

Allkem Delivers Record Full Year Results

Allkem Limited (ASX|TSX: **AKE**, the **Company**) provides financial results for the Allkem Group (**the Group**) for the full year ended 30 June 2022 which includes results of the former Galaxy assets for the 10-month period post-merger date, between 25 August 2021 to 30 June 2022.

Record financial results have been achieved in the first year of the highly successful merger of Orocobre Limited and Galaxy Resources. The merger has generated substantial value through the combination of outstanding operating assets and development projects.

The Company has restructured around the global portfolio and continues to strengthen the management, operating and development teams by attracting the highest quality personnel.

New development and expansions are expected to see the business expand three-fold by 2026 with the aim of maintaining 10% market share as the lithium industry continues to grow with the increasing adoption of electric vehicles.

Through effective management, the group has significantly improved safety performance, enhanced sales contract terms, continued product quality improvements, delivered positive cost performance throughout the year while implementing the merger and completed feasibility studies on three development projects which includes a 2.5x increase of the interim Olaroz resource to 16Mt LCE¹ and a 40% increase to Sal de Vida's production capacity to 45ktpa in two stages.²

HIGHLIGHTS

- Mt Cattlin and Olaroz³ delivered record annual production volumes and operating profits despite the ongoing impacts of COVID-19
- Group revenue for the period increased over 800% to US\$770 million, compared to the prior year
- Record revenue from Mt Cattlin was generated from sales of 200,715 dry metric tonnes (**dmt**) of spodumene concentrate at an average price of US\$2,221/tonne CIF² for the period from 25 August 2021. Gross cash margin of 80%
- Record revenue from Olaroz increased 341% to US\$293 million on sales of 12,512 tonnes of lithium carbonate with average pricing increasing by 370% to US\$23,398/t FOB⁴. The gross profit margin was 82%
- Excellent operating performance and highly supportive market conditions generated group gross profit of US\$605 million with group EBITDAIX of US\$513 million and consolidated net profit after tax of US\$337.2 million (2021: net loss of US\$89.5 million) reflecting improved product prices, focussed operational management and comprehensive cost control mitigating inflationary pressures
- Strong cash generation and existing cash balance is expected to fully fund development projects
- H1 FY23 lithium carbonate prices will be approximately ~US\$47,000/t FOB, excluding Naraha feedstock which is an intermediate input for the production of battery grade lithium hydroxide
- September quarter spodumene concentrate prices are expected to be over US\$5,000/t CIF SC6

¹ Refer to 'Olaroz Interim Resource Update and Stage 2 Economics' released on 4 April 2022.

² Refer to 'Sal de Vida capacity increased to 45ktpa in two stages' released on 4 April 2022.

³ All figures 100% Olaroz Project basis.

⁴ 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.

For personal use only

DEVELOPMENT PROJECTS

- Olaroz Stage 2 has now reached over 91% completion and first production is still anticipated late H2 CY22. The successful completion of this project will deliver material new production from H2 FY23 onwards
- Construction of the Naraha lithium hydroxide plant in Japan was completed during the year, with first production expected early Q4 CY22. Once product qualification is complete, this plant will provide Allkem with exposure to the high value lithium hydroxide market
- Construction at Sal de Vida commenced in January 2022, the first pond has been filled, and commissioning and first production continues to be expected by H2 CY23
- The Feasibility Study and Maiden Ore Reserve for James Bay was released in December 2021 and detailed engineering is advancing in parallel with stakeholder engagement and permitting

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

“This has been a transformational year with the highly successful merger of Orocobre and Galaxy which now provides shareholders exposure to strongly profitable existing operations and an enviable suite of development assets.

“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 have managed costs, improved safety performance and delivered record production during a period of supply chain disruption, labour shortage, high inflation and ongoing COVID-19 impacts.

“Amidst surging demand for lithium products 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. Sal de Vida construction is well underway and James Bay permitting is advancing.

“With two revenue generating operations being supplemented by new operations in FY23 and a strong balance sheet, we are fully funded to complete construction at Sal de Vida and the development of James Bay.”

GROUP PROFIT OVERVIEW

The Group produced a Group EBITDAIX of US\$513.1 million and consolidated net profit after tax of US\$337.2 million (2021: net loss of US\$89.5 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 amortisation of customer contracts due to purchase price allocation, gains of US\$32.0 million from financial instruments, and foreign exchange losses of US\$9.6 million. Net finance costs were US\$13.8 million.

Net assets of the Group increased to US\$3,081 million as at 30 June 2022 (30 June 2021: US\$725 million) including cash balances of US\$664 million (30 June 2021: US\$258 million). The increase in net assets and cash of US\$2,356 million and US\$406 million is mainly due to the Galaxy merger transaction.

Group capital expenditure and exploration and evaluation for the year totalled US\$261.4 million (30 June 2021: US\$97.6 million) and the Mizuho Stage 1 and Pre-export loan facilities were reduced by ~US\$33.7 million.

	Group		Olaroz		Mt Cattlin (10 months)
	30 Jun 2022	30 Jun 2021	30 Jun 2022	30 Jun 2021	30 Jun 2022
	US \$'000	US \$'000	US \$'000	US \$'000	US \$'000
Revenue	769,818	84,760	292,758	66,370	451,925
EBITDAIX 1	513,085	4,188	220,431	11,452	336,178
Less depreciation & amortisation	(49,944)	(18,759)	(17,717)	(18,294)	(30,309)
EBITIX 2	463,141	(14,571)	202,714	(6,842)	305,869
Less interest income/(costs)	(13,778)	(21,119)	(24,153)	(29,739)	1,177
EBTIX 3	449,363	(35,690)	178,561	(36,581)	307,046
Less acquisition costs	(12,760)	(1,243)	-	-	-
Less amortisation of customer contracts due to purchase price allocation	(13,400)	-	-	-	(13,400)
Less inventory adjustment due to purchase price allocation	(12,367)	-	-	-	(12,367)
Add other income – gains from financial instruments	32,033	2,711	-	-	-
Less foreign currency gains/(losses)	(9,567)	(6,342)	(7,481)	(3,946)	1,099
Less share of loss of associates, net of tax	(2,951)	(1,682)	-	-	-
Add rehabilitation provision remeasurement	-	3,504	-	-	-
Less (impairment/write-downs)/ add realisation of inventory write-downs	(244)	17,211	-	18,138	-
Segment profit/(loss) for the period before tax	430,107	(21,534)	171,080	(22,389)	282,378
Income tax expense	(92,884)	(67,940)	(74,935)	(67,940)	(84,713)
Total profit/(loss) for the period	337,223	(89,474)	96,145	(90,329)	197,665

1. 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.
2. 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.
3. 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 M: +61 418 783 701 E: Andrew.Barber@allkem.co Phoebe Lee P: +61 7 3064 3600 E: Phoebe.Lee@allkem.co	Connect info@allkem.co +61 7 3064 3600 www.allkem.co
			

IMPORTANT NOTICES

This investor ASX/TSX release (**Release**) has been prepared by Allkem Limited (ACN 112 589 910) (the **Company** or **Allkem**). It contains general information about the Company as at the date of this Release. The information in this Release should not be considered to be comprehensive or to comprise all of the material which a shareholder or potential investor in the Company may require in order to determine whether to deal in Shares of Allkem. The information in this Release is of a general nature only and does not purport to be complete. It should be read in conjunction with the Company's periodic and continuous disclosure announcements which are available at allkem.co and with the Australian Securities Exchange (**ASX**) announcements, which are available at www.asx.com.au.

This Release does not take into account the financial situation, investment objectives, tax situation or particular needs of any person and nothing contained in this Release constitutes investment, legal, tax, accounting or other advice, nor does it contain all the information which would be required in a disclosure document or prospectus prepared in accordance with the requirements of the *Corporations Act 2001* (Cth) (**Corporations Act**). Readers or recipients of this Release should, before making any decisions in relation to their investment or potential investment in the Company, consider the appropriateness of the information having regard to their own individual investment objectives and financial situation and seek their own professional investment, legal, taxation and accounting advice appropriate to their particular circumstances.

This Release does not constitute or form part of any offer, invitation, solicitation or recommendation to acquire, purchase, subscribe for, sell or otherwise dispose of, or issue, any Shares or any other financial product. Further, this Release does not constitute financial product, investment advice (nor tax, accounting or legal advice) or recommendation, nor shall it or any part of it or the fact of its distribution form the basis of, or be relied on in connection with, any contract or investment decision.

The distribution of this Release in other jurisdictions outside Australia may also be restricted by law and any restrictions should be observed. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Past performance information given in this Release is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

Forward Looking Statements

Forward-looking statements are based on current expectations and beliefs and, by their nature, are subject to a number of known and unknown risks and uncertainties that could cause the actual results, performances and achievements to differ materially from any expected future results, performances or achievements expressed or implied by such forward-looking statements, including but not limited to, the risk of further changes in government regulations, policies or legislation; the risks associated with the continued implementation of the merger between the Company and Galaxy Resources Ltd, risks that further funding may be required, but unavailable, for the ongoing development of the Company's projects; fluctuations or decreases in commodity prices; uncertainty in the estimation, economic viability, recoverability and processing of mineral resources; risks associated with development of the Company Projects; unexpected capital or operating cost increases; uncertainty of meeting anticipated program milestones at the Company's Projects; risks associated with investment in publicly listed companies, such as the Company; and risks associated with general economic conditions.

Subject to any continuing obligation under applicable law or relevant listing rules of the ASX, the Company disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements in this Release to reflect any change in expectations in relation to any forward-looking statements or any change in events, conditions or circumstances on which any such statements are based. Nothing in this Release shall under any circumstances (including by reason of this Release remaining available and not being superseded or replaced by any other Release or publication with respect to the subject matter of this Release), create an implication that there has been no change in the affairs of the Company since the date of this Release.

Competent Person Statement

Olaroz

Any information in this announcement that relates to Olaroz Project Mineral Resources is extracted from the report entitled "Olaroz resource upgraded 2.5x to 16.2 million tonnes LCE" released on 4 April 2022 which is available to view on www.allkem.co and www.asx.com.au. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and that all material assumptions and technical parameters underpinning the Mineral Resources estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

Any information in this announcement relating to Olaroz scientific or technical information, production targets or forecast financial information derived from a production target is extracted from the ASX Announcement entitled "Olaroz resource upgraded 2.5x to 16.1 million tonnes LCE" released on 4 April 2022 which is available to view on www.allkem.co and www.asx.com.au. The Company confirms that all the material assumptions underpinning the scientific or technical information, production targets or the forecast financial information derived from a production target in the original market announcement continue to apply and have not materially changed.

Cauchari

Any information in this release that relates to Cauchari Project Mineral Resources and Ore Reserves is extracted from the release entitled "Cauchari JORC Resource increases to 4.8 million tonnes Measured + Indicated and 1.5 million tonnes Inferred LCE" released on 7 March 2019 which is available to view on www.allkem.co and www.asx.com.au. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and that all material assumptions and technical parameters underpinning the Mineral Resource and Ore Reserve estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

Sal de Vida

Any information in this announcement that relates to Sal de Vida Project Exploration Results, Mineral Resources & Ore Reserves is extracted from the report entitled "Sal de Vida capacity increased to 45ktpa in two stages" released on 4 April 2022 which is available to view on www.allkem.co and www.asx.com.au. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and that all material assumptions and technical parameters underpinning the Mineral Resources and Ore Reserves estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

Any information in this announcement relating to Sal de Vida scientific or technical information, production targets or forecast financial information derived from a production target is extracted from the ASX Announcement entitled "Sal de Vida capacity increased to 45ktpa in two stages" released on 4 April 2022 which is available to view on www.allkem.co and www.asx.com.au. The Company confirms that all the material assumptions underpinning the scientific or technical information, production targets or the forecast financial information derived from a production target in the original market announcement continue to apply and have not materially changed.

Not for release or distribution in the United States

This announcement has been prepared for publication in Australia and may not be released to U.S. wire services or distributed in the United States. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or any other jurisdiction, and neither this announcement or anything attached to this announcement shall form the basis of any contract or commitment. Any securities described in this announcement have not been, and will not be, registered under the U.S. Securities Act of 1933 and may not be offered or sold in the United States except in transactions registered under the U.S. Securities Act of 1933 or exempt from, or not subject to, the registration of the U.S. Securities Act of 1933 and applicable U.S. state securities laws.