FY22 Half Year Financial Results

Allkem Limited (ASX|TSX: AKE, the Company) was formed by the merger of Galaxy Resources Limited (**Galaxy**) and Orocobre Limited (**Orocobre**) on 25 August 2021, by way of a scheme of arrangement. The Company provides financial results for the Allkem Group (**the Group**) for the half year ended 31 December 2021 which includes results of the former Galaxy assets for the period 25 August to 31 December 2021.

HIGHLIGHTS

- Mt Cattlin and Olaroz[1] delivered strong production volumes, in line with targets and customer requirements and specifications
- Group revenue for the period was US$192.3 million, including US$114.9 million[2] from Mt Cattlin and US$65.6 million from Olaroz
- Revenue from Mt Cattlin was generated from sales of 96,871 dry metrics tonnes (**dmt**) of spodumene concentrate, grading 5.7% Li_2O, at an average price of US$1,186/tonne CIF[2] for the period from 25 August 2021. Gross profit margin of 62%
- Revenue from Olaroz was generated from sales of 5,915 tonnes of lithium carbonate, a 143% revenue increase from the previous corresponding period (**PCP**), largely due to average FOB[3] pricing increasing by 218% to US$11,095/t. Gross profit margin of 68%
- Gross profit was US$118 million with group EBITDAIX of US$97.9 million and consolidated net profit after tax of US$13.0 million (31 December 2020: loss of US$29.1 million) reflecting improved product prices and comprehensive cost management mitigating inflationary pressures
- Group capital expenditure for the half-year totalled US$99.6 million (31 December 2020: US$43.8 million)
- Olaroz Stage 2 reached 68% completion and commissioning is anticipated in H2 CY22
- Construction of the Naraha lithium hydroxide plant in Japan is largely complete, with mechanical completion expected by the March quarter and first production to follow in the H1 CY22
- Construction at Sal de Vida commenced in January 2022 and commissioning and first production is now expected by H2 CY23
- The Feasibility Study and Maiden Ore Reserve for James Bay was released in December 2021 and engineering advances alongside stakeholder engagement
- As at 31 December 2021, Allkem had cash and cash equivalents of US$449.8 million
- Upwards pricing momentum for lithium products continues with March quarter FY22, indicative pricing for 43.5kt of spodumene concentrate shipments of US$2,500/t CIF for 6.0% Li_2O
- Lithium carbonate prices for H2 FY22 are expected to be ~US$25,000/t FOB, up ~125% on the H1 FY22 and up 25% from previous guidance

Allkem Managing Director and CEO, Martin Perez de Solay says:

"Post-merger we achieved record revenue for the Group, not only from strengthened pricing but from successfully and safely producing high-quality lithium products from our global operations that continue to meet the requirements and specifications of our long-term customers. Amidst surging demand for lithium products and continued challenges arising from the COVID-19 pandemic, our team also achieved significant advancements at all our development assets across the globe with both Olaroz Stage 2 and Naraha on the cusp of commissioning this calendar year. With two revenue

[1] All figures 100% Olaroz Project basis.

[2] Mt Cattlin results are based on the period between the merger date, 25 August 2021 and 31 December 2021.

[3] Allkem report Olaroz price as "FOB" (Free On Board) which excludes insurance and freight charges included in "CIF" (Cost, Insurance, Freight) pricing. Therefore, the Company's reported prices are net of freight (shipping), insurance and sales commission. FOB prices are reported by the Company to provide clarity on the sales revenue that is recognized by SDJ, the joint venture company in Argentina.

generating operations and a healthy balance sheet, we are in a strong financial position to continue to advance Sal de Vida and the development of James Bay."

GROUP PROFIT OVERVIEW

The Allkem Group (the Group) produced a Group EBITDAIX of US$97.9 million and consolidated net profit after tax of US$13.0 million (31 December 2020: loss of US$29.1 million). The net profit after tax includes one off charges of US$12.8 million for Galaxy acquisition costs, an inventory uplift on purchase price allocation related to the merger of US$12.4 million, US$13.4 million related to amortization of customer contracts due to purchase price allocation, gains of US$13.2 million from financial instruments, and foreign exchange losses of US$1.1 million. Net finance costs were US$9.9 million.

Net assets of the Group increased to US$2,756 million as at 31 December 2021 (30 June 2021: US$725 million) including cash balances of US$450 million (30 June 2021: US$258 million). The increase in net assets and cash is mainly due to the Galaxy merger transaction, increasing net assets and cash by US$2,018 million and US$210 million respectively.

Group capital expenditure for the half-year totalled US$99.6 million (31 December 2020: US$43.8 million) and the Mizuho Stage 1 and Pre-export loan facilities were reduced by ~US$9.5m.

	Group		Olaroz		Mt Cattlin (4 months)
	31 Dec 2021	**31 Dec 2020**	**31 Dec 2021**	**31 Dec 2020**	**31 Dec 2021**
	US $'000	US $'000	**US $'000**	US $'000	**US $'000**
Revenue	**192,347**	35,880	**65,620**	27,020	**114,907**
Gross Profit [1]	**118,445**	10,474	**44,367**	7,381	**71,757**
EBITDAIX [2]	**97,886**	(6,346)	**35,299**	(3,867)	**71,027**
Less depreciation & amortisation	**(18,489)**	(11,070)	**(8,611)**	(10,802)	**(9,065)**
EBITIX [3]	**79,397**	(17,416)	**26,688**	(14,669)	**61,962**
Less interest income/(costs)	**(9,930)**	(12,280)	**(12,610)**	(17,368)	**(237)**
EBTIX [4]	**69,467**	(29,696)	**14,078**	(32,037)	**61,725**
Less acquisition costs	**(12,760)**	-	**-**	-	**-**
Less amortisation of customer contracts	**(13,400)**	-	**-**	-	**(13,400)**
Less inventory adjustment due to purchase price allocation	**(12,367)**	-	**-**	-	**(12,367)**
Add other income – financial instruments	**13,168**	-	**-**	-	**-**
Less foreign currency gains/(losses)	**(1,147)**	(457)	**(1,323)**	(1,149)	**(178)**
Less share of loss of associates, net of tax	**(869)**	(920)	**-**	-	**-**
Impairment/net realisable value of inventories	**-**	4,987	**-**	5,614	**-**
Segment profit/(loss) for the period before tax	**42,092**	(26,086)	**12,755**	(27,572)	**35,780**
Income tax expense	**(29,134)**	(3,056)	**(23,843)**	(3,056)	**(10,734)**
Total profit/(loss) for the period	**12,958**	(29,142)	**(11,088)**	(30,628)	**25,046**

1. Gross Profit related to Mt Cattlin includes the deduction of an inventory adjustment of US$12.4M related to the purchase price allocation.
2. EBITDAIX - Segment earnings before interest, taxes, depreciation, amortisation, impairment, gains from financial instruments, foreign currency (losses)/gains, share of associate losses, business combination costs and other adjustments due to purchase price allocation.
3. EBITIX - Segment earnings before interest, taxes, impairment, gains from financial instruments, foreign currency (losses)/gains, share of associate losses, business combination costs and other adjustments due to purchase price allocation.
4. EBTIX - Segment earnings before taxes, impairment, gains from financial instruments, foreign currency (losses)/gains, share of associate losses, business combination costs and other adjustments due to purchase price allocation.

ENDS

This release was authorised by Mr Martin Perez de Solay, CEO and Managing Director of Allkem Limited.

Allkem Limited
ABN 31 112 589 910
Level 35, 71 Eagle St
Brisbane, QLD 4000

Investor Relations & Media Enquiries
Andrew Barber
+61 418 783 701
Andrew.barber@allkem.co

Connect
info@allkem.co
+61 7 3064 3600
www.allkem.co

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