



**GALAN**  
LITHIUM LIMITED

ACN 149 349 646

**AND CONTROLLED ENTITIES**

# **ANNUAL REPORT**

**30 June 2023**

## CONTENTS

Galan Lithium Limited Annual Report 2023

---

Corporate Directory	1
Directors' Report	2
Auditor's Independence Declaration	47
Consolidated Statement of Profit or Loss and Other Comprehensive Income	48
Consolidated Statement of Financial Position	49
Consolidated Statement of Changes in Equity	50
Consolidated Cash Flow Statement	51
Notes to the Financial Statements	52
Directors' Declaration	80
Independent Auditor's Report	81
Additional Shareholder Information	86

---

## **CORPORATE DIRECTORY**

Galan Lithium Limited Annual Report 2023

---

### **Directors**

Richard Homsany (Non-Executive Chairman)  
Juan Pablo Vargas de la Vega (Managing Director)  
Terry Gardiner (Non-Executive Director)  
Daniel Jimenez (Non-Executive Director)  
Maria Claudia Pohl (Non-Executive Director)

### **CFO**

Graeme Fox

### **Company Secretary**

Mike Robbins

### **Registered Office**

Level 1, 50 Kings Park Road  
West Perth, WA, 6005  
Ph: +61 8 9214 2150  
Email: admin@galanlithium.com.au  
Website: www.galanlithium.com.au

### **Auditors**

Hall Chadwick  
283 Rokeby Road  
Subiaco WA 6008

### **Share Registry**

Advanced Share Registry Limited  
110 Stirling Highway  
Nedlands WA 6009

### **Home Stock Exchange Listing**

Australian Securities Exchange Limited (ASX) – Perth, Australia

**ASX Code - GLN**

**FSX Code - 9CH**

# DIRECTORS' REPORT

## Galan Lithium Limited Annual Report 2023

---

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 2023 (**the year**).

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).

### 1. DIRECTORS & OFFICERS

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.

#### Directors

##### **Richard Homsany - Non-Executive Chairman**

###### Experience

Mr Homsany is an experienced corporate lawyer who has extensive board and operational experience in the resources and energy sectors. He is Executive Chairman of ASX listed Toro Energy Limited (ASX:TOE), Executive Vice President, Australia of TSX listed Mega Uranium Ltd (TSX:MGA), Chairman of Health Insurance Fund of Australia Ltd and the principal of Cardinals Lawyers and Consultants, a boutique corporate and energy & resources law firm.

###### Other listed directorships

Redstone Resources Limited	Since November 2007
Toro Energy Limited	Since December 2013
Brookside Energy Limited	Since February 2020

###### Interest in shares and options

959,067 ordinary shares  
1,000,000 \$0.21 options (expire 8 October 2023)  
3,000,000 performance rights (with various share price vesting conditions)

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

###### Experience

JP is a Chilean/Australian mineral industry professional with 20 years' broad experience in ASX listed mining companies, stockbroking and private equity firms. JP has been a specialist lithium analyst in Australia, has also operated a private copper business in Chile and has worked for BHP, Rio Tinto and Codelco. He was the founder of Blue Sky Lithium Pty Ltd, the vendor of the original Argentinian assets and has been Galan's Managing Director since mid 2018.

###### Other listed directorships

Nil

###### Interest in shares and options

17,461,932 ordinary shares  
500,000 \$0.21 options (expire 8 October 2023)  
6,000,000 performance rights (with various share price vesting conditions)

##### **Ms Claudia Pohl – Non Executive Director (appointed 28 March 2023)**

###### Experience

Ms Pohl is a civil industrial engineer with over 23 years' senior executive experience at Sociedad Química y Minera de Chile (SQM NYSE:SQM, Santiago Stock Exchange: SQM-A, SQM-B) a world leader in the lithium industry. Since leaving SQM, she has been Managing Partner and General Manager of Chilean based Ad-Infinitem, a process engineering consultancy, with specific focus on lithium brine projects under study and development, and the associated project evaluations

## DIRECTORS' REPORT

Galan Lithium Limited Annual Report 2023

---

### Other listed directorships

Nil

### Interest in shares and options

Nil

### **Terry James Gardiner - Non-Executive Director**

#### Experience

Mr Gardiner has over 25 years' experience in capital markets, stockbroking & derivatives trading and prior to that had many years trading in equities & derivatives for his family accounts. Currently a Director of boutique stockbroking firm Barclay Wells Limited, and a Non-Executive Director of Cazaly Resources Ltd and Charger Metals NL plus non-executive positions with other ASX listed entities.

### Other listed directorships

Cazaly Resources Limited since December 2016.  
Roto-Gro International Limited since July 2019.  
Charger Metals NL since August 2021

### Interest in shares and options

6,580,487 ordinary shares  
3,000,000 performance rights (with various share price vesting conditions)

### **Daniel Jimenez - Non-Executive Director**

#### Experience

Mr Jimenez is a civil industrial engineer and MBA who previously worked for the world leader in the lithium industry Sociedad Química y Minera de Chile (NYSE:SQM, Santiago Stock Exchange: SQM-A, SQM-B) for 28 years based in Santiago, Chile, Belgium and the USA. His last position was as Senior Vice President Commercial Lithium, Iodine and Industrial Chemicals where he formulated the commercial strategy and marketing of SQM's industrial products and was responsible for over US\$900 million worth of sales.

### Other listed directorships

Nil

### Interest in shares and options

2,447,713 ordinary shares  
1,000,000 \$0.21 options (expire 8 October 2023)  
3,000,000 performance rights (with various share price vesting conditions)

Please note the following:

- Mr Christopher William Chalwell (Non-Executive Director) resigned on 31 May 2023; and
- Mr Jinyu (Raymond) Liu (Non-Executive Director) resigned on 18 November 2022.

### **Officers**

#### **Graeme Fox – Chief Financial Officer**

Mr Fox commenced in February 2022 and is a qualified accountant and experienced business analyst, with over 25 years of experience in the mining, contracting and transport industries, with a focus on strategic planning, financial modelling, investment evaluation, management accounting and compliance. During the last 20 years, Graeme's career has been focussed in the resources sector, including diverse roles throughout the value chain, working with BHP, WMC & Macmahon.

## DIRECTORS' REPORT

Galan Lithium Limited Annual Report 2023

---

### Mike Robbins - Company Secretary

Mr Robbins has over 25 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 also Company Secretary for Cazaly Resources Limited.

## 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 Homsany	6	6
Mr Vargas de la Vegas	6	6
Ms Pohl (appointed 28 March 2023)	2	2
Mr Gardiner	6	5
Mr Jimenez	6	6
Mr Chalwell (resigned 31 May 2023)	5	5
Mr Liu (resigned 18 November 2022)	3	3

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](http://www.galanlithium.com.au).

## 4. PRINCIPAL ACTIVITIES

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

## 5. RISKS

### Risk Factors

There are risks that specifically relate to the Company's current mode of operations. The following is not intended to be an exhaustive list of risk factors to which the Company may be exposed.

#### (a) Tenure, access and grant of applications

Mining and exploration tenements are subject to periodic renewal. There is no guarantee that the Company's tenements will be renewed (nor that any future tenement applications will be granted).

The Company's projects are subject to relevant mining legislation. The renewal of the term of a granted tenement is also subject to government discretion and the Company's ability to meet the conditions imposed by relevant authorities, including compliance with the Company's work program requirements, is not certain. Renewal conditions may include increased expenditure and work commitments or compulsory relinquishment of areas of the tenements comprising the Company's projects. The imposition of new conditions or the inability to meet those conditions may adversely affect the operations, financial position and/or performance of the Company.

There is no assurance that such renewals will be given as a matter of course and there is no assurance that new conditions will not be imposed by the relevant granting authority. The consequence of forfeiture or involuntary surrender of a granted tenement for reasons beyond the control of the Company could be significant.

## DIRECTORS' REPORT

### Galan Lithium Limited Annual Report 2023

---

There is also a risk of inability to access the land required for operations on tenements. This may, for example, be as a result of weather, environmental restraints, native title, landholder's activities, regulatory or third-party objections or other factors. Such difficulties may cause delays and cost overruns (and may prevent the carrying out of activities on tenements).

Interests in tenure may also be compromised or lost due to third party interests or claims.

#### (b) Future capital requirements

The Company's capital requirements depend on numerous factors. Additional funding may be required and may be raised by the Company via the issues of equity, debt or a combination of debt and equity or asset sales. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its proposed operations and scale back its exploration, studies and development programmes as the case may be. There is no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

If the Company is unable to obtain additional financing as needed, it may be required to reduce, delay or suspend its operations and this could have a material adverse effect on the Company's activities and could affect the Company's ability to continue as a going concern or remain solvent.

#### (c) Reliance on key personnel

The Company is reliant on a number of key personnel and consultants. The loss of one or more of these key contributors could have an adverse impact on the business of the Company. It may be difficult for the Company to continue to attract and retain suitable qualified and experienced people.

#### (d) New projects and acquisitions

The Company may make acquisitions in the future as part of future growth plans. In this regard, the Directors will use their expertise and experience in the resources sector to assess the value of potential projects that have characteristics that the Directors consider are likely to provide returns to Shareholders.

There can be no guarantee that any new project acquisition or investment will eventuate from these pursuits, or that any acquisitions will result in a return for Shareholders. Such acquisitions may result in use of the Company's cash resources and/or the issuance of equity securities, which will dilute shareholdings.

Furthermore, any new project or business acquisition may change the risk profile of the Company, particularly if the new project is located in another jurisdiction, involves a new commodity and/or changes the Company's capital/funding requirements.

#### (e) Native title, cultural heritage and sacred sites

Mining tenements in Australia are subject to native title laws and may be subject to future native title applications. Native title may preclude or delay granting of exploration and mining tenements or the ability of the Company to explore, develop and/or commercialise the mining tenements. Considerable expenses may be incurred negotiating and resolving issues, including any compensation agreements reached in settling native title claims lodged over any of the mining tenements held or acquired by the Company.

The presence of Aboriginal sacred sites and cultural heritage artefacts on mining tenements is protected by Western Australian and Commonwealth laws. Any destruction or harming of such sites and artefacts may result in the Company incurring significant fines and court injunctions. The existence of such sites may limit or preclude exploration or mining activities on those sites, which may cause delays and additional expenses for the Company in obtaining clearances.

#### (f) Nature of mineral exploration and mining

The business of mineral exploration, development and production is subject to risk by its nature. Shareholders should understand that mineral exploration, development and mining are high-risk enterprises, only occasionally providing high rewards (with no guarantee of ever becoming producing assets).

The success of the Company depends, among other things, on successful exploration, feasibility of the Projects, securing and maintaining title to tenements and consents, successful design, construction, commissioning and operating of mining and processing facilities, successful development and production in accordance with forecasts and successful management of the operations. Exploration and mining activities may also be hampered by force majeure circumstances, land claims and unforeseen mining problems.

## DIRECTORS' REPORT

### Galan Lithium Limited Annual Report 2023

---

There is no assurance that exploration and development of the mineral tenement interests currently owned by the Company, or any other projects that may be acquired in the future, will result in the discovery of mineral deposits which are capable of being exploited economically. Even if an apparently viable deposit is identified, there is no guarantee that it can be profitably exploited. If such commercial viability is never attained, the Company may seek to transfer its property interests or otherwise realise value, or the Company may even be required to abandon its business and fail as a "going concern".

Whether a mineral deposit will be commercially viable depends on a number of factors, which include, without limitation, the particular attributes of the deposit, such as size, grade and proximity to infrastructure, metal prices, which fluctuate widely, and government regulations, including, without limitation, regulations relating to prices, taxes, royalties, land tenure, land use, exporting of minerals and environmental protection. The combination of these factors may result in the Company expending significant resources (financial and otherwise) on tenements without receiving a return. There is no certainty that expenditures made by the Company towards the search and evaluation of mineral deposits will result in discoveries of an economically viable mineral deposit.

The Company has relied on and may continue to rely on consultants and others for mineral exploration and exploitation expertise. The Company believes that those consultants and others are competent and that they have carried out their work in accordance with internationally recognised industry standards. However, if the work conducted by those consultants or others is ultimately found to be incorrect or inadequate in any material respect, the Company may experience delays or increased costs in exploring or developing its tenements.

#### (g) Results of Studies

Subject to the results of any future exploration and testing programs, the Company may progressively undertake a number of studies in respect to the Company's current projects or any new projects. These studies may include scoping studies, pre-feasibility studies and bankable feasibility studies.

These studies may not occur, but if they are completed, they would be prepared within certain parameters designed to determine the economic feasibility of the relevant project within certain limits. There can be no guarantee that any of the studies will confirm the economic viability of the Company's projects or the results of other studies undertaken by the Company (e.g. the results of a feasibility study may materially differ to the results of a scoping study).

Further, even if a study determines the economics of the Company's projects, there can be no guarantee that the projects will be successfully brought into production as assumed or within the estimated parameters in the feasibility study, once production commences including but not limited to operating costs, mineral recoveries and commodity prices.

In addition, the ability of the Company to complete a study would be dependent on the Company's ability to raise further funds to complete the study as required.

#### (h) Resource and Reserve estimates

Ore reserve and mineral resource estimates are expressions of judgment based on drilling results, past experience with mining properties, knowledge, experience, industry practice and many other factors. Estimates which are valid when made may change substantially when new information becomes available. Mineral resource and ore reserve estimation is an interpretive process based on available data and interpretations and thus estimations may prove to be inaccurate. There is no guarantee that any of the Company's projects will become feasible and consequently no forecast is made of whether or not any ore reserve will be defined in future.

The actual quality and characteristics of mineral deposits cannot be known until mining takes place and will almost always differ from the assumptions used to develop resources. Further, ore reserves are valued based on future costs and future prices and, consequently, the actual ore reserves and mineral resources may differ from those estimated, which may result in either a positive or negative effect on operations.

Should the Company encounter mineralisation or formations different from those predicted by past drilling, sampling and similar examinations, resource estimates may have to be adjusted and mining plans may have to be altered in a way which could adversely affect the Company's operations.

## DIRECTORS' REPORT

### Galan Lithium Limited Annual Report 2023

---

#### (i) Operational Risks

The operations of the Company may be affected by various factors which are beyond the control of the Company, such as failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration or mining, operational and technical difficulties encountered in exploration and mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages, delays in procuring, or increases in the costs of consumables, spare parts, plant and equipment, fire, explosions and other incidents beyond the control of the Company. The operations of the Company may also be affected by various other factors, including failures in internal controls and financial fraud.

These risks and hazards could also result in damage to, or destruction of, production facilities, personal injury, environmental damage, business interruption, monetary losses and possible legal liability. While the Company currently intends to maintain insurance within ranges of coverage consistent with industry practice, no assurance can be given that the Company will be able to obtain such insurance coverage at reasonable rates (or at all), or that any coverage it obtains will be adequate and available to cover any such claims.

#### (j) Environmental regulation risk

The Company's projects are subject to State and Federal laws and regulations regarding environmental matters. The governments and other authorities that administer and enforce environmental laws and regulations determine these requirements. As with all exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if they result in mine development.

The cost and complexity of complying with the applicable environmental laws and regulations may prevent the Company from being able to develop mineral deposits. There are also risks that the Company may breach environmental laws and regulations, with consequential adverse effects on the financial position and performance of the Company.

Further, the Company will require approvals from relevant authorities before it can undertake activities that are likely to impact the environment. Failure to obtain such approvals will 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 which could have a material adverse effect on the Company's business, financial condition and results of operations.

#### (k) Environmental liabilities risk

The Company's activities are subject to potential risks and liabilities associated with (without limitation) the potential pollution of the environment and the necessary disposal of mining waste products resulting from mineral exploration and production. Insurance against environmental risk (including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from exploration and production) is not generally available to the Company (or to other companies in the minerals industry) at a reasonable price. To the extent that the Company becomes subject to environmental liabilities, the satisfaction of any such liabilities would reduce funds otherwise available to the Company and could have a material adverse effect on the Company. Laws and regulations intended to ensure the protection of the environment are constantly changing and are generally becoming more restrictive.

#### (l) Change in regulations and regulatory risk

Any material adverse changes in government policies, legislation or shifts in political attitude in Australia and overseas that affect mineral mining and exploration activities, tax laws, royalty regulations, government subsidies and environmental issues may affect the viability of a project or the Company. No assurance can be given that amendments to current laws and regulations or new rules and regulations will not be enacted, or that existing rules and regulations will not be applied in a manner which could substantially limit or affect the Company's business.

## DIRECTORS' REPORT

### Galan Lithium Limited Annual Report 2023

---

#### (m) Climate change risk

There are a number of climate-related factors that may affect the operations and financial position of the Company. Climate change or prolonged periods of adverse weather and climatic conditions (including rising sea levels, floods, hail, drought, water, scarcity, temperature extremes and earthquakes) may have an adverse effect of the Company's operations and/or the Company's future financial performance.

Changes in policy, technological innovation and/or consumer/investor preferences may also adversely impact the operations and financial position of the Company or may result in less favourable pricing for its product, particular in the event of a transition to a lower carbon economy.

#### (n) Commodity price volatility and exchange rate risks

The Company is exposed to the risks of commodity price volatility and exchange rate fluctuations increasing the Company's costs.

Also, if the Company achieves success leading to mineral production (which may never occur), the revenue it will derive through the sale of product will expose the potential income of the Company to commodity price and exchange rate risks.

Commodity prices and exchange rates fluctuate and are affected by numerous factors beyond the control of the Company.

#### (o) Sovereign, Political and Title Risk

The Company has interests in exploration and development licences in Argentina with mineral tenure being governed by their own 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, heritage and native title laws, 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.

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.

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 project interest may be affected by changing political conditions and changes to laws and/or resource policies.

## 6. OPERATIONS & CORPORATE REVIEW

### OPERATIONS

#### Safety

The Company continued its successful safety record with no recorded lost time injuries (LTI's) since the 2022 annual report.

#### ESG

Galan is focusing on the discovery of lithium as a critical resource for the development of EV batteries, to assist with the decarbonisation of the economy and the transition to a more sustainable future. From its early ventures in Argentina, Galan has strived to put the well-being of its employees, communities and the environment first and foremost, as it continues its ongoing commitment towards a sustainable future for all its stakeholders.

In 2021, Galan partnered with Circular for full traceability and ESG tracking for its lithium brine assets in Argentina.

## DIRECTORS' REPORT

### Galan Lithium Limited Annual Report 2023

---

To further enhance the building of its ESG journey, Galan engaged Socialsuite to assist in the compilation of its baseline ESG reporting, database and systems. The Company is pleased to report that its initial ESG Disclosure Report has been completed and is now posted on Galan's website ([www.galanlithium.com.au](http://www.galanlithium.com.au)). Galan is further developing and evolving its Environmental, Social and Governance (ESG) framework to enable it to continually report against the 21-core metrics and disclosures as promoted by the World Economic Forum. The Company has and continues to consult with all its stakeholders when addressing the planned systems and actions required for the four key ESG pillars – Governance, Planet, People and Prosperity.

#### **Cautionary Statements**

The Definitive Feasibility Study (DFS) referred to in this report is based upon a JORC Code Compliant Mineral Resource Estimate (ASX: HMW Project Resource Increases to 6.6Mt LCE @ 880mg/l Li: 1 May 2023) (inclusive of the updated Proven and Probable Ore Reserve referred to in this announcement). Galan confirms that there are no Inferred Resources included in the DFS production schedule and that the schedule is comprised 100% of Ore Reserves.

The Mineral Resources underpinning the Ore Reserve and production target in the DFS have been prepared by a competent person in accordance with the requirements of the JORC Code (2012). The Competent Person's Statement(s) are found in the section of this ASX release titled "*Competent Person's Statement(s)*". For full details of the Mineral Resources estimate, please refer to the body of this announcement. Galan confirms that it is not aware of any new information or data that materially affects the information included in this release. All material assumptions and technical parameters underpinning the estimates in the ASX release continue to apply and have not materially changed.

Process and engineering designs for the DFS were developed to support capital and operating estimates to an accuracy of -10% to +15%. Key assumptions that the DFS was based on (including those defined as Material Assumptions under ASX Listing Rule 5.9.1) are outlined in the body of this announcement and Appendix 1. Galan believes the production target, forecast financial information derived from that target and other forward-looking statements included in this announcement are based on reasonable grounds.

Several key steps need to be completed in order to bring the Hombre Muerto West Project into production. Many of these steps are referred to in this announcement. Investors should note that if there are delays associated with completion of those steps, outcomes may not yield the expected results (including the timing and quantum of estimated revenues and cash flows). The economic outcomes associated with the DFS are based on certain assumptions made for commodity prices, exchange rates and other economic variables, which are not within the Company's control and subject to change. Changes in such assumptions may have a material impact on the economic outcomes.

To achieve the range of outcomes indicated in the DFS, funding will likely be required. There is no certainty that Galan will be able to source the amount of funding when required. It is also possible that such funding may only be available on terms that may be dilutive to or otherwise affect the value of Galan's shares. It is also possible that Galan could pursue other value realisation strategies such as an off-take with prepayment, sale, partial sale or joint venture of the Hombre Muerto West Project.

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

## DIRECTORS' REPORT

Galan Lithium Limited Annual Report 2023

### OPERATIONS

#### Hombre Muerto West (HMW) (100% Galan)

##### Definitive Feasibility Study (DFS)

On 3 July 2023, the Company announced the successful completion of the Phase 1 DFS for the HMW Project in an announcement entitled "Phase 1 of Hombre Muerto West (HMW) DFS Delivers Compelling Economic Results for Accelerated Production."

The HMW DFS Phase 1 delivered an annual production rate of 5,367 recoverable tonnes of lithium carbonate equivalent (**LCE**) contained in a concentrated lithium chloride product for a period of 40 years. The Phase 1 DFS results and analysis provided solid outcomes that showed the HMW Project was a very competitive and highly compelling project in the lithium brine industry.

As previously announced, the DFS was separated into two phases. This initial Phase 1 of the DFS focuses on the production of a lithium chloride concentrate, as governed by the production permits. The DFS optimisation work continues and will culminate in the release of a Phase 2 DFS in September 2023, addressing full 20ktpa LCE production rate in concentrated lithium chloride brine.

The preparation of the Phase 1 DFS was carried out by several consultants. The Mineral Resource and Ore Reserve estimates were prepared by SRK Consulting (SRK), the lithium recovery method was designed by Ad-Infinity and the pond designs and water contour channels were developed by AIA Engineering and Consulting Services International (AIA) and EIC Engineering (EIC) respectively. Both are specialised engineering firms with sound previous experience with similar projects. M3 Engineering and Technology Corporation (M3) was responsible for reviewing and documenting the recovery method and the civil material take-off quantities for ponds and water contour channels, as well as developing the engineering design of the reagents and filtering plant. M3 also developed the Project's layout, infrastructure designs, capital cost and operating costs estimates and economic evaluation. The price estimates of the lithium carbonate and lithium chloride concentrate were developed by Wood Mackenzie and iLiMarkets, respectively. Key financial highlights are presented in Table 1.

Table 1: Phase 1 Definitive Feasibility Study Results – HMW Project

Parameters	Units	Values
<b>Lithium Carbonate Equivalent Production (after ramp-up)</b>	tonnes/year	5,367
<b>Project Life Estimate</b>	Years	40
<b>Capital Cost (CAPEX)</b>	US\$m	118.4
<b>Capital Cost (ex-contingency)</b>	US\$m	103.6
<b>Average Annual Operating Cost (OPEX)</b>	US\$/tonne	3,963
<b>Average Lithium Chloride Selling Price (2025-2064)</b>	US\$/tonne	20,252
<b>Average Annual EBITDA</b>	US\$m	83
<b>Average Annual Free Cash Flow</b>	US\$m	54
<b>Pre-Tax Net Present Value (NPV<sub>8%</sub>)</b>	US\$m	736
<b>After-Tax Net Present Value (NPV<sub>8%</sub>)</b>	US\$m	460
<b>Pre-Tax Internal Rate of Return (IRR)</b>	%	48
<b>After-Tax Internal Rate of Return (IRR)</b>	%	36
<b>Payback Period (After-Tax, from start of production)</b>	Years	2.2

## DIRECTORS' REPORT

### Galan Lithium Limited Annual Report 2023

#### Mineral Resource Estimate

The most recent HMW Mineral Resource estimate was announced to the market on 1 May 2023 (Refer ASX Announcement entitled "Galan's 100% Owned HMW Project Resource Increases to 6.6MT LCE @ 880 mg/l Li (72% in Measured Category)"). It incorporated geological and geochemical information obtained from nineteen (19) drillholes totalling 5,918 metres within the Pata Pila, Rana de Sal, Casa del Inca, Del Condor, Pucara del Salar, Delmira, Don Martin and Santa Barbara tenements (see figure 1). A total of 610 brine assays were used as a foundation of the estimation, all of which were analysed at Alex Stewart International (**Alex Stewart**) laboratory in Jujuy. The QA/QC program includes duplicates, triplicates, and standards. In total, 325 QA/QC samples were considered using Alex Stewart (duplicates) and SGS in Argentina (triplicates) as the umpired laboratory.

The updated HMW Mineral Resource was supported by new core porosity data. Also endorsing the directly obtained brine samples and core recovery was approximately 51 km of additional surface resistivity (CSAMT and TEM), which was completed in the 2021 and 2022 campaigns at the HMW Project.

The HMW Mineral Resource was reclassified based on the new data, resulting in a Measured Resource exceeding 4.7Mt of contained lithium carbonate equivalent (**LCE**) product grading 873 mg/L Li. In accordance with JORC Code Guidelines, the total HMW Mineral Resource (Measured + Indicated + Inferred) increased by approximately 14% to just over 6.6Mt of contained LCE grading at 880 mg/L Li. A summary of the updated HMW Mineral Resource is provided in the Mineral Resource Statement (Table 2). No cut-off grade was applied to the updated Mineral Resource estimate as minimum block grades of 805 mg/L Li exceeded the anticipated economic threshold. This exceptional characteristic of the HMW reservoir reflects the highly homogenous brine quality throughout the tenements, which permits the aggregation of the complete ore body and simplifies future operational and process constraints.

**Table 2: Mineral Resource Statement for Hombre Muerto West and Candelas (effective date 31 May 2023) (Inclusive of Ore Reserves)**

Resource Category	Brine Vol. (Mm <sup>3</sup> )	In situ Li (Kt)	Avg. Li (mg/l)	LCE (Kt)	Avg. K (mg/l)	In situ K (Kt)	KCl Equiv. (Kt)
<b>Hombre Muerto West:</b>							
Measured	1,020	890	873	4,737	7,638	7,782	14,841
Indicated	205	185	904	986	7,733	1,585	3,022
Inferred	182	161	887	859	7,644	1,391	2,653
HMW Total	1,407	1,237	880	6,582	7,653	10,758	20,516
<b>Candelas North (*)</b>							
Indicated	196	129	672	685	5,193	1,734	3,307
<b>Galan's Total Resource Inventory</b>							
<b>Grand Total</b>	<b>1,603</b>	<b>1,366</b>	<b>852</b>	<b>7,267</b>	<b>7,793</b>	<b>12,492</b>	<b>23,823</b>

#### Notes:

1. No cut-off grade applied to the updated Mineral Resource Estimate as minimum assays values are above expected economic concentrations (Li 620 mg/L).
2. Specific yield (SY) values used are as follows: Sand – 23.9%, Gravel – 21.7%, Breccia – 8%, Debris – 12%, Fractured rock – 6%, and Halite – 3%.
3. The conversion for LCE = Li x 5.3228, and KCl = K x 1.907.
4. There may be minor discrepancies in the above table due to rounding.
5. (\*) The Candelas North Mineral Resource Statement was originally announced by Galan on 1 October 2019.
6. There may be minor discrepancies in the above table due to rounding.

#### Ore Reserve Estimate

The HMW Project Phase 1 DFS reports an initial Ore Reserve estimate of 212Kt of recoverable LCE (Table 3). The Ore Reserve estimate was signed off by Dr Brian Luinstra, who is a Competent Person as it is described in the competent person statement.

**Table 3: Ore Reserve Statement for HMW Project Phase 1 DFS (effective date 31 May 2023)**

Ore Reserve Category	Production Period (years)	Pumped Brine Vol. (Mm <sup>3</sup> )	Recovered Li Metal (Kt)	Avg. Li Grade (mg/l)	LCE (Kt)
<b>Proven</b>	1-10	19.7	17.8	901.6	53.7
<b>Probable</b>	11-40	59.1	52.4	886.9	158.7
<b>HMW Total</b>	<b>1-40</b>	<b>78.8</b>	<b>70.2</b>	<b>890.6</b>	<b>212.5</b>

Notes:

- Ore Reserves are included in the Mineral Resources
- No cut-off grade applied for HMW Ore Reserve.
- A combined recovery factor of 57% applied accounting for: ponds and processing (66%); 90% efficiency assumed for lithium chloride to LCE process conversion. Additional 4% allowance applied for transport and operational losses.
- "Li Metal" and "LCE" are expressed as total contained metals.
- Lithium carbonate equivalent ("LCE") calculated using mass of LCE = 5.3228 multiplied by the mass of lithium metal.
- There may be minor discrepancies in the above table due to rounding

For more detailed technical information (including relevant JORC Code Tables) surrounding the latest HMW Mineral Resource and the HMW Ore Reserve Statement, please refer to the ASX Announcement dated 1 May 2023 entitled "Galan's 100% Owned HMW Project Resource Increases to 6.6MT LCE @ 880 mg/l Li (72% in Measured Category)" and the ASX Announcement dated 3 July 2023 entitled "Phase 1 of Hombre Muerto West (HMW) DFS Delivers Compelling Economic Results for Accelerated Production."

Development of Ore Reserves in a brine deposit involves the application of mining modifying factors with the use of a fully integrated brine/groundwater numerical model. The model simulates the flow of brine to abstraction wells with an associated concentration of lithium to produce tonnes of lithium carbonate equivalent as part of a mine plan. Aquifer properties, including storage, permeability and Li concentration of host aquifers used in the numerical model, are calibrated to collected pumping data and water/brine levels to represent the hydrogeologic system as accurately as possible in order to facilitate forward-looking brine production estimates.

The Ore Reserve estimate has been developed using detailed integrated groundwater flow, density and solute transport finite difference modelling software MODFLOW (see figure 2), an industry-standard numerical groundwater modelling platform. The models have been used to simulate the Ore Reserve estimate and support the mine plans for the Hombre Muerto West Project. Detailed modelling reports describing the construction, calibration and operation of the model are being developed as part of the DFS.

The aquifer properties in the numerical model have been zoned according to the Mineral Resource model and calibrated to steady state and transient conditions using all collected hydrogeological data, including pumping tests and level measurements in monitoring bores across the HMW Project. Brine concentrations were assigned to the groundwater model directly from the resource block model.

The water balance for the west sub-basins margin of Salar del Hombre Muerto, where the HMW Project is located, has been studied and calibrated using the stationary numerical model. Due to relatively low annual rainfall (approx. 80mm/year) and limited extension of the catchment area on the west limit of the Salar del Hombre Muerto, there is no evidence of important density-driven mechanisms for dilution or mixing of the Ore Reserve.

Monthly production rates were simulated from year 1 to year 40 according to seasonal brine demand. Abstraction rates and concentrations have been modelled iteratively to manage grade and optimise pumping to meet pond requirements. The Ore Reserve estimate is based on the nominal Phase 1 mine production plan of 40 years. A global recovery factor of 57% was used to derive the LCE production rates from the abstracted brine volume and Li content. This factor considers the chemical process evaporation ponds recovery and purification plant (approx. 66%) and LCE conversion recovery (90%). Additionally, a 4% allowance was applied for transport and operational losses.

Abstraction capture zone analysis was used to determine the origin of brine from each production well throughout the life of mine and Ore Reserve volumes were all derived from capture zones contained from within the Measured Resource blocks.

## DIRECTORS' REPORT

### Galan Lithium Limited Annual Report 2023

---

At the time of the release of the Ore Reserve estimate, Galan had fully tested three pumping wells, all of which form part of the project infrastructure, with measured flow yields ranging between 18 and 25 L/s. Two additional wells are now completed and are undergoing hydraulic testing. For the modelled wells, a 20 L/s projected maximum flow has been assumed for the balance of the wells to complete the six required wells infrastructure. Under this scenario and considering the seasonal variability of the brine demand program, efficiencies for the wellfield are assumed to range between 30% (winter) and 75% (summer), averaging 52% on a yearly basis. This indicates that there will be sufficient installed well capacity to accomplish the abstraction scheme.

Due to the high and consistent grades of lithium within brines derived from Hombre Muerto West, no cut-off grade has been applied to the Ore Reserve (this means if a cut-off grade of 500mg/l was applied, the resource estimate would be the same ie. same tonnage and grade). The impact of density-driven flow was accounted for in the modelling, however, is not considered to be material to the Ore Reserve estimate, given the low-density gradients that have been mapped across the deposit.

The Ore Reserve estimate is considered to be a conservative representation of the aquifer systems with very high confidence in modelled outputs during the early to mid-life of the mine production plan and reducing confidence during later production. Brine derived in years 1-10 of the Phase 1 mine plan is predominantly from areas with high confidence levels with good geological and test pumping control and has therefore been categorised as Proven Ore Reserves. Brine derived in years 11-40 of the Phase 1 mine plan tends to be derived from areas with lower confidence and has therefore been categorised as Probable Ore Reserves.

It is important to note that hydrogeological numerical models have significant areas of uncertainty and that the mine plan developed over a 40-year period is not definitive; as declared by Galan, the Project intends to upscale production in additional sequential stages, which are not part of this Ore Reserve declaration. Model sensitivity, predictive uncertainty analysis and professional judgement have been incorporated into the numerical model development to determine the most sensitive parameters. A conservative approach to these parameters has been adopted to ensure the model is representative of the level of understanding of the hydrogeology.

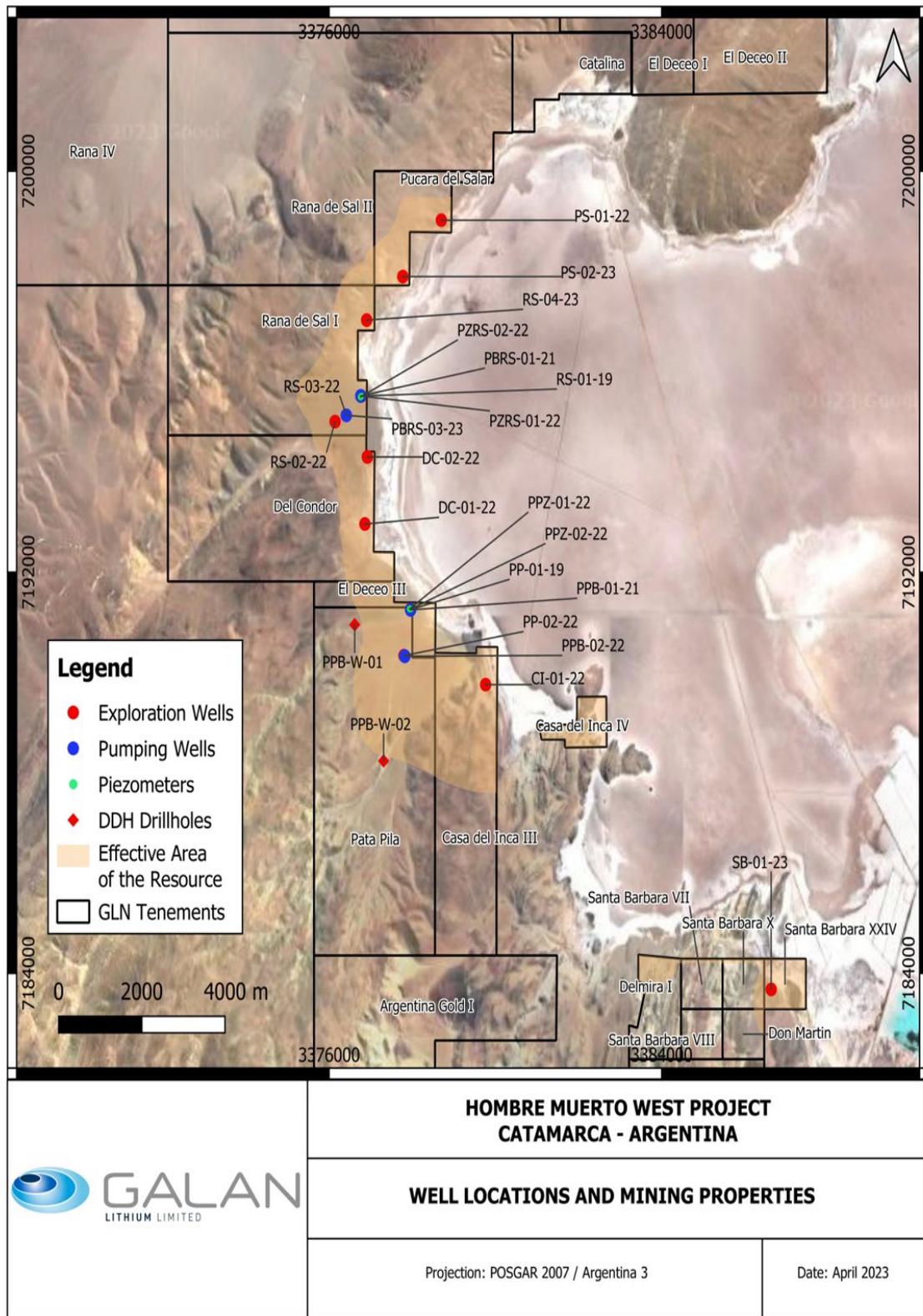
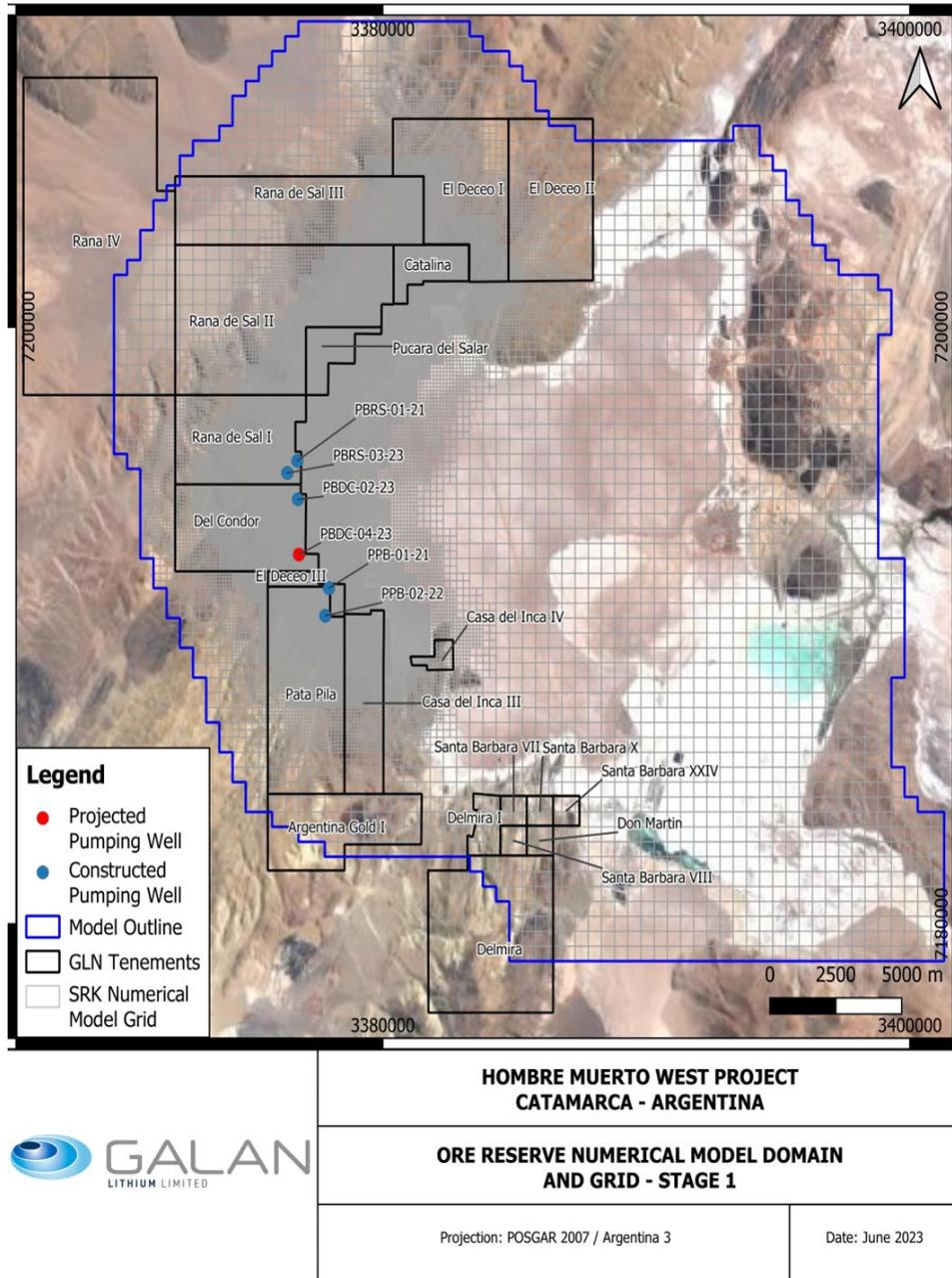


Figure 1: Hombre Muerto West Resource limits and drilling locations



**Figure 2: Hombre Muerto West Ore Reserve numerical model domain limits**

**Project Background**

Location

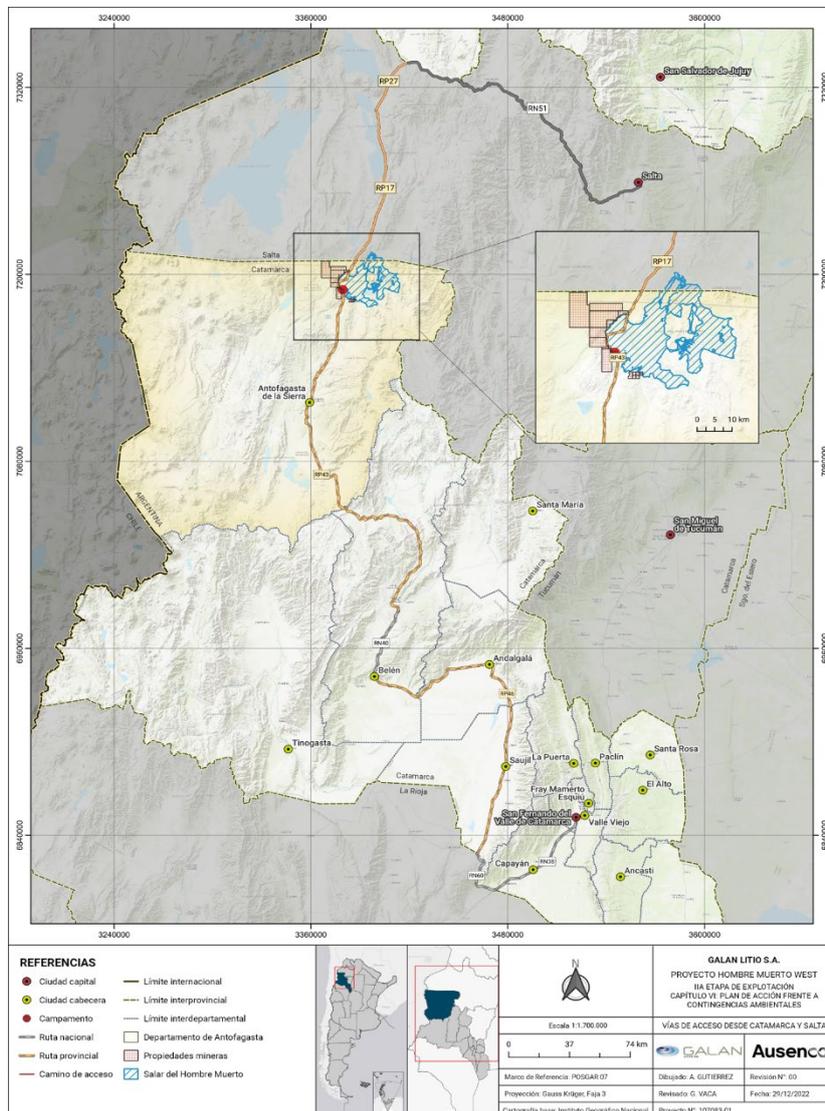
The Hombre Muerto West Project (**HMW Project** or **Project**) is part of the Hombre Muerto basin, one of the most globally prolific salt flats, located in the Argentinean Puna plateau of the high Andes mountains at an elevation of approximately 4,000m above sea level. The Project is in the geological province of Puna, 90 km north of the town of Antofagasta de la Sierra, in the province of Catamarca, Argentina, as shown in Figure 3. The HMW Project is located to the West and South of the Salar del Hombre Muerto.

The HMW Project is in close proximity to other world-class lithium projects owned by Allkem Resources, Posco and Livent and is around 1,400 km northwest of the capital of Buenos Aires and 170 km west-southwest of the city of Salta (in a straight line).

**Climate**

The climate in the HMW Project area is classified as cold, high-altitude desert with sparse vegetation. Solar radiation is intense (especially during the summer months of October to March), resulting in high evaporation rates. Very strong winds are also typical, reaching speeds up to 80 km/h during the dry season. However, in summer, warm to cool winds normally develop after midday and reduce in strength during the evening hours.

Precipitation data from meteorological sources showed a mean annual precipitation of around 86.4 mm. Precipitation typically occurs between the months of December and March, during which about 82% of annual rainfall occurs. From April to November, it is typically dry, with average daily mean temperatures of approximately 5.3°C.



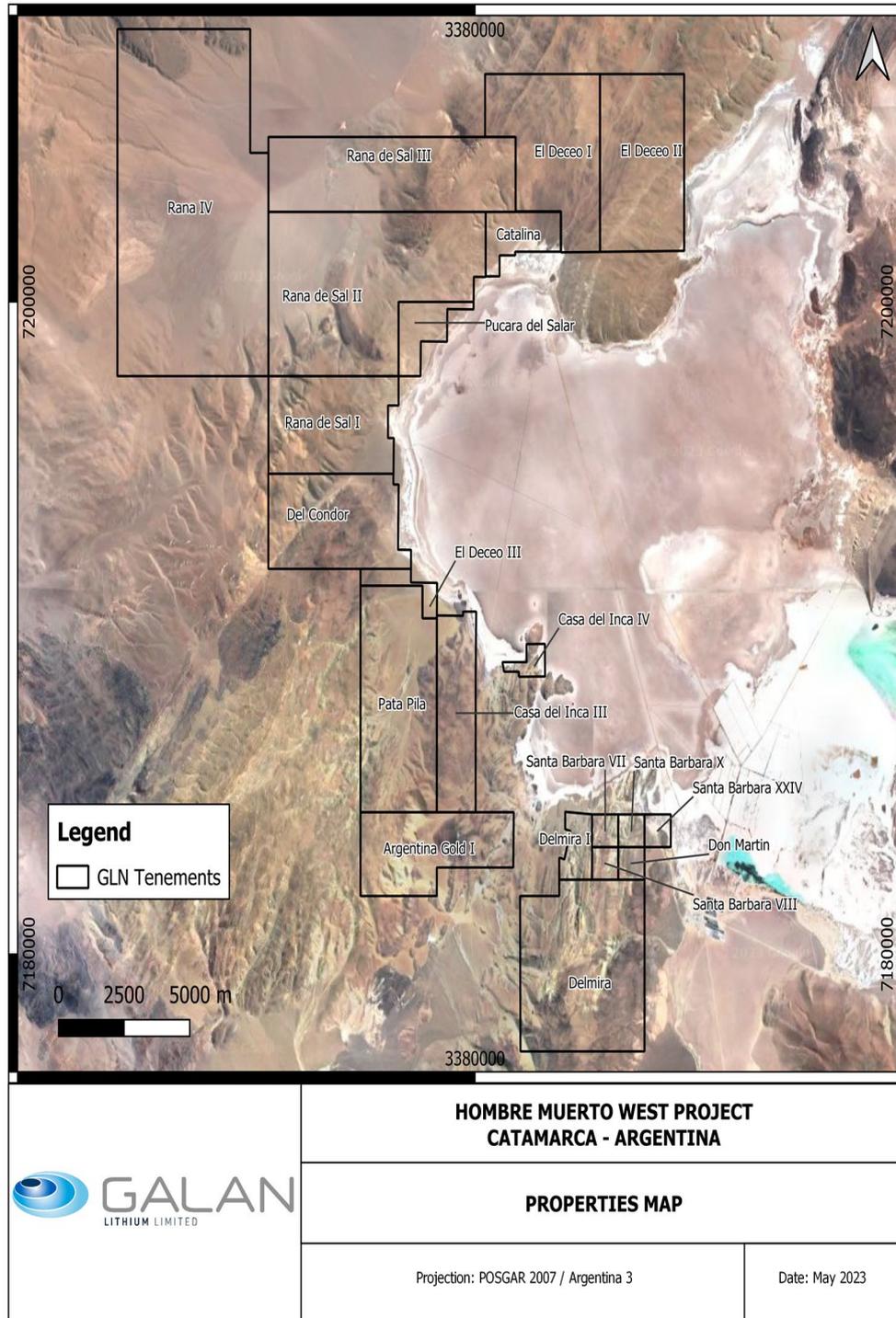
**Figure 3: Location of HMW Project, Hombre Muerto Salar, Catamarca Argentina**

**Mining Tenure**

The HMW Project comprises twenty one (21) mining tenements - Rana de Sal (I, II & III), El Deceo (I, II & III) Pata Pila, Catalina, Rana IV, Del Condor, Pucara del Salar, Casa del Inca (III & IV), Argentina Gold I & el Grupo Santa Barbara (Delmira, Delmira I, Santa Barbara X, Santa Barbara VII, Santa Barbara VIII, Santa Barbara XXIV & Don Martin), covering an area of approx 26,059 hectares (Figure 4).

All mining tenure is 100% owned by Galan (via its wholly owned subsidiaries in Argentina).

Design work shows that the HMW brine wells will be located in the Rana de Sal, Del Condor and Pata Pila areas. The main objective of these wells is the extraction of brine, rich in lithium, from the Salar, which is then pumped to the first preconcentration solar evaporation ponds.



**Figure 4: Hombre Muerto West Mining Tenure**

**Mining and Process Methodology**

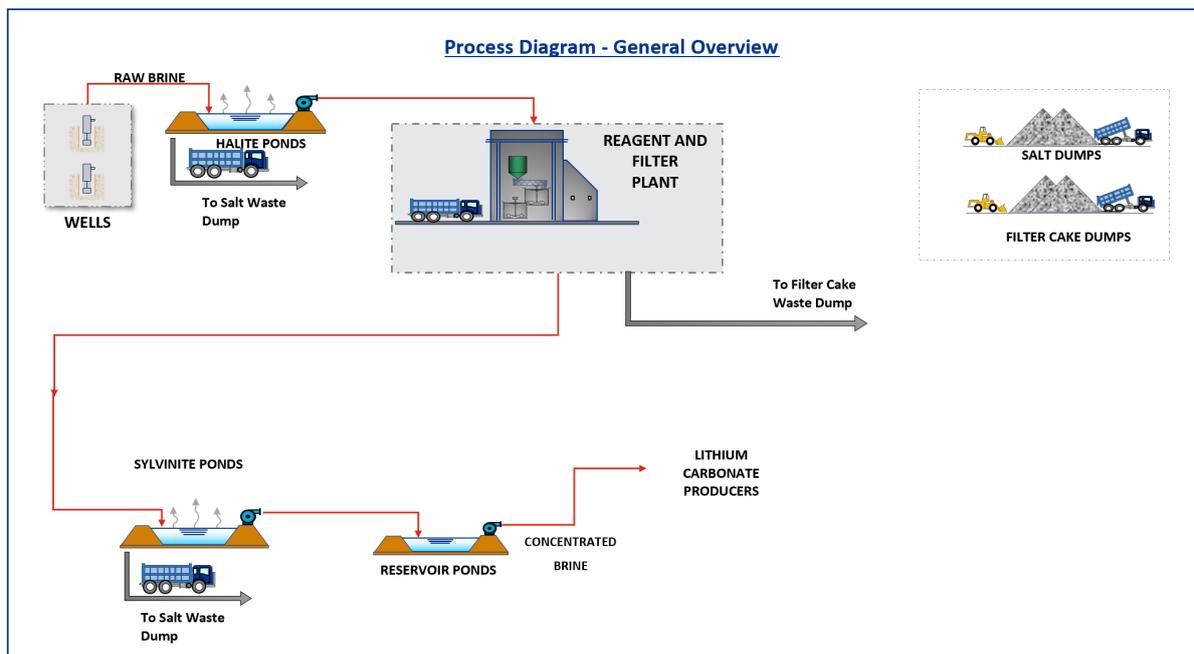
Brine Extraction

The raw brine extraction will be executed using vertical wells. At end of financial year, five (5) pumping wells had been completed, with a total of 6 wells constructed and tested by the end of July 2023. Wells are approximately 350-400 metres deep and designed to capture and extract high-grade brine volumes.

The brine wells field is positioned in the same area as the ponds system, and the raw brine extraction is conducted through four to six production wells depending on the seasonal brine demand. The raw brine from each well will be pumped to an accumulation pond to enable a more homogeneous brine feed quality. From the accumulation pond, the raw brine will be transported to the first pond of the evaporation system. The average raw brine flow required to feed the ponds system is 60.6 L/s.

Recovery Method

The process, specifically defined and designed for the HMW Project, is based on conventional solar evaporation ponds and impurity removal treatment by the addition of reagents to obtain a concentrated lithium chloride product with 6% Li content (equivalent to 12.9% Li<sub>2</sub>O or 31.9% LCE). Figure 5 displays the general process diagram.



**Figure 5: Process Diagram HMW Project**

The process begins with the extraction of brine from wells located in the Rana de Sal, Del Condor and Pata Pila mining properties. Then, the brine from the wells is transferred to the pre-concentration ponds and through the action of solar radiation, wind and other environmental conditions, the water evaporates from the brine producing a change in the thermodynamic equilibrium point of the brine, which will cause the precipitation of salts and the concentration of lithium present in said brine.

After the preconcentration stage, the pre-concentrated brine progresses to a reagent addition stage in a plant that was designed to facilitate further precipitation of impurities, but not of the lithium present in the brine. This stage of the process requires a separation of solids and liquids to remove the precipitated solids after the mixture between the brine and the reagents. Filter presses will be used to perform this separation of solids and liquids.

After mixing with the reagent and separation of solids and liquids, the filtered brine will be transferred to the concentration ponds to continue with the lithium concentration until reaching the aim of 6% Li.

The summary of the areas considered in the process design is described in the following paragraphs:

### Pre-concentration ponds

There are seven pre-concentration ponds at the beginning of the brine evaporation process, where the main salts precipitating are halite salts (NaCl). From the last pre-concentration ponds, it is fed to the reagent plant to generate the reaction between ions of elements present in the brine and the reagent, and thus cause the precipitation of impurities. The pre-concentration ponds will be arranged in a single string (or train of pools), passing the brine from one pool to another, through floating transfer pumps.

### Reagents and Filtering Plant

The reagent plant treats the pre-concentrated brine adding reagents to precipitate the impurities, mainly magnesium and sulphate. After the addition of the reagents, the blended solution, brine and reagents mix is filtered to separate the precipitated salts from the brine (mainly magnesium hydroxide and gypsum). The filtered brine is fed into the first concentration pond, with the aim of continuing with the brine evaporation path. While the precipitated solids are sent to a discard waste dump.

### Concentration ponds

These ponds are smaller and are fed with lower flows than the pre-concentration ponds. Sylvinite salts (KCl) and other salts precipitate in these ponds. The end product of this stage is a concentrated lithium brine with 6% of Li content.

Figure 6 shows the evaporation ponds system process diagram.

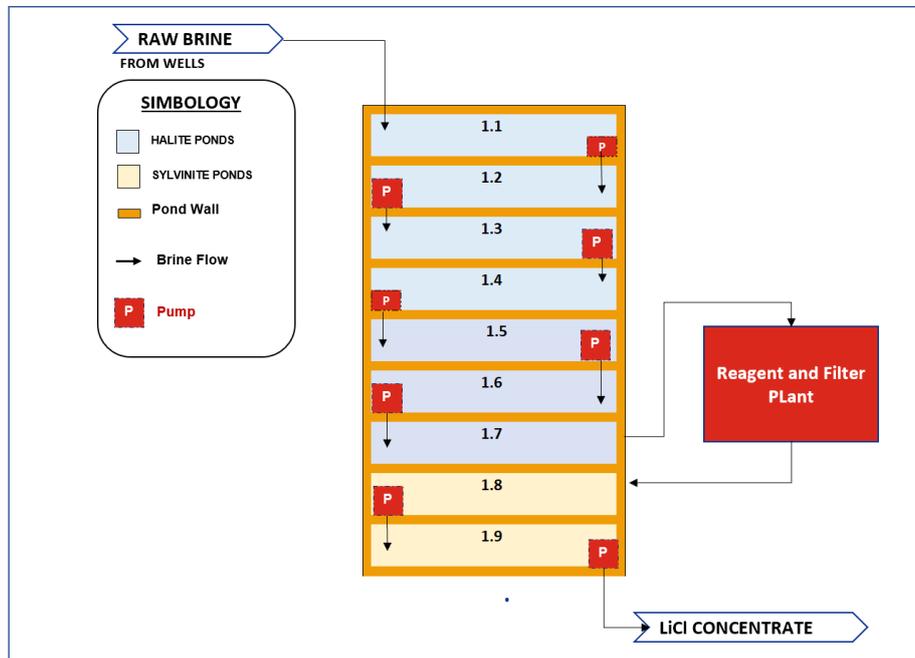


Figure 6: Brine Flow Diagram of the Evaporation Ponds System

**Project Layout & Infrastructure**

The HMW Project has developed a layout allowing the closer location of the project's main facilities. The brine wells field, evaporation ponds system, liming plant, water wells, camp etc are located within a radius of around 6 km. These facilities are also located next to the Hombre Muerto Salar.

Figure 7 shows the HMW Project Layout describing the major infrastructure items.

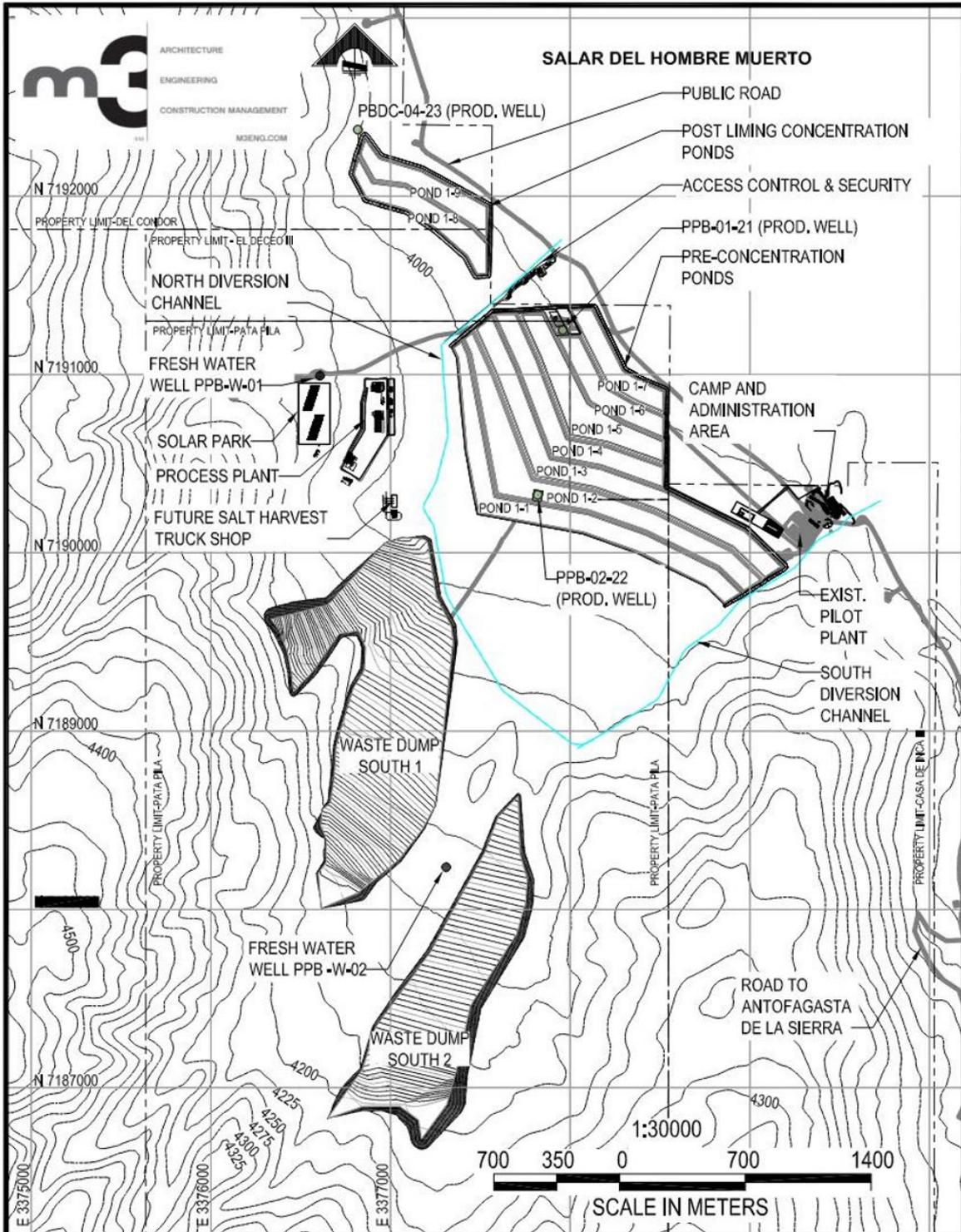


Figure 7: HMW Project Layout

## DIRECTORS' REPORT

### Galan Lithium Limited Annual Report 2023

---

The Project layout prioritised the usage of the Pata Pila, Deceo III and Del Condor tenements, because they offered the most competitive areas for the location of the main production facilities. This engineering design resulted in significant initial capital cost savings.

For more information on the Project Layout and Infrastructure please refer to the ASX Announcement dated 3 July 2023 entitled "Phase 1 of Hombre Muerto West (HMW) DFS Delivers Compelling Economic Results for Accelerated Production."

#### Environmental and Social Studies

Galan is focusing on the discovery of lithium as a critical resource for the development of EV batteries, to assist with the decarbonisation of the economy and the transition to a more sustainable future. From its early ventures in Argentina, Galan has strived to put the well-being of its employees, communities and the environment first and foremost, as it continues its ongoing commitment towards a sustainable future for all its stakeholders.

In 2021, Galan partnered with Circular for full traceability and ESG tracking for its lithium brine assets in Argentina. To further enhance the building of its ESG journey, Galan also engaged Socialsuite to assist in the compilation of its baseline ESG reporting, database and systems.

Galan is further developing and evolving its Environmental, Social and Governance (**ESG**) framework to enable it to report against the 21-core metrics and disclosures as promoted by the World Economic Forum. The Company has and continues to consult with all its stakeholders when addressing the planned systems and actions required for the four key ESG pillars – Governance, Planet, People and Prosperity.

The HMW Project has an existing permit (granted in July 2019) to run exploration, project studies and piloting related activities. In addition, Galan lodged an application to the relevant local authority in November 2022, to extend the piloting facilities for Phase 1 under the same permit scope. This includes the evaporation ponds system and associated facilities to test the production, at industrial level, for a lithium chloride product with 6% Li content. The initial development permit was granted on 23 June 2023 (as announced by Galan on 26 June 2023) and associated works have commenced. Full construction permits and the commencement of Phase 1 pond construction is expected during Q3, 2023.

Galan has also well advanced its Environmental Impact Assessment documentation in respect of the application for the Phase 2 exploitation Permit (20ktpa LCE production) at the HMW Project. The submission of the application for this permit is expected in Q3, 2023. The original document was developed by Ausenco Limited and updated by Galan personnel.

The Company is currently running environmental monitoring activities on site as required under its permitting. These activities involve the data collection for the weather, water sources, control of the sewage system, etc. The domestic and industrial wastes are managed using adequate storage, transport and final disposal procedures, as is required by the local environmental authorities in Catamarca. Galan strives to meet world's best practice in these areas.

The Company engaged early in the Project assessment process, with communities that could be influenced by the Project. This includes local government authorities, and indigenous communities located within the influence area of the HMW Project. Phase 1 of the Project was presented to local communities on 3 and 4 April 2023, with a formal endorsement and positive reception being obtained from these public meetings.

Galan has an existing workforce of around 70 people, including personnel with long and sound experience in the construction and operation of wells and evaporation pond units. Galan has ensured the recruitment of personnel from the communities close to the Project. It is expected to increase the workforce to around 350 people during construction, the majority should come from the Catamarca Province with some additional personnel possibly coming from nearby Provinces in the northern Argentinian region.

The Company has an ongoing, solid working relationship with all local communities and actively continues with meaningful engagement with local people, communities and businesses. Wherever possible, training, employment and procurement opportunities will be made available for nearby and surrounding communities of the HMW Project. Galan continues to encourage its suppliers and contractors to adopt similar policies, standards and practices.

### Production Schedule

The HMW Project study team has developed a production schedule for the lithium chloride concentrate based on the process design and mass balance developed by the specialised process consultants, Ad-Infinity. Table 4 displays the annual production schedule of the Project. To facilitate the understanding of the production, the program is expressed in recoverable units of LCE.

**Table 4: Production Schedule (HMW Project – Phase 1)**

	2025	2026	2027	2028	2029	2030	2031 - 2040	2041 - 2050	2051 - 2060	2061 - 2064	Total Production
<b>Extraction of Brine (Mm3)</b>	1,912	1,912	1,912	1,975	1,975	1,975	19,753	19,753	19,753	9,877	80,797
<b>Recoverable LCE (tonnes)</b>	4,249	4,249	5,367	5,367	5,367	5,367	53,674	53,674	53,674	21,470	212,458

The production schedule utilised a fixed average grade of 0.073% of Li with no cut-off grade being applied. The extracted brine volumes and Li contents were utilised in the production modelling, developed by Ad-Infinity, using thermodynamic simulation software and their own mathematical models for the ponds and reagents plant. The production schedule assumes the full use of the current Ore Reserve estimate, with Proven Ore Reserves being used in the first ten years of production and Probable Ore Reserves from year 11 onwards.

The Ad-Infinity developed predictive models also utilised key parameters for the evaporation rate, availability of the evaporation area, brine entrainment rate in the precipitated salts and leakage.

The operation of the evaporation ponds for producing lithium chloride concentrate has a long-term Li recovery of 66.7%, but in the first two years, due to the accumulation of operational 'working capital' (salt and brine inventory in ponds) during the ramp-up period, the Li recovery is 52.7%, which explains the lower production of 4,249 tonnes of recoverable LCE in years 2025 and 2026.

The estimate of the recoverable LCE produced by the lithium chloride concentrate after the conversion process considers a recovery of 90%. Galan considers this number quite achievable by an average lithium carbonate plant, based on the high quality-low contaminants content of the lithium chloride concentrate produced by the HMW Project.

The total long-term Li operational recovery, considering both the evaporation process at the ponds system and the conversion process into LCE at the lithium carbonate plant, is 59.6%.

### Test work and Piloting Activities

During 2022, Galan conducted test work activities at the HMW Project site for obtaining lithium chloride with a content of 6% Li. Test work utilised a batch methodology starting with a volume of around 40m<sup>3</sup> of brine, to obtain around 10 litres of lithium chloride, 6% Li content. Another set of lab test work activities were conducted in the Antofagasta Region of Chile during 2021. These tests also obtained lithium chloride products with similar qualities with the results being released to the market on 21 March 2021.

Galan has also conducted lab scale test work activities using the lithium chloride product obtained in the test work, for successfully achieving the obtention of lithium carbonate within the battery grade specifications. The result of these tests were released to the market on 12 July 2021.

All the test work undertaken and described previously, was released in line with the ASX disclosure requirements.

The Company also started the piloting activities in April 2022 by filling the first evaporation pond of the existing pilot plant. This plant has a small scale; the main purpose of early pilot plant construction and operation was to prove the process design of the HMW Project and to provide samples to the potential buyers of the lithium chloride product.

## DIRECTORS' REPORT

### Galan Lithium Limited Annual Report 2023

On 16 July 2023, the most advanced brine evaporation delivered a premium quality product of 350 litres containing 6% of Li content with significantly low levels of impurities (Mg, Ca, SO<sub>4</sub> etc). During the piloting process, the team learnt important takeaway knowledge on evaporation rates and reagent usage at the site. As a result the team feels vindicated and confident of delivering the Phase 1 DFS lithium chloride production milestone in H1 2025.

The next stage of the piloting is to achieve continuous production delivering multiple samples at low and medium scales to satisfy any volume required by potential off-takers. In addition, the pilot plant will feed a demonstrative lithium carbonate plant to be installed at the HMW Project site in 2024.

The Galan project team is now focused on the next block of activities:

- Preparations and engineering design of a demonstrative lithium carbonate pilot plant using the current lithium chloride concentrate feedstock.
- Provision of samples for potential off-take partners.
- Testing of further downstream optionality.

The pilot plant is expected to continue operations during 2023 and 2024 to provide ongoing data for further optimising the HMW project.

### Market and Contracts

#### Estimate of the Lithium Carbonate Price

The estimate of the battery grade lithium carbonate price (for the period 2025-2040) used to run the economic evaluation of the HMW Project was taken directly from the latest battery grade lithium carbonate, contract price forecast prepared by Wood Mackenzie Q1, 2023\*. In addition, from year 2041 to 2064, the long-term price of LCE was projected by Galan to remain steady at US\$28,000/t LCE.

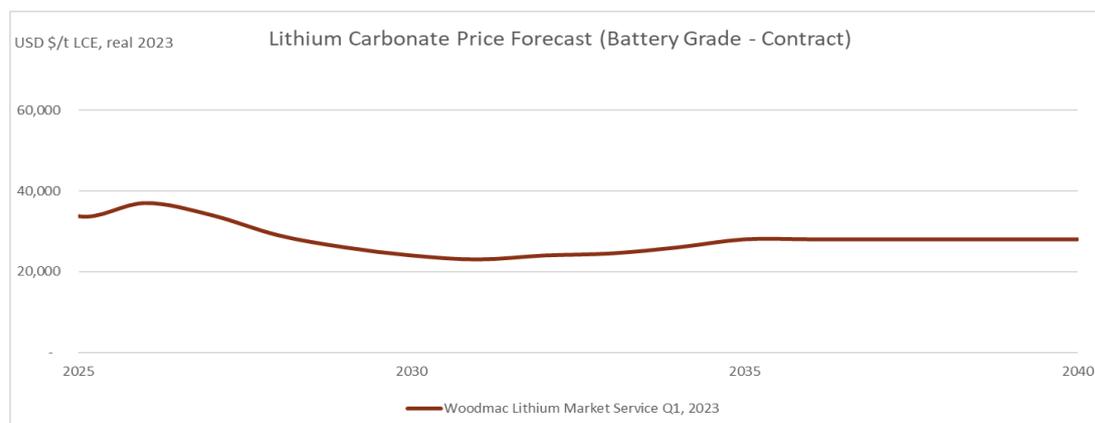


Figure 8: Lithium carbonate price forecast (Battery grade – contract)

#### \* Wood Mackenzie Disclaimer

"The data and information provided by Wood Mackenzie should not be interpreted as advice and you should not rely on it for any purpose. You may not copy or use this data and information except as expressly permitted by Wood Mackenzie in writing. To the fullest extent permitted by law, Wood Mackenzie accepts no responsibility for its use of this data and information except as specified in a written agreement you may have entered into with Wood Mackenzie for the provision of such data and information".

#### Estimate of the Lithium Chloride Price

Galan conducted a sale price estimate study for a concentrated lithium chloride (**LiCl**) product. The study involved the following considerations:

- Technical analysis of the quality of the HMW LiCl product, the focus of this analysis was to define the technical effort required for converting LiCl concentrate into a lithium carbonate product, by any of the plants located in the northern region of Argentina.
- Commercial analysis for defining a range of off-take prices, taking into account the attractiveness of the business model for both Galan and any potential off-taker.

## DIRECTORS' REPORT

### Galan Lithium Limited Annual Report 2023

---

There are approximately ten (10) projects located in northern Argentina that can potentially utilise the LiCl concentrate to be generated by the HMW Project to subsequently produce a lithium carbonate product. Galan has also identified that the quality of the LiCl concentrate to be produced by the HMW Project is superior due to higher content of Li and lower contents of impurities to the average LiCl concentrates being utilised by the majority of the lithium carbonate plants in Argentina. Therefore, there is an opportunity for any of the lithium carbonate plants located in Argentina to use the LiCl concentrate produced by the HMW Project, which would allow them to improve the efficiency of their own conversion process, adding value to their business.

The estimate of the price of LiCl concentrate has been analysed considering the price of the lithium carbonate battery grade but deducting from it the costs and losses of the conversion process to transform the LiCl concentrate into lithium carbonate. The conversion cost includes the operating cost, capital cost and an economic margin for the converter. The losses include the metallurgical recovery of the Li embedded in the lithium carbonate plant.

The estimate of the LiCl concentrate price is nominated as a percentage of the lithium carbonate price. A pricing formula was developed by iLi Markets, a specialised company for analysing the lithium market.

The average lithium chloride payable price for the period 2025-2064 is US\$20,252/t of LCE. This price is estimated on a real basis, excluding the impact of inflation, representing approximately 72% of Galan's long-term price estimate for lithium carbonate.

#### Capital (CAPEX) Estimate

##### Scope of the Capital Cost Estimate

The estimation includes direct and indirect Project costs, owner costs and contingency. Direct costs include equipment and materials supplied by Galan, labour, construction equipment, materials supplied by the construction contractor, indirect costs and construction contractor profits.

The scope of the estimate involves the brine extraction wells, solar evaporation ponds, reagents plant, water supply, power supply, access and internal roads, diesel storage, camp and associated facilities, owner's team, engineering and construction management services and other indirect costs.

##### Basis of the Capital Estimate

The capital cost estimate (**CAPEX**) was developed using the standards established for a DFS study as defined by the JORC Code.

The basis of the estimate utilised the information coming from actual costs being spent in Argentina and the estimate for new cost items developed by specialist teams.

The main source of inputs incorporated into the capital cost estimate are described in Table 5.

The CAPEX estimate structure was defined using the following criteria:

- Direct Construction and Assembly Costs: considers procurement or supply, assembly labour, construction equipment, permanent construction materials and consumables, as well as indirect Contractor costs such as mobilisation and demobilisation of construction equipment and temporary facilities, administration and supervision, transportation and feeding of personnel, general expenses and contractor profits.
- Indirect Project Costs: consider freight and insurance, capital spare parts, entry rights, supplier representatives, commissioning activities, engineering and studies, services, EPCM, start-up and owner costs.
- Contingency: estimate based on a percentage of the total cost, according to cost engineering standards.

All CAPEX costs are expressed in US dollars (US\$). The US\$-Argentinian Peso exchange rate used was ARS 230.76 per US\$ (May 2023 average). This rate was taken from the official website of the Banco de la Nación de la República Argentina.

The contingency was calculated as a percentage of the total cost according to engineering standards. Due to the level of engineering development, an overall contingency of 13% is defined for this project.

## DIRECTORS' REPORT

### Galan Lithium Limited Annual Report 2023

The following items were excluded from the CAPEX estimate:

- Depreciation and amortisation
- Financial costs
- Costs or provisions for escalation
- Costs for processing permits
- Working capital
- Costs for closure of works
- VAT

**Table 5: Information Utilised in the Capital Estimate (HMW Project - Phase 1)**

Item	Quantities / Size	Price Source
Evaporation ponds	Engineering design and estimate of quantities	Budget quote
Main mechanical equipment	Engineering design and vendor sizing	Budget quote plus escalation on specific items
Main electrical equipment	Engineering design and vendor sizing	Budget quote and benchmark
Main pipelines	Engineering design and estimate of quantities	Budget quote
Camp and administration buildings	Engineering design and estimate of quantities	Tender quote
Water supply	Engineering design and estimate of quantities	Tender quote and budget quote
Diesel storage	Engineering design and estimate of quantities	Tender quote
Instrumentation	Discretionary allowance	% of direct cost
EPCM services	First principle and factors	Actual cost, budget quote and benchmark
Owner's team	First principle estimate of quantities	Based on actual cost
Transport	Discretionary allowance	% of direct cost

In the case of working capital, it was included as part of the economic evaluation in the financial model. For the development of the CAPEX, Galan provided the following information to M3:

- Property of the land
- Location of brine well area and total flow
- Number of production wells
- Basic meteorological data
- Location of the freshwater well
- Civil design of the ponds and water contour channels

#### Existing Facilities (sunk costs)

The HMW Project has existing facilities, which have been considered as sunk costs for the capital estimate. These facilities include the following items:

- The construction of five (5) production wells, including pumps and electrical equipment. The low CAPEX component considered for this area in the capital estimate is explained because of the sunk cost
- Existing camp and ongoing expansion, including accommodation and utilities (water, power and sewage)
- Other administration and services buildings such as kitchen, dining room, polyclinic and offices
- Diesel tanks for both light vehicles, road maintenance and on-road trucks
- Boom truck, small excavators and other minor equipment and tools
- Pipe welding equipment and other tools for the installation of HDPE pipes
- Waste management storage area

Some of these facilities require an upgrade to fully serve the construction and operational activities for Phase 1 production from the HMW Project.

## DIRECTORS' REPORT

### Galan Lithium Limited Annual Report 2023

---

#### CAPEX Estimate Results

The total CAPEX for Phase 1 of the HMW Project is estimated at US\$118.4m, which is broken down into direct, indirect and contingency costs. This includes the following estimates:

- Direct project costs equal to US\$83.8 m, equivalent to 71% of the total CAPEX value.
- Indirect project costs equal to US\$19.8 m, equivalent to 17% of the total value of CAPEX.
- Project contingency equal to US\$14.8 m, equivalent to 13% of the total value of CAPEX.

Table 6 presents a summary of the capital cost estimate required for the implementation of Phase 1 of the HMW Project in accordance with the scope developed and all the information available in this stage.

**Table 6: Capital Cost (CAPEX) Estimate (HMW Project – Phase 1)**

Area	US\$M
Brine Wells and Brine Transport	3.3
Evaporation Ponds System	31.3
Ponds Reagent and filtering plant	27.0
Utilities	9.3
Infrastructure	12.9
<b>Total Direct Cost</b>	<b>83.8</b>
Total Indirect Cost	19.8
<b>Total CAPEX without contingency</b>	<b>103.6</b>
Contingency (13%)	14.8
<b>Total CAPEX</b>	<b>118.4</b>

#### Operating Cost (OPEX) Estimate

The operating cost estimate (**OPEX**) is expressed in US dollars (US\$). The US\$-Argentinian Peso exchange rate used was also ARS 230.76 per US\$ (May 2023 average), the same number used in the capital cost estimate.

The scope for the OPEX estimate considers all the activities being required for the production of lithium chloride. The study team prepared a first principle estimate through the usage of a comprehensive Excel model.

The battery limits to be considered for the development of the operating cost estimate are:

From : Raw brine feed from the brine wells.  
To : Lithium chloride intermediate product delivered at the converter plant in Argentina.

The following general definitions were utilised:

- Direct operational costs: expenses associated with the project that are directly associated with the main production of the process. These expenses include supply and consumption, mainly related to reagents and energy, as well as workforce, and personnel costs (salary), among others.
- General administration: all general business and administrations associated expenses that support the project site operation. Among these are the rental of offices, administration personnel (overhead salary), catering and personnel transport costs among others.

The OPEX estimate for Phase 1 of the HMW Project to Lithium Chloride is presented in Table 10.

**Table 7: Operating Cost Estimate (HMW Project - Phase 1)**

<b>Area</b>	<b>US\$ / Recoverable t of LCE</b>
Brine Field	256
Ponds	334
Reagents and filtering plant	1,207
Site services	657
Salt harvesting	512
General administration	997
<b>Total OPEX</b>	<b>3,963</b>

The cash cost for the production of lithium chloride, is US\$3,963 per recoverable tonne of LCE, excluding the conversion cost from lithium chloride to  $\text{Li}_2\text{CO}_3$ . Galan expects to materially reduce the operating cash cost in the Phase 2 DFS for the HMW Project, because the economies of scale (higher production) will assist in reducing the fixed cost component, including G&A and site service items of the per tonne operating cost.

A brief explanation of each operating cost item is described below:

#### Brine Field

This cost area covers the operation of the six brine extraction wells, including manpower, electricity consumption, pipe replacements among others.

#### Evaporation Ponds

This cost area covers the operation of the nine evaporation ponds and other minor reservoirs and includes manpower, electricity consumption, maintenance of pumps and pipe replacements among others.

#### Reagents and Filtering Plant

This cost area involves the operation and maintenance of the reagents and filtering plant and includes the consumption of reagents, manpower, maintenance, and power consumption, among other items.

#### Site Services

The maintenance costs calculated for the Project are related to a relative annual maintenance cost associated with each area, plus the usage of the mobile equipment for road maintenance, maintaining the water deviation channels, transporting filtered cake and to serve some production activities. The mobile equipment fleet includes a forklift, boom truck, bobcat, front-end loader, water truck, grader, etc. Finally, this cost item also includes the cost for some small tools and supplies, such as lubricants and safety items, among others.

#### Salt Harvesting

This cost item includes the extraction of the precipitated salts from the ponds and the subsequent transport of this material to the designated stockpiles. A detailed cost estimate was prepared, assuming a specialised contractor would conduct this activity.

#### General Administration

This item includes all costs related to the Catamarca office and camp services on-site. It also includes personnel transport, training, and travel, among other items.

In terms of the operating cost estimate for energy consumption this was prepared based on an analysis of total electrical consumption required for the Project. A detailed list of the electrical equipment was prepared, and the power consumption for each of them was estimated.

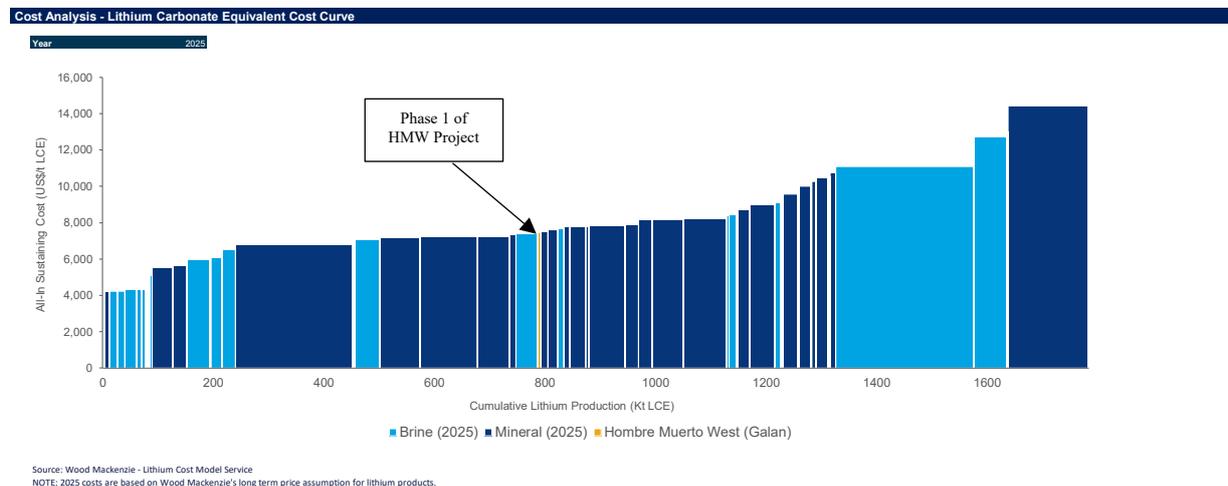
Galan conducted an analysis of the number of personnel or manpower required for the Project, excluding the salt harvesting personnel, which is included in the salt harvesting cost.

**HMW Project Within the Lithium Cost Curve**

The lithium carbonate equivalent (LCE), All-In sustaining cost curve is based on the latest Q1, 2023 forecast prepared by Wood Mackenzie\*.

The costs include the cash operating cost for lithium chloride concentrate and estimated conversion costs to Li<sub>2</sub>CO<sub>3</sub>, including the impact of sustaining CAPEX, royalties and selling costs.

Figure 9 displays the lithium carbonate equivalent cost curve and the location of the HMW DFS Phase 1 5.4ktpa LCE Project being within the first half of the industry cost curve. It is anticipated that the HMW DFS Phase 2 project will move the position of HMW materially to the left, due to economies of scale associated with full 20ktpa LCE production rates.



**Figure 9: All in sustaining cost curve (source: WoodMac – Lithium Cost Model Service)  
(Wood Mackenzie data from Q1, 2023 with Galan's assumptions applied)**

**\* Wood Mackenzie Disclaimer**

"The foregoing information was obtained from the Lithium Cost Service™ a product of Wood Mackenzie."

"The data and information provided by Wood Mackenzie should not be interpreted as advice and you should not rely on it for any purpose. You may not copy or use this data and information except as expressly permitted by Wood Mackenzie in writing. To the fullest extent permitted by law, Wood Mackenzie accepts no responsibility for your use of this data and information except as specified in a written agreement you have entered into with Wood Mackenzie for the provision of such of such data and information."

**Project Schedule**

Galan is actively executing the pre-construction activities including the improvement of the camp facilities, procurement of long lead items, tender of major contracts, recruiting personnel among other activities. Following the granting of the initial Phase 1 development permits in late June, top-soil removal and other earthworks have commenced, allowing the project to maintain schedule. Pond construction activities commenced in Q3, 2023, once the full Phase 1 construction permits were granted by the authorities in August 2023.

The construction period of Phase 1 is between Q3 2023 to Q4 2024, with the production of lithium chloride expected to commence in H1 2025.

Galan developed a construction schedule for the Project, considering the special conditions on-site. Productivity rates were also checked by M3 Engineering for major disciplines such as earthworks, installation of liner in the ponds system, concrete and structural steel. In addition, the fabrication time for the long lead items (press filters and lime plant, among others) was also considered to estimate the construction time.

Table 8 shows the most important milestones for the development of the HMW Project.

**Table 8: Development Milestones (HMW Project – Phase 1)**

Milestone	Completion Timeframe
Start of construction	H2 2023
First pond filled	H1 2024
Completion of construction	H2 2024
Start of production of lithium chloride	H1 2025

Galan expects to continue with the expansion of the HMW Project through the implementation of successive Phases. The construction of Phase 2 is subject to the approval of the 20ktpa LCE permit application, which Galan is expecting to obtain in 2024, which would allow the continuous construction of ponds once Phase 1 has been finalised.

**Economic Evaluation**

The economic evaluation of the HMW Project was conducted following industry standards for this project stage. A discount rate of 8% was utilised for present value calculations.

All costs are expressed in US dollars (US\$). The US\$-Argentinian Peso exchange rate used was ARS 230.76 per US\$ (May 2023 average). This rate was taken from the official website of the Banco de la Nación de la República Argentina.

Forecasted lithium carbonate prices for the period from 2025 to 2040, utilised for the economic evaluation, were provided by Wood Mackenzie. The lithium carbonate price for the period from 2041 onwards was left constant, at the 2040 value, as indicated by Galan.

Income tax and royalty assumptions are as follows:

Tax – There is no income tax at the provincial level. A rate of 35% was effectively applied to Argentinian federal income taxes.

Catamarca Royalty – applied under the Mining Investments Law system at 3% of the 'mine mouth value' of the mineral extracted. The 'mine mouth value' is defined as the value obtained in the first sale, less the direct and/or operating costs necessary to bring the ore from the mine mouth to said stage, with the exception of direct or indirect expenses and/or costs inherent to the extraction process.

The evaluation is based on ex-works Argentina; no withholding tax for repatriation of dividends was considered. No potential potassium credits were included in the economic evaluation.

The key assumptions and results of the economic evaluation are displayed in Tables 9 and 10, respectively.

**Table 9: Key Assumptions Utilised for the Economic Evaluation HMW Project – Phase 1)**

Assumption	Units	Values
Lithium Carbonate Production	tonnes/year	5,367
Project Life Estimate	Years	40
Discount Rate	%	8
Royalty	%	3
Corporate Tax	%	35
Dividend Payment Withholding Tax	%	n/a
Capital Cost (CAPEX)	US\$m	118
Sustaining Capital	US\$m	59
Average Annual Operating Cost (OPEX)	US\$/tonne	3,963
Average LiCl Selling Price (2025-2065)	US\$/tonne	20,252

## DIRECTORS' REPORT

### Galan Lithium Limited Annual Report 2023

**Table 10: Economic Evaluation Results (HMW Project – Phase 1)**

Parameters	Units	Values
Average Annual Net Income (after-tax)	US\$m/year	51.1
Average Provincial Royalty	US\$m/year	2.6
Average Operating Expenses	US\$m/year	21.0
Average Corporate and Withholding Taxes	US\$m/year	27.5
Average Annual EBITDA	US\$m/year	83.3
Average Annual Operational Free Cash Flow	US\$m/year	80.0
Average Annual Net Free Cash Flow	US\$m/year	54.0
Pre-Tax Net Present Value (NPV <sub>8%</sub> )	US\$m	736.1
After-Tax Net Present Value (NPV <sub>8%</sub> )	US\$m	459.8
Pre-Tax Internal Rate of Return (IRR)	%	48.2
After-Tax Internal Rate of Return (IRR)	%	35.5
Payback Period (After-Tax) <sup>2</sup>	Years	2.2

(1) The Average figures for the income, Provincial Royalty, Operating Expenses, Corporate and Withholding Taxes, EBITDA and Operational Free Cash Flow has been estimated only considering the full production time of the operating period.

(2) Payback years after the commencement of production.

#### Sensitivity Analysis

The sensitivity of the economic evaluation of the HMW Project was analysed for the most important parameters. Tables 11 and 12 display the variation of the NPV and IRR, respectively, when the most important parameters fluctuate within the range of -30% and +30%.

**Table 11: Sensitivity of the NPV After Tax (HMW Project – Phase 1)**

Driver Variable	Base Case Value		NPV After Tax (US\$)						
			Percentage of Base Case Value						
			70%	80%	90%	100%	110%	120%	130%
CAPEX (Initial)	US\$m	\$118.4	\$493	\$482	\$471	\$460	\$449	\$437	\$426
Lithium Chloride Price	US\$/tonne (Avg)	\$20,252	\$246	\$317	\$389	\$460	\$531	\$602	\$673
OPEX	US\$/tonne	\$3,963	\$503	\$488	\$474	\$460	\$446	\$431	\$417

**Table 12: Sensitivity of the IRR (HMW Project – Phase 1)**

Driver Variable	Base Case Value		IRR After Tax (%)						
			Percentage of Base Case Value						
			70%	80%	90%	100%	110%	120%	130%
CAPEX (Initial)	US\$m	\$118.4	47.0%	42.4%	38.7%	35.5%	32.9%	30.6%	28.6%
Lithium Chloride Price	US\$/tonne (Avg)	\$20,252	23.9%	28.0%	31.8%	35.5%	39.1%	42.6%	46.0%
OPEX	US\$/tonne	\$3,963	37.7%	37.0%	36.3%	35.5%	34.8%	34.1%	33.3%

#### Project Funding

The relatively technically simple and strong economics of the HMW Project give Galan the foundation to source additional financing through debt and equity markets. This may include other fund raising channels that could benefit shareholders. However, there is no certainty that Galan will be able to source the required finance. Galan has not commenced formal financing discussions with any party.

## DIRECTORS' REPORT

### Galan Lithium Limited Annual Report 2023

---

To achieve the range of outcomes indicated in the DFS, funding of part of the US\$104m (ex-contingency) capital cost will likely be required. Typical project development financing involves a combination of debt and equity. The Company may also elect to pursue other funding options, which could include undertaking a corporate transaction or other value realisation strategies such as an off-take with prepayment, sale, partial sale or joint venture of the HMW Project. Galan is of the opinion that there is a reasonable basis to believe that requisite future funding for Phase 1 of the HMW Project DFS will be available when required. However, the economic analysis does not price in the cost of funding over and above the application of the 8% discount factor, based on conventional mining methods and a very short capital payback period. It is also a possibility such funding may only be available on terms that may be dilutive or otherwise affect the value of Galan's existing shares on issue. The grounds on which this reasonable basis is founded include:

- Finance availability for high-quality projects remains robust
- Early offtake opportunities due to more flexible commercial outcomes
- The HMW Project Phase 1 will produce a premium, high-grade concentrated lithium chloride product with 6% Li content (equivalent to 12.9% Li<sub>2</sub>O or 31.9% LCE)
- The HMW Project Phase 1 is technically simple and has a rapid payback of only 2.2 years from production
- The strategic nature of lithium, especially in the context of urgent global climate issues
- The release of Phase 1 of the HMW Project DFS enables Galan to discuss outcomes with potential financiers
- The HMW Project has significant growth in its Ore Reserves as it moves further down the Phase 2 DFS encompassing 20ktpa LCE production
- There are significant capital savings and other sunk costs that flow through to Phase 2 DFS
- Two years earlier cashflow from lithium chloride production versus lithium carbonate production

#### Upside Potential of the HMW Project

Phase 1 of the HMW Project DFS is the initial step in Galan's much larger development footprint. Phase 1 will provide:

- A premium product: High grade, low impurity concentrated lithium chloride product with 6% Li content (equivalent to 12.9% Li<sub>2</sub>O or 31.9% LCE)
- Strong ESG credentials: Minimal fresh water usage and 50% lower power costs compared to lithium carbonate, including a solar power plant
- Up to 2 years earlier cash flow than lithium carbonate production saving sustaining CAPEX
- Flexible commercial outcomes: Opens up early offtake opportunities and pre-payments

The DFS optimisation work being conducted by the team continues and will culminate in the release of the Phase 2 DFS in late September 2023, which will address the full 20ktpa LCE production rates.

Broader, more expansive studies have continued, which envisage Phase 3 production from HMW in 2028 (40ktpa LCE) followed by Phase 4 production in 2030 (60ktpa LCE) from both the HMW and Candelas projects.

The most significant and material items to be improved in the next expansion Phases of the HMW Project are:

- Additional Ore Reserves; the amount of reserves of 212Kt of recoverable LCE is not representative of the full potential for the HMW Project. It is expected that the Phase 2 DFS will significantly increase the quantity of Ore Reserves.
- Capital intensity; it is expected for the subsequent Phases of the HMW project, to have a lower capital intensity, expressed as US\$/LCE production capacity, in comparison with the capital intensity of Phase 1. The facilities to be constructed by Phase 1 and the economies of scale should allow this reduction, to be reflected in the CAPEX intensity of Phase 2.
- Operating cash cost; the small production volume of Phase 1 does not reflect a competitive cost for some fixed expenses, such as G&A and site services. It is expected to reduce in Phase 2 due to the addition of a much larger production volume of recoverable LCE. In addition, a solar power plant will be incorporated in the second year of production which will facilitate a reduction in the OPEX costs.
- Annual Production Increase and cash flow generation; Phase 2 production of 20kt of recoverable LCE per annum will significantly increase the cash generated from the HMW Project.

### Risk Analysis

For more information on the Risk Analysis, please refer to the ASX Announcement dated 3 July 2023 entitled "Phase 1 of Hombre Muerto West (HMW) DFS Delivers Compelling Economic Results for Accelerated Production."

### Project Update

Phase 1 preparation works (Figures 10 and 11) for lithium chloride production of 5.4ktpa LCE and camp expansion continue. 80% of top-soil clearing for main Pond 1 is completed, and further approved early works continue at site and camp. Phase 1 full construction permit and Phase 2 DFS are advancing and are expected to be achieved in Q3 2023.

New camp expansion is progressing well in readiness for the Phase 1 construction phase (Figure 11).

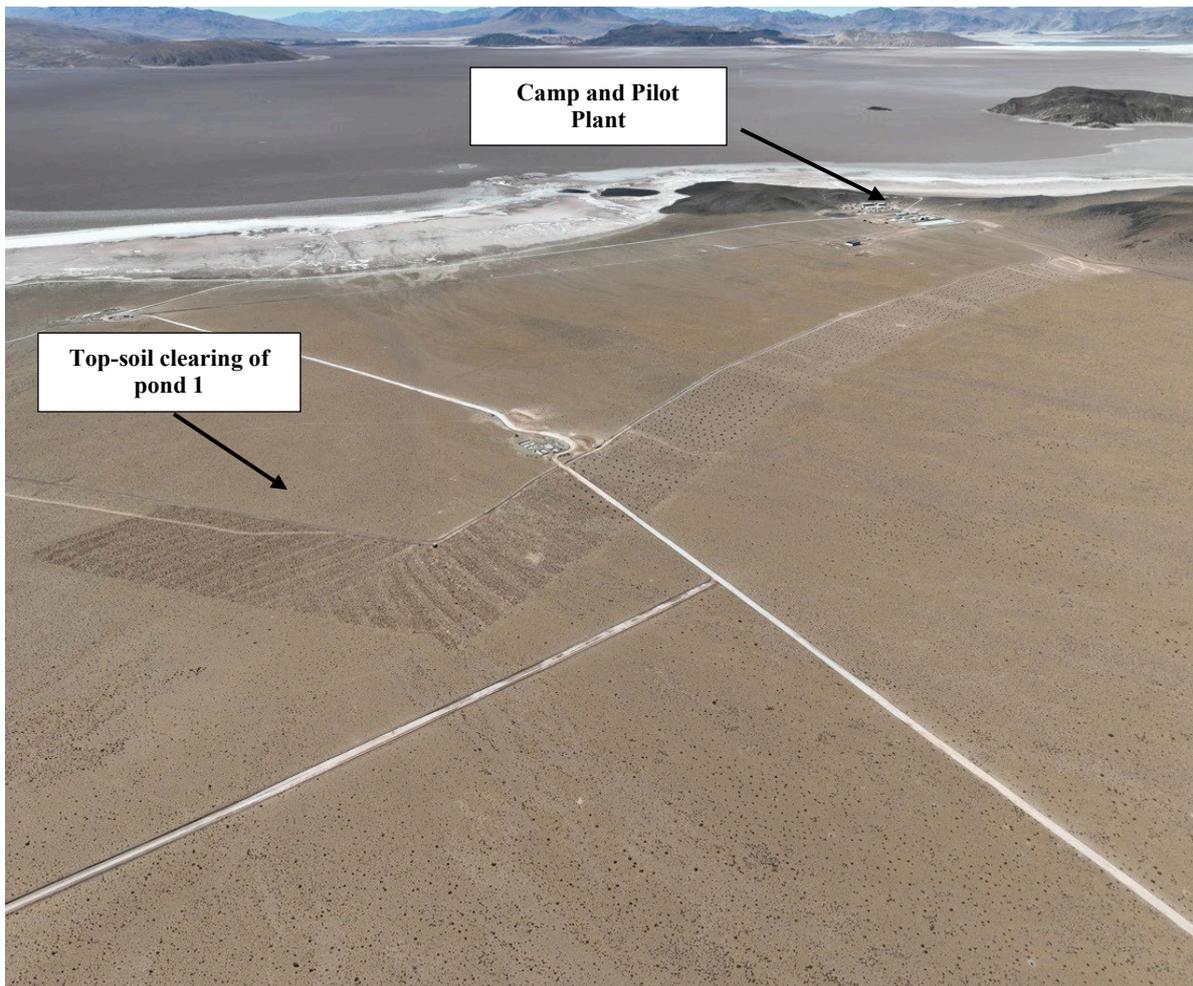


Figure 10: Aerial view of early work advances for Pond 1

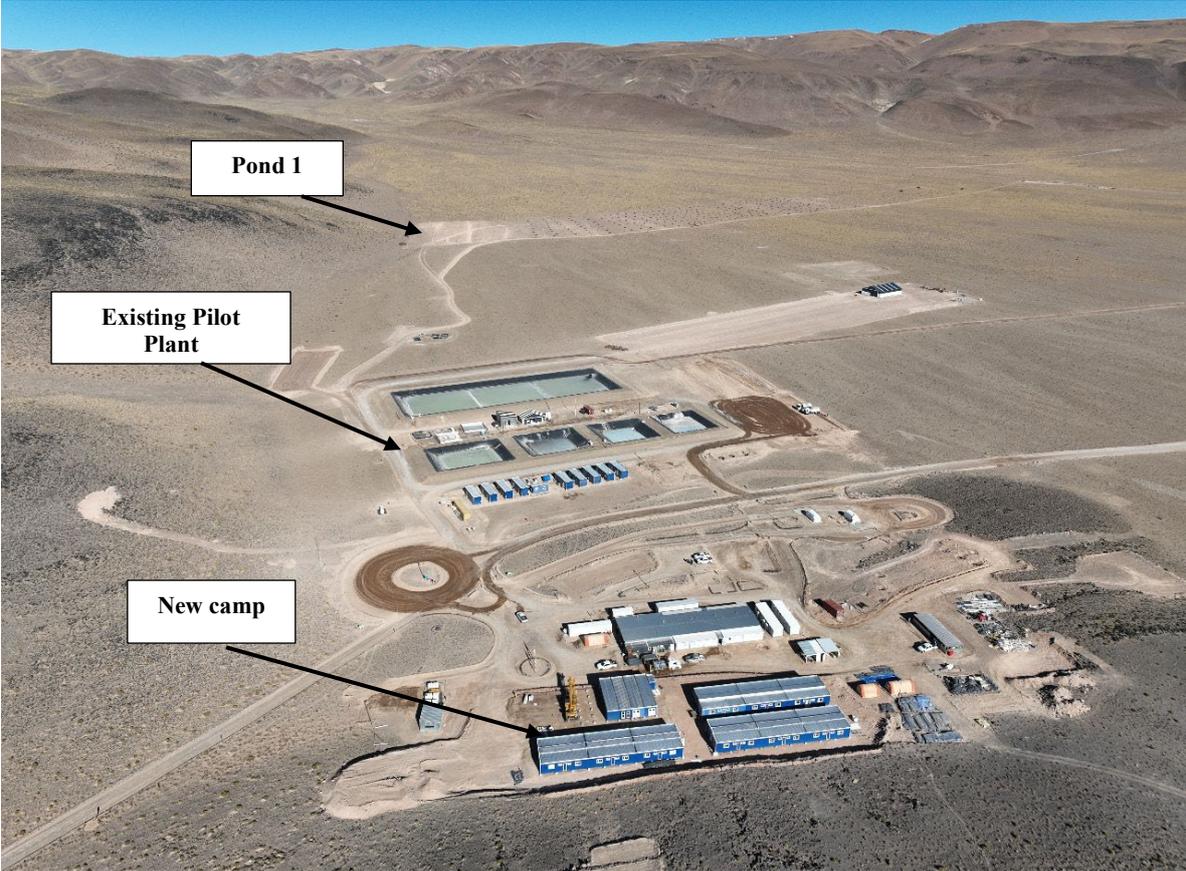


Figure 11: Aerial view of general advances for Phase 1 of HMW Project



Figure 12: Aerial view of existing pilot plant

## DIRECTORS' REPORT

Galan Lithium Limited Annual Report 2023

---

### **Candelas (100% Galan)**

The Candelas Project is supported by a full Preliminary Economic Assessment and a JORC 2012 Resource and lies approximately 40 km ESE of the HMW Project. It is hosted within a ~15 km by 3–4 km wide structurally controlled basin infilled with sediments that host the Li-bearing brines.

As announced on 8 February 2023, Galan moved to 100% full ownership and title to the Candelas project. Candelas has no 3<sup>rd</sup> party royalties attached to it and has a readily accessible reverse osmosis water source ie. no river water will be required.

Candelas will be incorporated into the revised Phase 4 production plan being formulated with the HMW Project.

### **Greenbushes South (100% Galan)**

The maiden drilling campaign (eight diamond drill holes) at the Greenbushes South project was completed on 18 July 2023. The drill targets were identified from a combination of anomalous concentrations of pathfinder trace elements in soil samples and using ground geophysical methods (gravity and resistivity). Overall, a total of 3,735 metres were drilled over 19 weeks. Assays still need to be completed, and additional geochronological analyses are being performed on the non-mineralized pegmatites to place them into a greater geologic context. These additional results will determine how the non-mineralized pegmatites relate to the spodumene-bearing pegmatites at Greenbushes.



**Figure 13: Diamond Drilling at Greenbushes South Project**

## DIRECTORS' REPORT

### Galan Lithium Limited Annual Report 2023

Galan is working on new land access agreements within its Greenbushes South E70/4790 tenement, to secure the next phase of exploration closer to the primary target of the Donnybrook-Bridgetown Shear Zone, which hosts the Greenbushes deposit. These agreements will allow Galan to continue with the geophysical methods that successfully found blind pegmatites at depth. Galan plans on combining these future results along with previous soil anomalies announced on 24 March 2022 to develop its next drilling campaign by Q1 2024.

Additionally, Galan has benefitted from geophysical consultants NewGenGeo and SensOre to process the airborne geophysical data flown by Thompson Airborne in March 2022 over its Kirup Project, near the town of Donnybrook. Combining multiple approaches to processing the aeromagnetic and gravity data, Galan has developed a soil sample campaign over four target areas for Q4 2023 (Figure 14). The soil sampling and geologic mapping will ground-truth any potential lithium-bearing within the Kirup Project.

As a commitment to engage with stakeholders in Western Australia, Galan has hired a Community Engagement Officer to liaise with and provide information on its exploration plans to local communities.

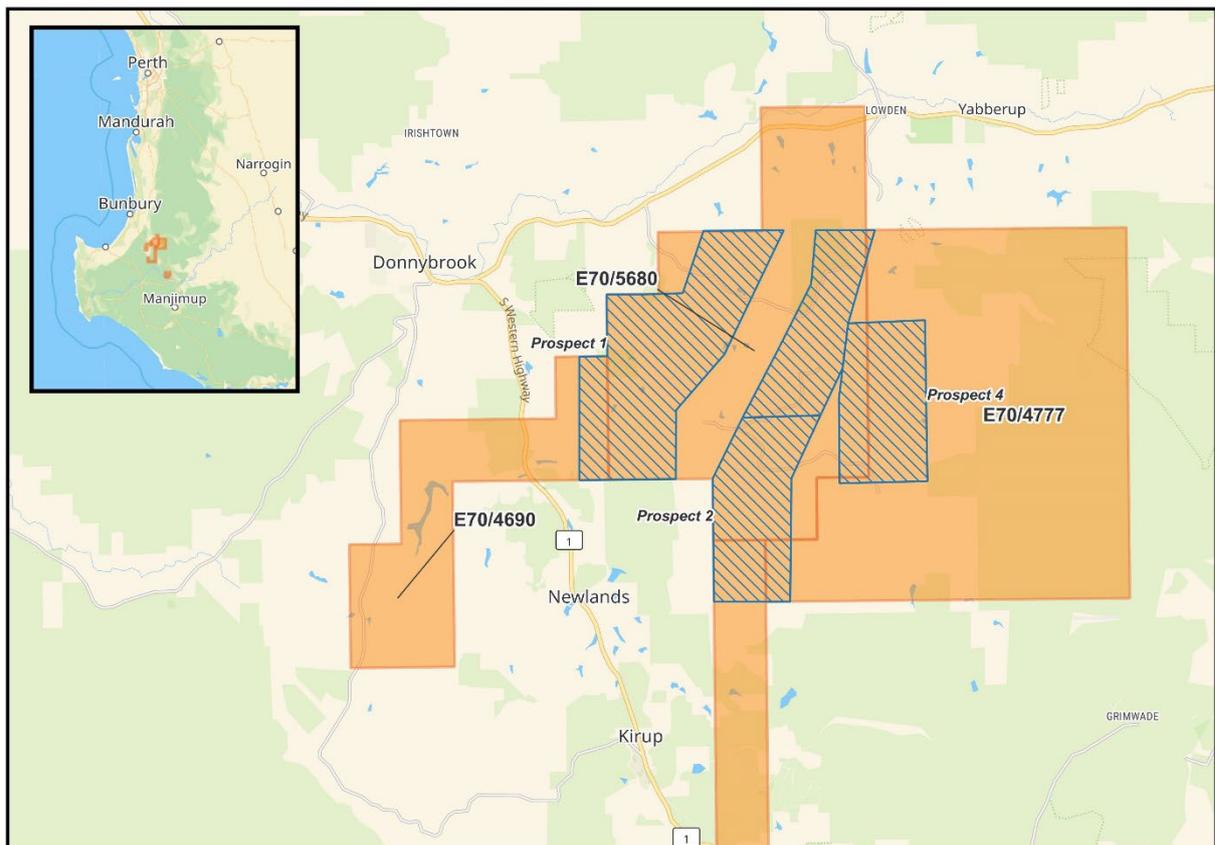


Figure 14: Map of identified potential lithium-bearing prospects from geophysical data within Galan's Kirup Project

### Catalina

On 28 July 2023, the Company announced that it had executed the necessary agreements to register its full ownership of the Catalina tenure (as issued by the Catamarca and Salta authorities). There is a long-standing political border dispute (over 100 years) between Salta and Catamarca, that includes the northern part of the Salar del Hombre Muerto, which does not have a foreseeable resolution. Over time, both respective provincial mining authorities have claimed the right on the disputed area and have been issuing mining rights that overlap over the same area. For clarity, Galan's Catalina tenure covers Catalina, Rana de Sal II, Rana de Sal III, Pucara del Salar and Deceo I.

The Catalina tenure has never been included in the HMW Resource estimate but will now be classified under the HMW Project and a more focused and detailed work campaign will ramp up in the area.

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 Federal Congress takes a final decision. It is not expected that such a resolution will eventuate in the foreseeable near future.

## DIRECTORS' REPORT

### Galan Lithium Limited Annual Report 2023

---

However, following on from negotiations with the Salta private owner, an agreement has been reached whereby the Company will own 100% of the Catalina project, both in Salta and Catamarca, upon the issue of 9,756,098 fully paid ordinary shares in the capital of Galan (issued 28 July 2023). The uncertainty around the private ownership and potential mine development of the tenure has now been resolved through this important acquisition.

#### **CORPORATE**

##### **Personnel**

As announced on 28 March 2023, Ms Claudia Pohl joined the Board of Galan Lithium Ltd as a Non-Executive Director.

Claudia is an industrial civil industrial engineer with extensive experience in the lithium production industry. Until recently, she worked for world leader in the lithium industry Sociedad Química y Minera de Chile (NYSE:SQM, Santiago Stock Exchange: SQM-A, SQM-B) for 23 years, based in Santiago, Chile. During Claudia's time at SQM, she held numerous senior leadership roles including overseeing lithium planning and studies and brings significant lithium project evaluation and operational experience whilst joining the Board at a critical juncture in Galan's journey to becoming a significant South American lithium producer.

Since leaving SQM in late 2021, Claudia has been Managing Partner and General Manager of Chilean based Ad-Infinitem, a process engineering consultancy, with specific focus on lithium brine projects under study and development, and the associated project evaluations.

Mr Juan Carlos Barrera was appointed to the senior management team as a consultant and advisor to the Board on 15 March 2023.

Mr Barrera is a civil industrial engineer (with two Master's Degrees) with over 33 years of broad mining experience including 28 years working for the world leader in the lithium industry, Sociedad Química y Minera de Chile (NYSE:SQM, Santiago Stock Exchange: SQM-A, SQM-B) and two for Exxon.

For the last 12 years at SQM, he was Lithium & Potassium Senior Operations Vice-President and was responsible for exploration, mining, production, expansions, and new projects particularly in lithium chloride, carbonate, lithium hydroxide and sulphate. This included the management of more than 1,700 direct workers and up to 5,300 contractors, the operation of 11 production plants and was instrumental in building over 27 square kilometres of solar evaporations ponds. Juan Carlos has developed lithium projects in Chile, Argentina and Australia and has also been the due diligence team leader for two successful lithium project acquisitions.

Mr Raymond Liu and Mr Chris Chalwell resigned as Non-Executive Directors of the Board on 18 November 2022 and 31 May 2023, respectively.

##### **Equity**

###### Shares

During the financial year, the Company issued the following shares:

- A total of 156,641 fully paid ordinary shares to a consultant in lieu of services provided (on 5 August 2022 and 16 December 2022);
- A total of 12,267 fully paid ordinary shares to a consultant in lieu of services provided (on 5 August 2022 and 16 December 2022);
- 30,950 fully paid ordinary shares upon the conversion of \$0.21 options (on 5 August 2022);
- 41,840 fully paid ordinary shares to a consultant in lieu of services provided (on 26 August 2022);
- 864,345 fully paid ordinary shares to Lithium Australia Ltd as part consideration for the purchase of the remaining 20% interest in the Greenbushes South lithium project (on 16 December 2022);
- 1,410,000 fully paid ordinary shares were issued to the Candelas vendors as final consideration for the 100% purchase of the Candelas tenements (on 7 February 2023); and
- 30,000,00 fully paid ordinary shares in a placement at \$1.05 per share on 22 May 2023

The placement announced on 22 May 2023 was strongly supported and raised A\$31.5 million (before costs) from institutional investors to accelerate the development of its strategic lithium projects.

## DIRECTORS' REPORT

### Galan Lithium Limited Annual Report 2023

The placement provided the Company with significant flexibility with respect to its ongoing capital expenditure requirements at Hombre Muerto West, Candelas and Greenbushes South. In particular, proceeds from the placement will be applied to accelerate:

- Purchase of Phase 1 (5.37ktpa LCE) long lead items including liners, piping and lime plant
- Prepayment for earthworks contractor and camp expansion
- Stage 2 DFS and production expansion studies
- Further exploration and production well drilling
- Contingency for extra work at Greenbushes and general working capital.

#### Performance Rights

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

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

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

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

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

#### **Other**

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

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

#### **Financial**

The loss after tax for the year was \$7,616,989 (2022: \$5,082,886).

Cash and cash equivalents as at year end were \$45,150,542 (2022: \$53,894,847).

## DIRECTORS' REPORT

### Galan Lithium Limited Annual Report 2023

---

Exploration expenditure, including acquisitions, for the year was \$35,566,035 (2022: \$9,479,077) (excluding share valuations capitalised). All of this expenditure was on the Company's various lithium brine projects in the Hombre Muerto salar in Argentina and the Greenbushes South lithium project in Australia. There was no exploration expenditure written off for the year (2022: \$209,170).

Net administration expenses and employee benefits for the year totalled \$3,362,939 (2022: \$2,185,952).

#### 7. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group that occurred during the financial year.

#### 8. AFTER BALANCE SHEET DATE EVENTS

On 28 July 2023, a total of 9,756,098 fully paid ordinary shares were issued to Everlight Resources Pty Ltd for 100% ownership of the Catalina tenement in the Salta province.

On 8 August 2023, Galan announced that it had been granted the full Phase 1 construction permits for a 5.4ktpa LCE production.

On 22 and 29 August 2023, a total of 1,000,000 fully paid ordinary shares were issued upon the conversion of \$0.21 options.

On 4 September 2023, a total of 60,777 fully paid ordinary shares were issued to a consultant in lieu of services provided.

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

#### 9. FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The Directors continue the Group's strategy for the advancement of Shareholders' interests and asset values through well-defined work programmes on the Group'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 Group and 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 Group.

#### 10. ENVIRONMENTAL ISSUES

The Group aims to comply with or exceed its environmental performance obligations. The Board believes that the Group has adequate systems in place for the management of its environmental requirements. The Group strives 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.

#### 11. 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 Voting and Comments at the Company's 2022 Annual General Meeting
- F Related Party Information
- G Details of Remuneration
- H Interests of Key Management Personnel (KMP)

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

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.

**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 letters of engagement for all Non-Executive Directors. The Directors hold office until the next annual general meeting at which point one third 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 they give notice to the Board of their resignation as a Director or if they retire by rotation and are not re-elected as a Director by the Shareholders of the Company. More-over their appointment will be terminated immediately if, for any reason, they are disqualified or prohibited by law from being or acting as a Director or from being involved in the management of a Company.

An increase in the annual remuneration of the following Non-Executive Directors, was approved by the Board on 15 June 2023 (back dated to 1 July 2022):

- Mr Homsany - \$96,000 per annum plus statutory superannuation
- Mr Gardiner - \$70,000 per annum plus statutory superannuation

On 11 August 2022, the Board approved the increase in the annual remuneration for Mr Jimenez (Non-Executive Director) to US\$144,000 per annum.

On 11 August 2022, the Board approved the increase in the annual remuneration for Mr Vargas de la Vega (Managing Director) to \$400,000 per annum plus statutory superannuation (back dated to 1 April 2022).

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 current shareholder approved remuneration pool is \$750,000 per annum (approved by shareholders on 18 November 2022).

The Company does not offer any variable remuneration incentive plans or bonus schemes to Non-Executive Directors.

The Company is an exploration and development 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.

**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, performance rights 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.

## DIRECTORS' REPORT

### Galan Lithium Limited Annual Report 2023

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

##### D Equity Based Compensation

Options and performance rights are issued to directors, employees and consultants. The options and performance rights may be subject to performance criteria, and are issued to directors, employees and consultants to increase goal congruence between executives, directors and shareholders. Options and performance rights do not carry any dividend or voting rights. Any option and performance right issues to directors requires shareholder approval.

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

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

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

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

##### E Voting and Comments at the Company's 2022 Annual General Meeting

The adoption of the Remuneration Report for the financial year ended 30 June 2022 was put to the shareholders of the Company at the Annual General Meeting held on 18 November 2022. The Company received 76% FOR vote (from valid proxies), of those shareholders who exercised their right to vote, in favour of the remuneration report for the 2022 financial year. The resolution was passed without amendment via a poll, with a 78% FOR vote. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

##### F Related Party Information

The Company received \$57,480 (2022: \$57,480) for the recoupment of Company Secretarial services from Cazaly Resources Ltd. Cazaly Resources 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 Cazaly Resources Ltd.

The Company paid a total of \$69,883 (2022: \$113,950) under an Office Services Agreement with Cazaly Resources Ltd. Cazaly Resources 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 Cazaly Resources Ltd.

Cardinals Corporate Pty Ltd was paid or owed a total of \$201,339 (2022:\$ 228,995) in legal and advisory fees for the 2023 financial year. Cardinals Corporate Pty Ltd is considered by the Company to be a related Party, as the Galan Non-Executive Chairman, Mr Richard Homsany, is a director of Cardinals Corporate Pty Ltd. \$11,264 was outstanding at 30 June 2023.

Barclay Wells Ltd was paid a total of \$82,500 (2022: NIL) in capital raising fees for the 2023 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.

## DIRECTORS' REPORT

Galan Lithium Limited Annual Report 2023

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

#### G Details of Remuneration

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

	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/Rights (v)		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Mr Richard Homsany – Non-Executive Chairman (i)										
2023	96,000	-	-	-	5,388	-	-	648,820	750,208	86.5%
2022	64,200	-	-	-	1,800	-	-	166,158	232,158	71.6%
Mr Juan Pablo Vargas de la Vega – Managing Director										
2023	430,000	-	-	-	45,150	-	-	1,297,640	1,772,790	73.2%
2022	280,000	-	-	50,000	33,000	-	-	332,317	695,317	47.8%
Mr Terry Gardiner – Non Executive Director										
2023	72,000	-	-	-	7,560	-	-	648,820	728,380	89.1%
2022	50,000	-	-	-	5,000	-	-	166,158	221,158	75.1%
Mr Chris Chalwell – Non Executive Director (ii)										
2023	33,000	-	-	-	3,465	-	-	450,625	487,090	92.5%
2022	36,000	-	-	-	3,600	-	-	83,079	122,679	67.7%
Mr Raymond Liu – Non Executive Director (iii)										
2023	25,194	-	-	-	-	-	-	-	25,194	0%
2022	39,600	-	-	-	-	-	-	83,079	122,679	67.7%
Mr Daniel Jimenez – Non Executive Director (iv)										
2023	213,188	-	-	-	-	-	-	522,606	735,794	71.0%
2022	99,391	-	-	-	-	-	-	166,158	265,549	62.6%
Ms Claudia Pohl – Non Executive Director (v)										
2023	14,341	-	-	-	-	-	-	-	14,341	0%
2022	-	-	-	-	-	-	-	-	-	-
<b>Total Remuneration</b>										
2023	883,723	-	-	-	61,563	-	-	3,568,511	4,513,797	79.1%
2022	569,191	-	-	50,000	43,400	-	-	996,949	1,659,540	60.1%

- (i) In 2023, Mr Homsany was paid a salary a total salary of \$96,000 plus statutory superannuation (\$101,388).
- (ii) Director fees of \$33,000 and superannuation of \$3,465 were due and payable to Westdev Pty Ltd, a company controlled by Mr Chalwell (resigned as a director on 31 May 2023).
- (iii) Outstanding Director fees of \$25,194 were due and payable to Mr Liu. His Director performance Rights (750,000) were forfeited due to his resignation on 18 November 22.
- (iv) Director fees of \$213,188 (\$US144,000) (2022 - \$99,391 (\$US72,000)) were paid to directly to Mr Jimenez.
- (v) Director fees of \$14,341 (2022 - \$Nil) were paid directly to Ms Claudia Pohl (appointed on 28 March 2023).
- (vi) The total value of Director Performance Rights on issue is \$22,565,125. This amount is being expensed and amortised over the 5 year life of the performance rights, resulting in an expense of \$3,568,511 during this period. Refer to note 16 for the performance rights valuation method.

## DIRECTORS' REPORT

### Galan Lithium Limited Annual Report 2023

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

##### H Interests of Key Management Personnel (KMP)

###### Share holdings

###### 30 June 2023

Name	Balance 1 July 2022	Purchased	Options Exercised	Sold/Other	Balance 30 June 2023
Richard Homsany	959,067	-	-	-	959,067
JP Vargas de la Vega	17,346,932	-	-	-	17,346,932
Chris Chalwell (ii)	3,050,001	-	-	(3,050,001)	-
Terry Gardiner	6,580,487	-	-	-	6,580,487
Claudia Pohl (i)	-	-	-	-	-
Jinyu (Raymond) Liu (iii)	18,135,860	-	-	(18,135,860)	-
Daniel Jimenez	2,342,713	105,000	-	-	2,447,713
<b>Total</b>	<b>48,415,060</b>	<b>105,000</b>	<b>-</b>	<b>(21,185,861)</b>	<b>27,334,199</b>

###### 30 June 2022

Name	Balance 1 July 2021	Purchased	Options Exercised	Sold/Other	Balance 30 June 2022
Richard Homsany	933,259	25,808	-	-	959,067
JP Vargas de la Vega	17,289,932	57,000	1,000,000	(1,000,000)	17,346,932
Chris Chalwell (ii)	2,301,878	50,000	1,357,143	(659,020)	3,050,001
Terry Gardiner	6,398,600	75,000	1,357,143	(1,250,256)	6,580,487
Claudia Pohl (i)	-	-	-	-	-
Jinyu (Raymond) Liu (iii)	18,054,432	10,000	71,428	-	18,135,860
Daniel Jimenez	324,442	-	2,324,442	(306,171)	2,342,713
<b>Total</b>	<b>45,302,543</b>	<b>217,808</b>	<b>6,110,156</b>	<b>(3,215,447)</b>	<b>48,415,060</b>

###### Option holdings

###### 30 June 2023

Name	Balance 1 July 2022	Issued/Other	Exercised	Lapsed/Other	Balance 30 June 2023
Richard Homsany	1,000,000	-	-	-	1,000,000
JP Vargas de la Vega	500,000	-	-	-	500,000
Chris Chalwell (ii)	-	-	-	-	-
Terry Gardiner	500,000	-	-	-	500,000
Claudia Pohl (i)	-	-	-	-	-
Jinyu (Raymond) Liu (iii)	1,000,000	-	-	(1,000,000)	-
Daniel Jimenez	1,000,000	-	-	-	1,000,000
<b>Total</b>	<b>4,000,000</b>	<b>-</b>	<b>-</b>	<b>(1,000,000)</b>	<b>3,000,000</b>

###### 30 June 2022

Name	Balance 1 July 2021	Issued/Other	Exercised	Lapsed/Other	Balance 30 June 2022
Richard Homsany	1,000,000	-	-	-	1,000,000
JP Vargas de la Vega	1,500,000	-	(1,000,000)	-	500,000
Chris Chalwell (ii)	1,357,143	-	(1,357,143)	-	-
Terry Gardiner	1,857,143	-	(1,357,143)	-	500,000
Claudia Pohl (i)	-	-	-	-	-
Jinyu (Raymond) Liu (iii)	1,071,428	-	(71,428)	-	1,000,000
Daniel Jimenez	3,324,442	-	(2,324,442)	-	1,000,000
<b>Total</b>	<b>10,110,156</b>	<b>-</b>	<b>(6,110,156)</b>	<b>-</b>	<b>4,000,000</b>

(i) Ms Pohl was appointed on 28 March 2023.

(ii) Mr Chalwell resigned on 31 May 2023

(iii) Mr Liu resigned on 18 November 2022.

## DIRECTORS' REPORT

Galan Lithium Limited Annual Report 2023

---

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

#### Performance Rights

At 30 June 2023, the Directors held the following performance rights (as approved by shareholders on 28 January 2022 and 18 November 2022):

Richard Homsany	3,000,000
JP Vargas de la Vega	6,000,000
Terry Gardiner	3,000,000
Daniel Jimenez	3,000,000
<b>Total</b>	<b>15,000,000 (*)</b>

The Performance Rights have various share price vesting conditions.

(\*) As agreed by the Board, Mr Chalwell was entitled to keep his 1,500,000 Performance Rights upon his resignation as a director on 31 May 2023. Mr Liu, who was not re-elected at the 2022 AGM, was not entitled to retain his 1,500,000 Performance Rights.

#### Performance Shares

On 6 June 2019, shareholders approved the issue of a total 10 million performance shares to Mr JP Vargas de la Vega upon the achievement of certain milestones on or before 31 July 2023. The 5 million Class A Performance Shares would convert to Shares upon the Company announcing an Indicated and Measured resource of 1Mt of lithium carbonate equivalent at a minimum grade of 400 mg/l of lithium pursuant to The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 (JORC Code) within a project in which the Company has an interest. The 5 million Class B Performance Shares would convert to Shares upon financial close for a commercial scale lithium production facility capable of production of at least 5,000tpa of lithium carbonate equivalent per annum.

On 22 July 2020, 5 million Class A Performance Shares were converted to fully paid ordinary shares and issued to Mr JP Vargas de la Vega (milestone announced 22 June 2020).

On 31 July 2023, the 5 million Class B Performance Shares were converted to a total of 5 Shares as the financial close for a commercial scale lithium production facility capable of production of at least 5,000tpa of lithium carbonate equivalent per annum did not meet the 31 July 2023 deadline.

#### **End of Remuneration Report**

### 12. OPTIONS AND PERFORMANCE RIGHTS

#### Options

During, or since the end of the financial year, no options were forfeited, cancelled or expired or lapsed.

#### Options on Issue

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

<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Unquoted Options</b>
08/10/2023	\$0.21	4,940,000
04/02/2024	\$0.65	500,000
24/12/2024	\$1.30	500,000

#### **Performance Rights on Issue**

At the date of this report the Company had a total of 18,850,000 performance rights on issue (16,500,000 were approved and issued to Directors and 2,350,000 were issued to management personnel).

## **DIRECTORS' REPORT**

Galan Lithium Limited Annual Report 2023

---

### **13. 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.

### **14. 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.

### **15. NON-AUDIT SERVICES**

The auditors have not provided any non-audit services to the Company in the financial year ended 30 June 2023.

### **16. AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration under Section 307C in relation to auditor's independence for the Year ended 30 June 2023 has been received and can be found on page 47.

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



**J P Vargas de la Vega**  
**Managing Director**  
**Perth, Western Australia**  
**Date: 29 September 2023**

#### **Competent Persons Statements**

##### **Competent Persons Statement 1**

The information contained herein that relates to exploration results and geology is based on information compiled or reviewed by Dr Luke Milan, who has consulted to the Company. Dr Milan is a Member of the Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and types of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Milan consents to the inclusion of his name in the matters based on the information in the form and context in which it appears.

##### **Competent Persons Statements 2**

The information relating to the exploration results and integrity of the database was compiled by Mr Francisco Lopez (Geology) and Mr Alvaro Henriquez (Geology). Mr Lopez and Mr Alvarez are full-time employees of Galan Lithium Limited. The integrity of the database and site inspection was done by Dr Michael Cunningham, GradDip, (Geostatistics) BSc honours (Geoscience), PhD, MAusIMM, MAIG, MGSA, FGSL. Dr Cunningham is an Associate Principal Consultant of SRK Consulting (Australasia) Pty Ltd.

The information in this report that relates to the Mineral Resources estimation approach at Candelas and Hombre Muerto West was compiled by Dr Cunningham. He has sufficient experience relevant to the assessment and of this style of mineralisation to qualify as a Competent Person as defined by the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves – The JORC Code (2012)". Dr Cunningham consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

##### **Competent Persons Statement 3**

The information contained herein that relates to the progress of the laboratory test work and study development related activities have been directed by Mr. Marcelo Bravo. Mr. Bravo is Chemical Engineer and managing partner of Ad-Infinitem Spa. with over 25 years of working experience and he is a Member of the Chilean Mining Commission and has sufficient experience which is relevant to the activity which they are undertaking to qualify as a Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Bravo consents to the inclusion of his name in the matters based on the information in the form and context in which it appears.

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

#### **Forward Looking Statements**

This Annual Report contains forecasts and forward-looking statements which are no guarantee of future performance and which involve certain risks. Actual results and future outcomes will in all likelihood differ from those outlined herein. The report should not be construed as an offer or invitation to subscribe for or purchase securities in Galan. Nor is it an inducement to make offer or an invitation with respect to said securities.

Forward-looking statements are statements that are not historical facts. Words such as "expect(s)", "feel(s)", "believe(s)", "will", "may", "anticipate(s)" and similar expressions are intended to identify forward-looking statements. These statements include, but are not limited to statements regarding future production, resources or reserves and exploration results. All of such statements are subject to certain risks and uncertainties, many of which are difficult to predict and generally beyond the control of the Company, that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. These risks and uncertainties include, but are not limited to: (i) those relating to the interpretation of drill results, the geology, grade and continuity of deposits and conclusions of economic evaluations, (ii) risks relating to possible variations in reserves nor recovery rates and changes in project parameters as plans continue to be refined, (iii) the potential for delays in exploration or development activities or the completion of feasibility studies, (iv) risks related to commodity price and foreign exchange rate fluctuations, (v) risks related to failure to obtain adequate financing on a timely basis and on acceptable terms or delays in obtaining governmental approvals or in the completion of development or construction activities, and (vi) other risks and uncertainties related to the Company's prospects, properties and business strategy. Our audience is cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof, and we do not undertake any obligation to revise and disseminate forward-looking statements to reflect events or circumstances after the date hereof, or to reflect the occurrence of or non-occurrence of any events.

## DIRECTORS' REPORT

### Galan Lithium Limited Annual Report 2023

---

#### Lithium classification and conversion factors

Lithium grades are normally presented in mass percentages or milligrams per litre (or parts per million (ppm)). Grades of deposits are also expressed as lithium compounds in percentages, for example as a per cent. lithium oxide (Li<sub>2</sub>O) content or per cent. lithium carbonate (Li<sub>2</sub>CO<sub>3</sub>) content. Lithium carbonate equivalent ("LCE") is the industry standard terminology for, and is equivalent to, Li<sub>2</sub>CO<sub>3</sub>. Use of LCE is to provide data comparable with industry reports and is the total equivalent amount of lithium carbonate, assuming the lithium content in the deposit is converted to lithium carbonate, using the conversion rates in the table included further below to get an equivalent Li<sub>2</sub>CO<sub>3</sub> value in per cent. Use of LCE assumes 100% recovery and no process losses in the extraction of Li<sub>2</sub>CO<sub>3</sub> from the deposit. Conversion Factors for Lithium Compounds and Minerals:

<b>Convert from</b>		<b>Convert to Li</b>	<b>Convert to Li<sub>2</sub>O</b>	<b>Convert to Li<sub>2</sub>CO<sub>3</sub></b>
Lithium	Li	1.000	2.153	5.323
Lithium Oxide	Li <sub>2</sub> O	0.464	1.000	2.473
Lithium Carbonate	Li <sub>2</sub> CO <sub>3</sub>	0.188	0.404	1.000

To the Board of Directors

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

As lead audit director for the audit of the financial statements Galan Lithium Limited for the financial year ended 30 June 2023, 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

*Hall Chadwick*  
HALL CHADWICK WA AUDIT PTY LTD

*Mark Delaurentis*  
MARK DELAURENTIS CA  
Director

Dated this 29<sup>th</sup> day of September 2023  
Perth, Western Australia

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

Galan Lithium Limited Annual Report 2023

	Note	30 June 2023 \$	30 June 2022 \$
<b>Continuing Operations</b>			
Interest revenue	3	1,003,152	101,000
Other Income	3	61,102	58,661
<b>Total</b>		1,064,254	159,661
Administration expenses		(2,207,169)	(1,375,732)
Compliance & regulatory expense		(281,528)	(366,590)
Employment expense		(1,155,770)	(810,220)
Fair value gain/(loss) on financial assets		(254,703)	(301,755)
Depreciation		(172,905)	(15,367)
Share based payments	16	(4,609,168)	(2,169,993)
Exploration written off		-	(202,889)
<b>Loss before income tax expenses</b>		(7,616,989)	(5,082,886)
Income tax expenses	4	-	-
<b>Loss for the year from continuing operations</b>		(7,616,989)	(5,082,886)
Exchange differences on translating foreign operations		21,305	68,797
Other comprehensive income		21,305	68,797
<b>Total comprehensive income and net loss for the Year attributable to the owners of the Company</b>		(7,595,684)	(5,014,089)
Basic and diluted weighted average loss per share (cents per share)	15	(2.47)	(1.78)

*The accompanying notes form part of these financial statements.*

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

Galan Lithium Limited Annual Report 2023

	Note	30 June 2023 \$	30 June 2022 \$
<b>Current Assets</b>			
Cash and cash equivalents	5	45,150,542	53,894,847
Trade and other receivables	6	533,610	59,239
<b>Total Current Assets</b>		45,684,152	53,954,086
<b>Non-Current Assets</b>			
Term deposit – Bank Guarantee		224,077	-
Financial Assets	7	2,378,588	551,442
Right of Use – Office Lease	11	844,272	-
Plant & Equipment	8	7,773,180	2,596,737
Exploration and evaluation	9	71,137,277	33,020,242
<b>Total Non-Current Assets</b>		82,357,394	36,168,421
<b>Total Assets</b>		128,041,546	90,122,507
<b>Current Liabilities</b>			
Trade and other payables	10	6,933,598	2,507,512
Lease Liability	11	143,712	-
Provisions		161,757	83,150
<b>Total Current Liabilities</b>		7,239,067	2,590,662
<b>Non-Current Liabilities</b>			
Lease Liability	11	605,715	-
Environment Provision	26	3,748,355	671,474
<b>Total Non-Current Liabilities</b>		4,354,070	671,474
<b>Total Liabilities</b>		11,593,137	3,262,135
<b>Net Assets</b>		<b>116,448,409</b>	<b>86,860,372</b>
<b>Equity</b>			
Issued capital	12	128,831,780	96,254,698
Reserves	13	7,079,234	2,451,290
Accumulated losses	14	(19,462,605)	(11,845,616)
<b>Total Equity</b>		<b>116,448,409</b>	<b>86,860,372</b>

The accompanying notes form part of these financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

Galan Lithium Limited Annual Report 2023

Note	Issued Capital	Reserves	Accumulated Losses	Total Equity
	\$	\$	\$	\$
<b>Balance at 30 June 2021</b>	<b>44,384,368</b>	<b>727,573</b>	<b>(6,762,730)</b>	<b>38,349,211</b>
Net loss for the year	-	-	(5,082,886)	(5,082,886)
Other comprehensive income for the year net of tax	-	68,797	-	68,797
Total comprehensive loss for the year	-	68,797	(5,082,886)	(5,014,089)
<b>Transactions with owners recorded directly in equity:</b>				
Issue of Equity	50,020,747	-	-	50,020,747
Equity to be issued	141,695	-	-	141,695
Equity issued previous year	(90,676)	-	-	(90,676)
Options exercised	3,935,818	-	-	3,935,818
Vendor shares	222,666	-	-	222,666
Share issue costs	(2,875,000)	-	-	(2,875,000)
Option valuation	-	621,979	-	621,979
Performance rights Valuation	-	1,104,365	-	1,104,365
Fair value exercised options	515,080	(515,080)	-	-
Option Reserve	-	443,656	-	443,656
<b>Balance at 30 June 2022</b>	<b>96,254,698</b>	<b>2,451,290</b>	<b>(11,845,616)</b>	<b>86,860,372</b>
Net loss for the year	-	-	(7,616,989)	(7,616,989)
Other comprehensive income for the year net of tax	-	21,305	-	21,305
Total comprehensive loss for the year	-	21,305	(7,616,989)	(7,595,684)
<b>Transactions with owners recorded directly in equity:</b>				
Issue of Equity	32,770,378	-	-	32,770,378
Equity to be issued	(141,695)	-	-	(141,695)
Equity issued previous year	-	-	-	-
Options exercised	6,500	-	-	6,500
Vendor shares	1,551,000	-	-	1,551,000
Share issue costs	(1,611,628)	-	-	(1,611,628)
Performance shares	-	403,818	-	403,818
Performance rights Valuation	-	4,205,348	-	4,205,348
Fair value exercised options	2,527	(2,527)	-	-
Option Reserve	-	-	-	-
<b>Balance at 30 June 2023</b>	<b>128,831,780</b>	<b>7,079,234</b>	<b>(19,462,605)</b>	<b>116,448,409</b>

*The accompanying notes form part of these financial statements.*

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2023

Galan Lithium Limited Annual Report 2023

	Note	30 June 2023 \$	30 June 2022 \$
<b>Cash flows from operating activities</b>			
Interest received		817,472	101,000
Other income		55,833	58,661
Cash paid to suppliers and employees		(2,780,415)	(2,176,531)
<b>Net cash used in operating activities</b>	17	<u>(1,907,110)</u>	<u>(2,016,870)</u>
<b>Cash flows from investing activities</b>			
Payments for Property, Plant & Equipment		(5,221,939)	(136,662)
Payments for exploration expenditure		(24,532,246)	(8,893,503)
Purchase of exploration assets		(4,671,956)	(705,731)
Payment for investments		(2,081,849)	(848,767)
Payment for term deposit bond		(224,077)	-
<b>Net cash from / (used in) investing activities</b>		<u>(36,732,067)</u>	<u>(10,584,663)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of equity instruments		31,500,000	50,000,000
Proceeds from Option Conversion		6,500	3,940,996
Payment for share issue costs		(1,611,628)	(3,015,532)
<b>Net cash from financing activities</b>		<u>29,894,872</u>	<u>50,925,464</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		(8,744,305)	38,323,930
<b>Cash and cash equivalents at beginning of the year</b>		<u>53,894,847</u>	<u>15,570,917</u>
<b>Cash and cash equivalents at end of year</b>	5	<u>45,150,542</u>	<u>53,894,847</u>

The accompanying notes form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2023

---

## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements and notes represent those of Galan Lithium Limited (**the Company** or **Galan**) and its controlled entities (**the Group**) for the financial year ended 30 June 2023. Galan is a publicly listed company, incorporated and domiciled in Australia. The financial statements were authorised for issue on 29 September 2023 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 2023 is contained in Note 23 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 for the year of \$7,616,989 (2022: \$5,082,886) and net cash outflows used in operating activities of \$1,907,110 (2022: \$2,016,870).

In May 2023, the Company announced the completion of a A\$31.5 million (before costs) placement to institutional, sophisticated and professional investors, at A\$1.05 per share to accelerate the development of its strategic lithium projects in Argentina and Australia.

The two-tranche placement provided the Company with significant flexibility with respect to its ongoing capital expenditure requirements at HMW, Candelas and Greenbushes South.

## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2023

---

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

### (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 presentation currency.

#### Determination of functional currency of Argentinian subsidiaries

Based on the primary indicators under IAS 21 – The Effects of Change in Foreign Exchange Rates – Effective 1 July 2021 the Company has adopted the US dollar as the functional currency of Galan Exploraciones S.A. ('GESA') and Galan Lito S.A. ('GLSA'), the two Argentinian based subsidiaries of Galan Lithium Limited.

The Company has recently headed into the next development phase for its Argentinian projects including a Definitive Feasibility Study for its HMW Project. The material contracts associated with the DFS will be in USD including drilling, camp rental and purchase, some pilot plant construction costs, engineering, resource and reserves and project modelling.

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

Galan has loan agreements in place with GESA and GLSA that are USD denominated. All transfers to Argentina are done in USD. GESA also has a loan agreement in place with GLSA (incorporated Galan Argentinian subsidiary) that is USD denominated. All cash call transfers to Argentina are executed in USD.

### (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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2023

---

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 relevant tax authority.

Receivables and payables are stated with amounts of GST receivable or payable. The net amount of GST recoverable from, or payable to, the relevant tax authority 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**

#### **Financial Assets**

##### Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

##### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2023

---

### Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and

either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows

### **Financial Liabilities**

#### Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payable and convertible notes.

#### Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

#### **(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.

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, and bank overdrafts.

## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2023

---

### **(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.

### **(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.

## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2023

---

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 of options 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 Company has adopted the US dollar as the functional currency for the Argentinian subsidiaries. The Company's financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

### **Transaction and balances**

Profit and loss foreign currency transactions are translated into the functional currency using the average exchange rate for the financial year.

Balance sheet foreign currency 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.

### **(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:

## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2023

### 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 the market approach ie. valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

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 2023			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Recurring fair value measurements</b>				
<i>Financial assets at fair value through profit or loss:</i>				
- Australian listed shares	2,378,588	-	-	2,378,588

	30 June 2022			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Recurring fair value measurements</b>				
<i>Financial assets at fair value through profit or loss:</i>				
- Australian listed shares	551,442	-	-	551,442

### (s) New, revised or amending accounting standards and interpretations adopted

#### Adoption of new and revised Accounting Standards

The Group has adopted all new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2022.

## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2023

---

### Standards and Interpretations in issue not yet adopted

The Group has reviewed the new and revised Standards and Interpretations on issue not yet adopted for the year ended 30 June 2023. As a result of this review the Group has determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Company and, therefore, no change is necessary to Group accounting policies.

#### **(f) Leases**

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

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

##### Group as a lessee

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

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

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

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

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

##### ii) Lease liabilities

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

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

## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2023

---

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

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

#### Group as lessor

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

## 2. OPERATING SEGMENTS

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

Galan Lithium Limited Annual Report 2023

### 2. OPERATING SEGMENTS (Cont'd)

30 June 2023	Exploration \$	Unallocated \$	Total \$
<b>Revenue</b>			
Interest	-	1,003,152	1,003,152
Inflation adjustment	-	-	-
Other	-	61,102	61,102
<b>Total segment revenue</b>	-	1,064,254	1,064,254
<b>Segment net operating loss (profit) after tax</b>	-	(7,616,989)	(7,616,989)
Share based payments	-	(4,609,168)	(4,609,168)
<b>Segment assets</b>			
Exploration expenditure	71,137,277	-	71,137,277
Cash and cash equivalents	-	45,150,542	45,150,542
Other assets	7,615,813	4,137,915	11,753,727
<b>Total segment assets</b>	78,753,089	49,288,457	128,041,546
<b>Segment liabilities</b>	10,106,717	1,486,420	11,593,137
<hr/>			
30 June 2022	Exploration \$	Unallocated \$	Total \$
<b>Revenue</b>			
Interest	-	101,000	101,000
Inflation adjustment	-	-	-
Other	-	58,661	58,661
<b>Total segment revenue</b>	-	159,661	159,661
<b>Segment net operating loss (profit) after tax</b>	-	(5,082,886)	(5,082,886)
Share based payments	-	(2,169,993)	(2,169,993)
<b>Segment assets</b>			
Exploration expenditure	33,020,242	-	33,020,242
Cash and cash equivalents	-	53,894,847	53,894,847
Other assets	2,468,221	739,197	3,207,418
<b>Total segment assets</b>	35,488,463	54,634,044	90,122,507
<b>Segment liabilities</b>	2,928,504	333,631	3,262,135

### 3. REVENUE AND OTHER INCOME

	30 June 2023 \$	30 June 2022 \$
Interest received and accrued from financial institutions	1,003,152	101,000
<u>Other Income</u>		
Sundry	3,622	-
Company secretarial recoupment	57,480	58,661
	61,102	58,661

## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2023

### 4. INCOME TAX EXPENSE

#### Recognised in the income statement

	Consolidated Group	
	30 June 2023	30 June 2022
	\$	\$
<b>a) Tax Expense</b>		
Current tax expense	-	-
Deferred tax expense	-	-
Total income tax expense per income statement	-	-

#### b) Numerical reconciliation between tax expense and pre-tax net profit or (loss)

<b>Net profit/(loss) before tax</b>	<b>(7,619,989)</b>	<b>(5,082,886)</b>
<i>Corporate tax rate applicable</i>	30.00%	25.00%
<b>Income tax expense/(benefit) on above at applicable corporate rate</b>	<b>(2,285,997)</b>	<b>(1,270,722)</b>
Increase in income tax due to tax effect of:		
Share based payments expense	1,382,750	-
Non-deductible expenses	125,706	666,478
Current year tax losses not recognised	758,111	-
Decrease in income tax expense due to:		
Movement in unrecognised temporary differences	76,411	643,073
Deductible equity raising costs	(56,981)	(38,830)
Income tax expense attributable to entity	-	-

#### Deferred tax assets and liabilities

<b>d) Recognised deferred tax assets and liabilities</b>	30.00%	25.00%
<b>Deferred tax assets</b>		
Employee Provisions	48,527	20,788
Other Provisions & Accruals	7,350	4,600
ROU Assets	4,615	-
Blackhole - Previously Expensed	125	-
Tax losses	786,356	-
	846,974	123,460
Set-off of deferred tax liabilities	(846,974)	(123,460)
Net deferred tax assets	-	-
<b>Deferred tax liabilities</b>		
Exploration & Mine Properties	(780,792)	(123,460)
Unearned Income	(46,211)	-
Other DTL's	(19,972)	-
Gross deferred tax liabilities	(846,974)	(123,460)
Set-off of deferred tax assets	846,974	123,460
Net deferred tax liabilities	-	-

## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2023

### (e) Unused tax losses and temporary differences for which no deferred tax asset has been recognised

Deferred tax assets have not been recognised in respect of the following using corporate tax rates of:	30.00%	25.00%
Deductible Temporary Differences	328,856	91,848
Tax Revenue Losses	3,445,726	2,317,759
Tax Capital Losses	436	-
Total Unrecognised deferred tax assets	<u>3,775,019</u>	<u>2,409,607</u>

The corporate tax rates on both recognised and unrecognised deferred tax assets and deferred tax liabilities have been calculated with respect to the tax rate that is expected to apply in the year the deferred tax asset is realised or the liability is settled.

### 5. CASH AND CASH EQUIVALENTS

	30 June 2023 \$	30 June 2022 \$
Cash at bank	18,150,542	3,894,847
Deposits at call (i)	27,000,000	50,000,000
	<u>45,150,542</u>	<u>53,894,847</u>

(i) The effective interest rate on short-term bank deposits was 3.49% (2022: 1.28%).

### 6. TRADE AND OTHER RECEIVABLES

GST receivables, interest accrued and other debtors	<u>533,610</u>	<u>59,239</u>
---	----------------	---------------

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 18 for more information on the risk management policy of the Company and the credit quality of the Company's trade receivables.

### 7. FINANCIAL ASSETS

Shares in listed corporations at fair value	<u>2,378,588</u>	<u>551,442</u>
---	------------------	----------------

## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2023

### 8 PROPERTY, PLANT AND EQUIPMENT

	Plant and Equipment	Computer Equipment	Motor Vehicles	Total
	\$	\$	\$	\$
<b>Year Ended 30 June 2023</b>				
<b>Opening net book amount</b>	1,836,695	70,127	689,914	2,596,736
Additions	4,866,381	177,877	285,259	5,329,517
Adjustment/Transfers	-	-	-	-
Disposal of assets	-	-	-	-
Depreciation expense	(39,355)	(36,486)	(77,232)	(153,073)
Change in FX	-	-	-	-
<b>Closing net book amount</b>	<b>6,663,721</b>	<b>211,518</b>	<b>897,941</b>	<b>7,773,180</b>
<b>Year Ended 30 June 2023</b>				
Cost	6,713,067	260,441	979,476	7,952,985
Accumulated depreciation and impairment	(49,346)	(48,923)	(81,535)	(179,804)
<b>Net book amount</b>	<b>6,663,721</b>	<b>211,518</b>	<b>897,941</b>	<b>7,773,180</b>
<b>Year Ended 30 June 2022</b>				
<b>Opening net book amount</b>	88,136	3,797	-	91,933
Additions	1,755,782	75,762	694,219	2,525,763
Adjustment/Transfers	-	-	-	-
Disposal of assets	-	-	-	-
Depreciation expense	(7,223)	(9,432)	(4,305)	(20,960)
<b>Closing net book amount</b>	<b>1,836,695</b>	<b>70,127</b>	<b>689,914</b>	<b>2,596,736</b>
<b>Year Ended 30 June 2022</b>				
Cost	1,846,686	82,565	694,219	2,623,470
Accumulated depreciation and impairment	(9,991)	(12,438)	(4,305)	(26,734)
<b>Net book amount</b>	<b>1,836,695</b>	<b>70,127</b>	<b>689,914</b>	<b>2,596,736</b>

## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2023

### 9. EXPLORATION AND EVALUATION

	30 June 2023	30 June 2022
	\$	\$
Costs carried forward in respect of areas of interest:		
Brought forward	33,020,242	23,408,544
Exploration expenditure capitalised during the year	35,566,035	9,479,077
Candelas vendor shares issued	1,551,000	78,750
Greenbushes vendor shares	1,000,000	20,760
Foreign exchange translation	-	33,111
Balance at reporting date	71,137,277	33,020,242

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 Lithium Pty Ltd ('Blue Sky') under the Share Sale and Purchase Agreement. The purchase consideration was as follows:

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

#### **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	\$2,518,475
Total consideration	\$7,143,475

### 10. TRADE AND OTHER PAYABLES

	30 June 2023	30 June 2022
	\$	\$
Trade payables	2,206,109	1,296,416
Accruals	4,727,498	1,211,096
	6,933,598	2,507,512

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

## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2023

---

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

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

<b>Right-of-use assets</b>	<b>30 June 2023 \$</b>	<b>30 June 2022 \$</b>
<u>Office lease</u>		
At carrying amount	830,992	-
Additions	110,229	-
Less: Accumulated amortization	(96,949)	-
	<u>844,272</u>	<u>-</u>

#### **Leases**

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

#### **As at 1 July 2022**

Additions	830,992	-
Accretions of interest	19,718	-
Payments	(101,283)	-
<b>As at 30 June 2023</b>	<u>749,427</u>	<u>-</u>

Current	143,712	-
Non-current	605,715	-

The following are the amounts recognised in profit or loss:

Depreciation	96,949	-
Interest expense on lease liabilities	19,718	-
Total amount recognised in profit or loss	<u>116,667</u>	<u>-</u>

The Group had total cash outflows for leases of \$101,283 in the period to 30 June 2023 (2022: Nil).

## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2023

### 12. ISSUED CAPITAL

	2023 Number	2023 \$
Fully paid ordinary shares (2022: 304,399,362- \$96,254,698)	336,915,405	128,831,780

#### 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 shareholder 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.

	30 Jun 2023 Number	30 Jun 2023 \$	30 Jun 2022 Number	30 Jun 2022 \$
Balance at the beginning of the period	304,399,362	96,254,698	244,649,086	44,384,368
Option conversions at \$0.25 (i)			9,724,371	2,431,093
Option conversions at \$0.21 (ii)	30,950	6,500	4,141,550	869,725
Placement shares at \$1.15 (iii)			25,872,594	29,753,483
Placement shares at \$1.15 (iv)			17,605,667	20,246,517
Option conversions at \$0.90 (v)			150,000	135,000
Consultant shares (vi)			104,094	92,815
Option conversions at \$0.25 (vii)			2,000,000	500,000
Placement shares at \$1.05 (viii)	30,000,000	31,500,000	-	-
Vendor shares – Donnelly River (ix)	-	-	12,000	20,760
Vendor shares – Candelas (x)	1,410,000	1,551,000	140,000	129,850
Vendor shares - Greenbushes South (xi)	864,345	1,000,000	-	-
Consultant shares (xii)	97,729	141,671	-	-
Consultant shares (xiii)	41,840	44,100	-	-
Consultant shares (xiv)	66,122	78,583	-	-
Consultant shares (xv)	5,057	6,000	-	-
	336,915,405	130,582,552	304,399,362	98,563,611
Shares to be issued (xvi)	-	-	-	(39,564)
Shares to be issued (x)	-	-	-	(51,100)
Shares to be issued (xii)	-	(141,671)	-	141,671
Less: transaction costs	-	(1,611,628)	-	(2,875,000)
Transfer from equity-based reserve	-	2,527	-	515,080
Balance at the end of the period	336,915,405	128,831,780	304,399,362	96,254,698

## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2023

### 12. ISSUED CAPITAL (Cont'd)

- (i) Issued on various dates upon the conversion of unquoted options (exercisable @ \$0.25 on or before 31/3/22).
- (ii) Issued on various dates upon the conversion of unquoted options (exercisable @ \$0.21 on or before 8/10/23).
- (iii) Issued as Tranche 1 of a placement announced on 13 August 2021.
- (iv) Issued as Tranche 2 of a placement announced on 13 August 2021 (approved by shareholders on 12 October 2021).
- (v) Issued upon the conversion of unquoted options (exercisable at \$0.90 on or before 7/5/24).
- (vi) Issued to a consultant in lieu of services provided (April-September 2021).
- (vii) Issued upon the conversion of unquoted options (exercisable at \$0.25 on or before 1/12/21).
- (viii) Issue 30,000,00 fully paid ordinary shares in a placement at \$1.05 per share on 22 May 2023.
- (ix) Issued to the vendor as part consideration for tenement data (Donnelly River).
- (x) Issued to the vendor as part consideration for tenement acquisitions (Candelas).
- (xi) Issued to the vendor as part consideration for tenement acquisition (Greenbushes South).
- (xii) Shares issued to a study consultant in lieu of services provided (6 months to June 2022 - \$133,671) and to a geological consultant (\$8,000) in lieu of services provided.
- (xiii) Shares issued to a consultant on 26 August 2022. (\$44,100) in lieu of services provided.
- (xiv) Shares issued to a study consultant in lieu of services provided (3 months to July to September 2022 - \$78,583)
- (xv) Shares issued to a geological consultant (\$6,000) in lieu of services provided.
- (xvi) Issued on various dates to a consultant in lieu of services provided (April 2020 - March 2021).

#### Performance Shares

A revaluation of performance shares as at 30 June 2023 was conducted by management (refer note Note 16 for details).

#### Options as at 30 June 2023

The following unquoted options remained on issue as at 30 June 2023:

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

#### Performance Rights as at 30 June 2023

There were a total of 18,850,000 performance rights on issue at 30 June 2023 (refer note Note 16 for details).

#### 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 2023	30 June 2022
	\$	\$
Cash and cash equivalents	45,150,542	53,894,847
Trade and other receivables	533,610	59,239
Trade and other payables	(6,933,598)	(2,507,512)
Working capital position	38,750,554	51,446,574

## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2023

### 13. RESERVES

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

#### **Equity Based Reserve**

Opening balance	3,441,217	1,786,297
Issue of options to employees (i)	-	621,979
Valuation of Performance rights (ii)	4,205,348	1,104,365
Performance shares (iii)	403,818	443,656
Fair value of exercised options transferred to share capital	(2,527)	(515,080)
Closing Balance	8,047,856	3,441,217

#### **Foreign Currency Translation Reserve**

(968,622)	(989,927)
7,079,234	2,451,290

- (i) Represented by 500,000 options (exercisable at \$1.30 on or before 24 December 2024) issued to an employee  
(ii) Represented by 16,500,000 performance rights issued to directors and 2,350,000 performance rights issued to senior management, which are being expensed and amortised over the 5 year life of the performance rights.  
(iii) Revaluation of unvested performance shares on issue.

### 14. ACCUMULATED LOSSES

	30 June 2023	30 June 2022
	\$	\$
Opening balance	(11,845,616)	(6,762,730)
Loss for the Year	(7,616,989)	(5,082,886)
Transfer from Reserves	-	-
Closing Balance	(19,462,605)	(11,845,616)

### 15. LOSS PER SHARE

	Number	Number
Basic weighted average number of ordinary shares outstanding during the year used in calculation of diluted loss/share	308,228,463	285,590,123
Diluted weighted average number of ordinary shares outstanding during the year used in calculation of diluted loss/share	315,168,463	292,561,073
	\$	\$
Loss used in the calculation of basic and diluted loss per share	(7,616,989)	(5,082,886)

### 16. SHARE BASED PAYMENTS

#### Options

There were no Options issued to directors, employees and consultants.

#### Performance Rights

There were a total of 18,850,000 Performance Rights on issue at 30 June 2023 including 2,350,000 issued to management personnel.

#### **Directors**

On 25 February 2022, the Company issued 9,000,000 Director Performance Rights to the Galan directors on the terms and conditions approved by shareholders at the Galan AGM on 28 January 2022. 750,000 of these Director performance Rights were forfeited due to the resignation of Mr Liu on 18 November 22.

## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2023

Vesting Hurdle	ASPM	Vargas de la Vega	Homsany	Gardiner	Chalwell	Jimenez
H1	\$2.25	400,000	200,000	200,000	100,000	200,000
H2	\$2.50	400,000	200,000	200,000	100,000	200,000
H3	\$3.00	400,000	200,000	200,000	100,000	200,000
H4	\$3.25	900,000	450,000	450,000	225,000	450,000
H5	\$3.50	900,000	450,000	450,000	225,000	450,000
<b>Total</b>		<b>3,000,000</b>	<b>1,500,000</b>	<b>1,500,000</b>	<b>750,000</b>	<b>1,500,000</b>

The following parameters were used to value the performance rights (with an underlying base share price of \$1.52 and each with a 5-year issue life):

The forfeited value of Mr Liu's rights was removed revising the total value of the Director Performance Rights at \$11,073,975.

The Rights were valued using a barrier up-and-in trinomial pricing model with a Parisian barrier adjustment. The model, produced by an external consultant, takes into consideration that the Rights will vest at any time during the performance period, given that the VWAP of the Company's shares exceeds the relevant barrier over 20 consecutive trading days.

Alloftee	Number of Rights	Fair Value at Grant Date per Right	Estimated Volatility	Hurdle Price	Share Price at Grant Date	Risk Free Interest Rate
Directors	1,100,000	\$1.410	90%	\$2.25	\$1.52	1.645%
Directors	1,100,000	\$1.387	90%	\$2.50	\$1.52	1.645%
Directors	1,100,000	\$1.346	90%	\$3.00	\$1.52	1.645%
Directors	2,475,000	\$1.326	90%	\$3.25	\$1.52	1.645%
Directors	2,475,000	\$1.307	90%	\$3.50	\$1.52	1.645%

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2023

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

Total value of the Director Performance Rights at \$22,565,125. This amount is being expensed and amortised over the 5 year life of the performance rights, resulting in an expense of \$3,568,511 during this period. The Rights were valued using a barrier up-and-in trinomial pricing model with a Parisian barrier adjustment. The model, produced by an external consultant, takes into consideration that the Rights will vest at any time during the performance period, given that the VWAP of the Company's shares exceeds the relevant barrier over 20 consecutive trading days.

### Management

On 22 April 2022, the Company issued a total of 1,500,000 Performance Rights to senior management. The terms and conditions of the performance rights were the same as those for the Director Performance Rights issued on 25 February 2022. The following parameters were used to value the performance rights (with an underlying base share price of \$2.00 and each with a 5-year issue life):

Alloftee	Number of Rights	Fair Value at Grant Date per Right	Estimated Volatility	Hurdle Price	Share Price at Grant Date	Risk Free Interest Rate
Management	300,000	\$1.927	90%	\$2.25	\$2.00	2.835%
Management	300,000	\$1.904	90%	\$2.50	\$2.00	2.835%
Management	300,000	\$1.859	90%	\$3.00	\$2.00	2.835%
Management	300,000	\$1.838	90%	\$3.25	\$2.00	2.835%
Management	300,000	\$1.817	90%	\$3.50	\$2.00	2.835%

On 25 August 2022, the Company issued a total of 850,000 Performance Rights to senior management. The terms and conditions of the performance rights were the same as those for the Director Performance Rights issued on 25 February 2022. The following parameters were used to value the performance rights.

Alloftee	Number of Rights	Fair Value at Grant Date per Right	Estimated Volatility	Hurdle Price	Share Price at Grant Date	Risk Free Interest Rate
Management	170,000	\$1.160	90%	\$2.25	\$1.275	3.430%
Management	170,000	\$1.140	90%	\$2.50	\$1.275	3.430%
Management	170,000	\$1.103	90%	\$3.00	\$1.275	3.430%
Management	170,000	\$1.086	90%	\$3.25	\$1.275	3.430%
Management	170,000	\$1.070	90%	\$3.50	\$1.275	3.430%

The total value of the Management Performance Rights was \$3,748,530. This amount is being expensed and amortised over the 5 year life of the performance rights, resulting in an expense of \$719,919 during this period. The Rights were valued using a barrier up-and-in trinomial pricing model with a Parisian barrier adjustment. The model, produced by an external consultant, takes into consideration that the Rights will vest at any time during the performance period, given that the VWAP of the Company's shares exceeds the relevant barrier over 20 consecutive trading days.

## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2023

The following table illustrates the movements and the number and weighted average exercise prices of share-based payment options on issue during the year:

	2023		2022	
	Number of Options	Weighted Ave Exercise Price \$	Number of Options	Weighted Ave Exercise Price \$
<b>Balance at 1 July 2022</b>	6,970,950	0.32	22,486,871	0.21
Expired during the year	-	-	-	-
Exercised during the year	(30,950)	0.21	(16,015,921)	0.25
Issued during the year	-	-	500,000	1.30
<b>Balance at 30 June 2023</b>	<b>6,940,000</b>	<b>0.32</b>	<b>6,970,950</b>	<b>0.32</b>
<b>Exercisable at 30 June 2023</b>	<b>6,940,000</b>		<b>6,970,950</b>	

The options outstanding at 30 June 2023 had a weighted average remaining life of 0.38 years (2022 – 1.38 years). The weighted average fair value of the options outstanding at 30 June 2023 was \$0.18 (2022 – \$0.32).

### Performance Shares

Allotee	Number of Shares	Fair Value at Grant Date per Option	Probability	Life of Shares (years)	Expiry Date	Expected exercise date
<u>Blue Sky Milestones</u>						
- Share A <sup>(i)</sup>		Vested for vendors on 2 December 2019 <sup>(i)</sup>				
- Share B <sup>(iii)</sup>	10,000,000	\$0.185	80%	N/A	N/A	N/A
<u>Juan Pablo Vargas de la Vega ("Managing Director") Performance Shares</u>						
- Class A <sup>(ii)</sup>		Vested for Managing Director on 22 July 2020 <sup>(ii)</sup>				
- Class B <sup>(iv)</sup>	5,000,000	\$0.215	0%	3.1	July 2023	Jun 2023

The calculation of the value of the above performance shares resulted in a share-based expense of \$403,818 during the year, which is based on management's assessment of the probability of the milestones being met.

- Milestone of 80kt lithium carbonate lithium JORC resource achieved 1 October 2019
- Milestone of 1Mt lithium carbonate JORC (2012) compliant Indicated resource achieved 22 June 2020.
- Probability of Blue Sky Milestone – Share B was re-assessed at 80% , recognising the delivery of a DFS study targeting production of 5.4ktpa on 3/7/2023, resulting in an amortization charge of \$740,000 during the year.
- Probability of MD Milestone – Class B was re-assessed at 0% resulting in an amortization writeback of \$336,182 during the year.

### Blue Sky Milestones

Under the Share Sale and Purchase Agreement for the acquisition of Blue Sky, there is one final allotment of 10 million shares to the Blue Sky vendors and shareholders outstanding. These are due upon the commencement of commercial production from a pilot plant.

## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2023

---

### Managing Director Performance Shares

On 6 June 2019, shareholders approved the issue of a total 10 million performance shares to Mr JP Vargas de la Vega upon the achievement of certain milestones on or before 31 July 2023. The 5 million Class A Performance Shares would convert to Shares upon the Company announcing an Indicated and Measured resource of 1Mt of lithium carbonate equivalent at a minimum grade of 400 mg/l of lithium pursuant to The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 (JORC Code) within a project in which the Company has an interest. The 5 million Class B Performance Shares would convert to Shares upon financial close for a commercial scale lithium production facility capable of production of at least 5,000tpa of lithium carbonate equivalent per annum.

On 22 July 2020, 5 million Class A Performance Shares were converted to fully paid ordinary shares and issued to Mr JP Vargas de le Vega (milestone announced 22 June 2020).

On 31 July 2023, the 5 million Class B Performance Shares were converted to a total of 5 Shares as the financial close for a commercial scale lithium production facility capable of production of at least 5,000tpa of lithium carbonate equivalent per annum did not meet the 31 July 2023 deadline.

## 17. CASH FLOW INFORMATION

### Reconciliation from the net loss after tax to the net cash flow from operations

	30 June 2023	30 June 2022
	\$	\$
Loss from ordinary activities after income tax	(7,616,989)	(5,082,886)
Government Grant	-	-
Gain on hyper inflation	-	-
Gain on sale of shares	-	-
Fair value adjustment to investments	254,703	301,775
Exploration Written off	-	202,889
Depreciation	75,956	15,367
Share based payments	4,609,168	2,169,993
<b>Changes in assets and liabilities</b>		
- (increase)/decrease in trade and other receivables	(474,372)	(31,572)
- Increase/(decrease) in provisions	78,607	41,186
- Increase/(decrease) in trade and other payables	1,165,817	366,398
<b>Cash flow from operations</b>	<u>(1,907,110)</u>	<u>(2,016,870)</u>

## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2023

### 18. 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 – 1 Year or Less \$	Non-interest Bearing \$	2023 Total \$
<b>2023</b>				
<u>Financial assets</u>				
Cash and cash equivalents	18,150,542	27,000,000	-	45,150,542
Receivables	185,680	-	347,930	533,610
Held for trading financial assets	-	-	2,378,588	2,378,588
Total financial assets	18,336,222	27,000,000	2,726,518	48,062,740
Weighted average effective interest rate				3.5%
<u>Financial liabilities</u>				
Trade payables and accruals			(6,933,598)	(6,933,598)
Net financial assets				41,129,142

	Variable Interest Rate \$	Fixed Maturity – 1 Year or Less \$	Non-interest Bearing \$	2022 Total \$
<b>2022</b>				
<u>Financial assets</u>				
Cash and cash equivalents	3,894,847	50,000,000	-	53,894,847
Receivables	-	-	59,239	59,239
Held for trading financial assets	-	-	551,442	551,442
Total financial assets	3,894,847	50,000,000	610,681	54,505,528
Weighted average effective interest rate				1.3%
<u>Financial liabilities</u>				
Trade payables and accruals	-	-	(2,507,512)	(2,507,512)
Net financial assets				51,998,016

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.

## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2023

---

### 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 a AA- rated financial institution.

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

	30 June 2023	30 June 2022
	\$	\$
Cash and cash equivalents - Australia	44,263,723	51,292,355
Receivables – Australia	533,610	59,239

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 Australian receivables noted above are due within 30 days.

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2023

	30 June 2023	30 June 2022
	\$	\$
<u>Interest bearing financial instruments</u>		
Cash and cash equivalents	44,263,723	51,292,355
Weighted average effective interest rate	3.5%	1.3%

### 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.

#### Interest rate sensitivity analysis

At 30 June 2023, the effect on loss as a result of changes in the interest rate, with all variables remaining constant would be as follows:

#### Change in loss

Increase in interest rate by 100 basis points	451,505	538,948
Decrease in interest rate by 100 basis points	(451,505)	(538,948)

#### Change in equity

Increase in interest rate by 100 basis points	451,505	538,948
Decrease in interest rate by 100 basis points	(451,505)	(538,948)

#### Foreign currency sensitivity analysis

At 30 June 2023, the effect on loss as a result of changes in the Foreign currency, with all variables remaining constant would be as follows:

	30 June 2023	30 June 2022
	\$	\$
<u>Change in loss</u>		
Increase in 20% of Australian Dollar against the Argentinian Peso	1,030,992	341,997
Decrease in 20% of Australian Dollar against the Argentinian Peso	(1,030,992)	(341,997)
<u>Change in equity</u>		
Increase in 20% of Australian Dollar against the Argentinian Peso	1,030,992	341,997
Decrease in 20% of Australian Dollar against the Argentinian Peso	(1,030,992)	(341,997)

### **19. 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 2023.

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

Short term employee benefits	883,723	619,191
Post-employment benefits	61,563	43,400
Other long term benefits	-	-
Equity based payments	3,568,511	996,949
	<u>4,513,797</u>	<u>1,659,540</u>

## NOTES TO THE FINANCIAL STATEMENTS

### Galan Lithium Limited Annual Report 2023

---

Barclay Wells Ltd was paid a total of \$82,500 (2022: \$NIL) in capital raising fees for the 2023 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.

The Company received \$57,480 (2022: \$57,480) for the recoupment of Company Secretarial services from Cazaly Resources Ltd. Cazaly Resources 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 Cazaly Resources Ltd.

The Company paid a total of \$69,883 (2022: \$113,950) under an Office Services Agreement with Cazaly Resources Ltd. Cazaly Resources 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 Cazaly Resources Ltd.

Cardinals Corporate Pty Ltd was paid or due a total of \$201,339 (2022:\$228,995) in legal fees for the 2023 financial year. Cardinals Corporate Pty Ltd is considered by the Company to be a related Party, as the Galan Non-Executive Chairman, Mr Richard Homsany, is a director of Cardinals Corporate Pty Ltd. An amount of \$11,264 was outstanding at 30 June 2023.

## 20. COMMITMENTS

The mining tenement option obligations, which include declared tenement commitments at Greenbushes are not provided for in the financial statements and are payable as follows:

	30 June 2023	30 June 2022
	\$	\$
No longer than one year	160,012	1,447,019
Longer than one year but not longer than five years	304,954	464,966
Longer than five years	-	-
	<u>464,966</u>	<u>1,911,985</u>

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

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

As announced on 8 February 2023, Galan moved to 100% full ownership and title to the Candelas project. Candelas has no outstanding payment obligations attached to it.

### **Catalina Property – Full Ownership**

On 28 July 2023, the Company announced that it had executed the necessary agreements to register its full ownership of the Catalina tenure (as issued by the Catamarca and Salta authorities). There is a long-standing political border dispute (over 100 years) between Salta and Catamarca, that includes the northern part of the Salar del Hombre Muerto, which does not have a foreseeable resolution. Over time, both respective provincial mining authorities have claimed the right on the disputed area and have been issuing mining rights that overlap over the same area. For clarity, Galan's Catalina tenure covers Catalina, Rana de Sal II, Rana de Sal III, Pucara del Salar and Deceo I.

The Catalina tenure has never been included in the HMW Resource estimate but will now be classified under the HMW Project and a more focused and detailed work campaign will ramp up in the area.

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 Federal Congress takes a final decision. It is not expected that such a resolution will eventuate in the foreseeable near future.

However, following on from negotiations with the Salta private owner, an agreement has been reached whereby the Company will own 100% of the Catalina project, both in Salta and Catamarca, upon the issue of 9,756,098 fully paid ordinary shares in the capital of Galan (issued 28 July 2023). The uncertainty around the private ownership and potential mine development of the tenure has now been resolved through this important acquisition.

## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2023

---

### 21. EVENTS SUBSEQUENT TO THE REPORTING DATE

On 28 July 2023, a total of 9,756,098 fully paid ordinary shares were issued to Everlight Resources Pty Ltd for 100% ownership of the Catalina tenement in the Salta province.

On 8 August 2023, Galan announced that it had been granted the full Phase 1 construction permits for a 5.4ktpa LCE production.

On 22 and 29 August 2023, a total of 1,000,000 fully paid ordinary shares were issued upon the conversion of \$0.21 options.

On 4 September 2023, a total of 60,777 fully paid ordinary shares were issued to a consultant in lieu of services provided.

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

### 22. REMUNERATION OF AUDITORS

	30 June 2023	30 June 2022
	\$	\$
Remuneration of the auditor for:		
Auditing and reviewing the financial reports YE 30 June 2021	-	5,727
Auditing and reviewing the financial reports YE 30 June 2022	-	37,244
Auditing and reviewing the financial reports YE 30 June 2023	39,666	-
	<u>39,666</u>	<u>42,971</u>

### 23. CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned	
		2023	2022
Galan Lithium Limited (Parent Entity)	Australia		
Blue Sky Lithium Pty Ltd (Controlled Entity)	Australia	100%	100%
Galan Exploraciones S.A. (GESA)	Argentina	100%	100%
Galan Litio S.A. (GLSA)	Argentina	100%	100%

On 15 July 2019, the Argentinian authorities granted the Company permission to become a registered foreign shareholder of GESA. Under the Argentine Corporations Code, a local company must have at least two shareholders. At the date of this report, the Company now holds 95% of the issued shares in GESA with the remaining 5% being held in trust, on behalf of the Company, by Mr Vargas de le Vega. In Financial year ended 30 June 2022, a second company was registered in the Salta province in Argentina - Galan Litio SA ('GLSA') under the same ownership structure as GESA.

## NOTES TO THE FINANCIAL STATEMENTS

Galan Lithium Limited Annual Report 2023

### 24. PARENT ENTITY DISCLOSURES

	30 June 2023	30 June 2022
	\$	\$
<b>(a) Statement of financial position</b>		
<b>Assets</b>		
Current assets	44,797,333	51,351,594
Non-current assets	73,535,404	35,583,612
<b>Total assets</b>	<b>118,332,737</b>	<b>86,935,206</b>
<b>Liabilities</b>		
Current liabilities	1,915,988	873,967
Non-current liabilities	767,472	-
<b>Total liabilities</b>	<b>2,683,460</b>	<b>873,967</b>
<b>Equity</b>		
Issued capital	128,831,779	96,254,698
<u>Reserves:</u>		
Equity based payment reserve	8,069,158	3,441,212
Retained losses	(21,251,660)	(13,634,671)
<b>Total Equity</b>	<b>115,649,277</b>	<b>86,061,239</b>
<b>(b) Statement of Profit or Loss and Other Comprehensive Income</b>		
Total profit/ (loss)	(7,595,684)	(5,047,496)
<b>Total comprehensive income</b>	<b>(7,595,684)</b>	<b>(5,047,496)</b>

### 25. CONTINGENT LIABILITIES

Galan Lithium Limited has the following material contingent liabilities as at 30 June 2023:

Under the Share Sale and Purchase Agreement for the acquisition of Blue Sky, there is one final allotment of 10 million shares to the Blue Sky Lithium Pty Ltd vendors and shareholders outstanding. These are due upon the commencement of commercial production from a pilot plant.

On 6 June 2019, shareholders approved the issue of a total 10 million performance shares to Mr JP Vargas de la Vega upon the achievement of certain milestones on or before 31 July 2023. The 5 million Class A Performance Shares would convert to Shares upon the Company announcing an Indicated and Measured resource of 1Mt of lithium carbonate equivalent at a minimum grade of 400 mg/l of lithium pursuant to The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 (JORC Code) within a project in which the Company has an interest. The 5 million Class B Performance Shares would convert to Shares upon financial close for a commercial scale lithium production facility capable of production of at least 5,000tpa of lithium carbonate equivalent per annum.

On 20 July 2020, the above 5 million Class A Performance Shares were issued to the Managing Director (milestone announced 22 June 2020).

Assessments are conducted by management at each reporting date to determine the likelihood of the milestones being achieved. As at 30 June 2023 \$403,818 was reflected in the share based payment expense (2022: \$443,656) relating to a decrease in probability of milestone achievement from for the 5 million Managing Director Class B performance shares to 0% and increase from 40% to 80% for the 10 million outstanding Blue Sky Lithium PTY Ltd shares. This increase in probability was driven by the delivery of the definitive feasibility study at Hombre Muerto West.

### 26. ENVIRONMENT PROVISION

A provision of \$3,748,355 has been recognised for rehabilitation costs associated with land disturbance and infrastructure at our Hombre Muerto West and Candelas projects in Argentina.

## DIRECTORS' DECLARATION

Galan Lithium Limited Annual Report 2023

---

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 48 to 79 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 2023 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 Managing Director and Chief Financial Officer.

**On behalf of the Directors**



**JP Vargas de la Vega**  
**Managing Director**  
**Perth, Western Australia**  
**29 September 2023**

## 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 subsidiaries (“the Group”), which comprises the consolidated statement of financial position as at 30 June 2023, 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 Group is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Group’s financial position as at 30 June 2023 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 Group 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.

#### 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><b><i>Exploration and Evaluation</i></b></p> <p>As disclosed in Note 9 to the financial statements, the Group had an exploration and evaluation balance of \$71,137,277 as at 30 June 2023.</p> <p>Exploration and evaluation expenditure is a key audit matter due to:</p> <ul style="list-style-type: none"> <li>• The significance of the balance to the Group’s financial position.</li> <li>• The level of judgement required in evaluating management’s application of the requirements of AASB 6 Exploration for and Evaluation of Mineral Resources (“AASB 6”). 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.</li> <li>• The assessment of impairment of exploration and evaluation expenditure requiring judgement.</li> </ul>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Assessing 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 programs planned for those tenements.</li> <li>• For each area of interest, we assessed the Group’s rights to tenure by corroborating to agreements in place.</li> <li>• We considered the activities in each area of interest to date and assessed the planned future activities for each area of interest by evaluating budgets.</li> <li>• Substantiated a sample of expenditure by agreeing to supporting documentation.</li> <li>• 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"> <li>○ the licenses for the right to explore expiring in the near future or are not expected to be renewed;</li> <li>○ substantive expenditure for further exploration in the specific area is neither budgeted or planned decision or intent by the Group to discontinue activities in the specific area of interest due to lack of commercially viable quantities of resources; and</li> <li>○ 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.</li> </ul> </li> </ul>

Key Audit Matter	How our audit addressed the Key Audit Matter
	<ul style="list-style-type: none"> <li>Assessing the adequacy of the disclosures included in Note 9 to the financial statements.</li> </ul>
<p><b>Accounting for share based payments</b></p> <p>As disclosed in Notes 13 and 16 to the financial statements, during the year ended 30 June 2023 the Group incurred a share based payments expense of \$4,609,168.</p> <p>Share based payments are considered to be a key audit matter due to:</p> <ul style="list-style-type: none"> <li>the value of the transactions;</li> <li>the complexities involved in the recognition and measurement of these instruments; and</li> <li>the judgement involved in determining the inputs used in the valuations.</li> </ul>	<p>Our procedures amongst others included:</p> <ul style="list-style-type: none"> <li>Analysing agreements to identify the key terms and conditions of share based payments issued and relevant vesting conditions in accordance with AASB 2 Share Based Payments;</li> <li>Evaluating valuation models and assessing the assumptions and inputs used;</li> <li>Assessing the amount recognised during the year in accordance with the vesting conditions of the agreements; Assessing the achievement of relevant milestones; and</li> <li>Assessing the adequacy of the disclosures included in Notes 13 and 16 to the financial statements.</li> </ul>

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2023, 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 Group'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 Group 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 Group'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 Group'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 Group 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 Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group 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 2023. 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 2023, complies with section 300A of the Corporations Act 2001.

*Hall Chadwick*

**HALL CHADWICK WA AUDIT PTY LTD**

*Mark Delaurentis*

**MARK DELAURENTIS CA**

**Director**

Dated this 29<sup>th</sup> day of September 2023  
Perth, Western Australia

## ADDITIONAL SHAREHOLDER INFORMATION

Galan Lithium Limited Annual Report 2023

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 19 September 2023.

### DETAILS OF EQUITY SECURITIES

#### ORDINARY SHAREHOLDERS

There are 347,732,280 fully paid ordinary shares on issue, held by 7,771 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 19 SEPTEMBER 2023)

Fully Paid Ordinary Shareholders	Number	Percentage
BNP Paribas Noms Pty Ltd (DRP)	21,432,792	6.16%
Citicorp Nominees Pty Ltd	19,659,820	5.65%
Juan Pablo Vargas de la Vega	17,049,902	4.90%
Havelock Mining Investment Ltd	16,983,004	4.88%
BNP Paribas Nominees PTY LTD <IB AU NOMS RETAILCLIENT DRP>	12,034,339	3.46%
HSBC Custody Nominees (Australia) Limited-GSI EDA	11,744,629	3.38%
HSBC Custody Nominees (Australia) Limited	9,735,231	2.80%
Ms Margaret Lynette Harvey	7,485,714	2.15%
UBS Nominees Pty Ltd	7,202,422	2.07%
Leada Holdings Pty Ltd (Leada Investment A/c)	4,200,000	1.21%
Clive Jones (The Alyse Investment A/C)	4,199,254	1.21%
Mrs Alison Claire Ovenden	4,175,000	1.20%
Mr Zhaoyang Liu	3,971,425	1.14%
Warbont Nominees Pty Ltd (Unpaid Entrepot a/c)	3,740,924	1.08%
Mr Terry James Gardiner	3,623,600	1.04%
BNP Paribas Nominees Pty Ltd ACF Clearstream	3,125,960	0.90%
Mr T J Gardiner + Mrs V H Gardiner (Terry James Gardiner F/Fund)	2,956,887	0.85%
Mr Andrew Martin Dowling	2,500,000	0.72%
Dr Peter Poon	2,497,054	0.72%
Mr C W Chalwell + Mr I W Wilson (Chalwell Pension Fund)	2,100,001	0.60%
	<b>160,417,958</b>	<b>46.13%</b>

#### 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:

- each shareholder entitled to vote, may vote in person or by proxy, attorney or representative;
- 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
- 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.

#### VOTING RIGHTS

There are 1,213 shareholders who hold less than a marketable parcel of shares.

## ADDITIONAL SHAREHOLDER INFORMATION

Galan Lithium Limited Annual Report 2023

---

### DISTRIBUTION OF SHARE HOLDERS (AS AT 19 SEPTEMBER 2023)

	Ordinary Shares
1 to 1,000	1,103,676
1,001 to 5,000	7,163,156
5,001 to 10,000	8,720,414
10,001 to 100,000	57,446,665
100,001 and over	273,298,369
	<b>347,732,280</b>

### SUBSTANTIAL SHAREHOLDERS

As at report date, the following shareholders are recorded as Substantial Shareholders pursuant to their last notices lodged in accordance with section 671B of the Corporations Act:

Substantial Shareholder	Ordinary Shares held	% Held
Raymond Liu/Hongze Group Ltd/Havelock Mining Investments Ltd	18,054,432	6.24%
Juan Pablo Vargas de la Vega and associated entities	17,289,932	5.98%
L1 Capital Pty Ltd	15,528,580	5.23%

The percentage set out above is based on the total issued share capital at the date of ASX notification of substantial shareholder interest.

### 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 (AS AT 19 SEPTEMBER 2023)

Argentina (Hombre Muerto projects) - 100% right, interest and/or title

ARGENTINA GOLD  
CANDELA I – VIII, XI-XV  
CASA DEL INCA I, II, III, IV  
CATALINA  
DEL CONDOR  
DELMIRA I  
DON MARTIN  
EL DECEO I, II, III  
JAZMIN II  
JUANA DE ANTOFALLA  
PATA PILA  
PUCARA DEL SALAR  
RANA DE SAL I, II, III, IV  
SALINAS  
SANTA BARBARA VII,VIII,X,XXIV

Australia (Greenbushes South project) – 100% Interest (G) Granted or (P) Pending

E70/4690 (G)	P70/1699 (P)
E70/4790 (G)	P70/1700 (P)
E70/6264 (P)	P70/1701 (P)
E70/4777 (G)	P70/1702 (P)
E70/6263 (P)	P70/1703 (P)
E70/5680 (G)	P70/1704 (P)
	P70/1698 (P)