GALAN LITHIUM LIMITED

ACN 149 349 646

AND CONTROLLED ENTITIES

ANNUAL REPORT

30 June 2020

CONTENTS

Directors

Richard Homsany (Non-Executive Chairman)
Juan Pablo Vargas de la Vega (Managing Director)
Chris Chalwell (Non-Executive Director)
Terry Gardiner (Non-Executive Director)
Jinyu (Raymond) Liu (Non-Executive Director)
Daniel Jimenez (Non-Executive Director)

Company Secretary

Mike Robbins

Registered Office

Level 3, 30 Richardson Street
West Perth, WA, 6005
Ph: +61 8 9322 6283
Fax: +61 8 9322 6398
Email: admin@galanlithium.com.au
Website: www.galanlithium.com.au

Auditors

Bentleys
Level 3, 216 St Georges Tce
Perth WA 6000

Share Registry

Advanced Share Registry Limited
110 Stirling Highway
Nedlands WA 6009

Home Stock Exchange Listing

Australian Securities Exchange Limited (ASX) – Perth, Australia

ASX Code - GLN

FSX Code - 9CH

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 2020 (**the year**).

1. DIRECTORS

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

Richard Homsany - Non-Executive Chairman (appointed 5 February 2020)

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 Meg Uranium Ltd (TSX:MGA) 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

933,259 ordinary shares

Nathan Bruce McMahon - Non-Executive Chairman (resigned 5 February 2020)

Mr McMahon successfully led and steered the Company through the acquisition of its Argentinian Lithium assets, delivering excellent value to shareholders and leaves the Company in a sound position with a bright future.

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

Experience

JP is a Chilean/Australian mineral industry professional with 15 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. Founder of Blue Sky Lithium, vendor of the Argentinian assets.

Other listed directorships

Nil

Interest in shares and options

17,289,932 ordinary shares
5,000,000 Class B performance shares

Christopher William Chalwell - Non-Executive Director

Experience

Mr Chalwell was previously the COO SKILLED Workforce Services Western Mining Region. He has been involved in the gas to coal conversion of the Mica Creek Power station in Mt Isa and the Pasminco Century Mine in north Queensland. Extensive experience with feasibility studies, commercial reviews for project funding, contract appraisal and award.

Other listed directorships

Nil

Interest in shares and options

3,444,735 ordinary shares

Terry James Gardiner - Non-Executive Director

Experience

Mr Gardiner has 20+ 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 other ASX listed entities.

Other listed directorships

Cazaly Resources Ltd since December 2016.
Roto-Gro International Limited since July 2019.
Affinity Energy and Health Limited since October 2019.

Interest in shares and options

6,041,457 ordinary shares

Jinyu (Raymond) Liu - Non-Executive Director

Experience

Mr Liu is a qualified mining engineer with a commercial background, Mr Liu is the founding Managing Partner of Havelock Mining Investment, a Hong Kong investment company and has been involved with numerous investments in ASX listed companies. Currently a Director of Okapi Resources Ltd. Previously, held technical roles at Rio Tinto, KCGM and Mt Gibson Iron.

Other listed directorships

Okapi Resources Limited since October 2017.

Interest in shares and options

17,955,870 ordinary shares

Daniel Jimenez - Non-Executive Director (appointed 4 September 2019)

Experience

Mr Jimenez A civil industrial engineer Mr Jimenez has worked for 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. His last position was as Vice President of Sales of 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 estimated sales in 2018.

Other listed directorships

Nil

Interest in shares and options

2,000,000 options exercisable at $0.25 expiring on or before 1 December 2021

Mike Robbins - Company Secretary

Mr Robbins has over 20 years resource industry experience gathered at both operational and corporate levels, both within Australia and overseas. During that time, he has held numerous project and head office management positions and is 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 McMahon (resigned 5 February 2020)	3	3
Mr Homsany (appointed 5 February 2020)	4	4
Mr Vargas de la Vegas	7	7
Mr Chalwell	7	5
Mr Gardiner	7	7
Mr Jimenez	6	6
Mr Liu	7	6

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

4. PRINCIPAL ACTIVITIES

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

5. OPERATIONS & CORPORATE REVIEW

OPERATIONS

The Company successfully and safely completed its drilling campaigns at Candelas, Pata Pila and Rana de Sal with no recorded lost time injuries (LTI's).

Candelas

JORC (2012) Compliant Resource

As announced on 1 October 2019, the Company released its maiden JORC (2012) compliant Mineral Resource estimate for the Candelas lithium brine project located in Catamarca province, Argentina. The resource estimate was completed by the Company's consultants SRK (Australia) (**SRK**) and was conducted by their Australian and Argentinian based teams.

The mineral resource estimate for the higher-grade Candelas North zone was 684,850 tonnes of contained lithium carbonate equivalent (**LCE**) product grading at 672mg/l Li (at 500mg/l Li cut off). The original resource was classified as Inferred but as announced on 22 June 2020, the Candelas resource was re-classified as Indicated by SRK.

A summary of the Candelas North zone mineral resource and sensitivity to grade-tonnage and cut-off, is provided in the Mineral Resource Statement (Table 3).

Summary of Resource Estimate and Reporting Criteria

The mineral resource estimation was undertaken by SRK Consulting (Australia) and was based upon results from a total of eight (8) holes drilled in the north and central zones of the tenement holdings at Candelas for a total of 3,537 metres total length. See Table 1 for assays summary (C-01-19 to C-08-19) and Figure 1 for location of drill holes at Candelas.

The location of holes was mainly based on the results of gravity and Controlled Source Audio Magneto-Tellurics (CSMAT) data, and in most cases, located on survey lines.

Table 1: Candelas Drillhole Assays Summary (C-01-19 to C-08-19)

Hole ID	From (m)	To (m)	Interval (m)	Li mg/L	Mg mg/L	B mg/L	K mg/L	Mg:Li	Location
C-01-19	205	397	192 m@	**802**	2,224	577	8,219	2.77	**Candelas North**
C-02-19	470	662	192 m@	121	368	347	1,854	3.04	Candelas Central
C-03-19	311	454	143 m@	**784**	2,144	544	7,095	2.73	**Candelas North**
C-04-19	371	488	117 m@	141	525	349	1,880	3.72	Candelas Central
C-05-19	240	377	137 m@	**680**	1,721	506	6,682	2.53	**Candelas North**
C-06-19	350	404	54 m@	**508**	1,363	462	5,670	2.68	**Candelas North**
C-07-19	150	331	181 m@	99	126	281	1,859	1.27	**Candelas North**
C-08-19	270	340.4	70.4 m@	**744**	1,974	566	7,684	2.65	**Candelas North**

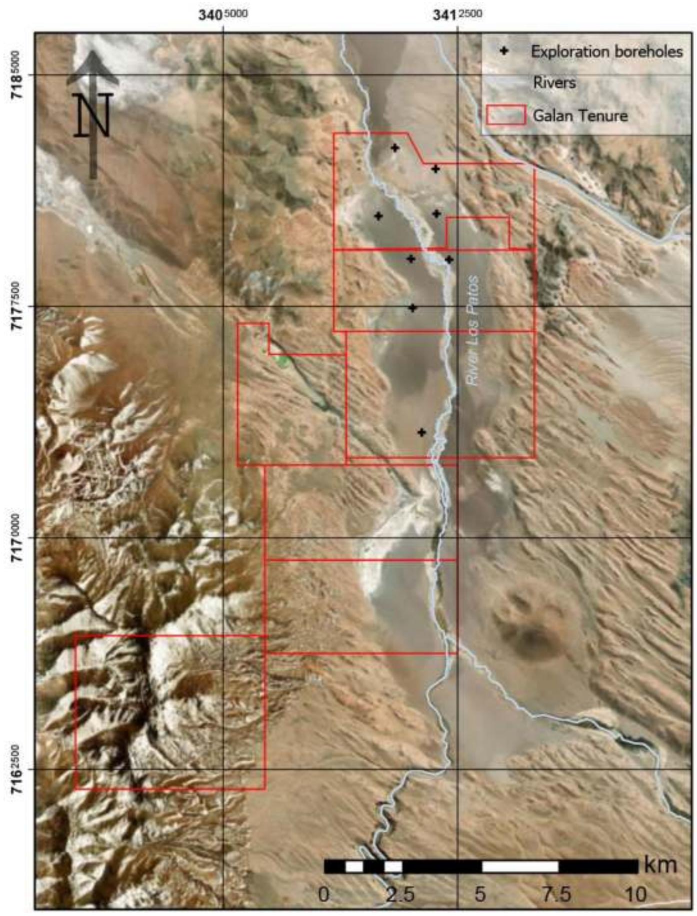

Figure 1: Location of resource drilling, Candelas Lithium brine project

The mineral resource estimates undertaken by SRK were determined for lithium and potassium. Lithium is reported as lithium carbonate (Li2CO3) equivalent, and potassium as potassium chloride (KCl). The Candelas project covers a structurally controlled basin in a lithium brine salar environment, with normal faults on the west and east and a number of northwest-southeast traverse faults that cut the deposit.

According to SRK, the Candelas resource represents geologically well-defined zones of low to high-grade lithium mineralisation. It comprises three main mineralised hydrogeologic domains spread over two zones. The units within the domains show some variation in thickness along strike and depth.

Location & Tenure

The Candelas project is part of the Hombre Muerto basin, one of the most globally prolific salt flats, located in the Argentinean Puna of the high Andes mountains at an elevation of approximately 4 km above sea-level. The Candelas project comprises nine exploration permits, covering an area of ~17,750 hectares and lies adjacent to Galaxy Resources' and POSCO's Sal de Vida projects and FMC's Fenix lithium operations. It is approximately 1,400 km northwest of the capital of Buenos Aires and 170 km west-southwest of the city of Salta (in a straight line). See figure 2 for tenure and drill collar locations.

Geological Model

As part of the mineral resource estimation process, SRK conducted geological modelling of Candelas using the software packages Leapfrog™ (Seequent, geological modelling) and GEMS™ (Geovia, geological modelling and section interpretation).

The modelling used the following datasets:

- Gravity (original data and re-modelled profiles);
- Resistivity and Conductivity profiles (CSMAT);
- Downhole geophysics (particularly gamma);
- Assays obtained from Alex Stewart International laboratory;
- Relative Brine Release Capacity data including total porosity and specific yield;
- Zelandez downhole data including total porosity and specific yield; and
- Lithological logs

The geology of the Candelas project is interpreted as a structurally controlled basin which forms a feeder channel to the Hombre Muerto basin to the north. A number of faults have been interpreted by Galan and are obvious from imagery and offset topographic ridges. These structures have been factored into the geological modelling of lithology to form hydrogeologic domains.

The west and east boundaries are determined by the north-south normal faults. The north boundary is constrained to the limit of the tenement, and the south boundary is about 200 m south of the last drill hole (C-02-19). The model has been divided in two by a major northwest-southeast fault. This structure provides a convenient break between the north, and central zones. There are 5 holes in the North zone, but hole C-07-19 was drilled on a basement high and was not included in the final resource estimate. This zone has higher grades than the south and has reasonable drillhole coverage. The south zone has lower grades and only two holes located about 4 km apart. Therefore, this zone was treated differently for estimation of grades.

A proportional block model was created to cover the extents of the drill coverage over Candelas and confined by a wireframe model based upon the various lithologies. When choosing appropriate model cell dimensions, consideration was given to drill spacing, sample interval, the interpreted geometry and thickness of the hydrogeologic domains and the style of mineralisation.

Interpolated cell grades were visually compared to the drill hole sample composites to ensure that the cell grade estimates appear to be consistent with the drill hole data. Comparisons were conducted in cross section and long section. There was generally good correlation between the estimated and composite grades, with regional grade trends observed in the composites also evident in the model cells. No significant issues were identified, with local grade characteristics in the composite data being adequately reproduced in the model.

Statistical comparisons were also conducted between the interpolated model cell grades and the sample composite grades.

Resource Classification

The original and revised mineral resource estimate for the Candelas project has been classified in accordance with the JORC Code, 2012 edition. Numerous factors were taken into consideration when assigning the classification applied to the Mineral Resource estimate. Of these factors, it is considered that the classification has been primarily influenced by the drill coverage, geological complexity and data quality and coverage**.**

The original Inferred resource was 684,850 tonnes of contained LCE product grading at 672mg/l Li (at 500mg/l Li cut off) and was upgraded to Indicated status on 22 June 2020.

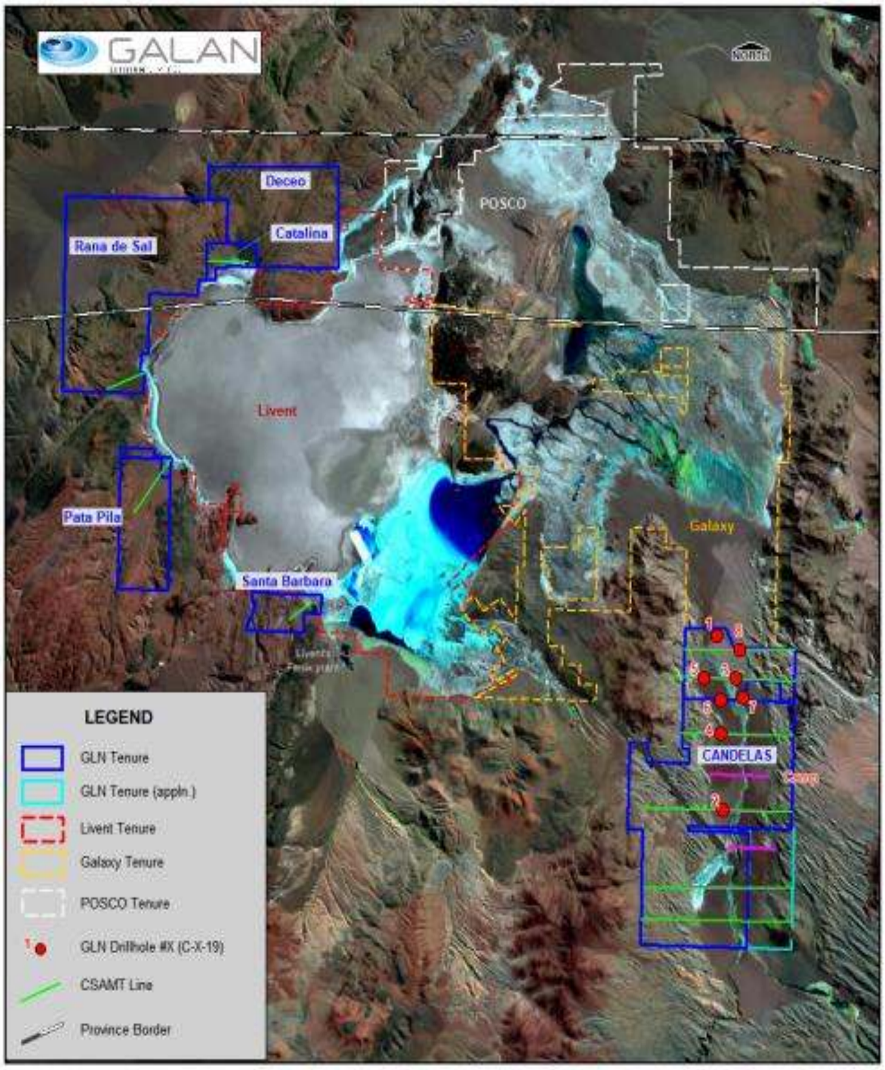

Figure 2: Location of drillholes and Galan Lithium Limited's tenure, salar Hombre Muerto, Argentina

Preliminary Brine Pond Concentration

On 4 May 2020, the Company announced that it had completed conceptual modelling for brine pond concentration for the Candelas project with brine optimisation at 3.06% Li.

The brines data was modelled using Candelas' chemical database from its 685kt LCE mineral resource (ASX Ann. 01 Oct 2019). The model was prepared by Ad-Infinitum using a specialised software package. The Ad-Infinitum work was strengthened by a team headed by the reputable chemical engineers Mr. Marcelo Bravo and Mr. Hermes Cartes. Mr. Bravo and Mr. Cartes are both former employees of SQM with combined lithium industry experience of more than 35 years.

The predictive model was optimised for lithium grade, lithium recovery, evaporation area and impurity contents. The option of lime addition for further impurities removal was also included. As a result, the brine concentration yielded 1.2 % to 3.06 % lithium. Importantly, the Candelas results rank favourably against the new lithium projects for lithium recovery and pond size (Table 4).

Hombre Muerto West Tenements

JORC (2012) Compliant Resource

On 22 June 2020, the Company announced a revised JORC (2012) reported Mineral Resource estimate for the Hombre Muerto West (**HMW**) lithium brine project located in Catamarca province, Argentina. The resource estimate was completed by the Company's consultants SRK Consulting (Australia)(**SRK**) and was conducted by their Australian based team.

The maiden Hombre Muerto West resource estimate (*) (ASX: GLN 12 March 2020) was updated by SRK to include the acquisition of Deceo III, adjacent to the Pata Pila licence area. Additionally, the resource estimate was re-classified from Inferred to Indicated as part of the revision. This re-classification was based on several factors including the increased land holding in the area, the resulting contiguity of the hydrogeologic domains and the more robust QA/QC work completed to support the assessment. Deceo III, Pata Pila and Rana de Sal have been combined to produce an indicated resource of 1,372,466 tonnes of contained lithium carbonate equivalent (**LCE**) product grading at 946mg/l Li (with no Li cut off). A summary of the revised HMW mineral resource, is provided in the Mineral Resource Statement (Table 3).

(*) The original Inferred mineral resource estimate for the Pata Pila and Rana de Sal tenements was 1,080,775 tonnes of contained ILCE product grading at 946mg/l Li (with no Li cut off).

Summary of Resource Estimate and Reporting Criteria

The mineral resource estimation was undertaken by SRK and was based upon results from drill holes within the Pata Pila, Deceo III and Rana de Sal tenement holding at Hombre Muerto West (see figure 3) for a total of 1,054 metres (see Table 2 for a summary of drill data).

Table 2: Previously reported laboratory and field test results, Pata Pila & Rana del Sal

Drillhole	Sample No.	From (m)	To (m)	S.G. (mg/l)	Cond. (mS/Cm2)	Li mg/l	Mg mg/l	Mg/Li
PP-01-19	607	99	121	1.220	>200	**938**	1,338	1.43
PP-01-19	609	254	301.5	1.222	>200	**902**	1,570	1.74
PP-01-19	610	493	541	1.219	>200	**902**	1,440	1.60
PP-01-19	611	544	580	1.221	>200	**909**	1,388	1.53
PP-01-19	612	582	647	1.200	>200	**948**	1,546	1.63
PP-01-19	613	651	718	1.200	>200	**933**	1,465	1.57
PP-01-19	632	40	718.5	1.22	>200	**946**	1,412	1.49
RS-01-19	614	32	80	1.100	>200	441	883	2.00
RS-01-19	615	83	122	1.210	>200	**1,043**	1,833	1.76
RS-01-19	624	100	433	1.22	>200	**1,010**	1,712	1.70

The mineral resource estimates undertaken by SRK were determined for lithium and potassium. Lithium is reported as lithium carbonate (Li_2CO_3) equivalent, and potassium as potassium chloride (KCl). Table 3 below provides a summary of the resource reported in accordance with the JORC Code guidelines. According to SRK, the maiden Hombre Muerto West Mineral Resource represents geologically well-defined zones of high-grade lithium mineralisation. It comprises of significant mineralised hydrogeologic domains. The units within the domains show some variation in thickness along strike and depth, see figure 4.

Table 3: Mineral Resource Statement for Hombre Muerto West and Candelas North (June 2020)

Resource Category	Brine Vol. (m^3)	In situ Li (t)	Avg. Li (mg/l)	LCE (t)	Avg. K (mg/l)	In situ K (t)	KCl Equiv. (t)
Pata Pila/ Deceo III							
Indicated	231,542,732	218,960	**946**	**1,165,480**	8,845	2,048,000	3,905,536
Rana de Sal							
Indicated	40,977,566	38,887	**949**	**206,986**	8,109	332,299	633,695
HMW Total	272,520,298	257,847	**946**	**1,372,466**	8,733	2,380,299	4,539,231
Candelas North (*)							
Indicated	195,663,000	128,664	**672**	**684,850**	5,193	1,734,090	3,306,900
Galan's Resource Inventory							
Grand Total	468,183,298	386,511	**826**	**2,057,316**	6,807	4,114,389	7,846,131

NB.; no cut-off grade for HMW, Li: 500mg/l cut off for Candelas North, no cut off for K based on 325,012,500 m^3 volume. These results refer to the drainable porosity, the specific yield (SY) values used are as follows: Sand – 10%, Gravel – 4% and Halite – 3%. There may be minor discrepancies in the above table due to rounding. The conversion for LCE = Li x 5.3228, KCl = K x 1.907. (*) The Candelas North Mineral Resource Statement was originally announced by Galan on 1 October 2019.

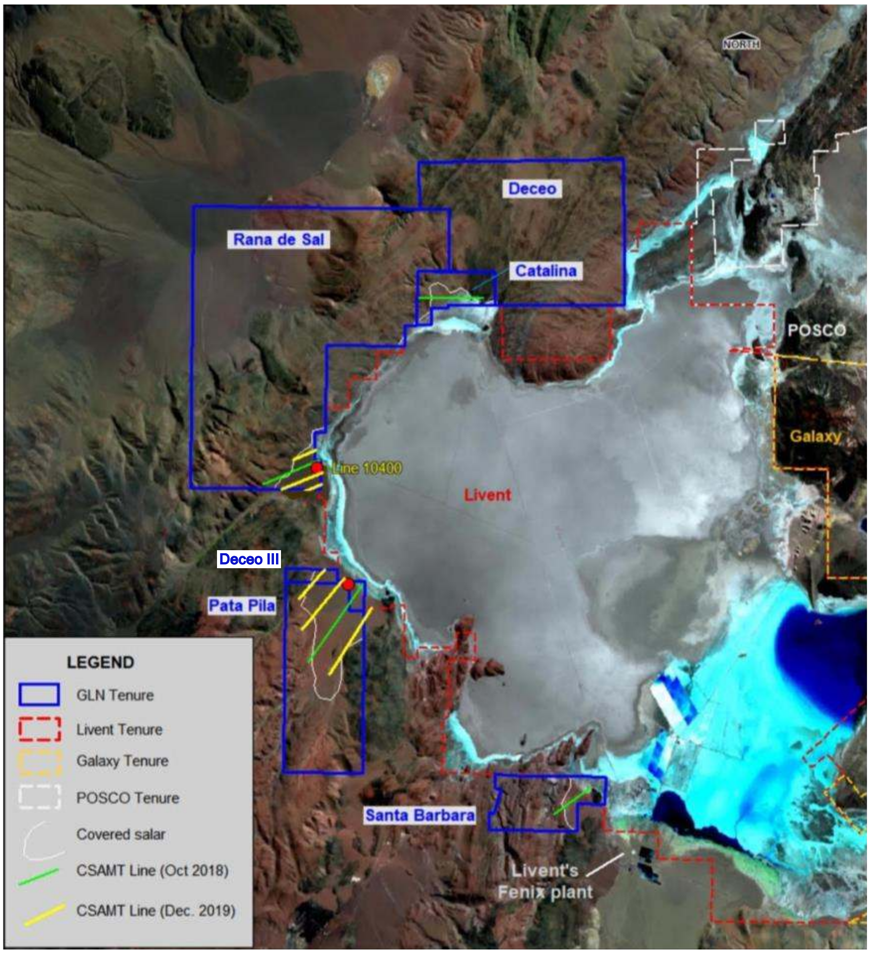

Figure 3: Galan Lithium Limited's Western Basin Projects, Hombre Muerto Salar Argentina

Location & Tenure

The Hombre Muerto West (HMW) project is located on the western shores of the Hombre Muerto, a world-renowned lithium bearing salar, located in the Argentinean Puna plateau region of the high Andes mountains at an elevation of approximately 4 km above sea-level. The HMW project comprises three exploration permits, covering a total area of 4,006 hectares and lies adjacent to Livent Corporation, Galaxy Resources and POSCO's Sal de Vida projects. It is approximately 1,400 km northwest of the capital of Buenos Aires and 170 km west-southwest of the city of Salta (in a straight line).

Geological Model

As part of the mineral resource estimation process, SRK modelled the hydrogeologic domains (figure 4) of Pata Pila/Deceo III and Rana de Sal using Geovia's *GEMSTM* (Geovia, geological modelling and section interpretation) software package.

The modelling used the following datasets:

- Resistivity and Conductivity profiles (CSMAT);
- Downhole geophysics (particularly gamma);
- Assays obtained from Alex Stewart International laboratory;
- Zelandez downhole data including total porosity and specific yield; and
- Lithological logs.

For Deceo III, additional CSMAT line coverage (from previous owners) was made available. This allowed more detailed interpretation resulting in higher confidence of the hydrogeologic domains.

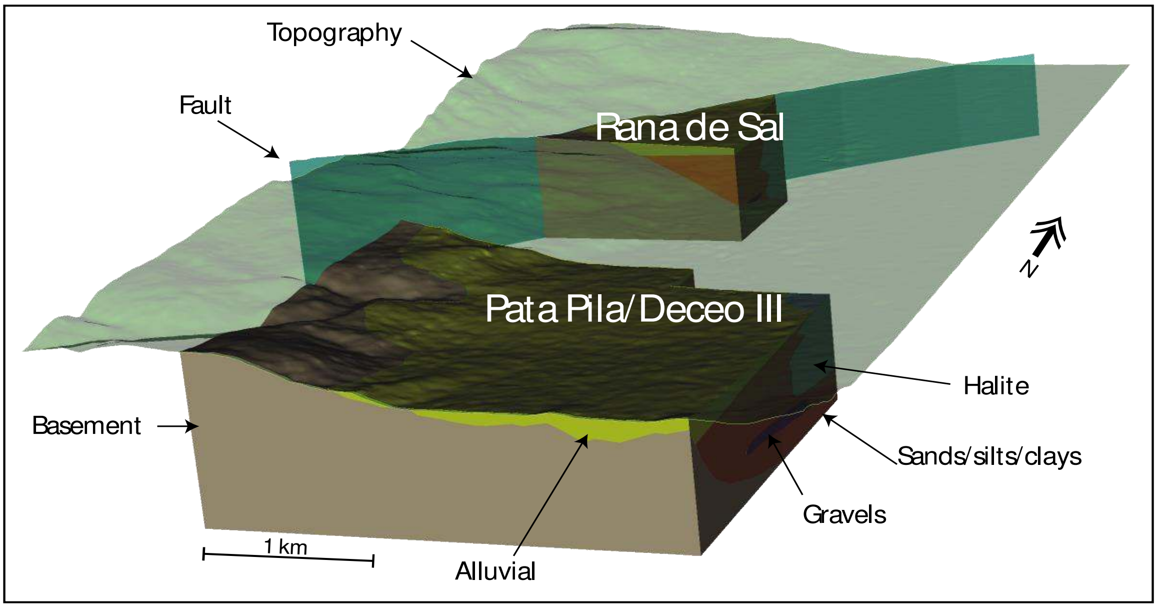

Figure 4: The geological model for Pata Pila/Deceo III and Rana de Sal produced by SRK. Note specific yields are: Sand (10%), Halite (3%) and Gravels (4%)

HMW project areas are located along the western shores of the Salar. The Salar is a closed drainage basin, structurally controlled and bounded by normal faults. The drill holes were located upon alluvial fans that have prograded out onto the Salar. The younger alluvial fan deposits rest conformably upon the salar.

All borehole drilling was by the diamond drill method, with an internal triple tube for core recovery. Core was sampled in 1.5m lengths and logged by a geologist. Water/brine samples were taken from multiple target intervals using packer, bailer and airlift tests. Downhole geophysics were employed e.g. downhole geophysical profiling and borehole magnetic resonance. Geochemical analyses of brine were undertaken by ICP-MS in two independent accredited laboratories. For further details please see Table1 and Table 2 in the ASX announcement dated 22 June 2002.

The resource boundaries of the hydrogeologic wireframes were determined as follows:

- Vertical limits are constrained between top of basement and top of sand / base of alluvial cover
- The western boundary is limited where the sand unit pinches out against basement
- The eastern margin is constrained by the tenement boundary
- The northern margin is constrained by a northeast-southwest very steeply dipping to the southeast fault, and
- The southern margin is constrained where the sand unit pinches out on shallow basement

In general, the style of geology has been assumed to be relatively flat to gentle basinward dipping stratigraphy with no preferred direction of mineralisation continuity.

A block model was created to cover the extents of both licence areas and was confined by a wireframe model based upon the various lithologies. When choosing appropriate model cell dimensions of 250 (easting) by 250 (northing) by 5m (elevation), consideration was given to drill spacing, sample interval, the interpreted geometry and thickness of the hydrogeologic domains and the style of mineralisation.

The main assay intervals for both holes are based on 72-hour airlift samples. As a result, no useful variography is possible from two averaged air lift samples. For Pata Pila, the air lift sample was obtained from interval 40 to 718.5m, and for Rana de Sal, the sample was obtained from 100 to 433m. Two simple packer samples were also obtained from the Rana de Sal drillhole over 32 to 122m.

A simple Inverse distance weighted (to the power value of 2) extrapolation was carried out, using an isotropic search that allowed all blocks coded with Sand, Gravel or Halite to be interpolated. The maximum extrapolated distance for Pata Pila (including Deceo III) is 2.57 km with an average distance of 1.3 km. For Rana de Sal, the maximum extrapolated distance is 1.1 km with an average distance of 0.6 km.

A study by Houston et al., (2011)(#) showed that drill spacing of between 7 and 10km should be sufficient for Inferred resource definition. Therefore, the distance of 4.5 km between the two holes and maximum extrapolation distances of around 2.6 km are considered reasonable.

- "The Evaluation of Brine Prospects and the Requirement for Modifications to Filing Standards" by John Houston, Andrew Butcher, Peter Ehren, Keith Evans and Linda Godfrey (October 2011)

<u>Resource Classification</u>

The mineral resource estimate for the Pata Pila/Deceo III and Rana de Sal licence areas has been classified in accordance with the JORC Code, 2012 edition. This classification also conforms to the AMEC "Guidelines for Resource and Reserve Estimation for Brines". Numerous factors were taken into consideration when assigning the classification applied to the Mineral Resource estimate.

Of these factors, it is considered that the classification has been primarily influenced by the drill coverage, geological complexity and data quality as described below:

<u>Data quality:</u> The datasets comprise a mix of sample data which were provided to SRK in numerous separate editable files. QAQC for Galan's data was acceptable for brine chemistry. Geochemical results from Alex Stewart International laboratory were preferred for resource estimation. The brine occurrence and chemistry, the relative consistency of the data and confidence in the drilling and sampling results is good.

<u>Geological complexity:</u> The general orientation of the major defined domains / horizons appears to be consistent and predictable. Thickness is variable for each hydrogeologic domain. The lower boundary of Sand and Gravels needs to be better constrained due to some basement topography as indicated by basement encountered at 710m in Pata Pila/Deceo III and at 189m at Rana de Sal. The geophysical resistivity lines also show this irregularity and were used to help guide the model. Structures can be clearly observed and mapped from surface. However, it is not clear at present as to their affect at depth. Overall, there is reasonable understanding of the stratigraphy of the basin with excellent correlation of units between most areas.

Brines will migrate from unit to unit throughout the basin during production pumping. Therefore, at this stage, much of the resource is categorised as Inferred, but with more precise interpretation of the hydrogeologic domains, this would result in potential upgrade of the category to Indicated. At this stage, SRK does not deem it necessary to understand the local variations to that level of detail.

Data coverage: The data coverage reflects the 2019 drilling and geophysical surveys. The drillhole spacing is 4.5 km and both holes are vertical. All estimated blocks within the defined extents and hydrogeologic domains were assigned a classification of Indicated Resource.

Validation results: The model validation checks show a reasonable match between the input data and estimated grades, indicating that the estimation procedures have performed as intended.

Potential economic viability: The deposit is located in a well-known area of brine lithium with good existing infrastructure and nearby mills available for ore processing.

When assessing the criteria described above, SRK considers the greatest source of uncertainty to be the large drillhole spacing and large sample intervals which has resulted in data aggregation. The large intervals have also resulted in some degree of smearing of high grades within the modelled domains.

The minimum interpolated grade is around 950 Li mg/l, which is very high grade, and above what has been deemed in similar projects as an economic cut-off grade. For example, a 500 Li mg/l cut off was used for [1]NRG Metals Inc's Hombre Muerto North project that has a combined Measured/Indicated resource.

[1]NRG Metals, NI 43-101 Preliminary Economic Assessment Report for the Hombre Muerto Norte Project Salta Province, Argentina. Effective Date 3rd June 2019

Preliminary Brine Pond Concentration

On 24 August 2020, the Company announced that it had completed conceptual modelling for brine pond concentration for the HMW project with brine optimisation at an exceptional 4.8% Li.

The brines data was modelled using HMW's chemical database from its 1.37 Mt LCE Mineral Indicated mineral resource (ASX announcement 22 June 2020) and was prepared by Ad-Infinitum using a specialised software package. The Ad-Infinitum work was strengthened by a team headed by the reputable chemical engineers Mr. Marcelo Bravo and Mr. Hermes Cartes and results were peer reviewed. Mr. Bravo and Mr. Cartes are both former employees of SQM with combined lithium industry experience of more than 35 years.

The predictive model was optimised for high lithium grade and recovery, small evaporation area and low impurity contents. As a result, the brine concentration yielded up to 4.8% lithium. Importantly, Galan now has two exceptional projects (HMW and Candelas) that rank favourably against the new lithium projects for lithium recovery and pond size (Table 4). High grade lithium feed is crucial for any potential lithium processing plant as it allows greater flexibility in terms of where the plant can be located eg. plant could be located hundreds of kms from site in a place with better access to roads, utilities and other infrastructure.

Table 4: Comparative table of new developing lithium brine projects

Project (Company) (1)	Li Recovery (Ponds System)	Ponds Area Ratio(2) (LCE t/ ha) per year	Production (LCE t per year)	Source
Hombre Muerto West (Galan)	**Up to 75% (3)**	**Up to 36(4)**	to be defined (7)	Announcement, 24 August 2020
Candelas (Galan)	70 – 80% (5)	28 – 38(6)	to be defined (7)	Announcement, 4 May 2020
Tres Quebradas (Neolithium)	67%	40(8)	20,000	PFS, 8 May 2019
Salar Blanco (Lithium Power International)	not available	27	20,000	FS, 17 January 17 2019
Pastos Grandes (Millennial Lithium)	77%	16	21,000	FS, 5 September 2019
Pastos Grandes (former LSC Lithium)	not available	23(9)	20,000	PEA, January 2019
Olaroz-Cauchari (LAC)	~63%(10)	33	40,000	Updated FS, August 2019
Olaroz Expansion (Orocobre)	not available	28	25,000	Presentation, 2 May 2019 and Announcement 28 November 2018
Cauchari JV (former Advantage Lithium	not available	24	25,000	PFS Report, 22 October 2019

1 Livent Corp, POSCO and Galaxy Resources do not currently have publicly available information for inclusion in this table.
2 The ratio was calculated using reported publicly available data and information. Some companies reported evaporation area, but others reported the total area covered by the pond systems. Refer to the Source of Information documents for finding further details of the numbers for the area reported.
3 Ponds area ratio is shown to reflect the concentrated brine product with a Li content of 4.8 %. The ponds area ratio could be improved for a lower range of Li content in the concentrated brine.
4 Lithium recovery ratio is shown to reflect the concentrated brine product with a Li content of 4.8 %. The Li recovery could be improved for a lower range of Li content in the concentrated brine.
5 Lithium recovery is shown as a range to reflect the evaporation model end concentration results of 1.2 to 3.06% Li.
6 The size estimate for the evaporation ponds system of the Candelas Project will be reported as part of the PFS. Some preliminary work has been done for the requirements of the evaporation area for a Li concentration ranging from 1.2 to 3.06%, however, some design parameters and the location of the ponds system are still being defined.
7 Galan has not defined the size of HMW and Candelas Projects. A range of production rates is still being analysed.
8 The estimate includes the area of the ponds for the removal of calcium contents of the brine.
9 The ratio was estimated taking the area of the primary, secondary and tertiary concentration ponds. For the primary ponds, an area of 770 ha was considered.
10 The Lithium recovery was estimated from the overall recovery of the full process (evaporation ponds and lithium carbonate plant) of 53.7%, the Li recovery of the lithium carbonate plant is assumed to be 85.0%.

Deceo III

As announced 28 April 2020, the Company completed the purchase of the Deceo III tenement. Galan acquired the 100% interest in the Deceo III tenement with a final payment of US$30,000 to the vendors.

Deceo III comprises a highly prospective area for high-grade lithium brine of 163.5-hectares. Significantly, Deceo III is adjacent to Galan's Pata Pila tenement and 100 metres east from the 719m deep PP-01-19 drillhole used in the maiden resource estimate for the HMW project of 1.08Mt LCE @ 946mg/l Li (ASX Announcement 12 March 2020).

Portofino Acquisition

During the year, Galan acquired the option to purchase other strategic projects (Del Condor and Pucara de Salar) at Hombre Muerto West from Portofino Resources Inc (TSX-V:POR) (Galan Announcement dated 26 February 2020). These and the Deceo III concessions are shown in figure 5.

Pending the completion of legal and title due diligence and any regulatory approvals, Galan was to pay Portofino CDN$100,000 in cash (inclusive of any deposits and exclusivity fees) and issue 650,000 fully paid Galan shares for Portofino's 100% interest in the Hombre Muerto West Agreement (**HMW Agreement**).

The HMW Agreement gives Portofino the rights to earn a 100% interest in the Del Condor and Pucara lithium brine projects. Galan had a three (3) month exclusivity period (with an option to extend for another three (3) months, if required). The second option period was due to expire on 26 August 2020 and the Company paid the final cash sum of CDN$50,000 and issued the 650,000 Galan shares on 27 August 2020 as per the terms and conditions of the agreement.

The Del Condor and Pucara projects comprise two claim blocks totalling 1,804-hectares.

They are also located within the world-class, Salar del Hombre Muerto, where Livent Corporation (NYSE:LTHM) is currently producing lithium carbonate and Galaxy Resources Limited (ASX:GXY) is developing its Sal de Vida project. Completed surface sampling tested 18 sites within the claim blocks and returned high-grade brine assay results up to 1,031mg/L Lithium (Portofino News Release dated July 10 2018).

More importantly, the projects abut Galan's Pata Pila, Deceo III and Rana de Sal concessions.

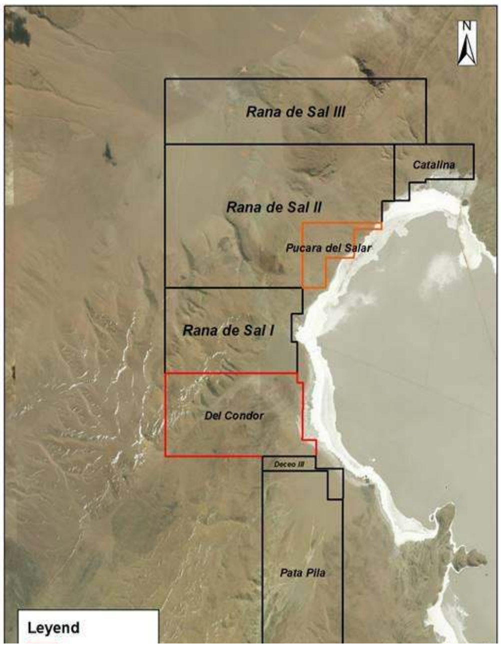

Figure 5: Map of Hombre Muerto West Showing Portofino's Del Condor and Pucara del Salar concessions (in red) and Galan's concessions (in black)

Greenbushes South – E70/4629 (100%)

The Company continues to try and progress the grant of the licence through the regulatory bodies.

CORPORATE

General

On 15 July 2019, the Argentinian authorities granted the Company permission to become a registered foreign shareholder of the Argentinian company Galan Exploraciones S.A. (GESA). Under the Argentine Corporations Code, a local company must have at least two shareholders. At the date of this report, the Company holds 95% of the issued shares in GESA with the remaining 5% being held in trust, on behalf of the Company, by Juan Pablo Vargas de le Vega.

On 4 September 2019, Galan announced the appointment of Mr Daniel Jimenez to the Board. Mr Jimenez is a civil industrial engineer and has, until recently, worked for 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.

The Company announced the appointment of Mr Richard Homsany as Non-Executive Chairman on 5 February 2020 following the retirement of Mr Nathan McMahon from the role on the same date.

On 22 June 2020, the Company changed its registered address and principal place of business to Level 3, 30 Richardson St West Perth WA 6005.

The Company continues to monitor the COVID-19 situation closely and has been managing the situation in a balanced, calm and measured way.

Equity

Shares

On 5 August 2019, the Company announced a capital raising of $2 million through a combination of a private placement to sophisticated investors and a share purchase plan offer to existing shareholders.

Galan received $1 million through a share placement at 18 cents per share with one free unquoted option (exercisable on or before 31 August 2020 at $0.25) also being issued on a one option for every two shares subscribed for basis. The 5,555,556 shares and 2,777,778 options were issued on 14 August 2019 under the Company's existing placement capacity under ASX Listing Rule 7.1.

Galan also offered existing eligible shareholders, shares plus one free unquoted option (exercisable on or before 31 August 2020 at $0.25) issued at the same price of $0.18 and on the same terms as the above placement under a Share Purchase Plan (**SPP**). The SPP closed on 13 September 2019 with applications received well in excess of the $1m envisaged. The 5,555,485 shares and 2,777,691 options were issued on 17 September 2019.

On 30 January 2020, 17 March 2020 and 29 June 2020, the Company issued a total of 5,675,000 fully paid ordinary shares, for total gross proceeds of $1,025,000, to Acuity Capital under a Controlled Placement Agreement (CPA). The CPA provides Galan with up to $5 million of standby equity capital up to 31 December 2020. Importantly, Galan retains full control of all aspects the placement process: having sole discretion as to whether or not to utilise the CPA, the quantum of issued shares, the minimum issue price of the shares and the timing of each placement tranche (if any). There are no requirements on Galan to utilise the CPA and Galan may terminate the CPA at any time, without cost or penalty.

The Company is able to set a floor price (at its sole discretion) and the final issue price will be calculated as the greater of that floor price set by Galan and a 10% discount to a Volume Weighted Average Price (VWAP) over a period of Galan's sole choosing.

On 31 October 2019, 30 January 2020 and 9 June 2020, Galan issued 131,089,142,695 and 98,771 fully paid ordinary shares, respectively, to a consultant, in lieu of scoping study and PFS services performed.

As announced on 3 April 2020, Galan conducted a small scale capital raising for gross proceeds of $550,000 through a fully subscribed private placement. The placement included participation of the entire Galan Board, staff and key consultants, at 14 cents per share plus one free unquoted option (exercisable on or before 31 March 2022 at $0.25) also being issued on a one for one basis. Part of the placement shares and options were issued on 9 April 2020 under the Company's existing placement capacity under ASX Listing Rules 7.1A and 7.1. Shareholder approval was sought and obtained on 11 September 2020 for the issue of a total of 1,857,143 shares and options to directors.

On 23 June 2020, the Company announced a $1.25m capital raising through a private placement to sophisticated investors.

The Company ended up receiving firm commitments, totalling $1.287 million from sophisticated investors through a share placement at $0.14 per share with one free unquoted option (exercisable on or before 31 March 2022 at $0.25) also being issued on a one option for every share subscribed for and issued basis.

Placement allotments were carried out on 29 June 2020, 1 July 2020 and 22 July 2020 for a total issue of 9,191,430 shares and 9,191,430 options.

<u>Options</u>

All current and previous Directors fully converted their $0.15 options before their expiry date on 29 November 2019 with $348,750 being raised in this reporting period.

$200,000 was also raised on the conversion of $0.14 options that expired on 31 December 2019.

<u>Financial</u>

The loss after tax for the year was $2,617,246 (2019: $3,554,529). The Company's net assets were $19,844,917 at the end of the year compared to $16,453,871 in 2019.

Cash and cash equivalents as at year end were $1,647,483 (2019: $2,583,490).

Exploration expenditure for the year was $2,902,166 (2019: $5,580,114) (excluding vesting of share based payment acquisition costs). All of this expenditure was on the Company's various lithium brine projects in the Hombre Muerto salar in Argentina. There was no exploration expenditure written off for the year (2019: $ Nil).

Net administration expenses and employee benefits for the year totalled $1,535,455 (2019: $1,140,993).

<u>Risks</u>

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

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

- Title Risk

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

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

- Exploration Risk

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

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

- Economic

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

- Resource Estimates

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

- Access Risks – Cultural Heritage and Native Title

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

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

- JV and Contractual Risk

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

- Market conditions

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

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

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

- Volatility in Global Credit and Investment Markets

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

- Commodity Price Volatility and Exchange Rates Risks

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

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

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

- Environmental Risks

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

The cost and complexity of complying with the applicable environmental laws and regulations may prevent the Group from being able to develop potential economically viable mineral deposits. The Group may require approval from the relevant authorities before it can undertake activities that are likely to impact the environment. Failure to obtain such approvals or to obtain them on terms acceptable to the Group may prevent the Group from undertaking its desired activities. The Group 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 Group'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 Group to incur significant expenses and undertake significant investments in such respect which could have a material adverse effect on the Group's business, financial condition and results of operations.

- Climate Change

The Group recognises that physical and non-physical impacts of climate change may affect assets, productivity, markets and the community. Risks related to the physical impacts of climate change include the risks associated with increased severity of extreme weather events and chronic risks resulting from longer-term changes in climate patterns. Non-physical risks and opportunities arise from a variety of policy, legal, technological and market responses to the challenges posed by climate change and the transition to a lower carbon world.

- Sovereign and Political Risks

Argentina

The Company acquired 100% of Blue Sky Lithium Pty Ltd on 25 June 2018. The acquisition of Blue Sky meant the Company held options to acquire the various rights to the projects located in Argentina.

On 15 July 2019, the Argentinian authorities granted the Company permission to become a registered foreign shareholder of the Argentinian company Galan Exploraciones S.A. (GESA).

Mineral exploration tenure in Argentina is governed by Argentinian legislation.

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

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

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

General

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

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

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

The Group cannot guarantee that the licences and/or tenements in which it may acquire an interest, if it completes the acquisition, or any other licences and/or tenements in which it has or may acquire in the future, will be renewed beyond their current expiry date and there is a material risk that, in the event the holder of those licences and/or tenements is unable to renew any of them beyond their current expiry date, all or part of the Group's interests in the corresponding projects may be relinquished. Further, there is no guarantee that any applications for mining licences and/or tenements will be granted or granted on conditions satisfactory to the Group.

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

The above risks are not exhaustive but cover the main exposure areas observed by the Group. Outside of the above, the Group is continually assessing industry type risk (eg. resources, commercial, commodity prices & volatility, insurance and environmental) and general type risk (eg. economic, inflationary, share markets, government & legal and global volatility).

6. 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.

7. AFTER BALANCE SHEET DATE EVENTS

The Company announced the commencement of a Preliminary Economic Assessment (**PEA**) for its Hombre Muerto West project. The specific scope of work is being conducted by Worley Chile and is the preparation of a report that, as a minimum, complies with the Canadian NI 43-101 regulation known as a PEA.

On 22 July 2020, 5,000, 000 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 24 August 2020, the Company announced excellent preliminary pond modelling results at the Hombre Muerto West project (further details disclosed in the Operations section above).

On 27 August 2020, a total of 842,674 fully paid ordinary shares were issued to Portofino Resources Inc (650,000) and a consultant (192,674) as per the terms and conditions of their respective agreements. Portofino Resources Inc were also paid on 26 August 2020 the remaining outstanding funds of $CDN50,000 due under the HMW Agreement.

On 11 September 2020, Galan held a shareholders general meeting and all presented resolutions were passed on a show of hands and by poll.

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.

8. 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.

9. ENVIRONMENTAL ISSUES

The Group has a policy of complying with or exceeding 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.

10. REMUNERATION REPORT (Audited)

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

A Remuneration Philosophy
B Remuneration Structure & Contractual Arrangements
C Remuneration and Performance
D Equity-based compensation
E Details of Remuneration
F Voting and comments at the Company's 2019 Annual General Meeting
G Related party information
H Interests of Key Management Personnel (KMP)

10. 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 non-executive 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 he or she give notice to the Board of their resignation as a Director or if he or she retires by rotation and is not re-elected as a Director by the Shareholders of the Company. Moreover his or her appointment will be terminated immediately if, for any reason, he or she becomes disqualifies or prohibited by law from being or acting as a Director or from being involved in the management of a Company.

From 1 July 2018, the Non-Executive Directors were all engaged on contracts with annual director's fees of $36,000 per annum (apart from Mr Jimenez whose fees were set at $US36,000 per annum).

The current Non-Executive Chairman was engaged on a contract with annual director fees of $60,000.

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 remuneration pool is set at $300,000 and was approved by the shareholders at the annual general meeting held on 29 November 2019.

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

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

The Managing Director is on an annual salary is $180,000 (inclusive of statutory superannuation).

C Remuneration and Performance

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

D Equity Based Compensation

Options are issued to directors, employees and consultants and maybe subject to performance criteria, and are issued to directors, employees and consultants to increase goal congruence between executives, directors and shareholders. Options carry no dividend or voting rights.

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

Allottee	Number of Options	Fair Value at Grant Date per Option	Estimated Volatility	Life of Option (years)	Exercise Price	Share Price at Grant Date	Risk Free Interest Rate
Daniel Jimenez	2,000,000	$0.05463	85%	2.00	$0.25	$0.16	1.75%

The options issued to Mr Jimenez, a Non-Executive Director, were approved by shareholders at the AGM on 29 November 2019.

E 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		
	$	$	$	$	$	$	$	$	$	%
Mr Richard Homsany – Non-Executive Chairman (appointed 5 February 2020) (ii)										
2020	25,000	-	-	-	-	-	-	-	25,000	-
2019	-	-	-	-	-	-	-	-	-	-
Mr Nathan McMahon – Non-Executive Chairman (resigned 5 February 2020) (i)										
2020	21,000	-	-	-	-	-	-	-	21,000	-
2019	46,000	-	-	-	-	-	-	-	46,000	-
Mr Juan Pablo Vargas de la Vega – Managing Director										
2020	164,384	-	-	-	15,616	-	785,848	-	965,848	81.4%
2019	164,384	-	-	-	15,616	-	393,351	-	573,351	68.6%
Mr Terry Gardiner – Non Executive Director										
2020	36,000	-	-	-	-	-	-	-	36,000	-
2019	36,000	-	-	-	-	-	-	-	36,000	-
Mr Chris Chalwell – Non Executive Director (iii)										
2020	36,000	-	-	-	-	-	-	-	36,000	-
2019	36,000	-	-	-	-	-	-	-	36,000	-
Mr Raymond Liu – Non Executive Director										
2020	36,000	-	-	-	-	-	-	-	36,000	-
2019	36,200	-	-	-	-	-	-	-	36,200	-
Mr Daniel Jimenez – Non Executive Director (Appointed 4 September 2019) (iv)										
2020	40,024	-	-	-	-	-	-	109,260	149,284	73.2%
2019	-	-	-	-	-	-	-	-	-	-
Total Remuneration										
2020	358,408	-	-	-	15,616	-	785,848	109,260	1,269,132	70.5%
2019	318,584	-	-	-	15,616	-	393,351	-	727,551	54.1%

(i) Pro-rata Director fees of $21,000 (2019-$46,000) were paid to Kingsreef Pty Ltd, a company controlled by Mr McMahon. Mr McMahon resigned as Non-Executive Chairman on 5 February 2020.
(ii) Pro-rata Director fees of $25,000 were due and payable to Mr Homsany. Mr Homsany was appointed as Non-Executive Chairman on 5 February 2020.
(iii) Director fees of $36,000 were paid to Westdev Pty Ltd, a company controlled by Mr Chalwell.
(iv) Pro-rata Director fees of $40,024 ($US29,700) were paid to Mr Jiminez. Mr Jimenez was appointed as a Non-Executive Director on 4 September 2019.

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

F Voting and Comments at the Company's 2019 Annual General Meeting

The adoption of the Remuneration Report for the financial year ended 30 June 2019 was put to the shareholders of the Company at the Annual General Meeting held 29 November 2019. The Company received 100% of the vote, of those shareholders who exercised their right to vote, in favour of the remuneration report for the 2019 financial year. The resolution was passed without amendment on a show of hands. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

G Related Party Information

Cazaly Resources Limited was due a total of $122,853 (2019: $126,720) under an Office Services Agreement with the Company and is considered by the Company to be a related party, as the former Galan Non-Executive Chairman, Mr Nathan McMahon is also a director of Cazaly Resources Limited. The fees relate to the full financial year even though Mr McMahon resigned on 5 February 2020.

Barclay Wells Ltd was paid a total of $77,400 (2019: $303,363) in capital raising fees for the 2020 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.

H Interests of Key Management Personnel (KMP)

<u>Share holdings</u>

30 June 2020

Name	Balance 1 July 2019	Purchased	Options Exercised	Other	Balance 30 June 2020
Nathan McMahon (i)	6,269,167	-	750,000	(7,019,167)	-
Richard Homsany (i)	-	-	-	933,259	933,259
JP Vargas de la Vega	7,127,274	45,000	-	5,117,658 (vi)	12,289,932
Chris Chalwell	2,511,402	183,333	750,000	-	3,444,735
Terry Gardiner	5,195,902	95,555	750,000	-	6,041,457
Jinyu (Raymond) Liu	13,367,640	-	-	4,588,230 (vi)	17,955,870
Daniel Jimenez (ii)	-	-	-	-	-
Total	**34,471,385**	**323,888**	**2,250,000**	**3,619,980**	**40,665,253**

30 June 2019

Name	Balance 1 July 2018	Purchased	Options Exercised	Other	Balance 30 June 2019
Nathan McMahon (i)	4,839,381	-	1,429,786	-	6,269,167
Richard Homsany (i)	-	-	-	-	-
JP Vargas de la Vega	6,823,544	303,730	-	-	7,127,274
Chris Chalwell	2,000,000	50,000	461,402	-	2,511,402
Terry Gardiner	3,529,919	-	1,665,983	-	5,195,902
Jinyu (Raymond) Liu	13,367,640	-	-	-	13,367,640
Daniel Jimenez (ii)	-	-	-	-	-
Total	**30,560,484**	**353,730**	**3,557,171**	**-**	**34,471,385**

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

Option holdings

30 June 2020 – Quoted Options

Name	Balance 1 July 2019	Issued/Other	Exercised	Lapsed	Balance 30 June 2020
Nathan McMahon (i)	-	-	-	-	-
Chris Chalwell	-	-	-	-	-
Terry Gardiner	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**

30 June 2019 – Quoted Options

Name	Balance 1 July 2018	Issued/Other	Exercised	Lapsed	Balance 30 June 2019
Nathan McMahon (i)	1,429,786	-	(1,429,786)	-	-
Chris Chalwell	311,402	150,000	(461,402)	-	-
Terry Gardiner	1,665,983	-	(1,665,983)	-	-
Total	**3,407,171**	**150,000**	**(3,557,171)**	**-**	**-**

30 June 2020 – Unquoted Options

Name	Balance 1 July 2019	Issued/Other	Exercised (iii)	Lapsed	Balance 30 June 2020
Nathan McMahon (i)	750,000	-	(750,000)	-	-
Richard Homsany (i)	-	55,554	-	-	55,554
JP Vargas de la Vega	5,117,659	(1,428,571)	-	(3,689,088)	-
Chris Chalwell	750,000	41,666	(750,000)	-	41,666
Terry Gardiner	750,000	27,777	(750,000)	-	27,777
Jinyu (Raymond) Liu	6,588,230	-	-	(6,588,230)	-
Daniel Jimenez (ii)	-	2,000,000 (v)	-	-	2,000,000
Total	**13,955,889**	**696,426**	**(2,250,000)**	**(10,277,318)**	**2,124,997**

30 June 2019 – Unquoted Options

Name	Balance 1 July 2018	Issued/Other	Exercised	Lapsed	Balance 30 June 2019
Nathan McMahon (i)	750,000	-	-	-	750,000
Richard Homsany (i)	-	-	-	-	-
JP Vargas de la Vega	1,023,533	4,094,126 (iv)	-	-	5,117,659
Chris Chalwell	750,000	-	-	-	750,000
Terry Gardiner	750,000	-	-	-	750,000
Jinyu (Raymond) Liu	917,646	5,670,584 (iv)	-	-	6,588,230
Daniel Jimenez (ii)	-	-	-	-	-
Total	**4,191,179**	**9,764,710**	**-**	**-**	**13,955,889**

(i) Mr Nathan McMahon resigned on 5 February 2020. Mr Richard Homsany was appointed on the same date.
(ii) Mr Jimenez was appointed on 4 September 2019.
(iii) Exercisable at $0.15 on or before 29 November 2019 (approved by shareholders at the AGM on 24 November 2017).
(iv) Exercisable at $0.14 on or before 31 December 2019 (approved by shareholders at a general meeting held on 4 May 2018) issued as part of the Blue Sky acquisition.
(v) Exercisable at $0.25 on or before 1 December 2021 (approved by shareholders at a general meeting held on 29 November 2019).
(vi) A total of 15,000,000 were Issued to Blue Sky vendors on the attainment of 80Kt resource at Hombre Muerto. Mr Vargas de la Vega and Mr Liu were original Blue Sky vendors. The full issue of shares was approved by shareholders at the AGM on 29/11/19.

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

Performance Share holdings

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 5,000,000 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 5,000,000 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, 5,000, 000 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).

End of Remuneration Report

11. OPTIONS

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

Expiry Date	Exercise Price	Unquoted Options
11/06/2021	$0.3438	4,000,000
01/12/2021	$0.2500	2,000,000
31/03/2022	$0.2500	11,262,859
31/10/2022	$0.2000	150,000

12. PROCEEDINGS ON BEHALF OF THE COMPANY

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

13. INDEMNIFYING OFFICERS & AUDITORS

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

14. NON-AUDIT SERVICES

The auditors have not provided any non-audit services to the Company in the financial year ended 30 June 2020.

15. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under Section 307C in relation to auditor's independence for the Year ended 30 June 2020 has been received and can be found on page 29.

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 2020

Competent Person's 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 Statement 2
The information relating to the Exploration Results and integrity of the database was compiled by Mr Francisco Lopez (Geology). Mr Lopez is a full-time employee of Galan Lithium Limited and has been engaged by Galan as their Geology Manager. The integrity of the database and site inspection was done by Dr Michael Cunningham, GradDip, (Geostatistics) BSc honours (Geoscience), PhD, MAusIMM, MAIG, MGSA, FGSL. Dr Cunningham is an Associate Principal Consultant of SRK Consulting (Australasia) Pty Ltd.

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

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

Information within this report that relates to Resources for the Candelas project have previously been released in ASX:GLN announcements dated 1/10/19 and 22/6/20.

Information within this report that relates to Exploration Results for the HMW projects have previously been released in ASX:GLN announcements dated 9/10/19, 15/11/19, 19/12/19, 13/1/20 and 15/1/20. Information within this report that relates to Resources for the HMW projects have previously been released in ASX:GLN announcements dated 12/3/20 and 22/6/20.

Bentleys
THINKING AHEAD

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

PO Box 7775
Cloisters Square WA 6850

ABN 33 121 222 802

T +61 8 9226 4500
F +61 8 9226 4300

bentleys.com.au

To the Board of Directors

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

As lead audit partner for the audit of the financial statements of Galan Lithium Limited for the financial year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours Faithfully,

BENTLEYS
Chartered Accountants

DOUG BELL CA
Partner

Dated at Perth this 29th day of September 2020

	Note	30 June 2020	30 June 2019
Continuing Operations			
Interest revenue	3	1,174	6,788
Other Income	3	29,421	41
Total		30,595	6,829
Administration expenses		(936,122)	(815,114)
Compliance & regulatory expense		(196,314)	(252,615)
Employment expense		(599,333)	(325,878)
Fair value gain/(loss) on financial assets		(2,679)	(17,239)
Depreciation		(2,871)	(2,464)
Share based payments	16	(910,522)	(2,148,048)
Loss before income tax expenses		(2,617,246)	(3,554,529)
Income tax expenses	4	-	-
Loss for the year from continuing operations		(2,617,246)	(3,554,529)
Exchange differences on translating foreign operations		(976,809)	-
Other comprehensive income		-	-
Total comprehensive income and net loss for the Year attributable to the owners of the Company		(3,594,055)	(3,554,529)
Basic weighted average loss per share (cents per share)	13	(1.73)	(3.31)
Diluted weighted average loss per share (cents per share)	13	(1.73)	(3.31)

The accompanying notes form part of these financial statements.

	Note	30 June 2020 $	30 June 2019 $
Current Assets			
Cash and cash equivalents	5	1,647,483	2,583,490
Prepayments		1,220	14,636
Trade and other receivables	6	15,341	53,487
Total Current Assets		1,664,044	2,651,613
Non-Current Assets			
Financial Assets	7	22,632	21,311
Plant & Equipment		7,609	6,902
Exploration and evaluation	8	18,461,811	15,312,411
Total Non-Current Assets		18,492,052	15,340,624
Total Assets		20,156,096	17,992,237
Current Liabilities			
Trade and other payables	9	256,841	1,538,366
Provisions		54,338	-
Total Current Liabilities		311,179	1,538,366
Total Liabilities		311,179	1,538,366
Net Assets		**19,844,917**	**16,453,871**
Equity			
Issued capital	10	24,801,369	16,940,982
Reserves	11	2,601,311	6,844,900
Accumulated losses	12	(7,557,763)	(7,332,011)
Total Equity		**19,844,917**	**16,453,871**

The accompanying notes form part of these financial statements.

	Note	Issued Capital	Reserves	Accumulated Losses	Total Equity
		$	$	$	$
Balance at 1 July 2018		**10,161,339**	**2,630,302**	**(3,777,482)**	**9,014,159**
Net loss for the year		-	-	(3,554,529)	(3,554,529)
Total comprehensive loss for the year		-	-	(3,554,529)	(3,554,529)
Transactions with owners recorded directly in equity:					
Issue of equity		7,052,485	-	-	7,052,485
Equity to be issued		-	-	-	-
Performance shares issued		-	393,352	-	393,352
Options exercised		-	-	-	-
Vendor shares		-	-	-	-
Share issue costs		(333,792)	-	-	(333,792)
Option valuation		-	3,882,196	-	3,882,196
Fair value exercised options		-	-	-	-
Expiry of options		-	-	-	-
Option Reserve		60,950	(60,950)	-	-
FX reserve		-	-	-	-
Balance at 30 June 2019		**16,940,982**	**6,844,900**	**(7,332,011)**	**16,453,871**
Net loss for the year		-	-	(2,617,246)	(2,617,246)
Other comprehensive income for the year net of tax		-	(976,809)	-	(976,809)
Total comprehensive loss for the year		-	(976,809)	(2,617,246)	(3,594,055)
Transactions with owners recorded directly in equity:					
Issue of Equity		4,105,083	-	-	4,105,083
Equity to be issued		331,096	-	-	331,096
Performance shares issued		2,775,000	(2,775,000)	-	-
Options exercised		548,750	-	-	548,750
Vendor shares		-	57,050	-	57,050
Share issue costs		(77,400)	-	-	(77,400)
Option valuation		-	124,624	-	124,624
Fair value exercised options		177,858	(177,858)	-	-
Expiry of options		-	(2,391,494)	2,391,494	-
Option Reserve		-	1,895,898	-	1,895,898
Balance at 30 June 2020		**24,801,369**	**2,601,311**	**(7,557,763)**	**19,844,917**

The accompanying notes form part of these financial statements.

	Note	30 June 2020 $	30 June 2019 $
Cash flows from operating activities			
Cash paid to suppliers and employees		(1,695,262)	(1,138,752)
Interest received		1,174	6,788
Cash received from government grant		29,421	-
Net cash used in operating activities	14	(1,664,667)	(1,131,964)
Cash flows from investing activities			
Payments for Property, Plant & Equipment		(3,579)	(7,735)
Payments for exploration expenditure		(4,171,290)	(4,683,097)
Payment for investments		(4,000)	(2,000)
Net cash from / (used in) investing activities		(4,178,869)	(4,692,832)
Cash flows from financing activities			
Proceeds from issue of equity instruments		4,984,929	7,052,485
Payment for share issue costs		(77,400)	(333,792)
Net cash from financing activities		4,907,529	6,718,693
Net increase/(decrease) in cash and cash equivalents		(936,007)	893,897
Cash and cash equivalents at beginning of the year		2,583,490	1,689,593
Effect of exchange rate changes on the balance of cash held in foreign currency		-	-
Cash and cash equivalents at end of year	5	1,647,483	2,583,490

The accompanying notes form part of these financial statements.

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 2020. Galan is a publicly listed company, incorporated and domiciled in Australia. The financial statements were authorised for issue on 28 September 2020 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 2020 is contained in Note 21 to the financial statements.

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

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

(c) Going concern

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

The Group incurred a loss after tax for the year of $2,617,246 (2019: $3,554,529) and net cash outflows used in operating activities of $1,664,667 (2019: $1,131,964).

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

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

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

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

(d) Basis of measurement

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

(e) Functional and presentation currency

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

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

(f) Income tax

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

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

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

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

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

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

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

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

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

(g) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST/VAT, 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.

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:

Loans and Borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

(i) Impairment of Assets

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

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

(j) Provisions

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

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

(k) Cash and cash equivalents

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

(l) Revenue and other Income

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

(m) Trade and other payables

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

(n) Equity settled compensation

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

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

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

(o) Exploration, Evaluation and Development Expenditure

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

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

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

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

(p) Critical accounting estimates and judgements

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

Key Judgements –Exploration and evaluation expenditure

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

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

Key Judgments – Environmental Issues

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

Key Estimates – Taxation

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

Key Estimates – equity settled transactions

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

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

(q) Foreign Currency Transaction and Balances

Functional and presentation currency

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

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:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	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 2020			
	Level 1 $	**Level 2 $**	**Level 3 $**	**Total $**
Recurring fair value measurements				
Financial assets at fair value through profit or loss:				
- Australian listed shares	22,632	-	-	22,632

	30 June 2019			
	Level 1 $	**Level 2 $**	**Level 3 $**	**Total $**
Recurring fair value measurements				
Financial assets at fair value through profit or loss:				
- Australian listed shares	21,311	-	-	21,311

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

In the year ended 30 June 2020, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current annual reporting period.

AASB 16 Leases requires lessees to account for all leases under a single on-balance sheet model. The standard includes two recognition exemptions for lessees namely leases of 'low-value' assets and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessees will separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group has adopted *AASB 16 Leases* however its current leases fall within either the 'low-value' or 'short-term' recognition exemptions. The adoption of this standard has had no impact on the current or previous reporting period and as such there have been no adjustments to the opening balance of retained earnings.

2. OPERATING SEGMENTS

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

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

Exploration

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

Segment assets

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

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

Segment liabilities

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

Unallocated items

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

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

2. *OPERATING SEGMENTS (Cont'd)*

30 June 2020	Exploration $	Unallocated $	Total $
Revenue			
Interest	-	1,174	1,174
Other	-	29,421	29,421
Total segment revenue	**-**	**30,595**	**30,595**
Segment net operating loss (profit) after tax	**(148,690)**	**(2,468,556)**	**(2,617,246)**
Impairment of exploration assets	-	-	-
Share based payments	-	(910,522)	(910,522)
Segment assets			
Exploration expenditure	18,461,811	-	18,461,811
Cash and cash equivalents	12,498	1,634,985	1,647,483
Other assets	4,799	42,003	46,802
Total segment assets	**18,479,108**	**1,676,988**	**20,156,096**
Segment liabilities	130,119	181,060	311,179

30 June 2019	Exploration $	Unallocated $	Total $
Revenue			
Interest	-	6,788	6,788
Other	-	41	41
Total segment revenue	**-**	**6,829**	**6,829**
Segment net operating loss (profit) after tax	**(156,147)**	**(3,398,382)**	**(3,554,529)**
I20airment of exploration assets	-	-	-
Share based payments	-	(2,148,048)	(2,148,048)
Segment assets			
Exploration expenditure	13,436,823	-	13,436,823
Cash and cash equivalents	-	2,583,490	2,583,490
Other assets	-	1,971,924	1,971,924
Total segment assets	**13,436,823**	**4,555,414**	**17,992,237**
Segment liabilities	**1,742,242**	**189,476**	**1,931,718**

3. REVENUE AND OTHER INCOME

	30 June 2020 $	30 June 2019 $
Interest received from financial institutions	1,174	6,788
Other Income		
Sundry	-	41
Cashflow boost payment	29,421	-
	29,421	41

4. INCOME TAX EXPENSE

(a) Income tax expense

Current tax	-	-
Deferred tax	-	-

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

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

Accounting loss before tax	(2,617,246)	(3,554,529)
Prima facie tax on accounting loss at 30% (2019:30%)	(785,174)	(1,066,359)
Add / (Less)		
Tax effect of:		
Non-deductible expenses	404,421	682,186
Non-assessable income	(8,826)	-
Share issue cost deduction	(10,157)	(9,228)
Deferred tax assets not brought to account	399,736	393,401
Income tax attributable to operating loss	-	-
The applicable weighted average effective tax rates as follows	Nil%	Nil %

(c) Deferred tax assets

Unused tax losses	-	-
Other	-	-
Set-off of deferred tax liabilities	-	-
	-	-

(d) Deferred tax liabilities

Other	-	-
Set-off of deferred tax assets	-	-
	-	-

(e) Tax losses

Unused tax losses for which no deferred tax asset has been recognised	1,568,701	1.192,983
Unrecognised temporary differences	54,814	47,607
	1,623,515	1,240,950

5. CASH AND CASH EQUIVALENTS

	30 June 2020 $	30 June 2019 $
Cash at bank	146,485	33,285
Deposits at call (i)	1,500,998	2,550,205
	1,647,483	2,583,490

(i) The effective interest rate on short-term bank deposits (90 day maturity) was 0.20% (2019: 0.20%).

6. TRADE AND OTHER RECEIVABLES

GST receivables and other debtors	15,341	53,487
	15,341	53,487

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

7. FINANCIAL ASSETS

Shares in listed corporations at fair value	22,632	21,311

8. EXPLORATION AND EVALUATION

Costs carried forward in respect of areas of interest:

Exploration and evaluation phases at cost	17,764,120	15,312,411
Movement:		
Brought forward	15,312,411	7,604,797
Exploration expenditure capitalised during the year	2,902,166	5,580,114
Share valuation capitalised (see (c) and (d) below) (Refer Note 16)	1,110,000	2,127,500
Candelas vendor shares (Refer Note 11)	57,050	-
Foreign exchange translation	(919,816)	-
Balance at reporting date	18,461,811	15,312,411

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

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

Asset acquisition – Hombre Muerto Lithium Project

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

(a) 3,000,000 fully paid ordinary shares in the capital of Galan and 3,000,000 options each at an exercise price of $0.14 on or before 31 December 2019 (the shares and options were issued on 25 June 2018).

8. EXPLORATION AND EVALUATION (Cont'd)

(b) 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).
(c) Upon the delineation by or on behalf of Galan of a JORC resource of not less than 80kt lithium carbonate equivalent within the area of the mining properties in which Blue Sky has an interest as at Completion, the issue of 15,000,000 Shares to the Blue Sky vendors and shareholders (the shares were issued on 2 December 2019).
(d) Upon the commencement of commercial production from a pilot plant by on or behalf of Galan, the issue of 10,000,000 Shares to the Blue Sky vendors and shareholders.

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

As at 30 June 2020, the probability of meeting the milestone listed in (d) above was revised and as such a value of $462,500 (see Note 16) has been attributable to these shares as deferred consideration.

9. TRADE AND OTHER PAYABLES

	30 June 2020 $	30 June 2019 $
Accruals	57,807	914,168
Trade payables	199,034	211,434
Other payables	-	412,764
	256,841	1,538,366

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

10. ISSUED CAPITAL

	2020 Number	2020 $
Fully paid ordinary shares (2019: 129,334,278)	172,488,590	24,801,369

10. ISSUED CAPITAL (Cont'd)

	30 Jun 2020 Number	30 Jun 2020 $	30 Jun 2019 Number	30 Jun 2019 $
Balance at the beginning of the period	129,334,278	16,940,982	95,090,001	10,161,339
Shares issued at $0.14 - option conversions (i)	-	-	16,269,109	2,277,675
Shares Issues at $0.14 – underwriting (ii)	-	-	180,891	25,325
Shares issued at $0.14 – option conversions (iii)	-	-	1,058,822	148,235
Shares issued at $0.15 – option conversions (iv)	-	-	675,000	101,250
Shares issued at $0.275 - placement (v)	-	-	14,545,455	4,000,000
Shares issued at $0.33 – Acuity (vi)	-	-	1,515,000	500,000
Shares issues at $0.18 - placement (vii)	5,555,556	1,000,000	-	-
Shares issued at $0.18 – SPP (viii)	5,555,485	1,000,000	-	-
Shares issued at $0.183 - consultant (ix)	131,089	24,050	-	-
Shares issued at $0.15 - option conversion (x)	2,325,000	348,750	-	-
Shares issued at $0.14 – option conversions (xi)	1,428,571	200,000	-	-
Shares issued at $0.15 - vendors (xii)	15,000,000	2,775,000	-	-
Shares issued at $0.16 - consultant (xiii)	142,695	22,817	-	-
Shares issued at $0.1954 – Acuity (xiv)	2,175,000	425,000	-	-
Shares issued at $0.25 – Acuity (xv)	1,000,000	250,000	-	-
Shares issued at $0.14 - placement (xvi)	2,071,429	290,000	-	-
Shares issued at $0.20 - consultant (xvii)	98,771	19,316	-	-
Shares issued at $0.14 – placement (xviii)	5,170,716	723,900	-	-
Shares issued at $0.14 – Acuity (xix)	2,500,000	350,000	-	-
	172,488,590	24,369,815	129,334,278	17,213,824
Shares to be issued (xx)	-	247,100	-	-
Shares to be issued (xxi)	-	28,574	-	-
Shares to be issued (xxii)	-	55,422	-	-
Transfer from equity-based reserve	-	177,858	-	60,950
Less: transaction costs	-	(77,400)	-	(333,792)
Balance at the end of the period	172,488,590	24,801,369	129,334,278	16,940,982

(i) Issued on various dates between 19 July 2018 and 2 January 2019 on the conversion of quoted options (exercisable at $0.14 on or before 31/12/18).
(ii) Issued on 14 January 2019 as an underwriting for quoted options (exercisable at $0.14 on or before 31/12/18).
(iii) Issued on various dates between 25 January 2019 and 15 April 2019 on the conversion of unquoted options (exercisable at $0.14 on or before 31/12/19).
(iv) Issued on 12 February 2019 and 5 March 2019 on the conversion of unquoted options (exercisable at $0.15 on or before 29/11/19).
(v) Issued on 15 April 2019 under a placement announced to ASX on 9 April 2019.
(vi) Issued on 16 April 2019 under a controlled placement agreement with Acuity Capital.
(vii) Issued on 14 August 2019 under a share placement announced on 5 August 2019.
(viii) Issued on 17 September 2019 under a share purchase plan announced on 5 August 2019.
(ix) Issued on 30 October 2019 to a consultant in lieu of services provided.
(x) Issued on various dates between 30 October 2019 and 2 December 2019 on the conversion of unquoted options (exercisable at $0.15 on or before 29/11/19).
(xi) Issued on various dates between 20 December 2019 and 30 December 2019 on the conversion of unquoted options (exercisable at $0.14 on or before 31/12/19).
(xii) Issued to Blue Sky vendors on the attainment of 80Kt resource at Hombre Muerto.
(xiii) Issued on 30 January 2020 to a consultant in lieu of services provided.
(xiv) Issued on 30 January 2020 under a controlled placement agreement with Acuity.
(xv) Issued on 17 March 2020 under a controlled placement agreement with Acuity.
(xvi) Issued on 9 April 2020 as part of a placement announced on 3 April 2020.
(xvii) Issued on 9 June 2020 to a consultant in lieu of services provided.
(xviii) Issued on 29 June 2020 as part of a placement announced on 23 June 2020.
(xix) Issued on 29 June 2020 under a controlled placement agreement with Acuity.

10. ISSUED CAPITAL (Cont'd)

(xx) Shares to be issued as part of the placement announced on 23 June 2020. Funds received up to 30 June 2020 but shares not issued until 1 July 2020.
(xxi) Shares to be issued to a consultant in lieu of services provided for the period April-June 2020.
(xxii) Shares to be issued to Directors. Funds received prior to 30 June 2020. Approved by shareholders at a general meeting held on 11 September 2020.

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.

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 5,000,000 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 5,000,000 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, the above 5,000, 000 Class A Performance Shares were issued to the Managing Director (milestone announced 22 June 2020).

The valuation of the Class B performance shares as at 30 June 2020 was conducted by management (see Note 16).

Options as at 30 June 2020

The following unquoted options remained on issue as at 30 June 2020:

Expiry Date	Exercise Price	Number Under Option	Issue/Grant Date
31/08/2020	$0.6000	5,350,000	28/02/2019
11/06/2021	$0.3438	4,000,000	13/06/2019
31/08/2020	$0.2500	2,777,778	14/08/2019
31/08/2020	$0.2500	2,777,691	17/09/2019
31/10/2022	$0.2000	150,000	30/10/2019
01/12/2021	$0.2500	2,000,000	02/12/2019
31/03/2022	$0.2500	2,071,429	09/04/2020
31/03/2022	$0.2500	5,170,716	29/06/2020

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 2020 $	30 June 2019 $
Cash and cash equivalents	1,647,483	2,583,490
Trade and other receivables	15,341	53,487
Trade and other payables	(311,179)	(1,538,366)
Working capital position	1,351,645	1,098,611

11. RESERVES

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

	30 June 2020 $	30 June 2019 $
Equity Based Reserve		
Opening balance	6,844,900	2,630,302
Valuation of options (i)	1,110,000	2,127,500
Performance shares milestone achieved	(2,775,000)	-
Valuation of options (ii)	15,364	-
Issue of options to employees (iii)	-	1,754,696
Performance shares (iv)	785,898	393,352
Candelas vendor shares (v)	57,050	-
Valuation of options to Director (vi)	109,260	-
Fair value of exercised options transferred to share capital	(177,858)	-
Transfer to accumulated losses	(2,391,494)	(60,950)
Closing Balance	3,578,120	6,844,900
FX Reserve		
Opening balance	-	-
FX movements	(976,809)	-
Closing balance	(976,809)	-
	2,601,311	6,844,900

(i) Represented by valuation of deferred consideration shares due to the Blue Sky vendors on acquisition.
(ii) Represented by 150,000 options (exercisable at $0.20 on or before 30 October 2022) issued to a consultant under their terms of engagement (refer to Note 16).
(iii) Represented by 5,350,000 unquoted options issued to employees and 4,000,000 unquoted options issued to consultants.
(iv) Represented by 5,000,000 Class A and 5,000,000 Class B Performance shares issued to Managing Director, Mr Juan Pablo Vargas de la Vega. (Refer to note 16)
(v) Represented by valuation of shares to be issued to Candelas vendor under option agreement with Blue Sky Lithium Pty Ltd
(vi) Represented by 2,000,000 Director options (exercisable at $0.25 on or before 21 December 2021 issued to a Director (as approved by shareholders on 29 November 2019) (Refer to note 16).

12. ACCUMULATED LOSSES

Opening balance	(7,332,011)	(3,777,482)
Loss for the Year	(2,617,246)	(3,554,529)
Transfer from Reserves (refer Note 11)	2,391,494	-
Closing Balance	(7,557,763)	(7,332,011)

13. LOSS PER SHARE

	Number	Number
Basic and diluted weighted average number of ordinary shares outstanding during the year used in the calculation of diluted loss per share	151,179,207	111,442,461
	$	$
Loss used in the calculation of basic and diluted loss per share	(2,617,246)	(3,554,529)

14. CASH FLOW INFORMATION

	30 June 2020	30 June 2019
	$	$
Reconciliation from the net loss after tax to the net cash flow from operations		
Loss from ordinary activities after income tax	(2,617,246)	(3,554,529)
Exploration write-off	-	-
Impairment of loan	-	-
Gain on sale of shares		17,239
Fair value adjustment to investments	2,679	-
Depreciation	2,871	2,464
Share based payments	910,522	2,148,048
Share based payments as consideration for acquisitions		-
Changes in assets and liabilities		
- (increase)/decrease in trade and other receivables	51,562	(25,610)
- Increase/(decrease) in trade and other payables	(15,055)	280,424
Cash flow from operations	(1,664,667)	(1,131,964)

15. 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 $	2020 Total $
	$	$	$	$
2020				
Financial assets				
Cash and cash equivalents	146,485	1,500,998	-	1,647,483
Receivables	-	-	15,341	15,341
Held for trading financial assets	-	-	22,632	22,632
Total financial assets	146,485	1,500,998	37,973	1,685,456
Weighted average effective interest rate				0.20%
Financial liabilities				
Trade payables and accruals	-	-	(256,841)	(256,841)
Net financial assets				1,428,615

15. FINANCIAL RISK MANAGEMENT (Cont'd)

	Variable Interest Rate $	Fixed Maturity – 1 Year or Less $	Non-interest Bearing $	2019 Total $
	$	$	$	$
2019				
Financial assets				
Cash and cash equivalents	39,654	2,543,926	-	2,583,580
Receivables	-	-	53,487	53,487
Held for trading financial assets	-	-	21,311	21,311
Total financial assets	39,654	2,543,926	74,798	2,658,378
Weighted average effective interest rate				0.20%
Financial liabilities				
Trade payables and accruals	-	-	(1,538,366)	(1,538,366)
Net financial assets				1,120,012

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

Financial risk management objectives and policies

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

Credit risk management

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

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

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

	30 June 2020 $	30 June 2019 $
Cash and cash equivalents	1,647,483	2,583,490
Receivables - Australia	15,341	53,487

15. FINANCIAL RISK MANAGEMENT (Cont'd)

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

All Australian receivables noted above are due within 30 days.

All Argentinian receivables relate to VAT and sales tax which may be paid in cash or utilised as tax credits.

Market risk

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

Liquidity risk management

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

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

Interest rate risk exposure

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

	30 June 2020 $	**30 June 2019 $**
Interest bearing financial instruments		
Cash and cash equivalents	1,647,483	2,583,490
Weighted average effective interest rate	0.20%	0.20%

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 2020, 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	25,835	16,896
Decrease in interest rate by 100 basis points	(25,835)	(16,896)
Change in equity		
Increase in interest rate by 100 basis points	25,835	16,896
Decrease in interest rate by 100 basis points	(25,835)	(16,896)

15. FINANCIAL RISK MANAGEMENT (Cont'd)

Foreign currency sensitivity analysis

At 30 June 2020, the effect on loss as a result of changes in the Foreign currency, with all variables remaining constant would be as follows:

	30 June 2020 $	30 June 2019 $
Change in loss		
Increase in 20% of Australian Dollar against the Argentinian Peso	26,025	132,500
Decrease in 20% of Australian Dollar against the Argentinian Peso	(26,025)	(132,500)
Change in equity		
Increase in 20% of Australian Dollar against the Argentinian Peso	26,025	132,500
Decrease in 20% of Australian Dollar against the Argentinian Peso	(26,025)	(132,500)

16. SHARE BASED PAYMENTS

Unquoted options are issued to directors, employees and consultants. The unquoted options may be subject to performance criteria, and are issued to directors, employees and consultants to increase goal congruence between executives, directors and shareholders. Unquoted options carry no dividend or voting rights.

Allottee	Number of Options	Fair Value at Grant Date per Option	Estimated Volatility	Life of Option (years)	Exercise Price	Share Price at Grant Date	Risk Free Interest Rate
Directors	2,000,000	$0.05463	85%	2.00	$0.25	$0.16	1.75%
Consultants	150,000	$0.10242	85%	3.01	$0.20	$0.19	1.75%

The issue of the above options resulted in a share based payment expense of $124,624 during the year.

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

	2020		2019	
	Number of Options	Weighted Ave Exercise Price $	Number of Options	Weighted Ave Exercise Price $
Balance at 1 July 2019	36,116,178	0.23	44,950,000	0.14
Expired during the year	(23,012,607)	0.14	-	-
Exercised during the year	(3,753,571)	0.15	(18,183,822)	0.14
Issued during the year	14,947,614	0.25	9,350,000	0.49
Balance at 30 June 2020	24,297,614	0.31	36,116,178	0.23
Exercisable at 30 June 2020	24,297,614		36,116,178	

The options outstanding at 30 June 2020 had a weighted average remaining life of 1.14 years (2019 – 0.76 years). The weighted average fair value of the options outstanding at 30 June 2020 was $0.08 (2019 - $0.12).

16. SHARE BASED PAYMENTS (Cont'd)

Performance Shares

Allottee	Number of Shares	Fair Value at Grant Date per Option	Probability	Life of Shares (years)	Expiry Date	Expected exercise date
Blue Sky Milestones						
- Share A	Vested for vendors on 2 December 2019 (i)					
- Share B	10,000,000	$0.185	25%	N/A	N/A	N/A
Juan Pablo Vargas de la Vega ("Managing Director") Performance Shares						
- Class A	Vested for Managing Director on 22 July 2020 (ii)					
- Class B	5,000,000	$0.215	25%	3.1	July 2023	Dec 2022

The calculation of the value of the above performance shares resulted in a share based expense of $785,898 and capitalised exploration expenditure of $1,110,000 during the year, which is based on management's assessment of the probability of the milestones being met.

(i) Milestone of 80kt lithium carbonate lithium JORC resource achieved 1 October 2019
(ii) Milestone of 1Mt lithium carbonate JORC (2012) compliant Indicated resource achieved 22 June 2020.

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.

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 5,000,000 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 5,000,000 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, 5,000, 000 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).

17. 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 2020.

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

	30 June 2020 $	30 June 2019 $
Short term employee benefits	358,408	318,584
Post-employment benefits	15,616	15,616
Other long term benefits	-	-
Equity based payments	895,108	393,351
	1,269,132	727,551

Cazaly Resources Limited was due a total of $122,853 (2019: $126,720) under an Office Services Agreement with the Company and is considered by the Company to be a related party, as the former Galan Non-Executive Chairman, Mr Nathan McMahon is also a director of Cazaly Resources Limited. The fees relate to the full financial year even though Mr McMahon resigned on 5 February 2020.

Barclay Wells Ltd was paid a total of $77,400 (2019: $303,363) in capital raising fees for the 2020 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.

18. COMMITMENTS

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

No longer than one year	304,790	388,769
Longer than one year but not longer than five years	1,422,351	1,612,671
Longer than five years	-	-
	1,727,141	2,001,440

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

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

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

18. COMMITMENTS (Cont'd)

Catalina Property

Full ownership with no further commitments.

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

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

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

19. EVENTS SUBSEQUENT TO THE REPORTING DATE

The Company announced the commencement of a Preliminary Economic Assessment (PEA) for its Hombre Muerto West project. The specific scope of work is being conducted by Worley Chile and is the preparation of a report that, as a minimum, complies with the Canadian NI 43-101 regulation known as a PEA.

On 22 July 2020, 5,000, 000 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 24 August 2020, the Company announced excellent preliminary pond modelling results at the Hombre Muerto West project (further details disclosed in the Operations section above).

On 27 August 2020, a total of 842,674 fully paid ordinary shares were issued to Portofino Resources Inc (650,000) and a consultant (192,674) as per the terms and conditions of their respective agreements. Portofino Resources Inc were also paid, on 26 August 2020, the remaining outstanding funds of $CDN50,000 due under the HMW Agreement

On 11 September 2020, Galan held a shareholders general meeting and all presented resolutions were passed on a show of hands and by poll.

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.

20. REMUNERATION OF AUDITORS

	30 June 2020 $	30 June 2019 $
Remuneration of the auditor for:		
Auditing and reviewing the financial reports	26,500	36,521
	26,500	36,521

21. CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned	
		2020	2019
Galan Lithium Limited (Parent Entity)	Australia		
Blue Sky Lithium Pty Ltd (Controlled Entity)	Australia	100%	100%
Galan Exploraciones S.A. (GESA)	Argentina	100%	-

The Company and GESA entered into a loan agreement in December 2018 (up to a value of US$10 million) for an initial 24 month period with a further 24 month option. The agreement was primarily set up to accommodate Central Bank requirements for the transfer of funds to Argentina to fund exploration activities conducted by GESA. The loan is unsecured, has an interest rate of 10% and can be forgiven by the Company at any time.

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.

22. PARENT ENTITY DISCLOSURES

	30 June 2020 $	30 June 2019 $
(a) Statement of financial position		
Assets		
Current assets	1,650,984	2,651,613
Non-current assets	19,556,168	15,377,584
Total assets	21,207,152	18,029,197
Liabilities		
Current liabilities	171,742	1,925,009
Non-current liabilities	-	-
Total liabilities	171,742	1,925,009
Equity		
Issued capital	24,801,369	16,880,032
Reserves:		
Equity based payment reserve	3,578,120	6,512,498
Retained losses	(7,344,079)	(7,288,342)
Total Equity	21,035,410	16,104,188
(b) Statement of Profit or Loss and Other Comprehensive Income		
Total profit/ (loss)	(2,447,878)	(3,510,860)
Total comprehensive income	(2,447,878)	(3,510,860)

23. CONTINGENT LIABILITIES

Galan Lithium Limited has the following material contingent liabilities as at 30 June 2020:

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.

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 5,000,000 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 5,000,000 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, the above 5,000, 000 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 2020, the MD performance share valuation of $785,898 (2019: $393,352) was reflected in the share based payment expense and the outstanding Blue Sky share valuation of $1,110,000 (2019: $462,500) was capitalised to exploration expenditure.

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 27 to 54, are in accordance with the Corporations Act 2001 and:

    a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
    b. give a true and fair view of the financial position as at 30 June 2020 and of the performance for the year ended on that date of the Company;

2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

3. the directors have been given the declarations required by s 295A of the Corporations Act 2001 from the Chairman and Chief Financial Officer.

On behalf of the Directors

JP Vargas de la Vega
Managing Director
Perth, Western Australia
29 September 2020

Independent Auditor's Report

To the Members of Galan Lithium Limited

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

PO Box 7775
Cloisters Square WA 6850

ABN 33 121 222 802

T +61 8 9226 4500
F +61 8 9226 4300

bentleys.com.au

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 Consolidated Entity"), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

a. the accompanying financial report of the Consolidated Entity is in accordance with the Corporations Act 2001, including:

    (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2020 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. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Consolidated Entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1(c) in the financial report which indicates that the Consolidated Entity incurred a net loss of $2,617,246 during the year ended 30 June 2020. As stated in Note 1(c), these events or conditions, along with other matters as set forth in Note 1(c), indicate that a material uncertainty exists that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Exploration and Evaluation As disclosed in note 8, the Consolidated Entity had an exploration and evaluation balance of $18,461,811 as at 30 June 2020. Exploration and evaluation expenditure is a key audit matter due to: – The significance of the balance to the Consolidated Entity's financial position. – 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. – The assessment of impairment of exploration and evaluation expenditure requiring judgement.	Our procedures included, amongst others: – 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 Consolidated Entity holds an interest and the exploration programs planned for those tenements. – For each area of interest, we assessed the Consolidated Entity's rights to tenure by corroborating to agreements in place. – 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. – Substantiated a sample of expenditure by agreeing to supporting documentation. – We assessed each area of interest for one or more of the following circumstances that may indicate impairment of the capitalised expenditure: › the licenses for the right to explore expiring in the near future or are not expected to be renewed; › substantive expenditure for further exploration in the specific area is neither budgeted or planned › decision or intent by the Consolidated Entity to discontinue activities in the specific area of interest due to lack of commercially viable quantities of resources; and

Key Audit Matter	How our audit addressed the Key Audit Matter
	‣ 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. – Examined the disclosures made in the financial report.
Accounting for share based payments As disclosed in note 16 to the financial statements, during the year ended 30 June 2020 the Consolidated Entity incurred share based payments expense of \$910,522 as well as capitalised exploration expenditure of \$1,100,000 from the vesting of performance shares and a further \$57,050 from the issue of ordinary shares. Share based payments are considered to be a key audit matter due to – the value of the transactions; – the complexities involved in the recognition and measurement of these instruments; and – the judgement involved in determining the inputs used in the valuations.	Our procedures amongst others included: ‣ 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*; ‣ Evaluating valuation models and assessing the assumptions and inputs used; ‣ Assessing the amount recognised during the year in accordance with the vesting conditions of the agreements; ‣ Assessing the achievement of relevant milestones; and ‣ Assessing the adequacy of the disclosures included in Note 16 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Consolidated Entity's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consolidated Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Consolidated Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2020. 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 Galan Lithium Limited, for the year ended 30 June 2020, complies with section 300A of the Corporations Act 2001.

Bentleys

BENTLEYS
Chartered Accountants

DOUG BELL CA
Partner

Dated at Perth this 29th day of September 2020

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 22 September 2020.

DETAILS OF EQUITY SECURITIES

ORDINARY SHAREHOLDERS

There are 182,351,978 fully paid ordinary shares on issue, held by 1,364 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 22 SEPTEMBER 2020)

Fully Paid Ordinary Shareholders	Number	Percentage
Havelock Mining Investment Ltd	16,955,870	9.3%
Juan Pablo Vargas de la Vega	11,977,902	6.6%
JP Morgan Nominees Australia Pty Ltd	6,085,226	3.3%
Ms Margaret Lynette Harvey	4,992,857	2.8%
Acuity Capital Investment Management Pty Ltd	4,492,494	2.5%
Leada Holdigs Pty Ltd (Leada Investment A/C)	4,090,000	2.2%
Pinghua Liu	4,018,010	2.2%
Clive Jones (The Alyse Investment A/C)	3,849,254	2.1%
Kingsreef Pty Ltd (NB & DL Family A/C)	3,810,000	2.1%
Mr Terry James Gardiner	3,341,457	1.8%
C W Chalwell & Mrs J R Chalwell (Chalwell Pension Fund)	3,144,735	1.7%
T J Gardiner & V H Gardiner (Terry James Gardiner Super Fund)	2,700,000	1.5%
Mr Bradley William Smith	2,300,777	1.3%
Jane Lea Allnutt	2,264,636	1.3%
Cicchino Pty Ltd (Cicchino Share A/c)	2,235,500	1.2%
Gazard Investments Pty Ltd	2,072,183	1.1%
Renee Francisco Lopez	2,058,821	1.1%
Mrs Alison Claire Ovenden	2,000,000	1.1%
Mr R C Gardener & Ms Hineaka Black (Tumeke Super Fund)	1,906,569	1.0%
Widerange Corporation P/L	1,904,391	1.0%
	86,200,682	**47.3%**

VOTING RIGHTS

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

(a) each shareholder entitled to vote, may vote in person or by proxy, attorney or representative;

(b) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and

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

VOTING RIGHTS

There are 176 shareholders who hold less than a marketable parcel of shares.

DISTRIBUTION OF SHARE HOLDERS (AS AT 22 SEPTEMBER 2020)

	Ordinary Shares
1 to 1,000	10,353
1,001 to 5,000	727,511
5,001 to 10,000	1,561,468
10,001 to 100,000	23,689,512
100,001 and over	156,363,134
	182,351,978

SUBSTANTIAL SHAREHOLDERS

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

Substantial Shareholder	Ordinary Shares held	% Held
Raymond Liu/Hongze Group Ltd/Havelock Mining Investments Ltd	17,955,870	11.27%
Juan Pablo Vargas de la Vega and associated entities	17,289,932	9.65%

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

Western Australia

E70/4629 (Greenbushes South - application)

Argentina (Hombre Muerto Projects - Candelas and HMW) – 100% right, interest or title

El Deceo
Candela
Candela II
Candela III
Candela IV
Candela V
Candela VI
Catalina
Pata Pila
Rana de Sal
Santa Barbara