



AND CONTROLLED ENTITIES

ABN 87 149 349 646

Financial Report
Half Year ended 31 December 2020

DIRECTORS

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

COMPANY SECRETARY

Mike Robbins

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

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AUDITORS

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PERTH WA 6000

SHARE REGISTRY

Advanced Share Registry Limited
110 Stirling Highway
Nedlands WA 6009

STOCK EXCHANGE LISTING

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

ASX Code

GLN

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The Directors of Galan Lithium Limited ('the Company' or 'Galan') present the financial report of the Company and its Controlled Entities ('the Group') for the half year ended 31 December 2020. In order to comply with the provisions of the Corporations Act, the directors report as follows:

Directors

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

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

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

Mike Robbins holds the position of Company Secretary.

Results

The operating loss after income tax of the Group for the half year ended 31 December 2020 was \$464,652 (2019: \$100,020).

Corporate Structure

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

Review of Operations

Corporate

At the end of the 2020 calendar year, the Group had cash reserves of \$3,013,195 (2019: \$901,566).

Equity

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 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 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. The remaining outstanding funds were also paid out under the terms of the Agreement.

In regard to COVID-19, Galan remains committed to delivering on our goals whilst maintaining high safety standards for our employees, contractors and consultants by adhering to the recommended practices mandated by the authorities in Australia, Argentina and Chile. There have been no major disruptions to our HMW development schedule with site flora and fauna and archaeological studies recently completed and brine samples delivered to Chile and currently being analysed.

Operations

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 (Li_2CO_3) 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

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 $\pm 30\%$ on the 'factored cases' estimated figures and operating cost is $\pm 30\%$. 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 the announcement dated 21 December 2020.

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 the directors report. Investors should not make any investment decisions based solely on the results of the PEA.

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-Infinitum, 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 Li₂CO₃ 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 also recently 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 this study because at the completion of engineering design, the acquisition of these tenements was not completed.

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.

HMW Resource (PEA)

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 does not include 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%.

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.'

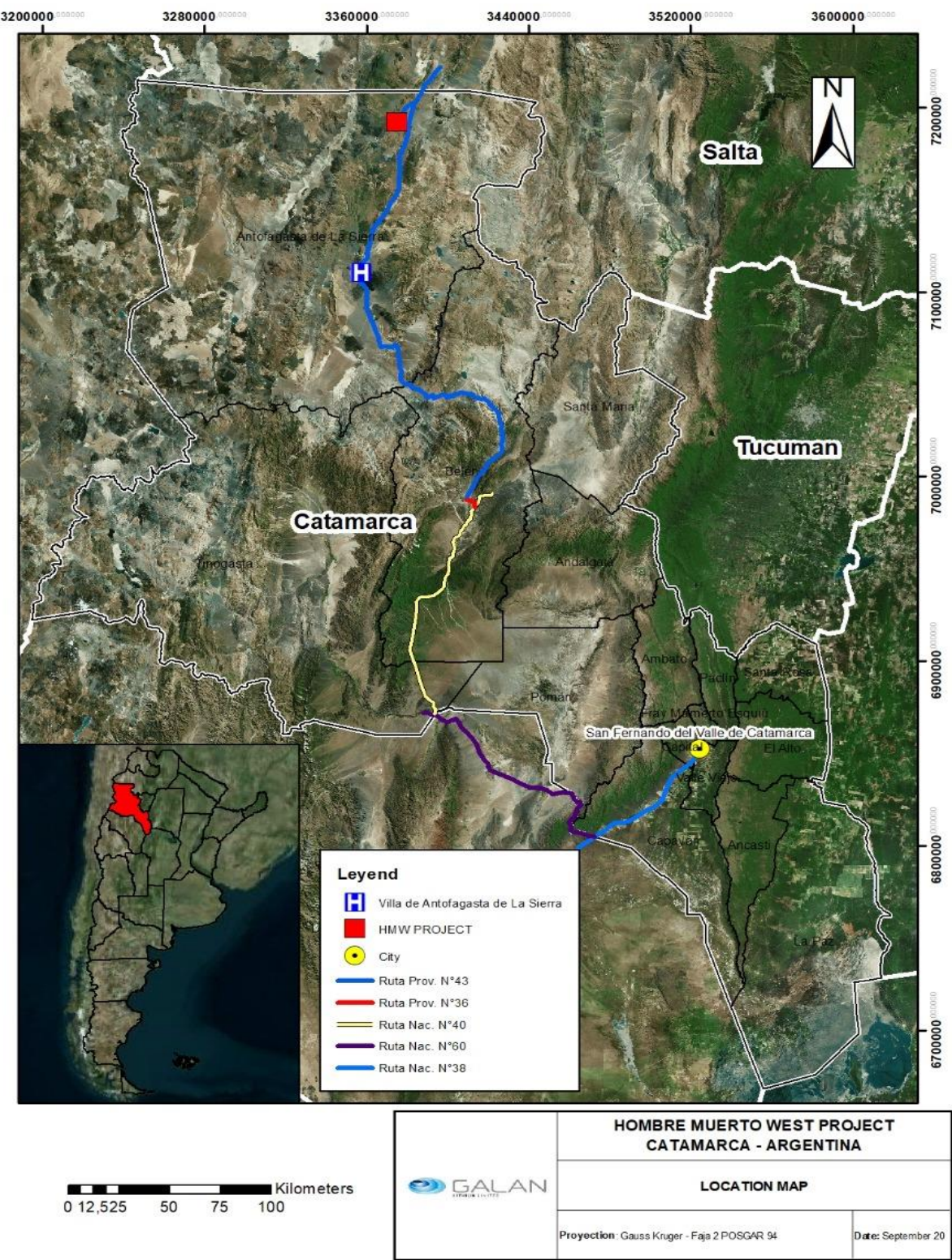


Figure 1: HMW Project, Hombre Muerto Salar, Catamarca Argentina

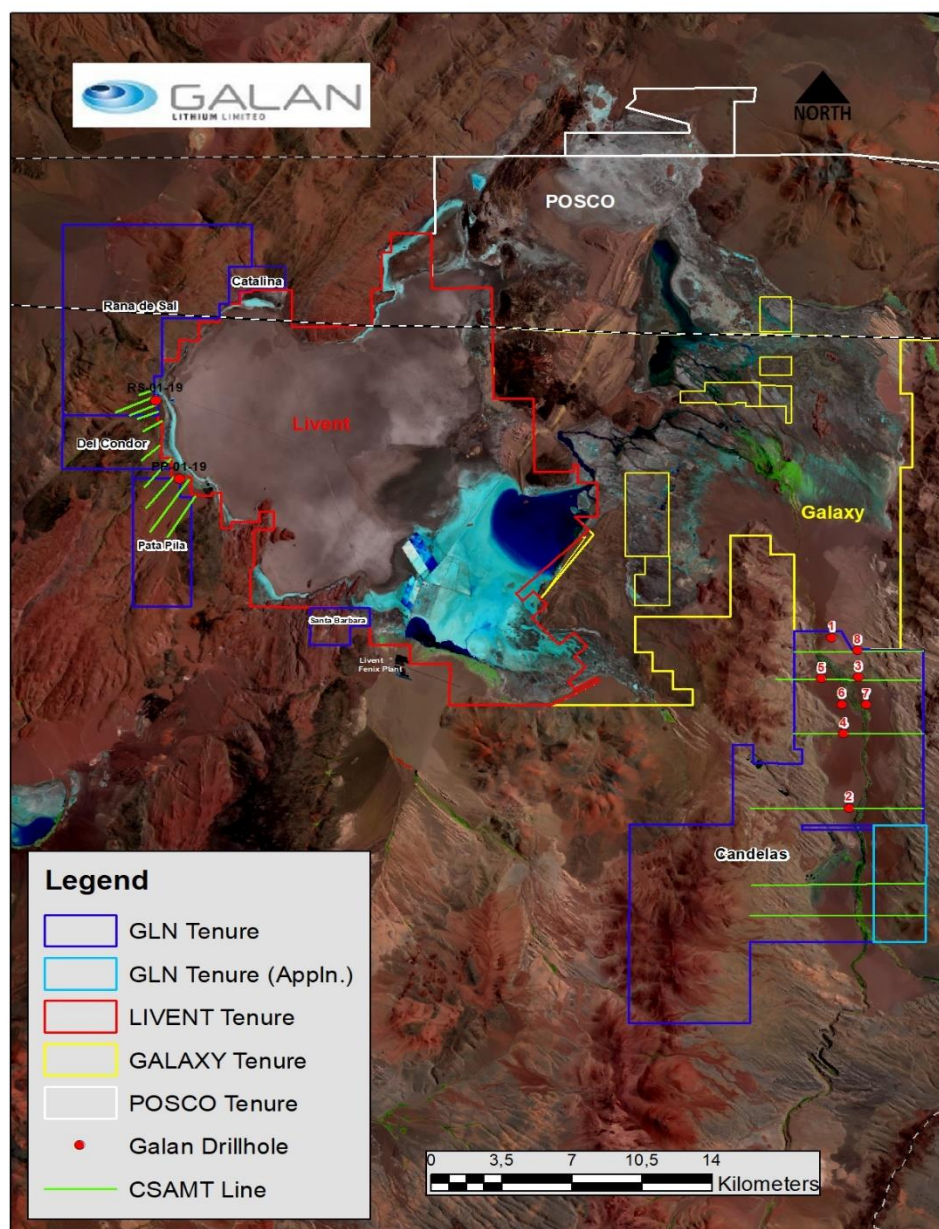


Figure 2: Hombre Muerto Properties Map

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.

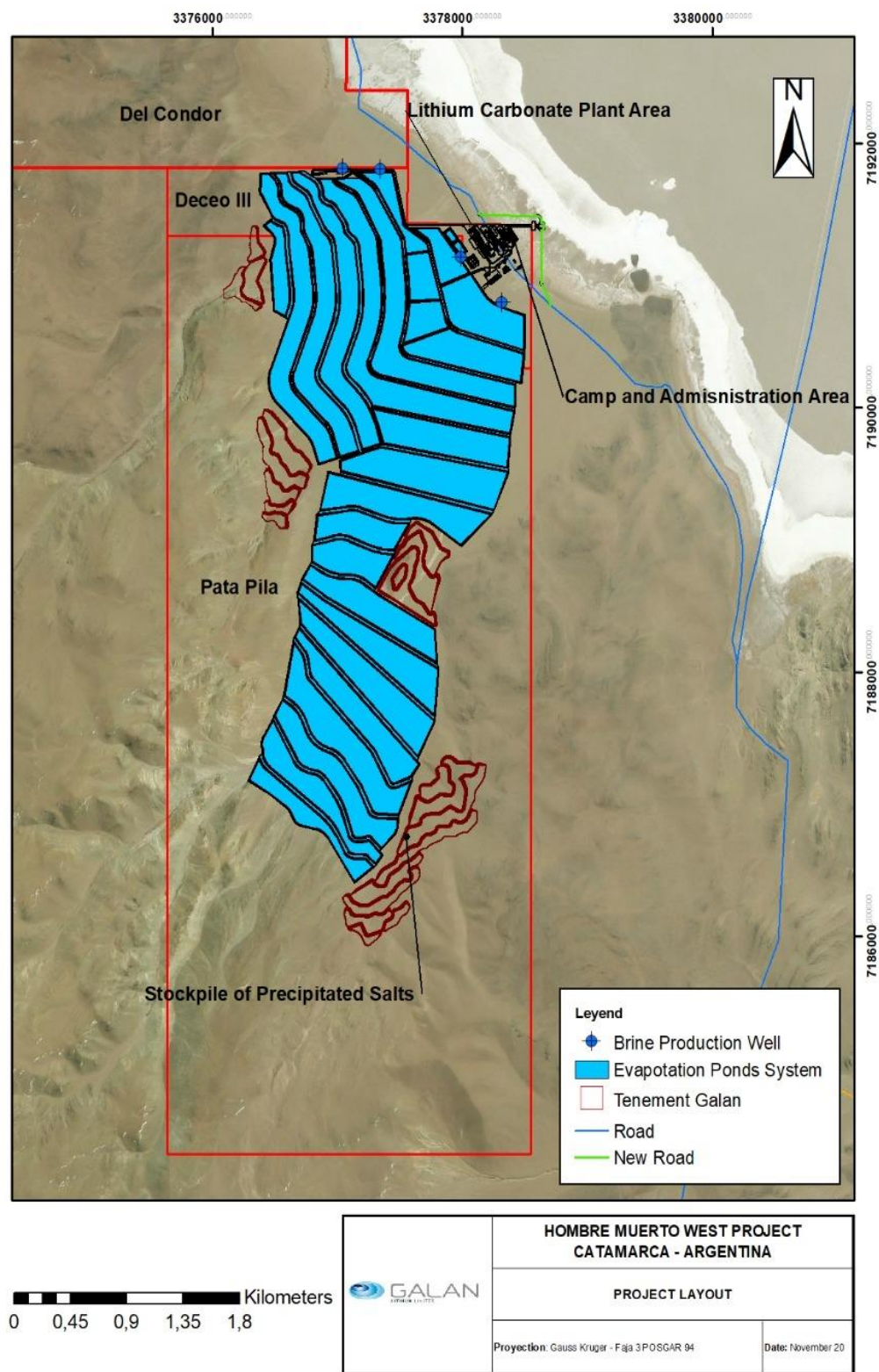


Figure 3: HMW Project Layout

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.

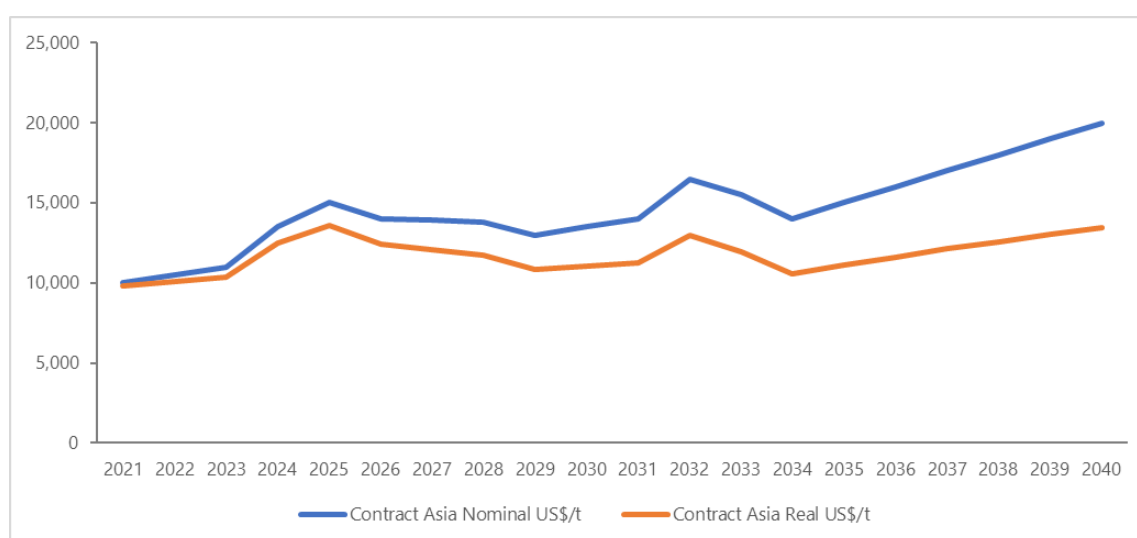


Figure 4: Long Term estimate of the Contracted Price of Battery Grade Li_2CO_3 developed by Roskill

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) Estimate

Scope 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.

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.

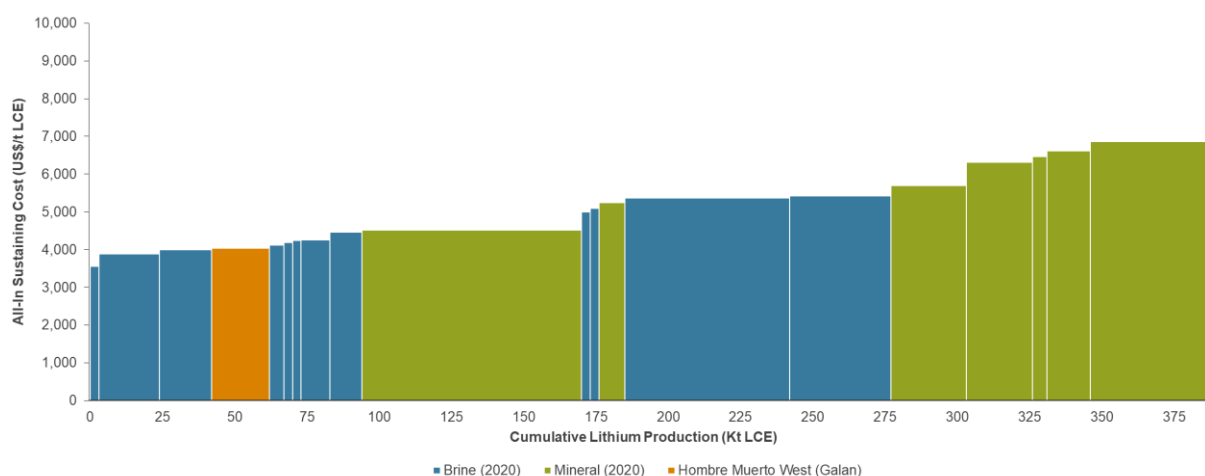


Figure 5: Lithium Production Cost Curve (source: Roskill – Lithium Cost Model Service)

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
PFS and FS	Q3 2022
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

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.'

Laboratory Progress

- The first trial of evaporation and carbonatisation has been completed. The aim was to calibrate the brine evaporation model used for the Scoping Study/PEA using HMW brine but not to necessarily confirm or otherwise the optimised and modelled brine quality.
- Results showed good correlation between the trial and the evaporation model and also delivered a lithium carbonate product within the battery grade range.
- A second batch of 17,000 litres of brine was sent to the laboratory in Chile in November 2020 to further confirm the initial results, to complement the study and to provide further process robustness.
- The second trial of evaporation testing is progressing well with the Galan team testing new optimisation alternatives.
- The test results are now expected during Q1 2021 - some delays have been experienced due to COVID-19 lockdowns in the city of Antofagasta where the tests are being performed. Nevertheless, the team in Chile has taken significant steps to continue to advance the trials to avoid delays.

Candelas

The main focus for the last six months has been the HMW Project and therefore minimal work has been undertaken on the Candelas project.

Greenbushes South

In January 2021, Galan entered into a sale and joint venture with Lithium Australia NL for an 80% for the Greenbushes South Lithium project ('the 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 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.'

Significant changes in the state of affairs

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

Significant events after balance date**Projects**

On 14 January 2021, the Company announced that it had entered into a sale and joint venture with Lithium Australia NL for an 80% for the Greenbushes South Lithium project ('the 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.

Equity - Shares

On 8 January 2021, the following capital 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 capital:

- 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 capital:

- 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 options

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.

Equity - Options

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

Restatement of Financial Statements

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.

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 10** for restatement workings.

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

Auditor Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, Bentleys, to provide the Directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 19 and forms part of this Directors' Report for the half year ended 31 December 2020.

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



Juan Pablo Vargas de la Vega – Managing Director
Perth, 16 March 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 contained herein that relates to project background, brine extraction method, recovery method, project layout and infrastructure, capex estimate, opex estimate and economic evaluation 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.

Competent Person 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. Dr Cunningham is an Associate Principal Consultant of SRK Consulting (Australasia) Pty Ltd. He has sufficient experience relevant to the assessment and of this style of mineralisation to qualify as a Competent Person as defined by the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves – The JORC Code (2012)". Dr Cunningham consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

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

In the opinion of the directors:

- (a) the financial statements and notes are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of the Company as at 31 December 2020 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134: "Interim Financial Reporting" and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Board

A handwritten signature in black ink, appearing to be 'JPV' or similar, written over a faint, larger signature.

Juan Pablo Vargas de la Vega – Managing Director
16 March 2021

**Bentleys Audit & Corporate
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To the Board of Directors

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

As lead audit partner for the review of the financial statements of Galan Lithium Limited for the period ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully



BENTLEYS
Chartered Accountants



DOUG BELL CA
Partner

Dated at Perth this 16th day of March 2021

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

For the half year ended 31 December 2020

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	Note	31 December 2020 \$	31 December 2019*(restated) \$
Revenue			
Other income		73,467	935
Gain on financial assets at fair value through profit and loss		17,780	1,514
Administration and occupancy expenses		(292,664)	(482,659)
Corporate and compliance		(94,990)	(146,167)
Personnel expenses		(324,490)	(260,164)
Depreciation		132	(1,445)
Gain on hyperinflation	10	1,197,746	1,245,608
Share based payment expense	6	(1,041,633)	(457,642)
Loss before income tax		(464,652)	(100,020)
Income tax		-	-
Loss for the period		(464,652)	(100,020)
Exchange differences on translating foreign operations		(950,994)	(325,285)
Other comprehensive income		-	-
Total comprehensive loss for the period		(1,415,646)	(425,305)
Basic loss per share (cents per share)		(0.24)	(0.96)

*Refer to note 10 for details on restatement

The accompanying notes form part of these financial statements.

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

As at 31 December 2020

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		31 December 2020	Restated 30 June 2020*
	Note	\$	\$
Current Assets			
Cash and cash equivalents		3,013,195	1,647,483
Prepayments		914	1,220
Trade and other receivables		30,791	15,341
Total Current Assets		3,044,900	1,664,044
Non-Current Assets			
Financial assets		70,412	22,632
Plant and equipment		19,172	7,609
Exploration and evaluation	3	21,176,747	19,551,263
Total Non-Current Assets		21,266,331	19,581,504
TOTAL ASSETS		24,311,231	21,245,548
Current Liabilities			
Trade and other payables		151,649	256,841
Provisions		250,526	223,248
Total Current Liabilities		402,175	480,089
TOTAL LIABILITIES		402,175	480,089
NET ASSETS		23,909,056	20,765,459
Equity			
Issued capital	4	29,451,029	24,801,369
Reserves	6	2,118,991	3,160,402
Accumulated losses		(7,660,964)	(7,196,312)
TOTAL EQUITY		23,909,056	20,765,459

*Refer to note 10 for details on restatement

The accompanying notes form part of these financial statements.

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

For the half year ended 31 December 2020

22

	31 December 2020	31 December 2019
	\$	\$
Cash Flows from Operating Activities		
Payments to suppliers, contractors and employees	(601,633)	(766,125)
Interest received	379	935
Cash received from government grant	70,579	-
	<hr/>	<hr/>
Net cash flows used in operating activities	(530,675)	(765,190)
	<hr/>	<hr/>
Cash Flows from Investing Activities		
Payments for exploration expenditure	(1,663,701)	(3,421,521)
Payments for investments acquired	(30,000)	(2,000)
	<hr/>	<hr/>
Net cash flows used in investing activities	(1,693,701)	(3,423,521)
	<hr/>	<hr/>
Cash Flows from Financing		
Proceeds from issue of equities net of issue costs	3,847,096	2,506,787
Proceeds from over payment on option conversion	(257,008)	-
	<hr/>	<hr/>
Net cash flows used in financing activities	3,590,088	2,506,787
	<hr/>	<hr/>
Net increase/(decrease) cash and cash equivalents	1,365,712	(1,681,924)
Cash and cash equivalents at the beginning of the financial period	1,647,483	2,583,490
	<hr/>	<hr/>
Cash and cash equivalents at the end of the financial period	3,013,195	901,566
	<hr/>	<hr/>

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2020

	Issued Capital	Reserves	Accumulated losses	Total
	\$	\$	\$	\$
Balance at 1 July 2019	16,940,982	6,844,900	(7,332,011)	16,453,871
Loss for the period	-	-	(100,020)	(100,020)
Foreign currency movement	-	(325,285)	-	(325,285)
Total comprehensive loss for the period	-	(325,285)	(100,020)	(425,305)
Issue of Equity	2,572,800	-	-	2,572,800
Issue of Equity	-	-	-	-
Performance shares issued	2,775,000	(2,775,000)	-	-
Vendor shares	-	57,050	-	57,050
Share issue costs	(60,000)	-	-	(60,000)
Option valuation	-	124,624	-	124,624
Fair value exercised options	177,858	(177,858)	-	-
Expiry of options	-	(2,391,494)	2,391,494	-
Option Reserve	-	1,443,018	-	1,443,018
Balance at 31 December 2019 (restated)	22,406,640	2,799,955	(5,040,537)	20,166,058
	Issued Capital	Reserves	Accumulated losses	Total
	\$	\$	\$	\$
Balance at 1 July 2020*	24,801,369	3,160,402	(7,196,312)	20,765,459
Loss for the period	-	-	(464,652)	(464,652)
Foreign currency movement	-	(950,994)	-	(950,994)
Total comprehensive loss for the period	-	(950,994)	(464,652)	(1,415,646)
Issue of Equity	3,847,096	-	-	3,847,096
Equity to be issued	(197,428)	(57,050)	-	(254,478)
Performance shares issued	1,075,000	(1,075,000)	-	-
Vendor shares	182,000	-	-	182,000
Share issue costs	(257,008)	-	-	(257,008)
Option valuation	-	1,041,633	-	1,041,633
Fair value exercised options	-	-	-	-
Expiry of options	-	-	-	-
Option Reserve	-	-	-	-
Balance at 31 December 2020	29,451,029	2,118,991	(7,660,964)	23,909,056

*Refer to note 10 for details on restatement

The accompanying notes form part of these financial statements.

1. CORPORATE INFORMATION

This interim financial report represents those of Galan Lithium Limited ('the Company' or 'Galan') and Controlled Entities ('the Group') for the half-year ended 31 December 2020 was authorised for issue in accordance with a resolution of the Directors on 16 March 2021.

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

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

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

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

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2020 and any public announcements made by Galan during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

(b) Basis of Preparation

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

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

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

(c) New accounting standards, interpretations and amendments adopted by the Group*Standards and Interpretations applicable to 31 December 2020*

In the period ended 31 December 2020, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Group accounting policies.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the half-year ended 31 December 2020. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Company and, therefore, no change is necessary to Group accounting policies.

(d) Significant Accounting Judgements and Key Estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. In preparing this half-year report, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2020.

Share-based payment transactions

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

(e) Going Concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Group incurred a loss for the half year of \$464,652 (2019: \$100,020) and net cash outflows used in operating activities of \$530,675 (2019: \$765,190).

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).

The proceeds of the placement, together with the Company's existing cash resources will be applied towards the continued enhancement of the technical and economic capabilities of the Hombre Muerto West lithium brine project, including well drilling, piloting and resource work, the initial exploration programme at the Greenbushes South lithium project and for working capital purposes. Galan will be fully funded through its planned 2021 study costs, piloting and new exploration work.

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

(f) 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).

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 10** for restatement workings.

3. EXPLORATION AND EVALUATION

	31 December 2020	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 half year	1,161,132	2,902,166
Share valuation capitalised	208,600	1,110,000
Candelas vendor shares	-	57,050
Hyperinflation	1,197,746	587,354
Foreign exchange translation	(941,994)	(417,718)
Balance at reporting date	21,176,747	19,551,263

*Refer to note 10 for restated balances

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

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

Asset acquisition – Hombre Muerto Lithium Project

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

- 3,000,000 fully paid ordinary shares in the capital of Galan and 3,000,000 options each at an exercise price of \$0.14 on or before 31 December 2019 (the shares and options were issued on 25 June 2018).
- Issue to the Blue Sky vendors and shareholders of 17,000,000 Shares and 12,000,000 Options (the shares were issued on 25 June 2018 and the options on 15 August 2018).
- Upon the delineation by or on behalf of Galan of a JORC resource of not less than 80kt lithium carbonate equivalent within the area of the mining properties in which Blue Sky has an interest as at Completion, the issue of 15,000,000 Shares to the Blue Sky vendors and shareholders (the shares were issued on 2 December 2019).
- Upon the commencement of commercial production from a pilot plant by on or behalf of Galan, the issue of 10,000,000 Shares to the Blue Sky vendors and shareholders.

4. ISSUED CAPITAL

- Fully paid ordinary shares as at 31 December 2020

	31 Dec 2020 Number	31 Dec 2020 \$
Fully paid ordinary shares (30 June 2020: 172,488,590)	207,904,772	29,451,029

	31 Dec 2020	31 Dec 2020	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
Shares issues at \$0.18 - placement (i)	-	-	5,555,556	1,000,000
Shares issued at \$0.18 – SPP (ii)	-	-	5,555,485	1,000,000
Shares issued at \$0.183 - consultant (iii)	-	-	131,089	24,050
Shares issued at \$0.15 - option conversion (iv)	-	-	2,325,000	348,750
Shares issued at \$0.14 – option conversions (v)	-	-	1,428,571	200,000
Shares issued at \$0.15 - vendors (vi)	-	-	15,000,000	2,775,000
Shares issued at \$0.16 - consultant (vii)	-	-	142,695	22,817
Shares issued at \$0.1954 – Acuity (viii)	-	-	2,175,000	425,000
Shares issued at \$0.25 – Acuity (ix)	-	-	1,000,000	250,000
Shares issued at \$0.14 - placement (x)	-	-	2,071,429	290,000
Shares issued at \$0.20 - consultant (xi)	-	-	98,771	19,316
Shares issued at \$0.14 – placement (xii)	-	-	5,170,716	723,900
Shares issued at \$0.14 – Acuity (xiii)	-	-	2,500,000	350,000
Shares issued at \$0.14 - placement	1,765,000	247,100	-	-
Shares issued - conversion of performance rights	5,000,000	1,075,000	-	-
Shares issues at \$0.14 – placement	2,255,714	315,800	-	-
Shares issued at \$0.155 – vendor	650,000	100,750	-	-
Shares issued at \$0.1483 - consultant (iii)	192,674	28,574	-	-
Shares issues at \$0.14 – placement	1,825,870	255,622	-	-
Shares issued at \$0.13 – placement	23,076,924	3,000,000	-	-
Shares issued at \$0.125 – vendor	650,000	81,250	-	-
	207,904,772	29,905,465	172,488,590	24,369,815
Shares to be issued (xxi)	-	(247,100)	-	247,100
Shares to be issued (xxii)	-	(28,574)	-	28,574
Shares to be issued (xxiii)	-	(55,422)	-	55,422
Shares to be issued	-	12,087	-	-
Shares to be issued	-	37,931	-	-
Shares to be issued	-	57,050	-	-
Shares to be issued	-	26,600	-	-
Transfer from equity-based reserve	-	-	-	177,858
Less: transaction costs	-	(257,008)	-	(77,400)
Balance at the end of the period	207,904,772	29,451,029	172,488,590	24,801,369

(i) Issued on 14 August 2019 under a share 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.

(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.

(viii) Issued on 30 January 2020 under a controlled placement agreement with Acuity.

(ix) Issued on 17 March 2020 under a controlled placement agreement with Acuity.

(x) Issued on 9 April 2020 as part of a placement announced on 3 April 2020.

(xi) Issued on 9 June 2020 to a consultant in lieu of services provided.

- (xii) Issued on 29 June 2020 as part of a placement announced on 23 June 2020.
- (xiii) Issued on 29 June 2020 under a controlled placement agreement with Acuity.
- (xiv) Issued on 1 July 2020 as part of a placement announced on 23 June 2020.
- (xv) 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).
- (xvi) Issued on 27 August 2020 to a vendor as part consideration for a tenement acquisition
- (xvii) Issued on 27 August 2020 to a consultant in lieu of services provided for the period April-June 2020.
- (xviii) Issued on 9 October 2020, to Directors, as part of a placement announced on 3 April 2020 (approved by shareholders on 11 September 2020)
- (xix) Issued on 20 October 2020 under a placement, led by Argonaut Securities Ltd, announced on 12 October 2020
- (xx) Issued on 4 November 2020 to a vendor as part consideration for a tenement acquisition
- (xxi) 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.
- (xxii) Shares to be issued to a consultant in lieu of services provided for the period April-June 2020.
- (xxiii) Shares to be issued to Directors. Funds received prior to 30 June 2020. Approved by shareholders at a general meeting held on 11 September 2020.

(b) Unquoted options outstanding as at 31 December 2020

Expiry Date	Exercise Price	Number Under Option	Issue Date
11 June 2021	\$0.3438	4,000,000	13 June 2019
30 October 2022	\$0.2000	150,000	30 October 2019
1 December 2021	\$0.2500	2,000,000	2 December 2019
31 March 2022	\$0.2500	13,088,729	Various
8 October 2023	\$0.2100	10,150,000	9 October 2020
31 October 2023	\$0.2000	2,000,000	20 October 2020

5. FINANCIAL INSTRUMENTS

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

6. RESERVES

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

	31 December 2020 \$	Restated 30 June 2020 * \$
Equity Based payment reserves		
Opening balance	3,578,120	6,844,900
Valuation of options (i)	32,908	1,110,000
Performance shares milestone achieved	(1,075,000)	(2,775,000)
Valuation of options (ii)	-	15,364
Performance shares (iii)	-	785,898
Candelas vendor shares (iv)	(57,050)	57,050
Issue of options to Director (v)	-	109,260
Fair value of exercised options transferred to share capital	-	(177,858)
Issue of options to directors and consultants (vi)	828,791	-
Issue of options to an advisor (vii)	179,934	-
Transfer to accumulated losses	-	(2,391,494)
Closing Balance	3,487,703	3,578,120
Foreign currency translation reserve		
	(1,368,712)	(417,718)
	2,118,991	3,160,402

*Refer to note 10 for restated balances

- (i) Represented by valuation of deferred consideration shares due to the Blue Sky 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 7,750,000 options (exercisable at \$0.21 on or before 8 October 2023) issued to Directors and 2,400,000 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.

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	7,750,000	\$0.0817	109%	3.00	\$0.21	\$0.14	0.20%
Consultants	2,400,000	\$0.0817	109%	3.00	\$0.21	\$0.14	0.20%
Advisor	2,000,000	\$0.0900	108%	3.03	\$0.20	\$0.15	0.20%

7. SUBSEQUENT EVENTSProjects

On 14 January 2021, the Company announced that it had entered into a sale and joint venture with Lithium Australia NL for an 80% for the Greenbushes South Lithium project ('the 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.

Equity - Shares

On 8 January 2021, the following capital 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 capital:

- 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 capital:

- 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.

Equity - Options

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

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.

 8. SEGMENT INFORMATION

The Group currently only operates in one geographical area being Argentina and one industry, being exploration, for the half year ended 31 December 2020 which was the same as reported in the financial report for the year ended 30 June 2020. The Chief Operating Decision Makers are the Board of Directors and the management of the Company. There is currently only one operating segment identified, being exploration activities based in Argentina based on internal reports reviewed by the Chief Operating Decision Makers in assessing performance and allocation of resources.

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

9. COMMITMENTS AND CONTINGENCIES

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

10. RESTATEMENT OF COMPARATIVES

During the period, 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	<u>19,844,917</u>	<u>920,542</u>	<u>20,765,459</u>
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	<u>19,844,917</u>	<u>920,542</u>	<u>20,765,459</u>

Consolidated Statement of Profit or Loss and Other Comprehensive Income	Previously recognised amounts for the period ended 31 December 2019	Adjustments in accordance with AASB 108	Restated comparatives for the period ended 31 December 2019
	\$	\$	\$
Hyper Inflation	-	1,245,608	1,245,608
Loss for the period	1,345,628	(1,245,608)	100,020
Exchange differences on translating foreign operations	-	(325,285)	(325,285)
Other comprehensive loss for the year net of tax	-	325,285	325,285
Total comprehensive income and net loss for the year attributable to the owners of the company	1,345,628	(920,323)	425,305

Independent Auditor's Review Report

To the Members of Galan Lithium Limited

Conclusion

We have reviewed the accompanying half-year financial report of Galan Lithium Limited ("the Company") and Controlled Entities ("the Group") which comprises the condensed consolidated statement of financial position as at 31 December 2020, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other selected explanatory notes, and the directors' declaration.

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

- a. Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134: *Interim Financial Reporting and Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Independent Auditor's Review Report

To the Members of Galan Lithium Limited (Continued)



Responsibility of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

BENTLEYS
Chartered Accountants

DOUG BELL CA
Partner

Dated at Perth this 16th day of March 2021