



**AND CONTROLLED ENTITIES**

**ABN 87 149 349 646**

**Financial Report**  
**Half Year ended 31 December 2022**

**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)

**COMPANY SECRETARY**

Mike Robbins

**REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS**

Level 1, 50 Kings Park Road  
West Perth WA 6005  
Phone: +61 8 9214 2150

Email: [admin@galanlithium.com.au](mailto:admin@galanlithium.com.au)  
Website: [www.galanlithium.com.au](http://www.galanlithium.com.au)

**AUDITORS**

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

**SHARE REGISTRY**

Advanced Share Registry Limited  
110 Stirling Highway  
Nedlands WA 6009

**STOCK EXCHANGE LISTING**

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

**ASX Code**

GLN

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The Directors of Galan Lithium Limited ('the Company' or 'Galan') present the financial report of the Company and its Controlled Entities ('the Group') for the half year ended 31 December 2022. Galan is a company limited by shares that is incorporated and domiciled in Australia. Its listed equity securities are quoted on the Australian Securities Exchange under the ticker GLN.

### **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 (resigned 18 November 2022)

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 2022 was \$2,961,927 (2021: \$1,625,604).

### **HALF YEAR REVIEW**

#### **CORPORATE**

At the end of the 2022 calendar year, the Group had cash reserves of \$37,470,965 (June 2022: \$53,894,847).

#### **Equity**

##### **Shares**

During the half year, the Company issued the following:

- A total of 156,641 fully paid ordinary shares to a consultant in lieu of services provided (on 5 August 2022 and 16 December 2022);
- A total of 12,267 fully paid ordinary shares to a consultant in lieu of services provided (on 5 August 2022 and 16 December 2022);
- 30,950 fully paid ordinary shares upon the conversion of \$0.21 options (on 5 August 2022)
- 41,840 fully paid ordinary shares to a consultant in lieu of services provided (on 26 August 2022); and
- 864,345 fully paid ordinary shares to Lithium Australia Ltd as part consideration for the purchase of the remaining 20% interest in the Greenbushes South lithium project (on 16 December 2022).

##### **Performance Rights**

The Board awarded a total of 850,000 performance rights to key personnel in the Galan management team. The performance rights have the same hurdles and terms and conditions as those awarded to the Directors at Galan's 2021 AGM and were issued on 26 August 2022.

On 16 December 2022, the Company issued 8,250,000 Director Performance Rights to the Galan directors on the terms and conditions approved by shareholders at Galan's 2022 AGM held on 18 November 2022. On the same date, 750,000 Director Performance Rights, originally issued to a director were forfeited under the terms and conditions of their issue.

Vesting Hurdle	ASPM	Vargas de la Vega	Homsany	Gardiner	Chalwell	Jimenez
H1	\$1.75	400,000	200,000	200,000	100,000	200,000
H2	\$2.00	400,000	200,000	200,000	100,000	200,000
H3	\$2.25	400,000	200,000	200,000	100,000	200,000
H4	\$2.50	900,000	450,000	450,000	225,000	450,000
H5	\$2.75	900,000	450,000	450,000	225,000	450,000
Total		3,000,000	1,500,000	1,500,000	750,000	1,500,000

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

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

**Personnel and Other**

Galan's AGM was held on 18 November 2022 and Mr Raymond Liu was not re-elected as a director.

In July 2022, the Company made the key appointment of Mr Alvaro Henríquez as Exploration Manager.

The Company is building on its ESG frameworks and policies and engaged Socialsuite to assist with Galan's corporate focused ESG journey. Circular continue to provide their solution to help future market products to meet sustainability objectives for ethical sourcing, CO<sub>2</sub> transparency and other ESG performance metrics (e.g. water consumption). Circular's solution will be used during Galan's HMW studies by tracking samples from the pilot lithium carbonate plant to marketable product. This partnership provides Galan with full traceability of their lithium supply chain.

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

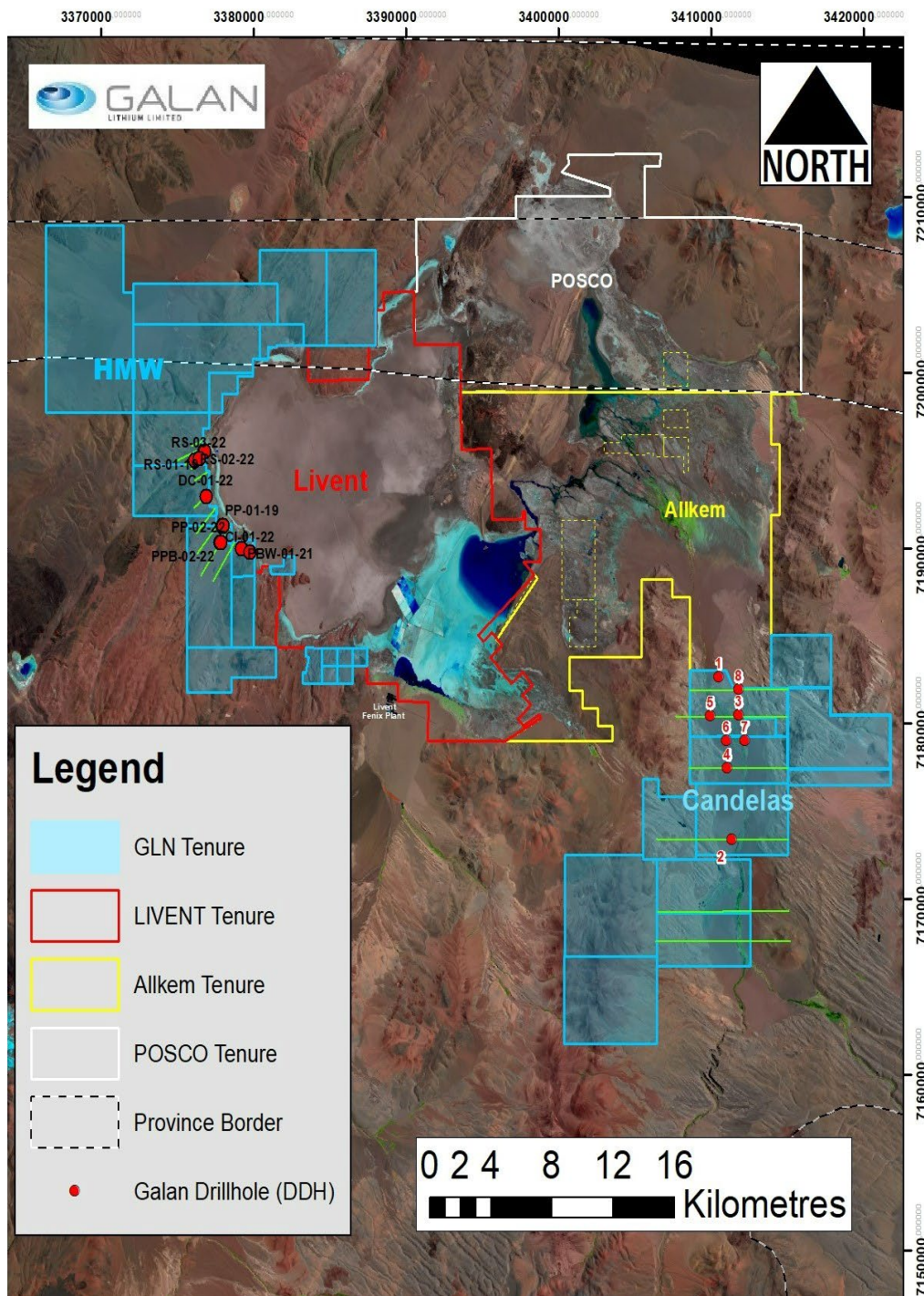
**OPERATIONS**

**Mineral Resources**

Please also refer to the JORC Code Tables, 2012 Edition, as detailed in Annexure 1 of the Galan ASX announcement dated 24 October 2022 entitled "Spectacular 2.5x Increase in HMW Resource – Now 5.8 Mt LCE @ 866 mg/l Li (76% in Measured Category)".

The original Mineral Resource Estimate (**MRE**) was completed by SRK Consulting (Australasia) (**SRK**) in March 2020 (ASX: GLN 12 March 2020) and was based upon results from 1,054 metres of drilling within the Pata Pila, Rana de Sal and Casa del Inca tenement holdings at Hombre Muerto West. The hydrogeologic domains were constrained to logged units within the drillholes and supported by the interpretation of Controlled Source Audio-Frequency Magnetotellurics (CSMAT) and Transient Electromagnetic (TEM) geophysical profiles. Mineral Resource Estimates for lithium (reported as Li<sub>2</sub>CO<sub>3</sub> equivalent) and potassium (KCl equivalent) were completed by SRK.

Table 1 summarises the updated MRE, incorporating the results of the 2021-2022 exploration campaign and reporting in accordance with the JORC Code guidelines. According to SRK, the Hombre Muerto West MRE is hosted within geologically well-defined zones of high-grade lithium mineralisation, including significant mineralised hydrogeologic domains.



**Figure 1 - Galan's high-grade, low-impurity lithium brine tenure in Argentina**

The HMW Project is located on the western shore of the Hombre Muerto Salar, a world-renowned lithium-bearing salar located in the Argentinean Puna plateau region of the high Andes at an elevation of approximately 4,000 m above sea level. The HMW Project comprises various exploration areas (note that the Catalina, Santa Barbara and Pucara tenements are not included in the HMW Resource), covering a total estimated polygon area of 7.5 km strike, up to 2.5 km in width and up to 718 m in depth. It lies adjacent to Livent Corporation, Allkem Limited and POSCO's Sal de Vida projects. It is approximately 1,400 km northwest of the capital of Buenos Aires and 170 km west-southwest of the city of Salta. The Candelas Project lies approximately 40 km ESE of the HMW Project. It is hosted within a ~15 km by 3–4 km wide structurally controlled basin infilled with sediments that host the Li-bearing brines (Figure 1).

**Table 1: Mineral Resource Statement for Hombre Muerto West and Candelas (October 2022)**

Resource Category	Brine Vol. (Mm <sup>3</sup> )	In situ Li (Kt)	Avg. Li (mg/l)	LCE (Kt)	Avg. K	In situ K (Kt)	KCl Equiv. (Kt)
					(mg/l)		
<b>Hombre Muerto West</b>							
Measured	933	833	883	4,435	7,777	7,331	13,980
Indicated	151	125	820	663	6,993	1,101	2,099
Inferred	174	140	811	748	7,170	1,241	2,367
<b>HMW Total</b>	<b>1,258</b>	<b>1,098</b>	<b>866</b>	<b>5,846</b>	<b>7,599</b>	<b>9,733</b>	<b>18,561</b>
<b>Candelas North (*)</b>							
Indicated	196	129	672	685	5,193	1,734	3,307
<b>Galan's Total Resource Inventory</b>							
<b>Grand Total</b>	<b>1,454</b>	<b>1,227</b>	<b>839</b>	<b>6,531</b>	<b>7,274</b>	<b>11,467</b>	<b>21,868</b>

NB: no cut-off grade applied to the updated Mineral Resource Estimate as minimum values are above expected economic values (620 mg/L); Specific yield (SY) values used are as follows: Sand – 23.9%, Gravel – 21.7%, Breccia – 8% and Halite – 3%. There may be minor discrepancies in the above table due to rounding. The conversion for LCE = Li x 5.3228, KCl = K x 1.907.

(\*) The Candelas North Mineral Resource Statement was originally announced on 1 October 2019. There may be minor discrepancies in the above table due to rounding.

### **Hombre Muerto West**

#### Definitive Feasibility Study

The Definitive Feasibility Study (DFS) has made solid progress on all engineering fronts especially the pond system designs, contour channels for surface water management, pumping system and opex and capex costings.

The Environmental Impact Assessment (EIA) study for the exploitation stage of the HMW Project is running to schedule and due for delivery in Q1, 2023. The baseline studies were finalised, and Galan is working with Ausenco on the completion of the technical analysis and preparation of the study report.

#### Extended Pilot Plant for Concentrate Brine (containing 4ktpa of LCE)

As announced on 2 November 2022, Galan submitted an application to scale up the HMW Project piloting stage to 4ktpa lithium carbonate equivalent (LCE), including the construction of 120 Ha of evaporation ponds.

As announced in late November 2022, two site-based brine evaporation batch tests both successfully achieved 6% lithium concentration with low impurities. This was a significant de-risking achievement as it proved the planned brine evaporation path at the HMW Project location. It also validated the process design and simulation model delineated by Galan. The scaled-up piloting to 4ktpa LCE is expected to deliver targeted first-phase, high-quality 6% Li concentrate on a semi-commercial scale.

If the extended brine evaporation piloting is successful, and subject to the approval of the exploitation permit of the HMW Project, the concentrated brine from the piloting stage could be added into the HMW Project production scale-up (currently under evaluation in unison with DFS), effectively shortening the overall ramp-up timeframe of the full-scale HMW Project development. Galan expects to lodge the full-scale production permits in Q1, 2023.

#### Other DFS Works and Progress

Leading geological consultant, SRK, is developing the pumping model to support the production program and ore reserve estimate for the HMW Project. The model is strongly backed by all hydraulic tests conducted to date, including the three long-term pumping tests undertaken during the second half of 2022.

The original pilot plant is progressing well with the evaporation ramp-up with three ponds (H1, H2 and S1) already filled with brine and achieving the expected brine qualities of the evaporation process. The continuous

production of the plant is expected to commence in Q2, 2023 (approx. 15 months after the commencement of the brine filling process). The production of substantial volumes of 6% Li concentrated brine, will further facilitate Galan's ability to engage with potential off-take partners.

The full-scale production timeline for HMW will benefit from the three (3) completed wells and the construction of three (3) new pumping wells, as they are considered part of the final production infrastructure. It is forecast that Galan will only need to construct another 10-12 production wells to deliver full capacity, thus saving time and associated capex to get to production.

A permit application for a permanent 200-person operational camp at Hombre Muerto West Project was submitted in late September 2022. The new accommodation facility will house all required personnel to execute construction activities expected to commence during CY2023 and into targeted commercial production in CY2025. The camp design contemplates solar power to reduce CO<sub>2</sub> emissions and enhance water recovery. The current exploration camps at HMW and Candelas will continue to support exploration and piloting activities.

Well Pump Testing – Successfully Completed with Excellent Outcomes

As reported on 16 January 2023, the construction of three production pumping wells was completed during the second half of 2022 – two at Pata Pila (PPB-01-21 and PPB-02-22) and one at Rana de Sal (PBRS-01-21) (Figure 2).

Each production pumping well was constructed at previous exploration platforms and included diamond drill holes to confirm the stratigraphic characteristics of the reservoir, production capacity, and optimum design for production wells. Each test consisted of an initial step test, a 72-hour constant rate and recovery test, and then a long-term pumping (30+ days) and recovery test period.

Brine levels were constantly monitored through multiple monitoring (observation) wells. Each observation well was specifically designed to monitor the brine levels response of individual hydrogeological units (shallow and deep). Brine chemistry was also analysed from each pumping well.

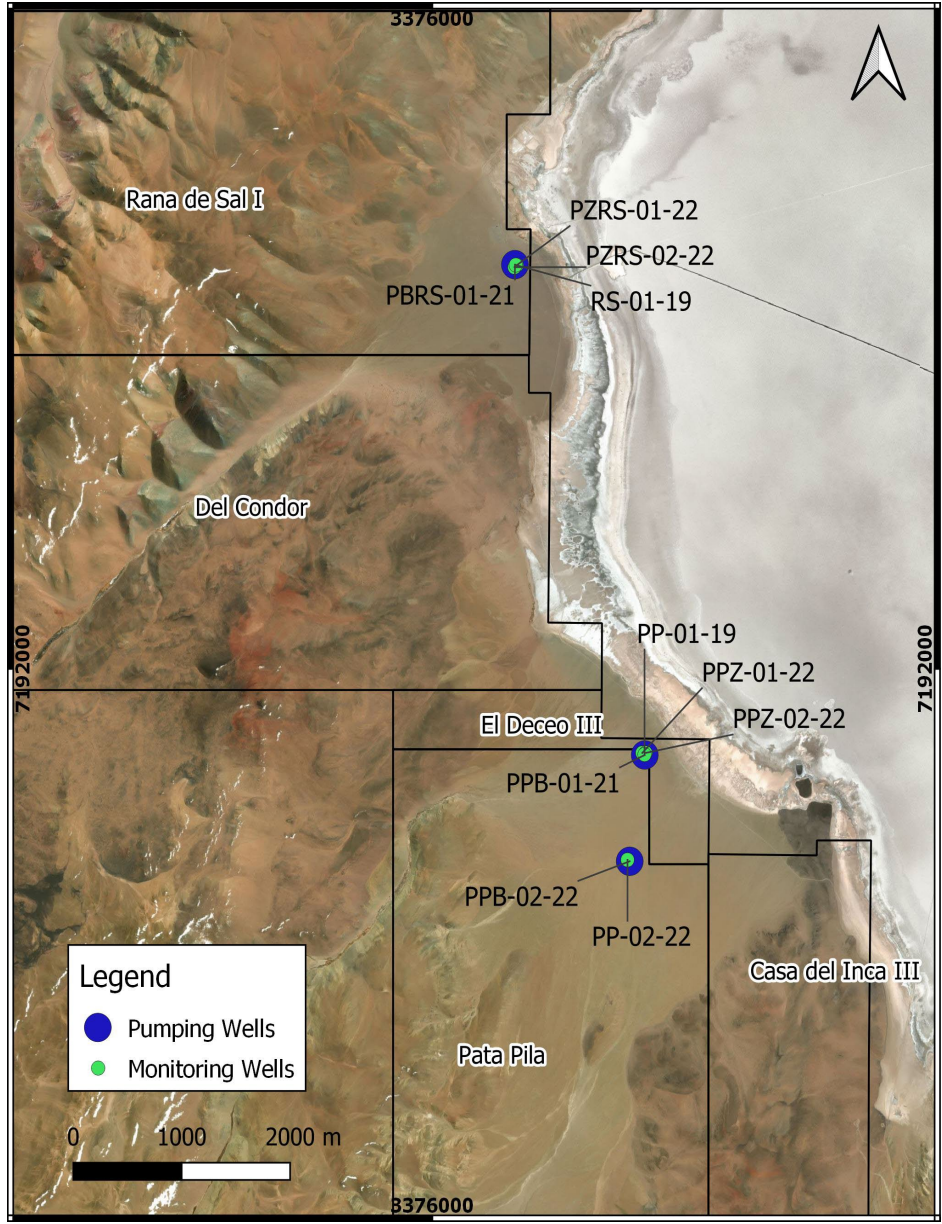
The average flow rate and brine lithium concentration values from all three long-term pumping tests completed are presented in Table 2. Further technical details on the individual long-term pumping tests were provided in the ASX announcements dated 31 August 2022 (PPB-01-21), 22 November 2022 (PBRS-01-21) and 16 January 2023 (PPB-02-22).

The results from the three production wells confirm that the HMW Project is ready to provide the brine flow and quality for the 4 Ktpa LCE pilot development, expecting construction in H2, 2023 (ASX announcement dated 1 November 2022).

**Table 2: Summary of results for the 2022 HMW Project long-term pumping test program**

Pumping Well	Tenement	Date	Average flow rate [L/s]	Average Li grade [mg/L]
PPB-01-21	Pata Pila	Jun-Jul 2022	19	876
PBRS-01-21	Rana de Sal I	Sep-Oct 2022	25	967
PPB-02-22	Pata Pila	Nov-Dec 2022	21	838
<b>Average</b>			<b>22 L/s</b>	<b>894 mg/L</b>





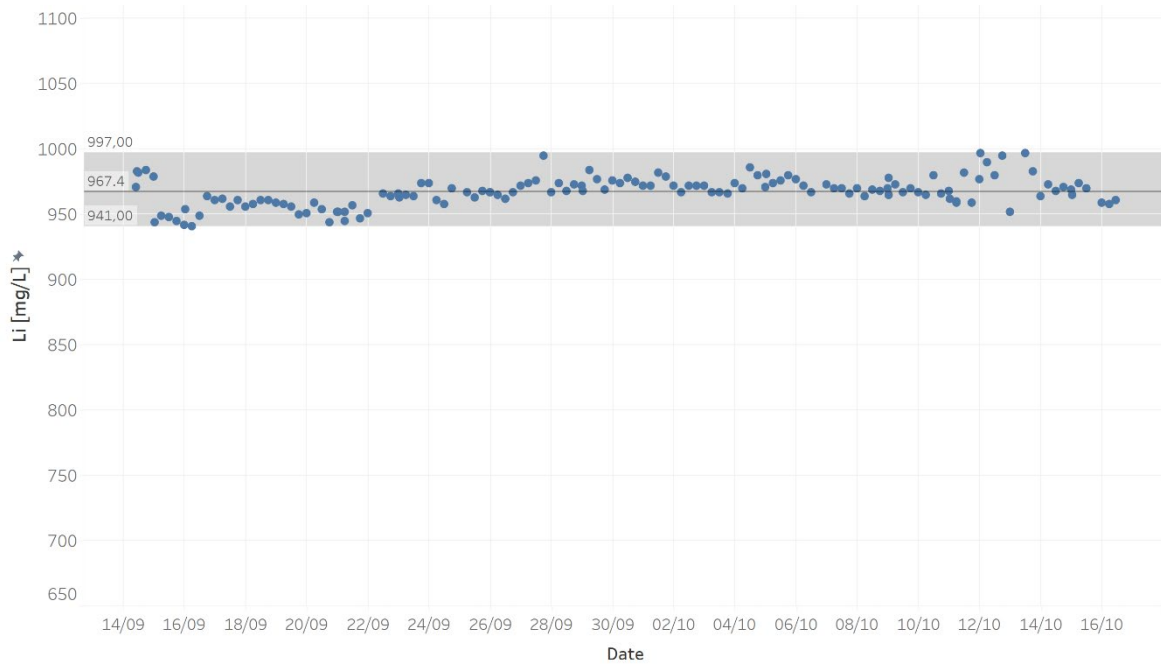
Datum: Posgar 2007, Argentina Zone 3

**Figure 2 - HMW Project's pumping and monitoring wells**

PBRS-01-21 Rana de Sal

The long-term pumping test at the PBRS-01-21 well (Rana de Sal) was conducted between 14 September and 16 October 2022, at a constant rate of 25 litres per second.

A total of 141 assays were tested and analysed at Alex Stewart NOA laboratory (Jujuy, Argentina). Lithium grades varied between 941 and 997 mg/L, with an exceptional mean value of 967 mg/L. Grades remained relatively stable throughout the entire test period showing a remarkably steady distribution (see Figure 3).

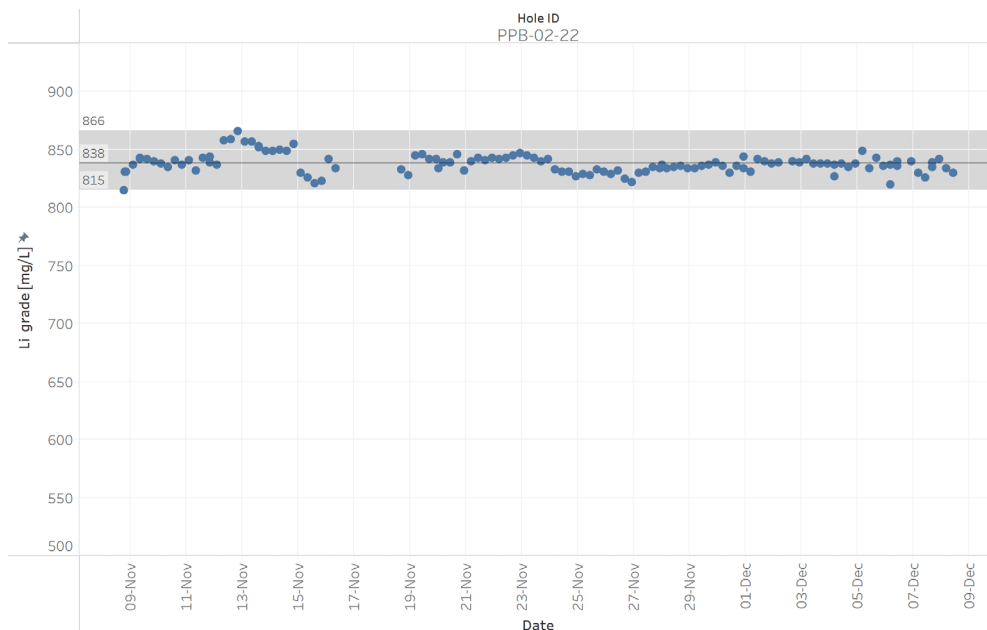


**Figure 3 – Extracted brine lithium concentrations recovered from PBRs-01-21 during the long-term pumping test**

PPB-02-22 Pata Pila

The long-term pumping test at the PPB-02-22 well (Pata Pila) was conducted between 8 November and 8 December 2022, at a constant rate of 21.2 litres per second.

A total of 121 assays were tested and analysed at Alex Stewart NOA laboratory (Jujuy, Argentina). Lithium grades varied between 815 and 866 mg/L, with an attractive mean value of 838 mg/L. Grades remained relatively stable throughout the entire test period showing a steady distribution (see Figure 4).



**Figure 4 – Extracted brine lithium concentrations recovered from PPB-02-22 during the long-term pumping test**

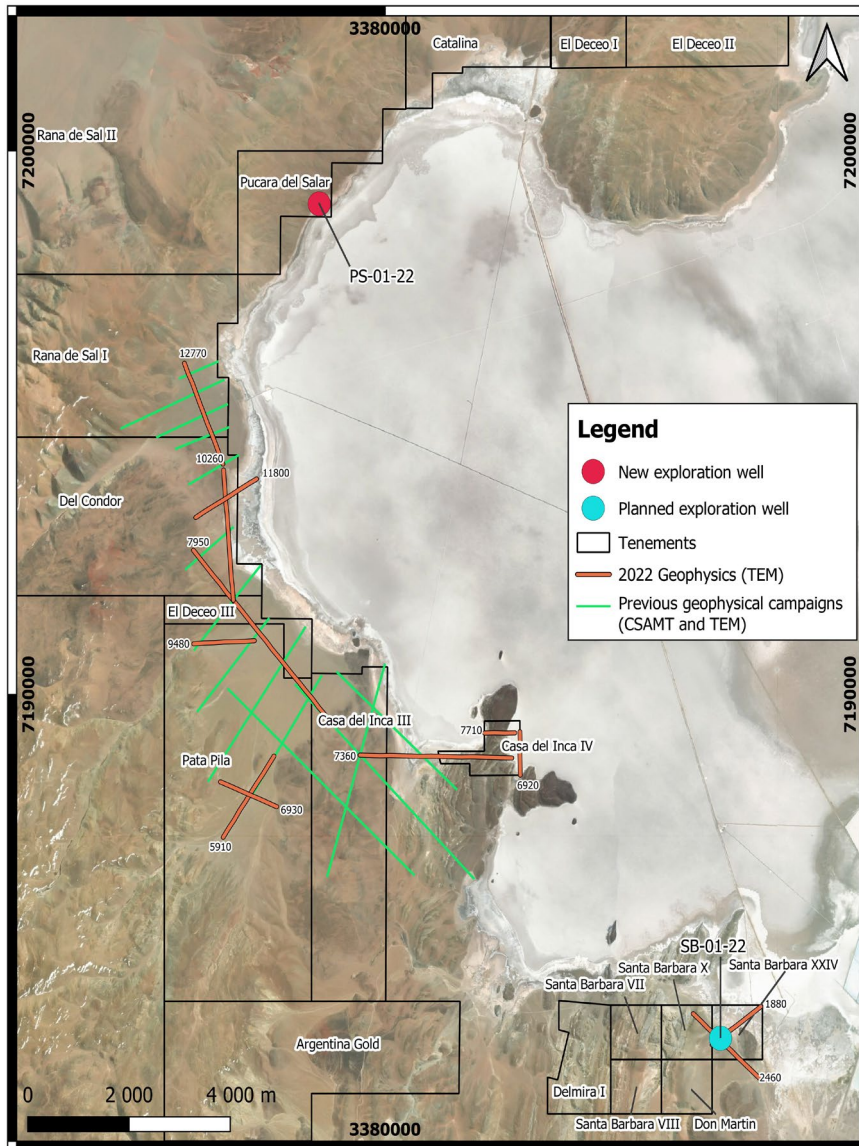
During the long-term pumping test, measured drawdown at observation well PP-02-22 reached less than six (6) metres, indicating the presence of a highly transmissive zone. Subsequent analysis of the aquifer transmissivity is higher when compared to the previous long-term pumping tests conducted at Pata Pila and Rana de Sal (PPB-01-22 and PBRs-01-21 respectively). This was expected due to the coarser sediments recovered during PPB-02-22 drilling and its more proximal location along the alluvial fan (Figure 2).

**Exploration and Resource Expansion**

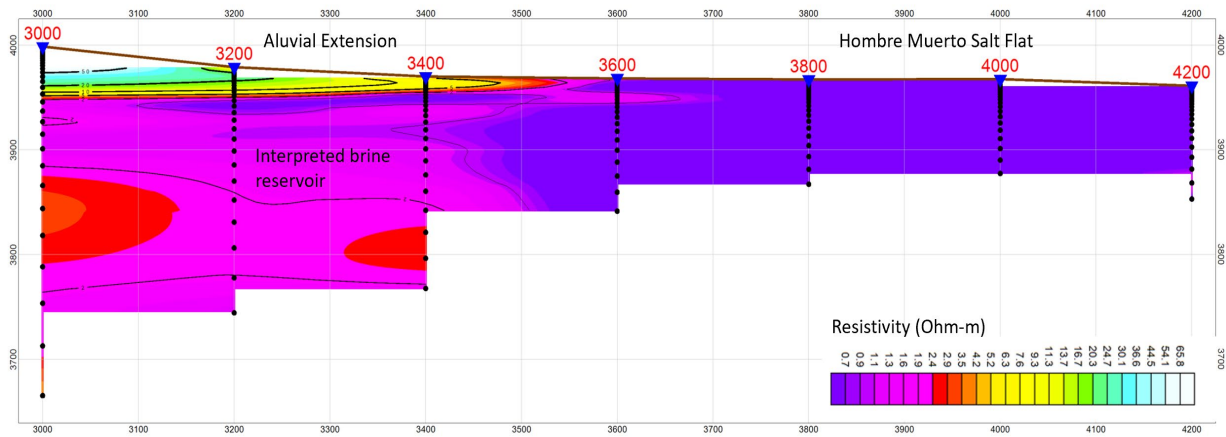
Additional Geophysical Campaign Confirms Brine and Lithological Continuity

A new surface geophysical survey was conducted by Quantec Geoscience Argentina, at the HMW Project, during November and December 2022. This new survey used the Transient Electromagnetic Method (**TEM**) and consisted of thirteen (13) lines that spanned more than 23 km (Figure 5).

With this new data, the deposit has been fully constrained within the resource area, providing a better geometric resolution. Additionally, this work provides further confidence in exploration targeting future resource expansion – for example, in the Santa Bárbara tenements where drilling is now in progress at drillhole, SB-01-22 (Figures 5 and 6).



Datum: Posgar 2007, Argentina Zone 3  
**Figure 5 - Additional TEM geophysical profiles and exploration wells**



**Figure 6 - TEM geophysical profile 1880 at Santa Bárbara XXIV tenement**

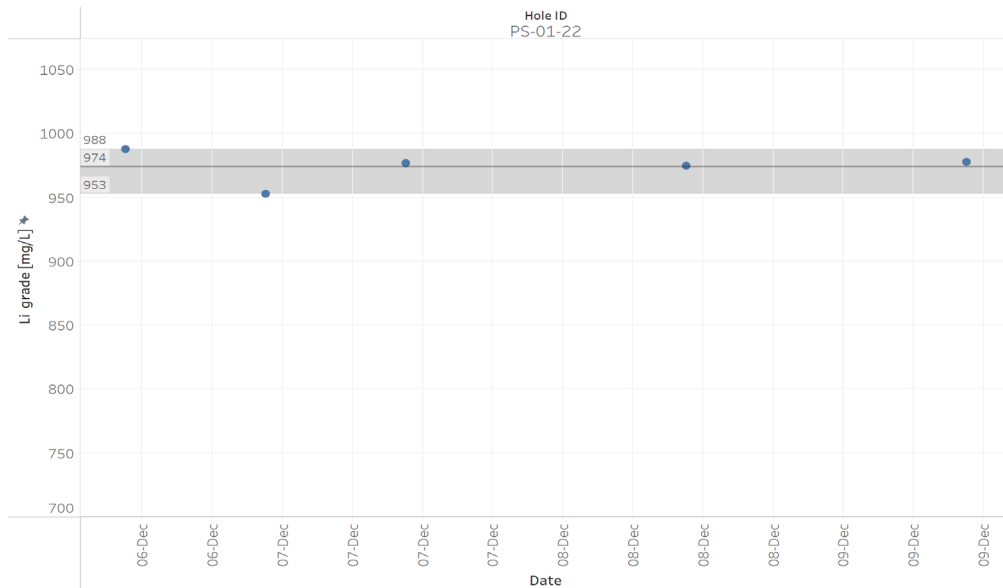
As announced on 1 March 2023, this drill hole was completed at a depth of 455 metres through the alluvial sediments and underlying fractured breccia. 72-hour airlift testing of SB-01-22 delivered an extracted high average lithium brine grade of 829 mg/L, with observed lithium brine grade ranges between 795 and 839 mg/L. New geophysical survey work over the Santa Barbara tenure has also evidenced brine continuity over the entire area. Please refer to the announcement and associated Annexures for further technical information.

Strong Initial Exploration Results at Pucara del Salar

With an aim of expanding the HMW Project resource and reserves, exploration well PS-01-22 was drilled at Pucara del Salar (Figure 5). This diamond drill hole is 300m deep with recovered core indicating the presence of highly fractured rock (Figure 7), expected to be associated with a high permeability zone. Airlift results from PS-01-22 indicate the presence of high-grade brine, with lithium concentrations reaching up to 988 mg/L and averaging 974 mg/L (Figure 8).



**Figure 7 - Highly fractured rock core obtained from PS-01-22**



**Figure 8 - Airlift results of brine lithium concentration at PS-01-22**

**Candelas**

Candelas is Galan's other Preliminary Economic Assessment (**PEA**) study-level project and is located on the southeast side of the Hombre Muerto West salt flat in Catamarca, Argentina.

As announced on 8 February 2023, Galan has now secured 100% title to the Candelas project. The final settlement included 1,410,000 fully paid ordinary shares issued, and a cash payment of USD \$1,660,000 under an agreement to complete the acquisition of the Candelas tenements.

Once the Hombre Muerto West DFS is complete, Galan's geological team will undertake a thorough review of all Candelas data. Reverse osmosis studies have shown that the Candelas project has a reliable water source. The results from these studies indicate there will be minimal to no need to access water from the Los Patos river.

**Greenbushes South**

As announced on 13 December 2022, Galan executed a Binding Term Sheet with Lithium Australia Limited (ASX:LIT) to acquire their remaining 20% interest in the Greenbushes South tenements and its 20% participating interest in the Greenbushes South Joint Venture. Once titles have been transferred, Galan will hold a 100% interest in the Greenbushes South Lithium Project, which comprises four granted exploration licences, one pending exploration licence and seven prospecting licences (Figure 9).

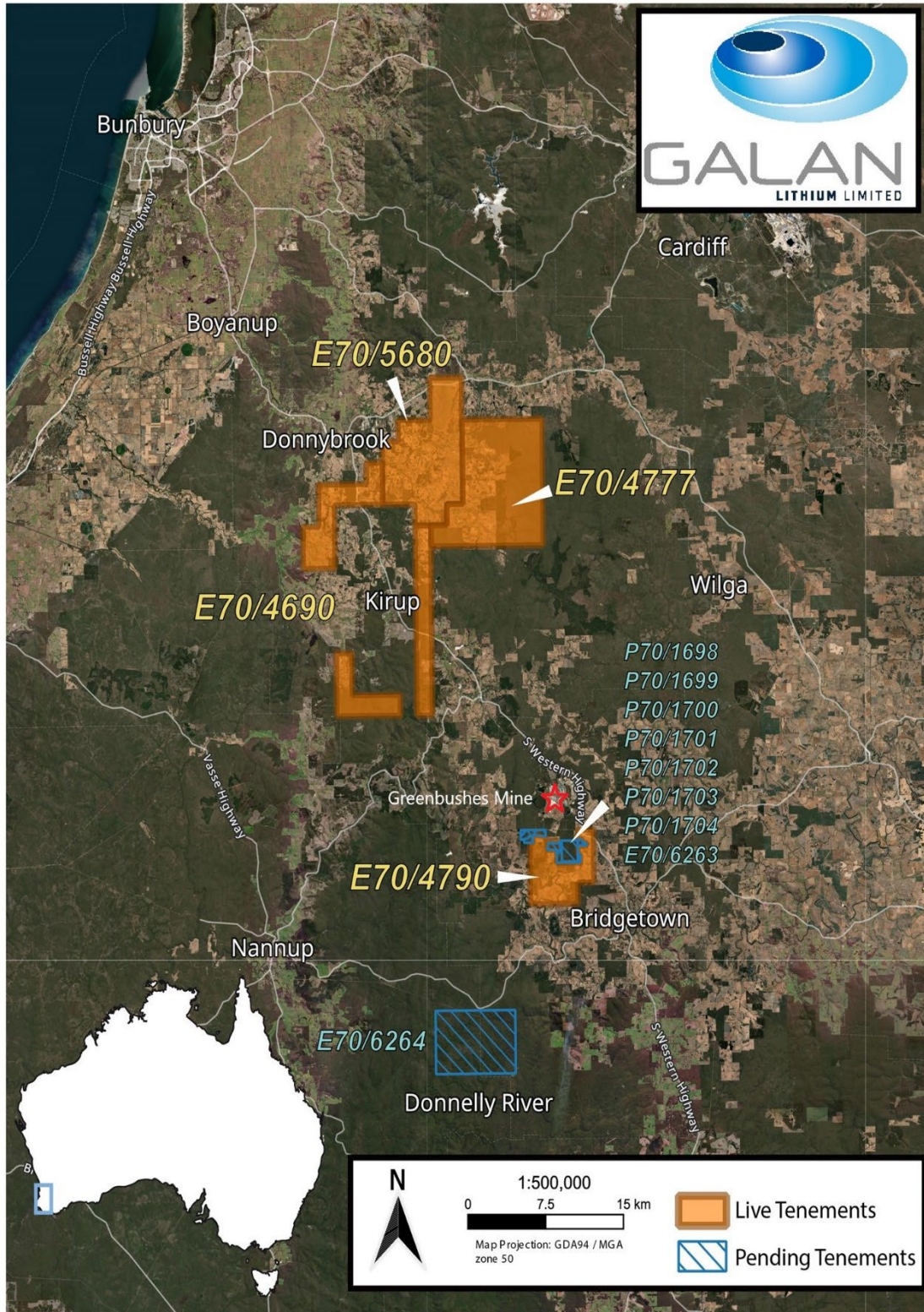
The Greenbushes South Lithium Project is located 250 km south of Perth in Western Australia. Covering an area of approximately 315 km<sup>2</sup>, Greenbushes South was initially acquired by LIT due to its predicted strike projection of the geological structure associated with the Greenbushes Lithium Mine ('**Greenbushes**').

Greenbushes is currently the largest hard-rock lithium mine in the world and has been in production since 1983. It is operated by Talison Lithium Pty Ltd, a private company now owned by joint venture partners [Tianqi Lithium Corporation](#) / [IGO Limited](#) JV (51%) and [Albemarle Corporation](#) (49%).

In late December 2022, it was announced that a maiden drilling program would commence at the newly defined Fry's Block within E70/4790, pending receipt of POW approvals. Drilling commenced at Greenbushes South on 6 March 2023.

The five-hole diamond drilling program has been developed to test three interpreted pegmatite targets at Fry's Block. The shallow-angled drilling program follows successful fieldwork campaigns, including highly encouraging geophysics and soil sampling results (refer ASX announcements dated; 1 August 2022, 15 June 2022, 24 March 2022 and 15 November 2021).

Located approximately 3 km from the operational Greenbushes mine, the potential pegmatite targets at Fry's Block are thought to be part of a more extensive, interfingering geologic system. Diamond drilling has been selected to capture the sample and geometry of the pegmatites, details of their magmatic histories as well as any potential irregularities in grade distribution.



**Figure 9 – Galan's Greenbushes South tenement package**

**Significant changes in the state of affairs**

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

**Subsequent events after balance date**

As announced on 8 February 2023, Galan secured 100% ownership to the Candelas project. The final settlement included the issue of 1,410,000 fully paid ordinary shares and a cash payment of USD \$1,660,000 under a final acquisition agreement for the Candelas tenements.

On 13 February 2023, in accordance with ASX Listing Rule 3.14, Galan advised that its registered office and principal place of business has changed to: Level 1, 50 Kings Park Road West Perth Western Australia 6005. The new postal address is PO Box 584, West Perth, Western Australia 6872.

On 2 March 2023, the Company became a substantial holder of Mandrake Resources Limited (ASX:MAN) (**Mandrake**). As per Mandrake announcement dated 22 February 2023, Mandrake secured a large-scale lithium project in the prolific 'lithium four corners' Paradox Basin southeast Utah, USA. The Utah Lithium Project comprises a land position of over 56,000 acres (~226 km<sup>2</sup>), including a Binding Agreement with the Utah State Govt for over 34,000 acres. The project is located proximal to Anson Resources' (ASX: ASN) Paradox Lithium Project in the pro-mining jurisdiction of Utah with access to Tier 1 infrastructure including power and water. The Company believes the large-scale potential of the Utah Lithium Project presented a unique alliance opportunity for Galan to gain early-stage exposure to the lithium hungry USA.

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

**Auditor Independence Declaration**

Section 307C of the Corporations Act 2001 requires our auditors, Hall Chadwick WA Audit, to provide the Directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 16 and forms part of this Directors' Report for the half year ended 31 December 2022.

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, 14 March 2023**

### **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 Person 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 Alvaro Henriquez. Mr Henriquez is a full-time employee of Galan Lithium Limited and has been engaged by Galan as their Exploration 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. Review of the hydrogeological aspects of the exploration program and a site inspection was completed by Dr Brian Luinstra, BSc honours (Geology), PhD (Earth Sciences), MAIG, PGeo (Ontario). Dr Luinstra is a 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 Hombre Muerto West was compiled by Dr Michael 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.

### **Forward Looking Statements**

Some of the statements appearing in this half year report may be in the nature of forward-looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industries in which Galan Lithium Limited operates and proposes to operate as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets, among other things. Actual events or results may differ materially from the events or results expressed or implied in any forward-looking statement. No forward-looking statement is a guarantee or representation as to future performance or any other future matters, which will be influenced by several factors and subject to various uncertainties and contingencies, many of which will be outside Galan Lithium's control. Galan Lithium Limited does not undertake any obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions or conclusions contained in this announcement. To the maximum extent permitted by law, none of Galan Lithium Limited, its directors, employees, consultants, advisors, or agents, nor any other person, accepts any liability for any loss arising from the use of the information contained in this announcement. You are cautioned not to place undue reliance on any forward-looking statement. The forward-looking statements in this half year review reflect views held only as at the date of this half year report.



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 2022 and of its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 134: "Interim Financial Reporting" and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Board



**Juan Pablo Vargas de la Vega**  
**Managing Director**  
**14 March 2023**

To the Board of Directors,

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

As lead audit Director for the review of the financial statements of Galan Lithium Limited for the period ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours Faithfully

*Hall Chadwick*

**HALL CHADWICK WA AUDIT PTY LTD**  
**Chartered Accountants**

*Mark Delaurentis*

**MARK DELAURENTIS** CA  
**Director**

Dated this 14<sup>th</sup> day of March 2023  
Perth, Western Australia

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

For the half year ended 31 December 2022

	Note	31 December 2022 \$	31 December 2021 \$
Revenue			
Other income		446,065	46,639
Gain on financial assets at fair value through profit and loss		(103,461)	(2,080)
Administration and occupancy expenses		(968,006)	(614,442)
Corporate and compliance		(147,518)	(250,926)
Personnel expenses		(485,658)	(325,970)
Depreciation		(25,415)	(2,303)
Gain on hyperinflation		-	-
Exploration expenditure written off		-	(132,628)
Share based payment expense	5	(1,677,934)	(343,894)
<b>Loss before income tax</b>		(2,961,927)	(1,625,604)
Income tax		-	-
<b>Loss for the period</b>		(2,961,927)	(1,625,604)
Exchange differences on translating foreign operations		(3,706)	(12,057)
Other comprehensive income		-	-
<b>Total comprehensive loss for the period</b>		(2,965,633)	(1,637,661)
Basic loss per share (cents per share)		(0.97)	(0.59)

The accompanying notes form part of these financial statements.

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

As at 31 December 2022

		<b>31 December 2022</b>	<b>30 June 2022</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>Current Assets</b>			
Cash and cash equivalents		37,470,965	53,894,847
Prepayments		-	-
Trade and other receivables		166,052	59,239
Total Current Assets		<u>37,637,017</u>	<u>53,954,086</u>
<b>Non-Current Assets</b>			
Term deposit – Bank Guarantee		224,077	-
Financial assets		547,981	551,442
Right of Use – Office Lease	9	817,142	-
Plant and equipment		5,592,833	2,596,737
Exploration and evaluation	3	<u>46,762,199</u>	<u>33,020,242</u>
Total Non-Current Assets		<u>53,944,232</u>	<u>36,168,421</u>
<b>TOTAL ASSETS</b>		<u>91,581,249</u>	<u>90,122,507</u>
<b>Current Liabilities</b>			
Trade and other payables		3,472,404	2,507,512
Lease Liability	9	136,505	-
Provisions		<u>102,621</u>	<u>83,150</u>
<b>Total Current Liabilities</b>		<u>3,711,530</u>	<u>2,590,662</u>
<b>Non-Current Liabilities</b>			
Lease Liability	9	680,019	-
Environment Provision		<u>481,844</u>	<u>671,474</u>
<b>Total Non-Current Liabilities</b>		<u>1,161,863</u>	<u>671,474</u>
<b>Total Liabilities</b>		<u>4,873,393</u>	<u>3,262,135</u>
<b>NET ASSETS</b>		<u><b>86,707,856</b></u>	<u><b>86,860,372</b></u>
<b>Equity</b>			
Issued capital	4	97,392,408	96,254,698
Reserves	5	4,126,697	2,451,290
Accumulated losses		<u>(14,811,249)</u>	<u>(11,845,616)</u>
<b>NET EQUITY</b>		<u><b>86,707,856</b></u>	<u><b>86,860,372</b></u>

The accompanying notes form part of these financial statements

**GALAN LITHIUM LIMITED****CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS**

For the half year ended 31 December 2022

	<b>31 December 2022</b>	<b>31 December 2021</b>
	<b>\$</b>	<b>\$</b>
<b>Cash Flows from Operating Activities</b>		
Payments to suppliers, contractors and employees	(1,379,145)	(1,162,566)
Interest received	301,263	17,899
Cash received from government grant	-	-
	<hr/>	<hr/>
Net cash flows used in operating activities	(1,077,882)	(1,144,667)
	<hr/>	<hr/>
<b>Cash Flows from Investing Activities</b>		
Deposit for bank guarantee	(224,077)	-
Payments for exploration expenditure	(14,979,894)	(3,470,994)
Payments for investments acquired	(100,000)	(383,560)
	<hr/>	<hr/>
Net cash flows used in investing activities	(15,303,971)	(3,854,554)
	<hr/>	<hr/>
<b>Cash Flows from Financing</b>		
Proceeds from issue of equities net of issue costs	-	48,842,029
Proceeds from option conversion	6,500	-
	<hr/>	<hr/>
Net cash flows used in financing activities	6,500	48,842,029
	<hr/>	<hr/>
Net increase/(decrease) cash and cash equivalents	(16,375,353)	43,842,808
Cash and cash equivalents at the beginning of the financial period	53,894,847	15,570,917
Revaluation adjustment	(48,529)	(12,057)
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the financial period</b>	<b>37,470,965</b>	<b>59,401,668</b>
	<hr/>	<hr/>

The accompanying notes form part of these financial statements.

**GALAN LITHIUM LIMITED****CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the half year ended 31 December 2022

	Issued Capital	Reserves	Accumulated losses	Total
	\$	\$	\$	\$
<b>Balance at 1 July 2021</b>	44,384,368	727,573	(6,762,730)	38,349,211
Loss for the period	-	-	(1,625,604)	(1,625,604)
Foreign currency movement	-	(12,057)	-	(12,057)
Total comprehensive loss for the period	-	(12,057)	(1,625,604)	(1,637,661)
Issue of Equity	50,000,000	-	-	50,000,000
Equity to be issued	(48,100)	-	-	(48,100)
Vendor and consultant shares	222,666	-	-	222,666
Share issue costs	(2,875,000)	-	-	(2,875,000)
Performance rights valuation	-	343,894	-	343,894
Option valuation	324,178	(324,165)	-	13
Fair value exercised options	1,717,029	-	-	1,717,029
Options conversions	-	-	-	-
<b>Balance at 31 December 2021</b>	<b>93,725,141</b>	<b>735,245</b>	<b>(8,388,334)</b>	<b>86,072,052</b>

	Issued Capital	Reserves	Accumulated losses	Total
	\$	\$	\$	\$
<b>Balance at 1 July 2022</b>	96,254,698	2,451,290	(11,845,616)	86,860,372
Loss for the period	-	-	(2,961,927)	(2,961,927)
Foreign currency movement	-	-	(3,706)	(3,706)
Total comprehensive loss for the period	-	-	(2,965,633)	(2,965,633)
Issue of Equity	-	-	-	-
Equity to be issued	(141,695)	-	-	(141,695)
Vendor and consultant shares	1,270,378	-	-	1,270,378
Share issue costs	-	-	-	-
Performance rights valuation	-	1,631,025	-	1,631,025
Option reserve	-	46,909	-	46,909
Fair value exercised options	2,527	(2,527)	-	-
Option Conversions	6,500	-	-	6,500
<b>Balance at 31 December 2022</b>	<b>97,392,408</b>	<b>4,126,697</b>	<b>(14,811,249)</b>	<b>86,707,856</b>

The accompanying notes form part of these financial statements

## **GALAN LITHIUM LIMITED**

### **CONDENSED NOTES TO THE FINANCIAL STATEMENTS**

For the half year ended 31 December 2022

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#### **1. CORPORATE INFORMATION**

This interim financial report represents those of Galan Lithium Limited ('the Company' or 'Galan') and Controlled Entities ('the Group') for the half-year ended 31 December 2022 was authorised for issue in accordance with a resolution of the Directors on 14 March 2023.

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

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Statement of Compliance**

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

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

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2022 and any public announcements made by Galan during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

##### **Basis of Preparation**

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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

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

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

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

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

###### Adoption of new and revised Accounting Standards

In the period ended 31 December 2022, 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 Group has reviewed the new and revised Standards and Interpretations on issue not yet adopted for the period ended 31 December 2022. As a result of this review the Group has determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Company and, therefore, no change is necessary to Group accounting policies.

## **GALAN LITHIUM LIMITED**

### **CONDENSED NOTES TO THE FINANCIAL STATEMENTS**

For the half year ended 31 December 2022

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#### **Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the consolidated group are classified as finance leases. Finance leases are capitalised by recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

##### i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets (office premises) are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. This is 5 years.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

##### ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

##### iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.



## GALAN LITHIUM LIMITED

### CONDENSED NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 31 December 2022

#### Group as lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

#### 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 2022.

#### Share-based payment transactions

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

#### Going Concern

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

The Group incurred a loss for the half year of \$2,961,927 (2021: \$1,625,604) and net cash outflows used in operating activities of \$1,077,882 (2021: \$1,144,667).

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

### 3. EXPLORATION AND EVALUATION

	31 December 2022 \$	30 June 2022 \$
Costs carried forward in respect of areas of interest:		
Exploration and evaluation phases at cost		
<b>Movement:</b>		
Brought forward	33,020,242	23,408,544
Exploration expenditure capitalised during the half year	12,529,679	9,479,077
Share valuation capitalised	212,278	-
Candelas shares issued	-	78,750
Greenbushes vendor shares	1,000,000	20,760
Foreign exchange translation	-	33,111
Balance at reporting date	46,762,199	33,020,242

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

## GALAN LITHIUM LIMITED

### CONDENSED NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 31 December 2022

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

#### 4. ISSUED CAPITAL

			<b>31 Dec 2022</b>	<b>31 Dec 2022</b>
			<b>Number</b>	<b>\$</b>
Fully paid ordinary shares (30 June 2022: 304,399,362)			305,505,405	97,392,408
	<b>31 Dec 2022</b>	<b>31 Dec 2022</b>	<b>30 Jun 2022</b>	<b>30 Jun 2022</b>
	<b>Number</b>	<b>\$</b>	<b>Number</b>	<b>\$</b>
Balance at the beginning of the period	304,399,362	96,254,698	244,649,086	44,384,368
Option conversions at \$0.25 (i)	-	-	9,724,371	2,431,093
Option conversions at \$0.21 (ii)	30,950	6,500	4,141,550	869,725
Placement shares at \$1.15 (iii)	-	-	25,872,594	29,753,483
Placement shares at \$1.15 (iv)	-	-	17,605,667	20,246,517
Option conversions at \$0.90 (v)	-	-	150,000	135,000
Consultant shares (vi)	-	-	104,096	92,815
Option conversions at \$0.25 (vii)	-	-	2,000,000	500,000
Vendor shares – Candelas (viii)	-	-	140,000	129,850
Vendor shares – Donnelly River (ix)	-	-	12,000	20,760
Consultant shares (xi)	97,729	-	-	-
Consultant shares (xii)	41,840	44,100	-	-
Consultant shares (xiii)	66,122	78,583	-	-
Consultant shares (xiv)	5,057	6,000	-	-
Consultant shares (xv)	-	-	-	-
Vendor shares - Greenbushes South (xv)	864,345	1,000,000	-	-
	<u>305,505,405</u>	<u>97,389,881</u>	<u>304,399,362</u>	<u>98,563,611</u>
Shares to be issued (x)	-	-	-	(39,564)
Shares to be issued (viii)	-	-	-	(51,100)
Shares to be issued (xi)	-	-	-	141,671
Transfer from equity-based reserve	-	2,527	-	515,080
Less: transaction costs	-	-	-	(2,875,000)
Balance at the end of the period	<u>305,505,405</u>	<u>97,392,408</u>	<u>304,399,362</u>	<u>96,254,698</u>

## **GALAN LITHIUM LIMITED**

### **CONDENSED NOTES TO THE FINANCIAL STATEMENTS**

For the half year ended 31 December 2022

- (i) Issued on various dates upon the conversion of unquoted options (exercisable @ \$0.25 on or before 31/3/22).
- (ii) Issued on various dates upon the conversion of unquoted options (exercisable @ \$0.21 on or before 8/10/23).
- (iii) Issued as Tranche 1 of a placement announced on 13 August 2021.
- (iv) Issued as Tranche 2 of a placement announced on 13 August 2021 (approved by shareholders on 12 October 2021).
- (v) Issued upon the conversion of unquoted options (exercisable at \$0.90 on or before 7/5/24).
- (vi) Issued to a consultant in lieu of services provided (April-September 2021).
- (vii) Issued upon the conversion of unquoted options (exercisable at \$0.25 on or before 1/12/21).
- (viii) Issued to the vendor as part consideration for tenement acquisitions (Candelas).
- (ix) Issued to the vendor as part consideration for tenement data (Donnelly River).
- (x) Issued on various dates to a consultant in lieu of services provided (April 2020 - March 2021).
- (xi) Shares to be issued to a study consultant in lieu of services provided (6 months to June 2022 - \$133,671) and to a geological consultant (\$8,000) in lieu of services provided.
- (xii) Shares issued to a consultant on 26 August 2022.
- (xiii) Shares issued to a consultant in lieu of services provided (September 2022 quarter).
- (xiv) Shares issued to a consultant in lieu of services provided (September 2022 quarter).
- (xv) Issued to the vendor as part consideration for tenement acquisition (Greenbushes South).

#### 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).

#### Options

The following unquoted options remained on issue at 31 December 2022:

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

#### Performance Rights

There were a total of 18,850,000 Performance Rights on issue at 31 December 2022 including 10,600,000 issued to Directors and management personnel with the following vesting price hurdles:

Vesting Hurdle	ASPM	Directors	Management
H1	\$2.25	1,100,000	470,000
H2	\$2.50	1,100,000	470,000
H3	\$3.00	1,100,000	470,000
H4	\$3.25	2,475,000	470,000
H5	\$3.50	2,475,000	470,000
Total		8,250,000	2,350,000

On 16 December 2022, the Company issued 8,250,000 Director Performance Rights to the Galan directors on the terms and conditions approved by shareholders at Galan's 2022 AGM held on 18 November 2022.

## GALAN LITHIUM LIMITED

### CONDENSED NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 31 December 2022

Number of Performance Rights						
Vesting Hurdle	ASPM	Vargas de la Vega	Homsany	Gardiner	Chalwell	Jimenez
H1	\$1.75	400,000	200,000	200,000	100,000	200,000
H2	\$2.00	400,000	200,000	200,000	100,000	200,000
H3	\$2.25	400,000	200,000	200,000	100,000	200,000
H4	\$2.50	900,000	450,000	450,000	225,000	450,000
H5	\$2.75	900,000	450,000	450,000	225,000	450,000
Total		3,000,000	1,500,000	1,500,000	750,000	1,500,000

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

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

#### 5. RESERVES

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

	<b>31 December 2022</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
<b><u>Equity Based Reserve</u></b>		
Opening balance	3,441,217	1,786,297
Issue of options to employees (i)	-	621,979
Performance shares milestone achieved	-	-
Valuation of Performance rights (ii)	1,631,025	1,104,365
Issue of options to directors and consultants	-	-
Performance shares (iii)	46,909	443,656
Candelas vendor shares	-	-
Issue of options to an advisor	-	-
Issue of options to a consultant	-	-
Issue of options to an advisor	-	-
Fair value of exercised options transferred to share capital	(2,527)	(515,080)
Transfer to accumulated losses	-	-
Closing Balance	5,116,624	3,441,217
<b><u>Foreign Currency Translation Reserve</u></b>	<b>(989,927)</b>	<b>(989,927)</b>
	4,126,697	2,451,290

- (i) Represented by 500,000 options (exercisable at \$1.30 on or before 24 December 2024) issued to an employee
- (ii) Represented by 16,500,000 performance rights issued to directors and 2,350,000 performance rights issued to senior management, which are being expensed and amortised over the 5 year life of the performance rights.
- (iii) Represented by 5,000,000 Class A and 5,000,000 Class B Performance shares issued to Managing Director, Mr Juan Pablo Vargas de la Vega.

## GALAN LITHIUM LIMITED

### CONDENSED NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 31 December 2022

#### Options

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.

#### Performance Rights

On 16 December 2022, the Company issued 8,250,000 Director Performance Rights to the Galan directors on the terms and conditions approved by shareholders at Galan's 2022 AGM held on 18 November 2022.

The following parameters were used to value the performance rights (with an underlying base share price of \$1.51 and each with a 5-year issue life):

<b>Allottee</b>	<b>Number of Rights</b>	<b>Fair Value at Grant Date per Right</b>	<b>Estimated Volatility</b>	<b>Hurdle Price</b>	<b>Share Price at Grant Date</b>	<b>Risk Free Interest Rate</b>
Directors	1,100,000	\$1.439	90%	\$1.75	\$1.51	3.35%
Directors	1,100,000	\$1.425	90%	\$2.00	\$1.51	3.35%
Directors	1,100,000	\$1.404	90%	\$2.25	\$1.51	3.35%
Directors	2,475,000	\$1.383	90%	\$2.50	\$1.51	3.35%
Directors	2,475,000	\$1.363	90%	\$2.75	\$1.51	3.35%

The total value of the Director Performance Rights was \$11,491,150. This amount is being expensed and amortised over the 5 year life of the performance rights, resulting in an expense of \$266,515 during this period. The Rights were valued using a barrier up-and-in trinomial pricing model with a Parisian barrier adjustment. The model, produced by an external consultant, takes into consideration that the Rights will vest at any time during the performance period, given that the VWAP of the Company's shares exceeds the relevant barrier over 20 consecutive trading days.

#### **6. SUBSEQUENT EVENTS**

As announced on 8 February 2023, Galan secured 100% ownership to the Candelas project. The final settlement included the issue of 1,410,000 fully paid ordinary shares and a cash payment of USD \$1,660,000 under a final acquisition agreement for the Candelas tenements.

On 13 February 2023, in accordance with ASX Listing Rule 3.14, Galan advised that its registered office and principal place of business has changed to: Level 1, 50 Kings Park Road West Perth Western Australia 6005. The new postal address is PO Box 584, West Perth, Western Australia 6872.

On 2 March 2023, the Company became a substantial holder of Mandrake Resources Limited (ASX:MAN)(**Mandrake**). As per Mandrake announcement dated 22 February 2023, Mandrake secured a large-scale lithium project in the prolific 'lithium four corners' Paradox Basin southeast Utah, USA. The Utah Lithium Project comprises a land position of over 56,000 acres (~226 km<sup>2</sup>), including a Binding Agreement with the Utah State Govt for over 34,000 acres. The project is located proximal to Anson Resources' (ASX: ASN) Paradox Lithium Project in the pro-mining jurisdiction of Utah with access to Tier 1 infrastructure including power and water. The Company believes the large-scale potential of the Utah Lithium Project presented a unique alliance opportunity for Galan to gain early-stage exposure to the lithium hungry USA.

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.

## GALAN LITHIUM LIMITED

### CONDENSED NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 31 December 2022

#### 7. SEGMENT INFORMATION

The Group currently operates in two geographical areas being Argentina and Australia, and in one industry, being exploration, for the half year ended 31 December 2022. 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 on internal reports reviewed by the Chief Operating Decision Makers in assessing performance and allocation of resources.

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

#### 8. COMMITMENTS AND CONTINGENCIES

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

#### 9. RIGHT OF USE ASSETS AND LEASE LIABILITY

Effective 1 December 2022 the company executed a 5 year office lease for its new premises at level 1, 50 Kings Park Road, West Perth 6005.

<b>Right-of-use assets</b>	<b>31 December 2022</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
<u>Office lease</u>		
At carrying amount	830,992	-
Additions	-	-
Less: Accumulated amortization	(13,850)	-
	<u>817,142</u>	<u>-</u>

#### **Leases**

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

<b>As at 1 July 2022</b>	-	-
Additions	830,992	-
Accretions of interest	-	-
Payments	(14,468)	-
<b>As at 31 December 2022</b>	<u>816,524</u>	<u>-</u>
Current	136,505	-
Non-current	680,019	-

The following are the amounts recognised in profit or loss:

Depreciation	13,850	-
Interest expense on lease liabilities	-	-
Total amount recognised in profit or loss	<u>13,850</u>	<u>-</u>

The Group had total cash outflows for leases of \$14,468 in the period to 31 December 2022 (2021: Nil).

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

### Conclusion

We have reviewed the accompanying half-year financial report of Galan Lithium Limited (“the Company”) and Controlled Entities (“the Consolidated Entity”) which comprises the condensed consolidated statement of financial position as at 31 December 2022, 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 Galan Lithium Limited financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134: *Interim Financial Reporting* and *Corporations Regulations 2001*.

### Basis for Conclusion

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

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

## Responsibility of the Directors for the Financial Report

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

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

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

*Hall Chadwick*

**HALL CHADWICK WA AUDIT PTY LTD**

*Mark Delaurentis*

**MARK DELAURENTIS CA**  
**Director**

Dated this 14<sup>th</sup> day of March 2023  
Perth, Western Australia