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**GALAN LITHIUM LIMITED**

**ACN 149 349 646**

**NOTICE OF ANNUAL GENERAL MEETING**

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**TIME:** 9.30am (WST)  
**DATE:** 27 November 2020  
**PLACE:** Level 3  
30 Richardson Street  
WEST PERTH WA 6005

***This Notice of Annual General Meeting and Explanatory Memorandum should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.***

***Should you wish to discuss the matters in this Notice of Annual General Meeting please do not hesitate to contact the Company Secretary on (+61 8) 9322 6283.***

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## IMPORTANT INFORMATION

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### TIME AND PLACE OF MEETING

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Notice is given that the Annual General Meeting of the Shareholders convened by this Notice of Meeting will be held at 9.30am (WST) on Friday 27 November 2020 at:

Level 3  
30 Richardson Street  
WEST PERTH WA 6005

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### YOUR VOTE IS IMPORTANT

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The business of the Annual General Meeting affects your Shareholding and your vote is important.

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### IMPORTANT INFORMATION FOR SHAREHOLDERS

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In accordance with subsection 5(1)(f) of the *Corporations (Coronavirus Economic Response) Determination No. 3) 2020*, the Company will not dispatch physical copies of the Notice of Annual General Meeting. Instead a copy of the Notice is available to be viewed and/or downloaded on the ASX market announcements platform at <https://www.asx.com.au/asx/statistics/announcements.do> or on the Company's website at [www.galanlithium.com.au](http://www.galanlithium.com.au).

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### ATTENDANCE AND VOTING ELIGIBILITY

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For the purposes of regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) the Directors have determined that the Shares quoted on the ASX at 5.00pm (WST) on 25 November 2020 will be taken, for the purposes of this Annual General Meeting, to be held by the persons who held them at that time. Accordingly those persons are entitled to attend and vote (if not excluded) at the Meeting.

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### VOTING IN PERSON

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To vote in person, attend the Annual General Meeting at the time, date and place set out above.

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### VOTING BY PROXY

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To vote by proxy, please complete and sign the Proxy Form enclosed (and any power of attorney under which it is signed). The Proxy Form must be received at an address given below by 9.30am (WST) on 25 November 2020, being not later than 48 hours before the commencement of the Meeting. **Proxy Forms received after that time will not be valid for the scheduled meeting.**

- Online Proxy Appointment  
[www.advancedshare.com.au/investor-login](http://www.advancedshare.com.au/investor-login)
- By Mail  
Advanced Share Registry Limited  
110 Stirling Hway Nedlands WA 6009; or  
PO Box 1156, Nedlands WA 6909
- By Fax  
+61 8 6370 4203
- By Email  
[admin@advancedshare.com.au](mailto:admin@advancedshare.com.au)
- In Person  
Advanced Share Registry Limited  
110 Stirling Hway Nedlands WA 6009

**All enquiries to Advanced Share Registry +61 8 9389 8033.**

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## NOTICE OF ANNUAL GENERAL MEETING

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Notice is given that the Annual General Meeting of Shareholders of Galan Lithium Limited will be held at **Level 3, 30 Richardson Street, West Perth, Western Australia at 9.30am (WST) on Friday 27 November 2020.**

The Explanatory Memorandum to this Notice of Meeting provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Memorandum and the Proxy Form are part of this Notice of Meeting.

Terms and abbreviations used in this Notice of Meeting and Explanatory Memorandum (including the Annexures) are defined in the Glossary unless defined elsewhere in the Explanatory Memorandum.

### AGENDA

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#### FINANCIAL STATEMENTS AND REPORTS

**To receive and consider** the 2020 Financial Report together with the Declaration of the Directors, the Directors' Report, the Remuneration Report and the Auditor's Report thereon.

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#### RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding ordinary resolution**:

*"That, for the purpose of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report."*

**Note: the vote on this Resolution is advisory only and does not bind the Board or the Company.**

##### Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person described above (the "voter") may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy appointed by writing that specifies the way the proxy is to vote on the Resolution; and
- (b) the voter is the Chair and the appointment of the Chair as proxy:
  - (i) does not specify the way the proxy is to vote on this Resolution; and
  - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

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#### RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR CHRIS CHALWELL

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That Mr Chris Chalwell, a Non-Executive Director, who retires by rotation in accordance with the Constitution, and being willing and eligible for re-election, is re-elected as a Director."*

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#### RESOLUTION 3 – RE-ELECTION OF DIRECTOR – MR RAYMOND LIU

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That Mr Raymond Liu, a Non-Executive Director, who retires by rotation in accordance with the Constitution, and being willing and eligible for re-election, is re-elected as a Director."*

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#### **RESOLUTION 4 – ELECTION OF DIRECTOR – MR RICHARD HOMSANY**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That Mr Richard Homsany, a Non-Executive Director and Chairman of the Company appointed under the casual vacancy provisions of the Constitution and who retires in accordance with the Constitution, and being willing and eligible for election, is elected as a Director.”*

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#### **RESOLUTION 5 – APPROVAL OF 10% PLACEMENT FACILITY**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

*“That, for the purpose of ASX Listing Rule 7.1A and for all other purposes, approval is given for the issue of Equity Securities totalling up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Memorandum.”*

##### **Voting Exclusion Statement:**

The Company will disregard any votes cast in favour of this Resolution by a person who is expected to participate in, or who may obtain a material benefit as result of, the proposed issue of Equity Securities under this Resolution (except a benefit solely by reason of being a holder of ordinary securities in Galan) or an associate of those persons. However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or the attorney to vote on the Resolution in that way; or
- (b) the chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the chair to vote on the Resolution as the chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
  - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

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#### **RESOLUTION 6 – RATIFICATION OF THE ISSUE OF 650,000 SHARES TO PORTOFINO RESOURCES INC**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That the issue of 650,000 Shares to Portofino Resources Inc on the terms and conditions and in the manner set out in the Explanatory Memorandum is approved under and for the purposes of ASX Listing Rule 7.4.”*

##### **Voting Exclusion Statement:**

The Company will disregard any votes cast in favour of this Resolution by Portofino Resources Inc or any of its associates. However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or the attorney to vote on the Resolution in that way; or
- (b) the chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the chair to vote on the Resolution as the chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
  - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

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## RESOLUTION 7 – RATIFICATION OF THE ISSUE OF 2,500,000 SHARES TO ACUITY CAPITAL

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That the issue of 2,500,000 Shares to Acuity Capital on the terms and conditions and in the manner set out in the Explanatory Memorandum is approved under and for the purposes of ASX Listing Rule 7.4.”*

### **Voting Exclusion Statement:**

The Company will disregard any votes cast in favour of this Resolution by Acuity Capital or any of its associates. However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or the attorney to vote on the Resolution in that way; or
- (b) the chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the chair to vote on the Resolution as the chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
  - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

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## RESOLUTION 8 – RATIFICATION OF THE ISSUE OF 192,674 SHARES TO CARO AND NAVARRO LIMITADA

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That issue of 192,674 Shares to Caro and Navarro Limitada on the terms and conditions and in the manner set out in the Explanatory Memorandum is approved under and for the purposes of ASX Listing Rule 7.4.”*

### **Voting Exclusion Statement:**

The Company will disregard any votes cast in favour of this Resolution by Caro and Navarro Limitada or any of its associates. However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or the attorney to vote on the Resolution in that way; or
- (b) the chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the chair to vote on the Resolution as the chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
  - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

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## RESOLUTION 9 – REPLACEMENT OF CONSTITUTION

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

*“That, for the purposes of section 136(2) of the Corporations Act and for all other purposes, Shareholder approval is given to repeal the Company’s existing Constitution and adopt a new constitution in its place in the form as signed by the chairman of the Meeting for identification purposes.”*

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## RESOLUTION 10 – APPROVAL OF GALAN LITHIUM LIMITED SECURITIES INCENTIVE PLAN

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purpose of ASX Listing Rule 7.2 (Exception 13(b)) and for all other purposes, approval is given to adopt the Company’s Securities Incentive Plan and to issue securities under that plan, and to issue Shares pursuant to those securities, from time to time upon the terms and conditions summarised in the Explanatory Memorandum as an exception to ASX Listing Rule 7.1.”*

**Voting Exclusion Statement:**

The Company will disregard any votes cast in favour of this Resolution by a Director (except one who is ineligible to participate in any incentive plan in relation to the Company) and any associates of such a Director. However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or the attorney to vote on the Resolution in that way; or
- (b) the chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the chair to vote on the Resolution as the chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
  - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

**Voting Prohibition Statement:**

A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person described above (the "voter") may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy appointed by writing that specifies the way the proxy is to vote on the Resolution; and
- (b) the voter is the Chair and the appointment of the Chair as proxy:
  - (i) does not specify the way the proxy is to vote on this Resolution; and
  - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

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**RESOLUTION 11 – APPROVAL OF POTENTIAL TERMINATION BENEFITS UNDER THE GALAN LITHIUM LIMITED SECURITIES INCENTIVE PLAN**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purpose of sections 200B and 200E of the Corporations Act and for all other purposes, approval is given for the giving of termination benefits under the Company's Securities Incentive Plan by the Company to a person or their associates in connection with that person ceasing to hold a managerial or executive office in the Company or a related body corporate of the Company, as detailed in the Explanatory Memorandum."*

**Voting Prohibition Statement:**

A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person described above (the "voter") may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy appointed by writing that specifies the way the proxy is to vote on the Resolution; and
- (b) the voter is the Chair and the appointment of the Chair as proxy:
  - (i) does not specify the way the proxy is to vote on this Resolution; and
  - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

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## **RESOLUTION 12 – RATIFICATION OF THE ISSUE OF 23,076,924 SHARES IN A PLACEMENT**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That the issue of 23,076,924 Shares in a placement to the persons, on the terms and conditions and in the manner set out in the Explanatory Memorandum is approved under and for the purposes of ASX Listing Rule 7.4.”*

### **Voting Exclusion Statement:**

The Company will disregard any votes cast in favour of this Resolution by a person who participated in the placement, or any of their associates. However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or the attorney to vote on the Resolution in that way; or
- (b) the chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the chair to vote on the Resolution as the chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
  - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

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## **RESOLUTION 13 – RATIFICATION OF THE ISSUE OF 2,000,000 ANNEXURE B OPTIONS TO ARGONAUT SECURITIES**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That the issue of 2,000,000 Annexure B Options to Argonaut Securities on the terms and conditions and in the manner set out in the Explanatory Memorandum, is approved under and for the purposes of ASX Listing Rule 7.4.”*

### **Voting Exclusion Statement:**

The Company will disregard any votes cast in favour of this Resolution by Argonaut Securities or any of its associates. However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or the attorney to vote on the Resolution in that way; or
- (b) the chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the chair to vote on the Resolution as the chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
  - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

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## **OTHER BUSINESS**

To deal with any business that may be lawfully brought forward.

## PROXIES

A Shareholder entitled to attend and vote at the Meeting has a right to appoint a proxy to attend and vote instead of the Shareholder. A proxy need not be a Shareholder and can be either an individual or a body corporate. If a Shareholder appoints a body corporate as a proxy that body corporate will need to ensure that it:

- a) appoints an individual as its corporate representative to exercise its powers at the Meeting, in accordance with section 250D of the Corporations Act; and
- b) provides the Company with satisfactory evidence of the appointment of its corporate representative prior to commencement of the Meeting.

If such evidence is not received before the Meeting, then the body corporate (through its representative) will not be permitted to act as proxy.

A Shareholder who is entitled to cast two (2) or more votes may appoint two (2) proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half of the Shareholder's votes. Fractions of votes will be disregarded.

In order to vote on behalf of a company that is a Shareholder, a valid Power of Attorney in the name of the attendee, must be either lodged with the Company prior to the Meeting, or be presented at the Meeting before registering on the attendance register for the Meeting.

Forms to appoint proxies, and the Power of Attorney (if any) under which they are signed, must be lodged online at [www.advancedshare.com.au/investor-login](http://www.advancedshare.com.au/investor-login), posted or lodged at the registered office of the share registry (Advanced), at 110 Stirling Hwy, Nedlands WA 6009, or PO Box 1156 Nedlands WA 6909, by facsimile to (61 8) 6370 4203, or by email to [admin@advancedshare.com.au](mailto:admin@advancedshare.com.au) not less than 48 hours before the time of the Meeting or resumption of an adjourned meeting at which the person named in the instrument proposes to vote.

An instrument appointing a proxy:

- a) shall be in writing under the hand of the appointor or of his attorney, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney;
- b) may specify the manner in which the proxy is to vote in respect of a particular Resolution and, where an instrument of proxy so provides, the proxy is not entitled to vote on the Resolution except as specified in the instrument;
- c) shall be deemed to confer authority to demand or join in demanding a poll;
- d) shall be in such form as the Directors determine and which complies with section 250A of the Corporations Act; and
- e) which appoints the Chair as proxy but does not specify the way in which the proxy is to vote on a particular Resolution will be recorded as voting in favour of the Resolutions (subject to the other provisions of these notes on proxies and any required voting exclusions including those in the Notice) as this is the Chair's voting intention.

## Corporations

A corporation may elect to appoint a representative in accordance with the Corporations Act in which case the Company will require written proof of the representative's appointment, which must be lodged with, or presented to, the Company before the commencement of the Meeting.

Proxies given by corporate Shareholders must be executed in accordance with their constitutions, or signed by a duly authorised attorney. A proxy may decide whether to vote on any motion, except where the proxy is required by law or the Constitution to vote, or abstain from voting, in their capacity as proxy.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

## Undirected and Directed Proxies

The Company encourages all Shareholders who submit proxies to direct their proxy how to vote on each Resolution.

The Company will not disregard any votes cast on a Resolution by a person if the person is the Chair voting an undirected proxy and their appointment expressly authorises the Chair to exercise the proxy.

If you intend to appoint the Chair as your proxy, you can direct him how to vote by marking the boxes for each resolution (for example, if you wish to vote "for", "against" or "abstain" from voting), or you cannot mark any of the boxes and give the Chair your express authority to vote your undirected proxy (in which case the Chair will vote in favour of all Resolutions).

If you intend to appoint a Director (other than the Chair) or another member of the Key Management Personnel, or their Closely Related Parties as your proxy, you must specify how they should vote on Resolutions 1, 10 and 11 by marking the appropriate box. If you don't, your proxy will not be able to exercise your vote for Resolutions 1, 10 and 11. If the Chair is your proxy (or if they are appointed by default) but you do not direct them how to vote on a resolution (that is, you do not mark any of the boxes "For", "Against" or "Abstain" opposite that resolution), the Chair may then vote as they see fit on that resolution.

If you mark more than one box on an item your vote will be invalid on that item.

In accordance with the Corporations Act, any directed proxies that are not voted on a poll at the meeting will automatically default to the Chair, who is required to vote proxies as directed.

**It is the Chair's intention to vote all undirected proxies in favour of all Resolutions including Resolutions 1, 10 and 11.**

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**DATED: 29 OCTOBER 2020**

**BY ORDER OF THE BOARD**

**MIKE ROBBINS  
COMPANY SECRETARY**

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## EXPLANATORY MEMORANDUM

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This Explanatory Memorandum has been prepared for the information of shareholders of Galan Lithium Limited in connection with the business specified to be conducted in the Notice of Annual General Meeting at the annual general meeting of Shareholders to be held at **Level 3, 30 Richardson Street, West Perth, Western Australia 6005 at 9.30am (WST) on Friday 27 November 2020.**

The purpose of this Explanatory Memorandum is to provide information that the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

The Notice of Meeting, Explanatory Memorandum and Proxy Form are all important documents. The Directors recommend that Shareholders read them carefully in their entirety before making a decision on how to vote at the Annual General Meeting.

A Glossary of terms frequently used in this Notice of Meeting and Explanatory Memorandum can be found at the end of this Explanatory Memorandum.

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### 1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the 2020 Financial Report together with the Declaration of the Directors, the Directors' Report, the Remuneration Report and the Auditor's Report thereon.

The Company will not provide a hard copy of the 2020 Financial Report to Shareholders unless specifically requested to do so. The 2020 Financial Report is available on its website at [www.galanlithium.com.au](http://www.galanlithium.com.au).

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### 2. ADOPTION OF REMUNERATION REPORT (RESOLUTION 1)

#### 2.1 Background

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the Board or the Company.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Annual General Meeting.

#### 2.2 Voting Consequences

Under changes to the Corporations Act which came into effect on 1 July 2011, if at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report at the two consecutive annual general meetings, the company will be required to put to shareholders a resolution proposing the calling of an extraordinary general meeting to consider the appointment of directors of the Company (**Spill Resolution**).

If more than 50% of shareholders vote in favour of the Spill Resolution, the company must convene the extraordinary general meeting (**Spill Meeting**) within 90 days of the company's AGM where the second consecutive strike is received. All of the directors, other than the Managing Director, who were in office when the Board approved the last Directors' Report, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting. Following the Spill Meeting those persons whose election or re-election as directors is approved will be the directors of the company.

The Audited Remuneration Report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The Audited Remuneration Report is part of the Directors' Report contained in the 2020 Financial Report.

At the Company's previous annual general meeting, held on 29 November 2019, less than 25% of votes were cast against the remuneration report at that meeting. Accordingly the Spill Resolution is not relevant for this Annual General Meeting.

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### **3. RE-ELECTION OF DIRECTOR – MR CHRIS CHALWELL (RESOLUTION 2)**

#### **3.1 Background**

Clause 11.1 of the Constitution requires that at the Company's annual general meeting in every year, one-third of the Directors for the time being, or, if their number is not a multiple of three (3), then the number nearest one-third, shall retire from office, provided always that no Director (except a Managing Director) shall hold office for a period in excess of three (3) years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election.

The Directors to retire at an annual general meeting are those who have been longest in office since their last election, but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots.

A Director who retires by rotation under clause 11.1 of the Constitution is eligible for re-election.

The Company currently has six (6) Directors and accordingly two (2) must retire by rotation.

Mr Chris Chalwell retires by rotation in accordance with the Constitution and, being willing and eligible for re-election, seeks re-election. The profile of Mr Chalwell is set out in the 2020 Financial Report.

#### **Directors' Recommendation**

The Directors (other than Mr Chalwell) recommend that Shareholders vote in favour of Resolution 2.

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### **4. RE-ELECTION OF DIRECTOR – MR RAYMOND LIU (RESOLUTION 3)**

#### **4.1 Background**

Clause 11.1 of the Constitution requires that at the Company's annual general meeting in every year, one-third of the Directors for the time being, or, if their number is not a multiple of three (3), then the number nearest one-third, shall retire from office, provided always that no Director (except a Managing Director) shall hold office for a period in excess of three (3) years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election.

The Directors to retire at an annual general meeting are those who have been longest in office since their last election, but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots.

A Director who retires by rotation under clause 11.1 of the Constitution is eligible for re-election.

The Company currently has six (6) Directors and accordingly two (2) must retire by rotation.

Mr Raymond Liu retires by rotation in accordance with the Constitution and, being willing and eligible for re-election, seeks re-election. The profile of Mr Liu is set out in the 2020 Financial Report.

#### **Directors' Recommendation**

The Directors (other than Mr Liu) recommend that Shareholders vote in favour of Resolution 3.

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### **5. ELECTION OF DIRECTOR – MR RICHARD HOMSANY (RESOLUTION 4)**

#### **5.1 Background**

Clause 11.4 of the Constitution requires that any Director appointed to fill a casual vacancy or as an addition to the Board, holds office until the next annual general meeting and is then eligible for election.

Mr Richard Homsany was appointed to the Board as a Non-Executive Chairman on 5 February 2020. Mr Homsany retires by virtue of clause 11.4 of the Constitution and, being willing and eligible for election, seeks election.

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

Richard is Chairman of the Health Insurance Fund of Australia Ltd (HIF) and ASX listed Redstone Resources Limited (ASX:RDS) and Central Iron Ore Limited (TSX-V:CIO) and is a non-executive director of ASX listed Brookside Energy Ltd (ASX: BRK). Richard's career includes time working at the Minera Alumbrera Copper and Gold mine located in the Catamarca Province, north west Argentina.

### **Directors' Recommendation**

The Directors (other than Mr Homsany) recommend that Shareholders vote in favour of Resolution 4.

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## **6. APPROVAL OF 10% PLACEMENT FACILITY (RESOLUTION 5)**

### **6.1 Purpose of resolution**

Listing Rule 7.1A came into effect on 1 August 2012 and enables "eligible entities" to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period after the annual general meeting if the Equity Securities are in an existing quoted class of the Company's securities ("**10% Placement Facility**").

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of Equity Securities that a listed company can issue without the approvals of its shareholders over any 12 month period, to 15% of the fully paid ordinary securities it had on issue at the start of that period.

Under Listing Rule 7.1A, however, an eligible entity can seek approval from its members, by way of a special resolution passed at its annual general meeting, to increase this 15% limit by an extra 10% to 25%.

An 'eligible entity' means an entity which is not included in the S&P/ASX 300 Index and which has a market capitalisation of \$300 million or less. Galan Lithium Limited is an eligible entity for these purposes (current market capitalisation of \$27 million based on number of Shares on issue and the closing price of Shares on the ASX on 27 October 2020).

Resolution 5 seeks Shareholder approval by way of a Special Resolution for Galan Lithium Limited to have the additional 10% capacity provided for in Listing Rule 7.1A to issue Equity Securities without Shareholder approval. As Resolution 5 is a special resolution 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 5 for it to be passed.

If Shareholders approve Resolution 5 the exact number of Equity Securities that may be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2.

If Shareholders do not approve Resolution 5, the Company will not be able to access the additional 10% capacity to issue Equity Securities without Shareholder approval provided for in Listing Rule 7.1A and will remain subject to the 15% limit on issued Equity Securities without Shareholder approval set out in Listing Rule 7.1.

### **6.2 Required Information**

#### **(a) Equity Securities**

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

The Company, as at the date of the Notice, only has Shares (ASX:GLN) that are quoted.

#### **(b) Information required by Listing Rule 7.3A**

Pursuant to and in accordance with Listing Rule 7.3A, the below information is provided in relation to the approval of the 10% Placement Facility:

#### **Minimum Price**

The minimum price at which Equity Securities may be issued under the 10% Placement Facility is 75% of the VWAP of securities in the same class calculated over the 15 Trading Days on which trades in that class were recorded immediately before:

- the date on which the price of the Equity Securities are to be issued is agreed; or
- if they are not issued within 10 Trading Days of the date above, the ASX trading day on which the Equity Securities are issued.

## Date of Issue

If Shareholder approval of Resolution 5 is obtained, Shares may be issued under the 10% Placement Facility during the period commencing on the date of the Annual General Meeting and ending on the first to occur of the following:

- i) 12 months after the date of the Annual General Meeting;
- ii) the time and date of the Company's next annual general meeting; and
- iii) the date of Shareholder approval for any transaction under Listing Rules 11.1.2 (significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking).

## Purpose of Issue Under 10% Placement Facility

The Company intends to use the funds raised towards continued exploration and development of the Company's existing projects, the evaluation and acquisition of new opportunities and for general working capital purposes.

## Risk of economic and voting dilution

If Resolution 5 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the table below.

Shareholders should note that there is a risk that:

- the market price for the Equity Securities to be issued may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
  - the Equity Securities may be issued at a price that is at a discount to the market price for those Equity Securities on the issue date.
- a) Any issue of Equity Securities under the 10% Placement Facility will dilute the interests of Shareholders who do not receive any Shares under the issue. If Resolution 5 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Facility, the economic and voting dilution of existing Shares would be as shown in the table below.
  - b) The table below shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A.2 as at the date of this Notice, assuming the full 10% dilution.
  - c) The table also shows the voting dilution impact where the number of Shares on issue (Variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Facility.

Variable "A" in Listing Rule 7.1A.2		Dilution		
		\$0.065 50% decrease in Issue Price	\$0.13 Issue Price	\$0.195 50% increase in Issue Price
Current Variable A 207,254,772 Shares	Shares issued	20,725,477 Shares	20,725,477Shares	20,725,477Shares
	Funds raised	\$1,347,156	\$2,694,312	\$4,041,468
50% increase* in current Variable A 310,882,158 Shares	Shares issued	31,088,216 Shares	31,088,216Shares	31,088,216Shares
	Funds raised	\$2,020,734	\$4,041,468	\$6,062,202
100% increase* in current Variable A 414,509,544 Shares	Shares issued	41,450,954 Shares	41,450,954Shares	41,450,954Shares
	Funds raised	\$2,694,312	\$5,388,624	\$8,082,936

\*The number of Shares on issue (Variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued under Listing Rule 7.1.

The table has been prepared on the following assumptions:

- The current Shares on issue are the Shares on issue at 27 October 2020.
- The issue price set out above is the closing price of the Shares on the ASX on 27 October 2020.
- The Company issues the maximum number of Equity Securities available under the 10% Placement Facility hence the voting dilution is shown in each example as 10%.
- The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own Shareholding depending on their specific circumstances, and if necessary seek advice from their professional advisers.
- No unlisted Options are exercised into Shares before the date of issue of the Equity Securities.
- The table shows only the effect of issues of Equity Securities under ASX Listing Rule 7.1A, and not dilution under the 15% placement capacity under ASX Listing Rule 7.1, under ASX Listing Rule 7.2, or Shareholder approvals under ASX Listing Rule 7.1.
- The issue of Equity Securities under the 10% Placement Facility consists only of Shares.

#### **Allocation under the 10% Placement Facility**

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- the purpose of the issue;
- the alternative methods of raising funds that are available to the Company, including but not limited to, an entitlement issue or other issue in which existing security holders can participate;
- the effect of the issue of the Equity Securities on the control of the Company;
- the circumstances of the Company, including but not limited to the financial situation and solvency of the Company;
- prevailing market conditions; and
- advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing Shareholders and/or new Shareholders, who are not related parties of the Company or their associates.

#### **Previous Approval under ASX Listing Rule 7.1A**

The Company last obtained Shareholder approval under Listing Rule 7.1A at its Annual General Meeting held on 29 November 2019.

#### **Other**

The Company will comply with all its disclosure obligations under the Listing Rules in relation to any issue of Equity Securities under the 10% Placement Facility, in particular:

- a list of the recipients of the Equity Securities and the number of Equity Securities issued to each in accordance with Listing Rule 7.1A.4 (not for release to the market); and
- the information required by Listing Rule 3.10.5A for release to the market.

#### **Voting Exclusion**

A voting exclusion statement is included in the Notice. At the date of the Notice, the Company has not invited any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

#### **6.3 Listing Rule 7.3A.6 Details of Equity Securities issued during last 12 months**

The following Equity Securities were issued or agreed to be issued by the Company under Listing Rule 7.1A.2 in the 12 months preceding the date of the Meeting.

Class/Type	On Issue 29 November 2019	Number Issued under LR 7.1A.2 since 29 November 2019	% Issued Since 29 November 2019
Ordinary Shares	141,401,408	13,762,859	9.7%
Unquoted Options	41,746,647	Nil	-%
Total	183,148,055	13,762,859	7.5%

See table below for all Equity Issues made pursuant to Listing Rule 7.1A.2 in the 12 months preceding the date of the Meeting.

Date of Issue	9 Apr 2020	29 Jun 2020	29 Jun 2020	1 Jul 2020	22 Jul 2020
Number issued	2,071,429	5,170,716	2,500,000	1,765,000	2,255,714
Class/Type	Ordinary Shares				
Summary of Terms	Part placement	Part placement	Controlled placement deed	Part placement	Part placement
Name of Persons Issued Securities	Staff and sophisticated investors	Sophisticated investors	Acuity Capital	Sophisticated investors	Sophisticated and professional investors
Deemed/Issue Price	\$0.14	\$0.14	\$0.14	\$0.14	\$0.14
Discount to market	NA	NA	NA	NA	NA
<b>CASH ISSUES</b>					
Cash Received	\$290,000	\$723,900	\$350,000	\$247,100	\$315,800
Cash Spent	\$290,000	\$683,900	Nil	Nil	Nil
Use of Cash	Exploration, development and working capital				
Cash Unspent	Nil	\$40,000	\$350,000	\$247,100	\$315,800
<b>NON-CASH ISSUES</b>					
Non-cash consideration	NA	NA	NA	NA	NA
Current value of non-cash consideration	NA	NA	NA	NA	NA

### Directors' Recommendation

The Directors consider that the approval of the issue of the 10% Placement Facility described above is beneficial for the Company as it provides the Company with the flexibility to issue up to the maximum number of securities permitted under ASX Listing Rule 7.1A in the next 12 months (without further Shareholder approval), should it be required and which will be in addition to, and without using, the Company's 15% annual placement capacity. At the date of the notice, the Company has no plans to use the 10% Placement Facility should it be approved. Accordingly the Directors recommend that Shareholders vote in favour of Resolution 5.

## 7. RATIFICATION OF THE ISSUE OF 650,000 SHARES TO PORTOFINO RESOURCES INC (RESOLUTION 6)

### 7.1 Background

On 26 February 2020 the Company announced that it has executed a Binding Heads of Agreement (**Portofino Agreement**) with Portofino Resources Inc (**Portofino**) for the purchase of the right to earn a 100% interest in the *Del Condor* and *Pucara* lithium brine salar projects that abut Galan's Hombre Muerto West tenements in Argentina.

Pending the completion of legal and title due diligence and any regulatory approvals, Galan agreed to pay Portofino CDN\$100,000 in cash (inclusive of an original CDN\$20,000 deposit and subsequent deposits) and issue 650,000 Shares for Portofino's 100% interest in the Hombre Muerto West Agreement (**HMW Agreement**). The HMW Agreement gives Portofino the right 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) with Portofino.

Portofino is listed on the TSX Venture Exchange (TSXV:POR).

Resolution 6 seeks approval and ratification from Shareholders for the prior issue of 650,000 Shares to Portofino (**Portofino Issue**) under the terms and conditions of the Portofino Agreement. The Shares the subject of the Portofino Issue (**Portofino Issue Shares**) were issued on 27 August 2020 (**Portofino Issue Date**).

## **7.2 ASX Listing Rule 7.4**

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of Equity Securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15 % of the fully paid ordinary securities it had on issue at the start of that period.

The Portofino Issue does not fit within any of these exceptions and, as it has not yet been approved by Shareholders, it effectively uses up part of the 15% limit in Listing Rule 7.1, reducing Galan's capacity to issue further Equity Securities without Shareholder approval under Listing Rule 7.1 for the 12 month period following the Portofino Issue Date.

Listing Rule 7.4 allows the shareholders of a listed company to approve an issue of equity securities after it has been made or agreed to be made. If they do, the issue is taken to have been approved under Listing Rule 7.1 and so does not reduce the company's capacity to issue further Equity Securities without shareholder approval under that rule.

Galan wishes to retain as much flexibility as possible to issue additional Equity Securities into the future without having to obtain Shareholder approval for such issues under Listing Rule 7.1.

To this end, Resolution 6 seeks Shareholder approval to the Portofino Issue under and for the purposes of Listing Rule 7.4.

If Resolution 6 is passed, the Portofino Issue will be excluded in calculating Galan's 15% limit in Listing Rule 7.1, effectively increasing the number of Equity Securities it can issue without Shareholder approval over the 12 month period following the Portofino Issue Date.

If Resolution 6 is not passed, the Portofino Issue will be included in calculating the Company's 15% limit in Listing Rule 7.1, effectively decreasing the number of Equity Securities it can issue without Shareholder approval over the 12 month period following the Portofino Issue Date.

## **7.3 ASX Listing Rule Disclosure Requirements**

The following information is provided for the purpose of ASX Listing Rule 7.5.

(a) *Number and class of securities issued*

650,000 Shares

(b) *The price or other consideration the entity has received or will receive for the issue*

The Portofino Issue Shares were issued at a deemed issue price of \$0.155 each as part of the consideration under the Portofino Agreement.

(c) *If the securities are not fully paid ordinary securities, a summary of the material terms of the securities*

The Portofino Issue Shares were issued fully paid and rank pari passu in all respects with the Company's other Shares on issue.

(d) *The name of the persons to whom Galan issued the securities or the basis on which those persons were identified or selected*

Portofino Resources Inc. Portofino Resources Inc is not a related party of the Company or its associates.

(e) *The purpose of the issue, including the use (or intended use) of any funds raised by the issue*

The Portofino Issue Shares were issued as part of the consideration payable by the Company under the Portofino Agreement. Accordingly no funds were raised by the issue of the Portofino Issue Shares.

(f) *The date or dates on which the securities were or will be issued*

The Portofino Issue Shares were issued on 27 August 2020.

(g) *If the securities were or will be issued under an agreement, a summary of any other material terms of the agreement*

A summary of the material terms of the agreement with Portofino is set out in Section 7.1 above.

## **Directors' Recommendation**

The Board recommends Shareholders vote in favour of Resolution 6 as it allows the Company greater flexibility to issue further Securities representing up to 15% (under ASX Listing Rule 7.1) of the total number of Shares on issue in any 12 month period without Shareholder approval.

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## **8. RATIFICATION OF THE ISSUE OF 2,500,000 SHARES TO ACUITY CAPITAL (RESOLUTION 7)**

### **8.1 General**

The Company has a Controlled Placement Deed (**CPD**) in place with Acuity Capital Investment Management Pty Ltd (**Acuity Capital**). The CPD provides Galan with standby equity capital of up to \$5,000,000 until December 2020. Galan retains full control of the placement process, including having sole discretion as to whether or not to utilise the CPD. Galan is under no obligation to raise capital under the CPD. If Galan does decide to utilise the CPD, it 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 the Company and a 10% discount to a VWAP over a period of Galan's sole choosing.

The Company was issued with a notice of exercise of CPD options by Acuity Capital on 22 June 2020 as per the terms of the CPD. The Company was required to issue Acuity Capital 2,500,000 Shares at an issue price of \$0.14 per Share for total proceeds of \$350,000 (**Acuity Issue**). The Shares the subject of the Acuity Issue (**Acuity Issue Shares**) were issued on 29 June 2020 (**Acuity Issue Date**).

Resolution 7 seeks approval and ratification from Shareholders for the prior issue of the Acuity Issue Shares to Acuity Capital under the terms and conditions of the CPD.

### **8.2 ASX Listing Rule 7.4**

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of Equity Securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15 % of the fully paid ordinary securities it had on issue at the start of that period.

The Acuity Issue does not fit within any of these exceptions and, as it has not yet been approved by the Company's Shareholders, it effectively uses up part of the 15% limit in Listing Rule 7.1, reducing Galan's capacity to issue further Equity Securities without Shareholder approval under Listing Rule 7.1 for the 12 month period following the Acuity Issue Date.

Listing Rule 7.4 allows the shareholders of a listed company to approve an issue of Equity Securities after it has been made or agreed to be made. If they do, the issue is taken to have been approved under Listing Rule 7.1 and so does not reduce the company's capacity to issue further Equity Securities without shareholder approval under that rule.

Galan wishes to retain as much flexibility as possible to issue additional Equity Securities into the future without having to obtain Shareholder approval for such issues under Listing Rule 7.1.

To this end, Resolution 7 seeks Shareholder approval to the Acuity Issue under and for the purposes of Listing Rule 7.4.

If Resolution 7 is passed, the Acuity Issue will be excluded in calculating Galan's 15% limit in Listing Rule 7.1, effectively increasing the number of Equity Securities it can issue without Shareholder approval over the 12 month period following the Acuity Issue Date.

If Resolution 7 is not passed, the Acuity Issue will be included in calculating the Company's 15% limit in Listing Rule 7.1, effectively decreasing the number of Equity Securities it can issue without Shareholder approval over the 12 month period following the Acuity Issue Date.

### **8.3 ASX Listing Rule Disclosure Requirements**

The following information is provided for the purpose of ASX Listing Rule 7.5:

- (a) *Number and class of securities issued*  
2,500,000 Shares
- (b) *The price or other consideration the entity has received or will receive for the issue*  
\$0.14 per Share
- (c) *If the securities are not fully paid ordinary securities, a summary of the material terms of the securities*  
The Acuity Issue Shares were issued fully paid and rank pari passu in all respects with the Company's other Shares on issue.

- (d) *The name of the persons to whom Galan issued the securities or the basis on which those persons were identified or selected*

Acuity Capital Investment Management Pty Ltd. Acuity Capital Investment Pty Ltd is not a related party of the Company or its associates.

- (e) *The purpose of the issue, including the use (or intended use) of funds raised*

Funds raised by the issue of the Acuity Issue Shares were, or will be, used for further exploration and development work on Galan's projects, acquisition of tenements and for working capital purposes.

- (f) *The date or dates on which the securities were or will be issued*

The Acuity Issue Shares were issued on 29 June 2020

- (g) *If the securities were or will be issued under an agreement, a summary of any other material terms of the agreement*

A summary of the material terms of the CPD pursuant to which the Acuity Issue Shares were issued is set out in Section 8.1 above.

### **Directors' Recommendation**

The Directors recommend that Shareholders vote in favour of Resolution 7, as allows the Company greater flexibility to issue further securities representing up to 15% of the total number of Shares on issue in any 12 month period without Shareholder approval of the Company's Share capital during the next 12 months under ASX Listing Rule 7.1.

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## **9. RATIFICATION OF THE ISSUE OF 192,674 SHARES TO CARO AND NAVARRO LIMITADA (RESOLUTION 8)**

### **9.1 General**

The Company entered into a consulting agreement with Mr Boris Caro for the provision of study advisory services. The provision of the services commenced on 1 July 2019.

Under the terms of the agreement, Mr Caro has an option to be paid in equity, on a monthly or quarterly basis, for the services that he provides to the Company.

If agreed by both parties, the Company may elect to pay the fee for the Mr Caro's services by issuing Shares.

Under the agreement with Mr Caro:

- (a) any conversion to Shares on a monthly submitted invoice is based on the total of the monthly submitted invoice divided by the five (5) day VWAP (\*) of Shares traded on the ASX; and
- (b) any conversion to Shares on a quarterly submitted invoice is based on the total of the quarterly submitted invoice divided by the thirty (30) day VWAP (\*\*) of Shares traded on the ASX.

(\*) – VWAP = five (5) last trading days of the month in which the services were provided.

(\*\*) – VWAP = thirty (30) last trading days of the quarter in which the services were provided.

On 27 August 2020 (**Caro Issue Date**), the Company issued 192,674 Shares to Mr Caro for his June 2020 quarterly services (**Caro Issue**).

Resolution 8 seeks approval and ratification from Shareholders for the prior issue of a total of 192,674 Shares the subject of the Caro Issue (**Caro Issue Shares**) to Mr Caro under the terms and conditions of his contract.

### **9.2 ASX Listing Rule 7.4**

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of Equity Securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15 % of the fully paid ordinary securities it had on issue at the start of that period.

The Caro Issue does not fit within any of these exceptions and, as it has not yet been approved by the Company's Shareholders, it effectively uses up part of the 15% limit in Listing Rule 7.1, reducing Galan's capacity to issue further Equity Securities without Shareholder approval under Listing Rule 7.1 for the 12 month period following the Caro Issue Date.

Listing Rule 7.4 allows the shareholders of a listed company to approve an issue of Equity Securities after it has been made or agreed to be made. If they do, the issue is taken to have been approved under Listing Rule 7.1 and so does not reduce the company's capacity to issue further Equity Securities without shareholder approval under that rule.

Galan wishes to retain as much flexibility as possible to issue additional Equity Securities into the future without having to obtain Shareholder approval for such issues under Listing Rule 7.1.

To this end, Resolution 8 seeks Shareholder approval to the Caro Issue under and for the purposes of Listing Rule 7.4.

If Resolution 8 is passed, the Caro Issue will be excluded in calculating Galan's 15% limit in Listing Rule 7.1, effectively increasing the number of Equity Securities it can issue without Shareholder approval over the 12 month period following the Caro Issue Date.

If Resolution 8 is not passed, the Caro Issue will be included in calculating the Company's 15% limit in Listing Rule 7.1, effectively decreasing the number of Equity Securities it can issue without Shareholder approval over the 12 month period following the Caro Issue Date.

### **9.3 ASX Listing Rule Disclosure Requirements**

The following information is provided for the purpose of ASX Listing Rule 7.5:

*(a) Number and class of securities issued*

192,674 Shares

*(b) The price or other consideration the entity has received or will receive for the issue*

The Caro Issue Shares were issued for no consideration in lieu of a cash payment for services provided to the Company. The deemed issue price of the Caro Issue Shares was \$0.1483, which was calculated on the basis set out above.

*(c) If the securities are not fully paid ordinary securities, a summary of the material terms of the securities*

The Caro Issue Shares were issued fully paid and rank pari passu in all respects with the Company's other Shares on issue.

*(d) The name of the persons to whom Galan issued the securities or the basis on which those persons were identified or selected*

Caro and Navarro Limitada. Caro and Navarro Limitada is not a related party of the Company or its associates.

*(e) The purpose of the issue, including the use (or intended use) of funds raised by the issue*

No funds were raised by the issue of the Caro Issue Shares as they were issued in lieu of a cash payment for services provided by Mr Caro to the Company.

*(f) The date or dates on which the securities were or will be issued*

The Caro Issue Shares were issued on 27 August 2020.

*(g) If the securities were or will be issued under an agreement, a summary of any other material terms of the agreement*

A summary of the material terms of the agreement with Mr Caro is set out in Section 9.1 above.

### **Directors' Recommendation**

The Directors recommend that Shareholders vote in favour of Resolution 8, as it ratifies the above issue of Shares and retains the Company's flexibility to issue further securities representing up to 15% of the Company's Share capital during the next 12 months.

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## **10. REPLACEMENT OF CONSTITUTION (RESOLUTION 9)**

### **10.1 Background**

A company may modify or repeal its constitution or a provision of its constitution by Special Resolution of shareholders.

Resolution 9 is a special resolution which will enable the Company to repeal its existing Constitution and adopt a new constitution (**Proposed Constitution**) which is of the type required for a listed public company limited by shares updated to ensure it reflects the current provisions of the Corporations Act and ASX Listing Rules.

This will incorporate amendments to the Corporations Act and ASX Listing Rules since the current Constitution was adopted in February 2011.

The Directors believe that it is preferable in the circumstances to replace the existing Constitution with the Proposed Constitution rather than to amend a multitude of specific provisions.

The Proposed Constitution is broadly consistent with the provisions of the existing Constitution. Many of the proposed changes are administrative or minor in nature, including but not limited to:

- a) Updating the name of the Company to Galan Lithium Limited (from Dempsey Minerals Limited) as adopted in August 2018.
- b) updating provisions to comply with recent changes to the Listing Rules and the Corporations Act;
- c) updating references to bodies or legislation which have been renamed; and
- d) expressly providing for statutory rights by mirroring these rights in the provisions of the Proposed Constitution.

The Directors believe these amendments are not material nor will they have any significant impact on Shareholders.

It is not practicable to list all of the changes to the Constitution in detail in this Explanatory Statement, however, a summary of the proposed material changes is set out below.

Prior to the Meeting, a copy of the Proposed Constitution will be available for review by Shareholders on the Company's website ([www.galanlithium.com.au](http://www.galanlithium.com.au)) and at the registered office during normal business hours. A copy of the Proposed Constitution can also be sent to Shareholders of the Company upon a request being made to the Company Secretary on (08) 9322 6283 or by email to [mrobbins@galanlithium.com.au](mailto:mrobbins@galanlithium.com.au).

The resolution is a Special Resolution that can only be passed if at least 75% of the total votes cast by Shareholders entitled to vote on this Resolution are voted in its favour. If shareholders vote in favour of this resolution, the Proposed Constitution will operate from the date on which the special resolution is passed and will not affect the validity of acts or appointments under the existing Constitution.

### **10.2 Summary of Material Proposed Changes**

#### Minimum Shareholding (clause 3)

Clause 3 of the Constitution outlines how the Company can manage shareholdings which represent an "unmarketable parcel" of shares, being a shareholding that is less than \$500 based on the closing price of the Company's Shares on ASX as at the relevant time.

The Proposed Constitution is in line with the requirements for dealing with "unmarketable parcels" outlined in the Corporations Act such that where the Company elects to undertake a sale of unmarketable parcels, the Company is only required to give one notice to holders of an unmarketable parcel to elect to retain their shareholding before the unmarketable parcel can be dealt with by the Company, saving time and administrative costs incurred by otherwise having to send out additional notices.

Clause 3 of the Proposed Constitution continues to outline in detail the process that the Company must follow for dealing with unmarketable parcels.

#### Restricted Securities (clause 2.12)

With effect from 1 December 2019, ASX applied a two-tier escrow regime where ASX can require certain more significant holders of restricted securities and their controllers (such as related parties, promoters, substantial holders, service providers and their associates) to execute a formal escrow agreement in the form Appendix 9A, as is currently the case. However, for less significant holdings (such as non-related parties and non-promoters), ASX will instead permit the Company to issue restriction notices to holders of

restricted securities in the form of a new Appendix 9C advising them of the restriction rather than requiring signed restriction agreements.

#### Direct Voting (clause 13, specifically clauses 13.35 – 13.40)

The Proposed Constitution includes a new provision which allows Shareholders to exercise their voting rights through direct voting (in addition to exercising their existing rights to appoint a proxy). Direct voting is a mechanism by which Shareholders can vote directly on resolutions which are to be determined by poll. Votes cast by direct vote by a Shareholder are taken to have been cast on the poll as if the Shareholder had cast the votes on the poll at the meeting. In order for direct voting to be available, Directors must elect that votes can be cast via direct vote for all or any resolutions and determine the manner appropriate for the casting of direct votes. If such a determination is made by the Directors, the notice of meeting will include information on the application of direct voting.

#### Remuneration of Non-Executive Directors (clauses 14.7 and 14.8)

The Proposed Constitution amends the provision relating to the amounts that may be paid to Non-Executive Directors to clarify what may be paid to Non-Executive Directors and what may be included in those amounts. As set out above, the amendment also sets a new initial limit in the Constitution of \$300,000 as a total amount payable to Non-Executive Directors (this limit was approved by Shareholders at the last AGM held on 29 November 2019). While the Board has no present intention to pay its Non-Executive Directors this amount, the Board believes it provides the Company with adequate coverage under the Constitution should Company circumstances change eg. other Non-Executive Directors are appointed or their roles change whereby additional fees are deemed appropriate.

#### Dividends (clause 22)

Section 254T of the Corporations Act was amended effective 28 June 2010.

There is now a three-tiered test that a company will need to satisfy before paying a dividend replacing the previous test that dividends may only be paid out of profits.

The amended requirements provide that a company must not pay a dividend unless:

- the company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend;
- the payment of the dividend is fair and reasonable to the company's shareholders as a whole; and
- the payment of the dividend does not materially prejudice the company's ability to pay its creditors.

The existing Constitution reflects the former profits test and restricts the dividends to be paid only out of the profits of the Company. The Proposed Constitution is updated to reflect the new requirements of the Corporations Act. The Directors consider it appropriate to update the Constitution for this amendment to allow more flexibility in the payment of dividends in the future should the Company be in a position to pay dividends.

#### Partial (proportional) takeover provisions (new clause 36)

A proportional takeover bid is a takeover bid where the offer made to each shareholder is only for a proportion of that shareholder's shares.

Pursuant to section 648G of the Corporations Act, the Company has included in the Proposed Constitution a provision whereby a proportional takeover bid for Shares may only proceed after the bid has been approved by a meeting of Shareholders held in accordance with the terms set out in the Corporations Act.

This clause is consistent with the equivalent provisions of the existing Constitution. This clause of the Proposed Constitution will cease to have effect on the third anniversary of the date of the adoption of last renewal of the clause. Adopting the Proposed Constitution will have the effect of "refreshing" the relevant provisions, which would otherwise have required re-approval by Shareholders within 3 years of the Company's listing.

### **10.3 Information required by section 648G of the Corporations Act**

#### *Effect of proposed proportional takeover provisions*

Where offers have been made under a proportional off-market bid in respect of a class of securities in a company, the registration of a transfer giving effect to a contract resulting from the acceptance of an offer made under such a proportional off-market bid is prohibited unless and until a resolution to approve the proportional off-market bid is passed.

### *Reasons for proportional takeover provisions*

A proportional takeover bid may result in control of the Company changing without Shareholders having the opportunity to dispose of all their Shares. By making a partial bid, a bidder can obtain practical control of the Company by acquiring less than a majority interest. Shareholders are exposed to the risk of being left as a minority in the Company and the risk of the bidder being able to acquire control of the Company without payment of an adequate control premium. These amended provisions allow Shareholders to decide whether a proportional takeover bid is acceptable in principle, and assist in ensuring that any partial bid is appropriately priced.

### *Knowledge of any acquisition proposals*

As at the date of this Notice of Meeting, no Director is aware of any proposal by any person to acquire, or to increase the extent of, a substantial interest in the Company.

### *Potential advantages and disadvantages of proportional takeover provisions*

The Directors consider that the proportional takeover provisions have no potential advantages or disadvantages for them and that they remain free to make a recommendation on whether an offer under a proportional takeover bid should be accepted.

The potential advantages of the proportional takeover provisions for Shareholders include:

- a) the right to decide by majority vote whether an offer under a proportional takeover bid should proceed;
- b) assisting in preventing Shareholders from being locked in as a minority;
- c) increasing the bargaining power of Shareholders which may assist in ensuring that any proportional takeover bid is adequately priced; and
- d) each individual Shareholder may better assess the likely outcome of the proportional takeover bid by knowing the view of the majority of Shareholders which may assist in deciding whether to accept or reject an offer under the takeover bid.

The potential disadvantages of the proportional takeover provisions for Shareholders include:

- a) proportional takeover bids may be discouraged;
- b) lost opportunity to sell a portion of their Shares at a premium; and
- c) the likelihood of a proportional takeover bid succeeding may be reduced.

The Directors do not believe the potential disadvantages outweigh the potential advantages of adopting the proportional takeover provisions and as a result consider that the proportional takeover provision in the Proposed Constitution is in the interest of Shareholders.

### **Directors' Recommendation**

The Directors unanimously recommend that Shareholders vote in favour of Resolution 9.

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## **11. APPROVAL OF GALAN LITHIUM LIMITED SECURITIES INCENTIVE PLAN (RESOLUTION 10) AND APPROVAL OF POTENTIAL TERMINATION BENEFITS UNDER THE GALAN LITHIUM LIMITED SECURITIES INCENTIVE PLAN (RESOLUTION 11)**

### **11.1 Background to Resolutions 10 and 11**

Resolution 10 is a resolution which seeks Shareholder approval for a new Galan Lithium Limited Securities Incentive Plan (**Incentive Plan**). A summary of the terms and conditions is set out in Annexure A to this Notice.

Listing Rule 7.1 places certain restrictions on the extent to which a listed company may issue certain Equity Securities, including options. The effect is that shareholder approval is required before the company may issue Equity Securities representing more than 15% of the capital of the company within a 12 month period. However, certain issues are exempt from the restrictions of Listing Rule 7.1 and are effectively disregarded for the purposes of determining the number of securities which a company may issue within a 12 month period. Exempt issues include an issue of securities to persons participating in an employee incentive scheme where shareholders have approved the issue of securities under the scheme as an exemption from Listing Rule 7.1. Shareholder approval must be given in a general meeting held not more than 3 years before the date of issue when the notice of meeting contains or is accompanied by certain prescribed information (set out below) (Exception 13(b) of Listing Rule 7.2).

In order to take advantage of the exemption from Listing Rule 7.1 and allow the Company flexibility to issue securities, Shareholders are requested to approve the issue of securities under the Incentive Plan (**Plan Securities**) as an exemption from Listing Rule 7.1. This approval will be effective for a period of three

(3) years from the date of the Resolution. It should be noted that Resolution 10 does not approve the issue of any Plan Securities to any Director, employee or consultant of the Company. Plan Securities cannot be granted to Directors or associates of the Company unless prior approval of Shareholders is obtained in accordance with the Listing Rules.

The main purpose of the Incentive Plan is to give an additional reward to Directors, employees and consultants of the Company to provide dedicated and ongoing commitment and effort to the Company, and for the Company to reward its Directors, employees and consultants for their efforts. The Incentive Plan is a reward plan designed to increase the motivation of personnel and create a stronger link between increasing Shareholder value and personnel reward.

If convertible securities issued under the Plan are exercised, it will have the effect of increasing the Company's cash position by the amount of the exercise price multiplied by the number of Plan convertible securities exercised. It will also increase the number of Shares that are on issue by the number of Plan convertible securities exercised.

Shares issued pursuant to the exercise of Plan convertible Securities will rank *pari passu* in all respects with the Company's existing Shares.

Application will not be made for official quotation on the ASX of the Plan Securities.

The Board believes that the Incentive Plan will:

- enable the Company to recruit and retain the talented people needed to achieve the Company's business objectives;
- link the rewards of key personnel with the achievements of strategic goals and the performance of the Company;
- align the financial interest of participants in the Incentive Plan with those of shareholders of the Company; and
- provide reward to participants in the Incentive Plan to focus on superior performance that creates shareholder value.

### **11.2 ASX Listing Rule 7.2 (Exception 13(b)) Disclosure Requirements**

In accordance with Listing Rule 7.2 (Exception 13(b)), the following information is disclosed to Shareholders for the purposes of Resolution 10:

- (a) A summary of the terms and conditions of the Incentive Plan is set out in Annexure A to this Notice of Meeting.
- (b) A voting exclusion statement is included in the Notice.
- (c) No offers have been made under the Incentive Plan as at the date of this Notice or will have been made at the date of the Meeting.

### **Directors' Recommendation for Resolution 10**

As the Directors may have a personal interest in Resolution 10, the Directors make no recommendation as to how Shareholders should vote on this resolution.

### **11.3 Section 200B of the Corporations Act**

The Corporations Act restricts the benefits which can be given to certain persons (those who hold a managerial or executive office, as defined in the Corporations Act) on leaving their employment or office with the Company or any of its related bodies corporate. Under section 200B of the Corporations Act, a company may only give a person a benefit in connection with their ceasing to hold a managerial or executive office in the company or its related bodies corporate if it is approved by shareholders or an exemption applies. This applies to all Directors and to all key management personnel of the Company (that is, to all persons whose remuneration is required to be disclosed in the Remuneration Report), including those who are not Directors. Additionally, persons subject to the restrictions remain subject to them for at least three years after they cease to hold a managerial or executive office.

Under the terms and conditions of the proposed Incentive Plan (the subject of Resolution 10), circumstances in which the early vesting of convertible Plan Securities are permitted at the Board's discretion include termination of a participant's employment, engagement or office with the Company due to death, permanent incapacity, mental incapacity, redundancy, resignation, retirement or any other reason the Board decides, or in other circumstances where the Board exercises its discretion to allow early vesting as well as change of control events. The termination "benefit" under section 200B of the

Corporations Act has a wide operation and relevantly includes, in the context of Resolution 10, the early vesting of Plan Securities upon the exercise of the Board's discretion or the Board determining to provide that the participant's Plan Securities do not lapse but will continue and be vested in the ordinary course.

Resolution 11 seeks approval of any "termination benefit" that may be provided to a participant under the terms and conditions of Plan Securities that might be issued in the future to persons who from, time to time, hold a managerial or executive office (as defined in the Corporations Act) in the Company, to the extent permitted by law. The Company will obtain any Shareholder or other approvals that may be required before any Plan Securities are granted to Directors or associates of the Company.

Resolution 11 is conditional upon the passing of Resolution 10 (which seeks Shareholder approval of the Incentive Plan). In the event that Resolution 10 is not passed, Resolution 11 will be withdrawn and will not be put to Shareholders.

Specifically, Shareholder approval is being sought to give the Board (or the Board's delegate) the capacity to exercise certain discretions under the terms and conditions of Plan Securities to be issued in the future to persons who hold a managerial or executive office (as defined in the Corporations Act) in the Company to the extent permitted by law (under Resolution 10), including the discretion to determine to vest some or all of the unvested Plan Securities of any such person.

The Company is seeking approval to assist the Company in meeting its existing obligations to the Directors and employees of the group, and to provide the Company with the flexibility to continue to remunerate employees fairly and responsibly.

If the relevant Shareholder approvals are obtained under Resolutions 10 and 11, and the Board exercises its discretion to vest some or all of an affected participant's unvested Plan Securities, (or to provide that the participant's Plan Securities do not lapse but will continue and be vested in the ordinary course), the value of these benefits will be disregarded when calculating the relevant participant's statutory cap for the purposes of section 200F(2)(b) or section 200G(1)(c) of the Corporations Act.

The terms and conditions of the Incentive Plan are summarised in Annexure A to this Notice of Meeting.

#### **11.4 Section 200E of the Corporations Act**

Section 200E of the Corporations Act requires certain information to be provided to shareholders in approving a termination benefit. Whilst the value of the proposed termination benefits cannot currently be ascertained, the manner in which the value of the proposed termination benefits is calculated, and the matters, events and circumstances that will, or are likely to, affect the calculation of the value are as follows:

(a) Details of the termination benefits

The terms and conditions of any Plan Securities to be issued in the future may contain provisions dealing with the early vesting of unvested Plan Securities in certain circumstances. For example, where the holder's office with the Company is terminated before the Plan Securities have vested, the Plan Securities may vest in the Board's discretion and the basis on which vesting may occur (which may include, without limitation, timing and conditions). Similarly, if a "change of control" occurs, the Board may determine that some or all of a participant's unvested Plan Securities will vest. The Board may also determine to provide that the participant's Plan Securities do not lapse but will continue and be vested in the ordinary course. The exercise of these and other discretions in the Incentive Plan will constitute a "benefit" for the purposes of the Corporations Act's termination benefits provisions.

Shareholder approval is sought for future issues of Plan Securities under Resolution 11, to the extent permitted by law, for exercise of these and other discretions in the Incentive Plan that will constitute a benefit for the purposes of the Corporations Act's termination benefits provisions. The Company will obtain any required Shareholder or other approvals before issuing Plan Securities to Directors or associates of the Company. The exercise of these discretions will constitute a "benefit" for the purposes of the Corporations Act's termination benefits provisions.

(b) Value of the termination benefits

The value of the termination benefits under the proposed terms and conditions of the Plan Securities cannot be determined in advance as various matters will, or are likely to affect that value. Specifically, if any Plan Securities are issued in the future, the value of a particular benefit will depend on the Company's Share price at the time of vesting and the number of Plan Securities that vest or the Board decides to vest. Some of the future factors that may affect the value of the termination benefits are as follows:

- (i) the holder's length of service and the proportion of any relevant performance periods that have expired at the time their office is terminated;

- (ii) the holder's total fixed remuneration at the time the Plan Securities are issued and at the time they leave employment; and
- (iii) the number of unvested Plan Securities held at the time their office is terminated; and
- (iv) the reasons for termination of their office.

Despite an approval by Shareholders of Resolution 10 and Resolution 11, any future grant of Plan Securities to a Director or his or her associates will remain subject to the Company obtaining any required Shareholder or other approval for their issue.

The Chairperson intends to exercise all available proxies in favour of Resolutions 10 and 11.

### **Directors' Recommendation for Resolution 11**

As the Directors may have a personal interest in Resolution 11, the Directors make no recommendation as to how Shareholders should vote on this resolution.

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## **12. RATIFICATION OF THE ISSUE OF 23,076,924 SHARES IN A PLACEMENT (RESOLUTION 12)**

### **12.1 Background**

As announced on 12 October 2020, the Company successfully undertook a capital raising of \$3 million through a private placement to sophisticated investors.

It received firm commitments for a placement of 23,076,924 Shares at a price of A\$0.13 per Share to raise \$3 million (before costs) (**Placement**). The Placement was very well supported by domestic and international investors which resulted in bids exceeding the original placement goal by 50%.

The proceeds of the Placement, together with the Company's existing cash resources are to be applied towards the continued advancement of its 100% owned Hombre Muerto West (**HMW**) lithium project located within the South American Lithium Triangle in Argentina. Funds will be primarily allocated towards progressing Scoping and Pre-Feasibility Studies at HMW, completing lab testing to support the development of a high-grade lithium concentrate and/or lithium carbonate product and general working capital purposes.

Argonaut Securities Pty Limited (**Argonaut**) was engaged as Lead Manager with Barclay Wells Limited appointed as Co-Lead Manager in respect of the Placement.

23,076,924 Shares (**Placement Shares**) were issued on 20 October 2020 (**Placement Issue Date**) pursuant to the Placement. On the same date, Argonaut was also issued with 2,000,000 **Annexure B Options** as part of its mandate as Lead Manager of the Placement.

The ratification of issue of the 23,076,924 Placement Shares and 2,000,000 Annexure B Options is sought under Resolutions 12 and 13 respectively, in accordance with the requirements of ASX Listing Rule 7.4.

### **12.2 ASX Listing Rule 7.4**

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of Equity Securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15 % of the fully paid ordinary securities it had on issue at the start of that period.

The Placement does not fit within any of these exceptions and, as it has not yet been approved by the Company's Shareholders, it effectively uses up part of the 15% limit in Listing Rule 7.1, reducing Galan's capacity to issue further Equity Securities without Shareholder approval under Listing Rule 7.1 for the 12 month period following the Placement Issue Date.

Listing Rule 7.4 allows the shareholders of a listed company to approve an issue of Equity Securities after it has been made or agreed to be made. If they do, the issue is taken to have been approved under Listing Rule 7.1 and so does not reduce the company's capacity to issue further Equity Securities without shareholder approval under that rule.

Galan wishes to retain as much flexibility as possible to issue additional Equity Securities into the future without having to obtain Shareholder approval for such issues under Listing Rule 7.1.

To this end, Resolution 12 seeks Shareholder approval to the Placement under and for the purposes of Listing Rule 7.4.

If Resolution 12 is passed, the Placement will be excluded in calculating Galan's 15% limit in Listing Rule 7.1, effectively increasing the number of Equity Securities it can issue without Shareholder approval over the 12 month period following the Placement Issue Date.

If Resolution 12 is not passed, the Placement will be included in calculating the Company's 15% limit in Listing Rule 7.1, effectively decreasing the number of Equity Securities it can issue without Shareholder approval over the 12 month period following the Placement Issue Date.

### **12.3 ASX Listing Rule Disclosure Requirements**

The following information is provided for the purpose of ASX Listing Rule 7.5:

(a) *Number and class of securities issued*

23,076,924 Shares.

(b) *The price or other consideration the entity has received or will receive for the issue*

\$0.13 per Share.

(c) *If the securities are not fully paid ordinary securities, a summary of the material terms of the securities*

The Placement Shares are fully paid ordinary shares and rank pari passu in all respects with the Company's other Shares on issue and are listed on the ASX.

(d) *The name of the persons to whom Galan issued the securities or the basis on which those persons were identified or selected*

The Placement Shares the subject of Resolution 12 were issued to sophisticated investors who subscribed for them under the Placement.

None of the persons to whom Placement Shares were issued are related parties of the Company or their associates.

(e) *The date or dates on which the securities were or will be issued*

The Placement Shares were issued on 20 October 2020.

(f) *The purpose of the issue including the use (or intended use) of funds raised*

The net funds raised from the issue of the Placement Shares will enable Galan to progress Scoping and Pre-Feasibility Studies at HMW, completing lab testing to support the development of a high-grade lithium concentrate and/or lithium carbonate product and general working capital purposes.

### **Directors' Recommendation**

The Board recommends Shareholders vote in favour of Resolution 12 as it allows the Company greater flexibility to issue further Securities representing up to 15% (under ASX Listing Rule 7.1) of the total number of Shares on issue in any 12 month period without Shareholder approval.

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## **13. RATIFICATION OF THE ISSUE OF 2,000,000 ANNEXURE B OPTIONS TO ARGONAUT SECURITIES (RESOLUTION 13)**

### **13.1 Background**

Please see Section 12.1 for background in respect of the Placement.

The ratification of issue of the 2,000,000 Annexure B Options to Argonaut (**Argonaut Option Issue**) on 20 October 2020 (**Argonaut Issue Date**) as referred to in Section 12.1 is sought under Resolution 13, in accordance with the requirements of ASX Listing Rule 7.4.

### **13.2 ASX Listing Rule 7.4**

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of Equity Securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15 % of the fully paid ordinary securities it had on issue at the start of that period.

The Argonaut Option Issue does not fit within any of these exceptions and, as it has not yet been approved by the Company's Shareholders, it effectively uses up part of the 15% limit in Listing Rule 7.1, reducing Galan's capacity to issue further Equity Securities without Shareholder approval under Listing Rule 7.1 for the 12 month period following the Argonaut Issue Date.

Listing Rule 7.4 allows the shareholders of a listed company to approve an issue of Equity Securities after it has been made or agreed to be made. If they do, the issue is taken to have been approved under Listing Rule 7.1 and so does not reduce the company's capacity to issue further Equity Securities without shareholder approval under that rule.

Galan wishes to retain as much flexibility as possible to issue additional Equity Securities into the future without having to obtain Shareholder approval for such issues under Listing Rule 7.1.

To this end, Resolution 13 seeks Shareholder approval to the Argonaut Option Issue under and for the purposes of Listing Rule 7.4.

If Resolution 13 is passed, the Argonaut Option Issue will be excluded in calculating Galan's 15% limit in Listing Rule 7.1, effectively increasing the number of Equity Securities it can issue without Shareholder approval over the 12 month period following the Argonaut Issue Date.

If Resolution 13 is not passed, the Argonaut Option Issue will be included in calculating the Company's 15% limit in Listing Rule 7.1, effectively decreasing the number of Equity Securities it can issue without Shareholder approval over the 12 month period following the Argonaut Issue Date.

### **13.3 ASX Listing Rule Disclosure Requirements**

The following information is provided for the purpose of ASX Listing Rule 7.5:

*(a) Number and class of securities issued*

2,000,000 Annexure B Options

*(b) The price or other consideration the entity has received or will receive for the issue*

The Annexure B Options were issued for no consideration as they were issued to Argonaut as part of the consideration for services provided to the Company by Argonaut under the Lead Manager Mandate detailed in Section 12.1.

*(c) If the securities are not fully paid ordinary securities, a summary of the material terms of the securities*

The terms and conditions of the Annexure B Options are set out in Annexure B. Shares issued upon exercise of the Annexure B Options will be fully paid Shares, will rank pari passu in all respects with the Company's other Shares on issue and will be listed on the ASX.

*(d) The name of the persons to whom Galan issued the securities or the basis on which those persons were identified or selected*

The Annexure B Options the subject of Resolution 13 were issued to Argonaut as part of their mandate as Lead Manager of the Placement.

Argonaut is not a related party of the Company or its associates.

*(e) The date or dates on which the securities were or will be issued*

The Annexure B Options were issued on 20 October 2020.

*(f) The purpose of the issue including the use (or intended use) of funds raised*

The Annexure B Options the subject of Resolution 13 were issued to Argonaut as part of their mandate as Lead Manager of the Placement. As the Annexure B Options are being issued for no consideration, no funds will be raised by their issue. Any funds received by the Company upon exercise of the Annexure B Options will be used for general development and studies on Galan projects and for working capital purposes.

### **Directors' Recommendation**

The Board recommends Shareholders vote in favour of Resolution 13 as it allows the Company greater flexibility to issue further Securities representing up to 15% (under ASX Listing Rule 7.1) of the total number of Shares on issue in any 12 month period without Shareholder approval.

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## GLOSSARY

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In the Notice of Meeting (including the Annexures thereto) and the Proxy Form, the following terms have the following meanings unless they are otherwise defined or the context otherwise requires:

**\$** means Australian dollars.

**2020 Financial Report** means the Company's financial report for the financial year ended 30 June 2020, which can be downloaded from the Company's website at [www.galanlithium.com.au](http://www.galanlithium.com.au).

**Annual General Meeting** or **Meeting** means the meeting convened by the Notice.

**Annexure** means an annexure to this Explanatory Memorandum.

**Annexure B Option** means an Option issued on the terms and conditions set out in Annexure B.

**Argonaut** means Argonaut Securities Pty Limited.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited ACN 008 624 691 or the market operated by it, as the context requires.

**ASX Listing Rules** or **Listing Rules** means the Listing Rules of ASX and any other rules of ASX which are applicable while the Company is admitted to the official list of ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.

**Blue Sky Lithium** or **Blue Sky** means Blue Sky Lithium Pty Ltd ACN 622 748 565.

**Board** means the board of Directors.

**Business Day** means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

**Chair** means the chairperson of the Meeting.

**Closely Related Party** of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the Company;
- (e) a company the member controls; or
- (f) a person prescribed by the *Corporations Regulations 2001* (Cth) that may be made for this purpose.

**Company** or **Galan** means Galan Lithium Limited ACN 149 349 646.

**Constitution** means the Company's constitution.

**Corporations Act** means the *Corporations Act 2001* (Cth) and the regulations promulgated under it, each as amended from time to time.

**Director** means a director of the Company.

**Equity Securities** has the same meaning as in the Listing Rules.

**Explanatory Memorandum** means the explanatory memorandum accompanying and forming part of the Notice.

**Key Management Personnel** has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

**Notice** or **Notice of Meeting** or **Notice of Annual General Meeting** means this notice of annual general meeting including the Explanatory Memorandum and the Proxy Form.

**Option** means an option to acquire a Share.

**Plan** or **Incentive Plan** means the Galan Lithium Limited Securities Incentive Plan as summarised in Annexure A.

**Placement** means the Argonaut led placement announced to the ASX on 12 October 2020.

**Proposed Constitution** has the meaning set out in the Explanatory Memorandum as defined in Section 10.1

**Proxy Form** means the proxy form accompanying and forming part of the Notice.

**Remuneration Report** means the remuneration report set out in the Director's report section of the 2020 Financial Report.

**Resolutions** means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

**Securities** means Shares and Options.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a holder of a Share.

**Special Resolution** has the meaning under the Corporations Act. A special resolution must be passed by at least 75% of the votes cast by members entitled to vote on the resolution.

**Trading Day** means a day determined by ASX to be a trading day and notified to market participants being:

- (a) a day other than:
  - (i) a Saturday, Sunday, New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day; and
  - (ii) any other day which ASX declares and publishes is not a trading day; and
- (b) notwithstanding (a), a day which for the purposes of settlement, ASX declares is a trading day notwithstanding that dealings between market participants are suspended on that day.

**WST** means Western Standard Time as observed in Perth, Western Australia.

Where a word or phrase is given a defined meaning, another part of speech or other grammatical form in respect of that word or phrase has a corresponding meaning.

## **ANNEXURE A – SUMMARY OF THE TERMS AND CONDITIONS OF THE GALAN LITHIUM LIMITED SECURITIES INCENTIVE PLAN**

The Galan Lithium Limited Securities Incentive Plan (**Plan**) is being considered for approval by Shareholders at the Annual General Meeting. The full terms of the Plan may be inspected at the registered office of the Company during normal business hours. A summary of the terms of the Plan is set out below:

- (a) **(Eligible Participant):** Eligible Participant means a person that:
- (i) is an "eligible participant" (as that term is defined in ASIC Class Order 14/1000) in relation to the Company or an Associated Body Corporate (as that term is defined in ASIC Class Order 14/1000); and
  - (ii) has been determined by the Board to be eligible to participate in the Plan from time to time.
- (b) **(Purpose):** The purpose of the Plan is to:
- (i) assist in the reward, retention and motivation of Eligible Participants;
  - (ii) link the reward of Eligible Participants to Shareholder value creation; and
  - (iii) align the interests of Eligible Participants with shareholders of the Group (being the Company and each of its Associated Bodies Corporate), by providing an opportunity to Eligible Participants to receive an equity interest in the Company in the form of Securities.

(c) **(Plan administration):** The Plan will be administered by the Board. The Board may exercise any power or discretion conferred on it by the Plan rules in its sole and absolute discretion. The Board may delegate its powers and discretion.

(d) **(Eligibility, invitation and application):** The Board may from time to time determine that an Eligible Participant may participate in the Plan and make an invitation to that Eligible Participant to apply for Securities on such terms and conditions as the Board decides.

On receipt of an Invitation, an Eligible Participant may apply for the Securities the subject of the invitation by sending a completed application form to the Company.

The Board may accept an application from an Eligible Participant in whole or in part.

If an Eligible Participant is permitted in the invitation, the Eligible Participant may, by notice in writing to the Board, nominate a party in whose favour the Eligible Participant wishes to renounce the invitation.

(e) **(Grant of Securities):** The Company will, to the extent that it has accepted a duly completed application, grant the Participant the relevant number of Securities subject to the terms and conditions set out in the invitation, the Plan rules and any ancillary documentation required.

(f) **(Terms of Convertible Securities):** Each 'Convertible Security' represents a right to acquire one or more Shares (for example, under an option or performance right), subject to the terms and conditions of the Plan.

Prior to a Convertible Security being exercised a Participant does not have any interest (legal, equitable or otherwise) in any Share the subject of the Convertible Security by virtue of holding the Convertible Security. A Participant may not sell, assign, transfer, grant a security interest over or otherwise deal with a Convertible Security that has been granted to them. A Participant must not enter into any arrangement for the purpose of hedging their economic exposure to a Convertible Security that has been granted to them.

(g) **(Vesting of Convertible Securities):** Any vesting conditions applicable to the grant of Convertible Securities will be described in the invitation. If all the vesting conditions are satisfied and/or otherwise waived by the Board, a vesting notice will be sent to the Participant by the Company informing them that the relevant Convertible Securities have vested. Unless and until the vesting notice is issued by the Company, the Convertible Securities will not be considered to have vested. For the avoidance of doubt, if the vesting conditions relevant to a Convertible Security are not satisfied and/or otherwise waived by the Board, that Convertible Security will lapse.

(h) **(Exercise of Convertible Securities and cashless exercise):** To exercise a Convertible Security, the Participant must deliver a signed notice of exercise and, subject to a cashless exercise of Convertible Securities (see below), pay the exercise price (if any) to or as directed by the Company, at any time prior to the earlier of any date specified in the vesting notice and the expiry date as set out in the invitation.

An invitation may specify that at the time of exercise of the Convertible Securities, the Participant may elect not to be required to provide payment of the exercise price for the number of Convertible Securities specified in a notice of exercise, but that on exercise of those Convertible Securities the Company will transfer or issue to the Participant that number of Shares equal in value to the positive difference between the Market Value of the Shares at the time of exercise and the exercise price that would otherwise be payable to exercise those Convertible Securities.

**Market Value** means, at any given date, the volume weighted average price per Share traded on the ASX over the 5 trading days immediately preceding that given date, unless otherwise specified in an invitation. A Convertible Security may not be exercised unless and until that Convertible Security has vested in accordance with the Plan rules, or such earlier date as set out in the Plan rules.

- (i) **(Delivery of Shares on exercise of Convertible Securities):** As soon as practicable after the valid exercise of a Convertible Security by a Participant, the Company will issue or cause to be transferred to that Participant the number of Shares to which the Participant is entitled under the Plan rules and issue a substitute certificate for any remaining unexercised Convertible Securities held by that Participant.
- (j) **(Forfeiture of Convertible Securities):** Where a Participant who holds Convertible Securities ceases to be an Eligible Participant or becomes insolvent, all unvested Convertible Securities will automatically be forfeited by the Participant, unless the Board otherwise determines in its discretion to permit some or all of the Convertible Securities to vest.

Where the Board determines that a Participant has acted fraudulently or dishonestly, or wilfully breached his or her duties to the Group, the Board may in its discretion deem all unvested Convertible Securities held by that Participant to have been forfeited.

Unless the Board otherwise determines, or as otherwise set out in the Plan rules:

- (i) any Convertible Securities which have not yet vested will be forfeited immediately on the date that the Board determines (acting reasonably and in good faith) that any applicable vesting conditions have not been met or cannot be met by the relevant date; and
  - (ii) any Convertible Securities which have not yet vested will be automatically forfeited on the expiry date specified in the invitation.
- (k) **(Change of control):** If a change of control event occurs in relation to the Company, or the Board determines that such an event is likely to occur, the Board may in its discretion determine the manner in which any or all of the Participant's Convertible Securities will be dealt with, including, without limitation, in a manner that allows the Participant to participate in and/or benefit from any transaction arising from or in connection with the change of control event.
  - (l) **(Rights attaching to Plan Shares):** All Shares issued under the Plan, or issued or transferred to a Participant upon the valid exercise of a Convertible Security, **(Plan Shares)** will rank pari passu in all respects with the Shares of the same class. A Participant will be entitled to any dividends declared and distributed by the Company on the Plan Shares and may participate in any dividend reinvestment plan operated by the Company in respect of Plan Shares. A Participant may exercise any voting rights attaching to Plan Shares.
  - (m) **(Disposal restrictions on Plan Shares):** If the invitation provides that any Plan Shares are subject to any restrictions as to the disposal or other dealing by a Participant for a period, the Board may implement any procedure it deems appropriate to ensure the compliance by the Participant with this restriction.

For so long as a Plan Share is subject to any disposal restrictions under the Plan, the Participant will not:

- (i) transfer, encumber or otherwise dispose of, or have a security interest granted over that Plan Share; or
  - (ii) take any action or permit another person to take any action to remove or circumvent the disposal restrictions without the express written consent of the Company.
- (n) **(Adjustment of Convertible Securities):** If there is a reorganisation of the issued share capital of the Company (including any subdivision, consolidation, reduction, return or cancellation of such issued capital of the Company), the rights of each Participant holding Convertible Securities will be changed to the extent necessary to comply with the Listing Rules applicable to a reorganisation of capital at the time of the reorganisation.

If Shares are issued by the Company by way of bonus issue (other than an issue in lieu of dividends or by way of dividend reinvestment), the holder of Convertible Securities is entitled, upon exercise of the Convertible Securities, to receive an allotment of as many additional Shares as would have been issued to the holder if the holder held Shares equal in number to the Shares in respect of which the Convertible Securities are exercised.

Unless otherwise determined by the Board, a holder of Convertible Securities does not have the right to participate in a pro rata issue of Shares made by the Company or sell renounceable rights.

- (o) **(Participation in new issues):** There are no participation rights or entitlements inherent in the Convertible Securities and holders are not entitled to participate in any new issue of Shares of the Company during the currency of the Convertible Securities without exercising the Convertible Securities.
- (p) **(Amendment of Plan):** Subject to the following paragraph, the Board may at any time amend any provisions of the Plan rules, including (without limitation) the terms and conditions upon which any Securities have been granted under the Plan and determine that any amendments to the Plan rules be given retrospective effect, immediate effect or future effect.

No amendment to any provision of the Plan rules may be made if the amendment materially reduces the rights of any Participant as they existed before the date of the amendment, other than an amendment introduced primarily for the purpose of complying with legislation or to correct manifest error or mistake, amongst other things, or is agreed to in writing by all Participants.

- (q) **(Plan duration):** The Plan continues in operation until the Board decides to end it. The Board may from time to time suspend the operation of the Plan for a fixed period or indefinitely, and may end any suspension. If the Plan is terminated or suspended for any reason, that termination or suspension must not prejudice the accrued rights of the Participants.

If a Participant and the Company (acting by the Board) agree in writing that some or all of the Securities granted to that Participant are to be cancelled on a specified date or on the occurrence of a particular event, then those Securities may be cancelled in the manner agreed between the Company and the Participant.

## **ANNEXURE B – TERMS AND CONDITIONS OF ANNEXURE B OPTIONS**

Each Annexure B Option entitles the holder to subscribe for a Share on the following terms and conditions:

- 1. Entitlement**  
Each Annexure B Option entitles the holder to subscribe for one Share upon exercise of each Annexure B Option.
- 2. Exercise Price**  
The exercise price of each Annexure B Option will be \$0.20.
- 3. Expiry Date**  
Each Annexure B Option has an expiry date of 31 October 2023.
- 4. Exercise Period**  
Each Annexure B Option is exercisable at any time on or before 31 October 2023.
- 5. Notice of Exercise**  
Each Annexure B Option may be exercised by notice in writing to the Company. Any notice of exercise of Annexure B Options received by the Company will be deemed to be a notice of the exercise of the Annexure B Option as at the date of receipt.
- 6. Timing of issue of Shares**  
After a Annexure B Option is validly exercised, the Company must as soon as possible:
  - (i) issue and allot the Share; and
  - (ii) do all such acts matters and things to obtain the grant of quotation for the Share on ASX no later than 5 days from the date of exercise of the Annexure B Option.
- 7. Shares issued on exercise**  
Shares issued on exercise of the Annexure B Options rank equally with the then shares of the Company.
- 8. Quotation of Shares on exercise**  
Application will be made by the Company to ASX for Official Quotation of the Shares issued upon the exercise of the Annexure B Options. No application will be made to ASX for Official Quotation of the Annexure B Options.
- 9. Participation in new issues**  
There are no participation rights or entitlements inherent in the Annexure B Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Annexure B Options.  
  
However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least three business days after the issue is announced. This will give holders of Annexure B Options the opportunity to exercise their Annexure B Options prior to the date for determining entitlements to participate in any such issue.
- 10. Adjustment for bonus issues of Shares**  
If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):
  - (i) the number of Shares which must be issued on the exercise of a Annexure B Option will be increased by the number of Shares which the Annexure B Option holder would have received if the Annexure B Option holder had exercised the Annexure B Option before the record date for the bonus issue; and
  - (ii) no change will be made to the Exercise Price.
- 11. Adjustment for rights issue**  
If the Company makes an issue of Shares pro rata to existing Shareholders (other than an issue in lieu of in satisfaction of dividends or by way of dividend reinvestment) the Exercise Price of a Annexure B Option will be reduced according to the following formula:

$$\text{New exercise price} = O - \frac{E[P - (S + D)]}{N + 1}$$

- O = the old Exercise Price of the Annexure B Option.
- E = the number of underlying Shares into which one Annexure B Option is exercisable.
- P = average market price per Share weighted by reference to volume of the underlying Shares during the 5 Trading Days ending on the day before the ex rights date or ex entitlements date.
- S = the subscription price of a Share under the pro rata issue.
- D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).
- N = the number of Shares with rights or entitlements that must be held to receive a right to one new share.

**12. Adjustments for reorganisation**

If there is any reconstruction of the issued share capital of the Company, the rights of the Annexure B Option holders will be varied to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction.

**13. Lodgement Instructions**

Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable".

For bank transfers, please remit funds to:

Galan Lithium Limited  
 National Australia Bank  
 BSB 086-492  
 Acc 19-328-0482  
 Swift Code NATAAU33

The application for shares on exercise of the Options with the appropriate remittance should be lodged with the Company Secretary, at the Company's registered office.