisor	2,000,000	\$0.08997	108%	3.03	\$0.20	\$0.15	0.20%
Advisor	150,000	\$0.45096	85%	3.00	\$0.90	\$0.85	0.75%

The issue of the above options resulted in a share-based payment expense of \$1,290,222 during the year.

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

	2021		2020	
	Number of Options	Weighted Ave Exercise Price \$	Number of Options	Weighted Ave Exercise Price \$
Balance at 1 July 2020	24,297,614	0.31	36,116,178	0.23
Expired during the year	(10,905,469)	0.42	(23,012,607)	0.14
Exercised during the year	(9,551,858)	0.28	(3,753,571)	0.15
Issued during the year	18,646,584	0.24	14,947,614	0.25
Balance at 30 June 2021	<u>22,486,871</u>	0.21	<u>24,297,614</u>	0.31
Exercisable at 30 June 2021	<u>22,486,871</u>		<u>24,297,614</u>	

The options outstanding at 30 June 2021 had a weighted average remaining life of 1.46 years (2020 – 1.14 years). The weighted average fair value of the options outstanding at 30 June 2021 was \$0.05 (2020 – \$0.08).

Performance Shares

Allotee	Number of Shares	Fair Value at Grant Date per Option	Probability	Life of Shares (years)	Expiry Date	Expected exercise date
---------	------------------	-------------------------------------	-------------	------------------------	-------------	------------------------

Blue Sky Milestones

- Share A	Vested for vendors on 2 December 2019 ⁽ⁱ⁾					
- Share B	10,000,000	\$0.185	25%	N/A	N/A	N/A

Juan Pablo Vargas de la Vega ("Managing Director") Performance Shares

- Class A	Vested for Managing Director on 22 July 2020 ⁽ⁱⁱⁱ⁾					
- Class B	5,000,000	\$0.215	25%	3.1	July 2023	Dec 2022

The calculation of the value of the above performance shares resulted in a share-based expense of \$65,816 during the year, which is based on management's assessment of the probability of the milestones being met.

NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2021

14. SHARE BASED PAYMENTS (Cont'd)

- (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.

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).

15. CASH FLOW INFORMATION

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

	30 June 2021 \$	30 June 2020 \$
Loss from ordinary activities after income tax	(907,891)	(2,255,795)
Gain on hyper inflation	(1,978,431)	(361,451)
Government grant	(73,088)	
Gain on sale of shares		-
Fair value adjustment to investments	(86,998)	2,679
Depreciation	2,070	2,871
Share based payments	1,290,222	910,522
Changes in assets and liabilities		
- (increase)/decrease in trade and other receivables	(11,106)	51,562
- Increase/(decrease) in provisions	110,690	-
- Increase/(decrease) in trade and other payables	163,502	(15,055)
Cash flow from operations	(1,491,030)	(1,664,667)

NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2021

16. 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 \$	2021 Total \$
2021				
<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

	Variable Interest Rate \$	Fixed Maturity – 1 Year or Less \$	Non-interest Bearing \$	2020 Total \$
2020				
<u>Financial assets</u>				
Cash and cash equivalents	146,485	1,500,998	-	1,647,483
Receivables	-	-	15,341	15,341
Held for trading financial assets	-	-	22,632	22,632
Total financial assets	146,485	1,500,998	37,973	1,685,456
Weighted average effective interest rate				0.20%
<u>Financial liabilities</u>				
Trade payables and accruals	-	-	(256,841)	(256,841)
Net financial assets				1,428,615

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 2021

16. 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 2021 \$	30 June 2020 \$
Cash and cash equivalents - Australia	15,487,624	1,634,984
Receivables – Australia	12,944	15,341

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.

All Argentinian receivables relate to VAT and sales tax which may be paid in cash or utilised as tax credits.

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 2021

16. FINANCIAL RISK MANAGEMENT (Cont'd)

	30 June 2021	30 June 2020
	\$	\$
<u>Interest bearing financial instruments</u>		
Cash and cash equivalents	15,487,624	1,634,984
Weighted average effective interest rate	0.27%	0.20%

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 2021, 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 50 basis points	77,437	25,835
Decrease in interest rate by 50 basis points	(77,437)	(25,835)

Change in equity

Increase in interest rate by 50 basis points	77,437	25,835
Decrease in interest rate by 50 basis points	(77,437)	(25,835)

Foreign currency sensitivity analysis

At 30 June 2021, 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	25,293	26,025
Decrease in 20% of Australian Dollar against the Argentinian Peso	(25,293)	(26,025)

Change in equity

Increase in 20% of Australian Dollar against the Argentinian Peso	25,293	26,025
Decrease in 20% of Australian Dollar against the Argentinian Peso	(25,293)	(26,025)

17. 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 2021.

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

	30 June 2021	30 June 2020
	\$	\$
Short term employee benefits	511,368	358,408
Post-employment benefits	39,615	15,616
Other long term benefits	-	-
Equity based payments	571,584	895,108
	<u>1,122,567</u>	<u>1,269,132</u>

NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2021

17. KEY MANAGEMENT PERSONNEL (KMP) COMPENSATION (Cont'd)

Barclay Wells Ltd was paid a total of \$380,208 (2020: \$77,400) in capital raising fees for the 2021 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 \$79,620 (2020: \$Nil) 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 \$96,500 (2020: \$122,853) 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.

18. COMMITMENTS

The mining tenement option obligations, which may or may not be paid depending on results, are not provided for in the financial statements and are payable as follows:

	30 June 2021 \$	30 June 2020 \$
No longer than one year	93,147	304,790
Longer than one year but not longer than five years	1,210,912	1,422,351
Longer than five years	-	-
	<u>1,304,059</u>	<u>1,727,141</u>

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

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

- Purchase option instalments of USD 70,000, every 6 months, to the titleholder (non-refundable) until December 2021. Each purchase option instalment will be accompanied by the issue of 70,000 shares in the Company to the Candelas titleholder. A total of 420,000 fully paid ordinary shares have been issued to the titleholder at 30 June 2021 (140,000 fully paid ordinary shares remain to be issued)
- 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.

18. 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.

19. EVENTS SUBSEQUENT TO THE REPORTING DATE

On 15 July 2021, Galan announced that it had executed a binding Option Agreement with a private Argentinian individual for the purchase of the right to earn a 100% interest in the *Casa Del Inca III* lithium brine tenement. The acquisition increases and consolidates the Hombre Muerto West project footprint in the South American Lithium Triangle in Catamarca, Argentina.

Galan agreed to initially acquire 300ha for a total of US\$150,000 with the initial deposit of US\$80,000 being paid on 12 July 2021.

The initiation of a scoping study on Galan's Candelas project was announced on 20 July 2021. The scoping study will be performed by Galan's in-house engineering team whilst Ad-infinity in Chile will oversee the chemical processing and other relevant study sections. The study is expected to be completed during Q4 2021.

On 13 August 2021, the Company announced the completion of a \$50 million institutional placement to accelerate the development of its strategic lithium projects. Canaccord Genuity (Australia) Limited acted as the lead manager and book runner for the two-tranche placement which was conducted at an issue price of \$1.15 per share.

Under tranche one of the placement, the Company received gross proceeds of \$29.8m and issued a total of 24,326,574 shares (on 20 August 2021) under its existing placement capacity under ASX Listing Rules 7.1 and 7.1A.

As a result of the significant demand received in the placement, Galan will also be seeking to issue a further 17.6 million new fully paid ordinary shares, at an issue price of \$1.15 in a second tranche (for gross proceeds of \$20.2 million). Completion of the tranche two placement is subject to Galan Shareholder approval, to be sought at a General Meeting of shareholders on 12 October 2021. The Company acknowledges the strong support from two institutional investors with a track record of successful investment in the natural resources sector, who will be the sole allottees in the second tranche.

Since the end of the financial year the following equity has been issued:

- On 9 July 2021, 228,572 \$0.25 options and 25,000 \$0.21 options were exercised and converted into fully paid ordinary shares
- On 16 July 2021, 400,000 \$0.25 options were exercised and converted into fully paid ordinary shares
- On 20 August 2021, 25,872,594 fully paid ordinary shares were issued under tranche one of a placement
- On 20 August 2021, 72,000 \$0.25 options were exercised and converted into fully paid ordinary shares

NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2021

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.

20. REMUNERATION OF AUDITORS

	30 June 2021 \$	30 June 2020 \$
Remuneration of the auditor for:		
Auditing and reviewing the financial reports	30,000	26,500
	<u>30,000</u>	<u>26,500</u>

21. CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned	
		2021	2020
Galan Lithium Limited (Parent Entity)	Australia		
Blue Sky Lithium Pty Ltd (Controlled Entity)	Australia	100%	100%
Galan Exploraciones S.A. (GESA)	Argentina	100%	100%

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 le Vega.

22. PARENT ENTITY DISCLOSURES

	30 June 2021 \$	30 June 2020 \$
(a) Statement of financial position		
Assets		
Current assets	15,500,567	1,650,984
Non-current assets	22,406,380	19,556,168
Total assets	<u>37,906,947</u>	<u>21,207,152</u>
Liabilities		
Current liabilities	323,455	171,742
Non-current liabilities	-	-
Total liabilities	<u>323,455</u>	<u>171,742</u>
Equity		
Issued capital	44,384,368	24,801,369
<u>Reserves:</u>		
Equity based payment reserve	1,786,299	3,578,120
Retained losses	(8,587,175)	(7,344,079)
Total Equity	<u>37,583,492</u>	<u>21,035,410</u>
(b) Statement of Profit or Loss and Other Comprehensive Income		
Total profit/ (loss)	(2,583,922)	(2,447,878)
Total comprehensive income	<u>(2,583,922)</u>	<u>(2,447,878)</u>

NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2021

23. CONTINGENT LIABILITIES

Galan Lithium Limited has the following material contingent liabilities as at 30 June 2021:

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 2021, the MD performance share valuation of \$65,816 (2020: \$785,898) was reflected in the share based payment expense and the outstanding Blue Sky share valuation of \$Nil (2020: \$1,110,000) was capitalised to exploration expenditure.

24. RESTATEMENT OF COMPARATIVES

During the financial year, it was identified that the Company had not accounted for the effect of its subsidiary's operations in a hyperinflationary economy and the recognition of a provision in respect to the Company's environment exploration campaign closure plan.

The Argentinean economy has been considered a hyperinflationary economy, according to the criteria set out in the accounting standard "Financial Reporting in Hyperinflationary Economies" (AASB 129).

This determination was carried out on the basis of a series of qualitative and quantitative criteria which include the presence of an accumulated inflation rate of over 100% in the past three years. According to AASB 129, the financial statements of the subsidiary Galan Exploraciones (Argentina) must be restated by applying a general price index to the historical cost, in order to reflect the changes in the purchasing power of the Argentine Peso, on the closing date of these financial statements.

Accordingly, in this financial report the comparatives for the year ended 30 June 2020, have been restated as a result of hyperinflation relating to the Argentine Peso as referred to in Note 1(f) and the recognition of an environmental provision for restoration. The following restatement adjustments have been recorded for the year ended 30 June 2020.

Consolidated Statement of Financial Position	Previously recognised amounts as at 30 June 2020 \$	Adjustments to balances in accordance with AASB 108 \$	Restated comparative balances as at 30 June 2020 \$
Non-Current Assets			
Exploration and evaluation	18,461,811	1,089,452	19,551,263
Current Liabilities			
Provisions	(54,338)	(168,910)	(223,248)
NET ASSETS	19,844,917	920,542	20,765,459

NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2021

Consolidated Statement of Financial Position	Previously recognised amounts as at 30 June 2020 \$	Adjustments to balances in accordance with AASB 108 \$	Restated comparative balances as at 30 June 2020 \$
Equity			
Issued capital	24,801,369	-	24,801,369
Reserves	2,601,311	559,091	3,160,402
Accumulated losses	(7,557,763)	361,451	(7,196,312)
TOTAL EQUITY	19,844,917	920,542	20,765,459
Consolidated Statement of Profit or Loss and Other Comprehensive Income	Previously recognised amounts as at 30 June 2020 \$	Adjustments to balances in accordance with AASB 108 \$	Restated comparative balances as at 30 June 2020 \$
Gain on hyper inflation	-	(361,451)	(361,451)
Loss for the period	2,617,246	(361,451)	2,255,795
Exchange differences on translating foreign operations	-	(559,091)	(559,091)
Other comprehensive loss for the year net of tax	976,809	(559,091)	417,718
Total comprehensive income and net loss for the year attributable to the owners of the Company	3,594,055	(920,542)	2,673,513
Basic weighted average loss per share (cents per share)	(3.31)	1.82	(1.49)

The above corrections did not lead to any changes in the statement of cash flows for the year ended 30 June 2020.

DIRECTORS' DECLARATION

Galan Lithium Limited Annual Report 2021

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 33 to 62, 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 2021 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
30 September 2021

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 Consolidated Entity"), which comprises the consolidated statement of financial position as at 30 June 2021, 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 Consolidated Entity is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2021 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.

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 Consolidated Entity 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.

Independent Auditor's Report

To the Members of Galan Lithium Limited (Continued)

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>Accounting for Hyperinflation in the Consolidated Entity's Argentinian Operations</p> <p>As Described in Note 1(t) of the financial statements, the Consolidated Entity has brought to account a prior period adjustment relating to the recognition of Hyperinflation accounting in accordance with AASB 129 Financial Reporting in Hyperinflationary Economies.</p> <p>We considered this to be a key audit matter as it gave rise to a material cumulative impact, increasing the value of the exploration and evaluation expenditure and recognising a gain in hyperinflation in the income statement. Details of the restatement can be found in Note 24.</p> <p>The Consolidated Entity has also adjusted current year results of the Argentinian operations in line with the accounting policies in note 1(t).</p> <p>We considered this to be a key audit matter due to the complexity and quantum of the impact on the financial statements.</p>	<p>To Determine that the accounting for Hyperinflation in accordance with AASB 129 has been appropriately accounted for, we undertook the following audit procedures amongst others:</p> <ul style="list-style-type: none"> • Evaluated managements assessment of the functional currency of the consolidated entity's Argentinian operations. • Obtained managements calculations and updated consolidation workings in respect of the current and prior year balances and assessed whether they reflected our understanding of the accounting requirements and application of AASB 129. • Evaluation of managements adjustments for accuracy. • Evaluated the adequacy and disclosure of the restatement of the prior period balances in the financial statements for compliance with the requirements of AASB 108 Accounting Policies, Changes in Accounting Estimated and Errors. • Assessed the adequacy of the disclosures included in Note 1(t) and 24 to the financial statements.
<p>Exploration and Evaluation</p> <p>As disclosed in Note 8, the Consolidated Entity had an exploration and evaluation balance of \$23,408,544 as at 30 June 2021.</p> <p>Exploration and evaluation expenditure is a key audit matter due to:</p> <ul style="list-style-type: none"> • The significance of the balance to the 	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • 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 Consolidated Entity holds an interest and the exploration programs planned for

Independent Auditor's Report

To the Members of Galan Lithium Limited (Continued)

<p>Consolidated Entity's financial position.</p> <ul style="list-style-type: none">• 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.• The assessment of impairment of exploration and evaluation expenditure requiring judgement.	<p>those tenements.</p> <ul style="list-style-type: none">• For each area of interest, we assessed the Consolidated Entity's rights to tenure by corroborating to agreements in place.• 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.• Substantiated a sample of expenditure by agreeing to supporting documentation.• 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">○ the licenses for the right to explore expiring in the near future or are not expected to be renewed;○ substantive expenditure for further exploration in the specific area is neither budgeted or planned decision or intent by the Consolidated Entity to discontinue activities in the specific area of interest due to lack of commercially viable quantities of resources; and○ data indicating that, although a development in the specific area is likely to proceed, the carrying amount of the exploration asset is unlikely to be recovered in full from successful development or sale.• Examined the disclosures made in the financial report.
<p>Accounting for share based payments</p> <p>As disclosed in Note 14 to the financial statements, during the year ended 30 June 2021 the Consolidated Entity incurred share based payments expense of \$1,290,222. Share based payments are considered to be a</p>	<p>Our procedures amongst others included:</p> <ul style="list-style-type: none">• 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;

Independent Auditor's Report

To the Members of Galan Lithium Limited (Continued)

key audit matter due to:

- the value of the transactions;
- the complexities involved in the recognition and measurement of these instruments; and
- the judgement involved in determining the inputs used in the valuations.

- Evaluating valuation models and assessing the assumptions and inputs used;
- Assessing the amount recognised during the year in accordance with the vesting conditions of the agreements; Assessing the achievement of relevant milestones; and
- Assessing the adequacy of the disclosures included in Note 14 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Consolidated Entity's annual report for the year ended 30 June 2021, 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, 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.

In preparing the financial report, the directors are responsible for assessing the Consolidated Entity'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 Consolidated Entity or to cease operations, or has no realistic alternative but to do so.

Independent Auditor's Report

To the Members of Galan Lithium Limited *(Continued)*

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 Consolidated Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditor's Report

To the Members of Galan Lithium Limited *(Continued)*

- 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 Consolidated Entity'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 Consolidated Entity 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 Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity 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 2021. 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.

Independent Auditor's Report

To the Members of Galan Lithium Limited *(Continued)*

Auditor's Opinion

In our opinion, the Remuneration Report of the Company, for the year ended 30 June 2021, complies with section 300A of the Corporations Act 2001.



HALL CHADWICK WA AUDIT PTY LTD
Chartered Accountants



MARK DELAURENTIS CA
Partner

Dated at Perth this 30th day of September 2021

ADDITIONAL SHAREHOLDER INFORMATION

Galan Lithium Limited Annual Report 2021

Additional information required by Australian Securities Exchange Limited and not shown elsewhere in this Annual Report is as follows.

DETAILS OF EQUITY SECURITIES (AS AT 24 SEPTEMBER 2021)

ORDINARY SHAREHOLDERS

There are 271,528,752 fully paid ordinary shares on issue, held by 5,195 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

Fully Paid Ordinary Shareholders	Number	Percentage
Havelock Mining Investment Ltd	16,983,004	6.25%
Juan Pablo Vargas de la Vega	16,977,902	6.25%
BNP Paribas Noms Pty Ltd (DRP)	12,069,247	4.44%
Citicorp Nominees Pty Ltd	11,274,897	4.15%
Ying Nominees Pty Ltd (Ying Super Fund)	8,828,888	3.25%
BNP Paribas Nominees Pty Ltd Six Sis Ltd (DRP)	5,343,270	1.97%
Ms Margaret Lynette Harvey	4,992,857	1.84%
Leada Holdings Pty Ltd (Leada Investment A/c)	4,655,000	1.71%
Mrs Alison Claire Ovenden	4,200,000	1.55%
CS Third Nominees Pty Ltd (HSBC Cust Nom Au Ltd 13 A/c)	3,996,389	1.47%
Mr Zhaoyang Liu	3,971,425	1.46%
HSBC Custody Nominees (Australia) Ltd – A/c 2	3,608,099	1.33%
Clive Jones (The Alyse Investment A/C)	3,552,090	1.31%
Mr Terry James Gardiner	3,548,600	1.31%
Mr Bradley William Smith	3,170,000	1.17%
MR T J Gardiner + MRS V H Gardiner (Terry James Gardiner F/Fund)	2,900,000	1.07%
Brispot Nominees Pty Ltd (House Head Nominee A/c)	2,802,601	1.03%
BNP Paribas Nominees Pty Ltd (IB Au Noms Retailclient DRP)	2,788,572	1.03%
BNC Global Investments	2,700,000	0.99%
Ms Jane Lea Allnut	2,264,636	0.83%
	120,627,477	44.43%

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:

- (a) each shareholder entitled to vote, may vote in person or by proxy, attorney or representative;
- (b) 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
- (c) 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 171 shareholders who hold less than a marketable parcel of shares.

ADDITIONAL SHAREHOLDER INFORMATION

Galan Lithium Limited Annual Report 2021

DISTRIBUTION OF SHARE HOLDERS

	Ordinary Shares
1 to 1,000	660,851
1,001 to 5,000	5,155,430
5,001 to 10,000	6,405,468
10,001 to 100,000	44,597,358
100,001 and over	214,709,645
	271,528,752

SUBSTANTIAL SHAREHOLDERS

As at report date, the following shareholders are recorded as Substantial Shareholders pursuant to notices lodged with the ASX 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	7.60%
Juan Pablo Vargas de la Vega and associated entities	17,289,932	7.28%

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 24 SEPTEMBER 2021)

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

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

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

E70/4690 (G)	P70/1699 (P)
E70/4790 (G)	P70/1700 (P)
E70/4629 (P) (*)	P70/1701 (P)
E70/4777 (G)	P70/1702 (P)
E70/4889 (P)	P70/1703 (P)
E70/5680 (G)	P70/1704 (P)
P70/1698 (P)	
(*) 100%	