

ASX ANNOUNCEMENT

6 February 2019

BRINES DISCOVERED IN MAIDEN DRILLHOLE

CANDELAS LITHIUM BRINE PROJECT, HOMBRE MUERTO, ARGENTINA

- **Maiden drillhole at Candelas intercepts highly conductive brines over 60m+ from ~235 metres**
- **Drilling currently at 300 metres still in brine and progressing well**
- **Brine conductivities exceed the field instruments limits (being 200ms/cm)**
- **Perfect permeable host lithologies including; coarse sands/gravels and breccia-conglomerate**
- **Sediments overlain by thick layer of ignimbrite, supports Company's theories of underlying brine pool**
- **Preliminary samples being sent to laboratory in Argentina for analysis**

Galan Lithium Limited (ASX:GLN) (**Galan or the Company**) is pleased to announce that it has encountered a substantial intercept of brine from its maiden drillhole, C-01-19, from depths of approximately 235 metres to the current depth of ~300m at the Candelas Lithium Brine Project located on the Hombre Muerto salar in Argentina.

The hole initially intersected ~9m of alluvial cover before intersecting a thick layer of ignimbrite (a volcanic pyroclastic flow) to 165m. The hole then encountered a sequence of sands and clays hosting salty waters which then, at about 235m, turned to brines hosted within coarse clastic sediments including a breccia-conglomerate (see Figure 1). Conductivity measurements from brine samples exceeded the 200 milli siemens/cm limits of the field recording instrument.

These early results from the first hole drilled at Candelas confirms the Company's geological model that brine does exist within the feeder channel into Hombre Muerto. Whilst it is early days, the Company is greatly encouraged by this initial success and now awaits confirmation that the brine is lithium bearing from preliminary samples which are to be transported to the laboratory in Argentina. Samples will also be collected and sent to the USA for porosity test work particularly to determine specific yield (drainable porosity). Local representatives of the Company's independent consultants SRK Australia have reviewed the Company's procedures and are due on site to see the operations firsthand.

Should the testwork confirm the Company’s expectations then Galan will aim to fast track the exploration at Candelas with the aim of targeting a resource as soon as practicable. This maiden drill programme is planned to comprise five holes drilled along the ~15 km extent of the Candelas channel.

Progress by the Galan team in getting the programme up and running, particularly during recent difficult weather conditions which have affected the greater Puna region, has been exceptional. The drilling rates, achieved by Canadian based international drilling company Major Drilling, has also allowed the Company to achieve its initial goals in a very short time frame.

Commenting on the drilling, Galan’s Managing Director, Juan Pablo (“JP”) Vargas de la Vega said from Argentina, *“We are delighted that we have successfully encountered this amount of brine in ideal host sediments in our very first drillhole at Candelas. Whilst we still await confirmation that the brine is lithium bearing, the fact that brines even exist in an area not previously thought to be prospective is particularly pleasing and augers well for the continued exploration of the 15km long channel at the project”.*



Figure 1: Diamond drill core from drillhole C-01-19, at ~273m showing brine bearing breccia-conglomerate host lithology



Figure 2: Diamond drill rig operating at Candelas

About Galan

Galan is an ASX listed company exploring for lithium brines within South America's *Lithium Triangle* on the Hombre Muerto salar in Argentina. Hombre Muerto is proven to host the highest grade and lowest impurity levels within Argentina and is home to Livent Corporation's El Fenix operation and Galaxy Resources and POSCO's Sal de Vida projects. Galan's primary target is the adjoining Candelas channel target, a ~15km long by 3-5km wide valley filled channel which recent geophysics has indicated the potential to host a substantial volume of brine.

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Competent Persons 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.



ANNEXURE 1

JORC CODE, 2012 EDITION – TABLE 1

Section 1 Sampling Techniques and Data

Criteria	JORC Code explanation	Commentary
<i>Sampling techniques</i>	<ul style="list-style-type: none"> • <i>Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.</i> • <i>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</i> • <i>Aspects of the determination of mineralisation that are Material to the Public Report.</i> • <i>In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.</i> 	<ul style="list-style-type: none"> • Drill core in the hole was recovered in 1.5 m length core runs in core split tubes to minimize sample disturbance. Core recovery was carefully measured by comparing the measured core to the core runs. • Drill core was undertaken along the entire length of the hole to obtain representative samples of the stratigraphy and sediments that host brine. • Water/brine samples from target intervals were collected by purging isolated sections of the hole of all fluid a total of five times of approximately ~1500L to minimize the possibility of contamination by drilling fluid. The hole was then allowed time to re-fill with ground water. On the fifth purge the sample for lab analysis is collected (~1.5L). The casing lining the hole ensures contamination with water from higher levels in the borehole is likely prevented. Samples were taken from the relevant section based upon geological logging and conductivity testing of water. • At the time of writing three water/brine samples have been collected in total from the following three intervals: 0-215m, 234-268m, 235–300m • Conductivity tests are taken with a field portable Hanna Ph/EC/DO multiparameter.
<i>Drilling techniques</i>	<ul style="list-style-type: none"> • <i>Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).</i> 	<ul style="list-style-type: none"> • Diamond drilling with internal (triple) tube was used for drilling. The drilling produced core with variable core recovery, associated with unconsolidated material. Recovery of the more friable sediments was difficult, however core recovery by industry standards was very good. • Fresh water is used as drilling fluid for lubrication during drilling.
<i>Drill sample recovery</i>	<ul style="list-style-type: none"> • <i>Method of recording and assessing core and chip sample recoveries and results assessed.</i> • <i>Measures taken to maximise sample recovery and ensure representative nature of the samples.</i> • <i>Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.</i> 	<ul style="list-style-type: none"> • Diamond drill core was recovered in 1.5m length intervals in triple (split) tubes. Appropriate additives were used for hole stability to maximize core recovery. The core recoveries were measured from the core and compared to the length of each run to calculate the recovery. • Brine samples were collected over relevant sections based upon the geology encountered and ground water representation. • Brine quality is not directly related to core recovery and is largely independent of the quality of core samples. However, the porosity and permeability of the lithologies where samples are taken is related to the rate of brine inflow.

Criteria	JORC Code explanation	Commentary
Logging	<ul style="list-style-type: none"> • Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies. • Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography. • The total length and percentage of the relevant intersections logged. 	<ul style="list-style-type: none"> • The core is logged by a senior geologist and contract geologists who are overseen by the senior geologist who also supervised the taking of samples for laboratory analysis. • Logging is both qualitative and quantitative in nature. The relative proportions of different lithologies which have a direct bearing on the overall porosity, contained and potentially extractable brine are noted, as are more qualitative characteristics such as the sedimentary facies. Cores are split for sampling and are photographed. • All core is logged by a geologist
Sub-sampling techniques and sample preparation	<ul style="list-style-type: none"> • If core, whether cut or sawn and whether quarter, half or all core taken. • If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry. • For all sample types, the nature, quality and appropriateness of the sample preparation technique. • Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples. • Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling. • Whether sample sizes are appropriate to the grain size of the material being sampled. 	<ul style="list-style-type: none"> • Water/brine samples were collected by purging isolated sections of the hole of all fluid in the hole, to minimize the possibility of contamination by drilling fluid, then allowing the hole to re-fill with ground waters. Samples were then taken from the relevant section.
Quality of assay data and laboratory tests	<ul style="list-style-type: none"> • The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total. • For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc. • Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established. 	<ul style="list-style-type: none"> • No assays have yet to be carried out and drilling is still underway. Samples are to be transported to reputable industry standard laboratories both in country and in the USA for various test work.
Verification of sampling and assaying	<ul style="list-style-type: none"> • The verification of significant intersections by either independent or alternative company personnel. • The use of twinned holes. • Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols. • Discuss any adjustment to assay data. 	<ul style="list-style-type: none"> • Field duplicates, standards and blanks will be used to monitor potential contamination of samples and the repeatability of analyses. • Duplicate and blank samples are planned to be sent to the laboratories in due course as unique samples (blind duplicates)
Location of data points	<ul style="list-style-type: none"> • Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation. • Specification of the grid system used. • Quality and adequacy of topographic control. 	<ul style="list-style-type: none"> • The survey locations were located using modern Garmin handheld GPS with an accuracy of +/- 5m. • The grid System used by Quantec: POSGAR 94, Argentina Zone 3 • Topographic control was obtained by handheld GPS, and the topography is mostly flat with very little relief.

Criteria	JORC Code explanation	Commentary
<i>Data spacing and distribution</i>	<ul style="list-style-type: none"> • <i>Data spacing for reporting of Exploration Results.</i> • <i>Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.</i> • <i>Whether sample compositing has been applied.</i> 	<ul style="list-style-type: none"> • Water/brine samples were collected within isolated sections of the hole based upon the results of geological logging.
<i>Orientation of data in relation to geological structure</i>	<ul style="list-style-type: none"> • <i>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</i> • <i>If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.</i> 	<ul style="list-style-type: none"> • The brine concentrations being explored for generally occur as sub-horizontal layers and lenses hosted by conglomerate, gravel, sand, salt, silt and/or clay. Vertical diamond drilling is ideal for understanding this horizontal stratigraphy and the nature of the sub-surface brine bearing aquifers
<i>Sample security</i>	<ul style="list-style-type: none"> • <i>The measures taken to ensure sample security.</i> 	<ul style="list-style-type: none"> • Data was recorded and processed by trusted employees and contractors to the Company and overseen by senior management ensuring the data was not manipulated or altered. • Samples are transported from the drill site to secure storage at the camp on a daily basis.
<i>Audits or reviews</i>	<ul style="list-style-type: none"> • <i>The results of any audits or reviews of sampling techniques and data.</i> 	<ul style="list-style-type: none"> • No audits or reviews have been conducted to date. The drilling is at a very early stage however the Company's independent CP has approved the procedures to date. Additionally, internationally recognised resource consultancy group SRK representatives are due on site shortly to review first-hand the drilling practise and all logging, sampling, QA/QC controls and data management.

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
<i>Mineral tenement and land tenure status</i>	<ul style="list-style-type: none"> • <i>Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.</i> • <i>The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.</i> 	<ul style="list-style-type: none"> • The Hombre Muerto Lithium Project consists of numerous licences located in Catamarca Province, Argentina. The tenements are owned by Blue Sky Lithium Pty Ltd ('Blue Sky'). The Company and Blue Sky executed a Share Sale Agreement whereby Galan Lithium Limited purchased 100% of the issued share capital of Blue Sky.
<i>Exploration done by other parties</i>	<ul style="list-style-type: none"> • <i>Acknowledgment and appraisal of exploration by other parties.</i> 	<ul style="list-style-type: none"> • There has not been any historical exploration over the Candelas licence area
<i>Geology</i>	<ul style="list-style-type: none"> • <i>Deposit type, geological setting and style of mineralisation.</i> 	<ul style="list-style-type: none"> • The Candelas licence area is located within a structurally controlled basin (graben) and is part of the Hombre Muerto salar. The salar hosts a world-renowned lithium brine deposit. The lithium is sourced locally from weathered and altered felsic ignimbrites and is concentrated in brines

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		hosted within basin fill alluvial sediments and evaporites.
<i>Drill hole Information</i>	<ul style="list-style-type: none"> A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes: <ul style="list-style-type: none"> easting and northing of the drill hole collar elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar dip and azimuth of the hole down hole length and interception depth hole length. If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case. 	<ul style="list-style-type: none"> Drillhole ID: C-01-19 Easting: 712,115.5 E (WGS 98 Zone 19) Northing: 7,180,414.0N (WGS 98 Zone 19) Vertical hole Incomplete - still being drilled
<i>Data aggregation methods</i>	<ul style="list-style-type: none"> In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated. Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail. The assumptions used for any reporting of metal equivalent values should be clearly stated. 	<ul style="list-style-type: none"> The samples are yet to be assayed. No assay results are included in this report.
<i>Relationship between mineralisation widths and intercept lengths</i>	<ul style="list-style-type: none"> These relationships are particularly important in the reporting of Exploration Results. If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported. If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known'). 	<ul style="list-style-type: none"> It is fairly assumed that the brine layers lie sub-horizontal and, given that the drillhole is vertical, that any intercepted thicknesses of brine layers would be of true thickness.
<i>Diagrams</i>	<ul style="list-style-type: none"> Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views. 	<ul style="list-style-type: none"> Provided, refer to maps, figures and diagrams in the document
<i>Balanced reporting</i>	<ul style="list-style-type: none"> Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results. 	<ul style="list-style-type: none"> The results are from the initial stages of the first and only drillhole to be drilled at the project to date.
<i>Other substantive exploration data</i>	<ul style="list-style-type: none"> Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, 	<ul style="list-style-type: none"> All meaningful and material information is reported Refer to previous ASX Company releases regarding the targeting of the drilling based largely upon the results from geophysics. Specifically see; ASX:GLN dated 4 October 2018

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	<p><i>geotechnical and rock characteristics; potential deleterious or contaminating substances.</i></p>	
<p><i>Further work</i></p>	<ul style="list-style-type: none"> • <i>The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).</i> • <i>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</i> 	<ul style="list-style-type: none"> • It is anticipated, should laboratory results confirm the presence of appreciable lithium, that further drilling along the 15km long Candelas channel be undertaken to test the extent of mineralisation. The Company has previously advised that they have approval to drill an initial 5 holes at the project.