



**AND CONTROLLED ENTITIES**

**ABN 87 149 349 646**

**Financial Report**  
**Half Year ended 31 December 2018**

**DIRECTORS**

Nathan Bruce McMahon (Non-Executive Chairman)  
Juan Pablo ('JP') Vargas de la Vega (Managing Director)  
Terry Gardiner (Non-Executive Director)  
Chris Chalwell (Non-Executive Director)  
Jinyu (Raymond) Liu (Non-Executive Director)

**COMPANY SECRETARY**

Mike Robbins

**REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS**

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**AUDITORS**

Bentleys Audit & Corporate (WA) Pty Ltd  
London House  
Level 3, 216 St Georges Terrace  
PERTH WA 6000

**SHARE REGISTRY**

Advanced Share Registry Limited  
110 Stirling Highway  
Nedlands WA 6009

**STOCK EXCHANGE LISTING**

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

**ASX Code**

GLN

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The Directors of Galan Lithium Limited ('the Company' or 'Galan') present the financial report of the Company and its Controlled Entities ('the Group') for the half year ended 31 December 2018. In order to comply with the provisions of the Corporations Act, the directors report as follows:

### **Directors**

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

Nathan Bruce McMahon	Non-Executive Director
Juan Pablo ('JP') Vargas de la Vega	Managing Director
Chris Chalwell	Non-Executive Director
Terry Gardiner	Non-Executive Director
Jinyu (Raymond) Liu	Non-Executive Director

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

Mike Robbins holds the position of Company Secretary.

### **Results**

The operating loss after income tax of the Group for the half year ended 31 December 2018 was \$623,790 (2017: \$631,054).

### **Corporate Structure**

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

### **Review of Operations**

#### **Corporate**

At the end of the 2018 calendar year, the Group had cash reserves of \$1,917,182 (2017: \$322,835).

On 10 August 2018, shareholders approved the change of name from Dempsey Minerals Limited to Galan Lithium Limited.

#### **Equity**

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 Annual General Meeting held on 29 November 2019, shareholders approved the creation of Class A Performance Shares and Class B Performance Shares as new classes of shares in the Company on the terms and conditions contained in the notice of meeting. At the same meeting, shareholders approved the issue of 5 million Class A Performance Shares and 5 million Class B Performance Shares to the Managing Director in line with the announcement made on 10 August 2018.

#### **Listed Options**

As announced on 2 January 2019, a total of 16,269,109 Galan quoted options were issued to option holders before their expiry at 5.00pm WST on 31 December 2018. This represented an outstanding take up of 99% of the total quoted options issued under the terms of the original entitlement offer dated 4 February 2016.

The balance of 180,891 Galan quoted options (Shortfall Securities) were dealt with in accordance with the Barclay Wells underwriting agreement announced on 19 November 2018. Total funds raised for the Company from the GLN quoted options was \$2.303m.

### Acuity Capital

At the end of January 2019, the Company entered into a Controlled Placement Agreement (CPA) with Acuity Capital. The CPA provides GLN with up to \$5 million of standby equity capital up to 31 December 2020. Importantly, GLN retains full control of all aspects the placement process: having sole discretion as to whether or not to utilise the CPA, the quantum of issued shares, the minimum issue price of the shares and the timing of each placement tranche (if any). There are no requirements on GLN to utilise the CPA and GLN may terminate the CPA at any time, without cost or penalty. Acuity Capital and the CPA do not place any restrictions at any time on GLN raising capital through other methods. If GLN does decide to utilise the CPA, GLN is able to set a floor price (at its sole discretion) and the final issue price will be calculated as the greater of that floor price set by GLN and a 10% discount to a Volume Weighted Average Price (VWAP) over a period of GLN's choosing (again at the sole discretion of GLN).

### **Operations**

#### **Hombre Muerto Lithium Brine 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.

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 Hombre Muerto Lithium Project (the **Project**) is a lithium brines project located 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 structurally controlled pull apart basin, infilled with sediments hosting brines. Recent geophysics and now drilling, indicate that the basin has the potential to host a substantial volume of brine.

### Surveys

As announced on 4 October 2018, a second resistivity survey was completed at the Candelas project.

The survey aimed to extend upon the results of an earlier survey conducted along the Candelas channel (ASX:DMI 6 June 2018). The initial survey was interpreted by the Company's geophysical consultants as showing **"...very conductive and shallow units that are compatible with units being saturated with brine, which constitute a great potential for lithium exploration"**. These conductive units remained open laterally largely to the west and it was recommended that the survey be extended to define the lateral limits of the brine horizons.

The survey was conducted and interpreted by highly credentialed geophysical consultants Quantec Geoscience Ltd (**Quantec**). 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 25.6 line kms over 6 profiles, 5 of which were extensions to previously surveyed lines with one new line surveyed to extend strike coverage along the channel to the south. The 6 lines now cover the entire 15km extent of the channel within Company's project area.

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.

In summary, the interpreted inversion models presented a good model of subsurface resistivity and Quantec confirmed their conclusions that **"The 6 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"**. The extended survey has shown that the conductive materials are more laterally extensive than previously expected and

suggests that highly conductive brine could exist below younger ignimbrite formations indicating that the potential of the project to be much larger than previously thought.

On 18 October 2018, it was also announced that resistivity surveys were completed over 4 new targets in the Hombre Muerto salar. The targets lie in the Western Hombre Muerto basin adjacent to Livent Corporation's Fenix lithium brine operation. The resistivity values from the targets were similar to those observed at Candelas giving positive implications for lithium grade potential for the projects.

### Drilling

On 22 January 2019, the Company announced that its maiden drilling programme at Candelas (located immediately to the southeast of the Hombre Muerto salar in Argentina) was due to commence following the receipt of permits from the Secretaria de Estado de Minería - Gobierno de Catamarca (the authority that approves drilling permits in Catamarca, Argentina). Field activities were commenced in preparation for drilling and included a series of contracts for drilling, camp establishment, OH&S, catering and technical assistance. The Company engaged Canadian based international drilling company Major Drilling to perform the diamond drilling campaign at Candelas. Major Drilling has significant experience in drilling salt flats for brine in Argentina. Additionally, Galan contracted the services of SRK Consulting in Australia (with support from their offices in Argentina) to oversee resource definition, QA/QC and review work over the Candelas Project with a view to potentially generating a JORC compliant resource estimation.

On 13 February 2019, the Company announced the results from the first samples taken from its maiden drillhole (C-01-19) at the Candelas Lithium Brine Project. The drillhole successfully encountered a substantial intercept of brine from depths of approximately 235 to 354 metres within coarse clastic sediments to 311 metres and fractured basement lithologies from 311 to 354 metres.

On 11 March 2019, the Company announced that downhole geophysical profiling into its maiden drillhole (C-01-19) at the Candelas Lithium Brine Project indicated that brine commenced at ~200m and extending to the bottom of the hole at 401m. Accordingly, the drillhole was cement cased down to 205m and sampled over a 192m section to 397m. The section was repeatedly flushed before samples of clean brine were taken and an exceptional intercept of 192m @ 802 mg/l Li (sample MN116) returned. Samples from drillhole C-01-19 sent for check analysis to a second laboratory, SGS Argentina, returned values within acceptable ranges and slightly higher than the original samples resulting in higher average grades overall (Table 1).

Sample N°		Laboratory	HoleID	From m	To m	Width m	Li mg/L	Mg mg/L	B mg/L	K mg/L	SO4 mg/L	Mg:Li	SO4:Li
GL 101	*	Alex Stewart	C-01-19	165	215	50	118	263	195	1576		2.23	
MN1 = GL 101	*	Alex Stewart	C-01-19	" "	" "	50	120	267	202	1548	702	2.23	5.85
GL 101 C		SGS	C-01-19	" "	" "	50	115	280	172	1650		2.43	
GL 101 T		SGS	C-01-19	" "	" "	50	127	305	191	1780		2.40	
MN1 = GL 101		SGS	C-01-19	" "	" "	50	116	282	186	1700		2.43	
<b>Average GL101</b>			<b>C-01-19</b>	<b>165</b>	<b>215</b>	<b>50</b>	<b>119</b>	<b>279</b>	<b>189</b>	<b>1651</b>		<b>2.34</b>	
<b>GL 102</b>		Alex Stewart	<b>C-01-19</b>	<b>235</b>	<b>267</b>	<b>32</b>	<b>515</b>	<b>1465</b>	<b>369</b>	<b>4729</b>		<b>2.84</b>	
GL 103	*	Alex Stewart	C-01-19	235	300	65	858	2355	596	8090		2.74	
GL 103 Dup.1	*	Alex Stewart	C-01-19	" "	" "	65	867	2376	601	8067		2.74	
MN2 = GL103	*	Alex Stewart	C-01-19	" "	" "	65	845	2315	590	8451	6889	2.74	8.15
GL 103 Dup.2		SGS	C-01-19	" "	" "	65	978	2460	599	9660		2.52	
MN2 = GL103		SGS	C-01-19	" "	" "	65	935	2350	574	9210		2.51	
<b>Average GL103</b>			<b>C-01-19</b>	<b>235</b>	<b>300</b>	<b>65</b>	<b>897</b>	<b>2371</b>	<b>592</b>	<b>8696</b>		<b>2.65</b>	
GL 104	*	Alex Stewart	C-01-19	310	330	20	771	2163	549	8197	6452	2.81	8.37
GL 104		SGS	C-01-19	" "	" "	20	855	2160	526	8520		2.53	
<b>Average GL104</b>			<b>C-01-19</b>	<b>310</b>	<b>330</b>	<b>20</b>	<b>813</b>	<b>2162</b>	<b>538</b>	<b>8359</b>		<b>2.67</b>	
GL 105	*	Alex Stewart	C-01-19	353	354	1	806	2250	566	8513	6755	2.79	8.38
GL105 Dup.	*	Alex Stewart	C-01-19	" "	" "	1	805	2240	565	8518	6763	2.78	8.40
GL 105		SGS	C-01-19	" "	" "	1	900	2260	551	8910		2.51	
<b>Average GL105</b>			<b>C-01-19</b>	<b>353</b>	<b>354</b>	<b>1</b>	<b>837</b>	<b>2250</b>	<b>561</b>	<b>8647</b>		<b>2.70</b>	
<b>MN116</b>		Alex Stewart	<b>C-01-19</b>	<b>205</b>	<b>397</b>	<b>192</b>	<b>802</b>	<b>2224</b>	<b>577</b>	<b>8219</b>		<b>2.67</b>	

Table 1: Sample analyses, drillhole C-01-19. \* Result previously reported

This increases the brine section from 166m, as previously announced, to 192m. Furthermore, impurity levels continue to return low values for Mg, with Mg:Li ~2.70, whilst sulphate levels relative to lithium also returned low levels at ~8.40. These values are similar to those observed nearby at Livent's Fenix and Galaxy Resources' (ASX:GXY) Sal de Vida operations.

Following its successful maiden drillhole (C-01-19) a second drillhole (C-02-19) successfully commenced and is currently at ~465m depth. This second drillhole is located on geophysical CSAMT line 4 approximately 9.5km south of the maiden drillhole.

The hole largely replicates the geology of the maiden drillhole, encountering a thick layer of ignimbrite to 167m (165m in C-01-19) below shallow alluvial cover. The hole then encountered a very thick sequence of sands and clays before entering a breccia conglomerate similar in character to that observed in maiden drillhole C-01-19. The tectonic basin in this area is much deeper, perhaps up to ~750m, than in the north as evidenced by the Company's gravity survey. It is the technical team's view that the increased basin depth may be a result of horst-graben structures creating a downthrown block in this area and the target brine horizon commences at depth in a similar position above the basement as in drillhole C-01-19. Drilling is ongoing.

#### New Licences

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. 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. The Santa Barbara licences cover a small portion of the salar margin close to FMC's operation.

As announced on 30 January 2019, the Company received formal notification that it has been granted its Pata Pila licence which lies along the western margin of the Hombre Muerto. The licence covers a large area of alluvial fan interpreted to overlie the western margin of the Hombre Muerto salar. The licence is therefore considered highly prospective for lithium bearing brines akin to those being exploited by neighboring Livent Corporation.

#### Significant changes in the state of affairs

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

#### Significant events after balance date

Apart from the recently announced drilling results, drilling update and Pata Pila licence grant, 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.

#### **Auditor Independence Declaration**

Section 307C of the Corporations Act 2001 requires our auditors, Bentleys, to provide the Directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 8 and forms part of this Directors' Report for the half year ended 31 December 2018.

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



**Nathan McMahon – Non Executive Chairman**  
**Perth, 14 March 2019**

#### **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.

In the opinion of the directors:

- (a) the financial statements and notes are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position of the Company as at 31 December 2018 and of its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 134: "Interim Financial Reporting" and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Board

A handwritten signature in black ink, appearing to be 'N' followed by a horizontal line.

**Nathan McMahon – Non Executive Chairman**  
**14 March 2019**



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To the Board of Directors

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

As lead audit partner for the review of the financial statements of Galan Lithium Limited for the period ended 31 December 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 review; and
- any applicable code of professional conduct in relation to the review.

Yours faithfully



**BENTLEYS**  
**Chartered Accountants**



**DOUG BELL CA**  
**Partner**

Dated at Perth this 14<sup>th</sup> day of March 2019

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

For the half year ended 31 December 2018

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	31 December 2018	31 December 2017
	\$	\$
Revenue		-
Other income	2,215	1,647
Gain on financial assets at fair value through profit and loss	-	12,869
Administration and occupancy expenses	(365,953)	(26,516)
Corporate and compliance	(108,359)	(30,195)
Personnel expenses	(133,070)	(78,463)
Depreciation	(408)	-
Loss on financial assets at fair value through profit and loss	(2,506)	-
Exploration written off	-	(1,281)
Impairment of loan	-	(458,238)
Share based payment expense	(15,709)	(50,877)
<b>Loss before income tax</b>	(623,790)	(631,054)
Income tax		-
<b>Loss for the period</b>	(623,790)	(631,054)
<b>Other comprehensive income</b>	-	-
<b>Total comprehensive loss for the period</b>	(623,790)	(631,054)
Basic loss per share (cents per share)	(0.65)	(1.58)

The accompanying notes form part of these financial statements.

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

As at 31 December 2018

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		<b>31 December 2018</b>	<b>30 June 2018</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>Current Assets</b>			
Cash and cash equivalents		1,917,182	1,689,593
Trade and other receivables		22,834	42,513
Total Current Assets		1,940,016	1,732,106
<b>Non-Current Assets</b>			
Financial assets		36,044	36,550
Plant and equipment		3,024	1,631
Other Asset	3	262,169	-
Exploration and evaluation	4	9,629,338	7,604,797
Total Non-Current Assets		9,930,575	7,642,978
<b>TOTAL ASSETS</b>		<b>11,870,591</b>	<b>9,375,084</b>
<b>Current Liabilities</b>			
Trade and other payables		618,109	360,925
Total Current Liabilities		618,109	360,925
<b>TOTAL LIABILITIES</b>		<b>618,109</b>	<b>360,925</b>
<b>NET ASSETS</b>		<b>11,252,482</b>	<b>9,014,159</b>
<b>Equity</b>			
Issued capital	5	12,159,402	10,161,339
Reserves	7	3,494,352	2,630,302
Accumulated losses		(4,401,272)	(3,777,482)
<b>TOTAL EQUITY</b>		<b>11,252,482</b>	<b>9,014,159</b>

The accompanying notes form part of these financial statements.

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

For the half year ended 31 December 2018

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	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>\$</b>	<b>\$</b>
<b>Cash Flows from Operating Activities</b>		
Payments to suppliers, contractors and employees	(506,027)	(126,308)
Payments for exploration and evaluation	(1,019,729)	(6,418)
Interest received	2,198	304
	<hr/>	<hr/>
Net cash flows used in operating activities	(1,523,558)	(132,422)
	<hr/>	<hr/>
<b>Cash Flows from Investing Activities</b>		
Proceeds from investments sold	-	1,844
Advance to Galan Exploraciones S.A.	(262,169)	-
Payments for investments acquired	(2,000)	(2,000)
	<hr/>	<hr/>
Net cash flows used in investing activities	(264,169)	(156)
	<hr/>	<hr/>
<b>Cash Flows from Financing</b>		
Proceeds from issue of equities net of issue costs	2,000,896	407,792
Proceeds from over payment on option conversion	14,420	
	<hr/>	<hr/>
Net cash flows used in financing activities	2,015,316	407,792
	<hr/>	<hr/>
Net increase/(decrease) cash and cash equivalents	227,589	275,214
Cash and cash equivalents at the beginning of the financial period	1,689,593	47,621
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the financial period</b>	<b>1,917,182</b>	<b>322,835</b>
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes form part of these financial statements.

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

For the half year ended 31 December 2018

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	Issued Capital \$	Equity-based Payment Reserve \$	Accumulated losses \$	Total \$
<b>Balance at 1 July 2017</b>	3,250,458	60,950	(2,784,632)	526,776
Total comprehensive loss for the period	-	-	(631,054)	(631,054)
Issue of Equity	426,000	-	-	426,000
Share issue costs	(18,208)	-	-	(18,208)
Option valuation				
Option Reserve	-	50,877	-	50,877
<b>Balance at 31 December 2017</b>	<b>3,658,250</b>	<b>111,827</b>	<b>(3,415,686)</b>	<b>354,391</b>

  

	Issued Capital \$	Equity-based Payment Reserve \$	Accumulated losses \$	Total \$
<b>Balance at 1 July 2018</b>	10,161,339	2,630,302	(3,777,482)	9,014,159
Total comprehensive loss for the period	-	-	(623,790)	(623,790)
Issue of Equity	2,000,905	-	-	2,000,905
Share issue costs	(63,792)	-	-	(63,792)
Option valuation	-	925,000	-	925,000
Option Reserve	60,950	(60,950)	-	-
<b>Balance at 31 December 2018</b>	<b>12,159,402</b>	<b>3,494,352</b>	<b>(4,401,272)</b>	<b>11,252,482</b>

The accompanying notes form part of these financial statements.

**1. CORPORATE INFORMATION**

This interim financial report represents those of Galan Lithium Limited ('the Company' or 'Galan') and Controlled Entities ('the Group') for the half-year ended 31 December 2018 was authorised for issue in accordance with a resolution of the Directors on 14 March 2019.

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

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

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

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

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2018 and any public announcements made by Galan during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

**(b) Basis of Preparation**

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

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

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

**(c) Accounting standards that are mandatorily effective for the current reporting period**

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2018.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

- AASB 9 *Financial Instruments* and related amending Standards
- AASB 15 *Revenue from Contracts with Customers* and related amending Standards
- AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*

**AASB 9 Financial Instruments and related amending Standards**

In the current year, the Group has applied AASB 9 *Financial Instruments* (as amended) and the related consequential amendments to other Accounting Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of AASB 9 allow an entity not to restate comparatives however there was no material impact on adoption of the standard.

Additionally, the Group adopted consequential amendments to AASB 7 *Financial Instruments: Disclosures*.

In summary AASB 9 introduced new requirements for:

- The classification and measurement of financial assets and financial liabilities,
- Impairment of financial assets, and
- General hedge accounting.

AASB 15 Revenue from Contracts with Customers and related amending Standards

In the current year, the Group has applied AASB 15 Revenue from Contracts with Customers (as amended) which is effective for an annual period that begins on or after 1 January 2018. AASB 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in AASB 15 to deal with specific scenarios.

There was no material impact on adoption of the standard and no adjustment made to current or prior period amounts.

**(d) Significant Accounting Judgements and Key Estimates**

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. In preparing this half-year report, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2018.

*Share-based payment transactions*

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

**(e) Going Concern**

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

The Group incurred a loss for the half year of \$623,790 (2017: \$631,054) and net cash outflows from operating activities of \$1,523,558 (2017: \$132,422).

The Company may require further funding during the 2019 calendar year in order to meet day to day obligations as they fall due and to progress its exploration projects. Based on the Company's cash flow forecast, the Board of Directors is aware of the Company's need to access additional working capital funds in the next 12 months to enable the Company to continue its normal business activities and to ensure the realisation of assets and extinguishment of liabilities as and when they fall due.

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

In the event that the Company is not successful in raising funds from the issue of new equity (including the conversion of unquoted options that are currently in the money), containing operating and exploration expenditures and the sale of non-core assets, there exists material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the half-year report.

The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Company be unable to continue as a going concern and meet its debts as and when they fall due.

**3. OTHER NON-CURRENT ASSET**

Galan has provided a loan to an Argentinian entity to fund the Hombre Muerto project. The loan is governed by a loan agreement dated 12 December 2018. The main purpose of the agreement is to assist with foreign exchange requirements in Argentina.

On 1 January 2019, the equity in the Argentinian entity (Galan Exploraciones S.A.) was held in trust, for Galan, by the Managing Director (95%) and the local Galan lawyer in Catamarca (5%).

**4. EXPLORATION AND EVALUATION**

Costs carried forward in respect of areas of interest:

Exploration and evaluation phases at cost	9,629,338	7,604,797
<b>Movement:</b>		
Brought forward	7,604,797	-
Exploration expenditure capitalised during the half year	1,099,541	7,611,078
Option valuation capitalised during the half year (see © and (d) below)	925,000	-
Exploration expenditure written off	-	(6,281)
Balance at reporting date	9,629,338	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.

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

- 3,000,000 fully paid ordinary shares in the capital of Galan and 3,000,000 options each at an exercise price of \$0.14 on or before 31 December 2019. These were issued on 25 June 2018.
- 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.
- 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.
- 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	\$7,143,475

As at 31 December 2018, management has assessed and valued the probability of the milestones listed in (c) and (d) above.



**Assets and liabilities acquired at acquisition date:**

	Carrying amount \$
Cash and cash equivalents	15,550
Trade and other receivables	21,409
Exploration and evaluation	440,016
Trade and other payables	(135,000)
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 at 30 June 2018	<u>6,801,500</u>

**5. ISSUED CAPITAL**

(a) Fully paid ordinary shares as at 31 December 2018

		<b>31 December 2018 \$</b>	<b>30 June 2018 \$</b>
Issued and fully paid ordinary capital		<u>12,159,402</u>	<u>10,161,339</u>
	31 Dec 2018	31 Dec 2018	30 Jun 2018
	Number	\$	Number
			\$
Balance at the beginning of the period	95,090,001	10,161,339	36,570,001
Issue of shares at \$0.05 each	-	-	1,600,000
Issue of shares at \$0.05 each	-	-	4,480,000
Issue of shares at \$0.05 each	-	-	400,000
Issue of shares at \$0.05 each	-	-	2,040,000
Issue of Shares at \$0.08	-	-	7,700,000
Issue of shares at \$0.08	-	-	17,300,000
Issue of shares at \$0.185	-	-	20,000,000
Issue of shares at \$0.185	-	-	5,000,000
Issue of shares at \$0.14	(i) 9,962,002	1,394,680	-
	<u>105,052,003</u>	<u>11,556,019</u>	<u>95,090,001</u>
Add: listed options exercised	-	60,950	-
Less: transaction costs	-	(63,792)	-
Less: overpayment on option conversion	-	(14,420)	-
	<u>105,052,003</u>	<u>11,538,757</u>	<u>95,090,001</u>
Shares to be issued at \$0.14	(ii) 4,433,180	620,645	-
Balance at the end of the period	<u>109,485,183</u>	<u>12,159,402</u>	<u>95,090,001</u>

- (i) Issued on various dates between 19 July 2018 and 28 December 2018 on the conversion of Galan quoted options (exercisable at \$0.14 on or before 31 December 2018).
- (ii) Issued on 2 January 2019 for the conversion of Galan quoted options (exercisable at \$0.14 on or before 31 December 2018). A total of 6,307,107 shares were total issued on 2 January 2019 for total proceeds of \$882,995.

(b) Options outstanding as at 31 December 2018

Quoted Options

Expiry Date	Exercise Price	Number Under Option
31/12/18	\$0.14	180,891

As announced on 2 January 2019, a total of 16,269,109 GLN quoted options were converted by option holders by their date (31 December 2018) as per the terms of the original entitlement offer dated 4 February 2016.

The balance of 180,891 GLN quoted options (Shortfall Securities) were dealt with in accordance with the Barclay Wells underwriting agreement announced on 19 November 2018. The Shortfall Securities were issued on 14 January 2019.

Total funds raised for the Company from the GLN quoted options was \$2.303m.

Unquoted Options

Expiry Date	Exercise Price	Number Under Option	Issue Date
29/11/19	\$0.15	3,000,000	30 November 2017
29/11/19	\$0.15	500,000	11 December 2017
31/12/19	\$0.14	3,000,000	25 June 2018
31/12/19	\$0.14	22,000,000	15 August 2018

## 6. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of trade and other receivable and trade and other payables. These financial instruments are measured at amortised cost, less any provision for non-recovery. The carrying amount of the financial assets and liabilities approximate their fair value.

The Company's financial assets held for trading are level-1 financial instruments and valued using the quoted bid prices from the Australian Securities Exchange as at the reporting date.

## 7. RESERVES

Share Based Payment Reserve

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

Movement in Reserves:

	31 December 2018 \$	30 June 2018 \$
Opening balance	2,630,302	60,950
Issue of options (i)	-	50,877
Issue of options to vendors and finders (ii)	-	2,518,475
Exercise of options	(60,950)	-
Assessment of milestone shares for the acquisition of Blue Sky (iii)	925,000	-
Closing balance	3,494,352	2,630,302

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- (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).
  - (iii) On 25 June 2018, the Company acquired 100% of the issued capital of Blue Sky under the Share Sale and Purchase Agreement. The consideration included deferred consideration payable by shares upon the satisfaction of 2 milestones as disclosed in Note 4. The shares were valued at 25 June 2018, being the acquisition date.

Management assessed the probability of these milestones being satisfied as at 30 June 2018 as nil due to the infancy of the project.

Management have re-assessed the probabilities and subsequently revalued these milestones at \$925,000, to reflect the status of exploration activities in Argentina at 31 December 2018.

## **8. SUBSEQUENT EVENTS**

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

## **9. SEGMENT INFORMATION**

The Group currently only operates in one geographical area being Argentina and one industry, being exploration, for the half year ended 31 December 2018 which was the same as reported in the financial report for the year ended 30 June 2018. The Chief Operating Decision Makers are the Board of Directors and the management of the Company. There is currently only one operating segment identified, being exploration activities based in Argentina based on internal reports reviewed by the Chief Operating Decision Makers in assessing performance and allocation of resources.

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

## Independent Auditor's Review Report

### To the Members of Galan Lithium Limited

We have reviewed the accompanying financial report of Galan Lithium Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the condensed consolidated statement of financial position as at 31 December 2018, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled during the period.

### Directors Responsibility 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 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.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2018 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of the Consolidated Entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

# Independent Auditor's Review Report

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

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### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

### Conclusion

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

- a. Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2018 and of its performance for the period ended on that date; and
- b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

### Material Uncertainty Related to Going Concern

We draw attention to Note 2(e) in the financial report, which indicates that the Consolidated Entity incurred a net loss of \$623,790 during the half year ended 31 December 2018. As stated in Note 2(e), these events or conditions, along with other matters as set forth in Note 2(e), indicate that a material uncertainty exists that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

**BENTLEYS**  
**Chartered Accountants**

**DOUG BELL CA**  
**Partner**

Dated at Perth this 14<sup>th</sup> day of March 2019