

Allkem Delivers Record Full Year Results

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BRISBANE, Aug. 24, 2022 - [Allkem Ltd.](#) (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

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.

Revenue
EBITDAIX 1
Less depreciation & amortisation
EBITIX 2
Less interest income/(costs)
EBTIX 3
Less acquisition costs
Less amortisation of customer contracts due to purchase price allocation
Less inventory adjustment due to purchase price allocation
Add other income - gains from financial instruments
Less foreign currency gains/(losses)

Less share of loss of associates, net of tax
Add rehabilitation provision remeasurement
Less (impairment/write-downs)/ add realisation of inventory write-downs
Segment profit/(loss) for the period before tax
Income tax expense
Total profit/(loss) for the period

1. EBITDAIX - Segment earnings before interest, taxes, depreciation, amortisation, impairment, gains from financial instruments, foreign currency
2. EBITIX - Segment earnings before interest, taxes, impairment, gains from financial instruments, foreign currency
3. EBTIX - Segment earnings before taxes, impairment, gains from financial instruments, foreign currency (losses)/

This release was authorised by Mr Martin Perez de Solay, CEO and Managing Director of [Allkem Ltd.](#)

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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.

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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.

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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.

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