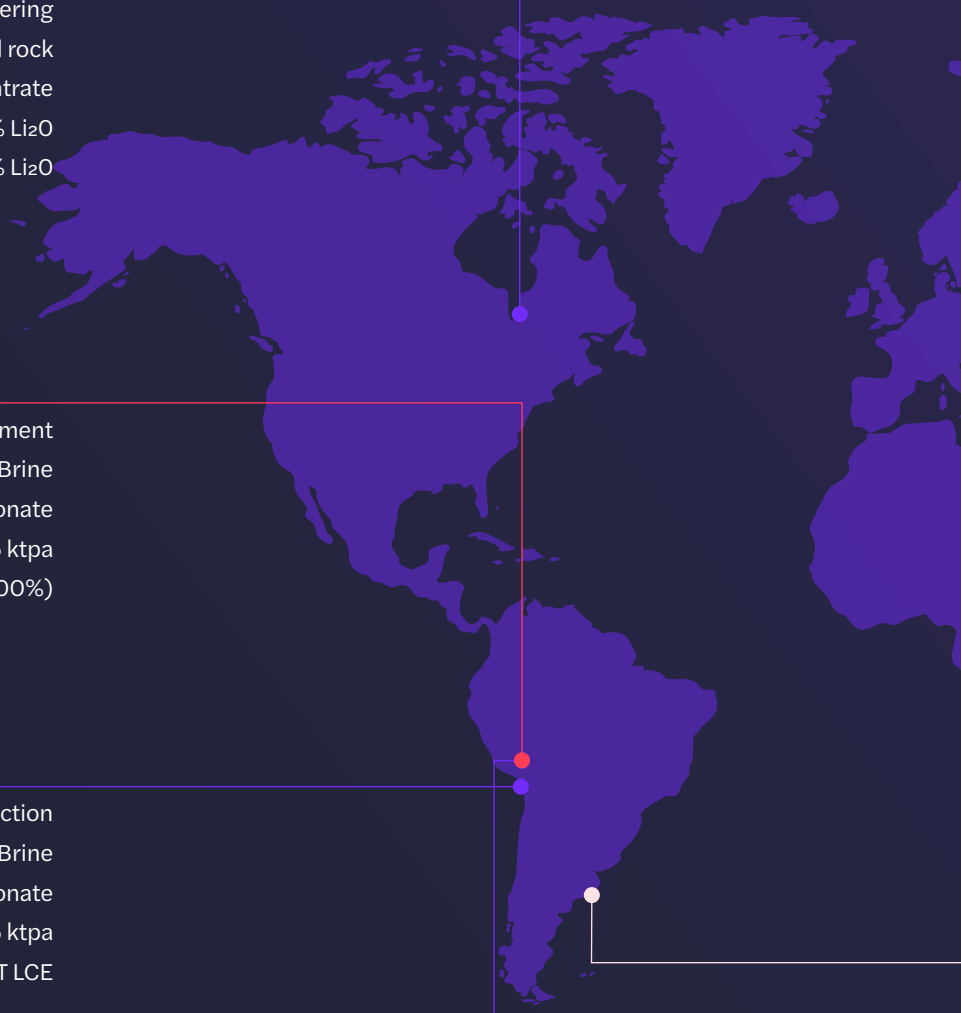
Annual Report 2022

Allkem

Contents

About Allkem

Allkem is a highly successful speciality lithium chemicals company, formed from the merger of Orocobre Limited ("**Orocobre**") and Galaxy Resources Limited ("**Galaxy**") in August 2021. The company has a diverse global portfolio of high-quality lithium assets that produce critical battery materials used in decarbonising our economies.



James Bay (100%)

Stage	Engineering
Type	Hard rock
Product	Spodumene concentrate
Production Capacity	321 ktpa @ 5.6% Li_2O
Resources[1]	40.3 Mt @ 1.4% Li_2O

Olaroz (66.5%)

Stage	Operating/development
Type	Brine
Product	Carbonate
Production Capacity	42.5 ktpa
Resources[1]	16.2 MT LCE (100%)

Sal de Vida (100%)

Stage	Construction
Type	Brine
Product	Carbonate
Production Capacity	45 ktpa
Resources[1]	6.85 MT LCE

Cauchari (100%)

Stage	Early studies
Type	Brine
Resources[1]	6.3 MT LCE

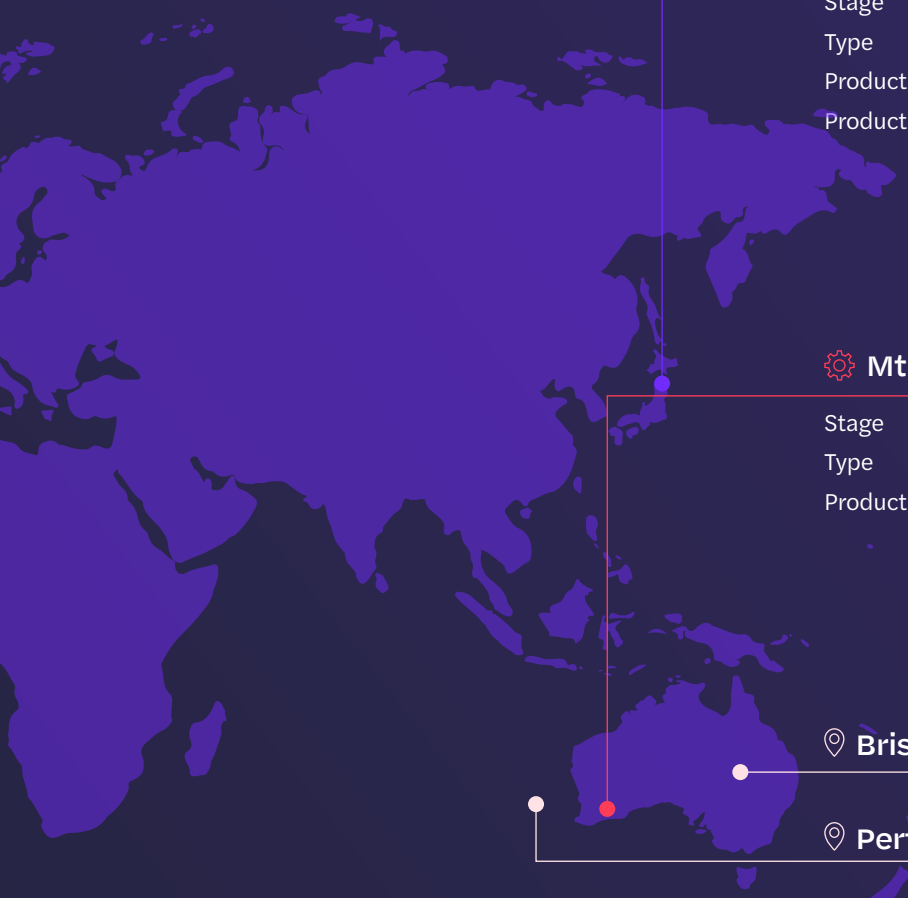
A major global lithium chemicals company with an industry leading growth profile

Headquartered in Buenos Aires, Argentina our unique portfolio includes lithium brine operations in Argentina, a hard-rock lithium operation in Australia and a lithium hydroxide conversion facility in Japan.

New project developments are underway in Argentina and Canada that enhance scale and product flexibility to meet significant growth in demand that is underpinned by the global transition to a net zero carbon future.

Success is built on our pillars of sustainability, cost leadership and product quality through relations with our people, partners, customers and communities.

We are dual listed on the Australian Securities Exchange and Toronto Stock Exchange, and have established partnerships with Toyota Tsusho Corporation and the Jujuy and Catamarca Provincial Governments.



Nahara (75%)

Stage	Commissioning
Type	LiOH conversion facility
Product	Hydroxide
Production Capacity	10 ktpa LiOH

Mt Cattlin (100%)

Stage	Operating
Type	Hard rock
Product	Spodumene concentrate

Brisbane office

Perth office

Buenos Aires (Head Office)

Key

- Operating Asset
- Development Asset
- Office

1 Refer to Appendix for Resource and Reserve information

Our Board and Executive Team

The composition of Allkem's Board and Executive team reflects diverse skills and experience that will deliver value to shareholders through the sustainable development and operation of our assets.

Collectively the Directors possess a mix of skills, knowledge and experience that enable the Board to discharge its responsibilities and deliver the Company's corporate objectives. Allkem's Board is comprised of Independent Non-Executive Chairman—Martin Rowley, Independent Non-Executive Deputy Chairman—Robert Hubbard and six non-executive directors and Managing Director and Chief Executive Officer, Martin Perez de Solay.

Martin Rowley
Independent Non-Executive Chairman and Chair of the Nomination and Governance Committee

Robert Hubbard
Independent Non-Executive Deputy Chairman

Martín Pérez de Solay
Managing Director and Chief Executive Officer

Fernando Oris de Roa
Independent Non-Executive Director

Leanne Heywood
Independent Non-Executive Director and Chair of the Audit and Risk Committee

Alan Fitzpatrick
Independent Non-Executive Director

John Turner
Independent Non-Executive Director and Chair of the People and Remuneration Committee

Florencia Heredia
Independent Non-Executive Director

Richard Seville
Non-Executive Director and Chair of the Sustainability Committee

The executive team is led by Martin Perez de Solay who brings a range of expertise including engineering, operational improvement, banking, finance and executive management. The collective team is unique as it has expertise in hard-rock and brine assets from both an operational and development perspective, plus a wealth of experience necessary in delivering Allkem's growth strategy.

Post reporting period, the team was bolstered with the addition of three executives who bring a range of international and executive experience. Karen Vizental joined as Chief Sustainability and External Affairs Officer, James Connolly as Chief Project Development Officer and Christian Barbier as Chief Sales and Marketing Officer.

Martín Pérez de Solay
Managing Director and
Chief Executive Officer

Christian Cortes
Chief of Staff

Illeana Freire
Chief Human Resources Officer

Neil Kaplan
Chief Financial Officer

John Sanders
Chief Legal Officer and Company Secretary

Rick Anthon
Corporate Development

Karen Vizental
Chief Sustainability and
External Affairs Officer

Christian Barbier
Chief Sales and Marketing Officer

Hersen Porta
Head of Argentina Operations

James Connolly
Chief Project Development Officer

Denis Couture
Head of Canadian Operations

Keith Muller
Business Leader—Australian Asset

2022 Year in Review

A transformational and record-breaking year in production and revenues.

Corporate

Merger Completed
Orocobre Ltd and Galaxy Resources Ltd

ASX/S&P 100 Index
Entered in December 2021

Sustainability

Member of
Dow Jones Sustainability Indices
Powered by the S&P Global CSA

Performing in the top quartile of the Metals and Mining Industry in the S&P Global CSA

MSCI ESG RATINGS AA
CCC | B | BB | BBB | A | AA | AAA

Improved rating of "AA" in the MSCI ESG Ratings assessment

FTSE4Good

Became a constituent of the FTSE4Good Index series

Safety

2.6
Total Recordable Injury Frequency Rate ("TRIFR")
at 30 June 2022 for the rolling 12 months

0.9
Lost Time Injury Frequency Rate ("LTIFR")
at 30 June 2022 for the rolling 12 months

Operations

Mt Cattlin
193,563[1] dmt
Record Annual Spodumene Concentrate Produced

Olaroz
12,863 tonnes
Record Annual Lithium Carbonate Produced

Financials

US$770 m
Group Revenue

US$605 m
Gross Profit

US$513 m
Underlying EBITDAIX

US$664 m
Cash and Cash Equivalents

Strong balance sheet and expected cashflow expected to fund growth strategy.

1 This production volume is based on the full financial year ending 30 June 2022. The FY22 financial statements are based on Mt Cattlin's results from the 10-month period post-merger completion date i.e. 25 August 2021 to 30 June 2022.

> "We have tier 1 assets and a team with both brine and hard-rock experience that will deliver our goals of tripling lithium production by 2026 and maintaining at least a 10% global market share in the coming decade."
>
> **Martin Perez de Solay**
> Managing Director and CEO

Growth pipeline highlights

- Olaroz Stage 2 construction has advanced materially and is on track for successful completion and first production by the end of CY22;
- Construction of the Naraha lithium hydroxide plant has been completed and commissioning activities commenced;
- The interim Olaroz Resource was increased 2.5 x and when combined with Cauchari is 22.5Mt LCE, making it one of the largest resources in the world[2]. Significant upside potential yet to be fully explored;
  - Stage 2 economic analysis demonstrates pre-tax $NPV_{10\% \text{ real}}$ of US$2.67 billion and pre-tax IRR of 192% on a 100% basis[3];
- Sal de Vida's production capacity was increased by 40% to 45ktpa in two stages and Stage 1 commenced construction. Sal de Vida's Resource also increased by 10% to 6.85Mt LCE[2];
  - Stage 1 pre-tax NPV of US$1.23 billion[4];
  - Stage 2 pre-tax NPV of US$1.81 billion[4];
- James Bay 2021 feasibility study released, demonstrating highly competitive economics. Permitting approvals advanced towards completion;
  - Pre-tax NPV of US$1.4 billion[5].

2 For further information, see Resource and Reserve section.
3 Refer to 'Olaroz Interim Resource Update and Stage 2 Economics' released on 4 April 2022.
4 Refer to 'Sal de Vida capacity increased to 45ktpa in two stage' released on 4 April 2022.
5 Refer to 'James Bay Feasibility Study Results' released to ASX on 21 December 2021.

A Letter from our CEO and Chairman

Dear Shareholders,

Welcome to our first Annual Report as Allkem Limited. It has been an exciting year with the successful integration in August 2021 of Galaxy Resources Limited and Orocobre Limited which has unlocked significant value and synergies across our assets and people.

Despite global challenges and the ongoing backdrop of the COVID-19 pandemic, we achieved record breaking revenues and production volumes at our operations and advanced our development assets while gaining further international recognition for our sustainability performance.

We are committed to tripling our lithium production by 2026 and maintaining at least a 10% global lithium market share over the next decade as demand for lithium undergoes significant growth as one of the principal components in the effort to combat climate change.

Our growth strategy is based on providing lithium to assist with global decarbonisation. Sustainability and climate change continues to be a strong focus for the Board and is central to how we build shared value with our stakeholders. In line with our own commitment to achieving net zero carbon emissions by 2035, our approach is to design and develop assets with lower carbon intensity, maximise the use of renewable energy and support the development of low carbon technology.

We are also committed to continually enhancing our broader sustainability performance and transparency across the business. As part of this approach, we have implemented both safety and cultural programs for our workforce, achieved our best safety result since the merger with FY22 TRIFR of 2.6, and our shared value team continued to deliver long term benefits for the communities we work with. Positively, our sustainability performance has been recognised with ongoing inclusion in the Dow Jones Sustainability Indices ("**DJSI**") Australia Index and this year we also received an improved "AA" in the MSCI ESG Ratings assessment.

FY22 Revenue and EBITDAIX hit new records of US$770 million and US$513 million underpinned by strong operational performance and the successful renegotiation of sales contracts to capture higher market pricing. Quality improvements and cost performance were extremely positive considering the high inflationary environment, supply chain disruptions and continuing pandemic complications.

Mt Cattlin achieved a record-breaking financial year and demonstrated operational and financial strength despite a tight labour market and disrupted supply chains in Western Australia which were exacerbated by the impacts of the pandemic. A resource extension drilling program has also commenced with the aim of proving up a multi-year mine life extension.

At Olaroz, the consistency and quality of our product is appreciated by our long term customers which is reflected in the favourable commercial terms achieved. Stage 1 achieved record production for the year and Stage 2 expansion moved as planned towards completion.

Our strong financial position and significant cash generation from operations will fund development of our global growth pipeline. We advanced all development projects throughout the year while maintaining the strong performance of our operating assets while also initiating of a range of internal improvement projects to further underwrite Allkem's strong performance.

The Naraha project in Japan developed with our JV partners Toyota Tsusho Corporation ("**TTC**") reached construction completion. Commissioning activities commenced, providing Allkem with a first mover advantage in the region to supply high quality hydroxide to domestic high-end battery and cathode manufacturers.

> "Allkem is very well positioned to fuel the electric vehicle market with the scale, quality and product flexibility provided by our tier 1 asset portfolio and the additional upside that downstream development presents."

Due to the enhanced financial and operational strength of the merged entity, The Board approved a 40% increase in the production capacity of Sal de Vida to a two stage 45ktpa lithium carbonate project. Construction commenced for Stage 1 in January 2022 and Stage 2 will occur sequentially after Stage 1 first production is achieved.

The James Bay project in Quebec Canada, provides Allkem a footprint for the high growth North American electric vehicle ("**EV**") market, access to hydropower and further potential downstream opportunities. During the year we advanced the permitting process with our community and government stakeholders for the upstream development which is planned to produce over ~320ktpa of spodumene concentrate during the current 19 year mine life.

With a strong focus on project execution, three new senior executives also joined the business in Project Development, Sustainability and Sales and Marketing to support delivery of our growth strategy. Additionally, as part of our focus on people and culture other strategies have been established to attract and retain the necessary talent to ensure that our workforce best positions us to achieve and exceed our growth strategy.

The lithium market is stronger than ever and both demand and pricing remain robust for all the products that we produce. Market strength is underpinned by Government stimuli and policies from around the globe continuing to support decarbonisation via transport electrification and commitment from leading auto manufacturers to electrify their fleets. The lithium-ion battery supply chain is growing significantly in Asia and the rest of the world and capacity for lithium batteries in Europe and North America is currently planned to increase at least 12-fold by 2031. Despite global challenges experienced throughout the year global electric vehicle sales increased by 71% in FY22 year on year, and lithium-ion battery production hit new records in China. This demonstrates resilience in consumer demand and highlights the industry's requirement for significantly more lithium chemical production as we head towards a structural supply deficit in lithium due to a lack of investment from the last cycle.

Allkem is very well positioned to fuel the electric vehicle market with the scale, quality and product flexibility provided by our tier 1 asset portfolio and the additional upside that downstream development presents. There will be a focus on identifying opportunities further down the EV value chain in order to capture some of the upside by enhancing the value of the lithium products that we currently produce and sell.

We would like to acknowledge our appreciation to our employees, management team and Board colleagues for their work through this challenging yet very successful first year as Allkem Limited. We would also like to thank the communities with whom we operate every day, our joint venture partner TTC, JOGMEC and Mizuho as well as the National and Provincial governments in Argentina, Canada and Australia who continue to support us as we grow our business. Finally thank you, the owners of Allkem for your support, feedback and encouragement throughout the year. We hope that you remain as long term shareholders and continue to enjoy the success of our operational and growth strategy through the value of your holding in Allkem continuing to grow.

Martin Perez de Solay
Managing Director and CEO

Martin Rowley
Non-executive Chairman

Sustainability and TCFD

Together we go further

Allkem brings together a diverse team to deliver our growth strategy of producing the lithium products crucial in the global transition to net zero emissions.

As a signatory of the UN Global Compact, and in accordance with the UN Sustainable Development Goals, we implement ambitious sustainability strategies to ensure the long-term social, environmental, and economic sustainability of our business. We strive to have safe and sustainable operations, thriving communities, and responsible products that promote the transition to a net zero carbon future.

To deliver on this strategy and increase shareholder value, we work with all stakeholders to understand what matters and generates long term, shared value.

We believe our Sustainability Strategy is evident in the way we operate and develop our portfolio. Further information relating to our environmental, social and governance performance is included in Allkem's FY22 Sustainability Report, and associated performance data that will be published in November 2022.

We foster connections to power a sustainable future.

We believe the connections we create with all stakeholders including employees, customers, suppliers, communities and shareholders enable us to deliver a sustainable future for all.

Employees

Together we are fostering personal growth and professional impact through an inclusive culture that celebrates diversity.

Allkem has ~1300 employees based across Australian, Argentina, Canada and Japan. During the year we focused on standardising our approach to safety and wellbeing across the company and we continue to develop an inclusive culture, celebrating diversity in all areas where we operate.

Communities

Together we seek meaningful long-term relationships that respect local cultures and create lasting benefits.

We are privileged to have respectful partnerships with local and indigenous communities in Ravensthorpe, Western Australia, the provinces of Catamarca, Jujuy and Salta in Argentina and Quebec, Canada. We understand the importance of listening to all voices that make up our communities and being responsive to community and government concerns. We monitor and manage environmental impacts and opportunities and make this information available.

Customers

Together we are responsibly delivering a reliable source of high-quality products with the scale, flexibility and global reach required by our customers.

During the year we delivered spodumene concentrate and lithium carbonate to our customers. We engage with our customers to increase transparency on environmental, social and governance performance in line with the evolving focus on ESG across the value chain.

Suppliers

Together with our suppliers we are improving efficiency, identifying innovative solutions and building capacity in our local community suppliers to create shared value.

Shareholders

Together we are undertaking sustainable development of our world-class growth pipeline to maximise shareholder value.

Health and Safety Overview

The health and safety of our workforce remains the priority focus and we strive to maintain the highest possible levels of safety, efficiency, and resilience. Allkem actively plans for and manages COVID-19 impacts across its global workplaces with each site executing a level of biosecurity protocol, developed by our corporate Health team, relative to their operating jurisdiction.

Post-merger, a major initiative regarding the escalation, reporting and investigation of Near-Miss, High-Potential Events has complemented the rollout of company Health, Safety and Environmental standards. The company also embarked on the rollout of a single, standardised Health, Safety and Environment Reporting platform to unify all operations and projects into the Intelex system.

Key health and safety metrics across Allkem's operations and development assets in construction are provided below.

FY22	Mt Cattlin	Olaroz	Borax	Sal de Vida	Total
TRIFR	12.0	2.2	1.4	0.0	2.6
LTIFR	5.2	0.6	0.0	0.0	0.9

Detailed information about Allkem's management of Health and Safety can be found in our Health and Safety Management Approach Disclosure and will be updated as part of our FY22 Sustainability Reporting.

Task Force on Climate Related Financial Disclosures

Allkem supports the Task Force on Climate-related Financial Disclosures (TCFD). We are pleased that the work of the new International Sustainability Standards Board (ISSB) is incorporating the recommendations of the TCFD. The elements of the TCFD framework are addressed in this report as identified below:

Governance

Allkem have established a robust governance structure for the management of climate-related issues at the Board level, with the Sustainability Committee having oversight. Updates on physical and transitional climate-related risks and opportunities along the value chain are a regular agenda item at each meeting of the Board Sustainability Committee.

At the management level, risks and opportunities associated with climate change are the responsibility of the Head of Operations in each of the regions where we operate, along with Allkem's Chief Sustainability and External Affairs Officer, reporting directly to the CEO on these matters.

Strategy

Our strong lithium development pipeline will allow us to supply the growing market as the world migrates to lower emissions transport and energy solutions. Our vertically integrated production base allows us to service multiple markets and customers, reducing potential supply chain emissions associated with product transportation.

Scenario Planning

Allkem has defined what short, medium and long-term means to the business from a climate change perspective.

Lithium supply and demand forecasts that are incorporated in our strategic business planning draw on a range of climate change transition scenarios. These are informed by global commitments and actions to limit the rise in global warming temperatures to 1.5°C and avoid the worst effects of climate change. Significant demand growth for lithium is underway and is underpinned by global support of major economies and automakers to decarbonise through the adoption of electric transport.

Allkem has completed a climate change risk assessment, identifying both physical and transitional climate-related risks and opportunities along our value chain. This assessment incorporates two detailed climate scenarios out to 2040 to guide the identification of risks and opportunities. These scenarios incorporate physical and transitional drivers and potential impacts on our business across products and services, supply chain, communities, adaptation and mitigation activities, investment in R&D, and operations.

A summary of each of the scenarios used in the assessment is included below. Note that Scenario 1 incorporates a 1.5°C pathway:

Scenario 1

Ambitious, Coordinated Global Action

In this scenario, the goals of the Paris Agreement are achieved with signatories of the Paris Agreement significantly ramping up their ambition from 2020 onwards. This would result in global emissions peaking shortly after 2020 and trending down thereafter, achieving a 30% (for a below 2°C pathway) to 50% (for a 1.5°C pathway) reduction by 2030 (on current levels).

The shift in the global economy is supported by international, national and sub-national policy and market frameworks, global emissions trading, and action by businesses and consumers.

The growth in residential and commercial renewable energy deployment and the rapid move to EVs is accompanied by a significantly increased demand for battery storage systems.

Consequences of physical risks are contained, even though already locked-in impacts are still felt.

Scenario 2

Patchy, Insufficient Progress

This scenario is set in a world where governments deliver on policies presently in place at the time the assessment was carried out, but nothing else. This results in about 3.2°C warming above pre-industrial levels, missing the goals of the Paris Agreement.

Continued reduction in cost of new energy technologies assists the clean energy transition; however, the momentum is not enough to offset the effects of an expanding global economy and growing population.

Limited policy intervention results in an uncoordinated transition, both at the national and international levels.

Physical aspects of climate change are increasingly felt across the world. Uncertainty on when climate thresholds will be crossed remains.

Risk Management

Climate related risks and opportunities identified at the site level are incorporated in operational risk registers. The Group risk framework, taking site level and corporate risk registers into consideration, is reviewed at least annually by the Board Audit and Risk Committee.

Metrics and Targets

Allkem monitors climate-related metrics, such as water use and intensity, energy consumption and intensity, absolute emissions and emissions intensity, and waste. These are published in performance data available on the company website.

Allkem's Board approved Climate Change Statement outlines the Company's commitment to the reduction of global greenhouse gas emissions and the transition of our business scope 1 and 2 emissions to net-zero by 2035. We are investigating the most efficient methods to implement these reductions at our operations. Energy efficiency and renewable energy are key considerations in our development projects moving forward. An update on the development of our Net Zero Action Plan will be published in Allkem's Sustainability Report in November 2022.

Allkem monitors and reports on climate-related indicators annually in its Sustainability Report and in investor surveys such as the CDP Climate Survey and the S&P Global Corporate Sustainability Assessment (CSA).

Financial and Operating Review

Financial Performance

To assist readers to better understand the financial results of Allkem, the financial information in this Operating and Financial Review includes non-IFRS unaudited financial information.

Group Financial Performance

Summary of Results for the Year Ended 30 June 2022

The following measures are non-IFRS financial information and have not been subject to audit by the Company's external auditor.

	Group		Olaroz		Mt Cattlin (10 months)
	2022 US $'000	2021 US $'000	2022 US $'000	2021 US $'000	2022 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 and 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.

	Group		Olaroz		Mt Cattlin	Sal De Vida	James Bay
Other financial metrics	2022 US $'000	2021 US $'000	2022 US $'000	2021 US $'000	2022 US $'000	2022 US $'000	2022 US $'000
Cash and cash equivalents	663,538	258,319					
Net assets	3,081,366	725,091	288,167	183,419	2,786	1,511,294	325,309
Net tangible asset/share	3.97	2.10					

Group Profit Overview

The Allkem Group (the Group) produced a Group EBITDAIX of US$513.1 million (2021: US$4.2 million) and consolidated net profit after tax of US$337.2 million (2021: 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 of US$2,356 million and cash of 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.

Operating Performance

Mt Cattlin

Western Australia
100%
Spodumene concentrate

The Mt Cattlin spodumene operation ("**Mt Cattlin**") produces spodumene concentrate utilising conventional techniques to extract and process the resource. This wholly owned project is located two kilometres north of the town of Ravensthorpe in Western Australia ("**WA**").

Performance Metric	Units	25 August 2021 to 30 June 2022	1 July 2021 to 30 June 2022
Production	dmt	144,865	193,563
Cost of production	US$/t	420	401
Concentrate shipped	dmt	200,715	231,560
Average realised sales price	US$/t	2,221	2,017
Revenue	US$m	451.9	467.0
Underlying EBITDAIX	US$m	336.2	348.7

Revenue (US$)

451.9 m

EBITDAIX (US$)

336.2 m

Net profit after tax (US$)

197.7m

Safety

TRIFR was 12.0 in FY22 for the rolling 12 months and represents a 160% increase compared to FY21. Corrective and preventive measures and initiatives have been implemented to arrest this trend coinciding with the impacts of COVID-19 and tightness in the WA labour market.

Operational Performance

Mt Cattlin achieved a record-breaking financial year production of 193,563 dmt averaging 5.6% Li_2O grade, in line with customer requirements. However, for the purpose of this report financial performance at Mt Cattlin is recorded from the date of the merger implementation between Galaxy Resources and Orocobre Limited. 144,865 dmt of spodumene concentrate was produced between 25 August 2021 and 30 June 2022, with an average grade of 5.6% Li_2O.

Mt Cattlin achieved a record-breaking financial year production of 193,563 dmt averaging 5.6% Li_2O grade, in line with customer requirements.

The financial year commenced with strong volumes produced at Mt Cattlin due to mining and processing of a high-grade ore zone in the 2NE pit. Towards the end of the year the ore source commenced transitioning from the 2NE pit to the 2NW pit where pre-stripping work continues.

The front-end ore sorters continued to make positive contributions by upgrading material from already-expensed, low-grade ore stockpiles for processing. Ore sorters were upgraded during the year and additional initiatives were implemented post reporting period to optimise plant performance and ramp up ore production into the next financial year.

Financial Performance

Record revenue of US$451.9 million (on a 10-month basis) was generated from sales of 200,751 dmt of spodumene concentrate. Supply in the spodumene market tightened over the year as demand accelerated, strengthening realised pricing which increased to an average of US$4,992/t in the June 2022 quarter from an average of US$796/t in the September 2021 quarter.

Mt Cattlin achieved competitive operating costs averaging US$420/t and a very high cash margin of ~80%. Despite a strengthening price environment, cost control initiatives introduced in the prior year continued.

EBITDAIX profit of US$336.2 million for the period from 25 August 2021 to 30 June 2022 was predominantly the result of a significant increase in market prices.

Mt Cattlin produced a net profit after tax of US$197.7 million which included foreign exchange losses of US$1.1 million, depreciation and amortisation of US$30.3 million, interest income of US$1.2 million and non-cash impacts of the inventory value uplift from the merger of US$12.4 million and US$13.4 million related to amortisation of customer contracts due to purchase price allocation.

Resource Extension Drilling

Allkem commenced a three-phase resource extension drilling program in April which will total 147 holes for 32,685 metres of reverse circulation ("**RC**") drilling with the aim of a multiyear mine life extension.

Drilling in the first two phases will target the immediate extension to mine-life at depth. The first phase is aimed to convert 3.2 Mt of inferred to indicated resource category and the second phase will test two pegmatite lenses along strike and at depth in conjunction with a scoping study to evaluate either the opencut or underground development of potential resource extensions. The third phase will explore ore body extensions to the SW of current mining operations.

As of 30 June, 37 holes and 8,690m of drilling had been completed and an update on results will be provided later in the September quarter. The current drilling program is expected to be complete towards the end of CY22.

Olaroz

Jujuy Province, Argentina
66.5%
Lithium Carbonate

The Olaroz Lithium Facility (**Olaroz**) is located in the Jujuy Province of northern Argentina, 230 kilometres northwest of the capital city San Salvador de Jujuy. It produces high quality lithium carbonate chemicals for both the battery, technical and chemical markets.

Revenue (US$)

292.8m

EBITDAIX (US$)

220.4m

Net profit after tax (US$)

96.1m

Olaroz is operated through Sales de Jujuy S.A. (**SDJ**), a 91.5% owned subsidiary of Sales de Jujuy PTE, a Singaporean company owned by Allkem (72.68%) and Toyota Tsusho Corporation (**TTC**) (27.32%). The effective Olaroz Project equity interest is Allkem 66.5%, TTC 25% and Jujuy Energia y Mineria Sociedad del Estado (**JEMSE**) 8.5%. The above holdings exclude any look through ownership of the 6.2% holding that TTC has in Allkem. The following financials are reported on a 100% basis.

	Units	FY22	FY21
Production	t	**12,863**	12,611
Sales	t	**12,512**	13,319
Realised sales price	US$/t	**23,398**	4,938
Cash cost of goods sold	US$/t	**4,282**	3,860
Revenue	US$ million	**292.8**	66.4
Underlying EBITDAIX	US$ million	**220.4**	11.5

Safety

TRIFR was 2.2 in FY22, a marginal decrease year on year reflecting steady performance during a period of increased activity in relation to the Olaroz 2 Expansion.

Operational Performance

Throughout the year Allkem remained focussed on delivering higher processing capability and improved product quality and consistency with ongoing refinement of the processing plant and pond management system.

Operations at Olaroz were highly stable and consistent through the year with annual production reaching a new record of 12,863 tonnes of lithium carbonate for FY22, 47% of which was battery grade material in line with targets and customer requirements.

Operations at Olaroz were highly stable and consistent through the year with annual production reaching a new record of 12,863 tonnes of lithium carbonate for FY22.

Interim Resource Update

Interim results from the drilling program upgraded the Olaroz Resource substantially from 6.4 million tonnes ("**Mt**") lithium carbonate equivalent ("**LCE**") to 16.2 Mt LCE, with 5.1 Mt of Measured resource and 4.6 Mt of Indicated resource, with the remainder in Inferred resource status.

The total resources at the Olaroz and the immediately adjacent Cauchari basins are now 22.5 Mt LCE in all resource categories, making it one of the largest lithium resources in the world. Significant upside potential is yet to be fully explored.

Financial Performance

Record revenue of US$292.8 million (2021: US$66.4 million) was achieved from sales of 12,512 tonnes (2021: 13,319 tonnes), 54% of which was battery grade product in line with customer requirements. Lithium carbonate contract pricing increased throughout the year due to increased market demand. Average realised pricing increased to US$23,398/t, 370% higher than the average in FY21.

Despite a strengthening pricing environment, a strong focus on costs remained and cost of sales of US$4,282 per tonne was approximately 10% higher than FY21 due to inflationary cost pressures and a 32% increase in sales of battery grade carbonate. The gross cash margin was a record high of 82% for the period.

EBITDAIX profit of US$220.4 million (2021: US$11.5 million) was higher than the previous corresponding period principally due to the increase in market prices.

Olaroz produced a net profit after tax of US$96.1 million (2021: loss of US$90.3 million) which included foreign exchange losses of US$7.5 million, depreciation and amortisation of US$17.7 million, interest charges of US$24.2 million which includes US$6.6 million of non-cash charges associated with discounting of assets and liabilities.

Olaroz Stage 2 Expansion

The Olaroz Stage 2 expansion is designed to deliver an additional 25,000 tonnes per year of technical grade lithium carbonate production capacity. Approximately 9,500 tonnes of this new production will be utilised as feedstock for the Naraha Lithium Hydroxide Plant in Japan.

Operational Performance

Construction activities progressed dramatically during the year with commissioning of ponds, brine distribution infrastructure and liming plants as individual project components were completed. First production remains on track for H2 CY22, and by the end of the financial year overall project construction had reached 88% completion with the ponds at 100% completion.

Financial Performance

Capital expenditure for Stage 2 at 30 June 2022 was ~US$320 million, excluding VAT and working capital. A review of project capital expenditure was conducted, excluding VAT and working capital, indicating the total to be between US$365-380 million. This reflects a 10-15% increase from the initial estimate, reflecting refinement of the project scope, Argentine inflation, global construction cost inflation, COVID-19 related costs and increased international freight rates.

Borax

Salta-Jujuy Province, Argentina
100%
Boron chemicals and mineral products

Borax has a sixty-year history producing borax chemicals, boric acid and boron minerals.

Safety

TRIFR was 1.4 in FY22, a 47% decrease year on year. Strategic safety programs were executed during the period.

Financial Performance

Sales for the period were 53,334 tonnes (2021: 41,007 tonnes). Revenue for the period was US$25.1 million (2021: US$18.4 million) and the business reported a net profit after tax of US$3.2 million.

Subsequent to the end of the period Allkem entered into a binding and conditional Heads of Agreement to sell Borax. It is currently anticipated that this sale will complete in Q4 CY22.

Revenue (US$)

25.1m

Net profit after tax (US$)

3.2m

Subsequent to the end of the period Allkem entered into a binding and conditional Heads of Agreement to sell Borax. It is currently anticipated that this sale will complete in Q4 CY22.

Growth Projects

Naraha

Naraha, Japan
75%
Lithium Hydroxide

The Naraha Lithium Hydroxide Plant (**Naraha**) is the first of its kind to be built in Japan and is designed to convert technical grade lithium carbonate feedstock from Olaroz stage 2 into purified battery grade lithium hydroxide for the production of domestic high-end batteries.

Allkem has a 75% economic interest in the joint venture established with Toyotsu Lithium Corporation (**TLC**).

Project Execution

Construction of the Naraha lithium hydroxide plant in Japan was completed during the period and commissioning activities commenced. First production is expected in H2 CY22 with minor delays being experienced due to travel and visa restrictions for commissioning personnel.

Capital expenditure at 30 June 2022 was ~US$67 million, excluding VAT and working capital.

Sal de Vida

Catamarca Province, Argentina
100%
Lithium Carbonate

Sal de Vida is designed to produce battery grade lithium carbonate through an evaporation and processing operation located in Catamarca Province, Argentina, approximately 200 km from Olaroz.

Due to the enhanced financial and operational strength of the merged entity, the production capacity of Sal de Vida was increased by 40% in the 2022 Feasibility Study released in April, which details an initial 15 ktpa operation that can readily expand to a ~45ktpa operation with an additional stage.

Sal de Vida has superior brine chemistry that readily upgrades to battery grade and its 40 year project life is supported by a 6.85 Mt LCE Brine Resource and a 1.74 Mt LCE Brine Reserve estimate.

Construction of Stage 1 commenced in January 2022 and first production is expected by H2 CY23.

Safety

TRIFR was nil in FY22, a significant improvement from 8.8 in FY21 despite the onsite workforce steadily increasing to support the construction phase. Site procedures, training and inductions continue as project execution advances.

Project Execution

Construction of the first two strings of Stage 1 ponds reached ~32% completion by the end of the period with the first pond completed and filled with brine. Project execution in H2 CY22 will focus on commissioning the first string of operational ponds and construction commencement of the carbonation plant and progressing towards operational readiness.

During the year, expansion of the camp facility progressed and procurement for other long lead items and the tendering process for a 30% photovoltaic energy solution also advanced.

Further engineering and permitting continues for the third string of ponds which reflects the increased production capacity of Stage 1.

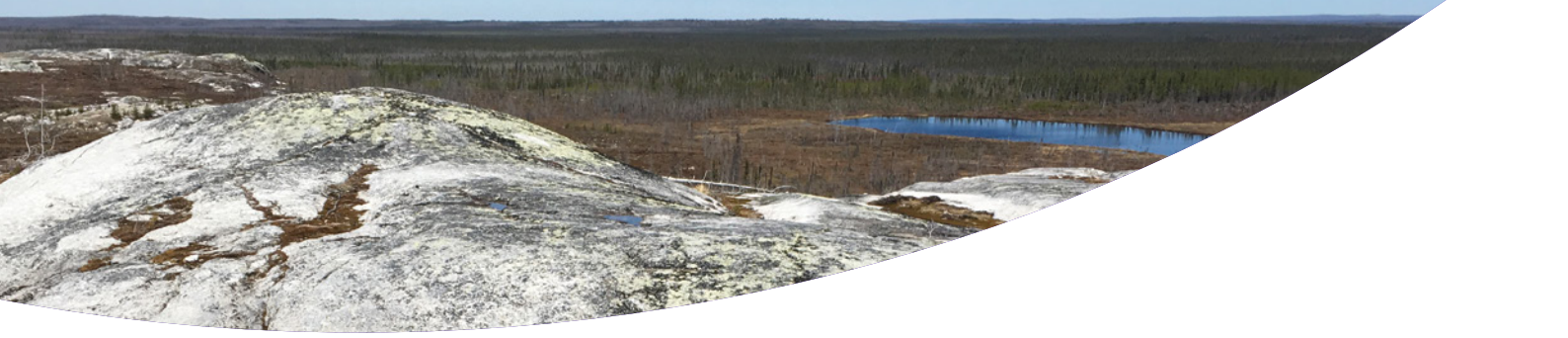
The Stage 1 schedule targets first production in H2 CY23 with brine evaporation occurring during plant construction, allowing evaporated brine to feed the plant once commissioned.

It is proposed that once the commissioning of Stage 1 commences, the development of Stage 2 will occur sequentially.

Capital expenditure at 30 June 2022 was ~US$63.7 million, excluding VAT and working capital.

James Bay

Quebec, Canada
100%
Spodumene Concentrate



The James Bay Project is strategically located in proximity to the burgeoning North American electric vehicle market and has access to clean, renewable energy.

Allkem released the James Bay Feasibility Study and Maiden Ore Reserve on 21 December 2021, detailing a ~320ktpa operation, utilising hydropower, conventional mining methods, a process flowsheet and a 2mtpa plant design similar to Mt Cattlin. This ~19-year operation is underpinned by a Mineral Resource Estimate of 40.3 Mt at 1.4% Li_2O and Ore Reserve of 37.2Mt at 1.3% Li_2O.

This Study demonstrates lowest quartile development capital costs of US$286 million and unit operating costs of US$333/tonne. The wholly owned project is projected to generate a pre-tax NPV of US$1.42 billion at an 8% discount rate with pre-tax internal rate of return of 45.8% and a pre-tax payback period of 2.4 years assuming an average spodumene selling price of US$1,001/tonne.

Safety

The Health and Safety management team was appointed, and preparation plans were initiated for procedural development, contractor management standards and training requirements.

Project Execution

Allkem expects construction activity at the James Bay project to commence in Q1 CY23 with commissioning to follow in late H1 CY24. Key focus areas for CY22 include:

- Further engineering activities to finalise design, equipment and plant configuration;
- Procurement of equipment, temporary installations and key contracts;
- Provision of budget and detailed planning to allow construction to commence on time;
- Development of sustaining initiatives for local stakeholders; and
- Progression of the Environmental and Social Impact Assessment ("**ESIA**"), Impact and Benefit Agreement ("**IBA**") and regulatory approvals.

Detailed engineering progressed alongside procurement activities including awarding key equipment packages (temporary camps, primary sub-station, process equipment, etc).

Towards the end of the period, the clarification process for the ESIA continued at both Provincial and Federal levels in conjunction with the Cree Nation Government.

Capital expenditure at 30 June 2022 was ~US$2.8 million, excluding VAT and working capital.

Lithium Market

The lithium market is underpinned by government stimulus and policies around the globe supporting a net zero future through transport electrification among other means to combat climate change. Leading auto manufacturers have made significant investments in lithium-ion battery technology and are committed to electrifying their fleets.

The global lithium-ion supply chain is growing significantly and consumer demand and electric vehicle sales continue to grow and outweigh current and forecast supply in lithium chemicals.

Demand

During the reporting period, there was accelerated growth in demand for lithium chemicals and spodumene concentrate in response to record production volumes of lithium-ion battery materials and batteries in China.

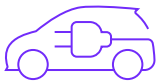
Despite challenges experienced across the globe during the year, consumer demand remains resilient. Global Electric Vehicle (EV) sales in FY22 were ~8.5 million units, up ~71% compared to the previous year. EV sales in China alone were ~4.7 million units in FY22, up 123% compared to the previous year.

Production volumes of lithium-ion batteries ramped up in China to a record level of ~351GWh during FY22, up by 161% year on year.

Demand for lithium carbonate in China continued to grow in response to a strong preference for LFP battery formats (lithium, iron, phosphate) in the domestic market which represented more than 55% of battery chemistries by year end.

Both spot and contract prices for lithium carbonate and hydroxide across all key geographies rallied to new records as limited new supply fell short of demand. Spodumene concentrate spot prices recorded an almost tenfold increase during the financial year. Contracted prices were also significantly adjusted upwards during the year to reflect tightening market conditions across the supply chain.

Lithium chemicals and spodumene concentrate have historically been largely sold under annual and long-term contracts. Reported spot prices reflect marginal volumes rather than prices in the high-volume contract market.



Global EV Sales in 2022

8.5m ↑71% from prior year

China EV Sales in 2022

4.7m ↑123% from prior year

Supply

Chinese lithium chemical production in FY22 was 38% higher than the previous year and strengthened in the June quarter due to increased supply of mineral feedstock from local sources with improved weather conditions and higher spodumene concentrate imports from Australia.

Spodumene concentrate volumes shipped to China from Australia increased towards the end of the year from brownfield expansions and the restart of idled capacity. This incremental spodumene volume will mostly be consumed during H2 CY22 and is expected to boost utilisation rates of lithium chemical plants in China, however not to full capacity.

Interest from automakers in the lithium industry continued to increase with Chinese and Western OEMs investing and funding directly into lithium assets in order to secure supply.

The race to secure key critical materials has further intensified across the EV battery value chain.

Directors' Report

Company Directors

The Company's Directors have significant public company management experience, together with a strong background in exploration, project development, operations management, financial markets, accounting, legal and finance. Their experience covers many industry sectors both within Australia and internationally. Further biographical information for the Directors is available on the Company's website.

Martin Rowley

B. Comm

Non-Executive Chairman

Martin was appointed Chairman in August 2021. Martin was a co-founder in 1996 of TSX and LSE-listed First Quantum Minerals Ltd and until June 2017 was that company's Executive Director, Business Development. First Quantum is one of the world's largest copper production companies. He was previously Non-Executive Chairman and Director of Lithium One Inc. and Non-Executive Chairman of Galaxy Resources Limited—which merged with the Company by way of a scheme of arrangement on 25 August 2021. Martin is also currently Non-Executive Chairman and director of Forsys Metals Corp, a TSX-listed Company in the uranium sector (October 2007 – Present).

Directorships held in other ASX listed companies in the last three years:

- Galaxy Resources Limited—Chairman (November 2013 – August 2021).

Robert Hubbard

BA (Hons), FCA

Non-Executive Deputy Chairman

Robert was appointed a Director in November 2012, as Non-Executive Chairman in July 2016 and as Non-Executive Deputy Chairman following the merger with Galaxy Resources Limited in August 2021.

Robert was a partner at PricewaterhouseCoopers for over 20 years until 2013 where he served as auditor and adviser for some of Australia's largest resource companies.

Directorships held in other ASX listed companies in the last three years:

- Bendigo and Adelaide Bank Limited (April 2013 – November 2021); and
- Healius Limited (December 2014 – Present).

Martín Pérez de Solay

(I.ENG)

Managing Director and Chief Executive Officer

Martín was appointed to the Allkem Limited Board as Managing Director on 18 January 2019. At the same time, Martín formally commenced his duties as Chief Executive Officer.

Martín has a career spanning engineering, operational improvement, banking, finance and executive management.

Directorships held in other ASX listed companies in the last three years: Nil.

Richard Seville

BSc (Hons) Mining Geology, MEngSc Rock Engineering, MAusIMM, ARSM

Non-Executive Director

Richard is a mining geologist and geotechnical engineer with over 35 years' experience in the resources sector including over 25 years' experience as either Managing Director or Executive Director of various ASX, TSX or AIM listed companies.

Richard was the founding Managing Director of Allkem until he stepped down from the position in 2019.

Directorships held in other ASX listed companies in the last three years:

- Agrimin Limited—Chairman (August 2019 – Present); and
- Oz Minerals (November 2019 – Present).

Fernando Oris de Roa

MPA, Harvard Kennedy School of Government

Non-Executive Director

Fernando was appointed a Director in June 2010. Fernando is a highly successful business leader with a history of developing and operating large enterprises within Argentina and has a reputation for upholding integrity and social responsibility in his business practices. He was also appointed as Ambassador of Argentina to the United States serving during 2018 and 2019.

Directorships held in other ASX listed companies in the last three years: Nil.

Leanne Heywood

OAM BBus(Acc) MPDA FCPA GACID

Non-Executive Director

Leanne was appointed a Director in September 2016. Leanne is an experienced ASX non-executive director with over 25 years corporate experience in the mining sector, including 10 years with Rio Tinto. Her experience includes strategic marketing, business finance and compliance and she has led organisational restructures, disposals and acquisitions.

Directorships held in other ASX listed companies in the last three years:

- Midway Limited (March 2019 – Present);
- Quickstep Holdings Limited (February 2019 – Present); and
- Symbio Holdings Ltd (March 2022 – Present).

Alan Fitzpatrick

BSMechEng

Non-Executive Director

Alan was appointed a Director in August 2021. Alan has more than 47 years of technical mining industry experience in project and construction management, engineering, maintenance and plant operations, including acting as a project director for various major mining companies both locally and internationally. Alan has held numerous senior positions with leading engineering and mining companies such as Bechtel, BHP, Gold Fields and Newmont Mining Corporation.

Directorships held in other ASX listed companies in the last three years:

- Galaxy Resources Limited (January 2019 – August 2021)

Florencia Heredia

LLM

Non-Executive Director

Florencia was appointed a Director in August 2021. Florencia has more than 28 years' experience in the mining industry. She is currently a senior partner of the leading Argentinian legal firm Allende & Brea where she heads the Energy and Natural Resources, ESG and Sustainability practice. She is an expert in Argentine mining law with extensive experience advising financial institutions and companies in complex mining transactions in Argentina and has repeatedly represented lenders in all mining project finance arranged in Argentina.

Directorships held in other listed companies in the last three years:

- Galaxy Resources Limited (January 2018 – August 2021)

John Turner

LL.M (Cantab), B,Sc (Hons)

Non-Executive Director

John was appointed a Director in August 2021. John is the leader of Fasken Martineau DuMoulin's Global Mining Group. Fasken Martineau DuMoulin is a full-service law firm with offices in Canada, the UK, South Africa and China. John has been involved in many of the leading corporate finance and merger and acquisition deals in the resources sector primarily through companies active in Africa, Latin America, Eastern Europe, Canada and Australia. He is also currently the non-executive Chairman of GoGold Resources Inc, a TSX-listed gold and silver mining company.

Directorships held in other ASX listed companies in the last three years:

- Galaxy Resources Limited (January 2017 – August 2021)

Company Secretaries

John Sanders

LLB(Hons), GAICD

Chief Legal Officer and Joint Company Secretary

John was appointed Company Secretary in October 2021. John is a senior corporate lawyer with over 25 years' experience, having held legal and commercial roles in top tier law firms and international resource companies. He has a broad range of experience in corporate governance, international mergers and acquisitions, contract negotiation and implementing resource projects. Mr Sanders has previously worked for Herbert Smith Freehills, King and Wood Mallesons in Perth and Clifford Chance in London, as well as acting as senior in-house counsel at Woodside Energy and Hess Exploration Australia.

Rick Anthon

BA LLB

Corporate Development Manager and Joint Company Secretary

Rick joined Allkem Limited in 2015. Rick is a lawyer with over 30 years' experience in both corporate and commercial law practicing exclusively in the resource sector. He has worked both as a director and adviser to numerous resource companies and has extensive skills in project planning, acquisition and development, capital raising and corporate governance.

Directors

The Directors of the Company at any time during or since the end of the financial year are listed below. During the year, there were 7 formal Board meetings. The Board and Committee meetings attended by each Director were:

1 July 2021 – 24 August 2021

Directors	Board		Audit and Risk Committee		People and Governance Committee		Related Party Committee		Sustainability Committee	
	Meetings	Attendance	Meetings	Attendance	Meetings	Attendance	Meetings	Attendance	Meetings	Attendance
Martín Pérez de Solay	2	2	–	–	–	–	1	1	–	–
Richard Seville	2	1	–	–	1	1	1	1	0	0
John Gibson[1]	2	2	1	1	–	–	1	1	0	0
Fernando Oris de Roa	2	2	–	–	1	1	1	1	–	–
Masaharu Katayama[2]	2	2	–	–	–	–	–	–	–	–
Patricia Martinez[3]	2	2	1	1	–	–	1	1	0	0
Robert Hubbard	2	2	–	–	–	–	1	1	0	0
Leanne Heywood	2	2	1	1	1	1	1	1	–	–

Following the merger with Galaxy Resources on 25 August 2021, the composition of the Board and Committees were reconstituted as follows from 25 August 2022:

25 August 2021 – 30 June 2022

Directors	Board		Audit and Risk Committee		People and Remuneration Committee[8]		Nomination and Governance Committee[9]		Sustainability Committee	
	Meetings	Attendance	Meetings	Attendance	Meetings	Attendance	Meetings	Attendance	Meetings	Attendance
Martín Pérez de Solay	5	5	–	–	–	–	–	–	–	–
Richard Seville	5	5	–	–	3	3	–	–	3	3
Fernando Oris de Roa	5	5	4	4	–	–	–	–	3	3
Robert Hubbard	5	5	–	–	–	–	2	1	–	–
Leanne Heywood	5	5	4	4	–	–	2	2	–	–
Martin Rowley[4]	5	5	–	–	–	–	2	2	–	–
John Turner[5]	5	5	4	4	3	3	–	–	–	–
Alan Fitzpatrick[6]	5	5	–	–	–	–	–	–	3	3
Florencia Heredia[7]	5	5	–	–	3	3	–	–	–	–

Committee Membership

At the date of this report, the Company has an Audit and Risk Committee, a People and Remuneration Committee, a Nomination and Governance Committee and a Sustainability Committee. Membership of each of these Committees are as follows:

Audit and Risk Committee	People and Remuneration Committee	Nomination and Governance Committee	Sustainability Committee
Leanne Heywood (Chair)	John Turner (Chair)	Martin Rowley (Chair)	Richard Seville (Chair)
John Turner	Richard Seville	Robert Hubbard	Alan Fitzpatrick
Fernando Oris de Roa	Florencia Heredia	Leanne Heywood	Fernando Oris de Roa
Alan Fitzpatrick (Alternate)	Leanne Heywood (Alternate)		Leanne Heywood (Alternate)

1 John Gibson retired 6 October 2021
2 Masaharu Katayama retired 6 October 2021
3 Patricia Martinez retired 6 October 2021
4 Martin Rowley appointed committee member 6 October 2021
5 John Turner appointed committee member 6 October 2021
6 Alan Fitzpatrick appointed committee member 6 October 2021
7 Florencia Heredia appointed committee member 6 October 2021
8 People and Governance Committee replaced by People and Remuneration Committee 6 October 2021
9 Nomination and Governance Committee established 6 October 2021
10 Related Party Committee disbanded 6 October 2021

Dividends

No dividend has been proposed or paid since the start of the year.

Indemnification of Officers

During the financial year the Company paid an insurance premium in respect of a contract insuring the Company's past, present and future Directors, secretaries and officers of the Company against liabilities arising as a result of work performed in their capacity as Director, secretaries and officers of the Company. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of Directors and Officers liability insurance contracts as such disclosure is prohibited under the terms of the contract. The Company Constitution also contains an indemnity provision in favour of each Director, Company Secretaries and executive officers (or former officers) against liability incurred in this capacity, to the extent permitted by law.

Indemnification of Auditors

The Company's auditor is Ernst & Young. The Company has agreed with Ernst & Young, as part of its terms of engagement, to indemnify Ernst & Young against certain liabilities to third parties arising from the audit engagement. The indemnity does not extend to any liability resulting from a negligent, wrongful or wilful act or omission by Ernst & Young. During the financial year, the Company has not paid any premium in respect to any insurance for Ernst & Young or a body corporate related to Ernst & Young and there were no officers of the Company who were former partners or Directors of Ernst & Young, whilst Ernst & Young conducted audits of the Company.

Principal Activities

The principal activities of the Group during the year include the production of lithium at the Mt Cattlin Spodumene Operation and Olaroz Lithium Facility, and the development of Olaroz Stage 2, construction of Sal de Vida and development of other growth projects.

Operating and Financial Review

The operations, financial position, business strategies and prospects for future financial years of the consolidated entity are detailed in the Operating and Financial Review section of this Annual Reportand in the Financial Report section.

Significant Changes in the State of Affairs

On 25 August 2021, the Group acquired 100% of the voting shares of Galaxy Resources Limited (Galaxy), a listed company based in Australia with a diversified lithium asset portfolio including an operational hard rock mine and concentrator in Western Australia (Mt Cattlin project), a brine development project in Argentina (Sal De Vida project) and a hard rock spodumene project in Canada (James Bay project). The acquisition was funded by an issue of new shares and increased the net assets of the group by US$2.0 billion.

The Scheme in relation to the merger of Orocobre and Galaxy was implemented on 25 August 2021. In accordance with the Scheme, all shares in Galaxy were transferred to Orocobre and eligible Galaxy shareholders were issued the scheme consideration of 0.569 new fully paid ordinary shares in Orocobre for each Galaxy share held at the record date on 18 August 2021.

Following shareholder approval at the 2021 Annual General Meeting, the change of company name from Orocobre Limited (ASX: ORE,TSX: ORL) to Allkem Limited (ASX/TSX: AKE) was completed.

During the reporting period Allkem was included in the ASX/S&P 100 index and retained its position as a member of the DJSI Australia Index.

Other than matters mentioned in this report, there were no significant changes in the state of affairs of the Company during the financial year.

Significant Events After Balance Sheet Date

On 15 August 2022, Allkem announced it had entered into a binding and conditional Heads of Agreement to transfer Borax Argentina S.A (Borax) to Minera Santa Rita S.R.L (MSR) and to acquire the María Victoria lithium tenement from MSR in return (the Proposed Transaction).

Under the Proposed Transaction Allkem will transfer to MSR all of the issued shares in the two Borax holding companies and US$14 million cash for employee and rehabilitation liabilities. In return, MSR will transfer to Allkem (or its nominee) 100% ownership of the Maria Victoria Tenement.

Conditions precedent to completion of the Proposed Transaction include transfer of certain lithium tenements and royalties from Borax to Allkem in return for borate extraction rights (usufructs) in favour of MSR, completion of due diligence by Allkem on the Maria Victoria Tenement and receipt of required internal and third party approvals.

Other than disclosed above, there were no significant events occurring after balance date.

Likely Developments and Expected Results

Refer to the Operating and Financial Review for information on likely developments and future prospects of the Group.

Risk Management

Allkem's Risk framework is based on the principles of the ISO 31000 Standard for Risk Management which contributes to ensuring that risk and assurance activities are continually adding value to the business activities of Allkem and supporting the delivery of its projects.

Allkem's Board is responsible for overseeing risk and has assigned accountabilities and responsibilities for risk management to the Audit and Risk Committee ("**ARC**"), the Managing Director and executive management, with Allkem's Chief of Staff acting as the custodian of the Risk Management process within the organisation.

The Risk Management Framework and expectations apply across Allkem's entire business, including all operations and internal functions, outsourced and contracted services, Allkem's projects including: its role in Joint Ventures; its own projects; and one-off activities.

The risk focus continues to be on material issues that could prevent the delivery of Allkem's objectives (including safety, sustainability and exposure to climate change risk by reference to the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures).

The annual review of the Company Risk Framework has identified that the risk management focus for Allkem during the next 12 months will be on strengthening the risk mitigation plans and for maintaining a robust risk management programme including developing additional key risk documents and processes (Risk Management Standards, Corporate Risk Management Plans, Training programs, etc.) in additional to the routine updating and oversight of the various corporate, project and operational risk profiles.

Allkem continued to investigate emerging risks during the year with specific climate related risk workshops conducted in preparation for the development of the climate change and decarbonisation initiatives. Further work has commenced at Mt Cattlin to develop a Principal Mining Hazard Management program to ensure a focus on potentially fatal events and in response to the recently promulgated Western Australian Work Health and Safety regulations. This approach is broadly consistent with the ICMMs Critical Control approach and will form the basis of a broader Critical Risk program to be rolled out across all Allkem operations and projects.

Risk Materiality

The Board defines the term 'materiality' recognising that financial measures are not the only criteria used but includes in its determination non-financial criteria that are important to the achievement of corporate objectives such as health, safety and environmental impacts, and the reputation of Allkem.

The Board's risk tolerance utilises the Materiality definition. This means that in practice every 'material' risk must be referred to the Audit and Risk Committee for its review and acceptance. The Audit and Risk Committee assumes delegated authority on behalf of the Board to review and accept 'material' risks reported to it by the CEO and Management.

Risk	Description	Mitigation Actions
Sustainability—Safety, Environmental Risks		
Operational Safety	Operations material safety event at site or in transit.	All operations continue to have a strong focus on safe production and development and this is reflected in the Safety performance and standards of the organisation in FY22. Allkem's Health Safety and Environmental ("**HSE**") standards and COVID-19 biosecurity protocols have been developed and rolled out across the organisation, to its operations and development projects (construction), to establish a consistent good practice approach to HSE management. Further work is being undertaken to ensure that comprehensive HSE risk-based management plans are developed for each project (execution phase) and that appropriate oversight is applied. Mt Cattlin has commenced the development of Principal Mining Hazards Management to ensure that it is well placed to ensure compliance with the new Mining Safety Regulations promulgated in Western Australia in March 2022.
Climate Change Risk	Operational productivity is dependent on climatic variables.	Allkem has undertaken climate risk assessments which help define the physical climate change impact. Future climate scenarios are considered in project planning. Allkem's operations are located in areas of lower water risk.[1] Allkem's Board approved Climate Change Statement outlines the Company's commitment to the reduction of global greenhouse gas emissions and the transition of our business scope 1 and 2 emissions to net-zero by 2035. We are investigating the most efficient methods to implement these reductions at our operations. Further information is available in the annual Sustainability Report.
Human Rights/ Modern Slavery	Allkem's activities are exposed to human rights or modern slavery.	We continue to monitor and report on Human Rights risk factors in our operations and supply chain following the guidelines of the UN Guiding Principles for Business and Human Rights. Expectations and grievance mechanisms are communicated in Corporate Code of Conduct and Whistle-blower Policy. Progress is reported in annual Modern Slavery Statement.
Operational Risks		
Existing Operations Performance	Existing Operations (Olaroz, Mt Cattlin) unable to deliver to production targets.	The performance of both operating plants (Olaroz, Mt Cattlin) continues to target improvements and or consistency of the quality of produced product and the ability to meet production targets and tonnages. Mt Cattlin continues to develop the 2NW Deposit, while Olaroz remains focused on improving the steady state feed from the ponds to the plant.
Natural Disaster—On/Offsite	Damage to site infrastructure or offsite transport/energy related infrastructure.	Earthworks are designed to create protective barriers to reduce the impact of severe flooding events. Hydrogeological and geotechnical assessments are carried out as part of the design process. Contingencies are in place to ensure operational continuity during any route closure/disruption periods. Stocks of critical reagents are maintained to ensure operating continuity.
Projects Risks		
Projects Fail to Deliver	The Allkem project portfolio fails to deliver NPV expectations (Cost, Schedule, Revenue).	Allkem have a considerable portfolio of major projects in the pipeline with a range of development assets in progress (James Bay, Sal de Vida, Olaroz Stage 2, Naraha Lithium Hydroxide Plant). All projects have inherent delays and cost risks particularly in the current challenging global market (logistics, inflation, skilled labour availability, etc.) Allkem is focused on de-risking the development of these projects by dedicating experienced professionals focused solely to manage these projects, by utilising proven technology based on Allkems existing operational expertise and by staging development to smooth capital expenditure and reduce market risk. Each of the projects have specific risk registers and are developing specific risk management programs, plans and protocols to ensure the proactive and effective management of the project risks.

1 Based on classification using current and future climate change scenarios from WRI Aqueduct Water Risk Atlas: https://www.wri.org/data/aqueduct-water-risk-atlas

Risk	Description	Mitigation Actions
Strategic/ Financial Risks		
Lithium Product Price Risk	Fluctuation of the market Lithium price versus basis for revenue forecasting.	While the lithium market continues to be volatile the outlook is still strong and Allkem has continued to focus on multi-year contracts and a mix of pricing mechanisms to ameliorate product price risk. The increased customer and product (LiOH and Spodumene) mix with different geographies, industries etc. also helps with the management of these risks.
Macro Risk	Global external factors including macro-economic risk affecting Profitability and business continuity.	Allkem is subject to a range of External and macro-economic risk including: • High inflation and increasing interest rates. • Ongoing disruptions to the logistics (both supply and product) potentially impacting CAPEX, OPEX and product sale. • Significant fluctuations in foreign exchange. While Allkem has limited direct controls over these issues, continued oversight is essential to ensuring the ongoing profitability of the operations and projects.
Geopolitical Risk	Rivalries between geopolitical powers resulting in a fracture of multilateral relations or conflicts with global consequences.	Allkem is subject to geopolitical risks which can adversely impact business continuity, profitability, and cause delays on project delivery. While Allkem has limited controls over these external issues it continuously evaluates threats and risks associated with carrying out business activities with organisations that have a large exposure or concentration in areas with high Geopolitical risks to reduce/avoid such risks.
Argentina Political Risk	Changes in the Argentinian political, regulatory or fiscal framework impacting Allkem's business.	Continuous engagement between key management/directors and government at National and Provincial levels actively mitigate this risk. Ongoing engagement will ensure these relationships continue. Allkem is also progressing on the development of James Bay Project to further mitigate this risk.
Staffing and Key Management Personnel	Failure to effectively attract, train and retain employees with required skillset to implement business strategy in each area where we operate.	The management of talent is core to Allkems success and is a key priority for management and the board, while the availability and retention of skilled personnel in the current market continues to be highly competitive. Allkem has recently reviewed its approach to retaining key personnel and attracting talent. This includes employee development programs, ensuring a diverse and inclusive work environment and a focus on hiring talent from local communities. The company provides competitive and fair total remuneration packages, a safe workplace, and a commitment to strong corporate values. Further information is available in Allkem's annual Sustainability Report.
Fraud, Corruption or Misconduct	Actual or alleged fraudulent or corrupt actions involving company activities or assets. Contravention of Allkem Code of Conduct creating reputational and other issues.	Group wide policies have been developed to address Anti-corruption and Fraud, and Allkem's Code of Conduct which defines required business standards and ethics for the entire workforce (staff, employees, contractors). Contravention of these policies can result in disciplinary action or dismissal. An Internal audit program and resource has been implemented. A Whistle-blower policy and process has been established which requires notifications to be investigated and reported to the Audit and Risk Committee.

Environmental Regulation and Performance

Allkem has operations in the Jujuy and Salta provinces of Argentina, and at the Mt Cattlin mine in Western Australia. Development projects located in the Catamarca province of Argentina and Quebec, Canada are also under the company's operational control. The Naraha development project in Japan is under the operational control of our joint venture partner, Toyota Tsusho Corporation (TTC). As outlined in Allkem's Environmental Policy, at a minimum, Allkem operates in compliance with all applicable legal and regulatory requirements. During FY22 there have been no reportable environmental events under the relevant regulations due to the company's activities.

Non-Audit Services

The Group's auditor, Ernst & Young, did not undertake any non-audit services for Allkem during the current or prior year.

Rounding of Amounts

The amounts contained in this report and in the financial statements have been rounded to the nearest thousand dollars unless otherwise stated (where rounding is applicable) under the option available to the Company under ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191. The Company is an entity to which the instrument applies.

Auditor Independence

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is contained within this report.

Verification of Reports

Allkem undertakes internal verification of all reporting and announcements other than financial reporting that is verified by the Company's auditors. The internal verification process involved a review of all relevant reports or announcements by the executive management team and where appropriate the Board of Directors. This process ensures that all information released in the public domain is accurate and correct.

Internal Audit

The Company has a formal internal audit function which was implemented in November 2020. The Internal Audit and Assurance Function provides independent assurance over the governance, compliance and internal control system and processes across the business.

The Audit and Risk Committee reviews activities undertaken by the Company and Whistle-blower referrals and investigations.

Remuneration Report
Letter from the Chair

Dear Shareholder

Welcome. I am pleased to present the FY22 remuneration report for Allkem Limited. The current year has been transformational as we successfully completed the merger of Orocobre Limited and Galaxy Resources Limited.

Global challenges including COVID have continued to impact all businesses and challenged how we all live, socialise and work. Positively, this adversity has brought out the very best of the newly combined team as we have delivered record breaking results while redefining our strategy, values and culture as Allkem where "Together we go Further".

The Merger

The merger of Orocobre and Galaxy was implemented on 25 August 2021 and since then we have seen the business grow substantially in size creating an entity that has the potential to be one of the world's largest and most geographically diversified producers of lithium chemicals, with operations and projects spanning South America, North America, Australia and Japan. The lithium market is forecast to grow tenfold in the next decade, which will require companies to have both the necessary physical and human resources. The merger brought together the operational and development assets of Galaxy and the proven Argentina resident operational management team of Orocobre at Olaroz, Argentina. Both have been equally important in delivering on the industrial logic of the merger.

We have ahead of us an enviable pipeline of growth through new projects and expansions of existing operations. In April, the management team held an inaugural strategy day at which they set out the pathway for Allkem to retain 10% global market share and which is expected to see Allkem production triple by 2026.

To achieve this, our remuneration frameworks need to be equitable, reflect the market conditions where our executives are based, and respond to managing one of our key strategic risks: retaining and developing our people. This risk is no better demonstrated than with current conditions in the Western Australia workforce market where some employers are seeing employee turnover of more than 100%.

Results and Achievements

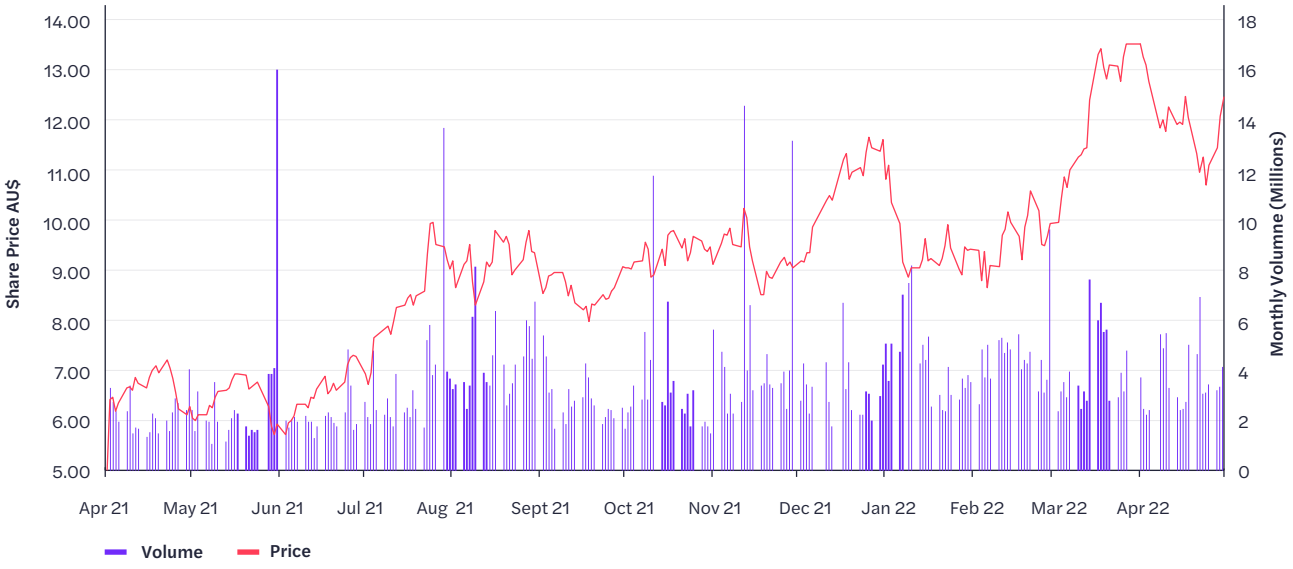
Besides the highly successful merger, FY22 has been a year of achievements for all parts of the business. Both Mt Cattlin and Olaroz have delivered record production volumes while improving safety performance with the TRIFR decreasing from 2.9 in FY21 to 2.6 in FY22.

Record production was complemented with record sales prices resulting in revenue of US$770 million and EBITDAIX of US$513 million. These robust financial metrics are the result of a number of years of dedicated work with a focus on safety, quality and productivity.

The Board is pleased that outstanding operational and financial performance has resulted in material share price appreciation which, this year, will also result in the management team achieving the LTI hurdles required for vesting of performance rights.

"Record production was complemented with record sales prices resulting in revenue of US$770 million and EBITDAIX of US$513 million."

Share Price and Volume Chart



Remuneration Philosophy

Following announcement of the merger in April 2021, we embarked on a comprehensive review of the merged business and reporting structure, cultural integration and communications, with support from external advisers. This included ensuring that the key operating and corporate leadership positions were in place, realigning the reporting structure around the geographic distribution of assets and personnel, and considering the market competitiveness of executive remuneration packages for the newly merged group.

In addition, as indicated in the Orocobre FY21 Annual Report released on 25 August 2021, the Board had already commenced a detailed review of the short-term incentive (STI) and long-term incentive (LTI) programs for executives to reflect the material change in the profile of the merged group, with support from independent remuneration consultants. The review concluded shortly prior to the release of Orocobre 2021 Notice of AGM, which resulted in a revised remuneration package for the CEO for FY22, including the award of merger completion performance rights. CEO/CFO and Board Remuneration Increases.

We believe it is important to inform our shareholders and provide context and reassurance that the Board, with assistance from the People & Governance Committee and external advisors, reviewed the executive remuneration framework under a rigorous process in the context of the merger, as well as our philosophy to continuously evaluate the effectiveness of our remuneration practices.

The increase in the CEO's and CFO's remuneration is fundamentally through the at-risk portion. Such increases are unusual other than in merger situations. The increased LTI entitlement of the packages will first vest in 3 years' time. The performance rights included as part of this bonus provide some compensation for the period before the LTI could vest. It is not comparable to the LTI given its different risk profile, but it effectively bridges the gap in remuneration opportunity.

Following the merger the total aggregate amount of fees payable to non-executive Directors was increased from AU$850,000 per annum to US$1,500,000 per annum. The increase was considered appropriate having regard to:

(a) the increase in the number of Directors from eight to nine; and
(b) the significant increase in the Company's asset portfolio, value and market capitalization, following the Merger.

This ensured that the Company:

a) maintains its capacity to remunerate both existing and new non-executive Directors joining the Board;
b) remunerates its non-executive Directors appropriately for the expectations placed upon them both by the Company and the regulatory environment in which it operates; and
c) has the ability to attract and retain non-executive Directors whose skills and qualifications are appropriate for a company of the size and nature of the Company.

Merger Retention Bonus

The Board recognises that merger-related incentives may be a variation from market practice however, the most important consideration in granting of the incentives was the retention aspect. Major corporate transactions are often a catalyst for staff to reconsider their roles and it is imperative to the success of Allkem that key staff are retained. This risk was accentuated by the Galaxy LTI plan, designed to reward successful asset development, unfortunately vesting in full on the merger and so losing any retention benefit and encouraging the loss of some management.

The Board recognises that the vote of approximately 20% against the remuneration report at the 2021 AGM was related to the merger retention bonus and consequent remuneration increases. In the early days for the merger we feel that we may not have explained the Board strategy in developing the merger retention bonus.

Whilst these awards provide some recognition for the contribution outside of normal roles by the CEO and the management team in the period up to the successful completion of the transformational merger, they predominantly reflect the Board's approach to managing the critical risk of retaining the key people who are responsible for making Allkem a success.

The Board fully considered the following :

- The sparks that ignited the war for talent observed in the later part of FY 22 were already apparent in 2021 and as economic conditions continued to improve and competition for talent increased, the foresight of the Board in implementing the merger bonus plan has been apparent;
- Linking the award to service conditions provides a direct link to the shareholder value accretion that will flow through the critical period of project construction to production;
- Olaroz was the first lithium brine project to be completed in 20 years. This experience is rare and even unique. There are now many lithium brine projects under construction or contemplated in Argentina, with more projects than people, spurred on by a buoyant lithium price. Experienced capable management is key to success and retention is key; and
- The cost benefit and pay back of the merger retention bonus is apparent from the results and achievement of Allkem's first year.

In conclusion, this has been a record year of achievements within a year that has been transformational. Allkem has an unrivalled portfolio of assets and development projects at a time when the world is decarbonising and needs more lithium than is available. Most importantly Allkem needs the right people and our remuneration practices continue to evolve to attract and retain the very best people to deliver outstanding returns to shareholders, employees and other stakeholders.

John Turner
Chair of People and Remuneration Committee

Remuneration Report (Audited)

This Remuneration Report outlines the overall remuneration strategy, framework and practices adopted by the Company. This report forms part of the Directors' Report and unless otherwise indicated, has been audited in accordance with Section 308 (3C) of the *Corporations Act 2001*.

In addition to the statutory requirements, additional sections summarising remuneration for the year ended 30 June 2022 have been included where appropriate.

At the most recent Annual General Meeting of Allkem Limited (the Company or Allkem) held on 30 November 2021, 80.72% of votes cast at the meeting were in favour of the adoption of the Remuneration Report. In addition, all resolutions related to the remuneration of our Managing Director and CEO (MD/CEO) were passed.

Remuneration information for Key Management Personnel ("KMP") is reported in US Dollars (US$); consistent with the remainder of the report. All contractual arrangements for Non-Executive Directors and MD/CEO are denominated in US Dollars (US$). The contractual arrangement for the CFO is denominated in Australian Dollars (AU$).

Allkem's Remuneration Report is divided into the following sections:

A. Directors and Executives
B. Role of the People and Remuneration Committee
C. Group Remuneration Framework and Principles
D. Remuneration of Non-Executive Directors
E. Managing Director and Other Executive KMP Remuneration
F. Relationship of Incentives to Allkem's Operating and Financial Performance
G. Take Home Pay
H. Service Agreements
I. Details of Remuneration
J. Share-Based Compensation Issued to Executive KMP
K. Shareholdings of KMP
L. Additional Statutory Information

A. Directors and Executives

In addition to the Non-Executive Directors, Executive KMP are members of the leadership team who have the authority and responsibility for planning, directing, and controlling the activities of Allkem, directly or indirectly, during the year ended 30 June 2022.

KMP of the Company for the financial year ended 30 June 2022 are as follows:

Name	Position	Date Appointed	Other Information
Martin Rowley[3]	Non-Executive Chairman	Appointed August 2021	Appointed Chairman August 2021
Robert Hubbard	Non-Executive Deputy Chairman	Appointed November 2012	Appointed Deputy Chairman August 2021 (Chairman: July 2016 -August 2021)
Fernando Oris de Roa	Non-Executive Director	Appointed June 2010	Deputy Chairman April 2021 – August 2021
Richard Seville	Non-Executive Director	Appointed January 2019	
Leanne Heywood	Non-Executive Director	Appointed September 2016	
Florencia Heredia[2]	Non-Executive Director	Appointed August 2021	
John Turner[2]	Non-Executive Director	Appointed August 2021	
Alan Fitzpatrick[2]	Non-Executive Director	Appointed August 2021	
John Gibson[1]	Non-Executive Director	Appointed March 2010	Resigned August 2021
Masaharu Katayama[1]	Non-Executive Director	Appointed April 2018	Resigned August 2021
Patricia Martinez[1]	Non-Executive Director	Appointed December 2020	Resigned August 2021
Martín Pérez de Solay	Managing Director and Chief Executive Officer (MD/CEO)	Appointed January 2019	
Neil Kaplan	Chief Financial Officer (CFO)	Employed January 2013	

1 On 25 August 2021 Mr Gibson Jr, Mr Katayama and Ms Martinez retired as Directors of the Company following the completion of the Orocobre-Galaxy merger.
2 On 25 August 2021 Ms Heredia, Mr Turner and Mr Fitzpatrick were appointed as Directors of the Company following the completion of the Orocobre-Galaxy merger.
3 As part of the Orocobre-Galaxy merger, Mr Rowley was appointed as a Director and chairman of Allkem Limited of the Company on 25 August 2021 and Mr Hubbard was appointed Deputy Chairman replacing Fernando Oris de Roa who remains as a Non-Executive Director.

B. Role of the People and Remuneration Committee

The People and Remuneration Committee is comprised of three Non-Executive Directors. The membership of the committee for FY22 comprised John Turner (Committee Chair), Florencia Heredia (assuming their roles in October 2021) and Richard Seville. Fernando Oris de Roa (former Chair) and Leanne Heywood resigned from the committee in October 2021.

This membership reflects the relationship to Argentina, Australia and Canada of current and future operations and the geographic distribution of the executive team. We continue to believe that the expanded scope and responsibilities of this committee are aligned with the prioritisation of talent as a strategic asset for our organisation.

The People and Remuneration Committee's role and interaction with the Board, internal and external advisors, is determined by its Charter and in reference to the Allkem Remuneration Policy.

The People and Remuneration Committee operates under the delegated authority of the Board. The Board reviews, applies judgment and, as appropriate, approves the People and Remuneration Committee's recommendations. The People and Remuneration Committee is empowered to source internal resources and to obtain independent professional advice it considers necessary to enable it to make recommendations to the Board on the following matters relevant to remuneration and performance measurement of the Group:

- Remuneration policy and quantum for Non-Executive Directors;
- Remuneration policy, strategy, quantum and mix of remuneration for Executive KMP, other executives and management;
- People and talent management, policies and practices designed to attract, motivate and retain suitable officers and employees;
- Performance target setting and measurement for Executive KMP;
- Design and approval of employee and executive short and long-term incentive programs that align the interests of officers and employees with those of key stakeholders; and
- Compliance with applicable legislation, including the relevant provisions of the ASX Listing Rules and the Corporations Act.

For each annual remuneration review cycle, the People and Remuneration Committee considers whether to appoint a remuneration consultant and, if so, their scope of work.

In 2022 Korn Ferry, AON and BDO were engaged to provide remuneration advice as follows:

Organisation	Nature of work performed
BDO	Review and commentary on proposed remuneration structures for the Allkem Board, Chief Executive Officer and Chief Financial Officer based on market benchmarking results undertaken earlier by Orocobre
Korn Ferry	Review of scope and job sizing of Allkem's Executive Committee positions and market data from Argentina and Canada
AON	Salary benchmarking services in Australia

The above arrangements were made to ensure the recommendations were free from undue influence from the KMP. The Board is satisfied that the remuneration recommendations were made free from undue influence from any members of the KMP to whom the recommendations related. A total of $22,993 was incurred in respect of the above services in the FY22 year. In FY21 a total of US$34,000 was paid to Korn Ferry for services relating to their review of the KMP Long Term Incentive plan.

The Committee is also responsible for reviewing aspects of people management including:

- Organisational health including corporate culture, values, and compliance with the Code of Conduct;
- Management performance assessment including against key performance indicators;
- Executive talent review and succession planning;
- Diversity, including gender, cultural and cognitive diversity at Board, Executive Management, Management and general workforce levels; and
- Matters referred to the Committee by other Committees of the Board and related to people management issues.

The People and Remuneration Committee (formerly the People and Governance Committee) operates alongside the Nominations and Governance Committee, a newly created sub-committee of the Allkem Board.

The Nominations and Governance Committee is responsible for corporate governance matters referred to it by the Board; with specific reference to:

- Board and committee performance evaluation;
- Recommendations on election and re-election of Directors;
- Board succession planning and recruitment;
- Assessment of independence of Directors;
- Evaluation of Board and committee composition including skills, tenure and diversity; and
- Engagement of consultants for the purposes of the above aspects of people management.

C. Group Remuneration Framework and Principles

Remuneration is determined in accordance with the Allkem Remuneration Policy which provides that the People and Remuneration Committee will ensure that remuneration packages are designed to:

- Attract, engage, retain and motivate employees to perform to the best of their competencies, abilities and skill sets;
- Motivate Directors and Management to pursue the long-term growth and success of the Group within an appropriate control framework;
- Demonstrate a clear relationship between key executive performance and remuneration;
- Ensure that remuneration is market-based and fairly reflects an employee's skills, education and experience;
- Ensure that there is no discrimination or bias based on race, age, role, gender, religion, country of origin, sexual orientation, marital status, dependents, disability, social class or political views;
- Ensure that internal equity is maintained and that positions with similar responsibilities within the Group gain access to similar rewards; and
- Maintain compliance with all applicable laws.

Key considerations when structuring Management remuneration include:

- Management should be remunerated by an appropriate balance of fixed remuneration and performance-based remuneration;
- Performance-based remuneration should be clearly defined in accordance with realistic goals which are aligned to the Company's short and long-term objectives, and which take into account sustainability performance as well as financial or operational performance;
- Total remuneration packages are designed to encourage and reward superior performance and the creation of shareholder value; and
- Fixed remuneration should be reasonable and fair, relative to applicable market practices, prevailing market conditions and the scale of the Company's business.

Following the Orocobre-Galaxy merger, the People and Remuneration Committee again undertook an evaluation of its remuneration practices to ensure that the policy remains contemporary and appropriate for the Company post-merger, meets the objectives set out in the charter and endeavours to adopt a fair and equitable approach to all remuneration decisions; mindful of the complexities of retaining and motivating an experienced team operating across diverse geographies, different time zones and in a complex operating environment.

The approach has been as relevant this year as it was in FY21 which was unique in all our corporate experience. The Committee has necessarily responded in the application of the Allkem remuneration practices.

Examples of the demands placed on management and the Board have been:

- Maintaining effective operations, performance (including ongoing construction, project evaluation and growth initiatives) and maintaining Allkem's Bio-security Protocols and continuous communication and engagement with authorities and communities at a time of intense global travel restrictions and on-going waves of COVID-19 that required self-isolation, continued lockdowns and increased remote working;
- Maintaining momentum on safety performance, Olaroz Stage 2 Expansion, completion of Naraha, commencement of construction at Sal de Vida, planning and permitting at James Bay, reductions in costs and improving operating performance;
- Responding to the fiscal and economic challenges being experienced by Argentina's strict foreign currency controls, severe currency devaluation and rampant inflation;
- Transitioning Sal de Vida and James Bay through new stages of development and construction;
- Managing supply chain restrictions, restricted travel movement, global inflation and global labour shortages in both Canada and Western Australia; and
- Completing and progressing the Orocobre-Galaxy merger to integrate the Board, Management, operations, systems, HR practices and culture.

In applying the Remuneration philosophy this year, the People and Governance Committee have considered many variables including:

- The Orocobre-Galaxy merger and integration of assets, workforces and cultures, strategic objectives and priorities, individual responsibilities and reporting lines as well as updated company growth and development plans;
- The remuneration paid by the Group's peers (by reference to industry, market capitalisation and relevant geographic location), although we consider contemporary benchmarks are less reliable in volatile times and more bespoke approaches are required;
- The Group's performance over the relevant period, acknowledging those aspects within management control and those exogenous to our operations;

- How to link remuneration to successful implementation of the Group's strategy, including the targets which needed to be achieved to deliver on that strategy and the recalibration of those targets arising from the ongoing impacts of COVID-19 and in particular the health and wellbeing of employees and communities;
- Internal relativities and differentiation of pay based on performance;
- The demands placed on certain executives to work considerable periods of time in lock down, operating remotely and the extraordinary time outside normal working hours;
- The increased size, scale, location and complexity of the operations of the Group; and
- Competition for talent across all geographies and areas of operations.

D. Remuneration of Non-Executive Directors

Non-Executive Directors are remunerated by way of fees (in the form of cash, non-cash benefits or superannuation contributions) with levels of remuneration reflective of time commitments, complexity and responsibilities of the role.

Non-Executive Directors do not receive retirement benefits (other than statutory superannuation). Non-Executive Directors do not receive performance-based remuneration. They may receive securities as part of their remuneration; however they do not receive options with performance hurdles attached or performance rights as part of their remuneration. No securities have been provided to Non-executive Directors to date.

Fees for Non-Executive members of the Board must be approved in aggregate by shareholders at an Annual General Meeting for the Company. The current aggregate fee pool of US$1,500,000 was established and approved at the 2021 AGM (2021: US$633,761 based on AU$850,000 converted at 1 US$: 1.3412 AU$).

In addition to Board fees, Non-Executive Directors receive reimbursement for any costs incurred that are directly related to Allkem business on an approved basis.

Non-Executive Directors do not participate in the Performance Rights and Option Plan (PROP) in accordance with ASX Corporate Governance guidelines.

Annualised fees (including superannuation) are as follows:

	30 June 2022	30 June 2021	
	US$	US$	AU$
Non-Executive Directors			
Chairman	**300,000**	139,800	187,500
Deputy Chairman	**175,000**	89,472	120,000
Other Non-Executive Directors	**125,000**	74,560	100,000

Non-Executive Director fees were revised effective from 25 August 2021. Prior to this date the fees were set in AU$. Average exchange rates for FY21 were 1 US$: 1.3412 AU$. Since August 2021, all contractual arrangements for Non-Executive Directors are set in US$.

E. Managing Director and Other Executive KMP Remuneration

The Managing Director and Other Executive KMP are provided with an appropriate mix of remuneration components that are balanced between fixed and 'at risk' components which are aligned to the Company's short and long-term strategic priorities and objectives and take into account competition for skills by peer companies.

Remuneration components and target composition are as follows:

	Fixed Remueration		STI		LTI		Merger and Retention Bonus		Total	
	US$	%	US$	%	US$	%	US$	%	US$	%
Managing Director/CEO										
Martin Perez de Solay										
30 June 2022	**840,000**	**26%**	**840,000**	**26%**	**1,050,000**	**33%**	**500,000**	**15%**	**3,230,000**	**100%**
30 June 2021	700,000	50%	250,000	18%	450,000	32%	-	-	1,400,000	100%
Other Executive KMP										
Neil Kaplan (CFO)										
30 June 2022	**413,337**	**27%**	**330,670**	**23%**	**413,337**	**27%**	**350,000**	**23%**	**1,507,343**	**100%**
30 June 2021	351,409	44%	99,920	12%	351,409	44%	-	-	802,738	100%

1 Managing Director and Other Executive KMP fees were revised effective from 1 September 2021.
2 Managing Director/CEO fees are set in US$. Other Executive KMP fees are set in AU$.
3 Exchange rates used for the conversion from AU$ to US$ are as follows:
June 2022—1 US$: 1.4516 AU$
June 2021—1 US$: 1.3412 AU$
The exchange rate used in converting the Merger Retention Bonus for the CFO was $1.3970 (exchange rate on date the incentive was granted)

Each component of remuneration is discussed in the following sections.

Fixed Remuneration

There have been increases in KMP fixed remuneration during FY22 following the finalisation of the Orocobre-Galaxy merger. Effective from 1 September 2021, the MD/CEO fixed remuneration increased to US$840,000 from US$700,000 and the CFO fixed remuneration increased to US$413,337 (AU$600,000 converted at 1 US$: 1.4516 AU$) from US$351,409 (AU$471,342 converted at 1 US$: 1.3412 AU$).

Short-Term Incentives (STIs)

STIs comprise an appropriate mix of both cash and performance rights designed to achieve realistic goals which are aligned to the Company's near-term objectives.

The advantage to the Group of STI comprising both cash and performance rights components is that management are incentivised to deliver key growth projects which creates increased shareholder value in addition to day-to-day responsibilities. These short-term incentives are linked to specific hurdles and not locked into fixed remuneration. The People and Remuneration Committee is of the view that when these growth projects are successfully delivered and value is reflected in the business, then fixed remuneration should be reassessed.

The STI targets reflect a balance of organisational and individual goals which include behavioural measures impacting overall STI. These include promotion of the Allkem code of conduct and values. Collectively the executive team is assessed on the sustainability and operational and financial performance of the Group.

Individual goals in the assessment of the STI include items such as sustainability, production and cost performance, quality, growth and post-merger integration. Individual executive goals are all clearly defined and specifically measurable.

The award of STIs based on achievement of these individual goals is also viewed in the context of the overall operating and financial performance of Allkem.

The Group increased its already strong focus on sustainability, particularly in safety, the environment, community and social arenas. Individual sustainability goals were introduced for the CEO in the current year. These included reductions in total injury frequency rates, performance against emissions and water intensity targets, ensuring good relationships and mutually beneficial outcomes in commitments made and in Benefits Agreements with indigenous and other communities.

The Board considered annual production and cost performance targets for both Olaroz and Mt Cattlin; focussing on targeting specific grade production. Specific growth measures were also set around mechanical completion at Olaroz Stage II and Naraha plants, securing permits to initiate construction of stage 1 at Sal de Vida and securing IB and ESI agreements for James Bay whilst structuring a finance package for development.

Throughout FY22, the Orocobre-Galaxy merger was a significant focus and demanded an extraordinary time commitment from management and the Board. The STI goal to successfully integrate the Orocobre and Galaxy Teams into an effective post-merger organisation have been substantially achieved; together with delivering benefits from the merger.

Specific KMP outcomes for FY22 were as follows:

Performance against the annual business plan and budget have been considered in the controllable areas of production, quality, unit cost and sustainability goals in relation to safety, environment and social performance.

FY22	Target	Achievement
Sustainability	• Reduce the Total Recordable Injury Frequency Rate by 10% compared to 2021 results. • Meet or exceed the Olaroz sustainability targets outlined in the Orocobre 2021 Sustainability Report, being: » water intensity: 48 m^3/tonne LCE; and » scope 1 and 2 emissions intensity: 3 tonnes CO_2/tonne LCE. • Maintain good standing with indigenous communities proximate to Orocobre projects. • Successfully negotiate required agreements with indigenous communities, including the Impact and Benefits Agreement with the Cree and the revised Olaroz community agreement.	• Total Recordable Injury Frequency Rate decreased by 10.3% with a focus on improved reporting and safety culture. • Water intensity achieved was 49.9 m^3/tonne LCE due to an increase in battery grade production. • Emissions intensity was 3.3 tonnes CO_2/tonne with higher battery grade production. • Relationships with indigenous communities continued to strengthen and all approvals required in FY22 were achieved in Australia and Argentina. Discussions for James Bay continue taking into account regulatory and indigenous matters.
Production and Cost Performance	• Achieve the annual production target for Olaroz and Mt Cattlin as approved by the Board in the 2022 annual budget, with an average cost of production at each operation which is no greater than that prescribed in the 2022 annual budget.	• Record production and strong cost focus resulted in this target being mostly achieved. Cost remain bottom quartile.
Quality	• Achieve or exceed 50% battery grade production from Olaroz (47% actual). • Reduce the number of customer claims by at least 10% from the previous year (actual reduction of 11%). • Achieve an average spodumene grade at Mt Cattlin of 5.7% LiO2 content (5.6% actual).	• Achieved 47% battery grade production as required to fulfill customer requirements. • Customer claims decreased with a focus on product packaging. • Achieved 5.6% spodumene grade which was mostly in line with customer requirements.
Growth	• Mechanical completion of Olaroz Stage II. • Mechanical completion of the Naraha plant. • Secure all permits and initiate construction of Sal de Vida stage I. • Structure a financing solution for Sal de Vida Stage I. • Secure IBA and ESIA for James Bay. • Progress on the structuring of a financing package for James Bay.	• Olaroz Stage II has made material progress and remains on track for first production in late 2022 calendar year. • Naraha achieved mechanical completion and commissioning has commenced. • All SDV permits required to commence construction were obtained. • Financing options for SDV Stage I are well advanced and progressed as quickly as counterparties processes allowed. • James Bay has advanced within the bounds of external regulatory processes and restrictions (e.g. Quebec Engineers strike). • Discussions have made material progress for James Bay financing, work is continuing in.
Merger Integration	• Successfully integrate the Orocobre and Galaxy teams into an effective post-merger organisation.	• Highly successful merger with record production and financial results. • A clearly defined growth and development strategy that is built on integrated assets and personnel is in place.

The MD engagement throughout the merger between Orocobre and Galaxy has demonstrated key attributes required including organisation development and decision making as the company restructured. The lithium industry is highly dynamic and requires agility and the ability to quickly adapt as has been seen with success in sales contract renegotiation. Record production was delivered by each of the operating assets and Olaroz Stage 2 has made material progress despite challenges with COVID-19 and supply chain restrictions.

Hurdles for the STI Performance Rights

At the end of the financial year ending 30 June 2022 the Managing Director and CEO and Other Executive KMP Performance were assessed against the Performance Objectives and rated out of 100, reflecting the extent to which the Performance Objectives were achieved during the year. The STI amount is dependent on actual performance achieved—with 50% of the STI amount paid as cash and 50% paid as performance rights. The number of Allocated STI Performance Rights that vest on the STI Vesting Date is dependent on actual performance achieved.

Similar to other Performance Rights, the STI Performance Rights have an expiry date of the earlier of 2 years after the vesting

date and 5 years after the grant date and have the same change of control conditions attached to them.

Managing Director and CEO

The Board set a series of performance objectives for Mr Pérez de Solay which have been used to determine the number of Allocated STI Performance Rights which vest for the financial year ending 30 June 2022.

("Performance Objectives"). The MD/CEO's KPI's for the FY22 were assessed at 81% achievement.

	Max Target	Achievement
Sustainability	15%	13%
Production and Performance	30%	28%
Quality	10%	9%
Growth	25%	16%
Orocobre-Galaxy Merger Integration	10%	7%
Qualitative (decisiveness, engaging for impact, agile and adaptative, delivering reliability)	10%	8%
Max Target / Achieved	**100%**	**81%**

Other Executive KMP: CFO

The Board set a series of performance objectives for the CFO which have been used to determine the number of Allocated STI Performance Rights which vest for the financial year ending 30 June 2022 ("**Performance Objectives**").

The CFO's KPI's for the FY22 were assessed at 85% achievement.

	Max Target	Achievement
Continued Cost Reduction Initiatives Targeting Cost per Tonne for both Mt Cattlin and Olaroz	10%	7%
Integration and Staffing	10%	7%
Various Financial Objectives Related to Tax, Treasury, Budgeting, Financial Reporting and Risk	15%	11%
Substantially Advance Financing Package Related to Sal de Vida	25%	20%
Achieve Allkem's EBITDAIX[1] target	40%	40%
Max Target / Achieved	**100%**	**85%**

1 Earnings before interest, taxes, depreciation, amortisation, impairment, and foreign exchange.

	STI Opportunity					STI Accrued/ Paid	%	
Position	**FY**	**Cash**	**Performance Rights**	**US$[1]**	**% of Fixed Remuneration**	**US$[1]**	**Achieved**	**Forfeited**
Managing Director/CEO	**2022**	**420,000**	**420,000**	**840,000**	**100%**	**680,400**	**81%**	**19%**
Martin Perez de Solay	2021	250,000	-	250,000	36%	212,500	85%	15%
Other Executive KMP	**2022**	**165,335**	**165,335**	**330,670**	**80%**	**281,070**	**85%**	**15%**
Neil Kaplan (CFO)	2021	99,920	-	99,920	30%	77,937	78%	22%

1 Exchange rates as at date of payment used for the conversion from AU$ to US$ are as follows:
June 2022—1 US$: 1.4516 AU$
June 2021—1 US$: 1.3412 AU$

Long-Term Incentives (LTIs)

The Company provided LTI to the Managing Director/CEO, whose LTI is required to be approved by shareholders through the PROP.

Following the Orocobre-Galaxy merger, Korn Ferry were engaged to review the Performance Rights and Option Plan ("**PROP**") to ensure it appropriately reflected the growing size and complexity of the Group, the post-merger business plan and the increased responsibilities of the KMP. The updated plan was completed in March 2022 and will be put to shareholders for approval at the Annual General Meeting in November 2022.

The prior plan was approved by shareholders at the 2019 Annual General Meeting. There are no options outstanding under this plan as at 30 June 2022. LTI presented for FY22 are subject to the terms and conditions of the updated Allkem PROP. These are available on the Allkem website at Performance Rights and Option Plan.

The objective of the grant of Performance Rights ("**PRs**") is to provide an incentive to Executive KMP which promotes both the long-term performance and growth of the Group and encourages the retention of the Company's executives and the attraction of new executives to the Company.

The tables in Section J provide details of LTI grants to Executive KMP as well as detailing the vesting periods and lapsing of Performance Rights.

Performance Rights Issued to the Executive KMP for the Year Ended 30 June 2022

The table below summarises the key features of the Performance Rights issued to the executive KMP for the year ended 30 June 2022:

Purpose	The purpose of the Plan is to assist in the reward, retention and motivation of eligible participants in the Plan to improve production capacity, quality and total shareholder return.
Allocated LTI Performance Rights	Allocated LTI Performance Rights are subject to two different hurdles as follows: • 60% of allocated LTI Performance Rights are subject to the production capacity hurdle (Production Capacity Performance Rights); and • 40% of allocated LTI Performance Rights are subject to the Relative Total Shareholder Return (RTSR) hurdle (RTSR Performance Rights).
Grant Date	The Performance Rights were granted on 30 November 2021 for the 2022 financial year.
Vesting Date	The vesting date is the date that the Company notifies that Performance Rights have vested, which is expected to be no later than 30 September 2024.
Expiry Date	The expiry date is the earlier of 2 years after the Vesting Date and 5 years after the Grant Date.
Measurement Period	Production Capacity Performance Rights will be assessed as soon as practicable following 30 June 2024. The RTSR Performance Rights will be assessed over a 3-year measurement period commencing on 1 September 2021 and completing at the end of the 3-year measurement period will be determined using the VWAP of that Company's shares over the last ten trading days prior to 31 August 2024.
Production Capacity Performance Rights	Of the total number of Production Capacity Performance Rights: • 2/3rd are classified as Base Production Capacity Performance Rights; and • 1/3rd are classified as Bonus Production Capacity Performance Rights. The performance condition for the Production Capacity Performance Rights measures the Production Capacity Achieved by the Company Group against the Production Capacity Target. The Production Capacity Target for this purpose means an annualised aggregate demonstrated Lithium Carbonate Equivalent (LCE) production capacity of the Company Group's assets as at 30 June 2024 of 75,000 tonnes of commercial quality LCE. The vesting percentage for Production Capacity Performance Rights will be determined as follows:

Production Capacity Achieved (tonnes)	% of Base Production Capacity Performance Rights	% of Bonus Production Capacity Performance Rights
100,000 or more	100%	100%
95,000 – 99,999	100%	80%
90,000 – 94,999	100%	60%
85,000 – 89,999	100%	40%
80,000 – 84,999	100%	20%
75,000 – 79,999	100%	Nil
56,250 – 74,999	Pro-rata straight line vesting 75% to 99%	Nil
Less than 56,250	Nil	Nil

The Production Capacity Achieved by the Company Group as at 30 June 2024 will be determined by the Board in its discretion as soon as practicable following 30 June 2024 (expected to be no later than 30 September 2024) taking into consideration the annualised aggregate demonstrated LCE production capacity of the Company Group's assets as at 30 June 2024 (as defined above); the progress of the Company's development projects in accordance with the approved schedule and budget for those projects; and factors or circumstances outside the reasonable control of Company management (for example force majeure events) which adversely impact the production of the Company Group during the relevant period.

RTSR Performance Rights

The performance hurdle for the RTSR Performance Rights measures the Company's Total Shareholder Return (or TSR) over a three-year period from 1 September 2021 to 31 August 2024 relative to the TSR of the Comparator Group.

"Total Shareholder Return" or "TSR" means, in respect of a company, the growth in a company's share price together with the value of any dividends paid during the period (assuming that all of those dividends are reinvested into new shares).

"Comparator Group" means each the following companies (provided where any such company ceases to be listed on a recognised stock exchange at any time during the period from 1 September 2021 to 31 August 2024 it will be deemed to have been removed from the Comparator Group):

- Albemarle Corporation
- Australian Strategic Materials Ltd
- IGO Limited
- Iluka Resources Limited
- ioneer Ltd
- Liontown Resources Limited
- Lithium Americas Corporation
- Livent Corporation
- Lundin Mining Corporation
- Lynas Rare Earths Limited
- Mineral Resources Limited
- Nickel Mines Limited
- OZ Minerals Limited
- Piedmont Lithium Inc.
- Pilbara Minerals Limited
- Sigma Lithium Corporation
- SQM (Sociedad Quimica Y Minera de Chile S.A.)
- Standard Lithium Ltd
- Vulcan Energy Resources Limited
- Western Areas Limited

The vesting percentage for the RTSR Performance Rights will be determined in accordance with the following table:

TSR Relative to Comparator Group	Vesting Percentage
At or above 75th percentile	100%
Between 50th percentile and 75th percentile	Pro-rata straight line vesting 50% to 75%
At the 50th percentile	50%
Below 50th percentile	Nil

Retesting

Performance conditions will be tested at the vesting date and if the performance conditions have not been met, the Rights will lapse. No retesting of the performance hurdles will be performed under the plan.

Forfeitures

Unless the Board otherwise determines, the Rights will lapse on the earlier of:

1. The cessation of the employment of the participant.
2. The vesting conditions are not achieved or are incapable of being achieved by the participant.
3. The Board determines that the vesting conditions have not been met prior to the expiry date.
4. The expiry date (last exercise date).

Dividends

Performance Rights are not entitled to dividends or other distributions. Shares acquired on vesting and exercise of Performance Rights will be ordinary securities and entitled to dividends, if any. No dividends apply before vesting and exercise.

Restrictions

Performance Rights granted under the Plan may not be assigned, transferred, encumbered or otherwise disposed of by a participant (other than to a Nominated Party) unless the Board in its absolute discretion approves or the relevant dealing is effected by operation of law on death or legal incapacity of the participant.

The Board may determine prior to an Invitation being made whether there will be any restrictions on the disposal of, the granting of a security interest in or over or otherwise dealing with Shares held by the trustee on behalf of a participant under the Plan.

Shares (issued pursuant to the PROP plan) which are held by the trustee on behalf of a participant under the Plan may not be transferred, encumbered or otherwise disposed of by the participant unless the Board has waived such restrictions, or the participant submits a withdrawal notice in accordance with the rules of the Plan.

Change of Control

A change of control occurs when the Board advises participants that one or more persons acting in concert have acquired, or are likely to imminently acquire "control" of the Company, as defined in section 50AA of the Corporations Act.

In the event of a change of control of Company, the Board has discretion to determine that vesting of all or some of the Rights should be accelerated. If a change in control occurs prior to the Board exercising its discretion, a pro rata portion of the Performance Rights will vest, calculated based on the portion of the relevant performance period that has elapsed up to the change of control. The remaining unvested Performance Rights will vest or lapse at the Board's discretion.

Performance Rights Vesting to the Executive KMP During the Year Ended 30 June 2022

Performance Rights granted in 2019 ('2019 PR') vested during the year ended 30 June 2022. The performance hurdles for these grants were based on Total Shareholder Returns (TSR) which was chosen to align KMP remuneration to sustainable, long-term shareholder return. 50% were tested on an Absolute TSR hurdle and 50% on a Relative TSR hurdle.

The vesting outcome of the 2019 PR are summarised below:

Absolute TSR Hurdle (50% of LTI Grant)

TSR performance over the Measurement Period and subject to meeting the following compound annual rate thresholds:

Target Return Per Annum	% Vesting	Outcome
Greater than 12.5%	100%	2019 starting share price was **AU$4.281**[1]
Greater than 10.0%	75%	31 August 2021 closing share price was **AU$9.17**
At least 7.5%	50%	
Less than 75%	0%	
2019 Performance Rights absolute share price return per annum was **+214.3%**		**Achieved: 100%**

1 The starting position for the Absolute TSR Hurdle was the VWAP of the shares for the 5-day period following the release of the 2018 Annual Report: AU$4.28.

Relative TSR Hurdle (50% of LTI Grant)

TSR performance over the Measurement Period relative to the constituent companies of the ASX300 Resources Index subject to the following thresholds:

Target percentile	% Vesting	Outcome
Greater than 75th	100%	Per Independent Third-Party calculation, >75th percentile was achieved
Equal to or greater than 50th	50%	
Less than 50th	0%	
2019 Performance Rights relative percentile was **greater than the 75th percentile**		**Achieved: 100%**

Merger Retention Performance Rights and Bonus

Merger Retention Bonuses and Performance Rights were granted to the Managing Director and the Chief Financial Officer in recognition of the significant additional time and effort expended in the period up to the successful completion of the Orocobre-Galaxy merger in late August 2021 and as a retention mechanism for key personnel prior to long term incentives vesting.

The MD/CEO received US$500,000 and the CFO received US$350,000. One-third of this amount was paid as a cash bonus in FY22 with the remaining amount payable as Merger Retention Performance Rights vesting equally on 25 August 2022 and 25 August 2023; subject to recipients remaining employed with the Company or a subsidiary of the Company on these dates.

Similar to other Performance Rights, the Merger Retention Performance Rights have an expiry date of the earlier of 2 years after the vesting date and 5 years after the grant date; and have the same change of control conditions attached to them.

The Board believes that the value of the Merger Retention Performance Rights granted represents an appropriate reward for the additional effort and outcomes of the merger and as an additional mechanism to retain key personnel essential in delivering the Company's extensive growth pipeline.

Performance Rights Granted in the Current Year

Equity incentive grants to selected key executives, including Executive KMP, are considered on an annual basis and are subject to conditions described in the above sections.

Name/Position			Performance Rights Granted[1]	Face Value[2,3]	Granted During the Year[4]
			#	US$	US$
Managing Director/CEO	**2022**	Short Term Incentives	62,661	420,000	457,498
Martin Perez de Solay		Long Term Incentives	156,653	1,050,000	1,032,285
		Merger Retention Bonus[5]	49,731	333,333	363,094
		FY22 Total	**269,045**	**1,803,333**	**1,852,877**
	2021	Long Term Incentives	228,649	450,000	332,993
Other Executive KMP	**2022**	Short Term Incentives	26,461	165,335	193,196
Neil Kaplan (CFO)		Long Term Incentives	66,153	413,337	435,924
		Merger Retention Bonus[5]	34,987	218,607	255,446
		FY22 Total	**127,601**	**797,279**	**884,566**
	2021	Long Term Incentives	174,036	351,409	452,241

1 The 2022 number of Performance Rights granted is equal to the USD equivalent incentive amount provided divided by the 10-day VWAP of the Company's Shares following the release of the Company's Annual Results on 25 August 2021 (A$9.07 converted into US$ at an exchange rate on 8 September 2021 being US$6.7027 per share).
2 Face value represents the amount achieved used to calculate the number of Performance Rights granted.
3 Converted at the rate that the Performance Rights were granted.
4 The value at grant date calculated in accordance with AASB 2 Share-based Payment of awards granted during the year as part of remuneration. More information is available in section H.
5 Amounts in respect of the Merger Retention Bonus in the table above represent the 2/3rds of the bonus covered by Performance Rights and exclude the 1/3rd cash component which were paid in the FY22 year.

F. Relationship of Incentives to Allkem's Operating and Financial Performance

The fundamental aim of Allkem is to create value for shareholders by establishing operations that produce high quality products from relatively low capital and low operating cost operations. The Group is equally committed to achieving excellence in sustainability practices ensuring the safety, health and wellbeing of its employees, and responsibly managing the impacts to the communities and the environment within which it operates. Accordingly, remuneration is linked to sustainability performance at all levels of the organisation to reinforce such as a core value.

In FY22, individual goals were also viewed in the context of the overall operating and financial performance of the Group. Performance against the annual business plan and budget has been considered in the broad areas of Safety, Productivity, Quality and Growth as well as against EBITDA.

The table below shows the actual proportion of the total remuneration paid in the period that is linked to performance and the proportion that is fixed:

Name/Position	Fixed Remuneration		At risk—STI		Fixed—STI[1]		At Risk—LTI		Total	
	2022 %	2021 %	2022 %	2021 %	2022 %	2021 %	2022 %	2021 %	2022 %	2021 %
Managing Director/CEO	**32%**	60%	**26%**	18%	**6%**	4%	**36%**	18%	**100%**	100%
Martin Perez de Solay										
Other Executive KMP	**35%**	53%	**21%**	11%	**9%**	0%	**35%**	36%	**100%**	100%
Neil Kaplan (CFO)										

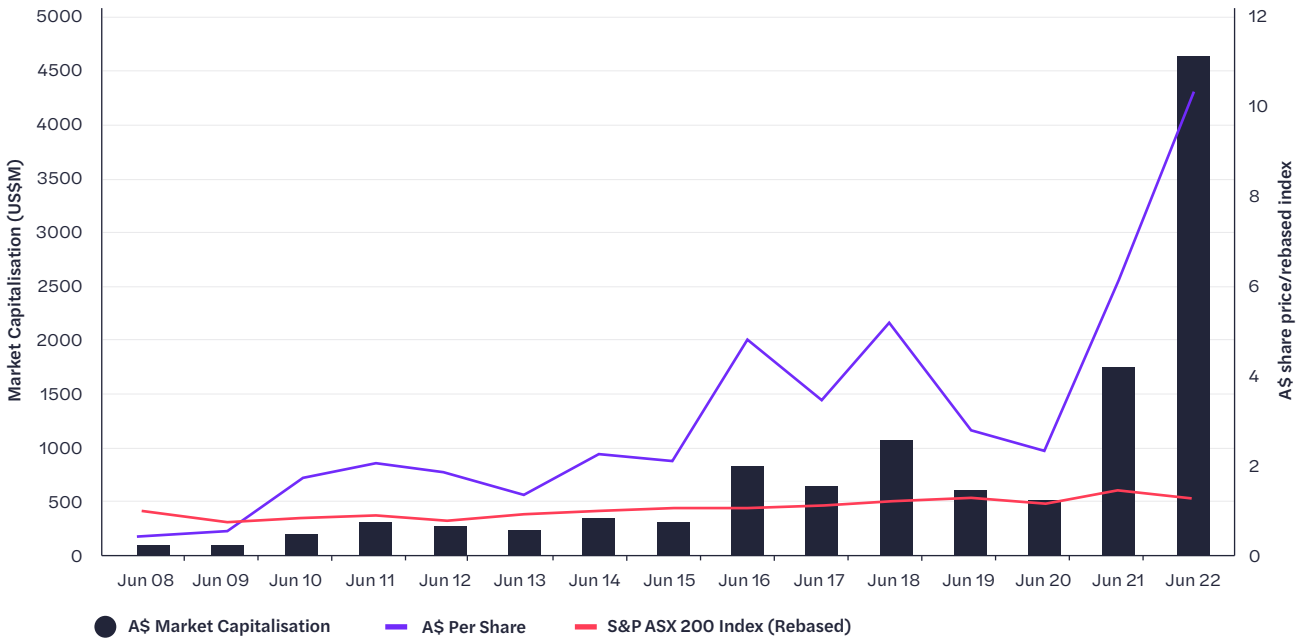
1 The Fixed STI remuneration for FY22 includes the Merger Completion cash payments made in the current year.
2 The MD/CEO received Commencement and Retention Rights as part of his employment agreement, partly in recognition of incentives foregone when he commenced in FY19. The Fixed LTI remuneration for FY21 includes 114,516 ordinary shares with a fair value of US$250,000 that were issued in FY21.

Executive remuneration is designed to link strategic and business objectives with the creation of shareholder wealth. The table below shows measures of the Group's financial performance over the last five years as required by the *Corporations Act 2001*; noting that these measures are not necessarily consistent with those used in determining the variable amounts of remuneration awarded to KMP. Therefore, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded.

Financial Year	2018	2019	2020	2021	2022
Share Price—AU$ Per Share (at 30 June)	5.17	2.82	2.31	6.47	**10.31**
Market Capitalisation—US$ million (at 30 June)	1,348	516	440	1,670	**4,536**
Basic Earnings/(Loss) Per Share (US cents)	0.83	20.90	(19.64)	(18.02)	**51.59**
Profit/(Loss) (US$'000)	1,920	54,586	(67,159)	(89,474)	**337,223**
S&P ASX 200	6,195	6,619	5,898	7,313	**6,568**

The graph below shows the complete historical movement in the share price and market capitalisation against the evolution of the ASX 200 Index.

Allkem Limited Historical Share Price, Market Capitalisation and S&P ASX 200 Index (Rebased)



G. Take Home Pay (Non-IFRS)

The table below has not been prepared in accordance with accounting standards but has been provided to ensure shareholders are able to clearly understand the remuneration outcomes for Executive KMP. Executive remuneration outcomes, which are prepared in accordance with the accounting standards, are provided in Section I.

The remuneration outcomes identified below show amounts paid/payable in relation to FY22, and are linked to the Group performance described in Section F. Actual STI is dependent on a range of financial and non-financial factors for the Group and individual performance targets described in Section E.

Actual vesting of LTI is dependent on Allkem's performance and the outcomes are further described in Section J.

	Fixed Remuneration[1]	STI[2]	LTI Vested[3]	Merger Bonus	Actual FY22 Remuneration outcome
	US$	US$	US$	US$	US$
Managing Director/CEO Martin Perez de Solay	857,786	680,400	598,975	166,667	2,303,828
Other Executive KMP Neil Kaplan (CFO)	472,394	281,070	735,525	116,667	1,605,656

1 Fixed Remuneration comprises base salary and superannuation contributions.
2 STI represents amounts to be paid in September 2022 as cash and Performance Rights
3 Represents 2019 LTI grants subject to Absolute and Relative TSR hurdles that vested in the current year.
4 Amounts in respect of LTI Vested have been calculated using market values on vesting date of AU$9.35 per share at an exchange rate of 1 US$: 1.4516 AU$

H. Service Agreements

Remuneration and other key terms of employment for the CEO and Other Executive KMP are formalised in their relevant service agreements. The table below provides a high-level overview of conditions relating to the term of the contract, the notice period to terminate and the termination benefit.

Name/Position	Term of Agreement	Notice Period by Either Party	Termination Benefit
Martin Perez de Solay (MD/CEO)	Open	9 months	9 months fixed remuneration
Neil Kaplan (CFO)	Open	6 months	6 months fixed remuneration

Terms of agreement and associated benefits were agreed at the time the Executive KMP commenced with Allkem or upon promotion.

Termination benefits are voided and no incentives are eligible to vest when termination arises due to breach of agreement, serious misconduct, criminal offence or negligence.

On appointment to the Board, all Non-Executive Directors enter into a service agreement with the Company in the form of a letter of appointment which details remuneration arrangements.

I. Details of Remuneration

Details of the nature and amount of each major element of the remuneration of each KMP is as follows:

		Short-Term Employee Benefits					Post-Employment Benefits	Long-Term Employee Benefits	Equity Settled Options	
		Directors' Fees/Base Salary	Annual Leave Movement	Short Term Incentive[1,2]	Non-monetary Benefits	Cash Merger Bonus	Super-annuation	Long Service Leave	Share-based Payments[3]	Total Remuneration
Name		US$	US$	US$	US$	US$	US$	US$	US$	US$
Non-Executive Directors										
Martin Rowley	**2022**	**254,932**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**254,932**
(Appointed August 2021)	2021	–	–	–	–	–	–	–	–	–
Robert Hubard	**2022**	**154,109**	**–**	**–**	**–**	**–**	**15,411**	**–**	**–**	**169,520**
	2021	131,562	–	–	–	–	9,117	–	–	140,679
Fernando Oris de Roa	**2022**	**119,540**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**119,540**
	2021	78,826	–	–	–	–	–	–	–	78,826
Richard Seville	**2022**	**106,654**	**–**	**–**	**–**	**–**	**10,665**	**–**	**–**	**117,320**
	2021	68,519	–	–	–	–	6,509	–	–	75,028
Leanne Heywood	**2022**	**106,654**	**–**	**–**	**–**	**–**	**10,665**	**–**	**–**	**117,320**
	2021	68,519	–	–	–	–	6,509	–	–	75,028
Masaharu Katayama	**2022**	**11,098**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**11,098**
(Resigned August 2021)	2021	75,028	–	–	–	–	–	–	–	75,028
Patricia Martinez	**2022**	**11,098**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**11,098**
(Resigned Augusts 2021)	2021	44,482	–	–	–	–	–	–	–	44,482
John Gibson	**2022**	**11,098**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**11,098**
(Resigned August 2021)	2021	75,028	–	–	–	–	–	–	–	75,028
Florencia Heredia	**2022**	**106,221**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**106,221**
(Appointed August 2021)	2021	–	–	–	–	–	–	–	–	–
John Turner	**2022**	**106,221**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**106,221**
(Appointed August 2021)	2021	–	–	–	–	–	–	–	–	–
Alan Fitzpatrick	**2022**	**96,565**	**–**	**–**	**–**	**–**	**9,656**	**–**	**–**	**106,221**
(Appointed August 2021)	2021	–	–	–	–	–	–	–	–	
Total Non-Executive Directors	**2022**	**1,084,190**	**–**	**–**	**–**	**–**	**46,397**	**–**	**–**	**1,130,587**
	2021	541,964	–	–	–	–	22,135	–	–	564,099
Managing Director/CEO										
Martín Pérez de Solay	**2022**	**816,667**	**41,119**	**680,400**	**–**	**166,667**	**–**	**–**	**970,746**	**2,675,599**
(MD/CEO)	2021	700,000	19,008	212,500	–		–	–	258,640	1,190,148
Other Executive KMP										
Neil Kaplan (CFO)	**2022**	**416,971**	**25,412**	**281,070**	**–**	**116,667**	**20,246**	**22,903**	**475,867**	**1,359,136**
	2021	333,066	5,645	77,937	19,560	–	18,343	6,094	254,844	715,489
Total Managing Director and Other Exec. KMP	**2022**	**1,233,638**	**66,531**	**961,470**	**–**	**283,334**	**20,246**	**22,903**	**1,446,613**	**4,034,735**
	2021	1,033,066	24,653	290,437	19,560	–	18,343	6,094	513,484	1,905,637

1 FY22 Short-term incentive represents amounts to be paid in September 2022 as cash and Performance Rights. Average exchange rates used for the conversion from AU$ to US$ are as follows:
July 2021 – June 2022—1 US$: 1.3774 AU$
July 2020 – June 2021—1 US$: 1.3412 AU$

2 For the breakdown of the Short-term Incentives, please see Section E for details.

3 The value for equity-settled Performance Rights presented in the table above is calculated in accordance with AASB 2 *Share-based Payment* and represents instruments granted under the LTI equity plans that have been expensed during the current year. The fair values of the LTIs have been calculated by an independent third party.

J. Share-Based Compensation Issued to the Executive KMP

The table below highlights the movement in Performance Rights for the Executive KMP in FY21.

			Movement During the Year					
	Grant Date	Vesting Financial Year	Balance at 1 July 2021	Rights Granted	Rights Exercised[1]	Balance at 30 June 2022	Unvested at 30 June 2022[4]	Maximum Value yet to Vest[5]
Martín Pérez de Solay (MD/CEO)	22/11/2019	2022	87,524	–	(87,524)	–	–	–
	11/03/2020	2023	272,813	–	–	272,813	272,813	19,697
	13/11/2020	2024	228,649	–	–	228,649	228,649	143,128
	30/11/2021	2022	38,108	–	(38,108)	–	–	–
	30/11/2021	2023	–	24,866	–	24,866	24,866	52,698
	30/11/2021	2024	–	24,865	–	24,865	24,865	122,893
	30/11/2021	2023	–	62,661	–	62,661	62,661	132,801
	30/11/2021	2025	–	93,992	–	93,992	93,992	542,856
	30/11/2021	2025	–	62,661	–	62,661	62,661	273,728
	Total Number		627,094	269,045	(125,632)	770,507	770,507	
	Total Value (US$)[2,3]		759,709	1,852,878	(113,023)	2,373,483	2,373,483	
Neil Kaplan (CFO)	11/06/2019	2022	107,447	–	(107,447)	–	–	–
	11/03/2020	2023	199,490	–	–	199,490	199,490	14,403
	17/12/2020	2024	174,036	–	–	174,036	174,036	187,030
	21/09/2020	2022	32,423	–	(32,423)	–	–	–
	30/11/2021	2023	–	17,232	–	17,232	17,232	22,729
	30/11/2021	2024	–	17,755	–	17,755	17,755	82,696
	30/11/2021	2023	–	26,461	–	26,461	26,461	184,093
	30/11/2021	2025	–	39,692	–	39,692	39,692	276,142
	30/11/2021	2025	–	26,461	–	26,461	26,461	97,104
			513,426	127,601	(139,900)	501,127	501,127	
			849,308	884,566	(244,329)	1,622,937	1,622,937	

1 Performance Rights exercised during the current financial year at a nil exercise price.
2 Total value in US$ is based on grant date fair value, not current market value. The value at grant date reflects the fair value of the Performance Rights multiplied by the number of Performance Rights granted during the period converted using the exchange rate at the date of grant.
3 The fair values of long-term incentives have been calculated by an independent third-party valuer.
4 All Performance Rights become exercisable upon the vesting date. There are no vested and exercisable Performance Rights as at 30 June 2022.
5 The maximum value of the Performance Rights yet to vest has been determined as the amount of the grant date fair value that is yet to be expensed at 30 June 2022. The minimum value of Performance Rights yet to vest is nil, as they will be forfeited if the vesting conditions are not met.

The tables below summarises the details of the grants and assumptions that were used in determining the fair value of unvested Performance Rights on the grant date. A Monte Carlo Simulation is used to value the Performance Rights.

Input Variable										
Grant Date	11/03/20	11/03/20	13/11/20	13/11/20	17/12/20	17/12/20	30/11/21	30/11/21	30/11/21	30/11/21
Vesting Date	31/08/22	31/08/22	31/08/23	31/08/23	31/08/23	31/08/23	21/08/24	30/06/24	25/08/22	25/08/23
Expiry Date	30/09/22	30/09/22	30/09/23	30/09/23	30/09/23	30/09/23	21/08/26	30/06/26	25/08/24	25/08/25
Exercise Price (AU$)	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Share Price (Date terms agreed in A$)	2.26	2.26	$2.97	$2.97	$4.31	$4.31	$10.22	$10.22	$10.22	$10.22
Expected Life (Days)	1,095	1,095	1,095	1,095	1,095	1,095	1,036	1,036	269	364
Expected Volatility	49%	49%	52%	52%	53%	53%	54%	54%	54%	54%
Expected Dividend Yield	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Expected Risk Free Rate	0.41%	0.41%	0.11%	0.11%	0.10%	0.10%	0.81%	0.81%	0.81%	0.81%
Performance Conditions	Market (TSR Absolute)	Market (TSR Relative)	Market (TSR Absolute)	Market (TSR Relative)	Market (TSR Absolute)	Market (TSR Relative)	Market (TSR Relative)	Other (Production)	Other (Longevity)	Other (Longevity)
Fair Value (Average) (AU$)	1.75	$1.15	$1.79	$2.20	$3.25	$3.60	7.73	10.22	10.22	10.22

K. Shareholdings of KMP

Minimum Shareholding Guidelines

The Board has no approved minimum shareholding guidelines for Non-Executive Directors as at the date of this Report.

However, Non-Executive Directors have generally appropriate shareholdings, and the Board will continue to review investor expectations in relation to this matter. At the 2019 AGM the shareholders approved a formal Plan requiring Non-Executive Directors to own a minimum number of shares. This Plan has yet to be formally adopted by the Board. The Directors continue to monitor investor expectations in this regard.

The table below highlights the movement in Ordinary shares for the KMP in FY22:

	Opening Balance 1 July 2021	Rights Converted	Net Acquired/ (Disposed)	Other[3]	Closing Balance 30 June 2022
Martin Rowley[1]	-	-	-	2,825,497	2,825,497
Robert Hubbard	112,197	-	-	-	112,197
Fernando Oris de Roa	100,000	-	-	-	100,000
Richard Seville	5,333,953	-	(833,953)	-	4,500,000
Leanne Heywood	25,002	-	-	-	25,002
Florencia Heredia[1]	-	-	-	7,320	7,320
John Turner[1]	-	-	-	110,960	110,960
Alan Fitzpatrick[1]	-	-	-	7,320	7,320
John Gibson[2]	37,900	-	-	(37,900)	-
Masaharu Katayama[2]	-	-	-	-	-
Patricia Martinez[2]	-	-	-	-	-
Martín Pérez de Solay	267,334	125,632	(50,000)	-	342,966
Neil Kaplan	379,087	139,900	(200,000)	-	318,987
Total	**6,255,473**	**265,532**	**(1,083,953)**	**2,913,197**	**8,350,249**

1 Appointed during the year
2 Resigned during the year
3 Other represents shares held at the time of commencing or ceasing as a Non-Executive Director or KMP

L. Additional Statutory Information

Other Transactions with Key Management Personnel

Mr. Turner and Ms. Heredia are respectively partners of legal firms Fasken (based in Canada) and Allende & Brea (based in Argentina). Both legal firms provide professional services to the Group. Mr. Turner and Ms. Heredia do not personally receive fees payable by Allkem to their respective firms. Fees are paid by Allkem directly to Fasken and Allende & Brea on an arms' length basis; which then distribute those fees according to their respective partner remuneration policies.

The Board has determined that the value of these services is not sufficiently material to interfere with the Directors' capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Group as a whole, rather than in the interests of an individual security holder or other party. Fees paid to Fasken and Allende & Brea for services provided in the 2022 financial year were US$227,000 and US$190,000 respectively.

Other than the items noted above; there have been no other transactions with key management personnel of the Group during FY22 (FY21: Nil).

This concludes the Remuneration Report, which has been audited.

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Building a better working world

Auditor's Independence Declaration to the Directors of Allkem Limited

As lead auditor for the audit of the financial report of Allkem Limited for the financial year ended 30 June 2022, I declare to the best of my knowledge and belief, there have been:

a) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;

b) No contraventions of any applicable code of professional conduct in relation to the audit; and

c) No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Allkem Limited and the entities it controlled during the financial year.

Ernst & Young

Andrew Carrick
Partner
25 August 2022

Financial Corporate Governance Overview

Allkem is committed to delivering the highest level of governance and strives to foster a culture that values and rewards exemplary ethical standards, personal and corporate integrity and respect for local communities.

The Board of Directors of Allkem Limited is responsible for the corporate governance of the consolidated entity and advocates for strong corporate governance practices.

Compliance with Australian Corporate Governance Statement

The Company's Corporate Governance Statement follows the 4th edition of the Corporate Governance Principles and Recommendations set by the ASX Corporate Governance Council. The FY2022 Allkem Corporate Governance Statement can be located at asx.com.au and https://www.allkem.co/about/corporate-governance.

Access to Corporate Governance Statement

All documentation relating to the Corporate Governance of the Company and its operations, including relevant Allkem Limited Charters, Corporate Governance statements and Company policies can be viewed at allkem.co.

Financial Report

for the Year Ended 30 June 2022

Allkem Limited

(formerly known as Orocobre Limited)

ABN 31 112 589 910

Consolidated statement of profit or loss

for the year ended 30 June 2022

	Note	2022 US$'000	2021 US$'000
Revenue from contracts with customers	1	**769,818**	84,760
Cost of sales		**(164,490)**	(37,498)
Gross profit		**605,328**	47,262
Other income	2a	**32,033**	8,681
Corporate and administrative expenses	2b	**(45,556)**	(22,329)
Acquisition costs	3	**(12,760)**	(1,243)
Selling expenses	2c	**(59,054)**	(5,088)
Depreciation and amortisation expense	9,10	**(63,344)**	(18,759)
Asset impairment and write-downs		**(244)**	(912)
Share of net loss of associate	22	**(2,951)**	(1,682)
Foreign currency loss	2d	**(9,567)**	(6,345)
Profit/(loss) before interest and income tax		**443,885**	(415)
Finance income	2e	**6,302**	1,906
Finance costs	2f	**(20,080)**	(23,025)
Profit/(loss) before income tax		**430,107**	(21,534)
Income tax expense	4a	**(92,884)**	(67,940)
Profit/(loss) for the year		**337,223**	**(89,474)**
Profit/(loss) for the year attributable to:			
Owners of the parent entity		**305,674**	(59,625)
Non-controlling interests		**31,549**	(29,849)
Profit/(loss) for the year		**337,223**	**(89,474)**
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the Company			
Basic earnings per share (US cents per share)	5	**51.59**	(18.02)
Diluted earnings per share (US cents per share)	5	**51.34**	(18.02)
Earnings per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the Company			
Basic earnings per share (US cents per share)	5	**51.59**	(18.02)
Diluted earnings per share (US cents per share)	5	**51.34**	(18.02)

These consolidated financial statements should be read in conjunction with the accompanying notes

Consolidated statement of comprehensive income

for the year ended 30 June 2022

	Note	2022 US$'000	2021 US$'000
Profit/(loss) for the period		**337,223**	(89,471)
Other comprehensive income/(loss)			
(Items that may be reclassified subsequently to profit or loss)			
Foreign currency translation (losses)/gains - subsidiaries	15b	**(2,560)**	1,500
Foreign currency translation losses - associate	15b	**(291)**	(88)
Net gains on revaluation derivatives – hedging instruments	15b	**2,945**	2,159
(Items that will not be reclassified subsequently to profit or loss)			
Changes in fair value of financial assets designated at fair value through other comprehensive income		**(5,985)**	-
Other comprehensive income/(loss) for the year, net of tax		**(5,891)**	3,571
Total comprehensive income/(loss) for the year, net of tax		**331,332**	**(85,900)**
Total comprehensive income/(loss) attributable to:			
Owners of the parent entity		**298,797**	(56,777)
Non-controlling interests		**32,535**	(29,126)
Total comprehensive income/(loss) for the year, net of tax		**331,332**	**(85,903)**

These consolidated financial statements should be read in conjunction with the accompanying notes

Consolidated statement of financial position

as at 30 June 2022

	Note	2022 US$'000	2021 US$'000
Current assets			
Cash and cash equivalents	16	**663,538**	258,319
Trade and other receivables	6	**81,804**	23,475
Inventory	8	**76,241**	45,176
Prepayments	7	**10,298**	4,343
Total current assets		**831,881**	331,313
Non-current assets			
Other receivables	6	**49,241**	21,928
Inventory	8	**53,402**	49,188
Financial assets at fair value through other comprehensive income		**4,048**	-
Other financial assets	16e	**16,356**	16,356
Property, plant and equipment	9	**2,557,882**	879,085
Intangible assets	10	**525,012**	727
Exploration and evaluation assets	11	**424,961**	45,867
Investment in associates	22	**890**	4,230
Other non-current assets		**3,841**	-
Deferred tax assets	4b	**25,217**	-
Total non-current assets		**3,660,850**	1,017,381
Total assets		**4,492,731**	1,348,694
Current liabilities			
Trade and other payables	13	**96,443**	35,759
Derivative financial instruments	17	**1,086**	2,624
Loans and borrowings	16	**37,574**	34,683
Provisions	14	**14,297**	882
Lease liabilities	12	**10,197**	2,562
Income tax payable		**44,692**	-
Other liabilities		**18,247**	-
Total current liabilities		**222,536**	76,510
Non-current liabilities			
Other payables	13	**30,973**	22,376
Derivative financial instruments	17	**336**	2,746
Loans and borrowings	16	**274,103**	266,278
Provisions	14	**59,350**	34,857
Lease liabilities	12	**38,222**	33,123
Deferred tax liability	4c	**785,845**	187,713
Total non-current liabilities		**1,188,829**	547,093
Total liabilities		**1,411,365**	623,603
Net assets		**3,081,366**	**725,091**
Equity			
Issued capital	15a	**2,686,134**	668,512
Reserves	15b	**(14,114)**	(12,664)
Retained earnings		**316,554**	10,880
Equity attributable to the owners of Allkem		**2,988,574**	666,728
Equity attributable to non-controlling interests		**92,792**	58,363
Total equity		**3,081,366**	**725,091**

These consolidated financial statements should be read in conjunction with the accompanying notes

Consolidated statement of changes in equity

for the year ended 30 June 2022

	Note	Issued capital	Reserves	Retained earnings	Total	Non-controlling interests	Total
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance as at 1 July 2020		548,462	(16,608)	70,505	602,359	88,215	690,574
Loss for the year		-	-	(59,625)	(59,625)	(29,849)	(89,474)
Other comprehensive income for the year	16	-	2,848	-	2,848	723	3,571
Total comprehensive income/(loss)		-	2,848	(59,625)	(56,777)	(29,126)	(85,903)
Shares issued during the year [(i)]	15b	120,050	-	-	120,050	-	120,050
Share-based payments	16	-	1,902	-	1,902	-	1,902
Other movements		-	(806)	-	(806)	(726)	(1,532)
Balance as at 30 June 2021		668,512	(12,664)	10,880	666,728	58,363	725,091
Balance as at 1 July 2021		**668,512**	**(12,664)**	**10,880**	**666,728**	**58,363**	**725,091**
Profit for the year		**-**	**-**	**305,674**	**305,674**	**31,549**	**337,223**
Other comprehensive income/(loss) for the year	16	**-**	**(6,877)**	**-**	**(6,877)**	**986**	**(5,891)**
Total comprehensive income/(loss)		**-**	**(6,877)**	**305,674**	**298,797**	**32,535**	**331,332**
Shares issued during the year [(i)]	15b	**2,017,622**	**-**	**-**	**2,017,622**	**-**	**2,017,622**
Share-based payments	16	**-**	**5,427**	**-**	**5,427**	**-**	**5,427**
Other movements		**-**	**-**	**-**	**-**	**1,894**	**1,894**
Balance as at 30 June 2022		**2,686,134**	**(14,114)**	**316,554**	**2,988,574**	**92,792**	**3,081,366**

(i) Shares issued are net of transaction costs (net of tax)

These consolidated financial statements should be read in conjunction with the accompanying notes

Consolidated statement of cash flows

for the year ended 30 June 2022

	Note	2022 US$'000	2021 US$'000
Cash flows from operating activities			
Receipts from customers		**730,342**	89,165
Payments to suppliers and employees		**(284,191)**	(97,133)
Interest received		**6,003**	1,993
Interest paid		**(10,544)**	(12,435)
Net cash provided by/(used in) operating activities	25	**441,610**	(18,410)
Cash flows from investing activities			
Cash acquired from business combination		**209,525**	-
Payments for exploration and evaluation assets	11	**(22,699)**	(1,105)
Proceeds from the sale of assets		**1,499**	2,450
Purchase of property, plant and equipment		**(238,719)**	(96,508)
Loans provided to related party		**(18,700)**	-
Proceeds from financial instruments	22	**32,033**	2,711
Proceeds from financial assets		**-**	815
Net cash used in investing activities		**(37,061)**	(91,637)
Cash flows from financing activities			
Proceeds from issue of shares (net of transaction costs)		**(636)**	119,351
Payments of lease liabilities		**(9,413)**	(3,323)
Proceeds from borrowings		**44,800**	113,971
Proceeds from minority interests		**1,894**	-
Repayment of borrowings		**(33,673)**	(31,045)
Net cash provided by financing activities		**2,972**	198,954
Net increase in cash and cash equivalents		**407,521**	88,907
Cash and cash equivalents, net of overdrafts, at the beginning of the period		**258,319**	171,836
Effect of exchange rates on cash holdings in foreign currencies		**(2,302)**	(2,424)
Cash and cash equivalents, net of overdrafts, at the end of the period	**16**	**663,538**	258,319

These consolidated financial statements should be read in conjunction with the accompanying notes

About this report

Allkem Limited is a company limited by shares whose shares are publicly traded, incorporated in Australia and is a for-profit entity for the purposes of preparing the financial statements. The financial statements are for the consolidated entity consisting of Allkem Limited (the '**Company**' or the '**Parent**') and its subsidiaries and together are referred to as the '**Group**' or '**Allkem**'.

Orocobre Limited changed its name to Allkem Limited following shareholder approval at the Company's Annual General Meeting held on 30 November 2021.

The registered office is: Level 35, 71 Eagle Street, Brisbane, Queensland 4000, Australia. The principal places of business are Western Australia, Argentina, and Canada. The financial statements were authorised for issue on 25 August 2022 by the Directors of the Company. The Directors have the power to amend and reissue the financial statements.

The financial statements are general purpose financial statements which:

- Have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB),
- Have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value,
- Are presented in US Dollars ($US or USD), with all amounts in the financial report being rounded off in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 to the nearest thousand US Dollars, unless otherwise indicated,
- Where necessary, comparative information has been restated to conform with changes in presentation in the current year.
  - Merger costs of US$1,243,000 in the 2021 comparative have been reclassified in the consolidated statement of profit or loss from corporate and administrative expense to acquisition costs. The change in presentation reflects the Galaxy business combination acquisition that was completed on 25 August 2021.
  - Gains on financial instruments related to currency transactions of US$2,711,000 in the 2021 comparative have been reclassified in the consolidated statement of profit or loss from foreign currency loss to other income. The change in presentation better reflects the manner in which these gains arose.
  - Right of use assets of US$28,055,000 in the 2021 comparative have been reclassified in the consolidated statement of financial position into property, plant and equipment. The change in presentation reflects the nature of the underlying assets.
- Adopt all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or before 1 July 2021, and
- Equity accounting for its associate is detailed in Note 22.

Significant and other accounting policies that summarise the measurement basis used and that are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements and in Note 30.

Significant judgements and estimates

The Group has identified a number of critical accounting policies under which significant judgements, estimates and assumptions are made. Actual results may differ for these estimates under different assumptions and conditions. This may materially affect financial results and the carrying amount of assets and liabilities to be reported in the next and future periods. Additional information relating to these critical accounting policies is embedded within the following notes:

Note	Critical accounting policy
1	Revenue
3	Business Combination
9	Impairment
4	Deferred Taxation
8	Inventory
11	Exploration and evaluation
14	Provision for rehabilitation
19	Share-based payments

Resource estimates

Resources are estimates of the amount of product that can be economically and legally extracted, processed and sold from the Group's properties under current and foreseeable economic conditions. The Group determines, and reports ore resources under the standards incorporated in the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves, 2012 edition (the JORC Code).

About this report (continued)

Resource estimates

The determination of ore resources includes estimates and assumptions about a range of geological, technical and economic factors, including: quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates. Changes in ore resources impact the assessment of recoverability of exploration and evaluation assets, property, plant and equipment, the carrying amount of assets depreciated on a units of production basis, provision for site restoration and the recognition of deferred tax assets, including tax losses.

Estimating the quantity and/or grade of resources requires the size, shape and depth of ore or brine bodies to be determined by analysing geological data. This process requires complex and difficult geological judgements to interpret the data. Additional information on the Group's reserves and resources can be viewed on page 121. This information is unaudited and does not form part of these Financial Statements.

Resources impact on financial reporting

Estimates of resources may change from period to period as the economic assumptions used to estimate resource change and additional geological data is generated during the course of operations. Changes in resources may affect the Group's financial results and financial position in a number of ways, including:

- asset carrying values may be affected due to changes in estimated future production levels,
- depreciation, depletion and amortisation charged in the statement of profit or loss may change where such charges are determined on the units of production basis, or where the useful economic lives of assets change,
- decommissioning, site restoration and environmental provisions may change where changes in estimated resources affect expectations about the timing or cost of these activities,
- the carrying amount of deferred tax assets may change due to changes in estimates of the likely recovery of the tax benefits.

Foreign currency translation

The functional currency of the entities within the Group is USD, with exception of Borax Argentina S.A. (ARS), Toyotsu Lithium Corporation (YEN), Mt Cattlin operations (AUD), and James Bay operations (CAD). In preparation of the financial statements the following exchange rates have been used to translate from the functional currency of each entity to the presentational currency of the Group:

	30 June 2022	30 June 2021	Movement (%)
Spot Rates			
ARS -> USD 1	**125.2300**	95.7100	(30.84%)
YEN -> USD 1	**136.3778**	110.4914	(23.43%)
AUD-> USD 1	**1.4516**	1.3301	(9.13%)
CAD-> USD 1	**1.2897**	1.2394	(4.06%)
Average Rates (Year)			
ARS -> USD 1	**105.4145**	83.8555	(25.71%)
YEN -> USD 1	**117.2517**	106.4626	(10.13%)
AUD-> USD 1	**1.3774**	1.3412	(2.70%)
CAD-> USD 1	**1.2652**	1.2832	1.40%

Argentina's economy is hyperinflationary from 1 July 2018, and as such Allkem accounts for its ARS functional currency entities as hyperinflationary effective from this date. As most financial assets and liabilities of its ARS functional currency entities are denominated in USD, and the Group's functional currency is USD, there is no material impact other than income tax balances and Value Added Tax (VAT) receivables, on the consolidated financial statements of the Group.

Note 1: Segment reporting and revenue

The Group operates primarily in Argentina and Australia. The Group's primary focus is on operation of the lithium business and development of lithium deposits. The Group also includes the operations of Borax. The Group has six reportable segments, being Corporate, Olaroz, Borax, Mt Cattlin, James Bay and Sal De Vida projects. The Corporate segment includes non-operating lithium deposits and the investment in Toyota Lithium Corporation.

In determining operating segments, the Group has had regard to the information and reports the Chief Operating Decision maker (CODM) uses to make strategic decisions regarding resources. The Managing Director & Chief Executive Officer (MD/CEO) is considered to be the CODM and is empowered by the Board of Directors to allocate resources and assess the performance of the Group. The CODM assesses and reviews the business using the operating segments below. Segment performance is evaluated based on the performance criteria parameters agreed for each segment. These include, but are not limited to: financial performance, exploration and development activity, production volumes and cost controls. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Note 1: Segment reporting and revenue (continued)

The following tables present revenue and profit information for the Group's operating segments for FY22.

	Corporate 2022 US $'000	Borax 2022 US $'000	Olaroz 2022 US $'000	Mt Cattlin 2022 US $'000	Sal De Vida 2022 US $'000	James Bay 2022 US $'000	Total underlying 2022 US $'000	Eliminations on consolidation 2022 US $'000	Total Group 2022 US $'000
Revenue	-	25,135	292,758	451,925	-	-	**769,818**	-	**769,818**
EBITDAIX [1]	**(25,678)**	**1,262**	**220,431**	**336,178**	**(510)**	**(344)**	**531,339**	**(18,254)**	**513,085**
Less depreciation & amortisation	(1,149)	(34)	(17,717)	(30,309)	(697)	(38)	**(49,944)**	-	**(49,944)**
EBITIX [2]	**(26,827)**	**1,228**	**202,714**	**305,869**	**(1,207)**	**(382)**	**481,395**	**(18,254)**	**463,141**
Less interest income/(costs)	15,455	421	(24,153)	1,177	747	(4)	(6,357)	(7,421)	**(13,778)**
EBTIX [3]	**(11,372)**	**1,649**	**178,561**	**307,046**	**(460)**	**(386)**	**475,038**	**(25,675)**	**449,363**
Less acquisition costs [4]	(12,760)	-	-	-	-	-	**(12,760)**	-	**(12,760)**
Less amortisation of customer contracts due to purchase price allocation [4]	-	-	-	(13,400)	-	-	**(13,400)**	-	**(13,400)**
Less inventory adjustment due to purchase price allocation [4]	-	-	-	(12,367)	-	-	**(12,367)**	-	**(12,367)**
Add other income – gains from financial instruments	4,547	367	-	-	27,119	-	**32,033**	-	**32,033**
Less foreign currency gains/(losses)	(3,560)	1,229	(7,481)	1,099	(1,173)	(1,310)	**(11,196)**	1,629	**(9,567)**
Less share of loss of associate, net of tax	(2,951)	-	-	-	-	-	**(2,951)**	-	**(2,951)**
Less impairment/write-downs	(244)	-	-	-	-	-	**(244)**	-	**(244)**
Segment profit/(loss) for the period before tax	**(26,340)**	**3,245**	**171,080**	**282,378**	**25,486**	**(1,696)**	**454,153**	**(24,046)**	**430,107**
Income tax expense	63,221	-	(74,935)	(84,713)	(3,667)	(4)	**(100,098)**	7,214	**(92,884)**
Total profit/(loss) for the period	**36,881**	**3,245**	**96,145**	**197,665**	**21,819**	**(1,700)**	**354,055**	**(16,832)**	**337,223**

1 EBITDAIX - Segment earnings before interest, taxes, depreciation, amortisation, impairment, gains from financial instruments, foreign currency gains/(losses), business combination acquisition costs, non-cash business combination adjustments, and share of associate's losses. Includes an elimination of unrealised profits of US$18,247,000 for sales by Olaroz to the equity-accounted associate.

2 EBITIX - Segment earnings before interest, taxes, impairment, gains from financial instruments, foreign currency gains/(losses), business combination acquisition costs, non-cash business combination adjustments, and share of associate's losses.

3 EBTIX - Segment earnings before taxes, impairment, gains from financial instruments, foreign currency gains/(losses), business combination acquisition costs, non-cash business combination adjustments, and share of associate's losses.

4 Details of the business combination are included in Note 3. The Mt Cattlin segment includes US$12.4 million related to the realisation of inventory at a value in excess of the cost of production and US$13.4 million related to the amortisation of customer contract assets acquired as part of the business combination.

Note 1: Segment reporting and revenue (continued)

The following tables present revenue and profit information for the Group's operating segments for FY21

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	Corporate	Borax	Olaroz	Mt Cattlin	Sal De Vida	James Bay	Total underlying	Eliminations on consolidation	Total Group
	2021	2021	2021	2021	2021	2021	2021	2021	2021
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue	-	18,390	66,370	-	-	-	84,760	-	84,760
EBITDAIX [1]	**(8,111)**	**847**	**11,452**	**-**	**-**	**-**	**4,188**	**-**	**4,188**
Less depreciation & amortisation	(465)	-	(18,294)	-	-	-	(18,759)	-	(18,759)
EBITIX [2]	**(8,576)**	**847**	**(6,842)**				**(14,571)**		**(14,571)**
Less interest income/(costs)	14,685	(57)	(29,739)	-	-	-	(15,111)	(6,008)	(21,119)
EBTIX [3]	**6,109**	**790**	**(36,581)**				**(29,682)**	**(6,008)**	**(35,690)**
Less acquisition costs [4]	(1,243)	-	-	-	-	-	(1,243)	-	(1,243)
Add other income – gains from financial instruments [5]	1,725	986	-	-	-	-	2,711	-	2,711
Less impairment/write-downs	-	(912)	-	-	-	-	(912)	-	(912)
Add rehabilitation provision remeasurement	-	3,504	-	-	-	-	3,504	-	3,504
Add realisation of inventory write-downs [5]	-	(15)	18,138	-	-	-	18,123	-	18,123
Less foreign currency (losses)/gains [5]	(87)	(2,312)	(3,946)	-	-	-	(6,345)	-	(6,345)
Less share of loss of associate, net of tax	(1,682)	-	-	-	-	-	(1,682)	-	(1,682)
Segment profit/(loss) for the year before tax	**4,822**	**2,041**	**(22,389)**				**(15,526)**	**(6,008)**	**(21,534)**
Income tax expense	-	-	(67,940)	-	-	-	(67,940)	-	(67,940)
Total profit/(loss) for the year	**4,822**	**2,041**	**(90,329)**				**(83,466)**	**(6,008)**	**(89,474)**

1 EBITDAIX - Segment earnings before interest, taxes, depreciation, amortisation, impairment, rehabilitation provision remeasurement, realisation of inventory write-downs, gains from financial instruments, foreign currency gains/(losses), and share of associate's losses.

2 EBITIX - Segment earnings before interest, taxes, impairment, rehabilitation provision remeasurement, realisation of inventory write-downs, gains from financial instruments, foreign currency gains/(losses), and share of associate's losses.

3 EBTIX - Segment earnings before taxes, impairment, rehabilitation provision remeasurement, realisation of inventory write-downs, gains from financial instruments, foreign currency gains/(losses), and share of associate's losses.

4 Details of the business combination are included in Note 3. The 2021 comparative amount has been restated to include the acquisition costs expensed in 2021.

5 The 2021 comparative amount reflect the reclassification on the consolidated statement of profit and loss. Gains from financial instruments as part of other income have been transferred from foreign currency (losses)/gains.

Note 1: Segment reporting and revenue (continued)

The following tables present assets and liabilities and cashflows for the Group's operating segments. Segment assets and liabilities are measured in the same manner as the financial statements and are allocated based on the operations of the segment.

	Corporate	Borax	Olaroz	Mt Cattlin	James Bay	Sal De Vida	Eliminations on consolidation	Total Group
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
2022								
Segment assets	**1,362,782**	**18,921**	**1,309,031**	**460,650**	**473,159**	**1,980,697**	**(1,112,509)**	**4,492,731**
Segment liabilities	**(120,104)**	**(12,147)**	**(1,020,864)**	**(457,864)**	**(147,850)**	**(469,403)**	**816,867**	**(1,411,365)**
Other disclosures								
Investment in associate	**890**	**-**	**-**	**-**	**-**	**-**	**-**	**890**
Additions to property plant and equipment, exploration and evaluation assets	**433**	**1,634**	**160,885**	**32,430**	**2,840**	**63,740**	**-**	**261,962**
2021								
Segment assets	719,609	14,403	1,057,740	-	-	-	(443,058)	1,348,694
Segment liabilities	(18,013)	(14,463)	(874,321)	-	-	-	283,194	(623,603)
Other disclosures								
Investment in associate	4,230	-	-	-	-	-	-	4,230
Additions to property plant and equipment, exploration and evaluation assets	11	1,587	96,014	-	-	-	-	97,612
2022								
Cash inflow/(outflow) from operating activities	**(31,984)**	**(389)**	**152,604**	**320,636**	**747**	**(4)**	**-**	**441,610**
Cash inflow/(outflow) from investing activities	**198,567**	**(1,233)**	**(140,742)**	**(37,788)**	**(53,065)**	**(2,800)**	**-**	**(37,061)**
Cash inflow/(outflow) from financing activities	**(993)**	**(24)**	**10,089**	**(6,100)**	**-**	**-**	**-**	**2,972**
2021								
Cash inflow/(outflow) from operating activities	(17,943)	1,792	(2,259)	-	-	-	-	(18,410)
Cash inflow/(outflow) from investing activities	1,749	1,766	(95,152)	-	-	-	-	(91,637)
Cash inflow/(outflow) from financing activities	118,965	(35)	80,023	-	-	-	-	198,954

Note 1: Segment reporting and revenue (continued)

For the year ended 30 June 2022		Mt Cattlin	Olaroz	Borax	Total
		US$'000	US$'000	US$'000	US$'000
Type of goods	**Timing of recognition**				
Lithium Carbonate	A point in time	-	292,758	-	292,758
Spodumene concentrate	A point in time	445,832	-	-	445,832
Tantalum	A point in time	6,093	-	-	6,093
Borax	A point in time	-	-	9,965	9,965
Borax Acid	A point in time	-	-	6,045	6,045
Hydroboracite	A point in time	-	-	6,038	6,038
Other	A point in time	-	-	3,087	3,087
Total revenue from contracts with customers		451,925	292,758	25,135	769,818
Geographical markets					
Asia		445,832	280,634	1,250	727,716
Europe		-	9,898	237	10,135
South America		-	-	20,612	20,612
North America		-	2,226	2,424	4,650
Australia		6,093	-	-	6,093
Other		-	-	612	612
Total revenue from contracts with customers		451,925	292,758	25,135	769,818

For the year ended 30 June 2021		Olaroz	Borax	Total
		US$'000	US$'000	US$'000
Type of goods	**Timing of recognition**			
Lithium Carbonate	A point in time	66,370	-	66,370
Borax	A point in time	-	7,297	7,297
Borax Acid	A point in time	-	4,481	4,481
Hydroboracite	A point in time	-	5,008	5,008
Other	A point in time	-	1,604	1,604
Total revenue from contracts with customers		66,370	18,390	84,760
Geographical Markets				
Asia		51,804	2,116	53,920
Europe		12,605	203	12,808
South America		-	14,545	14,545
North America		1,961	650	2,611
Other		-	876	876
Total revenue from contracts with customers		66,370	18,390	84,760

Revenue accounting policy

Revenue is measured at the fair value of the consideration received or receivable, including returns and allowances, trade discounts and volume rebates. Revenue is recognised when control of goods passes from the seller to the buyer dictated by the Incoterms specified in the sales contract, this is the point the performance obligations have been completed. The Group assesses whether its performance obligation, being the delivery of product, is satisfied prior to the recognition of revenue. The Group has concluded that revenue from the sale of spodumene and the sale of lithium carbonate is recognised at the point in time when control of the asset is transferred to the customer, which occurs on delivery of the product over the ship's rail on the bill of lading date. In certain sale transactions where there are stringent requirements on the delivered product, the Group will defer revenue for these sales until such time as it can evidence acceptance of the product by the customer.

The Group's customers are non-government customers with both short and long-term contracts. The Group does not have contract assets or contract liabilities arising from contracts with customers, other than trade receivables (see Note 6) and deposits received in advance (see Note 13). Revenue is recognised on an as-invoiced basis; and is measured at the fair value of the consideration received or receivable, including returns and allowances, trade discounts and volume rebates. There were US$13,869,000 (2021: US$1,600,000) of revenues with provisional pricing recognised in the year ended 30 June 2022.

In financial year 2022, two customers with a credit rating of A contributed 70% of the Group's total revenue (2021: 78%), the spodumene concentrate customer represented 32% and lithium concentrate customer represented 38% of Group's total revenue.

Significant judgements and estimates

Significant judgement is involved in assessing when the Group satisfies its performance obligations with its customers, including timing of customer acceptance, if applicable.

Note 2: Income, expenses, finance income and finance costs

	Note	2022 US$'000	2021 US$'000
2a) Other income			
Rehabilitation provision remeasurement	14b	-	3,504
Income from sale of usufruct		-	2,367
Gains from financial instruments [i)]		**32,033**	2,711
Other income		-	99
Total other income		**32,033**	**8,681**

i) The 2021 comparative has been amended to reclassify US$2,711,000 of gains from financial instruments from foreign currency loss to other income.

	Note	2022 US$'000	2021 US$'000
2b) Corporate & Administrative expenses			
Employee benefit expenses		**(20,786)**	(9,279)
Audit fees	25	**(501)**	(310)
Legal and consulting fees		**(6,209)**	(1,553)
Share-based payments	19	**(5,427)**	(1,902)
Travel		**(1,296)**	(292)
Insurance		**(1,544)**	(1,060)
Office & communication costs		**(4,235)**	(1,811)
Listing & investor relations costs		**(1,335)**	(513)
Bank Fees		**(1,339)**	(949)
Environmental monitoring & studies		**(361)**	(330)
Restructuring costs [i)]		-	(3,682)
Other costs		**(2,523)**	(648)
Total corporate and administrative expenses [ii)]		**(45,556)**	**(22,329)**

i) There were no restructuring costs during the year ended 30 June 2022. During the year ended 30 June 2021 the group incurred US$3,682,000 resulting from restructuring costs. Included in such costs, there was a termination payment for a supply agreement of US$1,200,000 (Olaroz segment), employee benefits expenses of US$1,431,000 (Borax segment) and fixed costs of US$161,000 (Olaroz segment) and US$876,000 (Borax segment) which were not allocated to the cost of inventories due to the reduction of production volumes resulting from COVID-19.
ii) The 2021 comparative has been amended to reclassify merger costs from corporate and administrative expenses to acquisition costs.

	2022 US$'000	2021 US$'000
2c) Selling costs		
Export duties	**(10,072)**	(2,886)
Mining royalty	**(29,540)**	(622)
Dispatching & logistics	**(19,442)**	(1,580)
Total selling costs	**(59,054)**	**(5,088)**

2d) Foreign currency loss		
Total foreign currency loss [i) ii)]	**(9,567)**	**(6,345)**

i) Foreign currency losses relate to realised and unrealised losses on AUD denominated balances in the corporate entities, ARS denominated balances in entities based in Argentina, and USD balances in Borax Argentina SA and Canadian entities.
ii) The 2021 comparative has been amended to reclassify US$2,711,000 of gains from financial instruments from foreign currency loss to other income.

Note 2: Income, expenses, finance income and finance costs (continued)

	2022	2021
	US$'000	US$'000
2e) Finance income		
Interest income on loans receivable	**112**	118
Interest income from short term deposits	**5,995**	1,593
Changes in value of financial assets and liabilities	**195**	195
Total finance income	**6,302**	**1,906**
2f) Finance costs		
Interest expense on external loans and borrowings and other finance costs amortised	**(8,627)**	(11,842)
Interest expense on loans and borrowings from related parties [i)]	**(2,548)**	(2,355)
Interest expense on lease liabilities	**(4,702)**	(2,576)
Other finance costs related to related party loans	**(1,851)**	(1,729)
Change in fair value of financial assets and liabilities	**(2,320)**	(4,155)
Unwinding of the rehabilitation provision	**(32)**	(368)
Total finance costs	**(20,080)**	**(23,025)**

i) The interest expense to the related party is non-cash and will be paid on repayment of the loans (Note 27). US$2,461,000] (2021: US$2,003,000) in interest expense has been capitalised to property, plant and equipment (Note 9).

Recognition and measurement

Interest income

For all financial instruments measured at amortised cost and interest-bearing financial assets, interest income or expense is recorded using the effective interest rate (EIR). EIR is the rate that discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of profit or loss.

Note 3: Business Combinations

On 25 August 2021, the Group acquired 100% of the voting shares of Galaxy Resources Limited (Galaxy), a listed company based in Australia with a diversified lithium asset portfolio including an operational hard rock mine and concentrator in Western Australia (Mt Cattlin project), a brine development project in Argentina (Sal De Vida project) and a hard rock spodumene project in Canada (James Bay project). The Group has acquired Galaxy because it will help company to expand the lithium source and diversify geographically. The acquisition has been accounted for using the acquisition method. The consolidated financial statements include the results of Galaxy for the ten months from acquisition date on 25 August 2021 to 30 June 2022.

Note 3: Business Combinations (Continued)

The fair values of the identifiable assets and liabilities of Galaxy as at the date of acquisition were:

	Fair Value recognised on acquisition [i)]
	US $'000
Assets	
Cash and cash equivalents	209,525
Trade and other receivables	2,958
Inventory	43,243
Financial assets at fair value through other comprehensive income	10,088
Assets classified as held for sale	1,449
Property, plant and equipment	1,474,876
Exploration and evaluation assets	356,395
Other current assets	16,798
Other non-current receivables [ii)]	4,518
Other non-current assets	4,000
Deferred tax asset	10,000
	2,133,850
Liabilities	
Trade and other payables	43,298
Advance payments	16,499
Provisions	30,297
Lease liabilities	15,635
Deferred tax liability	534,017
	639,746
Total identifiable net assets at fair value	**1,494,104**
Goodwill arising on acquisition	524,017
Total consideration	**2,018,121**
Satisfied by:	
Equity instruments (ordinary shares of Allkem)	2,018,121
Total consideration transferred	**2,018,121**
Analysis of cash flows on acquisition	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	209,525
Net cash flow on acquisition	**209,525**

i) The purchase price allocation is final as at 30 June 2022.
ii) Fair value has been determined using a discounted cash flow valuation technique based on forecast timing of receipts and discount rate relevant to the cash flow stream (Level 3).

From the date of acquisition, Galaxy contributed US$451.9 million of revenue and US$299.1 million to the net profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been US$790.2 million, and profit before tax from continuing operations for the Group would have been US$435.7 million.

The goodwill recognised is primarily attributed to the deferred tax liabilities arising on property, plant and equipment at Sal De Vida and James Bay.

Acquisition-related costs amounting to US$12.8 million (including stamp duty of US$3.9 million and merger facilitation fees of US$5.6 million) (2021: US$1.2 million) have been excluded from the consideration transferred and have been recognised as acquisition costs in the consolidated statement of profit or loss.

Note 3: Business Combinations (Continued)

Significant judgments and estimates

When applying the acquisition accounting for the Galaxy Resources Limited business combination transaction, the Group has made judgements in relation to the identification of the acquirer, which was determined to be Allkem Limited by considering the relative voting rights in the post-acquisition combined entity, the composition of the board of directors, the composition of the senior management and the terms of the exchange of equity instruments.

Note 4: Income tax

	2022	2021
	US$'000	US$'000
4a) Income tax expense		
Current income tax expense	**(44,887)**	-
Deferred tax expense	**(47,997)**	(67,940)
Total income tax expense	**(92,884)**	(67,940)
Deferred income tax expense included in income tax expense comprises:		
(Increase)/decrease in deferred tax assets	**(68,073)**	12,600
(Decrease) in deferred tax liabilities	**(44,603)**	(80,540)
Benefit of previously unrecognised tax losses, tax credits or temporary differences	**64,679**	-
	(47,997)	(67,940)
4b) Deferred tax assets		
Carry forward tax losses	**37,311**	22,408
Financial liabilities	**32,680**	23,802
Other non-financial liabilities	**19,444**	7,590
Total deferred tax assets	**89,435**	53,800
Set-off of deferred tax liabilities pursuant to set-off provisions	**(64,218)**	(53,800)
Net deferred tax assets	**25,217**	-
4c) Deferred tax liabilities		
Property, plant and equipment	**(704,773)**	(227,872)
Exploration and evaluation assets	**(109,322)**	-
Inventories	**(18,200)**	(13,641)
Other financial assets	**(17,768)**	-
Total deferred tax liabilities	**(850,063)**	(241,513)
Set-off of deferred tax liabilities pursuant to set-off provisions	**64,218**	53,800
Net deferred tax liabilities	**(785,845)**	(187,713)
4d) Numerical reconciliation of income tax expense to profit/(loss) before tax		
Profit/(loss) before income tax expense	**430,107**	(21,534)
Tax (expense)/benefit at Australian tax rate of 30% (2021: 30%)	**(129,032)**	6,460
Tax effect of amounts which are (not deductible)/taxable in calculating taxable income:		
Share-based payments	**(1,576)**	(554)
Share of loss of associates	**(885)**	(505)
Other	**-**	106
Non-deductible expenses	**(4,259)**	-
Tax losses for the year not recognised	**(3,111)**	-
Previously unrecognised tax losses and temporary differences	**67,172**	1,513
Changes in tax rates (foreign subsidiaries)	**(9,031)**	(49,669)
Foreign exchange and effects of hyperinflation	**(12,162)**	(25,291)
Income tax expense	**(92,884)**	(67,940)

Note 4: Income tax (continued)

Tax Consolidation

Allkem Limited and its wholly owned Australian subsidiaries are members of the Allkem tax consolidated group (TCG). Allkem Limited is the head entity of the TCG. Galaxy Resources Pty Ltd and its Australian subsidiaries joined the TCG on the 25 August 2021 and transferred US$68.2 million of carry forward losses into the TCG.

Deferred tax benefits of US$10 million have been recognised in the Galaxy business combination (refer note 3). The recognition was predicated on the prices of spodumene concentrate at that time. Since 25 August 2021, there has been a substantial increase in the price of spodumene concentrate and these changed market conditions have resulted in the remaining balance of US$58.2 million of carry forward tax losses to be recognised in current period.

During the period, the TCG has utilised US$34.1 million of transferred losses and all group losses. The TCG holds a carry forward loss balance of US$34.1 million to offset future taxable profits of the TCG and the TCG has tax payable of US$44.7 million.

Taxation in Argentina

Each entity within Argentina is responsible for its own taxation. During the period, each company incurred a tax expense charge related to a tax adjustment for inflation, which was partially offset by the tax effect of the devaluation of the ARS and indexation of utilised tax losses. There is no tax payable with respect to our Argentine entities.

Franking Credits

The franking credit balance, including franking credits that will arise from the payment of income tax payable as at the end of the financial year is US$44.7 million (2021: Nil).

Recognition and measurement

Australian tax consolidation legislation

Allkem Limited and its wholly-owned Australian controlled entities are part of a tax consolidation group under Australian taxation legislation. The head entity, Allkem Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the stand-alone taxpayer approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. In addition to its own current and deferred tax amounts, Allkem Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group. Within the Company's stand-alone financial statements, assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax items are recognised in correlation to the underlying transaction.

Note 4: Income tax (continued)

Deferred tax

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

Deferred income tax assets and liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arose from the initial recognition of goodwill or of an asset or liability in a transaction that was not a business combination and that, at the time of the transaction, affected neither the accounting profit nor taxable profit or loss.
- In respect of deductible/taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Significant judgement and estimates

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Note 5: Earnings per share

Basic earnings per share (EPS) amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential performance rights into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2022	2021
	US$'000	US$'000
Profit/(loss) attributable to ordinary equity holders of the parent:		
Profit/(loss) for the financial year	337,223	(89,474)
Exclude non-controlling interests	(31,549)	29,849
Net profit/(loss) used in the calculation of basic and dilutive EPS	**305,674**	**(59,625)**
	No.	No.
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS	**592,546,337**	330,859,370
Weighted average number of performance rights outstanding [i)]	**2,892,020**	-
Weighted average number of ordinary shares outstanding during the period used in the calculation of dilutive EPS	**595,438,357**	**330,859,370**

i) Weighted average performance rights outstanding for 2021 that may be issued in the future and potentially dilute the earnings per share that have not been considered in the prior year calculation due their anti-dilutive effect total 2,533,348.

Note 6: Trade and other receivables

	2022	2021
	US$'000	US$'000
Current trade and other receivables		
Trade receivables	**43,915**	6,567
Interest receivable	**558**	260
Other receivables	**16,810**	4,453
VAT tax credits & other tax receivable [i)]	**20,521**	12,195
Total current trade and other receivables	**81,804**	**23,475**
Non-current other receivables		
Receivable from joint venture party [ii)]	**6,555**	6,552
Receivable from associate	**16,463**	-
Other receivables	**1,911**	1,410
VAT tax credits [i)]	**24,312**	13,966
Total non-current other receivables	**49,241**	**21,928**

i) The Group has a total of US$32,399,000 (2021: US$24,471,000) of current and non-current Value Added Tax (VAT) recoveries due from the Argentina revenue authority. The Group records VAT at fair value due to the hyperinflationary economy in Argentina and the highly devaluing local currency. Fair value has been determined using a discounted cash flow valuation technique based on the forecast timing of recovery of VAT, and interest rate and exchange rate relevant for that time period (Level 3). The gains and losses are recognised within finance costs in the income statement as a change in fair value of financial assets and liabilities (refer Note 2f).

ii) Fair value has been determined using a discounted cash flow valuation technique based on forecast timing of receipts and discount rate relevant to the cash flow stream (Level 3). The gains and losses are recognised within finance costs in the income statement as a change in fair value of financial assets and liabilities (refer Note 2f).

Recognition and Measurement

Trade receivables generally have credit terms of 30 days. They are presented as current assets unless collection is not expected for more than 12 months after reporting date. The Group applies the simplified approach to providing expected credit losses as prescribed by AASB 9 *Financial Instruments*. Trade receivables have not had a significant increase in credit risk since they were originated. Refer to Note 18 (c) for further commentary on credit risk.

Note 7: Prepayments

		2022	2021
	Note	US$'000	US$'000
Prepayments to suppliers		**9,881**	4,276
Prepayments to tax authorities		**417**	67
Total current prepayments		**10,298**	**4,343**

Note 8: Inventories

	Note	2022 US$'000	2021 US$'000
Current			
Finished products		**28,449**	11,868
Work in progress		**25,711**	14,370
Materials and spare parts		**22,081**	18,938
Total current		**76,241**	**45,176**
Non-current			
Work in progress		**51,894**	47,958
Materials and spare parts		**1,508**	1,230
Total non-current		**53,402**	**49,188**

Current inventory balance includes a provision for losses in finished products and materials and spare parts of US$1,958,000 (2021: US$1,685,000) and work in progress of US$1,695,000 (2021: US$998,000). Non-current inventory balance includes a provision for losses related to work in progress of US$3,685,000 (2021: US$4,383,000).

Recognition and measurement

Inventories are valued at the lower of cost and net realisable value. Cost is determined primarily on the basis of average costs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. The cost of raw materials and consumable stores is the purchase price. The cost of partly processed and saleable commodities is generally the cost of production, including:

- Labour costs, materials and contractor expenses which are directly attributable to the processing of commodities ready-for-sale (lithium carbonate, spodumene concentrate and other products).
- The depreciation of mining properties and leases and of property, plant and equipment used in the extraction and processing of brine, production of lithium carbonate and production of spodumene concentrate.
- Production overheads.

Brine inventory quantities are assessed primarily through surveys and assays. If the brine will not be processed within 12 months after the balance sheet date, it is included within non-current assets.

Spodumene ore stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the number of contained Li2O tonnes is based on assay data and the estimated recovery percentage based on the expected processing method. Stockpile tonnages are verified by periodic surveys.

Significant judgments and estimates

Certain estimates, including expected brine recoveries and work in progress volumes, are calculated by engineers using available industry, engineering and scientific data. Estimates used are periodically reassessed by the Group taking into account technical analysis and historical performance.

Note 9: Property, plant and equipment

	Land & buildings	Plant & equipment	Mine properties	Leased Plant & Equipment[1]	Deferred stripping	Work in progress	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cost							
At 1 July 2020	7,914	430,542	247,322	30,537	138	162,639	879,092
Additions - cash	80	5,136	-	-	-	91,292	96,508
Capitalised interest	-	-	-	-	-	6,502	6,502
Capitalised share-based payments	-	-	-	-	-	55	55
Leases - additions/modifications	-	-	-	4,035	-	-	4,035
Remeasurement of rehabilitation provision	-	4,272	-	-	-	-	4,272
Internal transfers	-	16,505	-	-	-	(16,505)	-
Exchange differences	(782)	782	-	(34)	-	(585)	(619)
As at 30 June 2021	7,212	457,237	247,322	34,538	138	243,398	989,845
Additions – cash	9,785	99,268	74,839	-	25,439	29,388	238,719
Capitalised interest	-	-	-	-	-	5,904	5,904
Leases - additions/modifications	-	-	-	2,736	-	-	2,736
Acquisition of a subsidiary (Note 3)	-	101,095	1,360,712	13,069	-	-	1,474,876
Remeasurement of rehabilitation provision	-	-	4,955	-	-	-	4,955
Internal transfers	-	5,915	-	-	-	(5,915)	-
Exchange differences	(59)	-	-	(6)	-	(264)	(329)
As at 30 June 2022	16,938	663,515	1,687,828	50,337	25,577	272,511	2,716,705
Accumulated depreciation/ impairment							
At 1 July 2020	(7,512)	(76,526)	(2,243)	(3,043)	(138)	(128)	(89,590)
Depreciation expense	(153)	(14,680)	(1,656)	(2,505)	-	-	(18,994)
Depreciation capitalised to inventory	-	(948)	-	-	-	-	(948)
Impairment	-	(878)	-	-	-	-	(878)
Exchange differences	719	(141)	7	(935)	-	-	(350)
As at 30 June 2021	(6,946)	(93,173)	(3,892)	(6,483)	(138)	(128)	(110,760)
Depreciation expense	(699)	(26,811)	(13,932)	(6,221)	(2,006)	-	(49,668)
Depreciation capitalised to inventory	-	(28)	-	-	-	-	(28)
Exchange differences	826	218	-	520	69	-	1,633
As at 30 June 2022	(6,819)	(119,794)	(17,824)	(12,184)	(2,075)	(128)	(158,824)
Net Book Value							
As at 30 June 2021	**266**	**364,064**	**243,430**	**28,055**	**-**	**243,270**	**879,085**
As at 30 June 2022	**10,119**	**543,721**	**1,670,004**	**38,153**	**23,502**	**272,383**	**2,557,882**

1) The 2021 comparative has been restated to include leased plant and equipment within property, plant and equipment. In the prior period financial statements these amounts were disclosed as right of use assets on the balance sheet.

Recognition and measurement

Tangible property, plant and equipment assets are stated at acquisition cost, net of the related accumulated depreciation, amortisation and impairment losses. Cost includes expenditure directly attributable to the acquisition and commissioning of the asset. Land is not depreciated.

Costs attributable to assets under construction are only capitalised when it is probable that future economic benefits associated with the asset will flow to the Group and the costs can be measured reliably. Assets are depreciated or amortised from the date of acquisition or from the time an asset is completed and held ready for use.

Note 9: Property, plant and equipment (continued)

Recognition and measurement

The useful lives used for the depreciation and amortisation of assets are presented below:

- Buildings and infrastructure: 20 to 30 years
- Plant: 5 to 30 years
- Leased plant and equipment: lease period – 1 to 10 years
- Mining extraction equipment: Units of production
- Mine properties: Units of production

The depreciation and amortisation rates are reviewed annually and adjusted if appropriate. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Note 10: Intangible assets

	Goodwill	Software	Total
	US$'000	US$'000	US$'000
At cost	524,017	2,432	526,449
Accumulated depreciation	-	(1,437)	(1,437)
As at 30 June 2022	**524,017**	**995**	**525,012**
At cost	-	1,240	1,240
Accumulated depreciation	-	(513)	(513)
As at 30 June 2021	**-**	**727**	**727**

	2022	2021
	US$'000	US$'000
Balance at the beginning of year	**727**	897
Goodwill - acquired as part of business combination (Note 3)	**524,017**	-
Software - additions	**544**	44
Software - amortisation expense	**(276)**	(214)
Balance at the end of year	**525,012**	**727**

Goodwill of US$439.2 million and US$84.8 million has been allocated to the Sal De Vida and James Bay projects respectively which are cash-generating units and also operating and reportable segments. For the 2022 reporting period, the goodwill asset is assessed for impairment after netting the deferred tax liabilities that gave rise to the goodwill asset. The recoverable amount of the cash-generating units acquired as part of the business combination exceeds the carrying amounts of assets acquired and no impairment has been recognised.

Recognition and measurement

Intangible assets are stated at acquisition cost, net of the related accumulated amortisation and impairment losses that they might have experienced. Cost includes expenditure directly attributable to the acquisition and commissioning the asset.

The useful lives used for the amortisation of software are 3 to 5 years.

Goodwill is measured as described in note 30c. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

Note 11: Exploration and evaluation assets

Exploration and evaluation expenditure carried forward in respect of areas of interest are:

	2022	2021
	US$'000	US$'000
Balance at beginning of year	**45,867**	44,762
Acquired as part of business combination (Note 3)	**356,395**	-
Capitalised exploration expenditure	**22,699**	1,105
Balance at the end of year	**424,961**	**45,867**

Recognition and measurement

Exploration and evaluation expenditures incurred are capitalised in respect of each identifiable area of interest. These costs are capitalised to the extent that they are expected to be recovered through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves or sale. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made. When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves using a units of production method.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to capitalise costs in relation to that area of interest. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is written off to profit or loss in the period when the new information becomes available.

Significant judgments and estimates

Determining the recoverability of exploration and evaluation assets capitalised in accordance with the Group's accounting policy requires estimates and assumptions as to future events and circumstances and whether successful development and commercial exploration, or alternatively sale, of the respective areas of interest will be achieved.

Critical to this assessment are estimates and assumptions as to ore reserves, the timing of expected cash flows, exchange rates, commodity prices and future capital requirements. Changes in these estimates and assumptions as new information about the presence or recoverability of an ore reserve becomes available, may impact the assessment of the recoverable amount of exploration and evaluation assets. If, after having capitalised the expenditure under the accounting policies, a judgment is made that the recovery of the expenditure is unlikely, an impairment loss is recorded in the profit or loss.

Note 12: Lease Liabilities

	2022	2021
	US$'000	US$'000
Lease liabilities		
Balance at the beginning of the year	**35,685**	31,305
Recognised as part of business combination (Note 3)	**15,635**	-
Additions/modifications	**6,512**	4,002
Accretion of interest - expense	**5,235**	2,576
Accretion of interest - capitalised to PP&E	**-**	1,044
Lease payments	**(14,420)**	(3,323)
Other	**(229)**	81
Balance at the end of the year	**48,419**	**35,685**

Lease liabilities are due as follows:

	2022	2021
	US$'000	US$'000
Not later than 1 year	**10,197**	2,562
Total current	**10,197**	2,562
Later than 1 year and not later than 5 years	**17,167**	12,914
Later than 5 years	**21,055**	20,209
Total non-current	**38,222**	33,123
Balance at 30 June	**48,419**	**35,685**

Total cash outflow for leases in 2022 was US$14,420,000 (2021: US$3,323,000).

Note 12: Lease Liabilities (continued)

	2022	2021
	US$'000	US$'000
Right of use assets – included in property, plant, and equipment (note 9)		
Land and buildings	**2,127**	926
Plant and equipment	**36,026**	27,129
Carrying amount of right of use assets at 30 June	**38,153**	**28,055**

	2022	2021
	US$'000	US$'000
Amounts recognised in the statement of profit or loss:		
Depreciation charge for right of use assets		
Land and buildings	**(384)**	(310)
Plant and equipment	**(5,887)**	(1,746)
Total depreciation charge	**(6,271)**	**(2,056)**

Accounting for the Group's leasing activities

A significant proportion by value of the Group's lease contracts relate to plant facilities and various equipment. Other leases include office buildings, warehouses, power generator and vehicles. Lease contracts are typically made for fixed periods of 6 months to 8 years but may have extension options as described below.

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group recognises right of use assets at the commencement date of the lease, the date the underlying asset is available for use. Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment.

Extension and termination options are included in a number of property and equipment leases across the group. These are used to maximise operational flexibility in terms of managing the assets used in the group's operations. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

Note 13: Trade and other payables

	Note	2022 US$'000	2021 US$'000
Current			
Trade payables and accrued expenses [i)]		**93,859**	26,438
Advance payments from customers		**403**	7,518
Interest payable		**2,181**	1,803
Total current		**96,443**	**35,759**
Non-current			
Other payables and accrued expenses		**13,477**	9,890
Interest payable to a related party	27a	**17,496**	12,486
Total non-current		**30,973**	**22,376**

i) The amounts are unsecured and non-interest bearing and generally on 30 to 60 day terms. The carrying amounts approximate fair value.

Note 14: Provisions

	Note	2022 US$'000	2021 US$'000
Current			
Employee benefits	14a	**3,843**	882
Provision for rehabilitation	14b	**10,454**	-
Total current		**14,297**	**882**
Non-current			
Employee benefits	14a	**419**	748
Provision for rehabilitation	14b	**58,732**	33,934
Other provisions		**199**	175
Total non-current		**59,350**	**34,857**

14a) Employee benefits

	2022 US$'000	2021 US$'000
Annual leave	**3,334**	592
Borax Argentina S.A. defined benefit pension plan i)	**509**	151
Long service leave	**419**	887
Total	**4,262**	**1,630**

i) Borax Argentina S.A. had a defined benefit pension plan in Argentina. During the 2015 financial year such plan was discontinued. The remaining liability reflects the obligation with respect to former employees.

14b) Rehabilitation provision

Reconciliation of the carrying amount of provision for rehabilitation is set out below:

	Note	2022 US$'000	2021 US$'000
Balance at the beginning of year		**33,934**	32,496
Recognized as part of business combination (Note 3)		**30,297**	-
Additions reflected in PPE		**6,257**	1,842
Changes in assumptions reflected in PPE		**(1,334)**	2,430
Changes in assumptions reflected in other income		**-**	(3,504)
Foreign currency translation movement		**-**	302
Unwinding of the rehabilitation provision		**32**	368
Balance at the end of year		**69,186**	**33,934**

Note 14: Provisions (continued)

The Group has recognised a provision for rehabilitation obligations associated with the each of the group's operations, and in respect of the tailings site at a former Lithium One Inc. mining site in Canada expected to commence in the 2023 financial year.

Additions of US$5,002,000 for Sal de Vida and US$1,255,000 (2021: US$1,842,000) for Olaroz, (including Olaroz stage 2 expansion works) were recognised in the current year. A remeasurement adjustment relating to Borax of $1,302,000 (2021: $3,504,000) was recognised in the current year.

Recognition and measurement

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss, net of any reimbursement.

Employee benefits

Wages, salaries, annual leave and sick leave liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Based on past experience, the Group does not expect the full amount of annual leave classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave

The Group recognises a liability for long service leave for Australian employees measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on the applicable corporate bond with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Environmental protection, rehabilitation, and closure costs

Provision is made for close down, restoration and environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the financial period when the related environmental disturbance occurs, based on the estimated future costs using information available at the statement of financial position date. The provision is discounted using a current market-based pre-tax discount rate that reflects the time value of money and risk specific to the liability. The unwinding of the discount is included in the interest expense in the statement of profit or loss. At the time of establishing the provision, a corresponding asset is capitalised, where it gives rise to a future benefit, and is depreciated over future production from the operations to which it relates. The provision is reviewed on an annual basis for changes to obligations, legislation or discount rates that impact estimated costs or useful lives of operations. The cost of the related asset is adjusted for changes in the provision resulting from changes in the estimated cash flows or discount rate and the adjusted cost of the asset is depreciated prospectively.

Significant judgements and estimates

The Group has recognised a provision for rehabilitation obligations associated with each of the group's operations. In determining the present value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and remove the plant from the site and the expected timing of those costs.

Note 15: Equity and reserves

Reconciliation of the movement in ordinary share capital is set out below:

	2022	2021	2022	2021
	No. shares	No. shares	US$'000	US$'000
Fully paid ordinary shares	637,657,086	344,158,072	2,686,134	668,512
Treasury shares held in trust	500	-	-	-
Fully paid ordinary shares on issue	**637,657,586**	**344,158,072**	**2,686,134**	**668,512**

15a) Issued capital

	Note	2022	2021	2022	2021
		No. shares	No. shares	US$'000	US$'000
Balance at the beginning of year		**344,158,072**	277,092,327	**668,512**	548,462
Performance rights exercised [i)]	19	900,942	114,516	-	-
Shares issued, net of transactions costs [ii)]		292,598,572	66,951,229	2,017,622	120,050
Balance at the end of year		**637,657,586**	**344,158,072**	**2,686,134**	**668,512**

i) Represents performance rights and options exercised under the Company's share-based payments plans and executive service agreements. Refer to Note 19 for share-based payments.
ii) Transaction costs (net of tax) for the shares issued during the year were US$446,000 (2021: US$3,706,000). 292,598,572 ordinary shares were issued on 25 August 2021 at a price of US$6.90 (AU$9.52) per share as a result of the Galaxy Resources Ltd business combination (refer note 3).

In the prior year 50,046,288 ordinary shares were issued on 2 September 2020 at a price of US$1.87 (AU$2.52) per share as part of an equity raise and 16,904,941 ordinary shares were issued on 2 October 2020 at a price of US$1.79 (AU$2.52) per share under the Share Purchase Plan.

Recognition and measurement

Ordinary shares are classified as equity. Transaction costs arising on the issue of ordinary shares are recognised in equity as a reduction of the share proceeds received.

15b) Reserves

	Share-based payments	Cashflow hedge	Foreign currency translation	Other	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Balance as at 1 July 2020	7,829	(2,362)	(35,453)	13,378	(16,608)
Foreign currency translation differences	-	-	1,412	-	1,412
Cashflow hedge through other comprehensive income	-	1,436	-	-	1,436
Other comprehensive income	-	1,436	1,412	-	2,848
Share-based payments	1,902	-	-	-	1,902
Other movements	-	-	-	(806)	(806)
Balance as at 30 June 2021	**9,731**	**(926)**	**(34,041)**	**12,572**	**(12,664)**
Balance as at 1 July 2021	**9,731**	**(926)**	**(34,041)**	**12,572**	**(12,664)**
Foreign currency translation differences	-	-	**(2,851)**	-	**(2,851)**
Cashflow hedge through other comprehensive income	-	**1,959**	-	-	**1,959**
Financial assets at fair value through other comprehensive income	-	-	-	**(5,985)**	**(5,985)**
Other comprehensive income/(loss)	-	**1,959**	**(2,851)**	**(5,985)**	**(6,877)**
Share-based payments	**5,427**	-	-	-	**5,427**
Balance as at 30 June 2022	**15,158**	**1,033**	**(36,892)**	**6,587**	**(14,114)**

Note 15: Equity and reserves (continued)

Nature and purpose of reserves

Share-based payments reserve

The share-based payments reserve represents the fair value of share-based remuneration provided to employees.

Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries and investments in associates with a functional currency other than USD. Equity of the Parent entity is translated at historical rates of exchange prevailing on the date of each transaction.

Cashflow hedge reserve

The cashflow hedge reserve records the revaluation of derivative financial instruments that are designated cashflow hedges and are recognised under other comprehensive income. Amounts are recognised in the income statement when the associated hedge transactions affect the income statement.

Note 16: Net cash/debt

			2022	2021
	Interest rate	**Maturity**	**US$'000**	US$'000
Current				
Loans & borrowings - project loan (a)	LIBOR + 0.8%	2022	**37,574**	18,806
Loans & borrowings - working capital facility (b)			**-**	15,877
Total current debt			**37,574**	**34,683**
Non-current				
Loans & borrowings - project loan (a)	LIBOR + 0.8% - 2.61%	2023-2029	**189,327**	192,296
Related party loans (c)			**84,776**	73,982
Total non-current debt			**274,103**	**266,278**
Total debt			**311,677**	**300,961**
Cash at bank and on hand			**(142,668)**	(25,647)
Short term deposits (d)			**(520,870)**	(232,672)
Total cash and cash equivalents			**(663,538)**	(258,319)
Financial assets - non-current (e)			**(16,356)**	(16,356)
Total cash and financial assets			**(679,894)**	(274,677)
Net (cash)/debt			**(368,217)**	**26,286**
Equity			**3,081,366**	725,091
Capital and total net cash/debt			**2,713,149**	**751,377**
(Cash)/gearing ratio			**(14%)**	3%

The Group has exposure to USD LIBOR through its Project Loan Facility, loans payable to related parties and an interest rate swap. As part of the inter-bank offer rate (IBOR) reform, USD LIBOR will no longer be available after 30 June 2023 and will be replaced with alternative reference rates. Review of the reform and its implications to the Group have begun with contractual changes to be completed in FY2023. The Group is assessing alternative reference rates currently available including Secured Overnight Financing Rate based rates and the development of credit sensitive rates.

(a) Project Loan Facility

The total project loan facility for Stage 1 is US$191.9 million (2021: US$191.9 million). Sales De Jujuy Pte Ltd has provided security in favour of Mizuho Bank over the shares it owns in Sales De Jujuy S.A. and JOGMEC covers 82.35% of the outstanding principal amount. As at 30 June 2022 the stage 1 loan has an outstanding principal balance of US$48.1 million (2021: US$66.9 million). The interest rate for stage 1 is LIBOR + 0.80%. The interest rate related to 88.6% of the loan was hedged in 2015 with such rate currently 4.896% until the last repayment in September 2024.

Note 16: Net cash/debt (continued)

(a) Project Loan Facility

The total project loan facility for Stage 2 is US$180 million (2021: US$180 million). US$180 million (2021: US$146 million) has been drawn as at 30 June 2022. The interest rate for Stage 2 was LIBOR + 0.94% until March 2021 being the end of the commitment period and an average fixed rate of 2.612% per annum until expiry in March 2029. Repayments commence in September 2022.

The carrying amounts of the loans and borrowings approximate fair value less transaction costs. Fair value has been determined using a discounted cash flow valuation technique based on contractual and expected cashflows and current market interest rates.

A payment guarantee has been issued by a bank in favour of a Stage 2 expansion supplier (or a supplier of Sales de Jujuy S.A.) with a balance of US$14.94 million at 30 June 2022. It is expected to continue reducing to nil during calendar year 2022 as deliveries occur and invoices are paid. Allkem has guaranteed 75% of such amount with currently US$11.20 million of its cash on hand.

(b) Working Capital Facility

During the financial year the working capital facilities of Sales De Jujuy S.A. were paid down to zero.

(c) Loan repayable to a related party – Toyota Tsusho Corporation (TTC) and other associated entities

Non-current loans owing to related parties total US$84.8 million (2021: US$74.0 million):

- US$50.1 million (2021: US$50.1 million) bears interest at LIBOR + 6% (2021: LIBOR + 6%) per annum payable prior to July 2028.
- US$34.4 million (2021: US$23.6 million) bears interest at LIBOR + 6% (2021: LIBOR + 6%) per annum payable prior to July 2030.
- US$273,000 (2021: US$273,000) bears interest at LIBOR + 0.75% (LIBOR + 0.75%) per annum payable prior to July 2028.

A further loan drawdown from TTC during the year totalled US$7.8 million (2021: US$14.7 million).

Loans and Borrowings

The carrying amounts of the loans and borrowings approximate fair value. Fair value has been determined using a discounted cash flow valuation technique based on contractual and expected cash flows and current market interest rates (Level 2).

(d) Short Term Deposits

The effective interest rate on USD denominated short term deposits was 1.95% p.a. (2021: 0.74% p.a.). Short term deposits held at 30 June 2022 can be readily converted to cash with notice to the relevant financial institution with no substantial penalty. Cash and short-term deposits are disclosed in the cash flow statement, net of bank overdrafts.

Amounts of US$7.9 million (2021: US$11.1 million) and US$83.9 million (2021: US$109.5 million) have been set aside as reserves to provide cash backing for guarantees provided by TTC for the Naraha debt facility and the stage 2 debt facility, respectively. In agreement with TTC, US$135 million (2021: US$135 million) of cash was reserved to support pre completion guarantees provided by TTC in relation to the stage 2 loan facility of US$180 million (2021: US$180 million). Amounts are reserved as the debt facilities are drawn down.

Of the maximum reserve funds of US$135 million; up to US$60 million (2021: US$60 million) can be used to fund stage 1 activities. The remaining US$75 million (2021: US$ 75 million) of the reserved funds plus any unused stage 1 reserve of US$60 million can be used to fund cost overruns, VAT and working capital spend. As at 30 June 2022 reserves set aside have reduced from US$135 million at inception to US$95.0 million.

Allkem pays TTC 2.5% per annum on any funds used out of the US$135 million. All funds held in reserve accounts are controlled by Allkem. The requirement to maintain reserve accounts will cease once TTC is no longer required to provide pre completion guarantees. Upon completion, when specific milestones are attained, JOGMEC will guarantee 82.35% of such loan and hence the unused reserved funds will be reduced by such percentage and become unrestricted funds.

(e) Non-current Financial Assets

The non-current financial assets are long term cash deposits funded by shareholders to partially secure borrowings of the Group. These deposits are non-interest bearing and are generally held until the borrowings have been repaid. The carrying value approximates fair value.

Capital management

Capital includes equity attributable to the equity holders of the Parent. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximise shareholder value.

The Group manages its capital structure and appropriately adjusts it to take into consideration changes in economic conditions. To maintain or adjust the capital structure, the Group may return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the financial year.

Note 16: Net cash/debt (continued)

The change in the gearing ratio in 2022 reflects the increase in cash held in term deposits as a result of the Galaxy business combination and cash generated from the profitable operations of the Group.

Recognition and measurement

Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

Loans and borrowings

Borrowings are initially recognised at fair value net of transaction costs. Interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method (EIR). Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of profit or loss.

Borrowing costs which are directly attributable to the construction of a qualifying asset are capitalised during the period of time that is required to complete the asset for its intended use. The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the specific debt relating to the asset 2.1% (2021: 2.27%).

Note 17: Derivative financial liabilities

	2022	2021
	US$'000	US$'000
Current		
Derivatives - interest rate swap [i)]	**1,086**	2,624
Total current	**1,086**	**2,624**
Non-current		
Derivatives - interest rate swap [i)]	**336**	2,746
Total non-current	**336**	**2,746**

i) Derivatives – designated as hedging instruments

During financial year 2014 a swap was entered into by Sales de Jujuy S.A. in order to manage interest rate exposure on the project debt which bears interest rate at LIBOR +0.8%. The swap has been designated in a hedge relationship and hedge accounting has been adopted. The interest rate swap receives floating interest equal to LIBOR, pays a fixed rate of interest of 4.896% per annum (2021: 4.896% per annum) and matures on 10 September 2024.

The fair value of the interest rate swap is calculated as the present value of the estimated future cash flows based on observable yield curves (Level 2).

Recognition and measurement

Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of the cashflows of recognised assets and liabilities, and highly probable forecast transactions (cashflow hedges).

At inception, the Group documents the relationship between hedging instruments and hedged items, the risk management objective and the strategy for undertaking various hedge transactions.

The Group, at inception and on an ongoing basis, documents its assessment of whether the derivatives used in hedging transactions have been, and will continue to be, highly effective in offsetting future cashflows of hedged items. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

Note 17: Derivative financial liabilities (continued)

Derivative financial instruments and hedge accounting

The Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item, and so a qualitative assessment of effectiveness is performed. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

The fair values of derivative financial instruments used for hedging purposes are disclosed in this section. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months. It is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Cashflow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income, and accumulated in reserves in equity limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. Ineffectiveness is recognised on a cash flow hedge where the cumulative change in the designated component value of the hedging instrument exceeds on an absolute basis the change in value of the hedged item attributable to the hedged risk. Ineffectiveness may arise where the timing of the transaction changes from what was originally estimated, or differences arise between credit risk inherent within the hedged item and the hedging instrument. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expense. When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

If the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for at the time of the hedge relationship rebalancing.

Note 18: Financial risk management

The Group's financial instruments comprise deposits with banks, financial assets, amounts receivable and payable, interest-bearing liabilities, financial liabilities, and financial derivatives. The main purpose of these financial instruments is to provide finance for Group operations.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Management is responsible for developing and monitoring the risk management policies and reports to the Board.

18a) Market risk

Market risk is the risk adverse movements in foreign exchange and or interest rates will affect the Group's financial performance or the value of its holdings of financial instruments. The objective of risk management is to manage the market risks inherent in the business to protect the profitability and return on assets.

i) Interest rate risk

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of reasonably possible changes in market interest rates arises in relation to the Group's cash and debt balances. This risk is managed through the renewal of the hedge portion of Stage 1 debt by the use of interest rate swaps and fixed term deposits.

At reporting date, the Group has net exposure of (US$397,352,000) (2021: (US$16,603,000)) to interest rate risk.

During the year, the net realised loss arising from interest rate hedging activities for the Group was US$2,945,000 (2021: US$2,159,000) as a result of market interest rates closing lower than the average hedged rate. The total realised loss represents the effective portion of the hedge which has been recognised in interest expense.

Note 18: Financial risk management (continued)

Interest rate sensitivity

With all other variables held constant, the Group's profit after tax and equity are affected through the impact of floating and/or fluctuating interest rates on cash, receivables, borrowings and financial instruments as follows:

	2022	2021
	US$'000	US$'000
Effect on profit after tax and equity as a result of a:		
1% +/- reasonably possible change in interest rates	**(2,781)**	(116)

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment. The debt repayments to a related party are either fixed interest or the interest is being capitalised as part of the expansion project, refer to note 16.

ii) Foreign currency risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group is exposed to foreign exchange risk arising from currency exposures to Australian Dollar (AUD) and Argentinean Peso (ARS), arising from the purchase of goods and services and receivables. The Group does not currently undertake any hedging of foreign currency items.

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a possible change in the AUD and ARS exchange rates relative to the US$, with all other variables held constant. The impact on the Group's profit after tax and equity is due to changes in the fair value of monetary assets and liabilities.

	2022	2021
	US$'000	US$'000
Effect on profit after tax and equity as a result of a:		
50% +/- reasonably possible change in US$ (vs ARS)	**(13,490)**	(4,370)
10% +/- reasonably possible change in US$ (vs AUD)	**1,694**	(485)

iii) Market role commodity price risk

Allkem's lithium and boron chemicals are sold into global markets. The market prices of lithium and boron are key drivers of the Group's capacity to generate cashflow.

The prices of lithium chemicals have fluctuated widely in recent years; with significant price increases experienced in the current year. Many of these factors are beyond the control of the Group including, but not limited to, the relationship between global supply and demand for lithium chemicals which may be affected by, but not limited to:

- development and commercial acceptance of lithium-based applications and technologies, and/or
- the introduction of new technologies that may not be based on lithium,
- forward selling by producers,
- the cost of production,
- new mine developments and mine closures,
- advances in various production technologies for such minerals and general global economic conditions.

The prices of lithium and other commodities can also be affected by the outlook for inflation, interest rates, currency exchange rates and supply and demand issues. These factors may have an adverse effect on the Group's production, development, and exploration activities, as well as its ability to fund its future activities. All sales contracts are agreed in USD or USD equivalent prices. The spodumene concentrate contracts are agreed for the period up to 3 years and lithium carbonate contracts up to 7 years.

The Group is also affected by the market forces and market price cycles of boron chemicals and mineral products. In relation to boron chemicals and mineral products the market price is determined largely by the market supply and demand balance which is influenced heavily by the rate of GDP growth. There are two significant manufacturers of boron chemicals and minerals in the global market, so the supply side is relatively consolidated. Boron chemicals and mineral products are used in applications such as ceramic and glass manufacturing, insulation and fertiliser manufacturing. Although there is a cyclic profile in these markets, they are considered steady growth markets linked strongly to urbanisation and food production, so volatility is not considered high. In terms of inputs, the major input is ore mined from the Company's own assets so input cost risk is managed through control of costs such as diesel fuel, labour and gas via forward contracts. All sales are managed through constant customers, but without long term contracts. Prices can be modified justifying costs increase inputs.

Note 18: Financial risk management (continued)

iv) Effects of hedge accounting on the consolidated balance sheet and consolidated profit and loss

The impact of hedging instruments designated in hedging relationships on the consolidated statement of financial position is as follows:

	Notional amount		Carrying amount assets/(liability) (Note 17)		Change in fair value used for measuring ineffectiveness	
Cash Flow Hedges	**2022**	2021	**2022**	2021	**2022**	2021
Interest Rate Risk	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Interest Rate Swaps	42,585	59,245	**(1,422)**	(5,370)	**(3,948)**	2,990

The impact of hedged items designated in hedging relationships on the consolidated statement of financial position is as follows:

	Cashflow hedge reserve		Change in fair value used for measuring ineffectiveness	
	2022	2021	**2022**	2021
Cash Flow Hedge (before tax)	**US$'000**	US$'000	**US$'000**	US$'000
Forecast floating interest payments	**1,033**	(926)	**(3,948)**	2,990

The interest rate swaps have a hedge ratio of 1:1 (2021: 1:1). A hedging gain of US$2,945,000 (2021: US$2,159,000) was recognised in other comprehensive income. US$2,799,000 (2021: US$2,924,000) was reclassified from other comprehensive income to finance costs in the profit and loss. Material ineffectiveness related to cashflow hedges was not recognised.

18b) Liquidity risk

Liquidity risk is the risk that the Group will not be able meet its financial obligations as they fall due. This risk is managed by ensuring, to the extent possible, that there is sufficient liquidity (through cash and cash equivalents and available borrowing facilities) to meet liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

	Within 12 months	1 to 5 years	Over 5 years	Total	Carrying amount
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Payables	96,443	30,973	-	127,416	127,416
Loans and borrowings	43,697	150,806	295,602	490,106	311,677
Lease liabilities	14,270	27,967	29,936	72,174	48,419
Derivatives - Interest Rate Swap	1,086	336	-	1,422	1,422
Total as at 30 June 2022	**155,496**	**210,083**	**325,538**	**691,117**	**488,934**
Payables	35,759	22,376	-	58,135	58,135
Loans and borrowings	36,882	161,743	207,895	406,520	300,961
Lease liabilities	6,014	23,511	32,458	61,983	35,685
Derivatives - Interest Rate Swap	2,624	2,746	-	5,370	5,370
Total as at 30 June 2021	**81,279**	**210,376**	**240,353**	**532,008**	**400,151**

18c) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its treasury activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Note 18: Financial risk management (continued)

18c) Credit risk

Customer credit risk is managed by each business unit subject to the Group's procedures and controls relating to customer credit risk management. Outstanding customer receivables are regularly reviewed. An impairment analysis is performed at each reporting date by assessing the expected credit loss customers with outstanding balances. The provision rates are based on historic experience, customer profile and economic conditions.

Generally, trade receivables are written-off if past due for more than one year. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 6. The Group does not hold collateral as security. As at 30 June 2022, the group had provisions of US$223,918 (2021: US$304,000) for expected credit loss.

Credit risk on cash transactions and derivative contracts is managed through the Board approval. The Group's net exposures and the credit ratings of its counterparties are regularly confirmed.

18d) Fair values

The fair value of cash, cash equivalents and non-interest-bearing financial assets and liabilities approximates their carrying value due to their short maturity. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined using valuation techniques. These valuation techniques maximise the use of observable market data where available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. The Group measures and recognises interest rate swaps at fair value on a recurring basis.

The fair value of interest rate swaps has been determined as the net present value of contracted cashflows. These values have been adjusted to reflect the credit risk of the Group and relevant counterparties, depending on whether the instrument is a financial asset or a financial liability. The existing exposure method, which discounts estimated future cash flows to present value using credit adjusted discount factors.

The fair value of non-current borrowings is estimated by discounting the future contractual cash flows at the current market interest rates that are available to Allkem for similar financial instruments. For the period ended 30 June 2022 the borrowing rates were determined to be between 2.1% to 2.13% for (2021: 2.4% to 9%) for USD denominated debt.

No financial assets or liabilities are readily traded on organised markets in a standardised form. The aggregate values and carrying amounts of financial assets and liabilities are disclosed in the statement of financial position and notes to the financial statements. Fair values are materially in line with carrying values. The shares in listed entities comprise listed investments for which a Level 1 fair value hierarchy has been applied (quoted price in an active market).

Financial assets		Carrying Amount		Fair Value	
		2022	2021	**2022**	2021
	Note	**US$'000**	US$'000	**US$'000**	US$'000
Cash and cash equivalents	16	**663,538**	258,319	**663,538**	258,319
Financial assets - non-current	16	**16,356**	16,356	**16,356**	16,356
Financial assets at fair value through other comprehensive income		**4,048**	-	**4,048**	-
Financial assets at amortised cost:					
Trade and other receivables - current	6	**61,283**	11,280	**61,283**	11,280
Trade and other receivables - non-current	6	**1,911**	1,410	**1,911**	1,410
Financial assets at fair value:					
VAT tax credits & other tax receivable - current	6	**20,521**	12,195	**20,521**	12,195
Receivable from a joint venture party - non-current	6	**6,555**	6,552	**6,555**	6,552
Receivable from associate	6	**16,463**		**16,463**	-
VAT tax credits	6	**24,312**	13,966	**24,312**	13,966
Total financial assets		**814,987**	**320,078**	**814,987**	**320,078**

Note 18: Financial risk management (continued)

18d) Fair values (continued)

Financial liabilities		Carrying Amount		Fair Value	
		2022	2021	**2022**	2021
	Note	**US$'000**	US$'000	**US$'000**	US$'000
Financial liabilities at amortised cost:					
Trade and other payables - current	13	**96,443**	35,759	**96,443**	35,759
Trade and other payables - non-current	13	**30,973**	22,376	**30,973**	22,376
Loans and borrowings - current	16	**37,574**	34,683	**37,574**	34,683
Loans and borrowings - non-current	16	**274,103**	266,278	**274,103**	266,278
Financial liabilities at fair value:					
Derivatives - interest rate swap	17	**1,422**	5,370	**1,422**	5,370
Total financial liabilities		**440,515**	**364,466**	**440,515**	**364,466**

18e) Liabilities arising from financing activities

Changes in liabilities arising from financing activities:

	Note	**1 July 2021**	**Business Combination**	**Net Cash Flow**	**Other**	**30 June 2022**
		US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Financial liabilities						
Current						
Loans and borrowings	16	34,683	-	2,880	11	37,574
Lease liabilities	12	2,562	15,635	(9,413)	1,413	10,197
Non-current						
Loans and borrowings	16	266,278	-	8,247	(422)	274,103
Lease liabilities	12	33,123	-	-	5,099	38,222
Total financial liabilities arising from financing activities		336,646	15,635	1,714	6,101	360,096

	Note	1 July 2020	Cashflow	Other	30 June 2021
		US$'000	US$'000	US$'000	US$'000
Financial liabilities					
Current					
Loans and borrowings	16	62,397	(29,845)	2,131	34,683
Lease liabilities	12	2,654	(3,323)	3,231	2,562
Non-current					
Loans and borrowings	16	157,613	112,771	(4,106)	266,278
Lease liabilities	12	28,651	-	4,472	33,123
Total financial liabilities arising from financing activities		251,315	79,603	5,728	336,646

Note 19: Share-based payments

Performance Rights & Option Plan (PROP)

Under the Performance Rights & Option Plan (PROP), awards are made to executives and employees who have an impact on the Group's performance and are delivered in the form of options and rights.

Prior to 2022, Performance Rights (PRs) awarded under the PROP vest over a period of 3 years and are subject to the following Total Shareholder Return (TSR) outperformance conditions, and continuous service until the vesting date.

TSR performance condition (absolute, 50%)	Proportion of PROP which vest [2]
If TSR falls below 7.5% return per annum	None of the performance rights vest
If TSR lies between 7.5% and 10% return per annum	50% of the performance rights vest
If TSR lies between 10% and 12.5% return per annum	75% of the performance rights vest
If TSR lies at or above the 12.5% return per annum	100% the performance rights vest
TSR performance condition (relative, 50%) [1]	**Proportion of PROP which vest [2]**
Less than 50th percentile	None of the performance rights vest
Equal to or greater than 50th percentile	50% of the performance rights vest
Greater than 75th percentile	100% of the performance rights vest

1 TSR performance condition over the measurement period relative to the constituent companies of the ASX 300 Resources Index subject to the thresholds.

2 Interpolated vesting on a straight line

Following the Orocobre-Galaxy merger in 2022, the PROP was reviewed to ensure it appropriately reflected the growing size and complexity of the Group, the post-merger business plan and the increased responsibilities of employees across the group. Under the updated PROP, Performance Rights awarded as a Long Term Incentive (LTI) vest over a period of 3 years and are subject to continuous service until the vesting date, and subject to either revised TSR performance conditions or production capacity performance conditions. The PRs have an expiry date of the earlier of 2 years after the vesting date and 5 years after the grant date.

The key performance conditions of the updated plan are as follows:

Relative TSR performance condition

The relative TSR performance condition measures the company's Total Shareholder Return over a three-year period relative to the TSR of a comparator peer group of 20 ` companies.

Performance Condition - Relative Total Shareholder Return	Proportion of Relative TSR Awards vesting
If Relative TSR below 50th Percentile	Nil
If Relative TSR at the 50th Percentile	50%
If Relative TSR between 50th and 75th Percentile	Straight-line pro-rata between 50% and 75%
If Relative TSR above 75th Percentile	100%

Note 19: Share-based payments (continued)

Production Capacity performance condition

The production capacity performance condition measures the production capacity achieved by the Group against the production capacity target. The production capacity target for this purpose means the annualised demonstrated Lithium Carbonate Equivalent (LCE) production capacity of the group's assets as at 30 June 2024.

There a two types of Performance Rights with these performance conditions, a Base Production Capacity Performance Rights (Base PCPR) and a Bonus Production Capacity Performance Rights (Bonus PCPR).

Production Capacity Vesting Percentage

Production Capacity Achievement (tonnes)	% of Base PCPR to vest	% of Bonus PCPR to vest
100,000 or more	100%	100%
95,000 to 99,999	100%	80%
90,000 to 94,999	100%	60%
85,000 to 89,999	100%	40%
80,000 to 84,999	100%	20%
75,000 to 79,999	100%	0%
56,250 to 74,999	Pro-rata straight line vesting 75% to 99%	0%
less than 56,250	0%	0%

Other Performance Rights

Short Term Incentive (STI) Performance Rights are awarded as part of executives' and employees' short term incentives. The amount received is dependent on achieving individual performance objectives and are subject to continuous service until the vesting date.

Merger Retention Performance Rights and COVID-19 Performance Rights are subject to continuous service until the vesting date. The PRs have an expiry date of the earlier of 2 years after the vesting date and 5 years after the grant date.

Options and performance rights

Movements in the year of PRs are:

Grant Date	Vesting date	Expiry date	Exercise price (AU$)	2021 No.	Granted No.	Exercised No.	Forfeited/ lapsed No.	2022 No.
11 June 2019	31 Aug 2021	30 Sep 2021	-	511,746	-	(483,768)	(27,978)	**-**
22 Nov 2019	31 Aug 2021	30 Sep 2021	-	87,524	-	(87,524)	-	**-**
11 Mar 2020	31 Aug 2022	30 Sep 2022	-	1,300,057	-	-	(78,538)	**1,221,519**
21 Sep 2020	1 July 2021	1 Aug 2021	-	159,542	-	(159,542)	-	**-**
13 Nov 2020	1 July 2021	1 Aug 2021	-	38,108	-	(38,108)	-	**-**
13 Nov 2020	31 Aug 2023	30 Sep 2023	-	228,649	-	-	-	**228,649**
17 Dec 2020	31 Aug 2023	30 Sep 2023	-	1,058,420	-	-	(67,010)	**991,410**
1 Apr 2021	31 Mar 2022	30 Apr 2022	-	139,500	-	(132,000)	(7,500)	**-**
10 Nov 2021	25 Aug 2022	25 Aug 2024	-	-	214,870	-	-	**214,870**
10 Nov 2021	25 Aug 2023	25 Aug 2025	-	-	168,053	-	-	**168,053**
10 Nov 2021	25 Aug 2024	25 Aug 2026	-	-	54,500	-	-	**54,500**
30 Nov 2021	30 Sep 2022	30 Sep 2024	-	-	131,219	-	-	**131,219**
30 Nov 2021	30 Sep 2023	30 Sep 2025	-	-	42,621	-	-	**42,621**
30 Nov 2021	30 Sep 2024	30 Sep 2026	-	-	222,806	-	-	**222,806**
22 May 2022	1 Sep 2022	1 Sep 2024	-	-	270,997	-	-	**270,997**
22 May 2022	30 Sep 2024	30 Sep 2026	-	-	634,290	-	-	**634,290**
22 May 2022	30 Sep 2026	30 Sep 2028	-	-	65,357	-	-	**65,357**
Total performance rights				**3,523,546**	**1,804,713**	**(900,942)**	**(181,026)**	**4,246,291**

Note 19: Share-based payments (continued)

Options and performance rights (continued)

During the year, 396,646 PRs (2021: 587,732) were granted to the KMP. Refer to the Remuneration Report for further details of PRs issued to KMP.

922,453 PRs were granted pursuant to the Company's LTI plan for Nil consideration (2021: 1,076,308) and 522,141 PRs were granted to staff as Merger Retention Bonuses. 360,119 PRs were granted during the year for the FY21 STI (2021: 197,650) and were issued for nil consideration. All PRs are exercisable at AU$0.00. PRs granted as STI and Merger Retention Bonus vest on the above dates providing continuous employment is maintained. 65,357 PRs granted under the LTI plan vest to employees providing continuous employment is maintained. Remaining PRs granted under the LTI plan are subject to Relative TSR or Production hurdles.

In the prior year 139,500 PRs were granted for Nil consideration to employees in Argentina as a bonus for challenges arising from operating in a COVID-19 environment. The PRs were exercisable at AU$0.00 each. 132,000 PRs vested on 31 March 2022 with 7,500 PRs lapsing at this date.

All PRs granted are over ordinary shares, which confer a right of one ordinary share per PR. The PRs hold no voting or dividend rights. At the end of the financial year there are 1,271,634 PRs on issue to KMP (2021: 1,140,520).

At the date of issue, the weighted average share price of PRs granted in the current year was AU$11.51 (2021: AU$4.41). The PRs outstanding at 30 June 2022 had a weighted average exercise price of AU$0.00 (2021: AU$0.00) and a weighted average remaining contractual life of 1.04 years (2021: 1.36 years).

The weighted average fair value of options and PRs granted during the year was AU$11.07 (2021: AU$2.72).

The fair value of PRs granted is deemed to represent the value of the employee services received over the vesting period. The fair value of equity settled PRs are estimated at the date of grant using a Monte Carlo Simulation with the following inputs (taking into account the performance conditions described above):

PR Grant	2020 - PROP		2021 - PROP			
Grant date	11-Mar-20	11-Mar-20	13-Nov-20	13-Nov-20	17-Dec-20	17-Dec-20
Number issued	692,637	692,636	114,325	114,324	538,154	538,154
Fair value at grant date (AU$)	1.75	1.15	1.79	2.20	3.25	3.60
Share price (AU$)	2.26	2.26	2.97	2.97	4.31	4.31
Exercise price (AU$)	-	-	-	-	-	
Expected volatility	49.0%	49.0%	52.0%	52.0%	53.0%	53.0%
Right's life	3 years	3 years	3 years	3 years	3 years	3 years
Expected dividends	-	-	-	-	-	-
Risk-free interest rate	0.4%	0.4%	0.1%	0.1%	0.1%	0.1%

PR Grant	2021 - COVID	2021 - STI	2022 - STI		2022 - LTI	
Grant date	1-Apr-21	21-Sep-20	30-Nov-21	22-May-22	30-Nov-21	30-Nov-21
Number issued	139,500	197,650	89,122	270,997	89,122	133,684
Fair value at grant date (AU$)	4.93	2.69	10.22	13.05	7.73	10.22
Share price (AU$)	4.93	2.69	10.22	13.05	10.22	10.22
Exercise price (AU$)	-	-	-	-	-	-
Expected volatility	55.0%	55.0%	54.0%	55.0%	54.0%	54.0%
Right's life	1 year	0.8 years	0.8 years	0.3 years	2.8 years	2.8 years
Expected dividends	-	-	-	-	-	-
Risk-free interest rate	2.0%	0.9%	0.8%	2.6%	0.8%	0.8%

Note 19: Share-based payments (continued)

Options and performance rights (continued)

PR Grant	2022 - LTI				2022 - Merger Retention	
Grant date	22-May-22	22-May-22	22-May-22	22-May-22	10-Nov-21	30-Nov-21
Number issued	229,826	143,652	260,812	65,357	161,976	42,097
Fair value at grant date (AU$)	13.05	13.05	10.81	13.05	9.18	10.22
Share price (AU$)	13.05	13.05	13.05	13.05	9.18	10.22
Exercise price (AU$)	-	-	-	-	-	-
Expected volatility	55.0%	55.0%	55.0%	55.0%	55.0%	54.0%
Right's life	2.4 years	2.4 years	2.4 years	4.4 years	0.8 years	0.8 years
Expected dividends	-	-	-	-	-	-
Risk-free interest rate	2.6%	2.6%	2.6%	2.6%	1.7%	0.8%

PR Grant	2022 - Merger Retention				
Grant date	10-Nov-21	10-Nov-21	10-Nov-21	30-Nov-21	10-Nov-21
Number issued	52,894	52,894	115,159	42,621	54,500
Fair value at grant date (AU$)	9.18	9.18	9.18	10.22	9.18
Share price (AU$)	9.18	9.18	9.18	10.22	9.18
Exercise price (AU$)	-	-	-	-	-
Expected volatility	55.0%	55.0%	55.0%	54.0%	55.0%
Right's life	0.8 years	1.8 years	1.8 years	1.8 years	2.8 years
Expected dividends	-	-	-	-	-
Risk-free interest rate	1.7%	1.7%	1.7%	0.8%	1.7%

Recognition and measurement

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements. The total expense arising from share-based payment transactions recognised during the period as part of employee benefit expense was US$5,427,000 (2021: US$1,902,000). In 2021 US$55,000 was capitalised to property, plant and equipment (Note 9).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The statement of profit or loss, expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms not been modified if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payments transaction or is otherwise beneficial to the employees as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 5).

Significant judgements and estimates

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and assumptions made.

Note 20: Information relating to subsidiaries

The consolidated financial statements of the Group include:

Entity Name	Country of incorporation & principal place of business	% equity interest held by the Group	
		2022	2021
Borax Argentina Holding No 1 Pty Ltd	Australia	**100.00**	100.00
Borax Argentina Holding No 2 Pty Ltd	Australia	**100.00**	100.00
Borax Argentina S.A.	Argentina	**100.00**	100.00
Sales De Jujuy Pte Ltd	Singapore	**72.68**	72.68
Sales De Jujuy S.A.	Argentina	**66.50**	66.50
Borax Brasil Pelstras E Conferencias Ltda	Brazil	**100.00**	100.00
La Frontera Minerals S.A.	Argentina	**100.00**	100.00
Olaroz Lithium S.A.	Argentina	**100.00**	100.00
El Trigal S.A.	Argentina	**100.00**	100.00
Los Andes Compañía Minera S.A.	Argentina	**66.81**	66.81
A.C.N. 646 148 754 Pty Ltd (formerly Advantage Lithium Corp.)[i)]	Australia	**100.00**	100.00
Advantage Lithium S.A.	Argentina	**85.00**	85.00
South American Salar Minerals Pty Ltd	Australia	**100.00**	100.00
South American Salar S.A.	Argentina	**100.00**	100.00
Galaxy Resources Pty Ltd	Australia	**100.00**	-
Galaxy Lithium Australia Pty Ltd	Australia	**100.00**	-
Galaxy Resources International Ltd	Hong Kong	**100.00**	-
Galaxy Lithium Holdings BV	Netherlands	**100.00**	-
Galaxy Lithium (CANADA) Inc	Canada	**100.00**	-
Galaxy Lithium ONE Inc	Canada	**100.00**	-
Galaxy Lithium (ONTARIO) Inc	Canada	**100.00**	-
General Mining Corporation Pty Ltd	Australia	**100.00**	-
Galaxy Lithium (SAL DE VIDA) S.A.	Argentina	**100.00**	-

i) Advantage Lithium Corp. migrated from Canada to Australia in February 2021.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2021.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee),
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Note 21: Material partly owned subsidiaries

Financial information of subsidiaries that have material non-controlling interests is provided below. The group has an interest of 72.68% in Sales De Jujuy Pte Ltd and 66.5% in Sales De Jujuy S.A. The operations of the business are located in Argentina. The summarised financial information of the subsidiaries is provided below. This information is based on amounts before inter-company eliminations and include fair value from the business combination.

Summarised statement of profit and loss for the year ended 30 June 2022:

	2022	2021
	US$'000	US$'000
Revenue	**292,758**	66,370
Cost of sales	**(40,982)**	(24,950)
Gross profit	**251,775**	41,420
Corporate and administrative costs	**(15,957)**	(8,864)
Selling costs	**(15,384)**	(2,966)
Net finance costs	**(24,153)**	(29,739)
Depreciation	**(17,717)**	(18,294)
Foreign exchange	**(7,478)**	(3,947)
Profit/(loss) before income tax	**171,087**	(22,389)
Income tax expense	**(74,935)**	(67,940)
Profit/(loss) for the year from continuing operations	**96,153**	(90,329)
Other comprehensive income	**1,959**	1,435
Total comprehensive profit/(loss)	**98,112**	**(88,894)**
Profit/(loss) attributable to non-controlling interests	**31,549**	(29,371)

Summarised statement of financial position as at 30 June 2022:

	2022	2021
	US$'000	US$'000
Current assets	**180,001**	82,726
Non-current assets	**1,117,399**	974,214
Total assets	**1,297,400**	1,056,940
Current liabilities	**75,730**	70,587
Non-current liabilities	**945,131**	802,934
Total labilities	**1,020,861**	873,521
Net assets	**276,539**	**183,419**
Total equity	**276,539**	**183,419**
Attributable to:		
Equity holders of the parent	**183,747**	125,064
Non-controlling interest	**92,792**	58,355
Total equity attributable to members	**276,539**	**183,419**

Note 22: Investment in associate

The Group has a 75% economic interest in Toyotsu Lithium Corporation (TLC). Toyota Tsusho Corporation (TTC) has the remaining (25%) economic interest in TLC. The Group has a 49% ownership interest in TLC and TTC has the remaining 51% ownership interest.

Entity Name	Country of incorporation & principal place of business	% economic interest held by the Group	
		2022	2021
Toyotsu Lithium Corporation (TLC)	Japan	**75.00**	75.00

Reconciliation of the movement in investment in associate is set out below:

	2022	2021
	US$'000	US$'000
Balance at the beginning of year	**4,230**	6,000
Loss from equity accounted investment in associate	**(2,951)**	(1,682)
Foreign currency translation reserve	**(389)**	(88)
Balance at the end of year	**890**	**4,230**

	2022	2021
	US$'000	US$'000
Corporate expenses	**(3,888)**	(2,193)
Loss before income tax	**(3,888)**	(2,193)
Income tax expense	**(47)**	(50)
Loss for the period	**(3,935)**	(2,243)
Other comprehensive loss	**-**	-
Total comprehensive loss	**(3,935)**	**(2,243)**
Allkem's share of the loss for the year	**(2,951)**	(1,682)
Allkem's share of total comprehensive loss	**(2,951)**	**(1,682)**

TLC are constructing the Naraha Lithium Hydroxide Plant, located in Japan. Feedstock for the plant will be sourced from the Olaroz Lithium Facility's Stage 2 expansion that will produce primary grade lithium carbonate. The Group has invested capital of JPY 750 million (2021: JPY 750 million) (US$6.7 million / 2021: US$6.7 million) into TLC.

TLC has been accounted for as an associate due to the fact that Allkem does not have control of TLC; but has significant influence. This is evidenced by Allkem having 2 of the 5 board members whilst decisions are made by a majority. The functional currency of TLC is Japanese YEN, therefore it generates an FCTR on translation to US dollars. A translation difference of US$301,000 (2021: US$147,000) was recognised in the current year. See Note 30d) for the Group's accounting policy on Investment in associates and joint arrangements and associates. No dividends have been received from the associate.

Note 22: Investment in associate (continued)

Statement of financial position

	2022	2021
	US$'000	US$'000
Current assets	**29,074**	390
Non-current assets	**68,977**	66,296
Total assets	**98,051**	66,686
Current liabilities	**50,820**	20,796
Non-current liabilities	**46,045**	40,250
Total liabilities	**96,865**	61,046
Net assets	**1,186**	**5,640**
Contributed equity	**8,964**	8,964
Reserves	**(323)**	196
Accumulated losses	**(7,455)**	(3,520)
Total equity	**1,186**	**5,640**
Allkem's share of total equity	**890**	**4,230**

Note 23: Parent entity information

The following information relates to the parent entity. The ultimate parent entity within the Group is Allkem Limited.

The individual financial statements for the parent entity show the following aggregate amounts below:

	2022	2021
	US$'000	US$'000
Current assets	**341,875**	310,423
Non-current assets	**2,482,719**	379,586
Total assets	**2,824,594**	690,009
Current liabilities	**74,195**	4,090
Non-current liabilities	**3,576**	2,932
Total liabilities	**77,771**	7,022
Net assets	**2,746,823**	682,987
Contributed equity	**2,665,524**	647,902
Reserves	**(43,978)**	(37,867)
Accumulated profits	**125,277**	72,952
Total equity	**2,746,823**	682,987
(Loss)/profit for the year	**52,325**	7,524
Total comprehensive (loss)/income for the year	**52,325**	7,524

The parent entity has several employees. A portion of the costs associated with these employees are borne by a subsidiary of the parent entity and are not included in the above disclosures.

Recognition and measurement

The financial information for the parent entity, Allkem Limited, has been prepared on the same basis as the consolidated financial statements, except investments in subsidiaries, associates and joint venture entities are accounted for at cost in the individual financial statements of Allkem Limited.

Note 24: Companies covered by Deed of Cross Guarantee

The wholly-owned subsidiaries listed below have entered into a Deed of Cross Guarantee with Allkem Limited in accordance with ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 and are relieved from the Corporations Act 2001 requirement to prepare and lodge an audited financial report and directors' report. The effect of the deed is that each party guarantees the debts of the others.

The following wholly-owned subsidiaries that became a party to the Deed of Cross Guarantee during the financial year ended 30 June 2022 are:

- Allkem Ltd;
- Galaxy Resources Pty Ltd;
- Galaxy Lithium Australia Pty Ltd; and
- General Mining Corporation Pty Ltd.

The table below sets out the statement of financial performance for the entities that are party to the Deed of Cross Guarantee.

	2022
	US$'000
Revenue from contracts with customers	451,931
Cost of sales	(74,077)
Gross profit	377,854
Other income	1,824
Corporate and administrative expenses	(20,066)
Acquisition costs	(12,760)
Selling expenses	(41,640)
Depreciation and amortisation expense	(28,558)
Foreign currency gain	18,884
Profit before interest and income tax	295,538
Finance income	18,036
Finance costs	(1,390)
Profit before income tax	312,184
Income tax expense	(17,989)
Profit for the year	294,195

The above results represent the period of performance that Allkem consolidates the entities that are party to the Deed of Cross Guarantee.

Note 24: Companies covered by Deed of Cross Guarantee (continued)

The table below sets out the statement of financial position for the entities that are party to the Deed of Cross Guarantee.

	2022 US$'000
Current assets	
Cash and cash equivalents	**562,504**
Trade and other receivables	**100,532**
Inventory	**13,113**
Prepayments	**834**
Total current assets	**676,983**
Non-current assets	
Other receivables	**299,846**
Property, plant and equipment	**81,751**
Intangible assets	**252**
Exploration and evaluation assets	**3,065**
Net deferred tax assets	**25,217**
Investments at fair value through other comprehensive income	**4,048**
Investment in subsidiaries, associates and joint ventures	**2,002,326**
Other	**3,841**
Total non-current assets	**2,420,346**
Total assets	**3,097,329**
Current liabilities	
Trade and other payables	**41,180**
Provisions	**1,896**
Income tax payable	**40,672**
Lease liabilities	**7,317**
Total current liabilities	**91,065**
Non-current liabilities	
Other payables	**1,670**
Loans and borrowings	**723**
Provisions	**13,357**
Lease liabilities	**1,820**
Total non-current liabilities	**17,570**
Total liabilities	**108,635**
Net assets	**2,988,694**
Equity	
Issued capital	**2,665,524**
Reserves	**(43,978)**
Retained earnings	**367,148**
Total equity	**2,988,694**

Note 25: Reconciliation of profit/(loss) for the year to net cash generated from operating activities

	2022	2021
	US$'000	US$'000
Profit/(loss) after income tax	**337,223**	**(89,474)**
Adjustments for:		
Non-cash employee benefits expense	**5,427**	1,902
Depreciation and amortisation	**63,344**	18,759
Impairment loss	**244**	912
Gain on disposal of assets	**-**	(2,450)
Gain on financial instruments	**(32,033)**	(2,711)
Share of net losses of associates	**2,951**	1,682
Unwinding of discount on rehabilitation provision	**32**	368
FX loss from equity raise	**-**	700
Non-cash finance costs	**-**	4,719
Unrealised foreign exchange	**5,038**	4,781
Changes in operating assets and liabilities[i]:		
(Increase) in receivables	**(46,254)**	(7,136)
Decrease/(increase) in inventory	**7,965**	(24,430)
(Increase)/decrease in prepayments	**(5,955)**	3,978
(Decrease)/increase in payables	**(2,403)**	5,016
Increase in net deferred tax liabilities	**48,898**	67,940
Increase in income tax payable	**44,692**	-
Decrease in provisions	**(5,806)**	(2,966)
Increase in other liabilities	**18,247**	-
Net cash generated from operating activities	**441,610**	**(18,410)**

i) Net of assets acquired as part of business combination

Note 26: Auditors Remuneration

During the year the following fees were paid or payable for services provided by Ernst & Young (EY) as the auditor of the parent entity, Allkem Limited by EY's related network firms.

	2022	2021
	US$	US$
Audit and review of financial statements (Ernst & Young)		
- Australia	**323,581**	187,986
- Argentina	**177,500**	121,832
Total auditors' remuneration	**501,081**	309,818

Note 27: Related party disclosures (continued)

27a) Transactions with related parties and outstanding balances

Other Related Parties

The following table provides the total amount of transactions with related parties for the relevant financial year.

Transactions impacting the statement of profit or loss:

	Note	2022 US$	2021 US$
Sales to a related party	1	**292,757,620**	66,370,456
Interest expense to a related party (gross of any capitalisation)	2f	**(5,009,465)**	(4,357,875)

Transactions impacting the statement of financial position

	Note	2022 US$	2021 US$
Trade and other receivables from a related party			
Trade receivables - current	6	**39,078,658**	3,671,194
Other receivables - current	6	**13,869,439**	-
Receivables - non-current[i)]	6	**16,462,784**	-
Loans payable to a related party			
Non-current	16	**84,776,481**	73,982,185
Interest payable to a related party			
Non-current	13	**17,495,483**	12,486,018

i) Non-current receivable from associate is denominated in Japanese Yen.

Key Management Personnel

Compensation of Key Management Personnel of the Group:

	2022 US$	2021 US$
Short-term employee benefits	**2,544,973**	1,367,716
Post-employment benefits	**20,246**	18,343
Other long-term benefits	**22,903**	6,094
Share-based payments	**1,446,613**	513,484
Total compensation	**4,034,735**	**1,905,637**

Transactions with Directors and Key Management Personnel

Mr. Turner and Ms. Heredia, both Non-Executive Directors of the Group, are respectively partners of legal firms Fasken (based in Canada) and Allende & Brea (based in Argentina). Both legal firms provide professional services to the Group. Mr. Turner and Ms. Heredia do not personally receive legal fees payable by Allkem to their respective firms. Fees are paid by Allkem directly to Fasken and Allende & Brea on an arms' length basis; which then distribute those fees according to their respective partner remuneration policies.

The Board has determined that the value of these services is not sufficiently material to interfere with the Directors' capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Group as a whole, rather than in the interests of an individual security holder or other party. Fees paid to Fasken and Allende & Brea for services provided in the 2022 financial year were US$227,000 and US$190,000 respectively.

Other than the items noted above, there have been no other transactions with key management personnel of the Group during 2022 (2021: Nil).

Note 28: Commitments

	2022	2021
	US$'000	US$'000
Not later than 1 year		
Exploration commitments [i)]	**1,124**	11
Contracts – Property plant & equipment [ii)]	**114,919**	143,325
Contracts – Operating [ii)]	**7,104**	5,118
Total	**123,148**	**148,454**
Later than 1 year but not later than 5 years		
Exploration commitments [i)]	**4,762**	-
Contracts - Operating [ii)]	**3,832**	5,101
Total	**8,594**	**5,101**

i) The Group must meet minimum expenditure commitments in relation to option agreements over exploration tenements and to maintain those tenements in good standing. The commitments exist at balance sheet date but have not been brought to account. If the relevant mineral tenement is relinquished the expenditure commitment also ceases.

ii) The Group has contractual commitments regarding purchase agreements for consumables and energy at its operations.

Note 29: Subsequent Events

On 15 August 2022, Allkem announced it had entered into a binding and conditional Heads of Agreement to transfer Borax Argentina S.A (Borax) to Minera Santa Rita S.R.L (MSR) and to acquire the María Victoria lithium tenement from MSR in return (the Proposed Transaction).

Under the Proposed Transaction Allkem will transfer to MSR all of the issued shares in the two Borax holding companies and US$14 million cash for employee and rehabilitation liabilities. In return, MSR will transfer to Allkem (or its nominee) 100% ownership of the Maria Victoria Tenement.

Conditions precedent to completion of the Proposed Transaction include transfer of certain lithium tenements and royalties from Borax to Allkem in return for borate extraction rights (usufructs) in favour of MSR, completion of due diligence by Allkem on the Maria Victoria Tenement and receipt of required internal and third party approvals.

Other than disclosed above, there were no significant events occurring after balance date.

Note 30: Summary of significant accounting policies

Other significant accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. Where necessary, comparative information has been restated to conform with changes in presentation in the current year.

30a) Goods and Services Tax (GST) and Value-Added Tax (VAT)

Revenues, expenses and assets are recognised net of the amount of GST (or overseas: VAT), except:

- When the GST/VAT incurred on a sale or a purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST/VAT is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable, and
- When receivables and payables are stated with the amount of GST/VAT included.

The net amount of GST/VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST/VAT recoverable from, or payable to, the taxation authority.

The Group records VAT at fair value due to the hyperinflationary economy in Argentina and the highly devaluing local currency.

Note 30: Summary of significant accounting policies (continued)

30b) Foreign currency translation

The Group's consolidated financial statements are presented in US Dollars, which is the Parent's presentation currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into USD at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at the average exchange rate for each month of the financial year. The exchange differences arising on translation for consolidation purposes are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

30c) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in corporate and administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as a financial liability are subsequently remeasured to fair value with changes to fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the difference is recognised directly in profit or loss as a bargain purchase.

Note 30: Summary of significant accounting policies (continued)

30c) Business combinations (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

30d) Investment in associates and joint arrangements

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

The Group's investments in its joint ventures are accounted for using the equity method. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 3.

The financial statements of the joint venture are prepared for the same reporting period as the Group. The financial statements of the associates are not aligned with group and the necessary disclosures are noted in Note 22. Adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

30e) Impairment of non-financial assets

The Group assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets in which case the asset is allocated to its appropriate CGU.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount. The Group bases its impairment calculation on budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated.

The Group considers annually whether there have been any indicators of impairment and then tests whether non-current assets, including Investments in associates, property, plant and equipment and right-of-use assets, have suffered any impairment. If there are any indicators of impairment, the recoverable amounts of CGU's have been determined based on value in use calculations or fair value less cost of disposal. The assessment of impairment indicators and impairment calculations require the use of assumptions and estimates.

Note 30: Summary of significant accounting policies (continued)

30f) New and amended standards and interpretations adopted by the Group

The accounting policies adopted are consistent with those of the previous financial year. There were no new and amended accounting standards and interpretations applied for the first time during the year by the Group that had an impact on the amounts recognised in prior periods or expected to significantly affect the current or future periods.

30g) New accounting standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for this reporting period and have not been early adopted by the Group. These new accounting standards and interpretations not yet adopted are not expected to have a material effect on the Group in the current period and on foreseeable future transactions.

Directors' Declaration

In accordance with a resolution of the directors of Allkem Limited, I state that:

1. In the opinion of the Directors:

   a) the financial statements and notes of Allkem Limited for the financial year ended 30 June 2022 are in accordance with the Corporations Act 2001, including:

      i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the year ended on that date; and

      ii. complying with Accounting Standards and the Corporations Regulations 2001;

   b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in the Notes; and

   c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the directors by the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2022.

Martin Rowley
Chairman

Martin Perez de Solay
Managing Director

Dated this: 25th day of August 2022

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Independent Auditor's Report to the Members of Allkem Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Allkem Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2022 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

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Purchase price allocation for Galaxy business combination

Why significant

On 6 August 2021, the shareholders of Galaxy Resources Limited ("Galaxy") voted in favour of the merger between Allkem Limited (formerly Orocobre Limited) ("Allkem") and Galaxy, with the courts and regulators ratifying and administering the vote and implementation of the merger scheme 25 August 2021.

The scheme allowed for each Galaxy shareholder to receive 0.569 new Allkem shares for each Galaxy share held. The transaction constitutes a business combination under AASB 3 *Business Combinations* and Allkem was determined to be the acquirer for accounting purposes.

In undertaking the acquisition accounting, Allkem is required to measure the consideration transferred and the fair value of identifiable assets, liabilities and contingent liabilities acquired at the acquisition date and assess the existence of goodwill.

The fair value measurement of identifiable assets, liabilities, and contingent liabilities requires significant judgement and complex estimation, including:

- The identification and measurement of all assets, liabilities and contingencies.
- The fair valuation of mineral rights (including lithium reserves and resources) and exploration and evaluation assets which are dependent upon, amongst other factors, the existence and extent of underlying lithium reserves and resources and key forecast assumptions such as discount rates, commodity prices and operating and capital costs.
- The valuations of restoration and rehabilitation liabilities, which in turn are dependent upon the extent of environmental disturbances at the acquisition date, the timing of proposed rehabilitation and decommissioning activities and applicable regulatory and compliance requirements, which influence closure cost estimates.
- The measurement of deferred tax assets and liabilities in the various jurisdictions in which Galaxy operated.

The details of the business combination accounting for the acquisition are disclosed in Note 3 of the financial statements.

As a result, we considered the Group's business combination accounting and the related disclosures in the financial report to be a key audit matter.

How our audit addressed the key audit matter

Our audit procedures included the following:

- Assessed the Group's determination of the acquisition date of the business combination and the conclusion Allkem was the acquirer in the merger transaction.
- Evaluated the Group's determination of the purchase consideration with reference to Australian Accounting Standards and the Allkem share price at the date of acquisition.
- Evaluated the competence and objectivity of the Group's experts used to determine Galaxy's lithium reserves and resources, quantities and the fair value allocated to the acquired mining rights, exploration and evaluation assets, and restoration liabilities.
- In conjunction with EY's valuation specialists, we:
  - Considered whether the valuation methodology, used by the Group's external expert to measure fair value, was in accordance with the requirements of Australian Accounting Standards.
  - Evaluated the reasonableness of the key input assumptions including discount rates and forecast commodity prices with reference to a variety of third-party forecasts, peer information and market data.
  - Performed valuation cross checks on the acquired mining rights and exploration and evaluation assets with reference to reserve and resource transaction and trading multiples.
  - Assessed decommissioning and restoration liability amounts with reference to internal and third-party restoration cost estimates. We considered the composition of the cost estimates and methodologies used as well as the appropriateness of contingency rates and the other market inputs applied, such as inflation and discount rates.
- Tested the working capital balances, including cash, inventory, trade receivable and payables at the acquisition date.
- Tested the recognition of goodwill as part of the business combination was consistent with the requirements of Australian Accounting Standards.
- Tested transaction costs associated with business combination were recorded in profit and loss for the year.
- Involved EY's taxation specialists in assessing the current and deferred tax balances across the various jurisdictions associated with the accounting for the acquisition, including the Galaxy's Australian entities joining Allkem's pre-existing Australian tax consolidated group.
- Assessed the adequacy of the disclosures in Note 3 to the financial statements.

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Current and deferred tax accounting

Why significant

The Group has operations in several jurisdictions, including Argentina which is a hyperinflationary economy, and is subject to tax legislation and regulation in those jurisdictions. This creates complexity in the calculation of the Group's consolidated income tax position.

As disclosed in Note 4 to the financial statements, the Group's income tax expense calculation includes a number of significant adjustments for the year ended 30 June 2022, including:

- Recognition of the tax benefit of previously unrecognised tax losses carried forward by Allkem's Australian tax consolidated group and those tax losses transferred to the Australian tax consolidated group as a consequence of the acquisition of Galaxy.
- Adjustment to the deferred taxes (including carry forward tax losses) due to legislated changes in tax rates in Argentina applicable for the 2022 financial year.
- Adjustment to tax bases of assets and liabilities (including carry forward tax losses) of the Group's Argentinean operations and the associated deferred tax impact due to:
  - The devaluation of the Argentinean Peso compared to the US dollar; and
  - Application of specific Argentinean tax legislation in respect of inflation.

Given the judgement involved in timing of the recognition of the tax benefit of tax losses and the complexity in applying tax legislation and regulation in Argentina, this was considered a key audit matter.

How our audit addressed the key audit matter

Our audit procedures included the following:

- Involved EY's taxation specialists in Australia and Argentina to consider the current and deferred tax balances for consistency with Australian Accounting Standards and applicable, jurisdiction specific tax legislation, including the impact of the devaluation of the Peso and inflation in Argentina.
- Evaluated the competence and objectivity of the Group's external tax advisor who assisted the Group in assessing that application of Argentinean tax legislation and regulation in respect of inflation.
- Considered the Group's basis for:
  - The recognition of the tax benefit of carry forward tax losses in Australia, including tax losses transferred as a consequence of the acquisition of Galaxy; and
  - Not recognising deferred tax assets for tax losses and temporary differences in jurisdictions, or for entities, where it was assessed the recovery of the deferred tax asset was not sufficiently probable at this time.
- Assessed the adequacy of the disclosures included in Note 4 to the financial statements.

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Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2022 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 42 to 57 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Allkem Limited for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Andrew Carrick
Partner
Brisbane
25 August 2022

Shareholder and ASX Information

The following additional information is required by the ASX Limited (ASX) Listing Rules and is not disclosed elsewhere in this report.

The following information is provided as at 8 August 2022.

Distribution of Ordinary Shares

Fully Paid Ordinary Shares (Total) | Composition: CA, ORD

Range	Total Holders	Units	% Units
1 – 1,000	25,153	10,242,308	1.61
1,001 – 5,000	15,924	37,876,096	5.94
5,001 – 10,000	3,321	23,863,518	3.74
10,001 – 100,000	2,556	62,374,774	9.78
100,001 Over	154	503,301,390	78.93
Total	**47,108**	**637,658,086**	**100.00**

Distribution of Performance Rights

Range	Total Holders	Units	% Units
1 – 1,000	41	16,122	0.4%
1,001 – 5,000	94	234,295	5.5%
5,001 – 10,000	25	164,525	3.9%
10,001 – 100,000	45	1,281,264	30.2%
100,001 Over	8	2,549,797	60.1%
Total	**213**	**4,246,003**	**100%**

Unmarketable Parcels

	Minimum Parcel Size	Holders	Units
Minimum $ 500.00 parcel at $ 12.0000 per unit	42	575	7,330

Top 20 Shareholders

Rank	Name	Units	% Units
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	146,894,199	23.04
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	86,643,190	13.59
3	CITICORP NOMINEES PTY LIMITED	58,198,925	9.13
4	TOYOTA TSUSHO CORPORATION	39,296,636	6.16
5	NATIONAL NOMINEES LIMITED	27,585,781	4.33
6	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	26,814,511	4.21
7	BNP PARIBAS NOMS PTY LTD <DRP>	24,788,352	3.89
8	CANADIAN REGISTER CONTROL\C	12,190,659	1.91
9	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	9,651,845	1.51
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED—A/C 2	4,847,133	0.76
11	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	4,731,906	0.74
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	3,676,135	0.58
13	CREAT RESOURCES HOLDINGS LIMITED	3,660,000	0.57
14	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	3,638,305	0.57
15	CLIPPER GROUP LIMITED	3,113,800	0.49
16	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	2,957,231	0.46
17	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <GSCO CUSTOMERS A/C>	2,575,486	0.40
18	CITOS SUPER PTY LTD <CITOS PTY LTD SF A/C>	2,315,000	0.36
19	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	1,760,168	0.28
20	MR DENIS GRENVILLE HINTON + MRS ROSLYN SUSANNA HINTON	1,500,000	0.24
Totals: Top 20 holders of FULLY PAID ORDINARY SHARES (Total)		**466,839,262**	**73.21**
Total Remaining Holders Balance		**170,818,824**	**26.79**

Substantial Shareholders

The following are substantial shareholder accounts listed in the Company's register.

Rank	Shareholder Name	Number of Shares Held	% of Total Capital
1	Toyota Tsusho Corporation	39,296,636	6.16

Securities on Issue

The following securities were on issue.

Number	Class
637,658,086	Ordinary (AKE)
4,246,003	Unvested performance rights held by 213 participants.

Voting Rights

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting has one vote on a show of hands.

There are no voting rights attached to the Performance Rights but voting as detailed above will attach to the ordinary shares issued when the Performance Rights are exercised.

Registers of Securities are held at the following addresses

Computershare Investor Services Pty Limited
Level 1—200 Mary Street
Brisbane, Queensland 4000 Australia

Computershare Investor Services Inc
100 University Avenue, 8th Floor Toronto ON, M5J 2Y1 Canada

Stock Exchange Listing

Quotation has been granted for all the ordinary shares of the Company on the ASX Limited. Ordinary shares of the Company are also listed on the Toronto Stock Exchange (TSX).

Corporate Information

Directors

Non-Executive Chairman

Mr. Martin Rowley (appointed on 25 August 2021)

Non-Executive Deputy Chairman

Mr. Robert Hubbard

Managing Director and CEO

Mr. Martín Pérez de Solay

Non-Executive Directors

Mr. Richard Seville

Mr. Fernando Oris de Roa

Ms. Leanne Heywood

Mr. Alan Fitzpatrick (appointed on 25 August 2021)

Mr. John Turner (appointed on 25 August 2021)

Ms. Florencia Heredia (appointed on 25 August 2021)

Joint Company Secretary

Mr. John Sanders (appointed on 22 October 2021)

Mr. Rick Anthon

Company

Allkem Limited

ACN 112 589 910

Registered Office

Riparian Plaza—Level 35 71 Eagle Street
Brisbane QLD 4000 AUSTRALIA

Principal Office

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Share Registries

Computershare

Investor Services Pty Limited

Level 1—200 Mary Street
Brisbane QLD 4000 AUSTRALIA

Computershare Investor Services Inc.

100 University Avenue—8th Floor
Toronto ON M5J 2Y1 CANADA

Auditors

ERNST & YOUNG

Level 51—111 Eagle Street
Brisbane QLD 4000 AUSTRALIA

Mineral Resources and Ore Reserves

The Mineral Resources and Ore Reserves for each project as at 30 June 2022 are detailed below. A summary of the results from the annual review and comparative tables from prior statements are also provided.

Mt Cattlin

Mt Cattlin Mineral Resources

The Mineral Resource Estimate at 30 June 2022 is presented below and represents the combination of the 2018 Mineral Resource with a stand-alone 2021 2NW pit estimate, depleted for mining activities from 31 March 2021 to 30 June 2022. As in previous years the cut-off grade used was 0.4% Li_2O whilst the pit shell used within which to estimate the Resource was generated at US$1,100/t at 6% Li20 concentrate grade (US$900/t in 2021).

Mt Cattlin Mineral Resource at 30 June 2022

Category		Tonnage	Grade	Grade	Contained Metal	Contained Metal
		Mt	% Li_2O	ppm Ta_2O5	('000) t Li_2O	lbs Ta_2O5
Indicated	In-situ	4.5	1.3	135	57	1,339,000
	Stockpiles	2.4	0.8	122	19	646,000
Inferred	In-situ	6.4	1.3	131	82	1,850,000
Total		**13.3**	**1.2**	**131**	**158**	**3,835,000**

Notes: Reported at cut-off grade of 0.4% Li_2O contained within a pit shell generated and spodumene price of USD1,100 at 6% Li_2O. The preceding statements of Mineral Resources conforms to the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) 2012 edition. All tonnages reported are dry metric tonnes. Excludes mineralisation classified as oxide and transitional. Minor discrepancies may occur due to rounding to appropriate significant figures.

Mt Cattlin Mineral Resource at 31 March 2021

Category		Tonnage	Grade	Grade	Contained Metal	Contained Metal
		Mt	% Li_2O	ppm Ta_2O5	('000) t Li_2O	lbs Ta_2O5
Measured	In-situ	0.3	1.60	236	4.8	156,000
Indicated	In-situ	4.8	1.39	170	66.7	1,798,000
	Stockpiles	3.0	0.80	122	24.0	807,000
Inferred	In-situ	2.9	1.25	143	36.3	913,000
Total		**11.0**	**1.20**	**151**	**131.8**	**3,674,000**

Notes: Depleted Mineral Resource – 31 March 2021. Reported at cut-off grade of 0.4% Li_2O. The preceding statements of Mineral Resources conforms to the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) 2012 edition. All tonnages reported are dry metric tonnes. Excludes mineralisation classified as oxide. Minor discrepancies may occur due to rounding to appropriate significant figures.

The 2022 Mineral Resource estimation uses a spodumene price of USD1,100/t at 6% Li_2O and had previously been reported at a cut-off of 0.4% Li_2O inside a USD 900 pit shell in 2021.

A description of the major factors that resulted in changes from the 2021 Mineral Resource Estimate to 2022 Mineral Resource Estimate are as follows:

- Resource model depletion of 1.4 Mt of material mined at a grade of 1.62% Li_2O;
- Stockpiles depleted by approximately 510Kt;
- Decline in Measured and Indicated grade due to the mining of higher-grade material in H2 CY21 compared to the life of mine grade;
- The addition of Mineral Resources, already estimated and classified, but that fall within an expanded Reasonable Prospects for Eventual Extraction ("**RPEEE**") footprint;
- Reclassification of the RPEEE input revenue factor from USD 900 to USD 1,100 (at AUD/USD 0.70)—this development envelope is currently subject to development drilling; and
- An updated, depleted and integrated geological model in 2021.

Mt Cattlin Ore Reserve

Allkem has reviewed and updated the Ore Reserve, incorporating 2021 infill drilling results from the 2NW deposit, the depletion of the 2NE pit and evaluation of remnant deeper resource under the 2SW pit.

Within this review, depleted mined material and site stockpiles at 30 June 2022 and material to be mined after this date are presented in accordance with JORC (2012) Ore Reserve Reporting.

Mt Cattlin's Ore Reserve at 30 June 2022 is based on the 2021 Mineral Resource Estimate with the application of modifying factors. Like the 2021 annual review, modifying factors and mining reconciliation were reviewed by the Competent Person and reflect Allkem's continued strategy to utilise front-end optical sorters to upgrade and process low-grade stockpiled ore. A dilution factor of 17% applied to the Ore Reserve and a mining recovery of 93% of diluted material reflects the current practice of mining to horizontal flitches and benches.

At 30 June, 2022 the 2NW pit pre-strip had advanced such that first ore had daylighted in the pit floor in blasted stocks, approximately 70Kt of ore has been depleted at the period end.

A description of the major factors that resulted in changes from the 2021 Ore Reserve to the 2022 Ore Reserve is as follows:

- Resource model depleted for ore extracted from the completed 2NE pit;
- An updated 2021 Mineral Resource Estimate and supporting Ore Reserve Study;
- Decrease in Ore Reserves due to open pit mining and stockpile processing;
- Decline in grade is due to the mining of higher-grade material in H2 CY21 compared to the life of mine grade; and
- Reconciliation indicates the now depleted 2NE pit delivered 1.4Mt @1.62% Li_2O.

Mt Cattlin Ore Reserve at 30 June 2022

Category		Tonnage	Grade	Grade	Contained Metal	Contained Metal
		Mt	% Li_2O	ppm Ta_2O5	('000) t Li_2O	lbs Ta_2O5
Proven	–	–	–	–	–	%
Probable	2NW only	3.3	1.12	105	37.0	764,000
Inferred	Stockpiles	2.4	0.80	122	19.0	646,000
Total		**5.8**	**0.98**	**113**	**56.0**	**1,410,000**

Notes: Reported at cut-off grade of 0.4 % Li_2O within current mine design. The preceding statements of Ore Reserves conforms to the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) 2012 edition. All tonnages reported are dry metric tonnes. Reported with 17% dilution and 93% mining recovery. Revenue factor US$650/tonne applied. Minor discrepancies may occur due to rounding to appropriate significant figures.

Mt Cattlin Ore Reserve at 31 March 2021

Category		Tonnage	Grade	Grade	Contained Metal	Contained Metal
		Mt	% Li_2O	ppm Ta_2O5	('000) t Li_2O	lbs Ta_2O5
Proven	In-situ	0.3	1.36	198	4.1	131,000
Probable	In-situ	4.7	1.19	146	55.9	1,512,000
Inferred	Stockpiles	3.0	0.80	122	24.0	807,000
Total		**8.0**	**1.04**	**139**	**84.0**	**2,449,000**

Notes: Reported at cut-off grade of 0.4 % Li_2O within current mine design. The preceding statements of Ore Reserves conforms to the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) 2012 edition. All tonnages reported are dry metric tonnes. Reported with 17% dilution and 93% mining recovery. Revenue factor US$650/tonne applied. Minor discrepancies may occur due to rounding to appropriate significant figures.

Olaroz and Cauchari

Combined Resources

Resources within the Olaroz and Cauchari basins increased to 22.5 Mt of lithium carbonate equivalent (LCE, on a 100% basis) since last reporting. This reflects the substantial increase in the Olaroz resource in April 2022, with the updated resource defined to a depth of 650 m. The previously reported resource on the 100% owned Cauchari project has not changed since last reported. The resources are summarized in Table 1 in Measured, Indicated and Inferred categories. Table 2 and Table 3 provide more details on the resources.

Table 1—Olaroz and Cauchari Resource

Summary Olaroz Project Lithium Carbonate	
Equivalent (LCE)* Measured	5.13
Indicated	4.62
Inferred	6.42
Total M&I Olaroz	**9.75**
Cauchari Project Lithium Carbonate Equivalent (LCE)	
Measured	1.85
Indicated	2.95
Total M&I Cauchari	**4.8**
Inferred	1.5
Total M&I Olaroz+Cauchari	**14.55**
Total Resources Olaroz+Cauchari	**22.50**

Olaroz Resource Estimate

In 2011, the Company defined a M&I Resource of 1,752 million cubic metres of brine at 690 mg/l lithium, 5,730 mg/l potassium and 1,050 mg/l boron at the Olaroz Project, under the JORC 2004 reporting code. This equates to 6.4 million tonnes of lithium carbonate equivalent (LCE) and 19.3 million tonnes of potash (potassium chloride) based on

5.32 tonnes of lithium carbonate being equivalent to 1 tonne of lithium and 1.91 tonnes of potash being equivalent to one tonne of potassium.

This resource was superseded in April 2022 by an updated resource for the project that draws on drilling conducted for the installation of production wells and diamond drilling undertaken to obtain lithological information and allow the installation of monitoring wells within the salar. The updated resource was estimated under the JORC 2012 reporting guidelines, bringing reporting at Olaroz in line with the current JORC 2012 reporting rules. The resource was defined with depth slices controlled by the density of drilling information. 0-200 m depth was defined as Measured resources, from which brine has been produced since 2014. Indicated resources are defined to a depth of 450 m across most of the salar and 350 m in the north, with production wells producing from up to this depth for a period of up to five years. Between 450 (or 350 m in the north) and 650 m depth there is a limited amount of drilling and resources are classified as Inferred.

The exploration target previously defined in October 2014 beneath the previous resource, defined to 200 m, has also been superseded by development of the updated 2022 resource. A reserve has not yet been developed based on the interim resource, as the revised hydrogeological model will be developed at the end of the drilling program which then will allow for a revised reserve estimation. The resource stated here and in the April 2022 announcement does not account for depletion by production, which commenced in 2014 and is not considered to be material. Further drilling in areas peripheral to the updated resources is planned in the future. The updated resource is essentially restricted to the surface outline of the salt lake and future drilling would explore where brine extends off the salt lake, below areas of gravel.

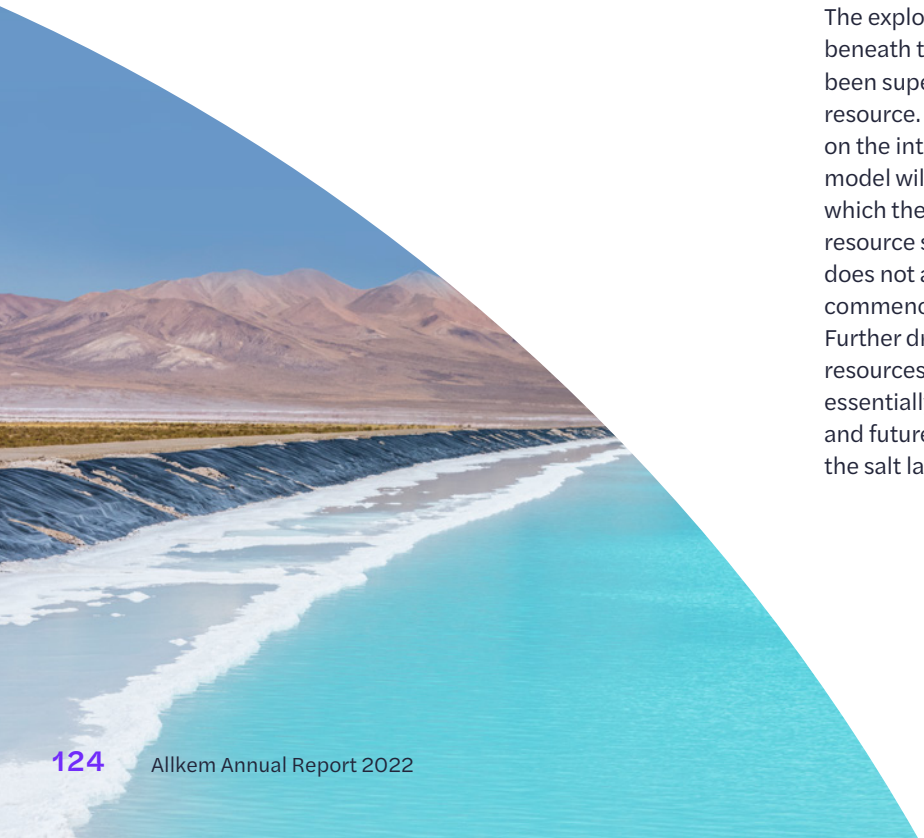


Table 2—Olaroz 2022 Resource Estimate

Classification	Area	Thickness	Sediments Million	Mean Specific Yield Porosity	Brine Million	Li	Tonnes	Tonnes
	km²	m	m³	%	m³	mg/L	Li	LCE
Allkem (SdJ JV)								
Measured 0 – 200 m	103.2	200	20,452	6.5%	1,338	646	864,000	4,600,000
Indicated 200 – 450 m	79.8	250	19,117	5.7%	1,095	667	730,000	3,890,000
Indicated 200 – 350 m	23.4	150	3,273	4.8%	157	560	88,000	470,000
M&I	103.2	350/450	42,842	6.0%	2,590	650	1,682,000	8,960,000
Inferred total > 350/450 m	**103.2**	**Variable**	**29,656**	**5.3%**	**1,570**	**654**	**1,030,000**	**5,470,000**
Olaroz Lithium (Allkem 100%)								
Measured 0 – 200 m	9.6	200	1,913	7.7%	148	673	100,000	530,000
Indicated 200 – 450 m	6.7	250	723	4.2%	30	830	25,000	130,000
Indicated 200 – 350 m	2.9	150	925	4.1%	38	631	24,000	130,000
M&I	9.6	350/450	3,562	6.1%	216	687	149,000	790,000
Inferred total > 350/450 m	**9.6**	**Variable**	**6,267**	**4.0%**	**249**	**718**	**180,000**	**950,000**
M&I Total	**112.8**						**1,831,000**	**9,750,000**
Inferred Total	**112.8**						**1,210,000**	**6,420,000**
Grand Total	**112.8**						**3,041,000**	**16,170,000**

1 JORC definitions were followed for mineral resources.
2 The Qualified Person for this Mineral Resource estimate is Murray Brooker, RPGeo, MAIG.
3 Lithium is converted to lithium carbonate (Li2CO3) with a conversion factor of 5.32.
4 Zero cut off grade applied to the resource which is entirely within the salt lake boundary and all concentrations are economic
5 Numbers may not add due to rounding

Olaroz Reserve Estimate

There is currently no mineral reserve defined for the Olaroz Project. An initial evaluation of pumping performance in the salar to date was completed using numerical (groundwater) modelling software. This work established the data requirements for the company to develop a new groundwater model to develop a reserve estimate with the results of deeper drilling being undertaken for the project expansion.

The new groundwater model will be optimised to simulate the results of long-term brine extraction from the salar. This model will be developed on the updated lithium mineral resources with M&I resources defined to 450 m depth.

Prediction of brine extraction through the life of the project, using the new groundwater model and based on observations of pumping from 2013 to 2022, will allow definition of a long-term production schedule and a mineral reserve of lithium in brine which can be extracted by long-term pumping operations.

Cauchari Project

The Cauchari Project, immediately south of Olaroz, was acquired in 2020 following the completion of a statutory plan of arrangement with Advantage Lithium. The Cauchari project has similar brine characteristics to Olaroz (although lower grade) and provides additional optionality for the company with regards to project expansion when lithium demand has increased in the future.

The 2018 Phase III drilling program and subsequent 30 day constant rate pumping tests more than doubled the resource at Cauchari from the previous estimate released on 24 May 2018 (see ASX announcement 7 March 2019).

Independent consultants FloSolutions SpA.(now Atacama Water) provided a resource volume of 1.9 km³ of brine at an average concentration of 476 mg/l lithium for 4.8 Mt of LCE in the Measured & Indicated (M&I) categories. The Inferred Resource estimate comprises 0.6 km³ of brine at an average grade of 473 mg/l lithium equivalent for 1.5 Mt of LCE.

The resource estimate includes both the NW and SE Sectors of the project. The resources have been broken into six different geological units which are classified between Measured, Indicated and Inferred resources, with the classification reflecting differences in the level of available sample information.

The key areas of the resource for future brine production are the Archibarca Fan (NW Sector, immediately south of Olaroz) and the SE Sector of the Project.

The Archibarca Fan resource consists of 1.0 Mt of LCE as Measured Resources at 564 mg/l lithium. The M&I Resources in the SE Sector, mostly contained in the Clay and Halite units, amount to approximately 2.3 Mt of LCE at 481 mg/l lithium. The extraction characteristics of the Archibarca Fan and SE Sector have been confirmed by 30 day pumping tests in each area following the Phase III drilling program in 2018.

The brine resource is calculated over the NW and SE properties of the Cauchari Project and covers an area of 117.7 km². The brine resource in the west extends from the brine level below the surficial gravels to a depth of over 400 m and is classified as Measured in the north in the Archibarca area and Indicated further south in the West Fan, with small volumes of Inferred resources in these areas. The M&I Resources in the SE Sector extend from the phreatic brine level to a constant depth of 400 m in the Halite and Clay units. Indicated Resources in the Deep Sand unit extend to 500 m depth. Below these depths the resource is classified as Inferred, reaching a depth of up to 619 m. The Deep Sand unit remains open at depth. None of the drill holes completed to date have intercepted bedrock (basement) and the resource remains open at depth. The updated resource estimate is presented in Table 3.

Table 3—Cauchari Project Lithium Resource Estimate; April 2019 and 30 June 2022

	Measured (M)	Indicated (I)	M+I	Inferred
Aquifer volume (km³)	9.7	20.9	30.7	10.7
Mean specific yield	6%	6%	6%	6%
Brine volume (km³)	0.6	1.2	1.9	0.6
Li mean grade (g/m³)	35	26	29	27
Li mean concentration (mg/l)	527	452	476	473
Resource (tonnes)	345,000	550,000	900,000	290,000
Lithium Carbonate Equivalent	1,850,000	2,950,000	4,800,000	1,500,000

6 JORC and CIM definitions were followed for mineral resources.
7 The Qualified Person for this Mineral Resource estimate is Murray Brooker, RPGeo, MAIG.
8 Lithium is converted to lithium carbonate (Li2CO3) with a conversion factor of 5.32.
9 Zero cut off grade applied to the resource
10 Numbers may not add due to rounding.

Results of the brine chemistry analysis carried out as part of the updated resource estimate confirmed the Cauchari brine is similar in composition to the brine in the adjacent Olaroz Salar from which Allkem successfully produces lithium carbonate using conventional lithium processing technology. There is a reasonable prospect that the Cauchari brine could be successfully processed using technology similar to Olaroz. A summary of the Cauchari brine characteristics can be in found in Table 4.

Table 4—Cauchari Brine Chemistry Characteristics; 7 March, 2019

Samples Ratio	Archibarca Fan	Clay	East Fan	Halite	Deep Sand	West Fan
Mg/Li	2.3	2.5	1.6	2.7	2.5	3.2
SO4/Li	26.2	39.7	88.7	44.3	38.1	38.4

Resource Estimation Methodology

The lithium resource estimate for the Cauchari Project is based on the results of 26 diamond holes and five rotary holes drilled between 2011 and the end of 2018.

Brine sample collection consisted of bailed and packer samples in the diamond holes, and packer and pumped samples in the rotary holes. More than 2,000 brine samples (including more than 300 QA/ QC samples) were analysed by Norlabs (Jujuy, Argentina) as the primary laboratory and by Alex Steward Assayers (Mendoza, Argentina) and the University of Antofagasta (Chile) as secondary QA/QC laboratories. Brine was also extracted from diamond cores (centrifuge methodology) in an independent laboratory in the USA and analysed in the Norlabs laboratory in Argentina to further verify and validate brine chemistry results.

HQ core was retrieved during the diamond core drilling from which more than 300 primary undisturbed samples were prepared for laboratory drainable porosity and other physical parameter determinations by Geo Systems Analysis (GSA) in Tucson, AZ. Laboratory QA/QC porosity analyses were undertaken by the DBS&A Laboratory, Core Laboratories and the British Geological Survey.

The lithium resource was estimated using SGEMs software applying ordinary kriging. The resource estimate was prepared in accordance with the guidelines of JORC and Canadian National Instrument 43-101 and uses best practice methods specific to brine resources, including a reliance on core drilling and sampling methods that yield depth-specific chemistry and drainable porosity measurements. The resource estimation was completed by independent qualified person Mr. Frits Reidel of Santiago based hydrogeology firm FloSolutions SpA (now Atacama Water). with extensive experience in the estimation of lithium brine resources in Argentina. Competent Person (CP) Mr. Murray Brooker reviewed advances during the drilling programs and during the resource estimation.

Further information on the Cauchari Resource and Olaroz Resources and Reserves can be found in the technical reports available at allkem.co/investors/reports-and-results.

Sal de Vida

Sal de Vida Brine Resource Estimate

Drilling results from eight production wells increased the depth of the basement model and the size of the brine aquifer, leading to an increase in Inferred Mineral Resources of 0.6Mt. The 2022 Mineral Resource Estimate reflects a ~10% increase to the 2021 Mineral Resource estimate.

The different resource categories were assigned based on available data and confidence in the interpolation and extrapolation possible given reasonable assumptions of both geologic and hydrogeologic conditions.

Sal de Vida Resource Estimate at 30 June 2022

Category	Brine volume	Average Li	In Situ Li	Li_2CO_3 Equivalent
	m^3	mg/l	('000) tonnes	('000) tonnes
Measured	6.17×10^8	757	467	2,487
Indicated	8.87×10^8	793	703	3,743
Measured and Indicated	1.5×10^9	775	1,170	**6,230**
Inferred	2.1×10^8	563	117	621
Total	**1.7×10^9**	**752**	**1,287**	**6,851**

Sal de Vida Resource Estimate at April 2021

Category	Brine Volume	Average Li	In Situ Li	Li_2CO_3 Equivalent
	m^3	mg/l	('000) tonnes	('000) tonnes
Measured	4.9×10^8	759	369	1,964
Indicated	6.8×10^8	717	485	2,583
Measured and Indicated	1.2×10^9	735	854	**4,547**
Inferred	3.9×10^9	811	316	1,684
Total	**1.6×10^9**	**754**	**1,170**	**6,231**

Note: Cut-off grade: 500 mg/L lithium. The reader is cautioned that mineral resources are not mineral reserves and do not have demonstrated economic viability. Values are inclusive of Reserve estimates, and not "in addition to".

Sal de Vida Brine Reserve Estimate

The revised reserve estimate of 1.74 Mt LCE for 40 years reflects a 34% increase compared to the previous estimate of 1.29 Mt LCE for 44 years. The difference of four years reflects the Company's development approach of two stages, compared to the previous three stages detailed in the 2021 Feasibility Study.

Based on the modelled hydrogeological system and results of the numerical modelling, the Proven Brine Reserve reflects what is feasible to be pumped to the ponds and recovered through the process plant during the first eight years of operation at each of the wellfields.

The model projects that the wellfields will sustain operable pumping for 40 years; 34 years of pumping from each wellfield has been categorised as a Probable Brine Reserve. The Proven and Probable Reserve estimate of 1.74 Mt LCE represents approximately 28% of the current Measured and Indicated Brine Resource estimate.

Sal de Vida Reserve Estimate at 30 June 2022

Category	Time Period	Li Total Mass	Li_2CO_3 Equivalent
	years	('000) tonnes	('000) tonnes
Proven	1 – 8	51	270
Probable	7 – 40	276	1,470
Total	**40**	**327**	**1,740**

Note: Assumes 500 mg/L Li cut-off, 70% Li process recovery

Sal de Vida Reserve Estimate at April 2021

Category	Time period	Li Total Mass	Li_2CO_3 Equivalent
	years	('000) tonnes	('000) tonnes
Proven	1 – 10	37	195
Probable	7 – 44	206	1,096
Total	**44**	**242**	**1,290**

Note: Assumes 500 mg/L Li cut-off, 68.7% Li process recovery

James Bay

James Bay Mineral Resource Estimate

The Mineral Resource Statement presented herein represents the second mineral resource evaluation prepared for the James Bay Project.

The initial mineral resource released in 2017 remains current and was restated in the 2021 Feasibility Study as only minor geotechnical and metallurgical drilling had been performed since 2017, which has had no material effect on the estimate.

Comprehensive verification of all data pertaining to the Mineral Resource Estimate released in 2017 was undertaken, and a site visit to the project was conducted.

James Bay Mineral Resource Estimate at 30 June 2022

Category	Tonnage Mt	Grade % Li_2O	Contained Metal ('000) t Li_2O
Indicated	40.30	1.40	564.2
Total	**40.30**	**1.40**	**564.2**

Note: The Mineral Resource Estimate is reported at a cut-off grade of 0.62% Li_2O inside a conceptual pit shell optimised using spodumene concentrate price of USD 950/t containing 6.0% Li_2O, metallurgical and process recovery of 70%, overall mining and processing costs of USD 55/t milled and overall pit slope of 50 degrees. All figures are rounded to reflect the relative accuracy of the estimates. Mineral resources are not mineral reserves and do not have demonstrated economic viability.

James Bay Ore Reserve Estimate

The Maiden Ore Reserve of 37.2 Mt at an average grade of 1.3% Li_2O demonstrates Probable Ore Reserves economic for concentrate production utilising USD 950/t at 6.0% Li_2O.

James Bay Ore Reserve—December 2021

Category	Ore tonnage (k dmt)	Lithium grade (%Li_2O)	Contained Metal ('000) t Li_2O
Proven	0	0	0
Probable	37,207	1.30	483.7
Proven + Probable	**37,207**	**1.30**	**483.7**

Notes:
1 Effective date of the estimate is December 2021;
2 Mineral Reserves are estimated using the following long-term metal prices (Li_2O Conc = USD 950/t Li2O at 6.0% Li_2O) and an exchange rate of CAD/USD 1.33;
3 A minimum mining width of 5 m was used;
4 Cut-off grade of 0.62% Li_2O;
5 Bulk density of ore is variable, outlined in the geological block model and average 2.7 g/t;
6 The average strip ratio is 3.54:1;
7 The average mining dilution factor is 3.0% at 0.38% Li_2O.

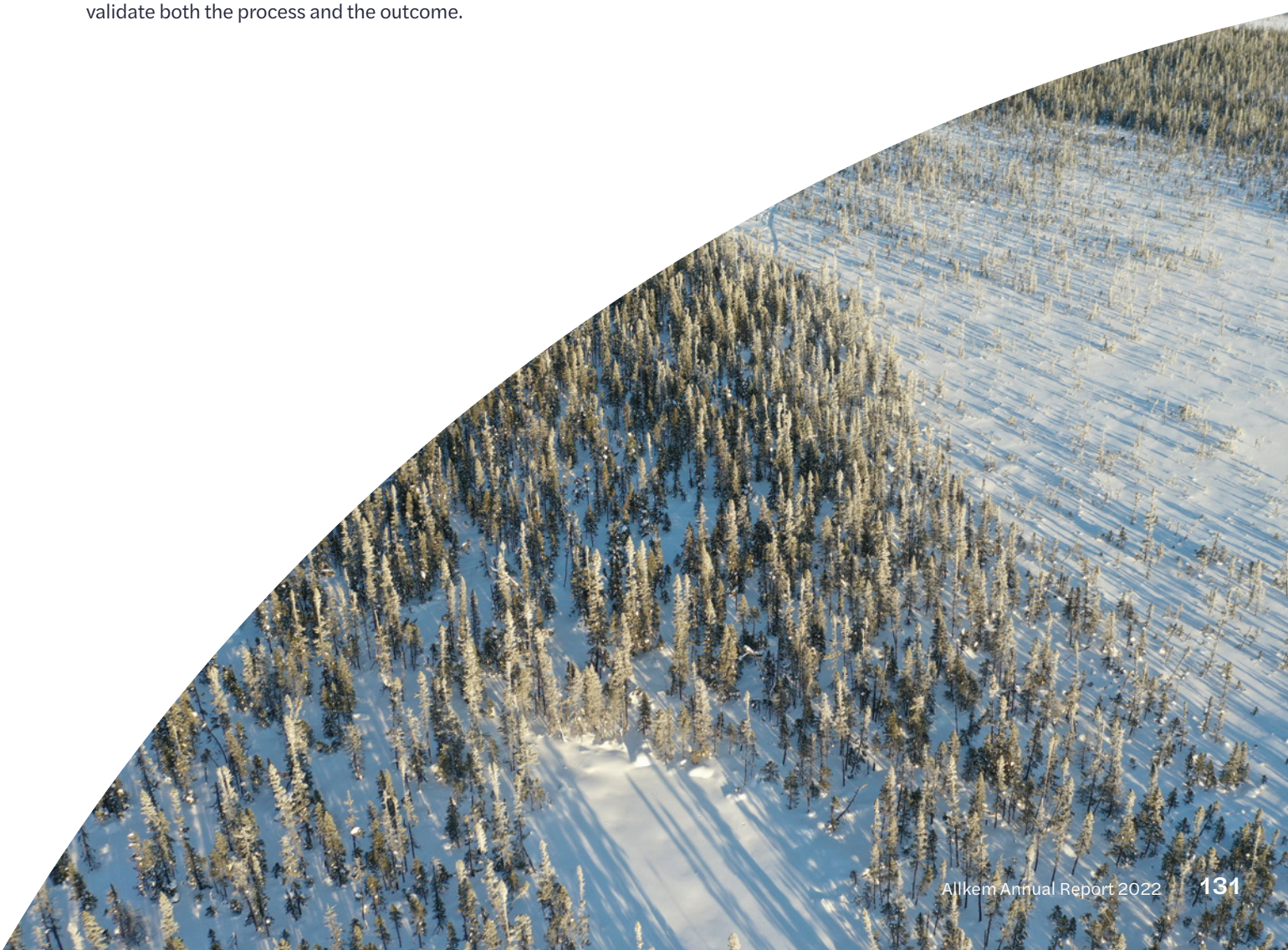
Controls and Governances

Allkem ensures that quoted Mineral Resource and Ore Reserve estimates are subject to internal controls and external review at both project and corporate levels. Mineral Resource and Ore Reserves are estimated and reported in accordance with the 2012 edition of the JORC Code.

Allkem stores and collects exploration data using industry standard software that contains internal validation checks. Exploration samples from drilling have certified reference material standards introduced to the sample stream at set ratios, typically 1 per 25 samples. These are reported as necessary to the relevant Competent Persons to assess both accuracy and precision of the assay data applied to resource estimates. In resource modelling, block models are validated by checking the input drill hole composites against the block model grades by domain.

Allkem engages independent, qualified experts and Competent Persons, on a commercial fee for service basis, to undertake Mineral Resource and Ore Reserve audit. Allkem internally reconciles the resource outcomes to validate both the process and the outcome.

The Company has developed its internal systems and controls to maintain JORC compliance in all external reporting, including the preparation of all reported data by Competent Persons who are members of the Australasian Institute of Mining and Metallurgy or a 'Recognised Professional Organisation' (RPO). As set out above, the Mineral Resource and Ore Reserve statements included in this announcement were reviewed by suitably qualified Competent Persons (below) prior to their inclusion, in the form and context announced.



Competent Person Statement

Mt Cattlin

The information in this announcement that relates to Exploration Results and Mineral Resources is based on information compiled by Albert Thamm, B.Sc. (Hons)., M.Sc. F.Aus.IMM, a Competent Person who is a Fellow of The Australasian Institute of Mining and Metallurgy. Albert Thamm is a full-time employee of Galaxy Resources Pty. Limited. Albert Thamm has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Albert Thamm consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.

The information in this announcement that relates to the 30 June 2022 Mt Cattlin Ore Reserve is based on information compiled by Keith Muller, B. Eng. (Mining), M. Eng. (Mining), F.Aus.IMM (CP Mining), a Competent Person who is a Fellow of the Australasian Institute of Mining and Metallurgy. Keith Muller is a full-time employee of Galaxy Resources Pty. Ltd. Keith Muller has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Keith Muller consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.

The scientific and technical information contained in this announcement has been reviewed and approved by Albert Thamm, as it relates to geology, exploration, drilling, sample preparation, data verification and the depleted Mineral Resource and Keith Muller, BEng Mining, M. Eng. F.Aus.IMM (CP Mining) as it relates to the Mineral Reserve, mining methods and infrastructure; mineral processing, recovery methods, market studies, permitting, environmental and social studies, capital and operating cost estimates and economic analysis.

Olaroz

The information in this report that relates to Olaroz Mineral Resources and Ore Reserves is based on information compiled by Mr Murray Brooker, a Competent Person who is a Member of the Australian Institute of Geoscientists, a 'Recognised Professional Organsation' (RPO) included in a list posted on the ASX website from time to time. Mr Brooker is an independent consultant employed by Hydrominex Geoscience Pty Ltd and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. He is also a "Qualified Person" as defined by Canadian Securities Administrators' National Instrument 43-101. Mr Brooker consents to the inclusion in this announcement of the matters based on this information in the form and context in which it appears.

Technical information relating to the Company's James Bay project contained in this report is derived from, and in some instances is an extract from, the technical report entitled "Feasibility Study—James Bay Lithium Project" (Technical Report) which has been reviewed and approved by James Purchase, P.Geo (G-Mining Services Inc.,) as it relates to geology, drilling, sampling, exploration, QA/QC and mineral resources: Joel Lacelle, P. Eng. (G-Mining Services Inc.); as it relates to site infrastructure and capital cost and operating cost estimate: Carl Michaud, P. Eng. (GMining Services Inc.); as it relates to mining methods, mining cost, financial modeling and economic analysis: Christopher Larder, Eng. (Wave International); as it relates to mineral processing and related infrastructures: Darrin Johnson, Ontario P. Eng. (Golder Associated Ltd.); as it relates to waste rock and tailings management related infrastructures: Joao Paulo Lutti, Eng. (Golder Associated Ltd); as it relates to water management infrastructures: Simon Latulippe Eng. (WSP Canada Inc.); as it relates to environmental and permitting in accordance with National Instrument 43-101—Standards for Disclosure for Mineral Projects. The Technical Report will be filed within 45 days of this release and will be available for review under the Company's profile on SEDAR at www.sedar.com.

Cauchari

The information in this report that relates to Cauchari Mineral Resources is based on information compiled by Mr Murray Brooker, a Competent Person who is a Member of the Australian Institute of Geoscientists, a 'Recognised Professional Organsation' (RPO) included in a list posted on the ASX website from time to time. Mr Brooker is an independent consultant employed by Hydrominex Geoscience Pty Ltd and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. He is also a "Qualified Person" as defined by Canadian Securities Administrators' National Instrument 43-101. Mr Brooker consents to the inclusion in this announcement of the matters based on this information in the form and context in which it appears.

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

The information in this report that relates to Sal de Vida's Mineral Resources and Reserves is based on information compiled by Michael Rosko, MS PG, a Competent Person who is a Registered Member of the Society for Mining, Metallurgy and Exploration, Inc (SME), a 'Recognised Professional Organisation' (RPO) included in a list posted on the ASX website from time to time. Mike Rosko is a full-time employee of Montgomery and Associates Consultore Limitada and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mike Rosko consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.

The scientific and technical information contained in this report has been reviewed and approved by, Michael Rosko, MSc. Geology (Montgomery and Associates), as it relates to geology, modelling and resource reserve estimates; Michael Gunn, BSc. Chemical Engineering (Gunn Metals), as it relates to processing, facilities, infrastructure, project economics, capital and operating cost estimates; Scott Weston, BSc. (Hons) and MBA in Mineral Resources Management (Ausenco), as it relates to permitting and environmental and social studies. The scientific and technical information contained in this release will be supported by a technical report to be prepared in accordance with National Instrument 43-101—Standards for Disclosure for Mineral Projects. The Technical Report will be filed within 45 days of this release and will be available for review under the Company's profile on SEDAR at www.sedar.com.

James Bay

The Information in this report that relates to James Bay Mineral Resources is based on information compiled by Mr James Purchase, a Competent Person who is a Member of L'Ordre des Géologues du Québec, a Recognised Professional Organisation included in a list posted on the ASX website from time to time. Mr Purchase is a full-time employee of G Mining Services Inc. Mr Purchase has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Purchase consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to the James Bay Ore Reserve is based on information compiled by Carl Michaud, P. Eng., a Competent Person who is a Member of L'Ordre des Ingénieurs du Québec, a Recognised Professional Organisation included in a list posted on the ASX website from time to time. Carl Michaud is a full-time employee of G Mining Services Inc. Carl Michaud has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Carl Michaud consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.

Technical information relating to the Company's James Bay project contained in this release is derived from, and in some instances is an extract from, the technical report entitled "Feasibility Study—James Bay Lithium Project" (Technical Report) which has been reviewed and approved by James Purchase, P.Geo (G-Mining Services Inc.,) as it relates to geology, drilling, sampling, exploration, QA/QC and mineral resources: Joel Lacelle, P. Eng. (G-Mining Services Inc.); as it relates to site infrastructure and capital cost and operating cost estimate: Carl Michaud, P. Eng. (GMining Services Inc.); as it relates to mining methods, mining cost, financial modeling and economic analysis: Christopher Larder, Eng. (Wave International); as it relates to mineral processing and related infrastructures: Darrin Johnson, Ontario P. Eng. (Golder Associated Ltd.); as it relates to waste rock and tailings management related infrastructures: Joao Paulo Lutti, Eng. (Golder Associated Ltd); as it relates to water management infrastructures: Simon Latulippe Eng. (WSP Canada Inc.); as it relates to environmental and permitting in accordance with National Instrument 43-101—Standards for Disclosure for Mineral Projects. The Technical Report will be filed within 45 days of this release and will be available for review under the Company's profile on SEDAR at www.sedar.com.

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.

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