

June 2023 Quarterly Activities Report

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BRISBANE, July 26, 2023 - [Allkem Ltd.](#) (ASX|TSX: "AKE", the "Company") provides an update on its global lithium portfolio, business activities and financial position¹ as at 30 June 2023.

HIGHLIGHTS OPERATIONS

- The Olaroz Lithium Facility² achieved record annual production of 16,703 tonnes of lithium carbonate with a record 5,059 tonnes produced in the quarter, up 47% on the previous corresponding period ("PCP")
- Lithium carbonate sales were 3,430 tonnes, generating Olaroz quarterly revenue of ~US\$132 million with a gross cash margin of 85% or US\$32,172/tonne
- Excluding shipments to Naraha, third party lithium carbonate sales for the quarter averaged US\$38,062/tonne³ FOB
- Mt Cattlin achieved annual production of 130,984 tonnes of spodumene concentrate, exceeding previous guidance with 58,059 dmt at 5.3% Li₂O grade produced during the quarter, a ~50% increase quarter on quarter ("QoQ")
- Mt Cattlin recovery of 67% demonstrates significant improvement in grade and favourable mineralisation as the main ore body is mined
- Spodumene sales of 46,787 dmt generated revenue of ~US\$201 million⁴ with a gross cash margin of 80% based on an average sales price of US\$4,297 /dmt CIF for SC 5.3%, which corresponds to approximately US\$4,800 /dmt on a SC6 CIF basis

DEVELOPMENT PROJECTS

- Olaroz Stage 2 achieved first wet production in mid July with commissioning to continue and ramp up over the next 12-18 months
- At Naraha, 464 tonnes of lithium hydroxide were sold and after completing work on product quality and operational improvements, battery grade qualification has commenced with customers in early July
- Mt Cattlin's Ore Reserve Update confirms an additional 4-5 year mine life to 2027-2028 via open pit methods
- The liner installation has been completed on the first two strings of ponds at Sal de Vida Stage 1, engineering on string 3 is complete and earthworks have commenced
- Engineering at James Bay has reached 72.5%. Permitting activities progressed but were interrupted as local communities were evacuated due to recent wildfires. Engagement with the communities remains very positive as local economic benefits are being finalised

FINANCIALS AND CORPORATE

- Allkem and Livent announced a definitive agreement to combine in an all-stock merger of equals to create a leading global integrated lithium chemicals producer
- Group revenue for the quarter was approximately US\$334 million and group gross operating cash margin¹ was approximately US\$274 million (82%)
- At 30 June group net cash⁵ was US\$648.4 million up US\$70.5 million from 31 March 2023
- US\$130 million sustainability-linked green project financing facility has been signed with the International Finance Corporation ("IFC") for Sal de Vida Stage 1

SUSTAINABILITY

Allkem continues to focus on a long-term commitment to environmental and social performance and transparent reporting across its operations and growth projects.

Decarbonisation - Net zero commitment

Six projects are currently being evaluated for inclusion in Allkem's Net Zero Action Plan. Allkem has also initiated a study focusing on additional net zero opportunities for the James Bay Project.

Human Capital - Safety performance

Allkem recorded a 12-month moving average Total Recordable Injury Frequency Rate ("TRIFR") of 1.98 (per million hours) at the end of June, achieving the FY23 safety target (<2.45). This TRIFR also represents a 15% increase QoQ but a 24% improvement year on year ("YoY").

The 12-month moving average Lost Time Injury Frequency Rate target (<0.9) was also achieved, closing FY23 with 0.62 (per million hours).

Four Recordable Injuries occurred in Argentina and investigations have been carried out with corrective actions implemented.

Natural Capital - Impact assessment & Rehabilitation

During the quarter at James Bay, Allkem has continued to progress the environmental plans under the conditions of the Federal Government approval in partnership with the communities of Waskaganish, Waswanipi and Eastmain. Forest fires impacted the region during June with environmental monitoring related activities on the James Bay territory suspended by the government during periods of high fire danger.

At Sal de Vida, water and biodiversity monitoring programs continued in the area surrounding the project with participation of local communities and representatives of the Catamarca Ministry of Mining. A workshop was also held presenting a review of biodiversity and water studies carried out by the Sal de Vida Environment team.

At Mt Cattlin, specialist indigenous rehabilitation contractors have been engaged to complete the winter 2023 rehabilitation works program.

Shared Value - Community initiatives

During May, Allkem's Shared Value team at Olaroz launched a project with the INTI (Argentine National Institute of Industrial Technology) to further support capacity development of our local community suppliers.

At Sal de Vida a series of eight photovoltaic systems have been installed to generate electricity for families in the Salar de Hombre Muerto area.

Community engagement with key Cree stakeholders for the James Bay project remains positive following discussions with the Eastmain community economic development branch to agree on local economic benefits.

The Mt Cattlin Community Consultation Group continues to provide regular engagement opportunities for representatives from the Ravensthorpe and Hopetoun communities with the mine's management team. Monitoring and reviews relating to noise, vibration and dust were presented showing ongoing compliance with regulatory limits.

OPERATIONS

OLAROS LITHIUM FACILITY

Lithium Carbonate *Jujuy Province, Argentina*

Production

Production for the June quarter was a new quarterly record of 5,059 tonnes, up 47% on the previous corresponding period and concluding the year at an annual record at 16,703 tonnes. Approximately 33% of quarterly production was battery grade lithium carbonate in line with previous quarter.

Excellent operational performance continues, reflecting robust plant reliability, low downtime and improved energy efficiency with better operating practices and high brine feedstock concentration.

Sales and financial performance

Quarterly product sales volume was up 18% QoQ to 3,430 tonnes of lithium carbonate of which 34% was battery grade. Approximately 380 tonnes slipped into early July due to delayed vessel arrivals. Strong production from Olaroz stage 1 significantly exceeded budget and sales forecasts, however sales for the September quarter are expected to be materially higher.

Total sales revenue was ~US\$132 million including US\$2.0 million related to sales of a lithium carbonate by-product. The average price received from third party sales was US\$38,062/tonne on an FOB² basis.

Cost and margins

Cash cost of goods sold for the quarter was US\$5,882/tonne up 19% from prior quarter mainly due the elimination of export incentives coming into full effect during the quarter. Cost of sales have increased over the last year due to material increases in the price of soda ash, lime, natural gas and employment costs affected by inflation.

Gross cash margin for the quarter was 85% or US\$32,172/tonne.

Table 1: Olaroz June quarter production and sales metrics

Metric	Units	FY23	Jun Q	Mar Q	QoQ %	PCP Jun-	FY22	PCP %
Production	tonnes	16,703	5,059	4,102	23 %	3,445	47 %	
Sales	tonnes	13,186	3,430	2,904	18 %	3,440	0 %	
Third party price received	US\$/tonne	46,172	38,062	53,175	-28 %	41,033	-7 %	
Cash cost of goods sold ¹	US\$/tonne	5,014	5,882	4,924	19 %	4,301	37 %	
Revenue	US\$M	592	132	159	-17 %	141	-6 %	
Gross cash margin (Av. Price)	US\$/tonne	38,967	32,172	47,814	-33 %	36,732	-12 %	
Gross cash margin	%	89	% 85	% 91	% -7	% 90	% -6	%

1. Excludes royalties, export tax and corporate costs

Stage 2 expansion

The Olaroz Stage 2 lithium facility achieved first production in mid-July, with wet lithium carbonate cake produced at the filter presses. The focus will be commissioning of the dry plant, progressively increasing production volumes and product quality over a 12-18 month ramp up period.

The Olaroz Stage 2 project involved the construction of 15 extra brine wells, 31 evaporation ponds, three lime plants, a reverse osmosis water plant, a soda ash plant, a carbonation plant, accommodation and various service spaces.

Figure 1: Olaroz stage 2 achieves first production

MT CATTLIN

Spodumene concentrate Ravensthorpe, Western Australia

Production

Production in the June quarter was 58,059 dmt of spodumene concentrate at 5.3% Li₂O grade, a 50% increase from the prior quarter. Recovery of 67% demonstrates significant improvement in grade and favourable mineralisation as mining has moved into the central zones of the main ore body.

Sales and financial performance

46,787 dmt of spodumene concentrate were shipped during the quarter at an average grade of 5.3% Li₂O. Shipment of additional ~11,700dmt slipped into July due to severe weather conditions delaying loading at the port. Revenue generated for the quarter was US\$201.0 million at an average realised sales price of US\$4,297/dmt CIF which corresponds to approximately US\$4,800/dmt CIF on an SC6 equivalent.

Cost and margins

The FOB cash cost of production for the quarter was US\$830/dmt with higher production volumes and recoveries compared to previous quarters. The gross cash margin for the quarter was 80% or approximately US\$162 million.

Table 2: Mt Cattlin FY23 quarterly operational and sales performance

Metric	Units	FY23	June-23	Mar 23	Dec 22	Sep 22
Production						
Recovery	%	49	67	60	37	25
Concentrate produced	dmt	130,984	58,059	38,915	16,404	17,606
Grade of concentrate produced	% Li ₂ O	5.3	5.3	5.3	5.3	5.3
Sales						
Concentrate shipped	dmt	105,291	46,787	21,553	15,702	21,249 ¹
Grade of concentrate shipped	% Li ₂ O	5.3	5.3	5.2	5.3	5.4
Realised price	US\$/dmt CIF	4,879	4,297	5,702	5,284	5,026
Revenue ²	US\$ million	513.7	201.0	122.9	83.0	106.8
Costs of production						
Cash cost of production	US\$/t FOB	909	830	1,033	1,016	796

1. Adjusted from prior Quarterly Report to include confirmed assay results

2. Excluding marketing and royalties

Reserve Update

Mt Cattlin's Ore Reserve was revised and provides a projected of 4-5 year Life-of-Mine (2027-2028) via open pit mining methods. Mt Cattlin's Ore Reserve was revised and provides a projected 4-5 year Life-of-Mine (2027-2028) via open pit mining methods. The Ore Reserve tonnage increased with higher grade despite mining depletion. The recent category upgrades in the latest Mineral Resource Estimate, and substantial increases in pricing for spodumene concentrate have contributed to the increase in Ore Reserves.

The next mining stage (Stage 4) consists of two separate cutbacks (Stage 4-1 and 4-2) to optimise ore presentation. Subject to regulatory approval, the Allkem Board has approved mining of the first cutback (Stage 4-1) of the open pit, which will result in continued spodumene production into 2026. In the second cutback (Stage 4-2), the increasing waste/ore strip ratio at depth via open pit mining methods is being evaluated against an alternate underground mining option in the form of a Feasibility Study.

DEVELOPMENT PROJECTS

NARAHA

Lithium Hydroxide Naraha, Japan

Equipment repairs and improvements identified during commissioning and ramp up were implemented during the quarter. The operational focus continues to be on progressively increasing product quality and volumes to design capacity.

464 tonnes of technical grade lithium hydroxide were sold to third party customers during the quarter. The battery grade hydroxide qualification process with customers commenced with samples to be produced post quarter.

SAL DE VIDA

Lithium Carbonate Catamarca Province, Argentina

Sal de Vida is designed with a nameplate capacity of 45ktpa of predominantly battery grade lithium carbonate through an evaporation and processing operation at the Salar del Hombre Muerto site. Development will be delivered in two stages with Stage 1 currently in construction targeting 15ktpa production capacity.

Project execution

Construction of the first two strings of ponds reached over 98% completion with the first 9 ponds completed and filled with brine (Figure 2) and all ponds lined. The engineering for the third string of ponds has been completed and earth works has started. The main brine pipeline is complete and 8 out of 10 production wells have been commissioned.

Figure 2: First 2 strings of evaporation ponds (left), third string (right)

Camp expansion activities and procurement of long lead items continues to progress with the arrival on site of a number of items of proprietary equipment. Detailed engineering of the Process Plant achieved significant milestones during the quarter and steady progress was made on procurement activities for this package. Process Plant construction also advanced with the mobilisation of the EPC contractor and continuation of civil works including delivery and installation of pre-cast foundations and associated concrete works.

Figure 3: Process Plant overview (left) and concrete foundations (right)

Allkem continues to evaluate the development schedule and will advise of any changes once the work has been completed.

JAMES BAY

Spodumene Concentrate Québec, Canada

James Bay is designed to produce ~330ktpa of spodumene concentrate over a project life of 19 years.

Project execution

Detailed engineering continues alongside procurement activities including ordering of key long lead items and equipment packages (temporary camps, primary sub-station, process equipment, etc).

Engineering progress achieved 72.5% by the end of the quarter with engineering of the process plant package at 81%. Procurement of mechanical process equipment and mobile mine equipment are completed to 94% and 88% respectively (weighted average) with receipt of vendor data continuing.

Permitting

The Impact Benefit Agreement with The Grand Council of the Crees (Eeyou Istchee), the Cree Nation Government and the Cree Nation of Eastmain progressed well. The last approval process was underway when a State of Emergency was declared on 13 July in relation to forest fires in the James Bay territory

causing evacuation of the community. The process will recommence once the situation returns to normal.

Comex approval (Quebec government and CREE Nation) of the ESIA and procedural construction permitting remain in progress. Engagement remains positive with community stakeholders including community consultations, meetings with key Cree stakeholders and discussions with the Eastmain community economic development branch to agree local economic benefits.

Once permits are secured, construction will commence, and the Company will update guidance for first production. Work is ongoing with engineering contractors to progress alternative commencement dates and evaluate opportunities to accelerate the construction schedule, including use of prefabricated modules.

Resource Update

A resource update is currently being prepared following completion of 29,000 meters of resource extension drilling that has occurred in FY23.

EXPLORATION UPDATE

Exploration at Mt Cattlin involved the completion of 300 metres of RC drilling. Expenditure related to this drilling totalled approximately US\$0.1 million.

Exploration during the quarter at James Bay involved the completion of 2,372 metres of RC/diamond drilling. Expenditure related to exploration and resource evaluation totalled approximately US\$2.8 million.

LITHIUM MARKET

Demand

Demand conditions over the past quarter have been varied with the destocking cycle within the battery supply chain coming to an end, and demand showing signs of recovery. During the March quarter, EV sales in China were adversely impacted by the removal of OEM subsidies and aggressive pricing competition from Internal Combustion Engine ("ICE") vehicles, which was exacerbated by a July deadline for more stringent emissions standards for new ICE vehicles. Despite this slower than expected growth, Chinese EV retail sales during the June Quarter recovered strongly with H1 CY23 retail sales reaching 3.1m units, up 38% YoY. Global EV sales forecasts remain robust with consensus sales estimates being reaffirmed between 13-14 million units this calendar year (+30% year on year), adding support to the view that demand is expected to exhibit a strong uptick during the second half of the year.

Chinese EV sales and battery production data have shown strong improvements: June YTD EV sales have increased 44% year-on-year, whilst battery production was up 36% year-on-year. China's EV purchase tax exemption has been extended until 2027, which coupled with the implementation of more stringent transport emission standards in July 2023, provides further support in the short to medium term demand outlook for EV sales. Demand outside China also rose during the quarter: EU and US EV sales were up 23% and 48% year-on-year respectively May YTD. The Inflation Reduction Act and ICE phase-outs in Europe represent key enablers encouraging demand.

Supply

The lithium chemical market is expected to be tightly balanced during the year, particularly given the complexity and risks involved in bringing qualified product to market. ESG frameworks, permitting, and part shortages including crystallizers, have impacted the industry and may cause further delays in increasing refining capacity.

Mineral concentrate markets are expected to be fairly balanced in the near term, reflecting the number of

projects (mainly China, Australia and Africa based) that have announced start of production within the 2023 calendar year. Risks of curtailment or delays are ever present. We note Chinese supply curtailment during the March quarter reflected the price sensitivity of this incremental supply. In addition, production from new jurisdictions carries higher risks in relation to quality, volume and government restrictions.

CORPORATE AND FINANCIALS

Proposed Merger with Livent

On 10 May, Allkem and Livent announced a definitive agreement to combine in an all-stock merger of equals to create a leading global integrated lithium chemicals producer.

Post quarter end, the following progress had been made in relation to the transaction:

- Antitrust/competition and investment screening/foreign investment regime notifications and applications or draft filings (as applicable) have now been lodged in all required jurisdictions.
- Preparation of Allkem's notice of meeting and explanatory statement ("Scheme Booklet") is in progress, with Allkem having recently appointed Kroll Australia Pty Ltd as the Independent Expert to prepare a report opining on whether the scheme is in the best interest of Allkem shareholders ("IER"). Behre Dolbear Australia Pty Ltd has been appointed as the Independent Technical Expert.
- Subject to receipt of all necessary regulatory, shareholder and Australian Court approvals, and the satisfaction or waiver of other closing conditions, Allkem and Livent are currently still targeting completion of the Transaction by around the end of CY2023.

Upon closing of the all-stock merger of equals, Allkem shareholders will own approximately 56% and Livent shareholders will own approximately 44% of the merged entity.

Finance matters

An IFC project financing facility for the development of Sal de Vida Project Stage 1 has been signed for US\$130 million over a ten-year period consisting of an A loan of \$100 million and B loan of \$30 million. Allkem is in discussions to increase the total loan by a further \$50 million.

Financial position

At 30 June 2023 group net cash⁵ was US\$648.4 million up US\$70.5 million from 31 March 2023. Net cash generated from operations and corporate was US\$220.3 million. Expenditure during the quarter included:

- capital expenditure of US\$96.0 million and working capital movements of US\$16.8 million;
- Naraha project cash utilisation of US\$9.2 million to fund ramp up of operation;
- payments of income tax of US\$19.6 million; and
- merger costs US\$8.2 million.

At 30 June 2023, Allkem had available cash of US\$821.4 million. US\$2.3 million and US\$76.7 million have been set aside as guarantees for the Naraha debt facility and Olaroz expansion debt facility respectively.

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

Mt Cattlin

Any information in this announcement that relates to Mt Cattlin's Mineral Resources is extracted from the report entitled "Mt Cattlin Resource Update with Higher Grade" released on 17 April 2023 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 that relates to Mt Cattlin's Ore Reserve Estimate is extracted from the report entitled "Mt Cattlin Ore Reserve update confirms mine life extension" released on 16 June 2023 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.

James Bay

Any information in this announcement that relates to James Bay's Exploration Results is extracted from the report entitled "New NW Zone at James Bay" released on 4 May 2023 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.

¹ All figures are unaudited and contain non-IFRS metrics and exclude Borax as a discontinuing operation. Gross operating cash margin is calculated as revenue less cash cost of goods sold, freight and insurance (and excludes corporate and non-operating costs).

² All figures 100% Olaroz Project basis.

³ "FOB" (Free On Board) excludes insurance and freight charges included in "CIF" (Cost, Insurance, Freight) pricing. Therefore, the Company's FOB reported prices are net of freight (shipping), insurance and sales commission.

⁴ Revenue excludes tantalum sales from Mt Cattlin.

⁵ Net cash includes Naraha cash balances and project loans at 75% interest, and Olaroz cash deposits to secure project borrowing and deposits that are held as guarantees. Related party loans are excluded.

Photos accompanying this announcement are available at:

<https://www.globenewswire.com/NewsRoom/AttachmentNg/bf658eaa-8786-4095-9026-3b7eb10dabe1>

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