FY23 Half Year Results

Allkem Limited (ASX|TSX: **AKE**, "**Allkem**" or the "**Company"**) provides financial results for the Allkem Group (**the Group**) for the half year ended 31 December 2022.

HIGHLIGHTS

- Group revenue for the period increased almost 3x to US$558 million on the previous corresponding period ("**PCP**")
- The Olaroz Lithium Facility[1] achieved record production of 7,542 tonnes, 13% higher than the prior record in 2019
- Record revenue from Olaroz increased ~4.5x to US$296 million on sales of 6,852 tonnes of lithium carbonate with an additional US$5 million of revenue generated from by-product sales. Average pricing increased almost 4x from the PCP to US$43,236/t FOB[2]. The gross profit margin was ~90%
- Spodumene revenue increased by 65% from the PCP to US$190m from sales of 36,951 dry metrics tonnes (**dmt**) of spodumene concentrate at an average price of US$5,136/tonne CIF[2]. Gross cash margin of 76%
- Additional revenue of ~US$72 million generated from sales of low-grade product from both Mt Cattlin and Olaroz reflecting very strong market conditions and demand from customers
- Excellent operating performance and highly supportive market conditions generated group gross profit of US$462 million with group EBITDAIX of US$401 million and consolidated net profit after tax of US$219 million reflecting improved product prices, focussed operational management and comprehensive cost control mitigating inflationary pressures
- Strong cash generation and existing net cash balance of US$552m is expected to fully fund committed projects
- Q3 FY23 lithium carbonate prices are expected to be approximately ~US$53,000/t FOB, excluding Naraha feedstock which is an intermediate input for the production of battery grade lithium hydroxide
- Customer demand in the spodumene market remains robust, driven by strong lithium hydroxide requirements, and pricing in the March quarter is expected to be 5% above the December quarter.

DEVELOPMENT PROJECTS

- New development and expansions are expected to see the business expand three-fold as the lithium industry continues to grow with the increasing adoption of electric vehicles.
- By the end of January Olaroz Stage 2 reached 97% completion, pre-commissioning and commissioning activities are underway, with full commissioning activities expected to commence later in Q1 CY23. First production is planned for Q2 CY23
- Naraha successfully achieved first production of lithium hydroxide and product quality exceeded expectations. Approximately 200 tonnes of lithium hydroxide produced during the quarter has been sold to third party customers. At the date of this report the plant was operating consistently at 85% utilisation producing on-spec battery grade lithium hydroxide
- The first two strings of ponds at Sal de Vida Stage 1 are currently at ~87% completion and the EPC contract for the process plant has been awarded. First production currently estimated in mid-2024
- James Bay obtained approval by the Joint Assessment Committee (Federal government) of the ESIA. Comex approval (Quebec government and CREE Nation) of the ESIA, agreement of the IBA

[1] All figures 100% Olaroz Project Basis.

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

and procedural construction permitting remain in progress. Once permits are secured, construction will commence and the Company will update guidance for first production

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

"Our FY23 half year results continue to demonstrate the improving profitability of our existing operations and the strong demand we receive from customers."

"Amidst strong demand for lithium products we have delivered first production at the Naraha Lithium Hydroxide Plant and advanced Olaroz Stage 2 to commissioning. Sal de Vida construction is well underway, and James Bay is advancing with approvals received by the federal government for the ESIA."

"With two revenue generating operations being supplemented in the near future by Olaroz Stage 2 and a strong balance sheet, we are fully funded to complete construction at Sal de Vida and the development of James Bay."

"We recently advised the sad news that Neil Kaplan passed away. Neil was an outstanding CFO and highly respected colleague who dedicated more than 10 years of service to the business. We will miss him greatly and offer our deepest condolences to his wife and family."

"Christian Cortes has accepted the role of Acting CFO and will ensure a seamless transition of the Company's finance functions whilst the Board conducts a formal search for a permanent CFO."

"Allkem remains focussed on continuing successes of our business, optimising operations and delivering its tier 1 development assets while also advancing the next wave of growth."

GROUP PROFIT OVERVIEW

The Group produced a Group EBITDAIX of US$401.5 million and consolidated net profit after tax of US$219.2 million (31 December 2021: US$13.0 million). Revenues increased by US$377.3 million to post a record six-month revenue of US$557.9 million as a result of strong pricing. The net profit after tax includes gains of US$27.9 million from financial instruments, and foreign exchange losses of US$26.5 million, net finance income of US$11.8 million and income tax expense of US$155.9 million.

Net assets of the Group increased to US$3,248.7 million as at 31 December 2022 (30 June 2022: US$3,081.4 million) including cash balances of US$770.3 million (30 June 2022: US$663.6 million). The increase in cash is due to the profitable operations partially offset by capital expenditure.

Group capital expenditure (including exploration) for the half-year totalled US$194.6 million (31 December 2021: US$99.6 million) and the Mizuho project loans were reduced by ~US$18.3 million.

	Group		Olaroz		Mt Cattlin (4 months)	
	31-Dec-22	31-Dec-21	**31-Dec-22**	31-Dec-21	**31-Dec-22**	31-Dec-21
	US $'000	US $'000	**US $'000**	US $'000	**US $'000**	US $'000
Revenue	**557,875**	180,527	**300,817**	65,620	257,058	114,907
EBITDAIX 1	**401,459**	97,780	**246,605**	35,299	202,894	71,027
Less depreciation & amortisation	**(32,192)**	(18,488)	**(9,027)**	(8,611)	(22,215)	(9,065)
EBITIX 2	**369,267**	79,292	**237,578**	26,688	**180,679**	61,962
Less interest income/(costs)	**11,796**	(10,176)	**(3,664)**	(12,610)	6,934	(237)
EBTIX 3	**381,063**	69,116	**233,914**	14,078	**187,613**	61,725
Add other income – gains from financial instruments	**27,896**	12,396	-	-	-	-
Less foreign currency gains/(losses)	**(26,455)**	(420)	**(24,479)**	(1,323)	83	(178)
Less share of loss of associates, net of tax	**(4,051)**	(869)	-	-	-	-
Less acquisition costs	-	(12,760)	-	-	-	-
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)
Segment profit for the period before tax	**378,453**	41,696	**209,435**	12,755	**187,696**	35,780
Income tax expense	**(155,940)**	(29,134)	**(93,817)**	(23,843)	(56,653)	(10,734)
Total profit/(loss) for the period – continuing operations	**222,513**	12,562	**115,618**	(11,088)	**131,043**	25,046
Discontinued operations	**(3,278)**	396				
Total profit for the period	**219,235**	12,958				

1. EBITDAIX - Segment earnings before interest, taxes, depreciation, amortisation, impairment, gains from financial instruments, foreign currency (losses)/gains, share of associate losses, business combination costs and other adjustments due to purchase price allocation.

2. EBITIX - Segment earnings before interest, taxes, impairment, gains from financial instruments, foreign currency (losses)/gains, share of associate losses, business combination costs and other adjustments due to purchase price allocation.

3. EBTIX - Segment earnings before taxes, impairment, gains from financial instruments, foreign currency (losses)/gains, share of associate losses, business combination costs and other adjustments due to purchase price allocation.

ENDS

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

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