



GALAN
LITHIUM LIMITED

ACN 149 349 646

AND CONTROLLED ENTITIES

ANNUAL REPORT

30 June 2018

TABLE OF CONTENTS

Corporate Directory	1
Directors' Report	2
Statement of Profit or Loss and Other Comprehensive Income	23
Statement of Financial Position	24
Statement of Changes in Equity	25
Statement of Cash Flows	26
Notes to the Financial Statements	27
Directors' Declaration	55
Independent Auditor's Report	56
Auditor's Independence Declaration	62
Australian Securities Exchange Information	63

CORPORATE DIRECTORY

Directors

Nathan McMahon (Non-Executive Chairman)
Juan Pablo Vargas de la Vega (Managing Director) (Appointed 25 June 2018)
Chris Chalwell (Non-Executive Director)
Terry Gardiner (Non-Executive Director)
Jinyu (Raymond) Liu (Non-Executive Director) (Appointed 25 June 2018)
Patrick Corr (Non-Executive Director) (Appointed 9 October 2017 - Resigned 25 June 2018)

Company Secretary

Mike Robbins

Registered Office

Level 2, 38 Richardson Street
West Perth, WA, 6005
Ph: +61 8 9322 6283
Fax: +61 8 9322 6398
Email: admin@galanlithium.com.au
Website: www.galanlithium.com.au

Auditors

Bentleys
Level 3, 216 St Georges Tce
Perth WA 6000

Share Registry

Advanced Share Registry Limited
110 Stirling Highway
Nedlands WA 6009

Stock Exchange Listing

Australian Securities Exchange Limited (ASX)
Home Exchange-Perth, Australia

ASX Code

GLN

DIRECTORS' REPORT

The Directors submit their report on Galan Lithium Limited (the "Company" or "Galan") and its controlled entities ('the Group') for the financial year ending 30 June 2018 ("the year"). The Company changed its name from Dempsey Minerals Limited to Galan Lithium Limited on 10 August 2018.

1. DIRECTORS

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

Nathan Bruce McMahon B.Com
Non-Executive Chairman

Experience

Mr McMahon has provided corporate and tenement management advice to the mining industry for nearly 25 years to in excess of twenty public listed mining companies. Nathan has specialised in native title negotiations, joint venture negotiations and project acquisition due diligence.

Mr McMahon is also joint Managing Director of Cazaly Resources Ltd.

Other listed directorships

Hodges Resources Limited	Since May 2008
Cazaly Resources Limited	Since June 2002

Interest in shares and options

4,839,381 ordinary shares
1,429,786 quoted options exercisable @ \$0.14 expiring on or before 31/12/18
750,000 unquoted options expiring on or before 29/11/19

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

Appointed 25 June 2018

Experience

JP is a Chilean/Australian mineral industry professional with 15 years broad experience in ASX mining companies, stockbroking and private equity firms and holds a Masters in Mineral Economics from Curtin University, Perth. JP has been a specialist lithium analyst in Australia. JP has also operated a private copper business in Chile and has also worked for BHP, Rio Tinto and Codelco.

Other listed directorships

Nil

Interest in shares and options

6,823,544 ordinary shares
5,117,658 unquoted options exercisable @ \$0.14 expiring on or before 31/12/19

DIRECTORS' REPORT (CONT'D)

Christopher William Chalwell *M.Aus.I.M.M; GAICD,*
Non-Executive Director

Experience

Mr Chalwell has more than 25 years' experience in senior management and advisory roles, initially graduating from the Western Australian School of Mines and more recently from the Advanced Management Program at Harvard University in Boston. Chris is currently the Executive Chairman of Railtrain and is a recent Director of the Industrial Foundation of Accident Prevention (IFAP), a not for profit organisation where Chris worked to advanced safety leadership in the workplace and Vice Chairman of Perth Racing, Western Australia's premier thoroughbred racing club.

For more than a decade and prior to Chris's appointment as Railtrain, Chris was Chief Operating Officer of Skilled Group, a workforce services business that under Chris's leadership transformed by increasing revenues to greater than \$1.0 billion, significantly reduced employee injury rates and increased productivity and profitability.

Other listed directorships

Nil

Interest in shares and options

2,000,000 ordinary shares

261,402 quoted options exercisable @ \$0.14 expiring on or before 31/12/18

750,000 unquoted options exercisable @ \$0.15 expiring on or before 29/11/19

Terry James Gardiner
Non-Executive Director

Experience

Mr Gardiner has been involved in capital markets, corporate advising, stockbroking & derivatives trading for over 20 years. For the past twelve years Mr Gardiner has been an Executive Director of boutique broker Barclay Wells Ltd. Mr Gardiner is also a director of many public unlisted companies.

Other listed directorships

Cazaly Resources Ltd since December 2016.

Interest in shares and options

3,429,919 ordinary shares

1,665,983 quoted options exercisable @ \$0.14 expiring on or before 31/12/18

750,000 unquoted options exercisable @ \$0.15 expiring on or before 29/11/19

DIRECTORS' REPORT (CONT'D)**Jinyu (Raymond) Liu**
Non-Executive Director

Appointed 25 June 2018

Experience

Mr Liu is a qualified mining engineer with a commercial background and received his degree in Mining Engineering from University of Western Australia. He also holds a Masters of Minerals Economics from Curtin University and a Western Australia Unrestricted Quarry Manager's licence. Mr Liu is the founding Managing Partner of Havelock Mining Investment, a Hong Kong investment company and has been involved with numerous investments in ASX listed companies and is currently a Director of Okapi Resources Ltd. Previously, he has served as a Director of Fosun International Australian, a Chinese conglomerate and investments company. Prior to this, he held technical roles at Rio Tinto, KCGM and Mt Gibson Iron.

Other listed directorships

Okapi Resources Limited since October 2017.

Interest in shares and options

13,367,640 ordinary shares

6,588,230 unquoted options exercisable @ \$0.14 expiring on or before 31/12/19

Patrick Corr LLB,
Non-Executive Director

Appointed 9 October 2017 - Resigned 25 June 2018

Mike Robbins
Company Secretary

Mr Robbins has over 20 years resource industry experience gathered at both operational and corporate levels, both within Australia and overseas. During that time, he has held numerous project and head office management positions and is currently Company Secretary for two other listed entities.

2. DIVIDENDS

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

3. DIRECTORS' MEETINGS

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

	Meetings	
	No. Eligible	No. Attended
Mr McMahon	4	4
Mr Chalwell	4	4
Mr Gardiner	4	4
Mr Corr	3	3

DIRECTORS' REPORT (CONT'D)

For details of the function of the Board and any relevant committees please refer to the Corporate Governance Statement on the Company's website at www.galanlithium.com.au.

4. PRINCIPAL ACTIVITIES

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

At a general meeting held on 4 May 2018, shareholders voted for a change to nature and scale of activities for the Company, on the back of the acquisition of Blue Sky Lithium Pty Ltd. The Company was not required to meet the requirements of Chapters 1 and 2 of the ASX Listing Rules in respect of the acquisition.

5. OPERATING & FINANCIAL REVIEW

Hombre Muerto Lithium Project

On 6 February 2018, the Company announced that it had signed an exclusive option agreement (Option Agreement) with Australian company Blue Sky Lithium Pty Ltd (Blue Sky) to acquire 100% (royalty free) of Blue Sky's interests in mining tenements located in the world class lithium bearing *Hombre Muerto* salt flat in the province of Catamarca, Argentina. Blue Sky, through its Managing Director and founder Mr. Juan Pablo Vargas de la Vega, has had a long association in the mining industry in Australia and Latin America and in particular within the lithium sector. Under the terms of the Option Agreement, Galan had an option, at its sole and absolute election, to determine whether to complete the acquisition by way of an asset sale agreement (i.e. by acquiring Blue Sky's interests in those mining tenements) or by acquiring 100% of the issued capital of Blue Sky (Acquisition).

As announced on 25 June 2018, the Company acquired 100% of the issued capital of Blue Sky under the Share Sale and Purchase Agreement. The consideration payable under both agreements was as follows:

- (a) Upon the exercise of the option under the Option Agreement (**Option**), an option fee will be payable to the Blue Sky vendors and shareholders of 3,000,000 fully paid ordinary shares in the capital of Galan (**Shares**) and 3,000,000 options each to subscribe for one (1) Share at an exercise price of \$0.14 on or before 31 December 2019 (**Options**). These were issued on 25 June 2018.
- (b) Upon completion of the acquisition of Blue Sky or the Project (as determined by Galan) (**Completion**) the issue to the Blue Sky vendors and shareholders (as applicable) of 17,000,000 Shares and 12,000,000 Options. These Shares were issued 25 June 2018 and the Options on 15 August 2018.
- (c) Upon the delineation by or on behalf of Galan of a JORC resource of not less than 80kt lithium carbonate equivalent within the area of the mining properties in which Blue Sky has an interest as at Completion, the issue of 15,000,000 Shares to the Blue Sky vendors and shareholders.
- (d) Upon the commencement of commercial production from a pilot plant by on or behalf of Galan, the issue of 10,000,000 Shares to the Blue Sky vendors and shareholders.

Prior to completion on 25 June 2018, a number of conditions precedent including but not limited to the exercise by Galan of the Option, Galan having completed a capital raising of at least \$2,000,000 by the issue of Shares at not less than \$0.075 per Share (**Financing Condition**), Galan being satisfied in its sole and absolute discretion with the results of its technical due diligence and the receipt of all necessary shareholder and other approvals.

A finder's facilitation fee of 5,000,000 Shares and 10,000,000 Options was also payable on Completion. The Shares were issued on 25 June 2018 and the Options on 15 August 2018.

DIRECTORS' REPORT (CONT'D)

The Hombre Muerto Lithium Project (the **Project**) is located within the South American Lithium Triangle in the Hombre Muerto Basin, one of the most important and prolific salt flats in Argentina and indeed the world. The Project is situated adjacent to Galaxy Resources' Sal de Vida project (proposed production of 25ktpa LCE - GXY:ASX announcement, 22 August 2016) and FMC's Fenix lithium operations (which has been in operation since 1997). The basin is known to have the lowest impurity levels of any producing Salar in Argentina and has been in production for over 20 years. The geology of the basin is well understood with lithium grades ranging from 680 to 780ppm and reserve life's estimated to be greater than 50 years for FMC (GXY NI 43-101, March, 2010) and 40 years for Galaxy (GXY: ASX announcement, 22 August 2016) at current and forecast production rates.

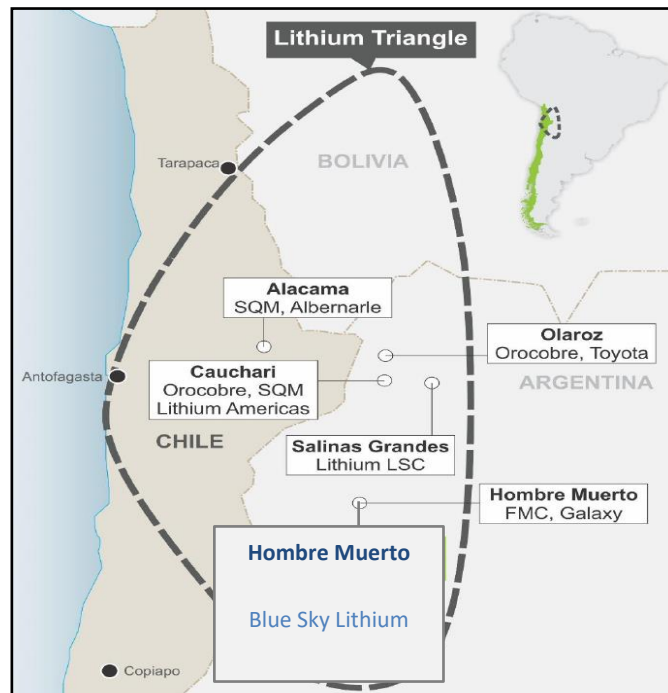


Figure 1 – Hombre Muerto Basin

Surveys

Surveys were conducted to define the geometry and depths to basement of the salar and Los Patos channel and to map resistivity contrasts to assist in identifying lithium-bearing brine aquifers. The surveys were undertaken and interpreted by highly credentialed geophysical consultants Quantec Geoscience Ltd (Quantec) who stated in their conclusions that; "The 5 CSAMT lines show very conductive and shallow units that are compatible with units being saturated with brine, which constitute a great potential for lithium exploration" and that "... the basin could be deep since no high density materials seem to appear to depths of up to 600m, which is congruent with the CSAMT survey".

Quantec has significant experience in this type of exploration targeting lithium brine mineralisation and has previously conducted work at the neighbouring Sal de Vida project for Galaxy Resources Ltd.

The CSAMT survey covered 20.6 line kms over 5 profiles (Figure 2). The data acquired was noted as being of high quality despite the extremely conductive environment in the area. Profiles were interpreted to a depth of approximately 600m however caution is advised on the deeper results since the extremely low conductivity materials can have a diminished response with depth.

DIRECTORS' REPORT (CONT'D)

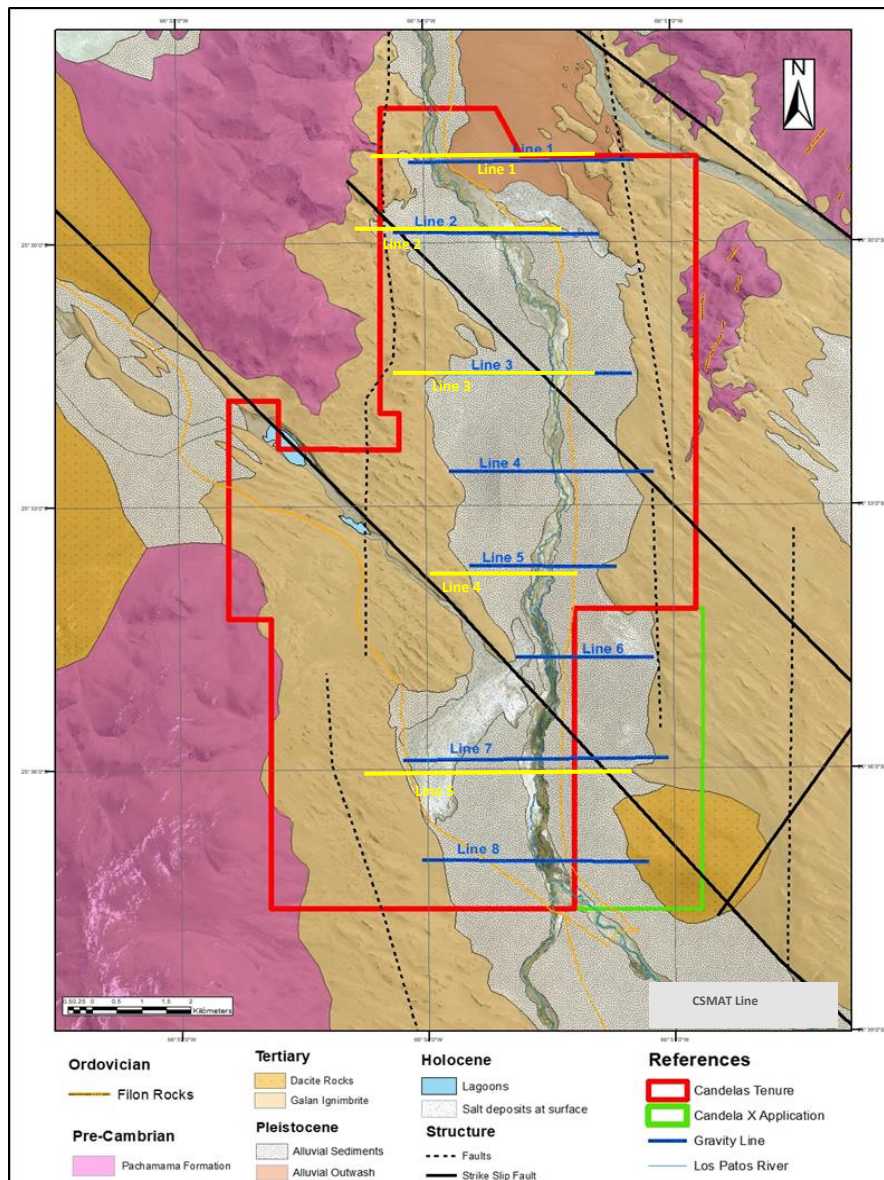


Figure 2: Geological map and location of geophysical profiles

The Gravity survey covered 15km along the length of the Los Patos channel within the Candela's project and data reduced to Free Air, Bouguer, and Complete Bouguer Anomalies. Regional surveyed points were used to calculate the regional trend and a final Residual Complete Bouguer anomaly was also calculated.

The gravity data were used to build a 3D density inversion and the results presented as constant elevation slices every 50m. A 2D model was also produced which highlighted the density contrast between the basement (SG 2.7 g/cc) and sediments/ignimbrite (SG 2.0 g/cc).

On 23 July 2018, the Company announced that it had significantly expanded its land holdings within the Hombre Muerto Basin through the acquisition of new licences at Rana de Sal and Santa Barbara and through a new licence application at Pata Pila.

Pending licence approvals, including the previously announced Candela's X application (refer ASX announcement dated 6 June 2018), the additional licences will conservatively increase the company's area of interest for the exploration for lithium brines by ~35% from ~5,000 Ha to at least ~6,900 Ha (Figure 3).

DIRECTORS' REPORT (CONT'D)

Land holdings for the Company total ~25,000Ha. The Hombre Muerto salar hosts FMC Corporation's El Fenix operation and Galaxy's Sal de Vida project, a portion of which is subject to sale to POSCO for US\$280M (ASX:GXY 29 May 2018).

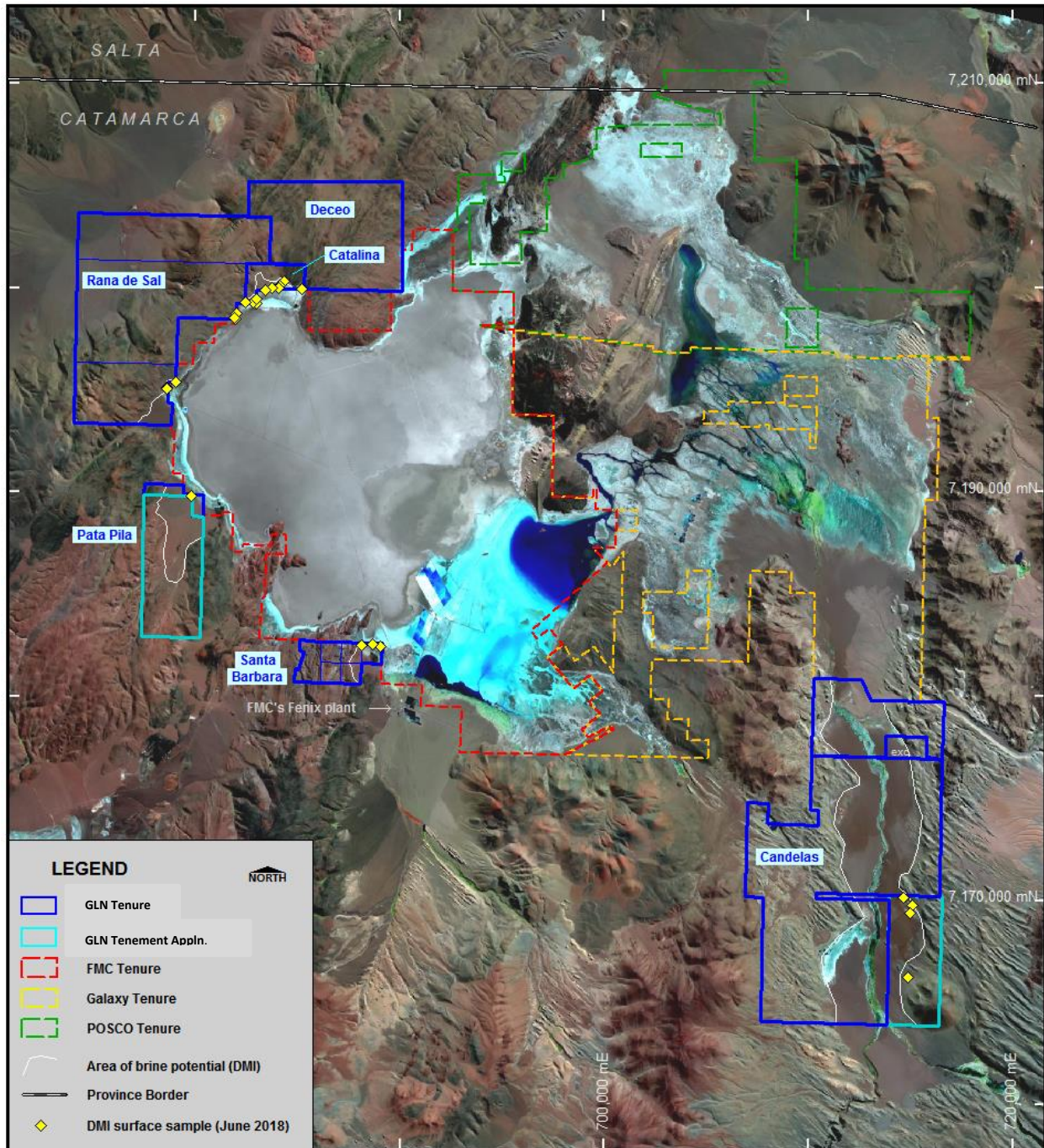


Figure 3: Tenure and recent sample locations, Hombre Muerto

Pata Pila covers a large area of alluvial fan thought to conceal the margin of the Hombre Muerto salar in the west. The Rana de Sal licence lies in the northwest, is contiguous with the Catalina licence and covers an area of alluvial fan covered salar. The area also hosts the site of FMC's original pilot processing facility.

DIRECTORS' REPORT (CONT'D)

The Santa Barbara licences cover a small portion of the salar margin close to FMC's operation. Rana de Sal was purchased for US\$25,000 for 100%. The Santa Barbara licences are held under an option agreement whereby the Company can purchase 100% equity for US\$300,000 within three years with US\$40,000 being paid upon signing.

As announced on 20 August 2018, the Company plans to conduct various CSAMT resistivity and gravity surveys over the western areas and will expand upon the previously reported survey results (ASX releases dated 6 June 2018 and 15 June 2018) which defined substantial volumes of highly conductive and shallow units compatible with units being saturated with brine that remain open within the Company's ground largely to the west.

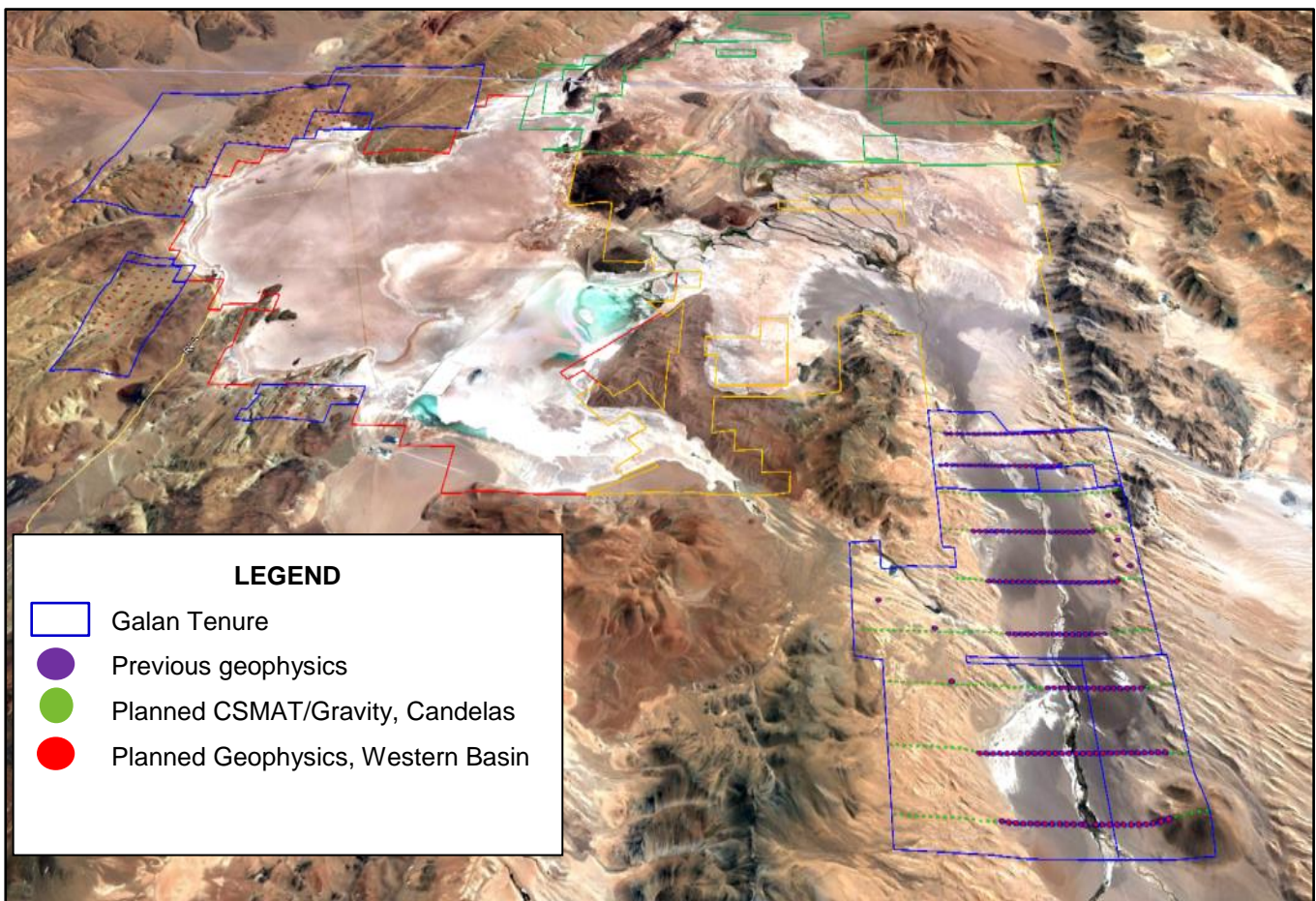


Figure 4: Oblique view of the Hombre Muerto project showing recent and planned geophysical campaigns

Recent work on site included a programme of near surface water sampling comprising 23 samples undertaken over the Candelas X, Santa Barbara, Pata Pila, Catalina and Rana de Sal licences (Figure 4). Water samples were taken from shallow auger holes up to 1.3 metres deep and analysed for conductivity, total dissolved salts and analysed for a range of elements (results included in ASX announcement dated 23 July 2018).

Results from the sampling were highly encouraging with several samples recording Li values in excess of 1,000 mg/l Li taken from Catalina and Santa Barbara. Li values observed from samples taken at Rana de Sal was also very encouraging whilst samples from Candelas X were taken above the RL of the adjacent Rio Patos channel from overlying colluvial cover and within the brackish/fresh water zone interpreted to lie above deeper seated brines as evidenced from the previous CSAMT survey.

DIRECTORS' REPORT (CONT'D)

The Company will utilise the further information gained from the geophysical surveys to define targets for drilling. Applications for permits to conduct the drilling have been submitted and the company is reviewing drilling contractors for the operation which, dependent upon weather conditions, is expected to commence in Q4 this year.

Alasehir Exploration Licence

As previously announced to the market on 4 September 2015, the Company entered into a conditional exclusive Option and Sale & Purchase Agreement ("Agreement") under which it had an option to acquire 100% of the issued capital of Petroz Limited ("Petroz") ("Option"). Petroz is an unlisted public Australian oil company, which holds a 75% interest in the onshore petroleum Licence 21A which hosts the discovered, but not yet developed, Alasehir & Sarikiz Oil Fields located in Western Turkey ("Licence").

Due to the social unrest in Turkey, the Company was able to re-negotiate an extension to the Option period to 31 December 2018. The Company continues to retain a dialogue with the local regulatory authorities and advisors whilst expenditure has been reduced to a bare minimum.

Greenbushes South – E70/4629 (100%)

The Company continues to progress the grant of the project through the regulatory bodies.

Corporate

Equity

The Company raised funds via the following placements conducted during the financial year:

- 6 September 2017 and 30 November 2017 - Issue of a total of 2,000,000 fully paid ordinary shares plus a free attaching listed option (on a one for two basis) exercisable at \$0.14 on or before 31 December 2018 (total funds received \$100,000); and
- 9 October 2017 - Issue of 4,480,000 fully paid ordinary shares plus a free attaching listed option (on a one for two basis) exercisable at \$0.14 on or before 31 December 2018 (total funds received \$224,000); and
- 11 December 2017 - Issue of 2,040,000 fully paid ordinary shares plus a free attaching listed option (on a one for two basis) exercisable at \$0.14 on or before 31 December 2018 (total funds received \$102,000)
- 14 February 2018 and 14 May 2018 – Issue of a total of 25,000,000 fully paid ordinary shares. This placement was conducted in two tranches (one for 7,700,000 and one for 17,300,000 fully paid ordinary shares) to raise a total of \$2,000,000 as required under the Blue Sky acquisition agreement.

On 25 June 2018, a total of 20,000,000 fully paid ordinary shares were issued to the vendors of Blue Sky. On the same day, a total of 5,000,000 fully paid ordinary shares were also issued to the finders of the Blue Sky acquisition. Both issues were approved by shareholders at a general meeting held on 4 May 2018.

As part of the Blue Sky acquisition, the Company issued 3,000,000 unquoted options (exercisable at \$0.14 on or before 31 December 2019) to the vendors of Blue Sky during the financial year.

The balance of 12,000,000 options (exercisable at \$0.14 on or before 31 December 2019) due the vendors under the Agreement and the 10,000,000 options (exercisable at \$0.14 on or before 31 December 2019) due to the finders, were approved by shareholders and issued on 15 August 2018.

Other

At the general meeting held on 4 May 2018, shareholders approved the Blue Sky acquisition and also approved a change in nature and scale of activities for Galan.

DIRECTORS' REPORT (CONT'D)

Upon completing the Blue Sky acquisition on 25 June 2018, the Board of the Company appointed two new Directors - Mr Juan Pablo ("JP") Vargas de la Vega as the Managing Director and Mr Jinyu (Raymond) Liu as a Non-Executive Director.

On the same date, Mr Patrick Corr resigned from the Board of the Company due to increased business commitments. Mr Corr joined the Board on 9 October 2017.

To better reflect the Company's focus as a lithium explorer/developer in Argentina, the Directors considered it appropriate for the Company to explore and adopt a new name for the Company. Cerro Galan is a volcano located close to the project and is considered the most important source of lithium into the Hombre Muerto Basin. On 10 August 2018, the shareholders voted, via a special resolution, to approve the name change of the company to Galan Lithium Limited. This approval solidifies the Company's focus as a lithium explorer/developer in Argentina, including embracing the importance of Cerro Galan and its role in the development of lithium brines in the region. The change of ASX ticker to GLN was announced on 15 August 2018.

Financial

The loss after tax for the year was \$992,850 (2016: \$632,116). The Company's net assets were \$9,014,159 at the end of the year compared to \$526,776 in 2017.

Cash and cash equivalents as at year end were \$1,689,593 (2017:\$47,621).

Exploration expenditure for the year was \$7,611,078 (2017:\$6,308). The majority of this expenditure was on new project opportunities in Argentina. Exploration expenditure written off for the year was \$6,281 compared to \$6,308 in the previous financial year due to the write down of exploration expenditure on non-Argentinian tenements.

Net administration expenses and employee benefits for the year totalled \$345,925 (2017:\$149,353).

Risks

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

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

- Title Risk

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

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

DIRECTORS' REPORT (CONT'D)

- Exploration Risk

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

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

- Economic

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

- Resource Estimates

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

- Access Risks – Cultural Heritage and Native Title

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

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

- JV and Contractual Risk

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

DIRECTORS' REPORT (CONT'D)

- Market conditions

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

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

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

- Volatility in Global Credit and Investment Markets

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

- Commodity Price Volatility and Exchange Rates Risks

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

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

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

- Environmental Risks

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

DIRECTORS' REPORT (CONT'D)

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

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

- Sovereign and Political Risks

Argentina

The Company acquired 100% of Blue Sky Lithium Pty Ltd on 25 June 2018. The acquisition of Blue Sky means the Company holds options to acquire the rights to the projects located in Argentina. Mineral exploration tenure in the Argentina is governed by Argentinian legislation.

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

The Company may also be hindered or prevented from enforcing its rights with respect to government instrumentalities because of the doctrine of sovereign immunity.

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

Turkey

The Company executed an Agreement on 3 September 2015 under which it acquired an option to acquire a petroleum project located in the Republic of Turkey. Petroleum exploration tenure in the Republic of Turkey is governed by Turkish legislation.

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

The Company may also be hindered or prevented from enforcing its rights with respect to government instrumentalities because of the doctrine of sovereign immunity.

DIRECTORS' REPORT (CONT'D)

Any future material adverse changes in government policies or legislation in the Republic of Turkey that affect ownership, petroleum exploration, development or mining activities, may affect the viability and profitability of the Company.

General

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

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

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

The Company cannot guarantee that the licences and/or tenements in which it may acquire an interest, if it completes the acquisition, or any other licences and/or tenements in which it has or may acquire in the future, will be renewed beyond their current expiry date and there is a material risk that, in the event the holder of those licences and/or tenements is unable to renew any of them beyond their current expiry date, all or part of the Company's interests in the corresponding projects may be relinquished.

Further, there is no guarantee that any applications for petroleum licences and/or tenements will be granted or granted on conditions satisfactory to the Company.

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

The above risks are not exhaustive but are the minimum exposure areas observed by the Company. Outside of the above, the Company is continually assessing Industry type risk (covering resources, commercial, commodity prices & volatility, insurance and environmental) and general type risk (economic, share markets, government & legal and global volatility).

6. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Apart from the 100% acquisition of Blue Sky Lithium Pty Ltd and their associated acquisition rights to the lithium projects in Argentina, there were no significant changes in the state of affairs of the Company that occurred during the financial year.

DIRECTORS' REPORT (CONT'D)

7. AFTER BALANCE SHEET DATE EVENTS

On 10 August 2018, the Company held a shareholder's general meeting which approved the issue of the balance of 12,000,000 options (exercisable at \$0.14 on or before 31 December 2019) due the vendors of the Blue Sky acquisition and the 10,000,000 options (exercisable at \$0.14 on or before 31 December 2019) due to the finders. These options were issued on 15 August 2018.

At the same meeting, shareholders also approved the change of name from Dempsey Minerals Limited to Galan Lithium Limited.

As finalised and announced to the ASX on 10 August 2018, the Managing Director will be entitled (subject to shareholder approval) to be issued a total of 10 million Shares in the Company upon the achievement of key milestones on or before 31 July 2023. Further details of the milestones are contained in the announcement and the Remuneration Report.

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 Company in subsequent financial years.

8. FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

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

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

9. ENVIRONMENTAL ISSUES

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

10. REMUNERATION REPORT (Audited)

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

- A Remuneration Philosophy
- B Remuneration Structure & Contractual Arrangements
- C Remuneration and Performance
- D Equity-based compensation
- E Details of Remuneration
- F Interests of Key Management Personnel (KMP)
- G Voting and comments at the Company's 2017 Annual General Meeting
- H Related Party Information

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

DIRECTORS' REPORT (CONT'D)

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

A Remuneration Philosophy

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

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

B Remuneration Structure & Contractual Arrangements

The Company has in place non-executive letters of engagement for all Non-Executive Directors. The Directors hold office until the next annual general meeting at which point 1/3 of the directors retire by rotation and will be eligible for election as a Director at that meeting in accordance with the Company's Constitution.

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

For the financial year, the Non-Executive Chairman and the Non-Executive Directors (except Mr Patrick Corr) were all engaged on contracts that have paid director's fees of \$30,000 per annum. Mr Patrick Corr was engaged on a contract for annual director's fees of \$36,000 pa. From 1 July 2018, all Non-Executive Directors were engaged on contracts for annual director's fees of \$36,000 pa.

Remuneration of Non-Executive Directors is based on fees approved by the Board of Directors (from within the remuneration pool approved by Shareholders from time to time at a general meeting) and is set at levels to reflect market conditions and encourage the continued services of the Directors. The Company does not offer any variable remuneration incentive plans or bonus schemes to Non-Executive Directors.

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

On 25 June 2018, the Company appointed Mr Juan Pablo Vargas de la Vega ('JP') to the role of Managing Director. His annual salary is \$180,000 (inclusive of statutory superannuation).

As finalised and announced on 10 August 2018, JP is also entitled to be issued the fully equity in the Company (subject to shareholder approval) upon the achievement of the following milestones on or before 31 July 2023:

- 5,000,000 Shares upon the Company announcing an Indicated and Measured resource of 1Mt of lithium carbonate equivalent 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. In the event that the Company's interest in that project is less than 100%, JP will only be entitled to receive the proportion of those 5,000,000 Shares that is equal to the Company's percentage interest in the project (i.e. if the Company holds a 75% interest in the relevant project, JP will be entitled to receive 75% x 5,000,000 Shares) unless the Company's board of directors agrees otherwise; and

DIRECTORS' REPORT (CONT'D)

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

- 5,000,000 Shares upon financial close for a commercial scale lithium production facility by the Company.

The Board considers the alignment and incentives offered to JP to be commensurate with the value that he will provide the Company and its shareholders. The progress made since the involvement of JP has been substantial and has added significant value to shareholders.

C Remuneration and Performance

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

D Equity Based Compensation

No shares were issued during the year to Directors or key management as a result of exercising remuneration options.

The following options were issued to Directors as part of their remuneration for the year ended 30 June 2018. The issue of the options were approved by shareholders on 24 November 2017.

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
N McMahon	750,000	\$0.1460	75%	2.0	\$0.15	\$0.07	2.25%
T Gardiner	750,000	\$0.1460	75%	2.0	\$0.15	\$0.07	2.25%
C Chalwell	750,000	\$0.1460	75%	2.0	\$0.15	\$0.07	2.25%
P Corr	750,000	\$0.1460	75%	2.0	\$0.15	\$0.07	2.25%

E Details of Remuneration

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

DIRECTORS' REPORT (CONT'D)

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

	Short-term Benefits				Post-Employment Benefits	Other Long-term Benefits	Equity Based Payment		Total	Performance Related
	Salary	Cash profit Share	Non-cash benefit	Other	Super-annuation	Other	Equity	Options		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Mr Nathan McMahon – Non Executive Chairman (i)										
2018	17,500	-	-	-	-	-	-	10,950	28,450	38.5%
2017	30,000	-	-	-	-	-	-	-	30,000	-
Mr Juan Pablo Vargas de la Vega – Managing Director (Appointed 25 June 2018)(ii)										
2018	66,047	-	-	-	6,275	-	-	-	72,322	-
2017	-	-	-	-	-	-	-	-	-	-
Mr Terry Gardiner – Non Executive Director										
2018	30,000	-	-	-	-	-	-	10,950	40,950	26.7%
2017	30,000	-	-	-	-	-	-	-	30,000	-
Mr Patrick Corr – Non-Executive Director (Appointed 9 October 2017 - Resigned 25 June 2018)										
2018	18,000	-	-	-	-	-	-	10,950	28,950	37.8%
2017	-	-	-	-	-	-	-	-	-	-
Mr Chris Chalwell – Non Executive Director (iii)										
2018	30,000	-	-	-	-	-	-	10,950	40,950	26.7%
2017	30,000	-	-	-	-	-	-	-	30,000	-
Total Remuneration										
2018	161,547	-	-	-	6,275	-	-	43,800	211,622	20.7%
2017	90,000	-	-	-	-	-	-	-	90,000	-

- (i) Director fees of \$17,500 were paid, or were due and payable to Kingsreef Pty Ltd, a company controlled by Mr McMahon.
(ii) Salary and superannuation paid to Mr de la Vega in his position as General Manager. JP was appointed Managing Director on 25 June 2018.
(iii) Director fees of \$30,000 were paid, or were due and payable to Westdev Pty Ltd, a company controlled by Mr Chalwell.

F Interests of Key Management Personnel (KMP)

As at 30 June 2018, the following interests in shares and options were held by KMP.

Share holdings of KMP

30 June 2018

Name	Balance 1 July 2017	Purchased	Options Exercised	Other	Balance 30 June 2018
Nathan McMahon	4,839,381	-	-	-	4,839,381
JP Vargas de la Vega (i)	-	-	-	6,823,544	6,823,544
Chris Chalwell	1,600,000	400,000	-	-	2,000,000
Terry Gardiner	3,329,919	200,000	-	-	3,529,919
Jinyu (Raymond) Liu (i)	-	-	-	13,367,640	13,367,640
Patrick Corr (ii)	-	-	-	200,000	200,000
Total	9,769,300	600,000	-	20,391,184	30,760,484

DIRECTORS' REPORT (CONT'D)

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

30 June 2017

Name	Balance 1 July 2016	Purchased	Options Exercised	Other	Balance 30 June 2017
Nathan McMahon	4,289,381	550,000	-	-	4,839,381
JP Vargas de la Vega (i)	-	-	-	-	-
Chris Chalwell	1,334,180	265,820	-	-	1,600,000
Terry Gardiner	2,579,919	750,000	-	-	3,329,919
Jinyu (Raymond) Liu (i)	-	-	-	-	-
Patrick Corr (ii)	-	-	-	-	-
Total	8,203,480	1,565,820	-	-	9,769,300

Quoted option holdings of KMP

30 June 2018

Name	Balance 1 July 2017	Issued/Other	Exercised	Lapsed	Balance 30 June 2018
Nathan McMahon	1,429,786	-	-	-	1,429,786
JP Vargas de la Vega (i)	-	-	-	-	-
Chris Chalwell	311,402	-	-	-	311,402
Terry Gardiner	1,615,983	50,000	-	-	1,665,983
Jinyu (Raymond) Liu (i)	-	-	-	-	-
Patrick Corr (ii)	-	100,000	-	-	100,000
Total	3,357,171	150,000	-	-	3,507,171

30 June 2017

Name	Balance 1 July 2016	Issued/Other	Exercised	Lapsed	Balance 30 June 2017
Nathan McMahon	1,429,786	-	-	-	1,429,786
JP Vargas de la Vega (i)	-	-	-	-	-
Chris Chalwell	311,402	-	-	-	311,402
Terry Gardiner	625,983	990,000	-	-	1,615,983
Jinyu (Raymond) Liu (i)	-	-	-	-	-
Patrick Corr (ii)	-	-	-	-	-
Total	2,367,171	990,000	-	-	3,357,171

Unquoted option holdings of KMP

30 June 2018

Name	Balance 1 July 2017	Issued/Other	Exercised	Lapsed	Balance 30 June 2018
Nathan McMahon	-	750,000 (iii)	-	-	750,000
JP Vargas de la Vega (i)	-	1,023,533 (iv)	-	-	1,023,533
Chris Chalwell	-	750,000 (iii)	-	-	750,000
Terry Gardiner	-	750,000 (iii)	-	-	750,000
Jinyu (Raymond) Liu (i)	-	917,646 (iv)	-	-	917,646
Patrick Corr (ii)	-	750,000 (iii)	-	-	750,000
Total	-	4,941,179	-	-	4,941,179

DIRECTORS' REPORT (CONT'D)

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

30 June 2017

Name	Balance 1 July 2016	Issued/Other	Exercised	Lapsed	Balance 30 June 2017
Nathan McMahon	-	-	-	-	-
JP Vargas de la Vega (i)	-	-	-	-	-
Chris Chalwell	-	-	-	-	-
Terry Gardiner	-	-	-	-	-
Jinyu (Raymond) Liu (i)	-	-	-	-	-
Patrick Corr (ii)	-	-	-	-	-
Total	-	-	-	-	-

- (i) Mr JP Vargas de la Vega and Mr Jinyu (Raymond) Liu were appointed on 25 June 2018.
- (ii) Mr Patrick Corr was appointed on 9 October 2017 and resigned on 25 June 2018.
- (iii) Exercisable at \$0.15 on or before 29 November 2019 (approved by shareholders at the AGM on 24 November 2017).
- (iv) Exercisable at \$0.14 on or before 31 December 2019 (approved by shareholders at a general meeting held on 4 May 2018) issued as part of the Blue Sky acquisition.

G Voting and Comments at the Company's 2017 Annual General Meeting

The adoption of the Remuneration Report for the financial year ended 30 June 2017 was put to the shareholders of the Company at the Annual General Meeting held 24 November 2017. The Company received 100% of the vote, of those shareholders who exercised their right to vote, in favour of the remuneration report for the 2017 financial year. The resolution was passed without amendment on a show of hands. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

H Related Party Information

As at 30 June 2018, there was an outstanding short-term, non-interest bearing loan (\$17,404) due from the Managing Director to Blue Sky Lithium Pty Ltd, which became a wholly owned subsidiary of the Company on 25 June 2018.

Barclay Wells Ltd was paid a total of \$136,620 in capital raising fees for the 2018 financial year. Barclay Wells Ltd is considered by the Company to be a related Party, as a Galan Non-Executive Director, Mr Terry Gardiner, is also a director of Barclay Wells Ltd.

End of Remuneration Report

11. OPTIONS

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

Expiry Date	Exercise Price	Quoted Options
31/12/2018	\$0.14	16,300,000
Expiry Date	Exercise Price	Unquoted Options
29/11/2019	\$0.15	3,500,000
31/12/2019	\$0.14	25,000,000

DIRECTORS' REPORT (CONT'D)

12. PROCEEDINGS ON BEHALF OF THE COMPANY

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

13. INDEMNIFYING OFFICERS & AUDITORS

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

The Company has insurance policies in place for Directors and Officers insurance.

14. NON-AUDIT SERVICES

The auditors have not provided any non-audit services to the Company in the financial year ended 30 June 2018.

15. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under Section 307C in relation to auditor's independence for the Year ended 30 June 2018 has been received and can be found on page 62.

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



Nathan McMahon
Non-Executive Chairman

Perth, Western Australia
Date: 26 September 2018

Competent Person's Statement

The information contained herein that relates to Exploration Results 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.

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	30 June 2018	30 June 2017
Continuing Operations			
Interest revenue	3	2,727	1,305
Total		<u>2,727</u>	<u>1,305</u>
Administration expenses		(168,320)	(48,128)
Compliance & regulatory expense		(121,509)	(72,924)
Employment expense		(177,605)	(101,225)
Unrealised gain/(loss) on foreign exchange		-	(373)
Exploration written off	9	(6,281)	(6,308)
Fair value gain/(loss) on financial assets		(12,527)	(98,700)
Impairment of loan	8	(458,238)	(305,763)
Depreciation		(220)	-
Share based payments		(50,877)	-
Loss before income tax expenses		<u>(992,850)</u>	<u>(632,116)</u>
Income tax expenses	4	-	-
Loss for the year from continuing operations		<u>(992,850)</u>	<u>(632,116)</u>
Other comprehensive income		-	-
Total comprehensive income and net loss for the Year attributable to the owners of the Company		<u>(992,850)</u>	<u>(632,116)</u>
Basic weighted average loss per share (cents per share)	14	(2.07)	(1.73)
Diluted weighted average loss per share (cents per share)	14	(2.07)	(1.73)

The accompanying notes form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018**

	Note	30 June 2018 \$	30 June 2017 \$
Current Assets			
Cash and cash equivalents	5	1,689,593	47,621
Trade and other receivables	6	42,513	5,323
Total Current Assets		<u>1,732,106</u>	<u>52,944</u>
Non-Current Assets			
Financial Assets	7	36,550	49,750
Plant & Equipment		1,631	-
Loan to Petroz	8	-	458,238
Exploration and evaluation	9	7,604,797	-
Total Non-Current Assets		<u>7,642,978</u>	<u>507,988</u>
Total Assets		<u>9,375,084</u>	<u>560,932</u>
Current Liabilities			
Trade and other payables	10	360,925	34,156
Total Current Liabilities		<u>360,925</u>	<u>34,156</u>
Total Liabilities		<u>360,925</u>	<u>34,156</u>
Net Assets		<u>9,014,159</u>	<u>526,776</u>
Equity			
Issued capital	11	10,161,339	3,250,458
Reserves	12	2,630,302	60,950
Accumulated losses	13	(3,777,482)	(2,784,632)
Total Equity		<u>9,014,159</u>	<u>526,776</u>

The accompanying notes form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018**

	Issued Capital	Equity-based Payment Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$
Balance at 1 July 2016	3,264,747	63,208	(2,154,774)	1,173,181
Net loss for the year	-	-	(632,116)	(632,116)
Total comprehensive loss for the year	-	-	(632,116)	(632,116)
Transactions with owners recorded directly in equity :				
Shares issued	-	-	-	-
Issue of options	-	-	-	-
Capital raising costs	(14,289)	-	-	(14,289)
Transfer to accumulated losses	-	(2,258)	2,258	-
Balance at 30 June 2017	3,250,458	60,950	(2,784,632)	526,776
Net loss for the year	-	-	(992,850)	(992,850)
Total comprehensive loss for the year	-	-	(992,850)	(992,850)
Transactions with owners recorded directly in equity :				
Shares Issued	7,051,000	-	-	7,051,000
Issue of options	-	2,569,352	-	2,569,352
Capital raising costs	(140,119)	-	-	(140,119)
Transfer to accumulated losses	-	-	-	-
Balance at 30 June 2018	10,161,339	2,630,302	(3,777,482)	9,014,159

The accompanying notes form part of these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING 30 JUNE 2018**

	Note	30 June 2018 \$	30 June 2017 \$
Cash flows from operating activities			
Cash paid to suppliers and employees		(414,136)	(268,755)
Interest received		2,727	1,305
Payments for exploration expenditure		(246,872)	(27,554)
Net cash used in operating activities	15	<u>(658,281)</u>	<u>(295,004)</u>
Cash flows from investing activities			
Payments for Property, Plant & Equipment		(1,851)	-
Cash acquired on acquisition of subsidiary	9	15,550	-
Proceeds from sale of investments		2,673	-
Payment for investments		(2,000)	-
Loans provided to Petroz		-	(32,123)
Net cash used in investing activities		<u>14,372</u>	<u>(32,123)</u>
Cash flows from financing activities			
Proceeds from issue of equity instruments		2,426,000	-
Payment for share issue costs		(140,119)	(14,289)
Net cash used in used in financing activities		<u>2,285,881</u>	<u>(14,289)</u>
Net increase in cash and cash equivalents		1,641,972	(341,416)
Cash and cash equivalents at beginning of the year		47,621	389,037
Effect of exchange rate changes on the balance of cash held in foreign currency		-	-
Cash and cash equivalents at end of year		<u>1,689,593</u>	<u>47,621</u>

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

These financial statements and notes represent those of Galan Lithium Limited ("Galan" or "the Company") and its controlled entities ('the Group') for the financial year ended 30 June 2018. Galan is a publicly listed company, incorporated and domiciled in Australia. The Company changed its name from Dempsey Minerals Limited to Galan Lithium Limited on 10 August 2018.

The financial statements were authorised for issue on 26 September 2018 by the Directors of the company.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

(a) Statement of compliance

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

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

(b) Principles of Consolidation

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

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities, as at 30 June 2018 is contained in Note 21 to the financial statements.

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

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

(c) Going concern

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

The Group incurred a loss after tax for the year of \$992,850 (2017: \$632,116) and net cash outflows from operating activities of \$658,281 (2017: \$295,004).

NOTES TO THE FINANCIAL STATEMENTS

The directors have prepared a cash flow forecast, which indicates that the Group will have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this financial report. Based on the cash flow forecasts and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate because:

- the Directors have an appropriate plan to raise additional funds as and when it is required. In light of the Group's current exploration projects, the Directors believe that the additional capital required can be raised in the market; and
- the Directors have an appropriate plan to contain certain operating and exploration expenditure if appropriate funding is unavailable.

Should the Group not achieve the matters set out above, there is material uncertainty whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not contain any adjustments relating to the recoverability and classification of recorded assets or to the amounts or classification of recorded assets or liabilities that might be necessary should the Group not be able to continue as a going concern.

(d) Basis of measurement

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

(e) Functional and presentation currency

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

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

(f) Income tax

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

(g) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the GST incurred is not recoverable from the Australian Tax Office (ATO).

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

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

(h) Financial Instruments

Recognition and initial measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties.

Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

NOTES TO THE FINANCIAL STATEMENTS

Amortised cost is calculated as:

- the amount at which the financial asset or financial liability is measured at initial recognition;
- less principal repayments;
- plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
- less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant Year and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including all fees, transaction costs and other premiums or discounts) through the expected life of the financial instrument, (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

i. Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a Company of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting Year. (All other loans and receivables are classified as non-current assets).

iii. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting Year. (All other investments are classified as current assets.)

If during the Year the Company sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

iv. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

NOTES TO THE FINANCIAL STATEMENTS

Available-for-sale financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting Year. (All other financial assets are classified as current assets.)

v. Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At the end of each reporting Year, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

Financial guarantees

At the reporting date the Company had no such financial guarantees.

De-recognition

Financial assets are de-recognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are de-recognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(i) Impairment of Assets

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

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

(j) Provisions

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

NOTES TO THE FINANCIAL STATEMENTS

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

(k) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial positions, at reporting date the Company had no such overdraft.

(l) Revenue and other Income

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

(m) Trade and other payables

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

(n) Equity settled compensation

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

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

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

(o) Exploration, Evaluation and Development Expenditure

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(p) Critical accounting estimates and judgements

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

Key Judgements – Exploration and evaluation expenditure

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

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

Key Judgments – Environmental Issues

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

Key Estimates – Taxation

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

Key Estimates – equity settled transactions

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

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

(q) Foreign Currency Transaction and Balances

Functional and presentation currency

The functional currency of each of the entities in the Company is measured using the currency of the primary economic environment in which the entity operates. The Company's financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

NOTES TO THE FINANCIAL STATEMENTS

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate.

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

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

(r) Fair value measurements

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

- Financial assets held for trading

The Company does not subsequently measure any liabilities at fair value on a non-recurring basis.

(i) Fair Value Hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

(ii) Valuation techniques

The Company selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation technique selected by the Company is:

- *Market approach*: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

NOTES TO THE FINANCIAL STATEMENTS

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

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

	30 June 2018			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Recurring fair value measurements				
Financial assets at fair value through profit or loss:				
- held-for-trading Australian listed shares	36,550	-	-	36,550

	30 June 2017			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Recurring fair value measurements				
Financial assets at fair value through profit or loss:				
- held-for-trading Australian listed shares	49,750	-	-	49,750

(s) New accounting standards for application in future periods

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 July 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments requirements for financial instruments and hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

The Group is in the process of completing its impact assessment of AASB 9. Based on a preliminary assessment performed, the effects of AASB 9 are not expected to have a material effect on the Group.

NOTES TO THE FINANCIAL STATEMENTS

AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 July 2018, as deferred by AASB 2015-8: Amendments to Australian Accounting Standards – Effective Date of AASB 15).

AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers.

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Apart from a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements.

The Group is in the process of completing its impact assessment of AASB 15. Based on a preliminary assessment performed over each line of business and product type, the effects of AASB 15 are not expected to have a material effect on the Group.

AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 July 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard are as follows:

- recognition of a right-of-use asset and lease liability for all leases (excluding short-term leases with a lease term 12 months or less of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- inclusion of additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The Group is in the process of completing its impact assessment of AASB 16. Based on a preliminary assessment performed, the effect of AASB 16 is not expected to have a material effect on the Group. It is impracticable at this stage to provide a reasonable estimate of such impact.

NOTES TO THE FINANCIAL STATEMENTS

2. OPERATING SEGMENTS

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources.

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

Exploration

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

Segment assets

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

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

Segment liabilities

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

Unallocated items

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. OPERATING SEGMENTS (Cont'd)

	Exploration	Unallocated	Total
30 June 2018	\$	\$	\$
Revenue			
Interest	-	2,727	2,727
Other	-	-	-
Total segment revenue	-	2,727	2,727
Segment net operating loss (profit) after tax	(78,822)	(914,028)	(992,850)
Impairment of exploration assets	6,281	-	6,281
Share based payments	-	(50,877)	(50,877)
Segment assets			
Exploration expenditure	7,604,797	-	7,604,797
Cash and cash equivalents	-	1,689,593	1,689,593
Other assets	-	80,694	80,694
Total segment assets	7,604,797	1,770,287	9,375,087
Segment liabilities	298,190	62,735	360,925
<hr/>			
	Exploration	Unallocated	Total
30 June 2017	\$	\$	\$
Revenue			
Interest	-	1,305	1,305
Other	-	-	-
Total segment revenue	-	1,305	1,305
Segment net operating loss (profit) after tax	6,308	625,808	632,116
Impairment of exploration assets	6,308	-	6,308
Share based payments	-	-	-
Segment assets			
Exploration expenditure	-	-	-
Cash and cash equivalents	-	47,621	47,621
Other assets	-	513,311	513,311
Total segment assets	-	560,932	560,932
Segment liabilities	-	34,156	34,156

NOTES TO THE FINANCIAL STATEMENTS

3. REVENUE AND OTHER INCOME

	30 June 2018 \$	30 June 2017 \$
Interest received from financial institutions	2,727	1,305

4. INCOME TAX EXPENSE

(a) Income tax expense

Current tax	-	-
Deferred tax	-	-

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

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

Accounting loss before tax	(992,850)	(632,116)
Prima facie tax on accounting loss at 30% (2017:30%)	(297,855)	(189,634)
Add / (Less)		
Tax effect of:		
Non-deductible expenses	174,618	30,360
Non-assessable income	-	-
Share issue cost deduction	(1,103)	-
Deferred tax assets not brought to account	124,340	159,274
Income tax attributable to operating loss	<u>-</u>	<u>-</u>

The applicable weighted average effective tax rates as follows

	Nil%	Nil %
--	------	-------

(c) Deferred tax assets

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

(d) Deferred tax liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

4. INCOME TAX EXPENSE (Cont'd)

	30 June 2018	30 June 2017
	\$	\$
(e) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	959,420	668,560
Unrecognised temporary differences	11,720	7,617
	<u>971,140</u>	<u>676,177</u>

5. CASH AND CASH EQUIVALENTS

Cash at bank	20,004	12,064
Deposits at call (i)	1,669,589	35,557
	<u>1,689,593</u>	<u>47,621</u>

(i) The effective interest rate on short-term bank deposits (90 day maturity) was 0.97% (2017: 0.72%).

6. TRADE AND OTHER RECEIVABLES

GST receivables and other debtors (a)	25,109	5,323
Loan to Director (b)	17,404	-
	<u>42,513</u>	<u>5,323</u>

(a) Receivables past due but not impaired

There were no trade receivables past due but not impaired. Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 16 for more information on the risk management policy of the Company and the credit quality of the Company's trade receivables.

(b) Loan to Director

A short-term, non interest bearing loan is due from the Managing Director to Blue Sky Lithium Pty Ltd at year end.

7. FINANCIAL ASSETS

Shares in listed corporations at fair value	<u>36,550</u>	<u>49,750</u>
---	---------------	---------------

NOTES TO THE FINANCIAL STATEMENTS

8. LOAN TO PETROZ

<u>Loan account movements</u>	30 June 2018	30 June 2017
	\$	\$
Opening balance	458,238	731,878
Transactions	-	32,123
Impairment	(458,238)	(305,763)
Closing balance	-	458,238

Galan has provided a loan to Petroz Limited ('Petroz') under a conditional exclusive Option and Sale & Purchase Agreement through which it has an option to acquire 100% of the issued capital of Petroz. Petroz is an unlisted public Australian oil company, which holds a 75% interest in the onshore petroleum Licence 21A which hosts the discovered, but not yet developed, Alasehir & Sarikiz Oil Fields located in Western Turkey. Galan has been granted an extension to the Option period to 31 December 2018.

The loan is unsecured, non-interest bearing and will be treated as an intercompany loan by Galan if the acquisition of Petroz is completed. As part of the exclusive option and sale purchase agreement, it was agreed that the funding will be utilised for the environmental and permit bonds required by Petrol İşleri Genel Müdürlüğü under (Turkish Oil regulatory organisation) under Turkish Petroleum Law No. 6491 and held in a financial institution.

If Galan does not exercise the option, or if the acquisition is not completed, the loan must be repaid in full within one (1) month of the relevant circumstance occurring and is payable in either cash or converted into fully paid ordinary shares in Petroz at the set price of \$0.05 per Petroz Share.

Despite the Company being granted an extension to exercise its option, the Directors believe the underlying value of Petroz, including the projects within, is unknown as at 30 June 2018 and have therefore taken the view to provide for impairment of the loan balance, in full, as at that date resulting in an impairment loss of \$458,238.

9. EXPLORATION AND EVALUATION

Costs carried forward in respect of areas of interest:

Exploration and evaluation phases at cost	7,604,797	-
Movement:		
Brought forward	-	-
Exploration expenditure capitalised during the year	7,611,078	6,308
Exploration expenditure written off	(6,281)	(6,308)
Balance at reporting date	7,604,797	-

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:

NOTES TO THE FINANCIAL STATEMENTS

9. EXPLORATION AND EVALUATION (Cont'd)

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

A finder's facilitation fee of 5,000,000 Shares and 10,000,000 Options was also payable on Completion. These Shares were issued on 25 June 2018 and the Options on 15 August 2018.

Purchase consideration

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

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

As at balance date, it is not considered probable that the milestones listed in (c) and (d) above will be met, as such no value has been attributable to these shares as deferred consideration.

Assets and liabilities acquired at acquisition date:

	Acquiree's carrying amount
	\$
Cash and cash equivalents	15,550
Trade and other receivables	21,409
Exploration and evaluation	440,016
Trade and other payables	<u>(135,000)</u>
Net assets acquired	<u>341,975</u>
Consideration	<u>7,143,475</u>
Excess of consideration and net assets acquired recognised as exploration and evaluation	<u>6,801,500</u>

NOTES TO THE FINANCIAL STATEMENTS

10. TRADE AND OTHER PAYABLES

	30 June 2018	30 June 2017
	\$	\$
Accruals	171,876	12,269
Trade payables	157,975	21,887
Other payables	31,074	768
	<u>360,925</u>	<u>34,156</u>

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

	2018	2018
	Number	\$
Fully paid ordinary shares (2017: 36,570,001)	<u>95,090,001</u>	<u>10,161,339</u>

	30 June 2018	30 June 2018	30 June 2017	30 June 2017
	Number	\$	Number	\$
Balance at the beginning of the year	36,570,001	3,250,458	36,570,001	3,264,747
Issue of shares at \$0.05 each (i)	1,600,000	80,000	-	-
Issue of shares at \$0.05 each (ii)	4,480,000	224,000	-	-
Issue of shares at \$0.05 each (i)	400,000	20,000	-	-
Issue of shares at \$0.05 each (iii)	2,040,000	102,000	-	-
Issue of Shares at \$0.08 (iv)	7,700,000	616,000	-	-
Issue of shares at \$0.08 (v)	17,300,000	1,384,000	-	-
Issue of shares at \$0.185 (vi)	20,000,000	3,700,000	-	-
Issue of shares at \$0.185 (vii)	5,000,000	925,000	-	-
Less: transaction costs	-	(140,119)	-	(14,289)
Balance at the end of the year	<u>95,090,001</u>	<u>10,161,339</u>	<u>36,570,001</u>	<u>3,250,458</u>

- (i) Placement shares issued on 6 September 2017 (1,600,000 shares) and 30 November 2017 (400,000 shares). The shares issued on both dates were ratified and approved by shareholders at the AGM on 24 November 2017.
- (ii) Placement shares issued on 3 October 2017. Ratified by shareholders at a general meeting held on 4 May 2018.
- (iii) Placement shares issued on 11 December 2017. Ratified by shareholders at a general meeting on 4 May 2018.
- (iv) Tranche 1 placement shares issued on 14 February 2018. Ratified by shareholders at a general meeting held on 4 May 2018.
- (v) Tranche 2 placement shares issued on 14 May 2018. Approved by shareholders at a general meeting held on 4 May 2018.
- (vi) Shares issued to the vendors of Blue Sky as approved by shareholders on 4 May 2018.
- (vii) Shares issued to the finders of Blue Sky as approved by shareholders on 4 May 2018.

Ordinary Shares

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

NOTES TO THE FINANCIAL STATEMENTS

11. ISSUED CAPITAL (Cont'd)

Options as at 30 June 2018

The following options remain on issue as at 30 June 2018:

Quoted Options:

Expiry Date	Exercise Price	Number Under Option	Issue/Grant Date
31/12/18	\$0.14	6,069,314	10/03/2016
31/12/18	\$0.14	6,120,686	06/06/2016
31/12/18	\$0.14	800,000	06/09/2017
31/12/18	\$0.14	2,240,000	03/10/2017
31/12/18	\$0.14	200,000	30/11/2017
31/12/18	\$0.14	1,020,000	11/12/2017

Unquoted Options:

Expiry Date	Exercise Price	Number Under Option	Issue/Grant Date
29/11/19	\$0.15	3,000,000	30/11/2017
29/11/19	\$0.15	500,000	11/12/2017
31/12/19	\$0.14	3,000,000	25/06/2018

Capital risk management

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

	30 June 2018	30 June 2017
	\$	\$
Cash and cash equivalents	1,689,593	47,621
Trade and other receivables	42,513	5,323
Trade and other payables	(360,925)	(34,156)
Working capital position	<u>1,371,181</u>	<u>18,788</u>

NOTES TO THE FINANCIAL STATEMENTS

12. RESERVES

Share Based Payment Reserve

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

	30 June 2018	30 June 2017
	\$	\$
Opening balance	60,950	63,208
Issue of options (i)	50,877	-
Issue of options to vendors and finders (ii)	2,518,475	-
Transfer to accumulated losses	-	(2,258)
Closing Balance	<u>2,630,302</u>	<u>60,950</u>

- (i) Represented by 3,000,000 unquoted options issued to Directors (approved by shareholders at the AGM held on 24 November 2017) and 500,000 unquoted options issued to an employee.
- (ii) Represented by 15,000,000 unquoted options issued to the Blue Sky vendors on acquisition (\$1,511,085) and 10,000,000 unquoted options issued to the finders for the Blue Sky acquisition (\$1,007,390).

13. ACCUMULATED LOSSES

Opening balance	(2,784,632)	(2,154,774)
Loss for the Year	(992,850)	(632,116)
Transfer from equity based reserve	-	2,258
Closing Balance	<u>(3,777,482)</u>	<u>(2,784,632)</u>

14. LOSS PER SHARE

	Number	Number
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share	47,980,796	36,570,001
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted loss per share	<u>47,980,796</u>	<u>36,570,001</u>
	\$	\$
Loss used in the calculation of basic and diluted loss per share	<u>(992,850)</u>	<u>(632,116)</u>

NOTES TO THE FINANCIAL STATEMENTS

15. CASH FLOW INFORMATION

	30 June 2018 \$	30 June 2017 \$
Reconciliation from the net loss after tax to the net cash flow from operations		
Loss from ordinary activities after income tax	(992,850)	(632,116)
Exploration write-off	6,281	6,308
Impairment of loan	458,238	305,763
Gain on sale of shares	(2,673)	-
Fair value adjustment to investments	15,200	98,700
Depreciation	220	-
Share based payments	50,877	-
Share based payments as consideration for acquisitions	7,143,475	-
Changes in assets and liabilities		
- (increase)/decrease in trade and other receivables	(37,191)	571
- (increase)/decrease in exploration	(7,626,628)	(6,308)
- Increase/(decrease) in trade and other payables	326,770	(67,922)
Cash flow from operations	<u>(658,281)</u>	<u>(295,004)</u>

16. FINANCIAL RISK MANAGEMENT

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

The financial receivables and payables of the Company in the table below are due or payable within 30 days.

	Variable Interest Rate \$	Fixed Maturity Dates – 1 Year or Less \$	Non-interest Bearing \$	2018 Total \$
2018				
<u>Financial assets</u>				
Cash and cash equivalents	34,638	1,654,955	-	1,689,593
Receivables	-	-	42,513	42,513
Held for trading financial assets	-	-	36,550	36,550
Loan to Petroz	-	-	-	-
Total financial assets	<u>34,638</u>	<u>1,654,955</u>	<u>79,063</u>	<u>1,768,656</u>
Weighted average effective interest rate				0.97%
<u>Financial liabilities</u>				
Trade payables and accruals	-	-	(360,925)	<u>(360,925)</u>
Net financial assets				<u>1,407,731</u>

NOTES TO THE FINANCIAL STATEMENTS

16. FINANCIAL RISK MANAGEMENT (Cont'd)

	Variable Interest Rate \$	Fixed Maturity Dates – 1 Year or Less \$	Non-interest Bearing \$	2017 Total \$
2017				
<u>Financial assets</u>				
Cash and cash equivalents	12,064	35,557	-	47,621
Receivables	-	-	5,323	5,323
Held for trading financial assets	-	-	49,750	49,750
Loan to Petroz	-	-	458,238	458,238
Total financial assets	12,064	35,557	513,311	560,932
Weighted average effective interest rate				0.72%
<u>Financial liabilities</u>				
Trade payables and accruals			(34,156)	(34,156)
Net financial assets				526,776

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

Financial risk management objectives and policies

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

Credit risk management

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

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

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

	30 June 2018 \$	30 June 2017 \$
Cash and cash equivalents	1,689,593	47,621
Receivables	42,513	5,323
Loan to Petroz	-	458,238

NOTES TO THE FINANCIAL STATEMENTS

16. FINANCIAL RISK MANAGEMENT (Cont'd)

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

All receivables noted above are due within 30 days. None of the above receivables are past due.

Market risk

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

Liquidity risk management

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

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

Interest rate risk exposure

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

	30 June 2018	30 June 2017
	\$	\$
<u>Interest bearing financial instruments</u>		
Cash and cash equivalents	1,689,593	47,621
Weighted average effective interest rate	0.97%	0.72%

Sensitivity analysis

Interest rate risk

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

NOTES TO THE FINANCIAL STATEMENTS

16. FINANCIAL RISK MANAGEMENT (Cont'd)

Interest rate sensitivity analysis

At 30 June 2018, the effect on loss as a result of changes in the interest rate, with all variables remaining constant would be as follows:

	30 June 2018	30 June 2017
	\$	\$
<u>Change in loss</u>		
Increase in interest rate by 100 basis points	16,896	476
Decrease in interest rate by 100 basis points	(16,896)	(476)
<u>Change in equity</u>		
Increase in interest rate by 100 basis points	16,896	476
Decrease in interest rate by 100 basis points	(16,896)	(476)

17. SHARE BASED PAYMENTS

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
Employees	500,000	\$0.01415	75%	1.9	\$0.15	\$0.07	2.25%
Directors	3,000,000	\$0.01460	75%	2.0	\$0.15	\$0.07	2.25%

These issue of the above options resulted in a share based expense of \$50,877 during the year.

As part of the Blue Sky acquisition on 25 June 2018, a total of 15,000,000 unquoted options were issued to the vendors of Blue Sky and 10,000,000 unquoted options as a finder's facilitation fee. Assumptions for these options were:

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
Vendors	15,000,000	\$0.10074	100%	1.5	\$0.14	\$0.185	2.0%
Finders	10,000,000	\$0.10074	100%	1.5	\$0.14	\$0.185	2.0%

The Blue Sky acquisition options were issued on 15 August 2018.

NOTES TO THE FINANCIAL STATEMENTS

17. SHARE BASED PAYMENTS

The following table illustrates the number and weighted average exercise prices of and movements in all options on issue during the year:

	2018		2017	
	Number of Options	Weighted Ave Exercise Price \$	Number of Options	Weighted Ave Exercise Price \$
Balance at beginning of reporting period	12,190,000	0.140	12,290,000	0.139
Expired during the year	-	-	(100,000)	0.054
Exercised during the year	-	-	-	-
Issued during the year	32,760,000	0.141	-	-
Balance at end of reporting period	<u>44,950,000</u>	0.141	<u>12,190,000</u>	0.140
Exercisable at end of reporting period	<u>44,950,000</u>		<u>12,190,000</u>	

The options outstanding at 30 June 2018 had a weighted average remaining life of 1.14 years (2017 – 1.50 years). The weighted average fair value of the options outstanding at 30 June 2018 was \$0.059 (2017 - \$0.005).

18. KEY MANAGEMENT PERSONNEL (KMP) COMPENSATION

Refer to the remuneration report contained in the directors' report for details of remuneration paid or payable to each member of the Company's key management personnel for the year ended 30 June 2018.

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

	30 June 2018 \$	30 June 2017 \$
Short term employee benefits	161,547	90,000
Post-employment benefits	6,275	-
Other long term benefits	-	-
Equity based payments	43,800	-
	<u>211,622</u>	<u>90,000</u>

As at 30 June 2018, there was an outstanding short-term, non-interest bearing loan (\$17,404) due from the Managing Director to Blue Sky Lithium Pty Ltd, which became a wholly owned subsidiary of the Company on 25 June 2018.

Barclay Wells Ltd was paid a total of \$136,620 in capital raising fees for the 2018 financial year. Barclay Wells Ltd is considered by the Company to be a related Party, as a Galan Non-Executive Director, Mr Terry Gardiner, is also a director of Barclay Wells Ltd.

NOTES TO THE FINANCIAL STATEMENTS

19. COMMITMENTS

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

No longer than one year	738,916	-
Longer than one year but not longer than five years	1,801,919	-
Longer than five years	-	-
	2,540,835	-

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

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

- Purchase option instalments of USD 70,000, every 6 months, to the titleholder (non-refundable) until December 2021. Each purchase option instalment will be accompanied by the issue of 70,000 shares in the Company to the Candelas titleholder.
- Final purchase option payment of USD 910,000 due within 54 months of contract signing.
- The Company has a 24 month term for developing exploration works or any work related mining activities and must maintain the mining properties in good standing.
- The Candelas titleholder must grant an authorization for developing mining works, grant exclusivity in favour of the Company during the agreement's life and supply evidence a certificate of property regarding the mining properties.
- The term of the agreement can be extended by both parties.
- Once all payments are completed, the irrevocable transfer of the mining rights will be implemented.

Catalina Property

- Two purchase option instalments of USD 100,000, one every 6 months from contract signing, to the titleholder (non-refundable).
- The Company has a 24 month term for developing exploration works or any work related mining activities and must maintain the mining properties in good standing.
- The Catalina titleholder must grant an authorization for developing mining works, grant exclusivity in favour of the Company during the agreement's life and supply evidence a certificate of property regarding the mining properties.
- The term of the agreement can be extended by both parties.
- Once all payments are completed, the irrevocable transfer of the mining rights will be implemented.

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

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

NOTES TO THE FINANCIAL STATEMENTS

19. COMMITMENTS (Cont'd)

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

El Deceo Properties – El Deceo I, El Deceo II and El Deceo III

- Final purchase payment option of USD 100,000 within 12 months of signing contract or to deliver geological results and all extra information available on the mining properties to the titleholder. If this payment is made, the El Deceo titleholder is also entitled to be issued 200,000 shares in the Company.
- The Company has 12 months for developing exploration works or any work related mining activities and must maintain the mining properties in good standing.
- The term of the agreement can be extended by both parties.
- Once all payments and share issues are completed, the irrevocable transfer of the mining rights will be implemented.

The following was included in the announcement dated 25 June 2018:

After the application for registration of a purchase option contract by Blue Sky, the El Deceo concessionaires filed an action of contractual recession in the Court of Catamarca, Argentina, alleging non-compliance with the stipulated deadline to make a bank transfer. This action was relayed to us by third parties and not directly by the concessionaires. More importantly, the Company executed the bank transfer as requested by the concessionaires and the Company disputes any claim of non-compliance. It should be noted that the action does not affect any of the Candelas licences where the Company has conducted its most recent work.

The Company's legal advice on this and any other possible claim on El Deceo breaches, is that the claims are not deemed to be valid. Furthermore, Blue Sky has not formally been notified by the Court of Catamarca Court of their requirement to defend the case.

As for the remaining concessions, outside of the Salta-Catamarca provincial boundary dispute, there are no legal ownership issues with Blue Sky's holdings.

St Barbara Property

- Purchase option instalments of USD 65,000, every 6 months, to the titleholder (non-refundable) until June 2020.
- The Company has a 24 month term for developing exploration works or any work related mining activities and must maintain the mining properties in good standing.
- The St Barbara titleholder must grant an authorization for developing mining works, grant exclusivity in favour of the Company during the agreement's life and supply evidence a certificate of property regarding the mining properties.
- The term of the agreement can be extended by both parties.
- Once all payments are completed, the irrevocable transfer of the mining rights will be implemented.

20. EVENTS SUBSEQUENT TO THE REPORTING DATE

On 10 August 2018, the Company held a shareholder's general meeting which approved the issue of the balance of 12,000,000 options (exercisable at \$0.14 on or before 31 December 2019) due the vendors of the Blue Sky acquisition and the 10,000,000 options (exercisable at \$0.14 on or before 31 December 2019) due to the finders. These options were issued on 15 August 2018.

At the same meeting, shareholders also approved the change of name from Dempsey Minerals Limited to Galan Lithium Limited.

NOTES TO THE FINANCIAL STATEMENTS

20. EVENTS SUBSEQUENT TO THE REPORTING DATE (Cont'd)

As finalised and announced to the ASX on 10 August 2018, the Managing Director will be entitled (subject to shareholder approval) to be issued a total of 10 million Shares in the Company upon the achievement of key milestones on or before 31 July 2023. Further details of the milestones are contained in the announcement and the Remuneration Report.

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 Company in subsequent financial years.

21. PARENT ENTITY DISCLOSURES

	30 June 2018	30 June 2017
	\$	\$
(a) Statement of financial position		
Assets		
Current assets	1,695,147	52,944
Non-current assets	7,544,938	507,988
Total assets	<u>9,240,085</u>	<u>560,932</u>
Liabilities		
Current liabilities	225,926	34,156
Non-current liabilities	-	-
Total liabilities	<u>225,926</u>	<u>34,156</u>
Equity		
Issued capital	10,161,339	3,250,458
<u>Reserves:</u>		
Equity based payment reserve	2,630,302	60,950
Retained profits	(3,777,482)	(2,784,632)
Total Equity	<u>9,014,159</u>	<u>526,776</u>
(b) Statement of Profit or Loss and Other Comprehensive Income		
Total profit/ (loss)	<u>(992,850)</u>	<u>(632,116)</u>
Total comprehensive income	<u>(992,850)</u>	<u>(632,116)</u>

NOTES TO THE FINANCIAL STATEMENTS

22. CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned	
		2018	2017
Galan Lithium Limited (Parent Entity)	Australia		
Blue Sky Lithium Pty Ltd (Controlled Entity)	Australia	100%	0%

23. CONTINGENT LIABILITIES

Galan Lithium Limited has the following material contingent liabilities as at 30 June 2018:

Under the Share Sale and Purchase Agreement for the acquisition of Blue Sky, the following option issues are outstanding:

- (a) 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.
- (b) 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.

As finalised and announced to the ASX on 10 August 2018, the Managing Director will be entitled (subject to shareholder approval) to be issued a total of 10 million Shares in the Company upon the achievement of key milestones on or before 31 July 2023. Further details of the milestones are contained in the announcement and the Remuneration Report.

24. REMUNERATION OF AUDITORS

Remuneration of the auditor for:

Auditing and reviewing the financial reports	20,500	19,500
	20,500	19,500

DIRECTORS' DECLARATION

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

1. the financial statements and notes, as set out, on pages 23 to 54, are in accordance with the Corporations Act 2001 and:
 - a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date of the Company;
2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
3. the directors have been given the declarations required by s 295A of the Corporations Act 2001 from the Chairman and Chief Financial Officer.

On behalf of the Directors



Nathan McMahon
Non-Executive Chairman
Perth, Western Australia
26 September 2018

Independent Auditor's Report

To the Members of Galan Lithium Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Galan Lithium Limited ("the Company") and its subsidiary ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

- a. the accompanying financial report of the Consolidated Entity is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Consolidated Entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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



Bentleys Audit & Corporate
(WA) Pty Ltd

London House

Level 3,

216 St Georges Terrace

Perth WA 6000

PO Box 7775

Cloisters Square WA 6850

ABN 33 121 222 802

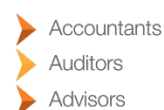
T +61 8 9226 4500

F +61 8 9226 4300

bentleys.com.au



A member of Bentleys, a network of independent accounting firms located throughout Australia, New Zealand and China that trade as Bentleys. All members of the Bentleys Network are affiliated only and are separate legal entities and not in Partnership. Liability limited by a scheme approved under Professional Standards Legislation.



Material Uncertainty Related to Going Concern

We draw attention to Note 1(c) in the financial report which indicates that the Consolidated Entity incurred a net loss of \$992,850 during the year ended 30 June 2018. As stated in Note 1(c), these events or conditions, along with other matters as set forth in Note 1(c), indicate that a material uncertainty exists that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. Our opinion is not modified in this respect of this matter.

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
<p>Acquisition of Blue Sky Lithium Pty Ltd</p> <p>As disclosed in Note 9 on 25 June 2018 the Company acquired 100% of the issued capital of Blue Sky Lithium Pty Ltd ("Blue Sky") the consideration being \$7,143,475 consisting of shares and options. It was determined that Blue Sky did not meet the definition of a business under AASB 3 <i>Business Combinations</i> ("AASB 3"), and accordingly the acquisition was accounted for as an asset acquisition.</p> <p>This was a key audit matter due to:</p> <ul style="list-style-type: none"> – The size of the transaction having a pervasive impact on the financial statements; and – The complexity in identifying the elements of consideration and the judgement applied in determining its fair value. 	<p>Procedures performed as part of our assessment of the transaction and the appropriateness of the accounting treatment applied, included:</p> <ul style="list-style-type: none"> – Review of contractual agreements relating to the acquisition and understanding the key terms and conditions of the transaction; – Assessed the judgements applied in determining that Blue Sky did not constitute a business under AASB 3; – Assessment of the calculation of the fair value of the consideration; – Verification of the acquisition date balance sheet of Blue Sky to underlying supporting documentation; and – Assessment of the adequacy of the disclosures in Note 9 of the financial statements.
<p>Exploration and Evaluation Expenditure – \$7,604,797</p> <p>(Refer to Note 1(o) and Note 9)</p> <p>Exploration and evaluation expenditure is a key audit matter due to:</p> <ul style="list-style-type: none"> – The significance of the balance to the Consolidated Entity's financial position. 	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> – We assessed management's determination of its areas of interest for consistency with the definition in AASB 6. This involved analysing the tenements in which the Group holds an interest and the exploration programmes planned for those tenements;

Independent Auditor's Report

To the Members of Galan Lithium Limited (Continued)



Key audit matter	How our audit addressed the key audit matter
<ul style="list-style-type: none">- The level of judgement required in evaluating management's application of the requirements of AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>. AASB 6 is an industry specific accounting standard requiring the application of significant judgements, estimates and industry knowledge. This includes specific requirements for expenditure to be capitalised as an asset and subsequent requirements which must be complied with for capitalised expenditure to continue to be carried as an asset.- The assessment of impairment of exploration and evaluation expenditure being inherently difficult.	<ul style="list-style-type: none">- We assessed the Consolidated Entity's rights to tenure by corroborating to the option agreements that Blue Sky are a party to and review of the due diligence report prepared by the independent lawyer. We draw reference to note 19 in the financial report which refers to disputes with respect to the Hombre Muerto Lithium Project. The Company has received legal advice on the matter which concludes that such disputes do not affect the validity of the Company's rights to tenure on the Project;- We tested the additions to capitalised expenditure for the year by evaluating a sample of recorded expenditure for consistency to underlying records, the capitalisation requirements of the Consolidated Entity's accounting policy and the requirements of AASB 6;- We considered the activities in each area of interest to date and assessed the planned future activities;- We assessed each area of interest for one or more of the following circumstances that may indicate impairment of the capitalised expenditure:<ul style="list-style-type: none">- the licenses for the right to explore expiring in the near future or are not expected to be renewed;- substantive expenditure for further exploration in the specific area is neither budgeted or planned;- decision or intent by the Consolidated Entity to discontinue activities in the specific area of interest due to lack of commercially viable quantities of resources; and- data indicating that, although a development in the specific area is likely to proceed, the carrying amount of the exploration asset is unlikely to be recovered in full from successful development or sale.

Key audit matter	How our audit addressed the key audit matter
<p>Accounting for Share Based Payments</p> <p>As disclosed in note 17 to the financial statements, the Company issued ordinary shares and unlisted options as consideration for the acquisition of exploration as well as services during the year. The total share based payment transactions during the year was \$7,194,352.</p> <p>Share based payments are considered to be a key audit matter due to:</p> <ul style="list-style-type: none"> – the value of the transactions; – the complexities involved in the recognition and measurement of these instruments; and – the judgement involved in determining the inputs used in the valuations. <p>Management used the Black-Scholes Option Valuation Model to determine the fair value of the options granted.</p> <p>The valuations involved significant estimation and judgement required to determine the fair value of the equity instruments granted.</p>	<p>Our procedures amongst others included:</p> <ul style="list-style-type: none"> – Analysing agreements to identify the key terms and conditions of share based payments issued and relevant vesting conditions in accordance with <i>AASB 2 Share Based Payments</i>; – Evaluating management's option valuations and assessing the assumptions and inputs used; – Evaluating the assumptions used to in assessing the likelihood of the vesting conditions being met; and – Assessing the adequacy of the disclosures included in note 17 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Consolidated Entity's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of the Company, for the year ended 30 June 2018, complies with section 300A of the Corporations Act 2001.



BENTLEYS
Chartered Accountants



DOUG BELL CA
Partner

Dated at Perth this 26th day of September 2018

To The Board of Directors

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

As lead audit partner for the audit of the financial statements of Galan Lithium Limited for the financial year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully



BENTLEYS
Chartered Accountants



DOUG BELL CA
Partner

Dated at Perth this 26th day of September 2018

AUSTRALIAN SECURITIES EXCHANGE INFORMATION

Additional information required by Australian Securities Exchange Limited and not shown elsewhere in this Annual Report is as follows. The information is made up to 14 September 2018.

DETAILS OF EQUITY SECURITIES

ORDINARY SHAREHOLDERS

There are 95,240,001 fully paid ordinary shares on issue, held by 742 individual shareholders. Each member entitled to vote may vote in person or by proxy or by attorney and on a show of hands every person who is a member or a representative or a proxy of a member shall have one vote and on a poll every member present in person or by proxy or attorney or other authorised representative shall have one vote for each share held.

TWENTY LARGEST SHAREHOLDERS (AS AT 14 SEPTEMBER 2018)

Ordinary Shareholders	Fully Paid Ordinary	
	Number	Percentage
Hongze Group Ltd	13,367,640	14.0%
Juan Pablo Vargas de la Vega	6,823,544	7.2%
Kingsreef P/L (NB & DL Family A/C)	4,623,427	4.9%
Widerange Corporation P/L	3,416,281	3.6%
Pinghua Liu	3,117,644	3.3%
Clive Jones (The Alyse Investment A/C)	2,745,275	2.9%
William McArthur	2,685,222	2.8%
T J Gardiner & V H Gardiner (Terry James Gardiner Super Fund)	1,850,000	1.9%
Gazard Investments P/L	1,767,043	1.9%
C W Chalwell & Mrs J R Chalwell (Chalwell Pension Fund)	1,700,000	1.8%
Peter Alexander Friedrich	1,465,472	1.5%
Gheorghe Pletea	1,438,079	1.5%
Con Carydias	1,280,000	1.3%
KM Pilgrim Family Pty Ltd (K & M Pilgrim Family A/C)	1,256,998	1.3%
Francisco Lopez	1,176,469	1.2%
Richard De Souza & Karen De Souza (De Souza Super Fund)	1,100,000	1.2%
Gryphon Asset Management P/L	1,065,000	1.1%
Andrew Macpherson & Shaun William Boyle	1,004,624	1.1%
Buckland Capital Pty Ltd (D Millar S/F A/c)	1,000,000	1.1%
Roger Patek & Maree Patek (The R W P Super Fund)	1,000,000	1.1%
	53,882,718	56.6%

VOTING RIGHTS

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

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

HOLDERS OF NON-MARKETABLE PARCELS (AS AT 14 SEPTEMBER 2018)

There are 44 shareholders who hold less than a marketable parcel of shares.

DISTRIBUTION OF SHARE HOLDERS (AS AT 14 SEPTEMBER 2018)

	Ordinary Shares
1 to 1,000	2,065
1,001 to 5,000	267,637
5,001 to 10,000	655,178
10,001 to 100,000	14,562,196
100,001 and over	79,752,925
	<u>95,240,001</u>

SUBSTANTIAL SHAREHOLDERS

The following shareholders are recorded in the Register of Substantial Shareholders:

Substantial Shareholder	Ordinary Shares held	Current % Held
Hongze Group Ltd	13,367,640	14.0%
Juan Pablo Vargas de la Vega	6,823,544	7.2%
Clive Jones and associated entities	6,245,871	6.6%
Nathan McMahon and associated entities	4,839,381	5.0%

SHARE BUY-BACKS

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

OTHER INFORMATION

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

INTEREST IN MINING TENEMENTS

Western Australia

E70/4629 (Greenbushes South - application)

E70/3065 (Walyering Hill - royalty)

Argentina (Hombre Muerto Project – 100% right, interest and title)

1. EL DECEO I
2. EL DECEO II
3. EL DECEO III

4. CANDELA
5. CANDELA II
6. CANDELA III
7. CANDELA IV
8. CANDELA V
9. CANDELA VI

10. CATALINA

11. SANTA BARBARA
12. PATA PILA
13. RANA de SAL