Consolidated Financial Report

For the half-year ended 31 December 2021

Allkem

Contents

ABN 31 112 589 910

Corporate Information

Directors

Non-Executive Chairman
Mr. Martin Rowley (appointed on 25 August 2021)

Non-Executive Deputy Chairman
Mr. Robert Hubbard

Managing Director and CEO
Mr. Martín Pérez de Solay

Non-Executive Directors
Mr. Richard Seville

Mr. Fernando Oris de Roa

Ms. Leanne Heywood

Mr. Alan Fitzpatrick (appointed on 25 August 2021)

Mr. John Turner (appointed on 25 August 2021)

Ms. Florencia Heredia (appointed on 25 August 2021)

Joint Company Secretary
Mr. John Sanders (appointed on 22 October 2021)

Mr. Rick Anthon

Company

Allkem Limited
ACN 112 589 910

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ERNST & YOUNG
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Director’s Report

Allkem Limited was formed by the merger of Galaxy Resources Limited (**Galaxy**) and Orocobre Limited (**Orocobre**) on 25 August 2021, by way of a scheme of arrangement (**Scheme**). Your Directors submit the financial report of the consolidated group for the half-year ended 31 December 2021.

The following persons were Directors of the Company during the half-year and at the date of this report:

- Mr. Martin Rowley (Non-Executive Chairman) (appointed on 25 August 2021)
- Mr. Robert Hubbard (Non-Executive Deputy Chairman)
- Mr. Martín Pérez de Solay
- Mr. Richard Seville
- Mr. Fernando Oris de Roa
- Ms. Leanne Heywood
- Mr. Alan Fitzpatrick (appointed on 25 August 2021)
- Mr. John Turner (appointed on 25 August 2021)
- Ms. Florencia Heredia (appointed on 25 August 2021)

Corporate Overview

Merger with Galaxy Resources

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

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

ASX/S&P 100 Index

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

Sustainability and Safety

Sustainability Overview

As a signatory of the UN Global Compact, and in accordance with the UN Sustainable Development Goals, Allkem seeks to promote the global transition to a low-carbon future, optimise operational performance with respect for people and the environment, and improve the quality of life for local communities.

The central focus of the Company's sustainability strategy is based on three aspects: safe and sustainable operations, thriving communities and responsible products.

Safe and Sustainable Operations

To maintain the highest levels of safety, efficiency, and resilience and the lowest operating costs in the industry.

Thriving Communities

To cultivate thriving, resilient communities that are autonomous and self-sustaining.

Responsible Product

To be the supplier of choice for quality chemicals that promote the global transition to a low-carbon economy.

> Allkem seeks to promote the global transition to a low-carbon future, optimise operational performance with respect for people and the environment, and improve the quality of life for local communities.

Allkem released its FY21 Sustainability Report in November 2021. This report, along with the supporting performance data, outlines the Company's response to the environmental and social issues identified as most material by stakeholders during FY21. Detailed disclosures regarding Allkem's Sustainability Strategy and Performance, Material Issues, Performance Data, Case Studies and Management Approach Disclosures are available here. This information should also be read in conjunction with Galaxy Resources' 2020 Sustainability Report, available here.

During the reporting period, the Company completed its second Modern Slavery Statement and formally declared support for the Task Force on Climate related Financial Disclosure. This demonstrates continued commitment to identify and address climate risk with increased transparency. Allkem is committed to the reduction of global greenhouse gas emissions and the transition of the business to achieve net-zero across its scope 1 and 2 emissions by 2035.

Health and Safety

The health and safety of all employees and contractors remains a key priority for Allkem. Post-merger, the Company commenced the rollout of consolidated Health, Safety and Environment standards and reporting to unify all operations and projects into the Intelex system.

COVID-19 Response

Detailed bio-security protocols continue to be enforced at our operations in accordance with established national and provincial regulations and best practice approaches within the industry. Allkem continued to deliver strong production volumes at its Australian and Argentinian operations, however construction and development activities at Olaroz Stage 2 and Sal de Vida were slowed, leading to revised targeted production dates.

The Company continues to actively plan for and manage COVID-19 impacts across its global operations and development activities, as the pandemic will continue to impact the group's business and development activity in the near term. With the escalation of global COVID-19 cases due to the Omicron variant, work teams in Canada, Argentina and Australia have all continued a level of biosecurity protocol relative to their jurisdiction.

At 31 December 2021, 88% of employees at operations in Argentina were double vaccinated, compared to the national figure of 73%. The Western Australian (**WA**) Government also enforced mandatory third (booster) vaccinations for all fly-in fly-out and local workers on WA mine sites within one month of eligibility.

Safety Performance

The Allkem group recorded a Total Recordable Injury Frequency Rate (**TRIFR**) of 3.6 for the rolling 12 months. For the six months ending 31 December 2021, there were three recordable injuries at Mt Cattlin, three at the Olaroz Lithium Facility and one at Borax Argentina. All injuries were of low severity and have since been investigated with corrective action taken to prevent future occurrences.

A number of initiatives have been undertaken as part of the Company's continued focus to maintain the highest possible health and safety practices at all operations. This includes a mental health improvement plan and a principal hazard management pilot at Mt Cattlin, a hand care safety program to support expansion activities at the Olaroz Lithium Facility and a comprehensive hazard identification campaign at Sal de Vida.

Community and Shared Value Program

Allkem is committed to regularly engaging with community stakeholders across all assets and providing positive and lasting benefits. The Shared Value team was established in Argentina to provide long-term value to the local communities through initiatives based on five pillars; empowerment, transparency, education, health, local production and natural resources.

In compliance with the COVID-19 Bio-Security Protocol, community engagement and briefings continued with various development initiatives including the Food Sovereignty Support Program that operates across six local communities and the Vicuna Sustainable Management Program.

Successful community consultation meetings were undertaken in Catamarca as part of the Sal de Vida environmental approval process and also at the James Bay Project.

Double vaccinated employees in Argentina

88% 73% National figure

Total Recordable Injury Frequency Rate

3.6 for the rolling 12 months

Local communities supported by the Food Sovereignty Support Program

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Operating and Financial Overview

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

Group Financial Performance

Summary of Results for the Half-Year Ended 31 December 2021

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

	Group		Olaroz		Mt Cattlin (4 months)
	31 Dec 2021 US $'000	31 Dec 2020 US $'000	31 Dec 2021 US $'000	31 Dec 2020 US $'000	31 Dec 2021 US $'000
Revenue	**192,347**	35,880	**65,620**	27,020	**114,907**
EBITDAIX[1]	**97,886**	(6,346)	**35,299**	(3,867)	**71,027**
Less depreciation and amortisation	**(18,489)**	(11,070)	**(8,611)**	(10,802)	**(9,065)**
EBITIX[2]	**79,397**	(17,416)	**26,688**	(14,669)	**61,962**
Less interest income/(costs)	**(9,930)**	(12,280)	**(12,610)**	(17,368)	**(237)**
EBTIX[3]	**69,467**	(29,696)	**14,078**	(32,037)	**61,725**
Less acquisition costs	**(12,760)**	–	**–**	–	**–**
Less amortisation of customer contracts	**(13,400)**	–	**–**	–	**(13,400)**
Less inventory adjustment due to purchase price allocation	**(12,367)**	–	**–**	–	**(12,367)**
Add other income—financial instruments	**13,168**	–	**–**	–	**–**
Less foreign currency gains/(losses)	**(1,147)**	(457)	**(1,323)**	(1,149)	**(178)**
Less share of loss of associates, net of tax	**(869)**	(920)	**–**	–	**–**
Impairment/net realisable value of inventories	**–**	4,987	**–**	5,614	**–**
Segment profit/(loss) for the period before tax	**42,092**	(26,086)	**12,755**	(27,572)	**35,780**
Income tax expense	**(29,134)**	(3,056)	**(23,843)**	(3,056)	**(10,734)**
Total profit/(loss) for the period	**12,958**	**(29,142)**	**(11,088)**	**(30,628)**	**25,046**

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

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

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

	Group		Olaroz		Mt Cattlin	Sal De Vida	James Bay
	31 Dec 2021	31 Dec 2020	**31 Dec 2021**	31 Dec 2020	**31 Dec 2021**	**31 Dec 2021**	**31 Dec 2021**
	US $'000	US $'000	**US $'000**	US $'000	**US $'000**	**US $'000**	**US $'000**
Other financial metrics							
Cash and cash equivalents	**449,783**	258,319	**21,820**				
Net assets	**2,755,795**	725,091	**179,373**	183,419	**205,521**	**1,457,404**	**358,630**
Net tangible asset/share	**3.49**	**2.10**					

Group Profit Overview

The Allkem Group (the Group) produced a Group EBITDAIX of US$97.9 million and consolidated net profit after tax of US$13.0 million (31 December 2020: loss of US$29.1 million). The net profit after tax includes one off charges of US$12.8 million for Galaxy acquisition costs, an inventory uplift on purchase price allocation related to the merger of US$12.4 million, US$13.4 million related to amortisation of customer contracts due to purchase price allocation, gains of US$13.2 million from financial instruments, and foreign exchange losses of US$1.1 million. Net finance costs were US$9.9 million.

Net assets of the Group increased to US$2,756 million as at 31 December 2021 (30 June 2021: US$725 million) including cash balances of US$450 million (30 June 2021: US$258 million). The increase in net assets and cash is mainly due to the Galaxy merger transaction, increasing net assets and cash by US$2,018 million and US$210 million respectively.

Group capital expenditure for the half-year totalled US$99.6 million (31 December 2020: US$43.8 million) and the Mizuho Stage 1 and Pre-export loan facilities were reduced by ~US$9.5m.

Group Revenue (US$)

192.3 m

Net profit after tax (US$)

13 m

EBITDAIX (US$)

97.9 m

Mt Cattlin

Western Australia, Australia

The Mt Cattlin spodumene project (**Mt Cattlin**) is a low-cost producer of high-quality spodumene concentrate utilising conventional techniques to extract and process the resource. This wholly owned project is located two kilometres north of the town of Ravensthorpe in Western Australia.

For the purpose of this report, financial and operational performance at Mt Cattlin is recorded from the 25 August 2021, the date the merger with Galaxy and Orocobre was implemented. Therefore, performance is in relation to the period of 25 August to 31 December 2021.

Financial performance

Mt Cattlin produced a net profit after tax of US$25.0 million which included foreign exchange losses of US$0.2million, depreciation and amortisation of US$9.1 million, interest charges of US$0.2 million and non-cash impacts of the inventory value uplift from the merger of US$12.4 million and US$13.4 million related to amortisation of customer contracts due to purchase price allocation.

Revenues of US$114.9 million were generated on sales of 96,871 dry metrics tonnes (**dmt**) of spodumene concentrate, grading 5.7% Li_2O, at an average price of US$1,186/tonne CIF.

EBITDAIX profit of US$71.0 million was predominantly the result of a significant increase in market prices. Cash cost of production was US$335/dmt.

Operational performance

71,458 dmt of spodumene concentrate was produced between 25 August 2021 to 31 December 2021, with an average grade of 5.7% Li_2O. Two consecutive record-breaking quarters resulted in production of 120,156 dmt of spodumene concentrate for the period 1 July 2021 – 31 December 2021. Excellent operational performance was due to favourable head grade and improved processing rates and recoveries, which also assisted in lower than expected cash costs.

Revenue (US$)

114.9 m

EBITDAIX (US$)

71 m

Net profit after tax (US$)

25 m

Mining activities continued to source ore from the 2NE pit and pre-stripping activities also continued at the 2NW pit, with fresh ore expected to be exposed in Q2 CY22.

The front-end ore sorters also continued to make positive contributions throughout the period by treating material from low-grade ore stockpiles. The ore sorters were upgraded to a laser version which contributed greater volumes of stockpiled ore towards the end of the reporting period.

Olaroz Lithium Facility

Jujuy Province, Argentina

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

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

Financial performance

Olaroz produced a net loss after tax of US$11.1 million (31 December 2020: loss of US$30.6 million) which included foreign exchange losses of US$1.3million, depreciation and amortisation of US$8.6 million, interest charges of US$12.6 million which includes US$2.9 million of non-cash charges (which mainly relates to discounting of financial assets and liabilities and the interest charge on the TTC Shareholder loans).

Revenues of US$65.6 million (31 December 2020: US$27.0 million) were generated on sales of 5,915 tonnes of lithium carbonate (31 December 2020: 7,738 tonnes) at an average price of US$11,095/tonne FOB[1] (31 December 2020: US$3,492/tonne).

EBITDAIX profit of US$35.3 million (31 December 2020: US$3.9 million loss) was higher than the previous corresponding period principally due to the increase in market prices.

Revenue (US$)

65.6 m

EBITDAIX (US$)

35.3 m

The increase in sales price by approximately 218% has directly contributed to the positive gross margin of 59% (31 December 2020: 8% negative gross margin). Cash cost of goods sold was US$4,521/tonne (31 December 2020 US$3,777/tonne) resulting in a positive gross cash margin of US$6,574/tonne. Cash cost of goods sold increased by 20% due to higher sales mix of battery grade than the PCP (63% versus 29%), higher labour and other costs arising from inflation (20% versus only 7% devaluation of the Argentine Peso) and increased gas prices.

1 Allkem reports Olaroz price as FOB (Free on Board) which excludes insurance and freight charges included in CIF (Cost, Insurance, Freight) pricing. Therefore, the Company's reported prices are net of freight (shipping), insurance and sales commission, unless specified FOB prices are reported by the Company to provide clarity on the sales revenue that is recognised by SDJ, the joint venture company in Argentina.

Foreign currency losses for the period of US$1.3 million (31 December 2020: US$1.1 million) were largely due to the effect of a 7% devaluation of the Argentine Peso (ARS) against the US Dollar (USD) on the Value Added Tax (VAT) receivables and other net accounts receivables and payables balances which are ARS denominated.

The income tax expense of US$23.8 million (31 December 2020: US$3.1 million) resulted mainly from the revaluation of carried forward tax losses, given the ARS currency devaluation during the 6 months ended 31 December 2021.

Operational performance

Production for the reporting period was 6,446 tonnes, up 6% from the previous corresponding period (**PCP**). 54% of production was battery grade lithium carbonate, in line with production targets and customer requirements.

Olaroz Stage 2 Expansion

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

Financial performance

Capital expenditure for Stage 2 at 31 December was ~US$266 million, excluding VAT and working capital. A review of Olaroz expansion project capital expenditure, excluding VAT and working capital, indicates the total to be between US$365-380 million. This reflects a 10-15% increase from the initial estimate and is due to refinement of the project scope, Argentine inflation substantially exceeding the devaluation of the Argentine Peso, global construction cost inflation, COVID-19 related costs and increased international freight rates. This increase will be funded 100% as shareholder loans from guarantee funds that can specifically be used for overruns.

The major areas of cost impact were in the lime plant, carbonation plant, soda ash facilities, costs related to drilling brine production wells and construction of additional camp facilities as mentioned above.

Operational performance

Construction activity at the Olaroz Stage 2 lithium facility continued during the period and commissioning of ponds, brine distribution infrastructure and liming plants occurred as individual project components were completed. First production is currently anticipated in H2 CY22, subject to any further COVID-19 related delays.

By the end of December 2021, overall project construction had reached 68% completion, with 91% of pond construction activity completed and with the soda ash and carbonation plants being 37% and 43% complete respectively.

> By the end of December 2021, overall project construction had reached 68% completion.

Borax Argentina

Salta-Jujuy, Argentina

Borax has a sixty-year production history producing borax chemicals, boric acid and boron minerals. The production currently comes from the principal mines at Tincalayu and Sijes with mines and concentrators, a sodium borate manufacturing plant at Tincalayu and a plant at Campo Quijano producing boric acid and anhydrous products.

Financial Performance

Sales for the half-year were US$11.8 million (H1 FY20 US$8.9 million) and the business reported a net profit after tax of US$0.4 million (31 December 2020: net profit of US$0.8 million with the inclusion of US$2.4 million from the sale of an usufruct). EBITDAIX for the period was positive US$0.3 million (31 December 2020: negative US$1.0 million excluding the usufruct sale) which is a substantial improvement due to improved market conditions and reflects the restructuring efforts of Borax.

A total of 25,911 tonnes of combined products were sold in H1 FY22 which was an increase of 33% on the PCP. Revenue was also up 33%.

Operational performance

The operational strategy is to maximise health and safety performance and production rates at all sites with a special focus to improve Boric Acid and Anhydrous productivity in the Campo Quijano facility.

Borax continues to develop the business with a strategy of maximising its gross margin by focusing on sales in the South American market. There is specific emphasis to increase market share, mainly in Argentina and Brazil in ceramic frit and fertilizer applications, to offset the cost increases arising from Argentinean inflation and devaluation of local currency.

Revenue (US$)

11.8 m

Net profit after tax (US$)

0.4 m

EBITDAIX (US$)

0.3 m

Development Overview
Naraha Lithium Hydroxide Plant

Naraha, Japan

The Naraha Lithium Hydroxide Plant (**Naraha**) is the first of its kind to be built in Japan and is designed to convert technical grade lithium carbonate feedstock into purified battery grade lithium hydroxide. Feedstock for the 10,000 tonne per annum (**tpa**) Naraha Plant will be sourced from the Olaroz Lithium Facility's Stage 2 Expansion that will produce technical grade (>99.0% Li_2CO_3) lithium carbonate.

Allkem has a 75% economic interest in the joint venture established with Toyotsu Lithium Corporation (**TLC**). Despite having significant influence, operational control is exercised by TTC. There is strong domestic demand for hydroxide to enable the production of high-end battery technology and Allkem will strategically market this product with TTC.

Status

Construction of the Naraha Lithium Hydroxide Plant in Japan is largely complete, with pre-commissioning works well underway. Mechanical completion is expected by March quarter 2022, with first production to follow in the H1 CY22. Commissioning activities continue to be influenced by the availability of international equipment commissioning experts given COVID-19 related border closures in Japan. However, completion is still expected in H1 CY22.

Capital expenditure at 31 December was ~US$67 million, excluding VAT and working capital.

Sal de Vida

Catamarca, Argentina

Sal de Vida is designed to produce battery grade lithium carbonate through an evaporation and processing operation located in Catamarca Province, Argentina, approximately 200km from Olaroz. The Feasibility Study for this wholly owned project focuses on an initial 11ktpa operation that can readily expand to ~32ktpa through later stages.

Development of the project advanced during the period with significant progress in the engineering and procurement of Stage 1, early construction and the completion of wellfield drilling and installation of Stage 1 production wellfields. The onsite piloting program also continued to achieve or exceed targeted battery grade specifications in the pilot plant. Pilot pond operations are also underway to validate and refine the design model for commercial scale operations through maintenance, testing and harvesting trials. Piloting activities will continue in CY22 for training purposes to support operational readiness for Stage 1 production.

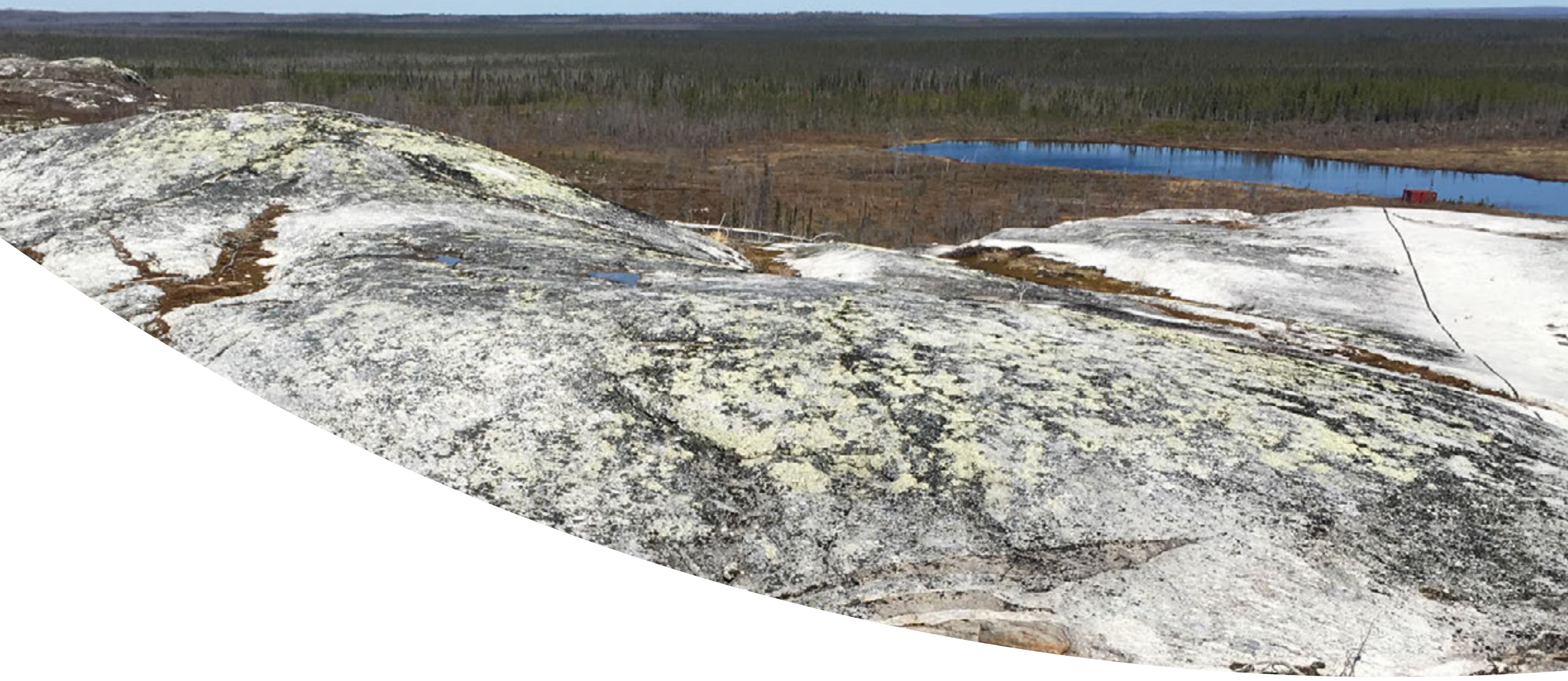
Status

Final environment permits were received from the Provincial Government in late 2021 and construction of the ponds and brine distribution network commenced in January 2022. Due to permitting and COVID-19 related delays, the Stage 1 construction schedule was impacted and commissioning and first production is now expected by H2 CY23.

Allkem is also progressing studies into the expansion of Stage 1 production capacity to 15ktpa within the same execution timeframe. Learnings from the pilot program continue to be utilised to refine the battery grade production capabilities of Stage 1.

James Bay

Québec, Canada



Allkem released the James Bay Feasibility Study and Maiden Ore Reserve on 21 December 2021, detailing a ~321 ktpa operation, utilising hydropower, conventional mining methods and a process flowsheet and a 2mtpa plant design similar to Mt Cattlin. This ~19-year operation is underpinned by a Mineral Resource Estimate of 40.3Mt at 1.4% Li_2O and Ore Reserve of 37.2Mt at 1.3% Li_2O.

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

Allkem expects construction activity at the James Bay project to commence in Q3 CY22 with commissioning to follow in H1 CY24. To achieve these milestones, key focus areas for CY22 include:

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

Status

Basic engineering commenced alongside the procurement process and preparation of construction permits for early works is underway. Basic engineering for the process plant progressed as planned and is expected to move directly to detailed engineering upon completion.

The ESIA was re-submitted to authorities in July 2021 to reflect the changes made to the project as presented in the 2021 Preliminary Economic Assessment that was released earlier in the year. The clarification process is on-going with authorities and engagement with local communities and stakeholders continues, including the Cree Nation of Eastmain and the Cree Nation Government.

Under the Cree Nations process, the IBA is aligned with the Feasibility Study / NI 43-101 report and as such the completion and release of the Feasibility Study will allow the IBA discussion to be progressed to completion.

Lithium Market

Demand

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

Electric Vehicle (**EV**) sales in 2021 were ~6.4 million units, up ~100% compared to the prior year, of which ~60% were in the December half year. EV sales in China alone were ~3.5 million units in 2021, up 150% compared to the prior year, of which ~two thirds were in the December half year.

Production volumes of lithium-ion batteries ramped up in China to a record level of ~145GWH during the December half year, up by 93% compared to the June half year, and ~140% compared to PCP.

Demand for lithium carbonate in China continued to grow during the December half year in response to a strong preference for LFP battery formats (lithium, iron, phosphate) in the domestic market which represented more than 50% of battery chemistries in the December half year compared to ~40% in the June half year.

Spot prices for lithium carbonate and hydroxide across all key geographies rallied to new records as limited uncommitted supply fell short of demand during the December half year. Spodumene concentrate spot prices recorded an almost threefold increase during the December half year, compared to the previous half year period.

Contracted prices were also significantly adjusted upwards during the half year to reflect tightening market conditions across the supply chain.

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

> Demand for lithium carbonate in China continued to grow during the December half year in response to a strong preference for LFP battery formats in the domestic market.

2021 Electric Vehicle sales

6.4 m ↑ 100% from prior year

In China

3.5 m ↑ 150% from prior year

Allkem's sales volumes of lithium carbonate and spodumene concentrate throughout CY21, have been mostly to customers with supply contracts of 1–3-year tenure. Pricing for spodumene concentrate contracts are negotiated on a quarterly basis with long term customers.

Pricing for lithium carbonate contracts during CY21 were approximately 1/3 linked to average monthly spot indices, 1/3 with annual fixed prices agreed in late 2020, and 1/3 linked to contract indices with quarterly adjustments. In 2022, all annual contracts that previously had a fixed price will be linked to contract indices with an average of bi-monthly adjustments.

Supply

Chinese lithium chemical production increased to ~200k tonnes LCE during the December half year, compared to ~175k tonnes LCE in the preceding half and ~150k in the PCP. While utilisation rates increased to ~60% compared to ~55% in the June half year and ~50% in the PCP, production of lithium chemicals did not catchup on demand throughout 2021 due to the restricted supply of mineral feedstock from upstream producers.

Competition for securing lithium resources intensified during the quarter as new investors entered the sector resulting in upstream acquisitions at record resource multiples. It's anticipated that lithium-ion battery producers and EV manufacturers will continue to play a more active role in sourcing lithium chemicals and spodumene concentrate in 2022 through direct investments and long-term purchase agreements.

Significant changes in the state of affairs

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

Subsequent events

There were no significant events after balance sheet date.

Risks

Allkem's business faces certain risks that could affect the success of the strategies and the outlook for future financial years.

At Mt Cattlin, these inherent risks (prior to impact of control measures) include, but are not limited to:

- Inability to deliver production plan for any reason (i.e labour shortages, COVID impacts, etc).

At Olaroz and Sal de Vida these inherent risks (prior to impact of control measures) include, but are not limited to:

- Project failure to meet expectations on NPV with respect to cost, schedule, revenue, etc;
- the current size of the Mineral Resource and the current lack of Reserves (as defined under the JORC Code) or the inability to expand operations beyond current committed projects;
- the optimisation of plant performance and the associated production rate ramp-up;
- the successful, on time and on budget construction and commissioning of Olaroz Stage 2 and Sal de Vida Stage 1;
- the achievement of set performance targets due to incorrect selection of technology, wrong planning assumptions, performance of contractors/subcontractors, incorrect operational assumptions, poor construction management etc;
- production of in-specification product as required by customers;
- the achievement of the design production rates;
- the expected operating costs including fluctuations in the energy and reagent cost and the comparison of these costs to the operating costs of competitors;
- ineffective marketing or production due to lack of experience or resources leading to suboptimal commercial outcomes; and
- delays and/or inability to obtain full and definitive mining titles deeds in all the tenements corresponding to the operations.

With respect to Borax the risks associated with the business include:

- weaknesses in the Company's traditional markets; and
- environmental or other legacy issues arising from historical operations.

With respect to Naraha the risks associated with the construction, commissioning and operation of the lithium hydroxide plant include risks similar in nature to the Stage 2 expansion of Olaroz in addition to the following:

- Project failure to meet expectations on NPV with respect to cost, schedule, revenue, etc;
- the quality and consistency of feedstock available to the Naraha plant;
- the on-going relationship with Japanese governments, regulatory bodies, communities and other stakeholders; and
- the ability to ensure fair, representative and market competitive pricing for LiOH products being sold to Japanese entities that are formally or informally related to TTC.

With respect to James Bay:

- Project failure to meet expectations on NPV with respect to cost, schedule, revenue, etc;
- The inability to obtain permits/approvals within required timeframes; and
- The management of legacy issues.

Other risks applicable to all Allkem operations and businesses include:

- ineffective management of health and safety resulting in injury/loss of life as well as operation, financial, reputational or regulatory implications. Of particular priority is the potential loss of life due to an off-site vehicle incident;
- project failure to meet production specifications and/or cost performance;
- damage, destruction or impact on plant, other physical assets or supply chain e.g. by fire or explosion, or by on/offsite natural disaster including the potential impacts of climate change;
- Argentina sovereign risk both at a national and provincial level and the political and financial risks typically associated with developing countries including reliance on government for the grant and renewal of mining concessions, environmental permits and water access rights;
- changes in government taxes, levies, regulations, policies or legislation;
- fluctuations or decreases in product prices and currency;
- ineffective marketing of product;
- adverse conditions in the global economy and financial markets or downturns in customers end markets, including the impact of supply chain issues, labour shortages, natural disasters, climate change, pandemics and other major adverse events;
- loss of support by local communities and activism challenging Allkem's "social licence" due to actual or perceived concerns;
- the quality of operational and financial management information leading to inaccurate forecasting and loss of confidence in the Company;
- the loss of one or more key management or the inability to replace staff creating gaps in knowledge, experience and relationships;
- inadequate, strategic and corporate planning leading management and the business to allocate time, effort and resources into the wrong priorities and initiatives;
- actual or alleged fraudulent or corrupt activities involving company assets;
- supply chain disruption to operations due to natural disaster, commercial failure of operator, industrial action or other cause;
- benefits from future acquisitions may not be realised or unanticipated costs may occur during and after integration;
- the loss of intellectual property or commercially sensitive information from cyber security breaches, employees (or ex-employees), theft or other causes; and
- the Allkem securities price can fluctuate significantly and investors may not be able to sell their shares for the value of which they were purchased.

The Company has recently consolidated, reviewed and endorsed risk management policies and systems to mitigate these risks as required, including monitoring ongoing exploration results, monthly review of operational results for all operations and continued discussions with Allkem's partners and the government of Argentina. A revised Risk Management Framework was endorsed by the Audit and Risk Sub-Committee to enable the merged entities to consolidate Galaxy and Orocobre Risk Registers and adoption of one company standard.

Allkem considers risk an inherent component of all business activities that can be minimised with effective identification and management strategies. The new framework has continued on the expectation that everyone involved with the Company's activities (e.g. employees, contractors, partners etc.) should be risk-aware, identify and manage sources of risk, and communicate incidents. Where risk presents itself as an opportunity or is connected to an opportunity, the business follows a structured risk process to determine the risk versus reward relationship.

Standalone risk assessments will continue to be conducted in accordance with existing policies, and in areas requiring specific methodological approaches such as climate risk and human rights risk, but all will be considered in conjunction with this enterprise risk management framework.

Important notices

This investor ASX/TSX release (**Release**) 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 asx.com.au.

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.

Not for release or distribution in the United States

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.

Rounding of amounts

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

Auditor's Independence Declaration

The auditor's independence declaration under the Corporations Act 2001 is included in this half-year financial report.

Signed in accordance with a resolution of the Board of Directors.

Martin Rowley
Chairman

Dated: 27th February 2022
Perth, Australia

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Building a better working world

Auditor's independence declaration to the directors of Allkem Limited

As lead auditor for the review of the half-year financial report of Allkem Limited for the half-year ended 31 December 2021, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review;

b. No contraventions of any applicable code of professional conduct in relation to the review; and

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

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

Ernst & Young

Ernst & Young

Andrew Carrick
Partner
27 February 2022

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Building a better working world

Independent auditor's review report to the members of Allkem Limited

Conclusion

We have reviewed the accompanying half-year financial report of Allkem Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the Corporations Act 2001, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance for the half-year ended on that date; and

b. Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity (ASRE 2410). Our responsibilities are further described in the Auditor's responsibilities for the review of the half-year financial report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

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

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Ernst & Young

Andrew Carrick
Partner
Brisbane
27 February 2022

Allkem Limited (formally known as Orocobre Limited)

ABN 31 112 589 910

Consolidated Interim Financial Statements

For The Half-Year Ended 31 December 2021

Interim consolidated income statement

for the six months ended 31 December 2021

	Note	31 Dec 2021 US $'000	31 Dec 2020 US $'000
Revenue from contracts with customers	1	**192,347**	35,880
Cost of sales		**(73,902)**	(25,406)
Gross profit		**118,445**	10,474
Other income	1	**13,168**	2,550
Acquisition costs	2	**(12,760)**	-
Corporate and administrative expenses	3a	**(16,452)**	(12,021)
Selling expenses	3b	**(16,474)**	(1,735)
Depreciation and amortisation expense		**(31,889)**	(11,070)
Asset impairments and write-downs	4	**-**	(627)
Share of net losses of associates		**(869)**	(920)
Foreign currency loss	3c	**(1,147)**	(457)
Profit/(loss) before interest and income tax		**52,022**	(13,806)
Finance income	3e	**2,057**	1,626
Finance costs	3d	**(11,987)**	(13,906)
Profit/(loss) before income tax		**42,092**	(26,086)
Income tax expense	5	**(29,134)**	(3,056)
Profit/(loss) for the period		**12,958**	(29,142)
Profit/(loss) for the year attributable to:			
Owners of the parent entity		**16,634**	(18,919)
Non-controlling interests		**(3,676)**	(10,223)
Profit/(loss) for the period		**12,958**	(29,142)
Earnings per share for profit attributable to the ordinary equity holders of the Company			
Basic earnings/(loss) per share (cents per share)		**3.03**	(5.95)
Dilutive earnings/(loss) per share (cents per share)		**3.02**	(5.95)
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company			
Basic earnings/(loss) per share (cents per share)		**3.03**	(5.95)
Dilutive earnings/(loss) per share (cents per share)		**3.02**	(5.95)

The accompanying notes form part of these interim consolidated financial statements.

Interim consolidated statement of comprehensive income

for the six months ended 31 December 2021

	Note	31 Dec 2021 US $'000	31 Dec 2020 US $'000
Profit/(loss) for the period		**12,958**	(29,142)
Other comprehensive income/(loss)			
(Items that may be reclassified subsequently to profit or loss)			
Foreign currency translation (losses)/gains - subsidiaries	7b	**(1,985)**	769
Foreign currency translation (losses)/gains - associates	7b	**(143)**	247
Net gains on revaluation of derivatives - hedging instrument		**1,502**	962
(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		**(2,516)**	-
		(3,142)	1,978
Total comprehensive profit/(loss) for the period, net of tax		**9,816**	(27,164)
Total comprehensive profit/(loss) attributable to:			
Owners of the parent entity		**12,989**	(17,264)
Non-controlling interests		**(3,173)**	(9,900)
		9,816	(27,164)

The accompanying notes form part of these interim consolidated financial statements.

Interim consolidated balance sheet

as at 31 December 2021

	Note	31 Dec 2021 US $'000	30 Jun 2021 US $'000
Current assets			
Cash and cash equivalents	8	**449,783**	258,319
Trade and other receivables		**31,830**	23,475
Inventory		**70,922**	45,176
Prepayments		**8,100**	4,343
Total current assets		**560,635**	331,313
Non-current assets			
Other receivables		**33,808**	21,928
Inventory		**57,405**	49,188
Financial assets at fair value through other comprehensive income		**7,517**	-
Other financial assets	8	**16,356**	16,356
Property, plant and equipment		**2,371,872**	851,030
Right of use asset		**34,988**	28,055
Goodwill	2	**530,303**	-
Intangible assets		**631**	727
Exploration and evaluation assets		**412,918**	45,867
Investment in associates	10	**3,218**	4,230
Other non-current assets		**7,000**	-
Total non-current assets		**3,476,016**	1,017,381
Total assets		**4,036,651**	1,348,694
Current liabilities			
Trade and other payables		**73,372**	35,759
Derivative financial instruments		**2,180**	2,624
Loans and borrowings	8	**32,546**	34,683
Provisions		**8,573**	882
Lease liabilities		**10,262**	2,562
Taxes payable		**5,289**	-
Total current liabilities		**132,222**	76,510
Non-current liabilities			
Other payables		**26,311**	22,376
Derivative financial instruments		**1,500**	2,746
Loans and borrowings	8	**297,242**	266,278
Deferred tax liability		**741,983**	187,713
Provisions		**44,737**	34,857
Lease liabilities		**36,861**	33,123
Total non-current liabilities		**1,148,634**	547,093
Total liabilities		**1,280,856**	623,603
Net assets		**2,755,795**	725,091
Equity			
Issued capital	6a	**2,686,146**	668,512
Reserves	6b	**(14,949)**	(12,664)
Retained earnings		**27,514**	10,880
Equity attributable to the owners of the parent entity		**2,698,711**	666,728
Equity attributable to the non-controlling interests		**57,084**	58,363
Total equity		**2,755,795**	725,091

The accompanying notes form part of these interim consolidated financial statements.

Interim consolidated statement of changes in equity

for the six months ended 31 December 2021

	Note	Issued capital US $'000	Retained earnings US $'000	Reserves US $'000	Total US $'000	Non-controlling interests US $'000	Total US $'000
Balance as at 1 July 2020		548,462	70,505	- 16,608	602,359	88,215	690,574
Loss for the period		-	(18,919)	-	(18,919)	(10,223)	(29,142)
Other comprehensive profit for the period	6b	-	-	1,656	1,656	322	1,978
Total comprehensive (loss)/profit		-	(18,919)	1,656	(17,263)	(9,901)	(27,164)
Shares issued during the period *	6a	120,050	-	-	120,050	-	120,050
Share-based payments	6b	-	-	1,173	1,173	-	1,173
Other movements		-	-	-	-	18	18
Balance as at 31 December 2020		668,512	51,586	(13,779)	706,319	78,332	784,651
Balance as at 1 July 2021		**668,512**	**10,880**	**(12,664)**	**666,728**	**58,363**	**725,091**
Profit/(loss) for the period		**-**	**20,344**	**-**	**20,344**	**(3,676)**	**16,668**
Other comprehensive profit/(loss) for the period	6b	**-**	**-**	**(3,645)**	**(3,645)**	**503**	**(3,142)**
Total comprehensive profit/(loss)		**-**	**20,344**	**(3,645)**	**16,699**	**(3,173)**	**13,526**
Shares issued during the period *	6a	**2,017,634**	**-**	**-**	**2,017,634**	**-**	**2,017,634**
Share-based payments	6b	**-**	**-**	**1,360**	**1,360**	**-**	**1,360**
Other movements		**-**	**-**	**-**	**-**	**1,894**	**1,894**
Balance as at 31 December 2021		**2,686,146**	**31,224**	**(14,949)**	**2,702,421**	**57,084**	**2,759,505**

*Shares issued are net of transactions costs (net of tax).

The accompanying notes form part of these interim consolidated financial statements.

Interim consolidated statement of cash flows

for the six months ended 31 December 2021

	Note	31-Dec-21 US $'000	31-Dec-20 US $'000
Cash flows from operating activities			
Receipts from customers		178,211	35,200
Payments to suppliers and employees		(130,089)	(42,788)
Interest received		1,896	1,098
Interest paid		(4,941)	(7,618)
Net cash generated from/(used in) operating activities		45,077	(14,108)
Cash flows from investing activities			
Cash acquired from business combination		209,525	-
Payments for exploration and evaluation assets		(6,268)	(291)
Purchase of property, plant and equipment		(93,290)	(43,512)
Proceeds from financial instruments		13,168	-
Proceeds from sale of assets		1,499	2,450
Net cash provided by/(used in) investing activities		124,634	(41,353)
Cash flows from financing activities			
Proceeds from issue of shares (net of transaction costs)	6a	(636)	119,351
Proceeds from borrowings		40,300	44,578
Repayment of borrowings		(10,745)	(18,063)
Proceeds from minority interest	9	1,894	-
Repayment of lease liabilities		(6,259)	(893)
Net cash provided by financing activities		24,554	144,973
Net increase in cash and cash equivalents		194,265	89,512
Cash and cash equivalents at the beginning of the period		258,319	171,836
Effect of exchange rates on cash holdings in foreign currencies		(2,801)	961
Cash and cash equivalents at the end of the period		449,783	262,309

The accompanying notes form part of these interim consolidated financial statements.

Notes to the financial statements

for the six months ended 31 December 2021

About this report

Allkem Limited (the Company) is a limited company incorporated and domiciled in Australia whose shares are publicly traded. Orocobre Limited changed its name to Allkem Limited following shareholder approval at the Company's Annual General Meeting held on 30 November 2021.

The interim consolidated financial statements comprise the Company and the entities it controlled (the Group).

The Group is principally engaged in mineral extraction, production and chemical processing.

The interim consolidated financial statements of the Group for the six months ended 31 December 2021 were authorised for issue, in accordance with a resolution of the directors, on 27 February 2022.

Basis of preparation:

- The interim consolidated financial statements for the six months ended 31 December 2021 (half-year) have been prepared in accordance with AASB 134 Interim Financial Reporting.
- The statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value.
- The statements are presented in US Dollars ($US).
- The half-year has been treated as a discrete reporting period.
- The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements. It is recommended that the half-year financial statements be read in conjunction with the Group's annual report for the year ended 30 June 2021 and considered together with any public announcements made by the Group during the half-year ended 31 December 2021 in accordance with the continuous disclosure obligations of the ASX listing rules.
- The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2021. New standards and amendments to standards mandatory for the first time for the financial year beginning 1 July 2021 have been adopted. The adoption of these standards has had no impact on the interim financial statements of the Group.
- Where necessary, comparative information has been restated to conform with changes in presentation in the current period.

When applying the acquisition accounting for the Galaxy Resources Limited business combination transaction (refer to Note 2), 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.

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:

Spot Rates	**31** December 2021	30 June 2021	Movement (%)
ARS -> USD 1	**102.7200**	95.7100	(7.32%)
YEN -> USD 1	**115.0463**	110.4914	(4.12%)
AUD-> USD 1	**1.3778**	1.3301	(3.59%)
CAD-> USD 1	**1.2791**	1.2394	(3.20%)
Average Rates (6 months)	**31 December 2021**	**31 December 2020**	Movement (%)
ARS -> USD 1	**98.8043**	82.5545	(19.68%)
YEN -> USD 1	**111.8376**	108.0162	(3.54%)
AUD -> USD 1	**1.3705**	1.3848	1.03%
CAD -> USD 1	**1.2791**	1.2818	0.21%

Notes to the financial statements

for the six months ended 31 December 2021

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 presentation currency is USD, there is no material impact other than income tax balances and Value Added Tax (VAT) receivables, on the interim consolidated financial statements of the Group.

Note 1: Segment reporting and revenue

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

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 Chief Executive Officer (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 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.

The following tables present revenue and profit information for the Group's operating segment:

For the six months ending 31 December 2021

	Corporate	Borax	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
Revenue	-	11,820	65,620	114,907	-	-	-	192,347
EBITDAIX [1]	(9,056)	281	35,299	71,027	334	-	1	97,886
Less depreciation & amortisation	(515)	(1)	(8,611)	(9,065)	(282)	(15)	-	(18,489)
EBITIX [2]	(9,571)	280	26,688	61,962	52	(15)	1	79,397
Less interest income/(costs)	7,494	(17)	(12,610)	(237)	(1,496)	(1)	(3,063)	(9,930)
EBTIX [3]	(2,077)	263	14,078	61,725	(1,444)	(16)	(3,062)	69,467
Less acquisition costs [4]	(12,760)	-	-	-	-	-	-	(12,760)
Less amortisation of customer contracts due to purchase price allocation	-	-	-	(13,400)	-	-	-	(13,400)
Less inventory adjustment due to purchase price allocation	-	-	-	(12,367)	-	-	-	(12,367)
Add other income - gains from financial instruments	2,436	772	-	-	9,960	-	-	13,168
Less foreign currency gains/(losses)	988	(622)	(1,323)	(178)	-	(12)	-	(1,147)
Less share of loss of associates, net of tax	(869)	-	-	-	-	-	-	(869)
Segment profit/(loss) for the period before tax	(12,282)	413	12,755	35,780	8,516	(28)	(3,062)	42,092
Income tax expense	5,443	-	(23,843)	(10,734)	-	-	-	(29,134)
Total profit/(loss) for the period	(6,839)	413	(11,088)	25,046	8,516	(28)	(3,062)	12,958

[1] EBITDAIX - Segment earnings before interest, taxes, depreciation, amortisation, impairment, gains from financial instruments, foreign currency (losses)/gains, business combination acquisition costs, non-cash business combination adjustments, and share of associate losses.
[2] EBITIX - Segment earnings before interest, taxes, impairment, gains from financial instruments, foreign currency (losses)/gains, business combination acquisition costs, non-cash business combination adjustments, and share of associate losses.
[3] EBTIX - Segment earnings before taxes, gains from financial instruments, foreign currency (losses)/gains, business combination acquisition costs, non-cash business combination adjustments, and share of associate losses.
[4] The corporate segment includes US$12.8 million acquisition costs related to business combination (refer to Note 2).
[5] 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 (refer to Note 2).

Notes to the financial statements

for the six months ended 31 December 2021

Note 1: Segment reporting and revenue (continued)

For the six months ending 31 December 2020

	Corporate	Borax	Olaroz	Eliminations on consolidation	Total Group
	US $'000	US $'000	US $'000	US $'000	US $'000
Revenue	-	8,860	27,020	-	35,880
EBITDAIX [1]	(3,897)	1,424	(3,867)	(6)	(6,346)
Less depreciation & amortisation	(248)	(20)	(10,802)	-	(11,070)
EBITIX [2]	(4,145)	1,404	(14,669)	(6)	(17,416)
Less interest income/(costs)	8,038	6	(17,368)	(2,956)	(12,280)
EBTIX [3]	3,893	1,410	(32,037)	(2,962)	(29,696)
Less impairment/write-downs	-	(627)	-	-	(627)
Add realisation of inventory write-downs	-	-	5,614	-	5,614
Less foreign currency (losses)/gains	713	(27)	(1,149)	6	(457)
Less share of loss of associates, net of tax	(920)	-	-	-	(920)
Segment profit/(loss) for the period before tax	3,686	756	(27,572)	(2,956)	(26,086)
Income tax expense	-	-	(3,056)	-	(3,056)
Total profit/(loss) for the period	**3,686**	**756**	**(30,628)**	**(2,956)**	**(29,142)**

[1] EBITDAIX - Segment earnings before interest, taxes, depreciation, amortisation, impairment, realisation of inventory write-downs, foreign currency gains/(losses) and share of associate losses.
[2] EBITIX - Segment earnings before interest, taxes, impairment, realisation of inventory write-downs, foreign currency gains/(losses) and share of associate losses.
[3] EBTIX - Segment earnings before taxes, impairment, realisation of inventory write-downs, foreign currency gains/(losses) and share of associate losses.

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

	Corporate	Borax	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
Assets								
31-Dec-21	**768,359**	**16,020**	**1,141,541**	**243,568**	**1,916,054**	**446,729**	**(495,620)**	**4,036,651**
30-Jun-21	719,609	14,403	1,057,740	-	-	-	(443,058)	1,348,694
Liabilities								
31-Dec-21	**63,728**	**13,541**	**962,168**	**38,047**	**458,650**	**88,099**	**(343,377)**	**1,280,856**
30-Jun-21	18,013	14,463	874,321	-	-	-	(283,194)	623,603

Segment accounting policies are consistent with those adopted in the annual financial statements of the Group.

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 recognized 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. In certain sales 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.

Note 1: Segment reporting and revenue (continued)

The Group's customers are non-government customers with short term and long-term contracts. The Group does not have contract assets nor contract liabilities arising from contracts with customers, other than trade receivables. The Group has long-term contracts to supply product to customers in future periods. 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.

Disaggregation of the Group's revenue from contracts with customers

For the six months ended 31 December 2021

		Olaroz US $'000	Borax US $'000	Mt Cattlin US $'000	Total US $'000
Type of goods	**Timing of recognition**				
Lithium carbonate	A point in time	65,620	-	-	**65,620**
Spodumene concentrate	A point in time	-	-	112,630	**112,630**
Tantalum	A point in time	-	-	2,277	**2,277**
Borax	A point in time	-	5,290	-	**5,290**
Borax acid	A point in time	-	2,822	-	**2,822**
Hydroboracite	A point in time	-	2,689	-	**2,689**
Other	A point in time	-	1,019	-	**1,019**
Total revenue from contracts with customers		**65,620**	**11,820**	**114,907**	**192,347**
Geographical markets					
Asia		60,222	583	114,907	**175,712**
Europe		4,596	103	-	**4,699**
South America		802	10,669	-	**11,471**
Other		-	465	-	**465**
Total revenue from contracts with customers		**65,620**	**11,820**	**114,907**	**192,347**

For the six months ended 31 December 2020

		Olaroz US $'000	Borax US $'000	Total US $'000
Type of goods	**Timing of recognition**			
Lithium carbonate	A point in time	27,020	-	27,020
Borax	A point in time	-	3,888	3,888
Borax acid	A point in time	-	2,529	2,529
Hydroboracite	A point in time	-	1,999	1,999
Other	A point in time	-	444	444
Total revenue from contracts with customers		**27,020**	**8,860**	**35,880**
Geographical markets				
Asia		21,540	820	22,360
Europe		4,990	46	5,036
South America		-	7,070	7,070
North America		490	341	831
Other		-	583	583
Total revenue from contracts with customers		**27,020**	**8,860**	**35,880**

Notes to the financial statements

for the six months ended 31 December 2021

Note 2: Provisional business combination accounting

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 interim consolidated financial statements include the results of Galaxy for the four months from acquisition date on 25 August 2021 to 31 December 2021.

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

	Fair Value recognised on acquisition 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	1,438,224
Right of use asset	9,069
Exploration and evaluation assets	361,268
Other current assets	16,798
Other non-current receivables	4,518
Other non-current assets	7,000
	2,104,140
Liabilities*	
Trade and other payables	39,588
Advance payments	16,499
Provisions	14,297
Lease liabilities	15,635
Deferred tax liability	530,307
	616,326
Total identifiable net assets at fair value	**1,487,814**
Goodwill arising on acquisition*	**530,307**
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**

*The valuation of acquired balances (mineral rights, rehabilitation provision, tax balances, property plant and equipment, right of use assets, other non-current assets and exploration and evaluation assets) have not been completed by the date the interim financial statements were approved for issue by the Board of Directors. Thus, the above presented balances are provisional and may need to be subsequently adjusted, within 12 months from acquisition date.

From the date of acquisition, Galaxy contributed US$114.9 million of revenue and US$42.4 million to the net profit before tax from continuing operations of the Group. If the acquisition had taken place at the beginning of the year, the Group's revenue from continuing operations would have been US$212.8 million and the net profit before tax from continuing operations for the period would have been US$46.8 million. The goodwill recognised is primarily attributed to the deferred tax liabilities arising on property, plant and equipment at Sal De Vida and on exploration and evaluation assets at James Bay.

Notes to the financial statements

for the six months ended 31 December 2021

Note 2: Provisional business combination accounting (continued)

Acquisition-related costs amounting to US$12.8 million (including stamp duty of US$3.9 million and merger facilitation fees of $US5.6 million) have been excluded from the consideration transferred and have been recognised as acquisition costs in the interim consolidated income statement.

Note 3: Expenses, finance income and finance costs

	31 Dec 2021 US $'000	31 Dec 2020 US $'000
3a) Corporate and administrative expenses		
Employee benefit expenses	**(9,157)**	(4,513)
Legal and consulting fees	**(1,114)**	(780)
Share-based payments	**(1,550)**	(857)
Travel	**(341)**	(34)
Insurance	**(600)**	(526)
Office and communication expenses	**(1,292)**	(639)
Listing and investor relations costs	**(701)**	(514)
Bank fees	**(644)**	(459)
Environmental monitoring and studies	**(187)**	(160)
Restructuring costs [i)]	-	(3,499)
Other costs	**(866)**	(40)
Total corporate and administrative expenses	**(16,452)**	(12,021)

i) During the period ended 31 December 2020 the Group incurred US $3.5 million resulting from restructuring costs. Included in such costs there were employee benefit expenses of US $1.2 million, a termination payment for a supply agreement of US $1.2 million, and fixed costs of US $1.1 million which were not allocated to the cost of inventories due to the reduction of production volumes resulting from COVID-19.

3b) Selling expenses		
Export duties	**(2,856)**	(889)
Mining royalty	**(5,746)**	(108)
Dispatching and logistics	**(7,242)**	(738)
Agent commission	**(630)**	-
Total selling expenses	**(16,474)**	(1,735)

3c) Foreign currency loss		
Total foreign currency loss [i)]	**(1,147)**	(457)

i) Foreign currency losses relate to AUD denominated balances in the corporate entities and Mt Cattlin, ARS balances in entities based in Argentina, and USD balances in Borax Argentina SA and Canadian entities.

3d) Finance income		
Interest income from short term deposits	**1,819**	951
Change in fair value of financial assets and liabilities	**238**	675
Total finance income	**2,057**	1,626

Notes to the financial statements

for the six months ended 31 December 2021

Note 3: Expenses, finance income and finance costs (continued)

3e) Finance costs	**31 Dec 2021 US $'000**	31 Dec 2020 US $'000
Interest expense on external loans and borrowings and other finance costs amortised	**(4,873)**	(6,668)
Interest expense on loans and borrowings from related parties [i)]	**(1,339)**	(1,135)
Interest expense on lease liabilities	**(2,344)**	(1,263)
Other finance costs related to related party loans	**(886)**	(842)
Change in fair value of financial assets and liabilities	**(2,514)**	(3,837)
Unwinding of the rehabilitation provision	**(31)**	(161)
Total finance costs	**(11,987)**	(13,906)

[i)] The interest expense to the related party is non-cash and will be paid on repayment of the loans. US $1,021,000 (2020: US $985,000) of the interest expense has been capitalised to property, plant and equipment.

Note 4: Asset impairment and write-downs

Asset impairments and write-downs during the period:		
Inventory write downs and reduction to net realisable value [i)]	**-**	(116)
Expected credit losses	**-**	(34)
Impairment of property, plant and equipment [ii)]	**-**	(477)
Total asset impairments and write-downs	-	(627)

i) During the prior period inventory (finished goods & brine inventory) was reviewed with certain products identified with higher carrying values than their expected realisable value.
ii) During the prior period, the Group recognised an impairment loss of Borax Argentina's property plant and equipment as a result of its impairment testing. This impairment was recognised due to lower boron prices, reduction in production levels and other market factors.

Note 5: Income tax expense

The group's statutory effective tax rate for the six months ended 31 December 2021 is 69% (2020: (12%)).

The tax rate in Australia is 30% (2020: 30%) and Argentina is 35% (2020: 25%).

	31 Dec 2021 US $'000	31 Dec 2020 US $'000
Profit/(loss) before income tax	**42,092**	(26,086)
Tax (expense)/benefit at Australian tax rate of 30% (2020: 30%)	**(12,628)**	7,826
Tax effect of amounts which are (not deductible)/taxable in calculating taxable income:		
Share based payments	**(465)**	(257)
Share of loss of associates	**(261)**	(276)
Acquisition costs	**(2,910)**	-
Utilisation of unrecognised tax losses (net)	**16,616**	726
Change in income tax rates	**-**	2,474
Differences in income tax rates	**(996)**	-
Foreign exchange and effects of hyperinflation	**(28,490)**	(13,549)
Income tax expense	**(29,134)**	(3,056)

Notes to the financial statements

for the six months ended 31 December 2021

Note 6: Equity and reserves

6a) Issued capital

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

	31-Dec-21 No. shares	30-Jun-21 No. shares	**31-Dec-21 US $'000**	30-Jun-21 US $'000
Balance at the beginning of year	**344,158,072**	277,092,327	**668,512**	548,462
Performance rights exercised i)	**768,942**	114,516	**-**	-
Shares issued, net of transactions costs ii)	**292,598,572**	66,951,229	**2,017,634**	120,050
Balance at the end of the period	**637,525,586**	344,158,072	**2,686,146**	668,512

i) Represents performance rights exercised under the Company's share-based payments plan and executive service agreements.
ii) Transaction costs (net of tax) for the shares issued during the period were US $0.4 million (June 2021: US $3.7 million).

On 25 August 2021 292,598,572 new fully paid ordinary shares were issued to shareholders of Galaxy Resources Ltd on the business combination (refer note 2). The new shares were issued at US$6.90 (AU$9.52).

6b) Reserves

	Share-based payments US $'000	Cashflow hedge US $'000	Foreign currency translation US $'000	Other US $'000	Total US $'000
Balance as at 1 July 2020	7,829	(2,362)	(35,453)	13,378	(16,608)
Foreign currency translation differences	-	-	1,016	-	1,016
Cashflow hedge through OCI	-	640	-	-	640
Other comprehensive income	-	640	1,016	-	1,656
Share-based payments	1,173	-	-	-	1,173
Balance as at 31 December 2020	9,002	(1,722)	(34,437)	13,378	(13,779)

	Share-based payments US $'000	**Cashflow hedge US $'000**	**Foreign currency translation US $'000**	**Other US $'000**	**Total US $'000**
Balance as at 1 July 2021	**9,731**	**(926)**	**(34,041)**	**12,572**	**(12,664)**
Foreign currency translation differences	**-**	**-**	**(2,128)**	**-**	**(2,128)**
Changes in fair value of financial assets designated at fair value through other comprehensive income	**-**	**-**	**-**	**(2,516)**	**(2,516)**
Cashflow hedge through OCI	**-**	**999**	**-**	**-**	**999**
Other comprehensive income/(loss)	**-**	**999**	**(2,128)**	**(2,516)**	**(3,645)**
Share-based payments	**1,360**	**-**	**-**	**-**	**1,360**
Balance as at 31 December 2021	**11,091**	**73**	**(36,169)**	**10,056**	**(14,949)**

Note 7: Net cash

	Interest Rate	Maturity	31 Dec 2021 US $'000	30 Jun 2021 US $'000
Current				
Loans & borrowings - project loan A)	LIBOR + 0.8%	2022	18,614	18,806
Loans & borrowings - working capital facility B)	5.9% (USD) - 43% (ARS)	2022	13,932	15,877
Total current			32,546	34,683
Non-current				
Loans & borrowings - project loan A)	LIBOR + 0.8% - 2.61%	2022-2029	216,936	192,296
Related party loans C)			80,306	73,982
Total non-current			297,242	266,278
Total debt			329,788	300,961
Cash at bank and on hand			(238,449)	(25,647)
Short term deposits D)			(211,334)	(232,672)
Total cash and cash equivalents			(449,783)	(258,319)
Financial assets - non-current E)			(16,356)	(16,356)
Net (cash)			(136,351)	26,286
Equity			2,755,795	725,091
Capital and net cash			2,619,444	751,377
Gearing ratio			-5%	3%

A) The total project loan facility for Stage 1 is US$191.9 million (30 June 2021: US$191.9 million). SDJ PTE has provided security in favour of Mizuho Bank over the shares its owns in SDJ SA. The total project loan facility for Stage 2 is US$180 million. The total US$180 million has been drawn down at 31 December 2021 (30 June 2021: US$180 million). The interest rate for Stage 2 is an average fixed rate of 2.612% per annum until expiry in March 2029. Repayments commence in September 2022.

A payment guarantee has been issued by HSBC in favour of a supplier of Sales de Jujuy S.A. for US$19.15 million. Allkem has guaranteed 75% of such amount being US$14.4 million of its cash on hand whilst TTC has guaranteed 25% of such amount. As deliveries occur and invoices are paid the US$19.15 million will reduce and is expected to reduce to nil during calendar year 2022.

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

B) There are 3 working capital facilities of which 1 is denominated in ARS. Total value of the ARS facilities is ARS 966.2 million (US$9.4 million) (30 June 2021: ARS 776 million, equivalent of US$8.1 million) of which the average rate of borrowing is 43% per annum for a period of approximately 110 days. The USD facility is US$4.5 million and has a borrowing rate of 4.90% - 5.95% per annum for a period of 30-90 days.

C) Loan repayable to a related party - TTC & associated entities

Non-current borrowings owing to related parties is US$80.3 million (30 June 2021: US$73.9 million). US$46.7 million (30 June 2021: US$50.1 million) is interest bearing at LIBOR + 6% per annum and will be repaid in full before March 2026. US$32.9 million (30 June 2021: US$23.6 million) is interest bearing at LIBOR + 6% per annum and will be repaid in full before March 2030. US$273,200 (30 June 2021: US$273,200) is interest bearing at LIBOR + 0.75% per annum and will be repaid in full before July 2028. Further loan drawdowns from TTC of US$6.3 million were made during the period.

Trade and other payables – non-current includes US $13.8 million owing to related parties. This relates to accrued interest on TTC borrowings.

Notes to the financial statements

for the six months ended 31 December 2021

Note 7: Net cash (continued)

D) The effective interest rate on USD denominated short term deposits was 0.43% p.a. (2020: 0.94% p.a.). Short term deposits held at 31 December 2021 relate to project financing, rental and other security deposits. Short term deposits 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. An amount of US$9.8 million (30 June 2021: US$11.1 million) and US$109.0 million (30 June 2021: $109.5 million) have been set aside as reserves to provide cash backing for guarantees provided by TTC for the Naraha debt facility and the Stage 2 debt facility, respectively. In agreement with TTC, US$135 million of cash is to be reserved to support pre completion guarantees provided by TTC in relation to the Stage 2 loan facility of US$180 million. Amounts are reserved as the debt facilities are drawn down. Of the maximum reserve funds of US$135 million up to US$60 million can be used for Olaroz Stage 1 related costs including scheduled debt repayments. The remaining US$75 million reserve funds plus any of the unused US$60 million will remain reserved as a cash guarantee for the Stage 2 Mizuho loan (US$26 million has been used at 31 December 2021). These funds will be available to fund cost overruns, VAT and working capital spend. All funds held in reserve accounts are controlled by Allkem. The requirement to maintain reserve accounts will cease once TTC is no longer required to provide pre completion guarantees.

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

Capital management

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

The Group manages its capital structure and 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 the current period reflects the increase in cash held in term deposits following on from the Galaxy business combination.

Notes to the financial statements

for the six months ended 31 December 2021

Note 8: Financial instruments

	Carrying amount		Fair value	
	31 Dec 2021	30 Jun 2021	**31 Dec 2021**	30 Jun 2021
	US $'000	US $'000	**US $'000**	US $'000
Financial assets				
Cash and cash equivalents	**449,783**	258,319	**449,783**	258,319
Financial assets - non-current	**23,356**	16,356	**23,356**	16,356
Financial assets at amortised cost:				
Trade and other receivables - current	**16,070**	11,280	**16,070**	11,280
Trade and other receivables - non-current	**8,822**	1,410	**8,822**	1,410
Financial assets at fair value:				
VAT tax credits & other tax receivable - current	**15,760**	12,195	**15,760**	12,195
Receivable from a joint venture party - non-current	**7,075**	6,552	**7,075**	6,552
Financial assets at fair value through other comprehensive income	**7,517**	-	**7,517**	-
VAT tax credits	**17,911**	13,966	**17,911**	13,966
Total financial assets	**546,294**	320,078	**546,294**	320,078

	Carrying amount		Fair value	
	31 Dec 2021	30 Jun 2021	**31 Dec 2021**	30 Jun 2021
	US $'000	US $'000	**US $'000**	US $'000
Financial liabilities				
Financial liabilities at amortised cost:				
Trade and other payables - current	**73,372**	35,759	**73,372**	35,759
Trade and other payables - non-current	**26,311**	22,376	**26,311**	22,376
Loans and borrowings - current	**32,546**	34,683	**32,546**	34,683
Loans and borrowings - non-current	**297,242**	266,278	**297,242**	266,278
Financial liabilities at fair value:				
Derivatives - interest rate swap	**3,680**	5,370	**3,680**	5,370
Total financial liabilities	**433,151**	364,466	**433,151**	364,466

Note 8: Financial instruments (continued)

Undiscounted contractual maturities of financial liabilities:

	Within 12 months US $'000	1 to 5 years US $'000	Over 5 years US $'000	Total US $'000	Carrying amount US $'000
Payables	73,372	26,311	-	99,683	99,683
Loans and borrowings	32,546	161,743	236,722	431,011	329,788
Lease liabilities	14,166	33,329	24,282	71,777	47,123
Derivatives - interest rate swap (hedge instruments)	2,180	1,500	-	3,680	3,680
Total as at 31 December 2021	**122,264**	**222,883**	**261,004**	**606,151**	**480,274**
Payables	35,759	22,376	-	58,135	58,135
Loans and borrowings	36,882	161,743	207,895	406,520	300,961
Lease liabilities	6,014	23,511	32,458	61,983	35,685
Derivatives - interest rate swap (hedge instruments)	2,624	2,746	-	5,370	5,370
Total as at 30 June 2021	**81,279**	**210,376**	**240,353**	**532,008**	**400,151**

Note 9: Investment in associates

	% equity interest held by the Group	
	31 Dec 2021	30 Jun 2021
Toyotsu Lithium Corporation (TLC)	**75**	75

The Group has an economic interest 75% in Toyotsu Lithium Corporation. 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.

TLC is constructing the Naraha Lithium Hydroxide Plant which will be located in Japan. Feedstock for the plant will be sourced from the Olaroz Lithium Facility's Stage 2 expansion that will produce primary grade lithium carbonate.

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

	TLC	
	31 Dec 2021 US $'000	30 Jun 2021 US $'000
Balance at the beginning of the year	4,230	6,000
Loss from equity accounted investment in associates	(869)	(1,682)
Foreign currency translation reserve	(143)	(88)
Balance at the end of the period	**3,218**	**4,230**

Notes to the financial statements

for the six months ended 31 December 2021

Note 10: Capital expenditure

During the six months ended 31 December 2021, the Group acquired property, plant and equipment with a cost of US$93.3 million (31 December 2020: US$43.5 million), and exploration and evaluation assets with a cost of US$6.3 million (31 December 2020: US$0.3 million), excluding property plant and equipment acquired through the Galaxy Resources Limited business combination (refer to Note 2).

Note 11: New and revised accounting standards and interpretations

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2021, except for the adoption of new standards effective as of 1 July 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments and interpretations apply for the first time from 1 July 2021, but do not have an impact on the interim consolidated financial statements of the Group.

Note 12: Subsequent events

There were no significant events after balance sheet date.