ASX / TSX RELEASE
6 October 2023

Additional financial reports in the context of proposed Livent merger

Allkem Limited (ASX: AKE, "**Allkem**" or the "**Company**") provides a financial report for the years ended 30 June 2023, 2022 and 2021. This financial report is expected to be referenced in the Scheme Booklet that Allkem is aiming to finalise in coming weeks as part of the proposed merger of equals between Allkem and Livent Corporation announced to ASX on 10 May 2023 ("**Transaction**").

The financial report differs from the previously published 2023 financial report included in Appendix 4E on 22 August 2023, in that it includes an additional comparative consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 30 June 2021 and related notes.

The additional comparative financial information re-presents Borax Argentina S.A. as a discontinued operation for the year ended 30 June 2021. Allkem considers that it will be helpful for its shareholders to have access to this information ahead of finalisation and issue of the Scheme Booklet, so that the disclosure of certain historical financial information in that Scheme Booklet is suitably focused on the Transaction and its anticipated effects.

To avoid any doubt: the financial results for the years ended 30 June 2023 and 2022 are unchanged from those previously published in the Appendix 4E on 22 August 2022.

ENDS

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

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IMPORTANT NOTICES

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

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

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Forward Looking Statements

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

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

Allkem Limited

(formerly known as Orocobre Limited)

ABN 31 112 589 910

Financial Report for the Years ended 30 June 2023, 2022, 2021

Consolidated statement of profit or loss
for the year ended 30 June 2023

		2023	2022	2021
	Note	US$'000	US$'000	US$'000
Revenue	1	1,207,801	744,683	66,370
Cost of sales		(142,000)	(144,521)	(25,004)
Gross profit		1,065,801	600,162	41,366
Other income	3a	66,023	31,666	1,725
Corporate and administrative expenses	3b	(66,470)	(43,509)	(16,868)
Merger and acquisition costs		(9,945)	(12,760)	(1,243)
Selling expenses	3c	(89,562)	(57,024)	(2,966)
Depreciation and amortisation expense	10,11	(98,786)	(63,310)	(18,758)
Asset impairment and write-downs		-	(244)	-
Share of net loss of associate	22	(2,114)	(2,951)	(1,682)
Foreign currency loss	3d	(83,280)	(10,260)	(3,619)
Profit/(loss) before interest and income tax		781,667	441,770	(2,045)
Finance income	3e	72,311	5,980	1,602
Finance costs	3f	(24,071)	(20,180)	(22,664)
Profit/(loss) before income tax		829,907	427,570	(23,107)
Income tax expense	5a	(305,332)	(92,884)	(67,940)
Profit/(loss) after taxation from continuing operations		**524,575**	**334,686**	**(91,047)**
Discontinued operations:				
(Loss)/profit after tax for the period from discontinued operations	2	(3,278)	2,537	1,573
Profit/(loss) for the period		**521,297**	**337,223**	**(89,474)**
Profit/(loss) for the year attributable to:				
Owners of the parent entity		441,711	305,674	(59,625)
Non-controlling interests		79,586	31,549	(29,849)
Profit/(loss) for the period		**521,297**	**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)	6	69.31	51.59	(18.02)
Diluted earnings per share (US cents per share)	6	68.92	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)	6	69.82	51.16	(18.50)
Diluted earnings per share (US cents per share)	6	69.43	50.91	(18.50)

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

Comparative financial information has been re-presented to separately disclose the contribution of discontinued operations. Refer to Note 2 for further information.

Consolidated statement of comprehensive income
for the year ended 30 June 2023

	Note	2023 US$'000	2022 US$'000	2021 US$'000
Profit/(loss) for the period		521,297	337,223	(89,474)
Other comprehensive income/(loss), net of tax				
(Items that may be reclassified subsequently to profit or loss)				
Foreign currency translation (losses)/gains – subsidiaries	16b	(19,291)	(2,560)	1,500
Foreign currency translation losses – associate	16b	(458)	(291)	(88)
Net gains on revaluation of derivatives – hedging instruments		1,010	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	16b	(424)	(5,985)	-
Other comprehensive (loss)/income for the year, net of tax		(19,163)	(5,891)	3,571
Total comprehensive income/(loss) for the year, net of tax		**502,134**	**331,332**	**(85,903)**
Total comprehensive income/(loss) attributable to:				
Owners of the parent entity		422,210	298,797	(56,777)
Non-controlling interests		79,924	32,535	(29,126)
Total comprehensive income/(loss) for the year, net of tax		**502,134**	**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 2023

	Note	2023 US$'000	2022 US$'000
Current assets			
Cash and cash equivalents	17	821,429	663,538
Trade and other receivables	7	142,915	81,804
Inventory	9	126,474	76,241
Prepayments	8	30,879	10,298
Total current assets		1,121,697	831,881
Non-current assets			
Other receivables	7	42,724	49,241
Inventory	9	86,665	53,402
Financial assets at fair value through other comprehensive income		3,474	4,048
Other financial assets	17	21,372	16,356
Property, plant and equipment	10	2,943,452	2,557,882
Intangible assets	11	520,487	525,012
Exploration and evaluation assets	12	467,557	424,961
Investment in associate	22	4,017	890
Other non-current assets		2,670	3,841
Deferred tax assets	5b	3,078	25,217
Total non-current assets		4,095,496	3,660,850
Total assets		5,217,193	4,492,731
Current liabilities			
Trade and other payables	14	137,354	96,443
Derivative financial instruments		-	1,086
Loans and borrowings	17	42,519	37,574
Provisions	15	13,870	14,297
Lease liabilities	13	13,329	10,197
Income tax payable		176,174	44,692
Other liabilities		62,600	18,247
Total current liabilities		445,846	222,536
Non-current liabilities			
Other payables	14	29,022	30,973
Derivative financial instruments		-	336
Loans and borrowings	17	231,756	274,103
Provisions	15	47,456	59,350
Lease liabilities	13	39,917	38,222
Deferred tax liability	5c	849,445	785,845
Total non-current liabilities		1,197,596	1,188,829
Total liabilities		1,643,442	1,411,365
Net assets		3,573,751	3,081,366
Equity			
Issued capital	16a	2,686,134	2,686,134
Treasury shares	16a	(2,311)	-
Reserves	16b	(5,790)	(14,114)
Retained earnings		725,131	316,554
Equity attributable to the owners of Allkem		3,403,164	2,988,574
Equity attributable to non-controlling interests		170,587	92,792
Total equity		3,573,751	3,081,366

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 2023

	Note	Issued capital US$'000	Treasury Shares US$'000	Reserves US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total 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/(loss) for the year	16b	-	-	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]	16a	120,050	-	-	-	120,050	-	120,050
Share-based payments	16b	-	-	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	16b	-	-	(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)]	16a	2,017,622	-	-	-	2,017,622	-	2,017,622
Share-based payments	16b	-	-	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
Balance as at 1 July 2022		2,686,134	-	(14,114)	316,554	2,988,574	92,792	3,081,366
Profit for the year		-	-	-	441,711	441,711	79,586	521,297
Reclassification to profit or loss	2,16b	-	-	5,749	-	5,749	-	5,749
Other comprehensive income/(loss) for the year	16b	-	-	(25,250)	-	(25,250)	338	(24,912)
Total comprehensive income/(loss)		-	-	(19,501)	441,711	422,210	79,924	502,134
Acquisition of treasury shares	16a	-	(17,939)	-	-	(17,939)	-	(17,939)
Issue of treasury shares for share-based payments	16a	-	15,628	(15,628)	-	-	-	-
Share-based payments	16b	-	-	11,048	-	11,048	-	11,048
Dividends paid to non-controlling interests [ii)]		-	-	-	-	-	(3,706)	(3,706)
Transfer of retained earnings to legal and discretionary reserve	16b	-	-	32,405	(32,405)	-	-	-
Other		-	-	-	(729)	(729)	1,577	848
Balance as at 30 June 2023		2,686,134	(2,311)	(5,790)	725,131	3,403,164	170,587	3,573,751

i) Shares issued are net of transaction costs (net of tax)
ii) Dividends paid by subsidiaries in the Group that had non-controlling interests

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

Consolidated statement of cash flows
for the year ended 30 June 2023

	Note	2023 US$'000	2022 US$'000	2021 US$'000
Cash flows from operating activities				
Receipts from customers		1,200,846	730,342	89,165
Payments to suppliers and employees		(371,700)	(284,191)	(97,133)
Interest received		54,958	6,003	1,993
Interest paid		(14,066)	(10,544)	(12,435)
Income tax paid		(79,128)	-	-
Net cash provided by/(used in) operating activities	25	790,910	441,610	(18,410)
Cash flows from investing activities				
Cash acquired from business combination		-	209,525	-
Payments for exploration and evaluation assets		(40,497)	(22,699)	(1,105)
Proceeds from the sale of assets		-	1,499	2,450
Purchase of property, plant and equipment		(493,721)	(238,719)	(96,508)
Loans provided to related party		(15,471)	(18,700)	-
Proceeds from financial instruments		66,359	32,033	2,711
Proceeds from financial assets		-	-	815
Payment for deposits		(5,017)	-	-
Payments for investment in associate	22	(5,699)	-	-
Cash disposed from disposal of subsidiary	2	(14,468)	-	-
Proceeds on disposal of subsidiary	2	200	-	-
Net cash used in investing activities		(508,314)	(37,061)	(91,637)
Cash flows from financing activities				
Proceeds from issue of shares (net of transaction costs)		-	(636)	119,351
Payments of treasury shares	16a	(17,939)	-	-
Payments of lease liabilities		(9,302)	(9,413)	(3,323)
Proceeds from borrowings		-	44,800	113,971
Proceeds from minority interests		838	1,894	-
Repayment of borrowings		(36,121)	(33,673)	(31,045)
Dividends paid to non-controlling interests		(3,705)	-	-
Net cash (used in)/provided by financing activities		(66,229)	2,972	198,954
Net increase in cash and cash equivalents		216,367	407,521	88,907
Cash and cash equivalents, net of overdrafts, at the beginning of the year		663,538	258,319	171,836
Effect of exchange rates on cash holdings in foreign currencies		(58,476)	(2,302)	(2,424)
Cash and cash equivalents, net of overdrafts, at the end of the year	17	821,429	663,538	258,319

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

About this report

General Information

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'.

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 4 September 2023 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 Australian Accountings 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 reclassified to conform with changes in presentation in the current year.
- Revenue and expenses of Borax Argentina S.A., a discontinued operation as at the date of the financial statements, have been re-presented in the consolidated statement of profit and loss, and in the 2022 and 2021 comparatives to separately disclose the contribution of discontinued operations. The restatement reflects the sale of Borax Argentina S.A. which was completed on 16 December 2022 and is detailed in Note 2.
- 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 2022, 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:

Significant judgements and estimates (continued)

Note	Critical accounting policy
1	Revenue
4	Business Combination
10	Impairment
5	Deferred Taxation
9	Inventory
12	Exploration and evaluation
15	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).

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.

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:

About this report (continued)

Foreign currency translation (continued)

Spot Rates	30 June 2023	30 June 2022	30 June 2021	Movement (%) 30 June 2023 to 30 June 2022	Movement (%) 30 June 2022 to 30 June 2021
ARS -> USD 1	256.7000	125.2300	95.7100	(104.98%)	(30.84%)
YEN -> USD 1	144.6761	136.3778	110.4914	(6.08%)	(23.43%)
AUD-> USD 1	1.5083	1.4516	1.3301	(3.91%)	(9.13%)
CAD-> USD 1	1.3294	1.2897	1.2394	(3.08%)	(4.06%)
Average Rates (Year)					
ARS -> USD 1	247.8067	105.4145	83.8555	(135.08%)	(25.71%)
YEN -> USD 1	140.9211	117.2517	106.4626	(20.19%)	(10.13%)
AUD-> USD 1	1.4909	1.3774	1.3412	(8.24%)	(2.70%)
CAD-> USD 1	1.3309	1.2652	1.2832	(5.19%)	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, Australia and Canada. The Group's primary focus is on the operation of the lithium business and development of lithium deposits. The Group has five reportable segments, being Corporate, Olaroz, Mt Cattlin, James Bay and Sal De Vida projects. The Corporate segment includes non-operating lithium deposits and the investment in Toyota Lithium Corporation.

On 16 December 2022, the Group disposed of the Borax group of entities comprising Borax Holdings No 1 Pty Ltd, Borax Holdings No 2 Pty Ltd and Borax Argentina S.A., which operated the Borax business. Unless otherwise noted, the segment information reported on the following pages does not include any amounts for Borax, which is described in more detail in Note 2.

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 financial year 2023.

	Corporate	Olaroz	Mt Cattlin	Sal De Vida	James Bay	Total before eliminations	Eliminations on consolidation	Total Group
	2023	2023	2023	2023	2023	2023	2023	2023
	US $'000	US $'000	US $'000	US $'000	US $'000	US $'000	US $'000	US $'000
Revenue	-	592,211	615,590	-	-	1,207,801	-	1,207,801
EBITDAIX [1]	(36,092)	475,181	515,881	(146)	(702)	954,122	(44,353)	909,769
Less depreciation & amortisation	(1,363)	(16,320)	(80,259)	(786)	(58)	(98,786)	-	(98,786)
EBITIX [2]	(37,455)	458,861	435,622	(932)	(760)	855,336	(44,353)	810,983
Less interest income/(costs)	39,367	13,830	18,119	(9,942)	(4)	61,370	(13,130)	48,240
EBTIX [3]	1,912	472,691	453,741	(10,874)	(764)	916,706	(57,483)	859,223
Less merger costs [4]	(9,514)	-	-	(431)	-	(9,945)	-	(9,945)
Add other income – gains from financial instruments	839	-	-	65,184	-	66,023	-	66,023
Add foreign currency gains/(losses)	7,797	(79,143)	908	(8,868)	(1,010)	(80,316)	(2,964)	(83,280)
Less share of loss of associate, net of tax	(2,114)	-	-	-	-	(2,114)	-	(2,114)
Segment profit/(loss) for the period before tax	(1,080)	393,548	454,649	45,011	(1,774)	890,354	(60,447)	829,907
Income tax (expense)/benefit	(3,679)	(158,810)	(130,879)	(27,976)	-	(321,344)	16,012	(305,332)
Total profit/(loss) for the year – continuing operations	(4,759)	234,738	323,770	17,035	(1,774)	569,010	(44,435)	524,575
Discontinued operations [5]								(3,278)
Total profit for the year								521,297

1 EBITDAIX - Segment earnings before interest, taxes, depreciation, amortisation, merger costs, gains from financial instruments, foreign currency gains/(losses), and share of associate's losses. Includes an elimination of unrealised profits of US$44,353,000 for sales by Olaroz to the equity-accounted associate.
2 EBITIX - Segment earnings before interest, taxes, merger costs, gains from financial instruments, foreign currency gains/(losses), and share of associate's losses.
3 EBTIX - Segment earnings before taxes, merger costs, gains from financial instruments, foreign currency gains/(losses), and share of associate's losses.
4 Costs related to the proposed merger with Livent (NYSE: LTHM) announced on 10 May 2023.
5 The discontinued operations represent the results of Borax (refer Note 2).

Note 1: Segment reporting and revenue (continued)

The following tables present revenue and profit information for the Group's operating segments for financial year 2022.

	Corporate	Olaroz	Mt Cattlin	Sal De Vida	James Bay	Total before eliminations	Eliminations on consolidation	Total Group
	2022	2022	2022	2022	2022	2022	2022	2022
	US $'000	US $'000	US $'000	US $'000	US $'000	US $'000	US $'000	US $'000
Revenue	-	292,758	451,925	-	-	744,683	-	744,683
EBITDAIX [1]	(25,505)	220,431	336,178	(510)	(344)	530,250	(18,254)	511,996
Less depreciation & amortisation	(1,149)	(17,717)	(30,309)	(697)	(38)	(49,910)	-	(49,910)
EBITIX [2]	(26,654)	202,714	305,869	(1,207)	(382)	480,340	(18,254)	462,086
Less interest income/(costs)	15,454	(24,153)	1,177	747	(4)	(6,779)	(7,421)	(14,200)
EBTIX [3]	(11,200)	178,561	307,046	(460)	(386)	473,561	(25,675)	447,886
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	-	-	27,119	-	31,666	-	31,666
Add foreign currency gains/(losses)	(3,024)	(7,481)	1,099	(1,173)	(1,310)	(11,889)	1,629	(10,260)
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 year before tax	(25,632)	171,080	282,378	25,486	(1,696)	451,616	(24,046)	427,570
Income tax (expense)/benefit	63,221	(74,935)	(84,713)	(3,667)	(4)	(100,098)	7,214	(92,884)
Total profit/(loss) for the year – continuing operations	37,589	96,145	197,665	21,819	(1,700)	351,518	(16,832)	334,686
Discontinued operations[5]								2,537
Total profit for the year								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 On 25 August 2021, the Group acquired Galaxy Resources Limited. Acquisition-related costs for business combination of US$12.8 million included stamp duty of US$3.9 million and merger facilitation fees of US$5.6 million in 2022. 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. Details of the business combination are included in Note 4.

5 The discontinued operations represent the results of Borax (refer Note 2).

Note 1: Segment reporting and revenue (continued)

The following tables present revenue and profit information for the Group's operating segments for financial year 2021

	Corporate	Olaroz	Total underlying	Eliminations on consolidation	Total Group
	2021	2021	2021	2021	2021
	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue	-	66,370	66,370	-	66,370
EBITDAIX [1]	(8,058)	11,452	3,394	-	3,394
Less depreciation & amortisation	(464)	(18,294)	(18,758)	-	(18,758)
EBITIX [2]	(8,522)	(6,842)	(15,364)	-	(15,364)
Less interest income/(costs)	14,685	(29,739)	(15,054)	(6,008)	(21,062)
EBTIX [3]	6,163	(36,581)	(30,418)	(6,008)	(36,426)
Less acquisition costs [4]	(1,243)	-	(1,243)	-	(1,243)
Add other income – gains from financial instruments	1,725	-	1,725	-	1,725
Add realisation of inventory write-downs	-	18,138	18,138	-	18,138
Add foreign currency gains/(losses)	327	(3,946)	(3,619)	-	(3,619)
Less share of loss of associate, net of tax	(1,682)	-	(1,682)	-	(1,682)
Segment loss for the year before tax	5,290	(22,389)	(17,099)	(6,008)	(23,107)
Income tax expense	-	(67,940)	(67,940)	-	(67,940)
Total loss for the year – continuing operations	5,290	(90,329)	(85,039)	(6,008)	(91,047)
Discontinued operations[5]					1,573
Total loss for the year					(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 4.

5 The discontinued operations represent the results of Borax (refer Note 2).

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[1]	Olaroz	Mt Cattlin	Sal De Vida	James Bay	Eliminations on consolidation	Total Group
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
2023								
Segment assets	1,486,800	-	1,696,269	737,865	2,018,808	393,541	(1,116,090)	5,217,193
Segment liabilities	(233,886)	-	(1,161,138)	(361,029)	(567,634)	(88,149)	768,394	(1,643,442)
Other disclosures								
Investment in associate	4,017	-	-	-	-	-	-	4,017
Additions to property plant and equipment, exploration and evaluation assets	2,150	-	266,452	97,418	135,508	80,028	(13,130)	568,426
2022								
Segment assets	1,362,782	18,921	1,309,031	460,650	1,980,697	473,159	(1,112,509)	4,492,731
Segment liabilities	(120,104)	(12,147)	(1,020,864)	(457,864)	(469,403)	(147,850)	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	63,740	2,840	-	261,962

2023								
Cash inflow/(outflow) from operating activities	(21,399)	516	453,221	418,224	(11,320)	(29,908)	(18,424)	790,910
Cash inflow/(outflow) from investing activities	(52,090)	(15,929)[2]	(241,292)	(85,644)	(78,873)	(73,252)	38,766	(508,314)
Cash inflow/(outflow) from financing activities	(105,281)	15,060	(42,683)	(105,480)	90,232	102,265	(20,342)	(66,229)
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	118,966	(35)	80,023	-	-	-	-	198,954

1. Borax was divested during the financial year 30 June 2023 (refer Note 2).
2. Inclusive of (US$14,468,000) cash disposed from disposal of Borax.

Note 1: Segment reporting and revenue (continued)

For the year ended 30 June 2023		Mt Cattlin	Olaroz	Total
		US$'000	US$'000	US$'000
Type of goods	Timing of recognition			
Lithium Carbonate	A point in time	-	579,932	579,932
Spodumene concentrate	A point in time	513,695	-	513,695
Spodumene concentrate – low grade	A point in time	99,738	-	99,738
Tantalum	A point in time	2,157	-	2,157
Other	A point in time	-	12,279	12,279
Total revenue		615,590	592,211	1,207,801
Geographical markets				
Asia		613,433	544,438	1,157,871
Europe		-	33,070	33,070
South America		-	625	625
North America		-	14,078	14,078
Australia		2,157	-	2,157
Total revenue		615,590	592,211	1,207,801

For the year ended 30 June 2022		Mt Cattlin	Olaroz	Total
		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
Total revenue		451,925	292,758	744,683
Geographical markets				
Asia		445,832	280,634	726,466
Europe		-	9,898	9,898
North America		-	2,226	2,226
Australia		6,093	-	6,093
Total revenue		451,925	292,758	744,683

For the year ended 30 June 2021		Olaroz	Total
		US$'000	US$'000
Type of goods	Timing of recognition		
Lithium Carbonate	A point in time	66,370	66,370
Total revenue		66,370	66,370
Geographical markets			
Asia		51,804	51,804
Europe		12,605	12,605
North America		1,961	1,961
Total revenue		66,370	66,370

Note 1: Segment reporting and revenue (continued)

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's contracts with customers give rise to contract assets or contract liabilities, including embedded derivative amounts, arising from provisional pricing within those contracts. Balances related to sales are included in trade receivables (see Note 7) and deposits received in advance (see Note 14). 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. A reduction of revenues of US$43,002,000 (2022: US$13,869,000 increase, 2021: US$1,600,000 increase) with provisional pricing recognised in the year ended 30 June 2023.

In financial year 2023, two customers with a credit rating of A contributed 71% of the Group's total revenue (2022: 70%, 2021: 100%), the spodumene concentrate customer represented 22% (2022: 32%, 2021: nil) and lithium carbonate customer represented 49% (2022: 38%, 2021: 100%) 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: Discontinued operations

On 16 December 2022 the group completed the sale of Borax Argentina S.A. ("Borax") to Golden Wattle Springs Pty Ltd ("Golden Wattle") and acquired the María Victoria lithium tenement from Minera Santa Rita S.R.L.("MSR").

Under the transactions:

- Allkem transferred to Golden Wattle (a group associated with MSR) all of the issued shares in the two Borax holding companies which included US$13.8 million cash for employee and rehabilitation liabilities: and
- MSR sold to an Allkem subsidiary 100% ownership of the María Victoria Tenement.

The above transaction is treated as an exchange of the Borax operation for the María Victoria property for accounting purposes. At the time of the transaction, the María Victoria lithium tenement was an exploration asset in respect of which there was no JORC reserves or resources (inferred or otherwise).

The Borax group of entities comprising Borax Holdings No 1 Pty Ltd, Borax Holdings No 2 Pty Ltd and Borax Argentina S.A., which carried all the Borax operation have been reclassified as a discontinued operation in the current and prior period comparatives. The results of the discontinued operation are set out below.

Note 2: Discontinued operations (continued)

	2023	2022	2021
	US$'000	US$'000	US$'000
Revenue	13,278	25,135	18,390
Other income	322	367	7,505
Expenses excluding net finance costs	(11,377)	(23,387)	(24,265)
Finance income, net	248	422	(57)
Profit from operations	2,471	2,537	1,573
Foreign currency translation reserve reclassified to profit or loss on disposal	(5,749)	-	-
(Loss)/profit from discontinued operations	(3,278)	2,537	1,573

Net cash flows of the Borax disposal group	2023	2022	2021
	US$'000	US$'000	US$'000
Operating	516	(389)	1,792
Investing	(1,461)	(1,233)	1,766
Financing – provided by Allkem group	15,060	(24)	(35)
Net cash inflow/(outflow)	14,115	(1,646)	3,523

Earnings per share from discontinued operation			
Basic earnings per share (US cents per share)	(0.51)	0.43	0.48
Diluted earnings per share (US cents per share)	(0.51)	0.43	0.48

The major classes of assets and liabilities of the Borax disposal group were:

	2023
	US$'000
Cash and cash equivalent	14,468
Inventory	6,226
Other assets	6
Receivables	6,473
Property, plant and equipment	4,890
Payables	(5,917)
Provisions	(6,382)
Net assets disposed	19,764
Less: Cash consideration received	(200)
Add: Cash consideration paid for property	400
Cost capitalised on acquisition of property	19,964

The net cash outflow arising on the disposal of the Borax discontinued operation:	
Cash received from sale of the discontinued operation	200
Cash sold as part of discontinued operation	(14,468)
Net cash outflow on disposal of the discontinued operation	(14,268)

Note 2: Discontinued operations (continued)

Significant judgements and estimates

As an exchange transaction under AASB 6 *Exploration for and Evaluation of Mineral Resource* the consideration for the disposal of Borax is measured with reference to the fair value of consideration received (cash and María Victoria lithium tenement) unless it is not possible to reliably measure the fair value of consideration received. As the fair value of the acquired María Victoria lithium tenement could not be reliably measured, the cost of the acquired tenement is measured with reference to the fair value of the net assets given up by the Group as part of the disposal of Borax business.

Historically, the Borax had been loss making and its non-current assets were impaired in prior periods. In the absence of impairment reversal indicators, the Group determined the carrying amount of Borax's net assets provided a reasonable approximation of their fair value.

Note 3: Income, expenses, finance income and finance costs

	2023	2022	2021
	US$'000	US$'000	US$'000
3a) Other income			
Gains from financial instruments	66,023	31,666	1,725
Total other income	66,023	31,666	1,725

Gains from financial instruments relate to conversion bonds to Argentinean pesos (ARS) due to the significant divergence of Argentina's secondary currency market exchange rate from the official ARS exchange rate.

		2023	2022	2021
	Note	US$'000	US$'000	US$'000
3b) Corporate and administrative expenses				
Employee benefit expenses		(29,257)	(19,560)	(7,515)
Audit fees	26	(436)	(447)	(243)
Legal and consulting fees		(10,006)	(5,990)	(1,210)
Share-based payments	20	(10,768)	(5,254)	(1,848)
Travel		(4,752)	(1,172)	(163)
Insurance		(1,212)	(1,525)	(1,033)
Office & communication costs		(5,547)	(3,726)	(1,261)
Listing & investor relations costs		(916)	(1,335)	(513)
Bank Fees		(1,716)	(956)	(616)
Environmental monitoring & studies		(949)	(361)	(330)
Restructuring costs [i]		-	-	(1,361)
Other costs		(911)	(3,183)	(775)
Total corporate and administrative expenses		(66,470)	(43,509)	(16,868)

i) There were no restructuring costs during the year ended 30 June 2023 (2022: nil). During the year ended 30 June 2021 the group incurred US$1,361,000 restructuring costs from continuing operations. Included in such costs, there was a termination payment for a supply agreement of US$1,200,000 (Olaroz segment), and fixed costs of US$161,000 (Olaroz segment) which were not allocated to the cost of inventories due to the reduction of production volumes resulting from COVID-19.

Note 3: Income, expenses, finance income and finance costs (continued)

	2023	2022	2021
	US$'000	US$'000	US$'000
3c) Selling costs			
Export duties	(20,445)	(9,162)	(2,283)
Mining royalty	(47,650)	(29,540)	(622)
Dispatching & logistics	(21,467)	(18,322)	(61)
Total selling costs	(89,562)	(57,024)	(2,966)
3d) Foreign currency loss			
Total foreign currency loss	(83,280)	(10,260)	(3,619)

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 Canadian entities.

The increase in foreign currency loss in 2023 is largely attributable to the increase in ARS denominated deposits which exposes the Group to higher foreign currency losses. Counteracting these losses, the increase in ARS denominated deposits result in higher interest income due as these ARS denominated deposits earn higher interest rates. (Refer Note 3e).

	2023	2022	2021
	US$'000	US$'000	US$'000
3e) Finance income			
Interest income on loans receivable	23	46	118
Interest income from short term deposits	72,288	5,934	1,484
Total finance income	72,311	5,980	1,602

Interest income from short term deposits has increased largely due to this increase in ARS denominated deposits which attracts high interest rates. (Refer also to Note 3d).

	2023	2022	2021
	US$'000	US$'000	US$'000
3f) Finance costs			
Interest expense on external loans and borrowings and other finance costs amortised	(4,246)	(8,598)	(11,744)
Interest expense on loans and borrowings from related parties [i]	(3,840)	(2,543)	(2,333)
Interest expense on lease liabilities	(5,597)	(4,669)	(2,520)
Other finance costs related to related party loans	(2,876)	(1,851)	(1,730)
Change in fair value of financial assets and liabilities	(6,268)	(2,487)	(4,277)
Unwinding of the rehabilitation provision	(1,244)	(32)	(60)
Total finance costs	(24,071)	(20,180)	(22,664)

i) The interest expense to the related party is non-cash and will be paid on repayment of the loans (Note 27). Total interest is US$8,217,000 (2022: US$5,004,000, 2021: US$4,336,000) and US$4,377,000 (2022: US$2,461,000 , 2021: US$2,003,000) of this has been capitalised to property, plant and equipment.

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 4: 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 twelve months ended 30 June 2023 and the ten months from acquisition date on 25 August 2021 to 30 June 2022.

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).

Note 4: Business Combinations (continued)

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$765.1 million, and profit before tax from continuing operations for the Group would have been US$433.2 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.

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 5: Income tax

	2023	2022	2021
	US$'000	US$'000	US$'000
5a) Income tax expense			
Current income tax expense	(254,585)	(44,887)	-
Deferred tax expense	(48,831)	(47,997)	(67,940)
Amounts under provided in prior years	(1,916)	-	-
Total income tax expense	(305,332)	(92,884)	(67,940)
Deferred income tax expense included in income tax expense comprises:			
Decrease/(increase) in deferred tax assets	5,984	(68,073)	12,600
Decrease in deferred tax liabilities	(54,815)	(44,603)	(80,540)
Benefit of previously unrecognised tax losses, tax credits or temporary differences	-	64,679	-
	(48,831)	(47,997)	(67,940)

	2023	2022
	US$'000	US$'000
5b) Deferred tax assets		
Carry forward tax losses	2,944	37,311
Financial liabilities	37,631	32,680
Other non-financial liabilities	36,598	19,444
Total deferred tax assets	77,173	89,435
Set-off of deferred tax liabilities pursuant to set-off provisions	(74,095)	(64,218)
Net deferred tax assets	3,078	25,217

Note 5: Income tax (continued)

	2023 US$'000	2022 US$'000
5c) Deferred tax liabilities		
Property, plant and equipment	(796,340)	(704,773)
Inventories	(2,773)	(18,200)
Other financial assets	(41,452)	(17,768)
Exploration and evaluation assets	(82,975)	(109.322)
Total deferred tax liabilities	(923,540)	(850,063)
Set-off of deferred tax liabilities pursuant to set-off provisions	74,095	64,218
Net deferred tax liabilities	(849,445)	(785,845)

5d) Numerical reconciliation of income tax expense to loss before tax

	2023 US$'000	2022 US$'000	2021 US$'000
Profit/(loss) before income tax expense from continuing operations	829,907	427,570	(23,107)
(Loss)/profit before income tax from discontinued operations	(3,278)	2,537	1,573
Tax (expense)/benefit at Australian tax rate of 30% (2022: 30%, 2021: 30%)	(247,989)	(129,032)	6,460
Tax effect of amounts which are (not deductible)/taxable in calculating taxable income:			
Share-based payments	(3,230)	(1,576)	(554)
Share of loss of associates	(634)	(885)	(505)
Other	-	-	106
Non-deductible expenses	(11,925)	(4,259)	-
Tax losses and credits for the year not recognised	(2,327)	(3,111)	-
Previously unrecognised tax losses and temporary differences	4,732	67,172	1,513
Impact of tax rates applicable outside of Australia	(19,859)	(9,031)	(49,669)
Foreign exchange and effects of hyperinflation	(26,016)	(12,162)	(25,291)
Amounts under provided in prior years	1,916	-	-
Income tax expense	(305,332)	(92,884)	(67,940)

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 was recognised in the Galaxy business combination (refer Note 4). The recognition was predicated on the prices of spodumene concentrate at that time. In the period from 25 August 2021 to 30 June 2022, there was 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 the 2022 period. During the 2022 period, the TCG utilised US$34.1 million of transferred losses and all group losses.

During the 2023 period, following the finalisation of the Galaxy Resources Pty Ltd group tax filings, an additional US$5.5 million of transferred tax losses were identified that could be brought into the TCG and the amount of transferred group losses utilised in FY22 was reduced to US$24.7 million.

During the 2023 period, the TCG utilised US$44.6 million of transferred losses. The TCG holds a carry forward loss balance of US$0.7 million (2022: US$34.1 million) to offset future taxable profits of the TCG and the TCG has tax payable of US$73.4 million (2022: US$44.7 million).

Taxation outside of Australia

Each entity outside of Australia is responsible for its own taxation. The tax payable for the rest of the group is US$102.8 million (2022: nil).

Note 5: Income tax (continued)

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$143.5 million (2022: 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.

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.

Note 5: Income tax (continued)

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.

The tax position of the Group is subject to the examination of taxing authorities in the jurisdictions in which it operates. Upon examination, it is possible that a taxing authority may arrive at a different conclusion on transactions with uncertain tax treatment which could impact the determination of taxable profit, tax bases, rates, losses or credits of the Group.

Note 6: 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:

	2023	2022	2021
	US$'000	US$'000	US$'000
Profit/(loss) attributable to ordinary equity holders of the parent:			
Profit/(loss) for the financial year	521,297	337,223	(89,474)
Exclude non-controlling interests	(79,586)	(31,549)	29,849
Net profit used in the calculation of basic and dilutive EPS	441,711	305,674	(59,625)
Exclude loss/(profit) from discontinued operations	3,278	(2,537)	(1,573)
Net profit/(loss) used in the calculation of basic and dilutive EPS from continuing operations i)	444,989	303,137	(61,198)
	No.	No.	No.
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS	637,323,060	592,546,337	330,859,370
Weighted average number of options and performance rights outstanding ii)	3,560,122	2,892,020	-
Weighted average number of ordinary shares outstanding during the period used in the calculation of dilutive EPS	640,883,182	595,438,357	330,859,370

i) Basis and dilutive EPS related to discontinued operations is detailed in Note 2.
ii) 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 calculation due to anti-dilutive effect: 2,533,348.

Note 7: Trade and other receivables

	2023	2022
	US$'000	US$'000
Current		
Trade receivables [i)]	77,919	43,915
Interest receivable	18,161	558
Other receivables	2,953	16,810
Receivable from joint venture party [iii)]	2,016	-
VAT tax credits & other tax receivable [ii)]	41,866	20,521
Total current trade and other receivables	**142,915**	**81,804**
Non-current		
Receivable from joint venture party [iii)]	6,134	6,555
Receivable from associate [iv)]	31,934	16,463
Other receivables	1,216	1,911
VAT tax credits [ii)]	3,440	24,312
Total non-current other receivables	**42,724**	**49,241**

i) Trade receivables are net of provisional price adjustments (US$43,002,000) (2022: nil, 2021: nil). See Note 1 for further details.
ii) The Group has a total of US$41,713,000 (2022: 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 3f).
iii) 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 3f).
iv) Receivable from associate are denominated in JPY and collectable between 2025 to 2028.

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*. Refer to Note 18 (c) for further commentary on credit risk.

Note 8: Prepayments

	2023	2022
	US$'000	US$'000
Prepayments to suppliers	30,569	9,881
Prepayments to tax authorities	310	417
Total current prepayments	**30,879**	**10,298**

Note 9: Inventories

	2023	2022
	US$'000	US$'000
Current		
Work in progress	29,891	28,449
Finished products	68,813	25,711
Materials and spare parts	27,770	22,081
Total current	126,474	76,241
Non-current		
Work in progress	86,665	51,894
Materials and spare parts	-	1,508
Total non-current	86,665	53,402

Current inventory balance includes a provision for losses in finished products and materials and spare parts of US$1,905,000 (2022: US$1,958,000) and work in progress of US$1,507,000 (2022: US$1,695,000). Non-current inventory balance includes a provision for losses related to work in progress of US$5,689,000 (2022: US$3,685,000).

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 Li_2O 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 10: Property, plant and equipment

	Land & buildings	Plant & equipment	Mine properties	Leased Plant & Equipment	Deferred stripping	Work in progress	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cost							
As at 1 July 2021	7,212	457,237	247,322	34,538	138	243,398	989,845
Additions - purchases	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 4)	-	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	2,716,706
Additions – purchases	624	10,128	68,012	-	69,857	334,465	483,086
Capitalised interest	-	-	-	-	-	10,783	10,783
Leases - additions/modifications	-	-	-	14,496	-	-	14,496
Remeasurement of rehabilitation provision	-	(4,068)	1,528	-	-	(188)	(2,728)
Divestment of subsidiary	(1,139)	(2,698)	-	(37)	-	(2,507)	(6,381)
Disposals	-	(42)	-	-	-	(241)	(283)
Internal transfers	-	138,578	-	-	-	(138,578)	-
Exchange differences	(198)	(2,373)	(4,727)	(1)	(1,779)	1,501	(7,577)
As at 30 June 2023	16,225	803,040	1,752,641	64,795	93,655	477,746	3,208,102
Accumulated depreciation/ impairment							
As at 1 July 2021	(6,946)	(93,173)	(3,892)	(6,483)	(138)	(128)	(110,760)
Depreciation expense	(699)	(26,811)	(13,932)	(6,221)	(2,006)	-	(49,669)
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)
Depreciation expense	(441)	(16,866)	(11,251)	(11,780)	(58,143)	-	(98,481)
Depreciation capitalised to inventory	-	(14,921)	-	-	-	-	(14,921)
Divestment of subsidiary	1,128	337	-	25	-	-	1,490
Disposals	-	42	-	-	-	-	42
Exchange differences	121	1,836	3,322	9	756	-	6,044
As at 30 June 2023	(6,011)	(149,366)	(25,753)	(23,930)	(59,462)	(128)	(264,650)
Net Book Value							
As at 30 June 2022	10,119	543,721	1,670,004	38,153	23,502	272,383	2,557,882
As at 30 June 2023	10,214	653,674	1,726,888	40,865	34,193	477,618	2,943,452

Note 10: Property, plant and equipment (continued)

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.

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

- Buildings and infrastructure: 20 to 30 years
- Plant: 5 to 40 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 11: Intangible assets

	Goodwill	Software	Total
	US$'000	US$'000	US$'000
At cost	519,817	2,412	522,229
Accumulated depreciation	-	(1,742)	(1,742)
Total at 30 June 2023	519,817	670	520,487
At cost	524,017	2,432	526,449
Accumulated depreciation	-	(1,437)	(1,437)
Total at 30 June 2022	524,017	995	525,012

	2023	2022
	US$'000	US$'000
Balance at beginning of year	525,012	727
Goodwill - acquired as part of business combination (Note 4)	-	524,017
Software – additions	-	544
Software – disposals	(20)	-
Software - amortisation expense	(305)	(276)
Goodwill – exchange differences	(4,200)	-
Balance at the end of year	520,487	525,012

Goodwill of US$439.2 million (2022:US$439.2 million) and US$80.6 million (2022: 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. 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.

Note 11: Intangible assets (continued)

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

Goodwill is measured as described in Note 30g 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 12: Exploration and evaluation assets

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

	2023	2022
	US$'000	US$'000
Balance at beginning of year	424,961	45,867
Acquired as part of business combination [i)]	-	356,395
Acquired in exchange for Borax operation [ii)]	19,964	-
Capitalised exploration and evaluation expenditure	40,097	22,699
Exchange differences	(17,465)	-
Balance at the end of year	467,557	424,961

i) On 25 August 2021, the Group acquired Galaxy Resources Limited.
ii) The María Victoria property was acquired in exchange for the Borax operation. Refer Note 2.

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 13: Lease Liabilities

	2023	2022
	US$'000	US$'000
Lease liabilities		
Balance at the beginning of the year	48,419	35,685
Recognised as part of business combination [i)]	-	15,635
Additions/modifications	14,496	6,512
Accretion of interest - expense	5,597	4,702
Lease payments	(14,917)	(14,420)
Exchange differences	(350)	305
Balance at the end of the year	53,245	48,419

i) On 25 August 2021, the Group acquired Galaxy Resources Limited.

Lease liabilities are due as follows:

	2023	2022
	US$'000	US$'000
Not later than 1 year	13,329	10,197
Total current	13,329	10,197
Later than 1 year and not later than 5 years	18,227	17,167
Later than 5 years	21,690	21,055
Total non-current	39,917	38,222
Balance at 30 June	53,246	48,419

	2023	2022
	US$'000	US$'000
Right of use assets – included in property, plant, and equipment (Note 10)		
Land and buildings	2,555	2,127
Plant and equipment	38,310	36,026
Carrying amount of right of use assets at 30 June	40,865	38,153

	2023	2022	2021
	US$'000	US$'000	US$'000
Amounts recognised in the statement of profit or loss:			
Depreciation charge for right of use assets			
Land and buildings	(812)	(384)	(310)
Plant and equipment	(10,968)	(5,887)	(1,746)
Total depreciation charge	(11,780)	(6,271)	(2,056)

Total cash outflow for leases in 2023 was US$14,917,000 (2022: US$14,420,000, 2021: US$3,323,000).

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 9 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.

Note 13: Lease Liabilities (continued)

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 14: Trade and other payables

		2023	2022
	Note	US$'000	US$'000
Current			
Trade payables and accrued expenses [i)]		127,509	93,859
Advance payments from customers		3,899	403
Interest payable		1,554	2,181
Interest payable to a related party	27	4,392	-
Total current		137,354	96,443
Non-current			
Other payables and accrued expenses		12,364	13,477
Interest payable to a related party	27	16,658	17,496
Total non-current		29,022	30,973

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

Note 15: Provisions

		2023	2022
	Note	US$'000	US$'000
Current			
Employee benefits	15a	4,075	3,843
Provision for rehabilitation	15b	9,795	10,454
Total current		13,870	14,297
Non-current			
Employee benefits	15a	553	419
Provision for rehabilitation	15b	46,903	58,732
Other provisions		-	199
Total non-current		47,456	59,350

Note 15: Provisions (continued)

15a) Employee benefits

	2023	2022
	US$'000	US$'000
Annual leave	4,075	3,334
Long service leave	553	419
Borax Argentina S.A. defined benefit pension plan	-	509
Total	4,628	4,262

15b) Rehabilitation provision

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

	Note	2023	2022
		US$'000	US$'000
Balance at the beginning of year		69,186	33,934
Recognised as part of business combination [i]		-	30,297
Additions reflected in property, plant and equipment	10	1,528	6,257
Changes in assumptions reflected in property, plant and equipment	10	(4,256)	(1,334)
Divestment of subsidiary [ii]		(6,311)	-
Expenditure on rehabilitations activities		(4,261)	-
Foreign currency translation movement		(432)	-
Unwinding of the rehabilitation provision		1,244	32
Balance at the end of year		56,698	69,186

ii) On 25 August 2021, the Group acquired Galaxy Resources Limited.
iii) Divested as part of the Borax discontinued operation (refer Note 2).

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. Additions of US$1,528,000 (2022: US$5,002,000) for Sal de Vida and US$nil (2022: US$1,255,000) for Olaroz were recognised in the current year. A remeasurement adjustment relating to Olaroz (including Olaroz stage 2 expansion works) of (US$3,571,000) (2022: nil), Mt Cattlin of (US$685,000) (2022: nil) and Borax $nil (2022: (US$1,302,000)) was recognised in the current year. The Group spent US$4,261,000 (2022: nil) at the tailings site in Canada.

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.

Note 15: Provisions (continued)

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 16: Equity and reserves

16a) Issued capital and treasury shares

		2023	2022	2021	2023	2022	2021
Issued capital	Note	No. shares	No. shares	No. shares	US$'000	US$'000	US$'000
Balance at the beginning of year		637,657,586	344,158,072	277,092,327	2,686,134	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	637,657,586	344,158,072	2,686,134	2,686,134	668,512

Treasury shares	Note	No. shares	No. shares	No. shares	US$'000	US$'000	US$'000
Balance at the beginning of year		500	-	-	-	-	-
Treasury shares acquired	19	1,818,326	500	-	17,939	-	-
Performance rights exercised [i]		(1,584,104)	-	-	(15,628)	-	-
Balance at the end of year		234,722	500	-	2,311	-	-

i) Represents performance rights 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 in 2022 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 4).

Note 16: Equity and reserves (continued)

In 2021, 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.

16b) 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)
Balance as at 1 July 2022	15,158	1,033	(36,892)	6,587	(14,114)
Reclassification to income statement [i)]	-	-	5,749	-	5,749
Foreign currency translation differences	-	-	(25,498)	-	(25,498)
Cashflow hedge through other comprehensive income	-	672	-	-	672
Financial assets at fair value through other comprehensive income	-	-	-	(424)	(424)
Other comprehensive income/(loss)	-	672	(19,749)	(424)	(19,501)
Issue of treasury shares for share-based payments	(15,628)	-	-	-	(15,628)
Share-based payments	11,048	-	-	-	11,048
Transfer of retained earnings to legal and discretionary reserve [ii)]	-	-	-	32,405	32,405
Balance as at 30 June 2023	10,578	1,705	(56,641)	38,568	(5,790)

i) Foreign currency translation reserve related to the Borax discontinued operation (refer Note 2).

ii) The transfer of retained earnings to the legal and discretionary reserve was completed in accordance with local Argentinean corporate law.

Note 16: Equity and reserves (continued)

Nature and purpose of reserve

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.

Other reserve

Legal and discretionary reserves are required in Argentinean companies in accordance with local corporate law.

Note 17: Net cash/debt

	Interest rate	Maturity	2023 US$'000	2022 US$'000
Current				
Loans & borrowings - project loan (a)	SOFR + 0.80%	2023-2024	(37,382)	(37,574)
Related party loans (c)			(5,137)	-
Total current debt			(42,519)	(37,574)
Non-current				
Loans & borrowings - project loan (a)	2.51% - 2.61%	2024-2029	(152,840)	(189,327)
Related party loans (c)			(78,916)	(84,776)
Total non-current debt			(231,756)	(274,103)
Total debt			(274,275)	(311,677)
Cash at bank and on hand			81,459	142,668
Short term deposits (d)			739,970	520,870
Total cash and cash equivalents			821,429	663,538
Financial assets - non-current (e)			21,372	16,356
Total cash and financial assets			842,801	679,894
Net cash			568,526	368,217
Equity			(3,573,751)	(3,081,366)
Capital and net cash			(3,005,225)	(2,713,149)
Cash ratio			19%	14%

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 were undertaken and contractual changes were completed in FY2023 with Secured Overnight Financing Rate (SOFR) replacing LIBOR under the contracts from 1 July 2023.

Note 17: Net cash/debt (continued)

(a) Project Loan Facility

The total project loan facility for Stage 1 is US$191.9 million (2022: 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 2023 the stage 1 loan has an outstanding principal balance of US$28.5 million (2022: US$48.1 million). The interest rate for stage 1 is SOFR + 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.

The total project loan facility for Stage 2 is US$180 million (2022: US$180 million). The total US$180 million (2022: US$180 million) has been drawn down as at 30 June 2023 with US$18 million (2022: nil) repaid, resulting in an outstanding principal balance of US$162 million (2022: US$180 million). The interest rate for Stage 2 is a fixed rate of 2.5119% per annum until September 2023 and then 2.6119% per annum until expiry in March 2029.

The fair value of loans and borrowings are US$184.2 million (2022: the carrying amounts 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.

(b) Working Capital Facility

During the financial year the working capital facilities of Sales De Jujuy S.A. of the Group were not drawn.

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

Current loans owing to related parties total US$5.1 million (2022: nil) bears interest at SOFR + 6% per annum payable prior to July 2024. Non-current loans owing to related parties total US$78.9 million (2022: US$84.8 million):

- US$39.5 million (2022: US$50.1 million) bears interest at SOFR + 6% (2022: LIBOR + 6%) per annum and will be payable prior to July 2028.
- US$39.1 million (2022: US$34.4 million) bears interest at SOFR + 6% (2022: LIBOR + 6%) per annum and will be payable prior to July 2030.
- US$273,000 (2022: US$273,000) bears interest at SOFR + 0.75% (2022: LIBOR + 0.75%) per annum and will be payable prior to July 2029.

A further loan drawdown from TTC during the year totalled US$15.3 million (2022: US$7.8 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 5.48% p.a. (2022: 1.95% p.a.). The Group has US$142.3 million (2022: US$0.6 million) ARS denominated short term deposits with an effective interest rate of 83% p.a. (2022: 54% p.a.).

Short term deposits held at 30 June 2023 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$2.3 million (2022: US$7.9 million) and US$76.7 million (2022: US$83.9 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 (2022: 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 (2022: US$180 million). Amounts are reserved as the debt facilities are drawn down.

Note 17: Net cash/debt (continued)

Of the maximum reserve funds of US$135 million up to US$60 million (2022: US$60 million) can be used to fund stage 1 activities. The remaining US$75 million (2022: 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 2023 reserves set aside have reduced from US$135 million at inception to US$76.7 million (2022: US$95.0 million).

Allkem pays TTC 2.5% per annum on any funds used out of the US$135 million. All funds in reserve accounts are controlled by Allkem. The requirements 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 profile and healthy capital ratios to support its business and maximise shareholder value.

The Group manages its capital structure and appropriately adjusts it in light of 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.

The change in the gearing ratio in 2023 reflects the increase in cash held in term deposits as a result of the 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 2.9% (2022: 2.1%).

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 during the period that the debt is floating and fixed term deposits.

At reporting date, the Group has net exposure of (US$572,399,000) (2022: (US$397,352,000)) to interest rate risk.

During the year, the net realised loss arising from interest rate hedging activities for the Group was US$1,010,000 (2022: 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.

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:

	2023	2022
	US$'000	US$'000
Effect on profit after tax and equity as a result of a:		
1% +/- reasonably possible change in interest rates	(4,007)	(2,781)

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 17.

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, VAT receivables and income tax payables. 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.

	2023	2022
	US$'000	US$'000
Effect on profit after tax and equity as a result of a:		
50% +/- reasonably possible change in US$ (vs ARS)	(20,014)	(13,490)
10% +/- reasonably possible change in US$ (vs AU$)	1,410	1,694

Note 18: Financial risk management (continued)

iii) Market role commodity price risk

Allkem's lithium chemicals are sold into global markets. The market prices of lithium 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.

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)		Change in fair value used for measuring ineffectiveness	
	2023	2022	2023	2022	2023	2022
Cashflow hedges - Interest rate risk	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Interest rate swaps	25,425	42,585	163	(1,422)	(1,585)	(3,948)

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	
	2023	2022	2023	2022
Cashflow hedge (before tax)	US$'000	US$'000	US$'000	US$'000
Forecast floating interest payments	1,705	1,033	(1,585)	(3,948)

The interest rate swaps have a hedge ratio of 1:1 (2022: 1:1). A hedging gain of US$1,010,000 (2022: US$2,945,000) was recognised in other comprehensive income. US$804,000 (2022: US$2,799,000) was reclassified from other comprehensive income to finance costs in the profit and loss. Material ineffectiveness related to cashflow hedges was not recognised.

Note 18: Financial risk management (continued)

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	137,352	29,022	-	166,374	166,374
Loans and borrowings	51,403	237,549	60,172	349,124	274,275
Lease liabilities	13,329	18,227	21,690	53,246	53,246
Total as at 30 June 2023	202,084	284,798	81,862	568,744	493,895
Payables	96,443	30,973	-	127,416	127,416
Loans and borrowings	43,698	150,806	295,602	490,106	311,677
Lease liabilities	14,270	27,968	29,936	72,174	48,419
Derivatives - interest rate swap	1,086	336	-	1,422	1,422
Total as at 30 June 2022	155,497	210,083	325,538	691,118	488,934

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), receivables from associate, 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.

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 7. The Group does not hold collateral as security. As at 30 June 2023, the Group had nil provisions (2022: US$224,000) for expected credit loss.

The receivable from associate is considered to have a low credit risk.

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.

Note 18: Financial risk management (continued)

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 2023 the borrowing rates were determined to be between 2.37% to 2.89% (2022: 2.1% to 2.13%) 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	
		2023	2022	2023	2022
	Note	US$'000	US$'000	US$'000	US$'000
Cash and cash equivalents	17	821,429	663,538	821,429	663,538
Financial assets - non-current	17	21,372	16,356	21,372	16,356
Financial Assets at FVOCI		3,474	4,048	3,474	4,048
Financial assets at amortised cost:					
Trade and other receivables - current	7	99,033	61,283	99,033	61,283
Trade and other receivables - non-current	7	1,216	1,911	1,216	1,911
Financial assets at fair value:					
VAT tax credits & other tax receivable - current	7	41,866	20,521	41,866	20,521
Receivable from a joint venture party - current	7	2,016	-	2,016	-
Receivable from a joint venture party - non-current	7	6,134	6,555	6,134	6,555
Receivable from associate	7	31,934	16,463	31,934	16,463
VAT tax credits	7	3,440	24,312	3,440	24,312
Total financial assets		1,031,914	814,987	1,031,914	814,987

Financial liabilities

		Carrying Amount		Fair Value	
		2023	2022	2023	2022
	Note	US$'000	US$'000	US$'000	US$'000
Financial liabilities at amortised cost:					
Trade and other payables - current	14	137,354	96,443	137,354	96,443
Trade and other payables - non-current	14	29,022	30,973	29,022	30,973
Loans and borrowings - current	17	42,519	37,574	42,047	37,574
Loans and borrowings - non-current	17	231,756	274,103	225,915	274,103
Financial liabilities at fair value:					
Derivatives - interest rate swap	18	-	1,422	-	1,422
Total financial liabilities		440,651	440,515	434,338	440,515

Note 18: Financial risk management (continued)

18e) Liabilities arising from financing activities

Changes in liabilities arising from financing activities:

	Note	1 July 2022 US$'000	Business Combination US$'000	Net Cash Flow US$'000	Other US$'000	30 June 2023 US$'000
Financial liabilities						
Current						
Loans and borrowings	17	37,574	-	-	4,945	42,519
Lease liabilities	13	10,197	-	(9,320)	12,452	13,329
Non-current						
Loans and borrowings	17	274,103	-	(37,402)	(4,945)	231,756
Lease liabilities	13	38,222	-	-	1,695	39,917
Total financial liabilities arising from financing activities		360,096	-	(46,722)	14,147	327,521

	Note	1 July 2021 US$'000	Business Combination US$'000	Net Cash Flow US$'000	Other US$'000	30 June 2022 US$'000
Financial liabilities						
Current						
Loans and borrowings	17	34,683	-	2,880	11	37,574
Lease liabilities	13	2,562	15,635	(9,413)	1,413	10,197
Non-current						
Loans and borrowings	17	266,278	-	8,247	(422)	274,103
Lease liabilities	13	33,123	-	-	5,099	38,222
Total financial liabilities arising from financing activities		336,646	15,635	1,714	6,101	360,096

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
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
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.

Following the review of the PROP, the performance conditions were revised in March 2022 and approved by the shareholders at the Annual General Meeting in November 2022. 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.

Note 19: Share-based payments (continued)

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 (2022:20) companies.

Performance condition - Relative TSR	Proportion of Relative TSR Awards vesting
If Relative TSR below 50th percentile	Nil
If Relative TSR at 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%

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 at the measurement date.

There are 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:
Performance conditions for 2023-PROP
Measurement date: 30 June 2025

Achievement (tonnes)	% of Base	% Bonus PCPR to vest
120,000 or more	100%	100%
115,000 to 119,999	100%	80%
110,000 to 114,999	100%	60%
105,000 to 109,999	100%	40%
100,001 to 104,999	100%	20%
100,000	100%	0%
75,000 to 99,999	Pro-rata straight line vesting 75% to 99%	0%
Less than 75,000	Nil	0%

Performance conditions for 2022-PROP

Measurement date: 30 June 2024

Achievement (tonnes)	% of Base	% 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	Nil	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.

Long Term Awards to a limited number of value employees not on PROP plans, and Merger Retention 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.

Note 19: Share-based payments (continued)

Performance Rights

Movements in the year of unvested performance rights are:

Grant Date	Vesting date	Expiry date	Exercise price (AU$)	1 July 2022 No.	Granted No.	Vested No.1	Forfeited/ lapsed No.	30 June 2023 No.
11 Mar 2020	31 Aug 2022	30 Sep 2022	-	1,221,519	-	(1,221,519)	-	-
13 Nov 2020	31 Aug 2023	30 Sep 2023	-	228,649	-	-	-	228,649
17 Dec 2020	31 Aug 2023	30 Sep 2023	-	991,410	-	(174,036)	(57,304)	760,070
10 Nov 2021	25 Aug 2022	25 Aug 2024	-	214,870	-	(214,870)	-	-
10 Nov 2021	25 Aug 2023	25 Aug 2025	-	168,053	-	-	(20,523)	147,530
10 Nov 2021	25 Aug 2024	25 Aug 2026	-	54,500	-	-	(19,578)	34,922
30 Nov 2021	30 Sep 2022	30 Sep 2024	-	131,219	-	(115,344)	(15,875)	-
30 Nov 2021	30 Sep 2023	30 Sep 2025	-	42,621	-	(17,755)	-	24,866
30 Nov 2021	30 Sep 2024	30 Sep 2026	-	222,806	-	(66,153)	-	156,653
22 May2022	1 Sep 2022	1 Sep 2024	-	270,997	-	(242,404)	(28,593)	-
22 May2022	30 Sep 2024	30 Sep 2026	-	634,290	-	-	(89,997)	544,293
22 May2022	30 Sep 2024	30 Sep 2026	-	65,357	-	-	(7,676)	57,681
15 Nov 2022	15 Nov 2025	15 Nov 2027	-	-	129,923	(9,450)	-	120,473
15 Nov 2022	15 Nov 2023	15 Nov 2025	-	-	48,189	-	-	48,189
23 Dec 2022	1 Sep 2023	1 Sep 2025	-	-	337,439	-	(12,142)	325,297
23 Dec 2022	1 Sep 2024	1 Sep 2026	-	-	43,615	-	-	43,615
23 Dec 2022	1 Sep 2025	1 Sep 2027	-	-	942,295	-	(25,700)	916,595
21 Mar 2023	1 Sep 2023	1 Sep 2025	-	-	35,525	-	-	35,525
21 Mar 2023	1 Sep 2025	1 Sep 2027	-	-	47,775	-	-	47,775
Total performance rights – unvested				4,246,291	1,584,761	(2,061,531)	(277,388)	3,492,133

1. The performance rights held by Mr Kaplan (formerly CFO, deceased 10 February 2023) are deemed to have vested for accounting purposes.

Movements in the year of performance rights that have vested and not exercised are:

	Exercise price (AU$)	1 July 2022 No.	Vested No.	Exercised No.	30 June 2023 No.
Total performance rights – vested and not exercised	-	-	2,061,531	(1,584,104)	477,427

During the year, 186,050 PRs (2022: 396,646) were granted to the KMP. Refer to the Remuneration Report for further details of PRs issued to KMP.

1,004,412 PRs were granted pursuant to the Company's LTI plan for Nil consideration (2022: 922,453). 364,393 PRs were granted during the year for the FY22 STI (2022: 360,119) and were issued for nil consideration. In 2022, 522,141 PRs were granted to staff as Merger Retention Bonuses. 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. 89,881 PRs (2022: 65,357) 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.

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 695,793 PRs on issue to KMP (2022: 1,271,634).

At the date of issue, the weighted average share price of PRs granted in the current year was AU$11.81 (2022: AU$11.51). The PRs outstanding at 30 June 2023 had a weighted average exercise price of AU$0.00 (2022: AU$0.00) and a weighted average remaining contractual life of 1.06 years (2022: 1.04 years).

The weighted average fair value of options and PRs granted during the year was AU$12.17 (2022: AU$11.07).

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):

Note 19: Share-based payments (continued)

PR Grant	2021 - PROP				2022 - LTI	
Grant date	13-Nov-20	13-Nov-20	17-Dec-20	17-Dec-20	30-Nov-21	30-Nov-21
Number issued	114,325	114,324	538,154	538,154	89,122	133,684
Fair value at grant date (AU$)	1.79	2.20	3.25	3.60	7.73	10.22
Share price (AU$)	2.97	2.97	4.31	4.31	10.22	10.22
Exercise price (AU$)	-	-	-		-	-
Expected volatility	52%	52%	53%	53%	54%	54%
Right's life	3 years	3 years	3 years	3 years	2.8 years	2.8 years
Expected dividends	-	-	-	-	-	-
Risk-free interest rate	0.10%	0.10%	0.10%	0.10%	0.81%	0.81%

PR Grant	2022 - LTI				2022 - Merger Completion	
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%	55%	55%	55%	55%	54%
Right's life	2.4 years	2.4 years	2.4 years	2.4 years	0.8 years	0.8 years
Expected dividends	-	-	-	-	-	-
Risk-free interest rate	2.62%	2.62%	2.62%	2.62%	1.73%	0.81%

PR Grant	2022 - Merger Completion				2023 - LTI	
Grant date	10-Nov-21	10-Nov-21	10-Nov-21	10-Nov-21	15-Nov-22	15-Nov-22
Number issued	52,894	52,894	115,159	54,500	51,969	77,954
Fair value at grant date (AU$)	9.18	9.18	9.18	9.18	10.71	14.25
Share price (AU$)	9.18	9.18	9.18	9.18	14.25	14.25
Exercise price (AU$)	-	-	-	-	-	-
Expected volatility	55%	55%	55%	55%	56%	56%
Right's life	0.8 years	1.8 years	1.8 years	2.8 years	2.9 years	2.9 years
Expected dividends	-	-	-	-	-	-
Risk-free interest rate	1.73%	1.73%	1.73%	1.73%	3.27%	3.27%

PR Grant	2023 - LTI				2023-STI		
Grant date	23-Dec-22	23-Dec-22	21-Mar-23	21-Mar-23	15-Nov-22	23-Dec-22	21-Mar-23
Number issued	340,847	601,448	18,237	29,538	48,189	313,824	14,522
Fair value at grant date (AU$)	9.06	13.13	6.61	10.28	14.25	13.13	10.28
Share price (AU$)	13.13	13.13	10.28	10.28	14.25	13.13	10.28
Exercise price (AU$)	-	-	-	-	-	-	-
Expected volatility	55%	55%	53%	53%	56%	55%	53%
Right's life	2.7 years	2.7 years	2.5 years	2.5 years	0.8 years	0.7 years	0.8 years
Expected dividends	-	-	-	-	-	-	-
Risk-free interest rate	3.01%	3.01%	2.83%	2.83%	3.27%	3.01%	2.83%

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$10,768,000 (2022: US$5,254,000) and as part of discontinued operations was US$114,000 (2022: US$173,000).

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 6).

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 tax residency	% equity interest held by the Group 2023	2022
Borax Argentina Holding No 1 Pty Ltd[i)]	Australia	-	100.00
Borax Argentina Holding No 2 Pty Ltd [i)]	Australia	-	100.00
Borax Argentina S.A. [i)]	Argentina	-	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	Australia	100.00	100.00
Advantage Lithium S.A.	Argentina	100.00	85.00
Allkem Corporate Services Pty Ltd [ii)]	Australia	100.00	-
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	100.00
Galaxy Lithium Australia Pty Ltd	Australia	100.00	100.00
Galaxy Resources International Ltd	Hong Kong	100.00	100.00
Galaxy Lithium Holdings BV	Netherlands	100.00	100.00
Galaxy Lithium (CANADA) INC	Canada	100.00	100.00
Galaxy Lithium ONE INC	Canada	100.00	100.00
Galaxy Lithium (ONTARIO) INC	Canada	100.00	100.00
Allkem Financial Services Pty Ltd (formerly General Mining Corporation Pty Ltd)	Australia	100.00	100.00
Galaxy Lithium (SAL DE VIDA) S.A.	Argentina	100.00	100.00

i) Entities disposed and presented as discontinued operations (refer Note 2).
ii) Incorporated 19 December 2022.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2023.

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.

Note 20: Information relating to subsidiaries (continued)

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. Profit from sales of goods to associates which remain on the associate's balance sheet at period end are recognised only to the extent of the unrelated investors' interests in the associate. Allkem's share of the profit on sales to associates is deferred against cost of sales and recognised as an other liability until the goods have been onsold by the associate.

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 2023:

	2023	2022	2021
	US$'000	US$'000	US$'000
Revenue	592,211	292,758	66,370
Cost of sales	(50,665)	(40,982)	(24,950)
Gross profit	541,546	251,776	41,420
Corporate and administrative costs	(29,039)	(15,957)	(8,864)
Selling costs	(37,200)	(15,384)	(2,966)
Net finance income/(costs)	13,830	(24,153)	(29,739)
Depreciation	(16,320)	(17,717)	(18,294)
Foreign exchange	(79,159)	(7,478)	(3,947)
Profit/(loss) before income tax	393,658	171,087	(22,390)
Income tax expense/(benefit)	(158,810)	(74,935)	(67,940)
Profit/(loss) for the year from continuing operations	234,848	96,152	(90,330)
Other comprehensive income	672	1,959	1,435
Total comprehensive profit/(loss)	235,520	98,111	(88,895)
Profit/(loss) attributable to non-controlling interests	79,586	31,549	(29,371)

Summarised statement of financial position as at 30 June 2023:

	2023	2022
	US$'000	US$'000
Current assets	321,011	180,001
Non-current assets	1,344,006	1,117,399
Total assets	1,665,017	1,297,400
Current liabilities	231,127	75,730
Non-current liabilities	930,000	945,131
Total labilities	1,161,127	1,020,861
Net assets	503,890	276,539
Total equity	503,890	276,539
Attributable to:		
Equity holders of the parent	333,303	183,747
Non-controlling interest	170,587	92,792
Total equity attributable to members	503,890	276,539

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	
		2023	2022
Toyotsu Lithium Corporation (TLC)	Japan	75.00	75.00

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

	2023	2022
	US$'000	US$'000
Balance at the beginning of year	890	4,230
Additional capital contribution during the period	5,699	-
Loss from equity accounted investment in associates	(2,114)	(2,951)
Foreign currency translation reserve	(458)	(389)
Balance at the end of year	4,017	890

	2023	2022	2021
	US$'000	US$'000	US$'000
Revenue	60,845	-	-
Cost of sales	(60,740)	-	-
Corporate and administrative expenses	(2,833)	(3,888)	(2,193)
Loss before income tax	(2,728)	(3,888)	(2,193)
Income tax expense	(90)	(47)	(50)
Loss for the period	(2,818)	(3,935)	(2,243)
Total comprehensive loss	(2,818)	(3,935)	(2,243)
Allkem's share of the loss for the year	(2,114)	(2,951)	(1,682)
Allkem's share of total comprehensive loss	(2,114)	(2,951)	(1,682)

TLC constructed and now operates the Naraha Lithium Hydroxide Plant, located in Japan. The primary grade lithium carbonate feedstock for the plant is sourced from the Olaroz Lithium Facility's Stage 2 expansion.

On 23 December 2022 the Group made the additional contribution of US$5.7 million to Toyotsu Lithium Corporation.

The Group has invested capital of JPY 1,500 million (2022: JPY 750 million) (US$12.4 million / 2022: 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$69,000 (2022: US$301,000) was recognised in the current year. See Note 30c) 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

	2023 US$'000	2022 US$'000
Current assets	114,495	29,074
Non-current assets	49,877	68,977
Total assets	164,372	98,051
Current liabilities	107,935	50,820
Non-current liabilities	51,082	46,045
Total liabilities	159,017	96,865
Net assets	5,355	1,186
Contributed equity	16,563	8,964
Reserves	(934)	(323)
Accumulated losses	(10,274)	(7,455)
Total equity	5,355	1,186
Allkem's share of total equity	4,017	890

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:

	2023 US$'000	2022 US$'000
Current assets	192,465	341,875
Non-current assets	2,688,066	2,482,719
Total assets	2,880,531	2,824,594
Current liabilities	195,104	74,195
Non-current liabilities	1,222	3,576
Total liabilities	196,326	77,771
Net assets	2,684,205	2,746,823
Contributed equity	2,663,213	2,665,524
Reserves	(37,184)	(43,978)
Accumulated profits	58,176	125,277
Total equity	2,684,205	2,746,823
(Loss)/profit for the year	(5,923)	52,325
Total comprehensive (loss)/income for the year	(5,923)	52,325

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 are party to the Deed of Cross Guarantee during the financial year ended 30 June 2023:

-Allkem Ltd;
-Galaxy Resources Pty Ltd; and
-Galaxy Lithium Australia Pty Ltd.

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

	2023	2022
	US$'000	US$'000
Revenue	615,589	451,931
Cost of sales	(46,983)	(74,077)
Gross profit	568,606	377,854
Other income	7,087	1,824
Corporate and administrative expenses	(32,844)	(20,066)
Merger and acquisition costs	(9,514)	(12,760)
Selling expenses	(52,549)	(41,640)
Depreciation and amortisation expense	(78,085)	(28,558)
Foreign currency gain	22,191	18,884
Asset impairment and write down	(18,515)	-
Profit before interest and income tax	406,377	295,538
Finance income	49,535	18,036
Finance costs	1,102	(1,390)
Profit before income tax	457,014	312,184
Income tax expense	(116,866)	(17,989)
Profit for the year	340,148	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.

	2023	2022
	US$'000	US$'000
Current assets		
Cash and cash equivalents	638,175	562,504
Trade and other receivables	114,216	100,532
Inventory	41,951	13,113
Prepayments	1,583	834
Total current assets	795,925	676,983
Non-current assets		
Other receivables	306,027	299,846
Property, plant and equipment	90,951	81,751
Financial assets	5,000	-
Intangible assets	168	252
Exploration and evaluation assets	8,906	3,065
Net deferred tax assets	3,078	25,217
Investments at fair value through other comprehensive income	3,474	4,048
Investment in subsidiaries, associates and joint ventures	1,956,161	2,002,326
Other	2,670	3,841
Total non-current assets	2,376,435	2,420,346
Total assets	3,172,360	3,097,329
Current liabilities		
Trade and other payables	42,405	41,180
Provisions	2,326	1,896
Income tax payable	73,405	40,672
Lease liabilities	9,651	7,317
Total current liabilities	127,787	91,065
Non-current liabilities		
Other payables	-	1,670
Loans and borrowings	-	723
Provisions	12,069	13,357
Lease liabilities	2,227	1,820
Total non-current liabilities	14,296	17,570
Total liabilities	142,083	108,635
Net assets	3,030,277	2,988,694
Equity		
Issued capital	2,663,213	2,665,524
Reserves	(37,183)	(43,978)
Retained earnings	404,247	367,148
Total equity	3,030,277	2,988,694

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

	2023	2022	2021
	US$'000	US$'000	US$'000
Profit/(loss) after income tax	521,297	337,223	(89,474)
Adjustments for:			
Non-cash employee benefits expense	10,768	5,427	1,902
Depreciation and amortisation	98,786	63,344	18,759
Impairment loss	-	244	912
Foreign currency translation reserve transferred to profit	5,749	-	-
Gain on disposal of assets	-	-	(2,450)
Gain on financial instruments	(66,023)	(32,033)	(2,711)
Share of net losses of associates	2,114	2,951	1,682
Unwinding of discount on rehabilitation provision	1,244	32	368
FX loss from equity raise	-	-	700
Non-cash finance costs	-	-	4,719
Unrealised foreign exchange	58,476	5,038	4,781
Changes in operating assets and liabilities: i)			
(Increase) in receivables	(44,425)	(46,254)	(7,136)
(Increase)/decrease in inventory	(74,802)	7,965	(24,430)
(Increase)/decrease in prepayments	(20,587)	(5,955)	3,978
Increase/(decrease) in payables	39,798	(2,403)	5,016
Increase in net deferred tax liabilities	85,889	48,898	67,940
Increase in income tax payable	131,482	44,692	-
(Decrease) in provisions	(3,209)	(5,806)	(2,966)
Increase in other liabilities	44,353	18,247	-
Net cash provided by /(used in) operating activities	790,910	441,610	(18,410)

The consolidated statement of cashflows includes both continuing and discontinued operations.

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.

	2023	2022	2021
	US$	US$	US$
Audit and review of financial statements			
- Australia	287,505	323,581	187,986
- Argentina	148,405	177,500	121,832
Other audit services			
- Australia	368,647	-	-
Total auditors' remuneration	804,557	501,081	309,818
Corporate and administrative expenses	435,910	446,033	242,720
Acquisition and merger costs	368,647	-	-
Discontinued operations	-	55,048	67,098
Total auditors' remuneration	804,557	501,081	309,818

Note 27: Related party disclosures

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	2023 US$	2022 US$	2021 US$
Sales to a related party	1	592,211,349	292,757,620	66,370,456
Interest expense to a related party (gross of any capitalisation)	3f	(8,387,484)	(5,009,465)	(4,357,875)

Transactions impacting the statement of financial position:	Note	2023 US$	2022 US$
Trade and other receivables from a related party			
Trade receivables - current	7	36,716,013	39,078,658
Other receivables - current	7	-	13,869,439
Receivables - non-current[i)]	7	31,934,000	16,462,784
Loans payable to a related party			
Current	17	5,137,222	-
Non-current	17	78,915,783	84,776,481
Interest payable to a related party			
Current	14	4,392,192	-
Non-current	14	16,658,291	17,495,483

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

Key Management Personnel

Compensation of Key Management Personnel of the Group:

	2023 US$	2022 US$	2021 US$
Short-term employee benefits	2,481,676	2,544,973	1,367,716
Post-employment benefits	18,928	20,246	18,343
Other long-term benefits	9,205	22,903	6,094
Share-based payments	2,106,185	1,446,613	513,484
Total compensation	4,615,994	4,034,735	1,905,637

Transactions with Directors and 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 of which provide professional legal services to the Group. These legal fees are paid by Allkem directly to Fasken and Allende & Brea on an arms' length basis.

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. In addition, Ms. Heredia does not personally receive the Director's fee paid by Allkem. This fee is paid by Allkem directly to Allende & Brea which then distributes the fee in accordance with its partner remuneration policy. Fees paid to Fasken and Allende & Brea for services provided in the 2023 financial year were CAD 979,686 (2022: US$227,000, 2021: nil) and US$592,707(2022: US$190,000, 2021: nil) respectively.

Other than the items noted above, there have been no other transactions with key management personnel of the Group during 2023 (2022: Nil, 2021: Nil).

Note 28: Commitments

	2023	2022
	US$'000	US$'000
Not later than 1 year		
Exploration commitments i)	10,657	1,124
Contracts – Property, plant and equipment ii)	179,194	114,919
Contracts – Operating ii)	19,059	7,104
Total	208,909	123,148
Later than 1 year but not later than 5 years		
Exploration commitments i)	9,449	4,762
Contracts – Property plant and equipment	51,187	-
Contracts - Operating ii)	33,302	3,832
Total	93,938	8,594

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 construction and equipment at its operations and development sites
iii) The Group has contractual commitments regarding purchase agreements for consumables and energy at its operations.

Note 29: Subsequent Events

On 25 July 2023, Allkem announced the signing of a US$130 million limited-recourse, sustainability-linked green project financing facility maturing in March 2033, with repayment commencing in March 2026. The facility bears interest at the Secured Overnight Funding Rate (SOFR) plus a margin of 4.8% with adjustments of up to +/- 0.25% based on the performance against agreed sustainability targets, as measured at June 2026, 2028 and 2030. The facility is supported by a guarantee until completion only and subject to affirmative and negative covenants with a requirement to hedge 75% of the floating rate exposure of the facility by completion of the Sal de Vida project.

On 11 August 2023, Allkem announced that effective 9 August 2023 that its James Bay Lithium Project in Quebec, Canada has increased its mineral resources to 110.2 Mt @1.3% Li_2O at a cut-off grade of 0.50% Li_2O. This includes 54.3 Mt @ 1.30% Li_2O in the indicated category and an additional 55.9Mt @ 1.29% Li_2O in the inferred category. The previous feasibility study from December 2021 included indicated resources of 40.3 MT @ 1.40% Li_2O and nil inferred resources at a 0.62% Li_2O cut-off.

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 reclassified 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.

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.

Note 30: Summary of significant accounting policies (continued)

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) 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 4.

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.

30d) 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.

30e) Discontinued Operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which: represents a separate major line of business or geographical area of operations; or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the earliest comparative year presented.

30f) 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.

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.

30g) 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.

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.

30h) 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.

30i) 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.

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Independent auditor's report to the directors of Allkem Limited

Opinion

We have audited the consolidated financial statements of Allkem Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2023 and 2022, the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for each of the three years in the period ended 30 June 2023, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements presents fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended 30 June 2023 in accordance with Australian Accounting Standards.

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 statements* section of our report. We are independent of the Group in accordance with 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 statements 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.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the financial statements that is free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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 statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 statements.

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 statements, 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.
- 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 statements 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 statements, including the disclosures, and whether the financial statements represent 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 statements. 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.

Ernst & Young

Ernst & Young

Andrew Carrick
Partner
Brisbane
5 September 2023