
BUSINESS

OVERVIEW

We are a leading lithium producer in China and globally. We own and mine lithium minerals in Australia and produce lithium compounds and derivatives in China. We have not conducted any mining activities in China during the Track Record Period. We are well-positioned to capitalize on the new energy revolution globally, particularly in the EV and energy storage sectors. We are the only lithium producer in China that has achieved 100% self-sufficiency and fully vertically integrated lithium mines through a large, consistent and stable supply of lithium concentrates, according to the Wood Mackenzie Report. We operate in critical stages of the lithium value chain, including (i) mining of lithium ore and manufacturing of lithium concentrate, and (ii) manufacturing of lithium compounds and derivatives. By leveraging the high-quality and low-cost lithium concentrate from the Greenbushes Mine, we are able to achieve self-sufficiency in lithium raw materials for efficient manufacturing of high-quality lithium compounds and derivatives.

One of our subsidiaries is the largest mined lithium operator globally in terms of lithium concentrate output in 2021, with a market share of 38%, and we ranked third in terms of revenue generated from lithium in 2021, according to the Wood Mackenzie Report. We are also the world's fourth largest and Asia's second largest lithium compound producer as measured by production output in 2021, with a market share of 7% and 12%, respectively, according to the same source. We believe that the strong growth in lithium consumption by our end markets, primarily including the EV and energy storage system markets, will present huge growth opportunities for us. The global annual lithium demand is expected to increase at a CAGR of 15.4% from 2022 to 2026, reaching a total of 1.07 million tons LCE in 2026, according to the Wood Mackenzie Report. In particular, lithium demand from lithium-ion batteries for use as EV rechargeable batteries, one of our key end-markets, is estimated to grow at a CAGR of 21.2% from 2022 to 2026, reaching a total of 675.4 thousand tons LCE in 2026, according to the Wood Mackenzie Report. In addition, along with the global energy transition and "carbon neutrality" goals, energy storage system will also be one of the fastest growing end markets for the lithium industry in the next ten years. According to the Wood Mackenzie Report, the lithium demand for energy storage system is expected to grow at a CAGR of 11.6% from 2022 to 2026, reaching 59.0 thousand tons LCE by 2026. By leveraging our self-sufficiency in high-quality lithium raw materials, diversified product portfolio and advanced production capabilities, we are able to keep in step with the latest market developments and technological breakthroughs in the lithium-based new energy sectors.

Through our subsidiary Talison, we have access to the lithium mining rights at the Greenbushes Mine. The Greenbushes Mine was the largest lithium mine in the world in terms of production and reserves as of December 31, 2021, according to the Wood Mackenzie Report. It was also the lowest-cost large-scale mined lithium producer globally in 2021, according to the Wood Mackenzie Report. Through the Greenbushes Mine, we are able to produce sufficient lithium concentrates to cover all lithium raw materials required for our manufacture of lithium compounds and derivatives. The Greenbushes Mine also produces technical-grade lithium concentrates. Our subsidiary Talison has been the largest supplier of technical-grade lithium concentrates in the world by production since 2015, according to the Wood Mackenzie Report.

We also hold a 100% equity interest in the Yajiang Cuola Mine in Sichuan province, China, a lithium asset held for future development. According to the BDA Report, the Yajiang Cuola Mine is part of the larger Jiajika lithium mineralization district, which is considered the largest hard rock lithium mineralization district in China and Asia. This is an important lithium asset held for us for the future.

BUSINESS

As of the Latest Practicable Date, we held an approximately 22.78% equity interest in and are the second largest shareholder of SQM, which is the largest producer of lithium compounds from brine globally by production output in 2021, according to the Wood Mackenzie Report. According to the Wood Mackenzie Report, SQM is also one of the lowest-cost producers of lithium carbonate in the world, calculated based on production cost in 2021. We view our investment in SQM as strategic investment considering (i) SQM as the largest lithium compounds producer from brine as measured by production output in 2021, according to the Wood Mackenzie Report; and (ii) our right to nominate three out of eight board seats. The investment in SQM will also enable us to financially benefit from SQM's operations. Therefore, we believe our investment in SQM will generate long-term value and can help create future cooperation opportunities.

We expect market demand for lithium products to continue to grow in the future. We have other high-quality lithium resources to provide strong upstream support to capture this growing demand. We hold a 20% equity interest in Zhabuye Salt Lake Project in Tibet, which is already in production. We also hold a 13% equity interest in the Salares 7 Brine Exploration Project in Chile through Talison.

Our three domestic manufacturing plants in Shehong, Sichuan province, Zhangjiagang, Jiangsu province and Tongliang, Chongqing, China, together were capable of manufacturing the full spectrum of lithium compounds and derivatives with a combined annual production capacity of 44,800 tons as of December 31, 2021. According to the Wood Mackenzie Report, our Zhangjiagang Plant was the only fully-automated battery-grade lithium carbonate manufacturing plant in operation in the world as of the Latest Practicable Date. We have also built a battery-grade lithium hydroxide manufacturing plant in Kwinana, Western Australia. The first phase of the plant has an annual production capacity of 24,000 tons. The construction has been completed and is currently in the trial production stage. We are conducting a feasibility study regarding the construction plan and preparing estimates for the required capital expenditure of the second phase of the battery-grade lithium hydroxide plant in Kwinana, and the two phases of the Kwinana Plant are expected to have an annual production capacity of 48,000 tons when in full operation. We also plan to expand the lithium production capacity at the Tongliang Plant in Chongqing by adding an annual production capacity of 2,000 tons. When our plants are fully constructed and operational, our total annual production capacity of lithium compounds is expected to exceed 110,000 tons. Before the new production capacity becomes available, we cooperate with and outsource some manufacturers of lithium compounds and derivatives to downstream lithium compounds processing plants through tolling arrangements to enhance our processing capabilities and meet the demand of our downstream customers. We continuously seek to upgrade our technologies and techniques to further improve our cost and operational efficiency.

Our products are primarily divided into two categories, (i) lithium concentrate products and (ii) lithium compounds and derivatives products. Lithium concentrate products include chemical grade and technical grade lithium concentrate, whereas lithium compounds and derivatives products include lithium carbonate, lithium hydroxide, lithium chloride and lithium metal. Our products are widely used in a number of end markets, mainly including EV, energy storage system, aircraft, ceramics and glass. We are a market leader in a number of products globally. For example, according to the Wood Mackenzie Report, we are the world's second largest supplier of battery-grade lithium carbonate, behind SQM, and one of the world's top ten suppliers in battery-grade lithium hydroxide, as measured by production in 2021.

BUSINESS

With over 20 years of experience in the lithium industry, we have established a stable customer base in China and globally and become a critical supplier for many leading battery materials manufacturers. We are the second largest battery-grade lithium carbonate producer in the world in terms of annual production output, with a global market share of 13.5% in 2021, according to the Wood Mackenzie Report. Through our sustainable access to high-quality lithium concentrate and advanced manufacturing capabilities, we are capable of developing and manufacturing lithium compounds with high quality and consistency to meet the stringent quality standards required by global battery materials manufacturers. Our products are supplied to three of the five largest manufacturers of large-cell lithium-ion batteries in the world, as well as six of the ten largest cathode manufacturers in the world as measured by market share in 2021, according to the Wood Mackenzie Report. Some of them also belonged to our top ten customers during the Track Record Period. Due to our dedicated efforts and investments in R&D, as of the Latest Practicable Date, we had accumulated a total of 166 authorized patents. As of the Latest Practicable Date, we had applied for 32 patents, including a number of industry-leading technical and product innovations. We participated in setting the product standards and specifications for the manufacture of various types of lithium compounds in China, including battery-grade and industrial-grade lithium carbonate and battery-grade lithium hydroxide.

Our revenue was RMB4,816.4 million, RMB3,215.2 million and RMB7,597.9 million for the years ended December 31, 2019, 2020 and 2021, respectively. We incurred net losses of RMB5,480.4 million and RMB1,124.6 million for the years ended December 31, 2019 and 2020, respectively, and we recorded a net profit of RMB4,205.8 million for the year ended December 31, 2021.

COMPETITIVE STRENGTHS

Leading lithium producer in China and globally

One of our subsidiaries is the largest mined lithium operator globally in terms of lithium concentrate output in 2021, with a market share of 38%, and we ranked third in terms of revenue generated from lithium in 2021, according to the Wood Mackenzie Report. Through our subsidiary Talison, we hold lithium mining rights at the Greenbushes Mine, the largest hard rock lithium mine in the world as measured by the size of production and reserves. The Greenbushes Mine is the largest lithium mining operation in the world as measured by spodumene concentrate output in 2021, which accounted for approximately 38% of the global lithium mining output in 2021, according to the Wood Mackenzie Report. With one of the lowest production costs for lithium products, the Greenbushes Mine also has the largest production volume of chemical-grade lithium concentrate in 2021, according to the Wood Mackenzie Report.

We are the world's fourth largest and Asia's second largest lithium compound producer as measured by production output in 2021, according to the Wood Mackenzie Report. Our lithium compounds and derivatives products primarily include lithium carbonate, lithium hydroxide, lithium chloride and lithium metal. According to the Wood Mackenzie Report, we were the world's second largest supplier of battery-grade lithium carbonate, and one of the world's top ten suppliers of battery-grade lithium hydroxide in terms of production output in 2021.

In addition, we held a 22.78% equity interest in SQM as its second largest shareholder as of the Latest Practicable Date. SQM is the world's largest producer of lithium compounds from brine as measured by production output in 2021, according to the Wood Mackenzie Report. Our strategic holding of SQM has increased our exposure to SQM's world-class brine resources, thereby further consolidating our position in the industry and generating stable and attractive long-term financial returns.

BUSINESS

Our existing manufacturing plants in Shehong, Sichuan province, Zhangjiagang, Jiangsu province and Tongliang, Chongqing had a combined production capacity of 44,800 tons as of December 31, 2021. Our Zhangjiagang Plant in Jiangsu province is the only fully-automated battery-grade lithium carbonate manufacturing plant in operation in the world, according to the Wood Mackenzie Report. We have also built a battery-grade lithium hydroxide manufacturing plant in Kwinana, Western Australia. The first phase of the plant has been completed and has been in the trial production stage. In order to further expand our production capacity, we are conducting a feasibility study regarding the construction plan and preparing estimates for the required capital expenditure of the second phase of the battery-grade lithium hydroxide plant in Kwinana, Western Australia. The two phases of the Kwinana Plant are expected to have an annual production capacity of 48,000 tons when in full operation. In addition, we are constructing a lithium carbonate plant in Anju District of Suining, Sichuan province, with an estimated annual production capacity of 20,000 tons. We also plan to expand the lithium production capacity at the Tongliang Plant in Chongqing by adding an annual production capacity of 2,000 tons. When our plants are fully constructed and operational, our total annual production capacity of lithium compounds will exceed 110,000 tons. Before the new production capacity becomes available, we outsource processing work to downstream lithium compound processing plants to enhance our processing capabilities and meet the demands of our downstream customers. We will continuously seek to upgrade our technologies and techniques to further improve our cost and operational efficiency.

Optimally positioned to capitalize on the fast development of end markets, especially in the EV and energy storage sectors, and particularly in China

We are optimally positioned to capitalize on the tremendous growth prospects in our end markets, driven by the combination of a number of market tailwinds, including the increase in demand and policy support in the EV and energy storage sectors. According to the Wood Mackenzie Report, due to increasingly strong penetration rates in the EV market and a decrease in manufacturing costs, sales volume of EV is forecast to increase at a CAGR of 17.1% from 2022 to 2026, reaching 27.7 million units by 2026. According to the Wood Mackenzie Report, China became the largest EV market in the world in 2021 and is expected to maintain this position. Lithium consumption in connection with lithium-ion batteries is expected to increase at a CAGR of 18.6% from 2022 to 2026, primarily driven by the growing usage of lithium-ion batteries in the automotive industry, reaching 917.1 thousand tons LCE in 2026, according to the Wood Mackenzie Report. In addition, with the changing global energy structure and the need to meet the “carbon neutrality” requirements, energy storage system will become one of the fastest growing end markets for the lithium industry in the next decade. According to the Wood Mackenzie Report, the lithium consumption in energy storage-related infrastructure is expected to increase at a CAGR of 11.6% from 2022 to 2026 reaching consumption of 59.0 thousand tons LCE by 2026. With our self-sufficiency in high-quality lithium raw materials, diversified product portfolio and leading production capacity, we are able to prepare ourselves for changes in our end-markets, meet the increasing demands from the EV and energy storage sectors, and keep up with the latest technological breakthroughs in the field of lithium-based new energy.

Our broad product portfolio includes lithium compounds and derivatives applicable to a wide variety of EV and battery OEMs, as well as commercialized or early stage lithium-based energy storage system. Our stable supply of high-quality lithium concentrates from the Greenbushes Mine and our advanced processing and production capabilities allow us to manufacture lithium compounds and derivatives to meet the stringent demands of major battery materials manufacturers. Our lithium carbonate products are considered benchmark products in the Chinese market, according to the Wood

BUSINESS

Mackenzie Report. We are also the world's second largest and the world's top ten largest supplier of battery-grade lithium carbonate and battery-grade lithium hydroxide in 2021, respectively, according to the Wood Mackenzie Report. In the future, lithium iron phosphate batteries and high-nickel lithium-ion batteries are expected to develop in parallel, and battery-grade lithium carbonate and battery-grade lithium hydroxide are expected to continue to have their advantages in their respective applicable technical domains, according to the Wood Mackenzie Report. In order to further expand our production capacity, we are conducting a feasibility study regarding the construction plan and preparing estimates for the required capital expenditure of the second phase of the battery-grade lithium hydroxide plant in Kwinana, Western Australia and a lithium carbonate plant in Suining, Sichuan province, with the expected annual production capacity of 24,000 tons and 20,000 tons, respectively, once constructed and fully operational.

Strategic exposure to two of the world's large-scale, low-cost and high-grade lithium resources, and strategic holdings in high-quality reserve lithium assets

We are one of the few companies in the world with exposure to both a high-quality hard rock lithium mine and a lithium brine mine. Leveraging the large and high-quality upstream lithium resources, we are able to secure sufficient and consistent raw materials for lithium compounds manufacturing.

Through Talison's lithium mining rights, we have access to the Greenbushes Mine, the largest hard rock lithium mine as measured by the size of production and reserves in the world, according to the Wood Mackenzie Report. Talison's production output of 102.0 thousand tons LCE of chemical-grade lithium concentrate in 2021 made it the largest supplier of chemical-grade lithium concentrate in the world, according to the Wood Mackenzie Report. Talison has been operating the Greenbushes Mine for over 30 years and gained significant experience in the production of lithium concentrate. The grade of the Greenbushes Mine's reserves is the highest in the world, considerably above other operating lithium mines, according to the Wood Mackenzie Report. As a result of its high-grade lithium mineralization and large-scale operation, the Greenbushes Mine was the lowest-cost large-scale mined lithium producer globally in 2021, according to the Wood Mackenzie Report. We have achieved self-sufficiency in lithium concentrate through our offtake agreement with Talison. According to the Wood Mackenzie Report, Talison is also the largest producer of spodumene concentrate by production output. The LoM of the Greenbushes Mine had approximately 21 years remaining based on the ore reserves on December 31, 2021 according to the BDA Report, considering the expansion works currently undertaken, planned and considered. This gives us a sustainable competitive advantage from such large scale and stable supply of high-quality, low-cost lithium raw materials to support not only our own existing and future manufacturing plants, but also our customers' business development throughout the industry lifecycle.

Through our equity interest in SQM, we have strategically gained exposure to Salar de Atacama Salt Lake, the world's largest brine-based lithium reserve in 2021 according to the Wood Mackenzie Report. SQM was also the world's largest producer of lithium compounds from brine in 2021 as measured by production output, according to the Wood Mackenzie Report. In addition, we also hold the mining rights of the Yajiang Cuola Mine. We expect market demand for lithium products to grow in the future, and the Yajiang Cuola Mine can provide strong upstream support for the increased market demand. According to the BDA Report, the Yajiang Cuola Mine is part of the larger Jijika lithium mining district, which is considered to be the largest hard rock lithium mining area in Asia. As of December 31, 2021, it had 632,000 tons of LCE lithium resources according to the same

BUSINESS

source. In addition, we also hold a 20% stake in Zhabuye Salt Lake Project in Tibet, which is already in production, as well as a 13% equity interest in the Salares 7 Brine Exploration Project in Chile through Talison, which we expect will provide attractive options for our further expansion in the medium and long term.

Our 100% lithium concentrate self-sufficiency, sizable capability to produce a variety of end-products with consistency and quality, and advanced production technologies give us a cost advantage that leads to operational efficiencies, security and higher profitability

We are the only manufacturer in the PRC that has achieved 100% self-sufficiency and full vertical integration through a large, consistent and stable supply of lithium concentrates, according to the Wood Mackenzie Report. Our operation covers critical links and aspects of the value chain throughout the lithium industry, including mining of lithium ore and production of lithium concentrates and manufacture of lithium compounds and derivatives. We benefit significantly from the synergies between our business lines, which gives us a cost advantage that improves our operational efficiency, stability, and flexibility and increases our profitability.

Our stable supply of low-cost and high-quality lithium raw materials from the Greenbushes Mine in turn positioned us to be one of the lowest-cost producers of lithium concentrate, according to the Wood Mackenzie Report. Our self-sufficiency in lithium raw materials provides us with a low cost and reliable upstream support for not only our existing plants, but also our expansion projects to boost our production capacity. Our ability to supply a diversified portfolio of lithium compounds and derivatives allows us to efficiently adapt to changing market demands.

The development status of different hard rock mines or brines may vary, and the expansion cycles may be long and capital intensive, preventing the surge of lithium supply in the short term. At the same time, individual resources are subject to local mining development policies where the assets are operated, and the recovery time of production capacity is relatively long. Therefore, increases in global lithium resources is expected to be limited in the short and medium term. Our continuous, stable and high-quality supply of lithium resources ensures a stable supply of raw materials and controllable product quality in our lithium compounds and derivatives processing plants.

The global footprint of our production network significantly increases the stability and security of the supply of our products. In China, our manufacturing plants in Shehong, Zhangjiagang and Tongliang, together are capable of producing the full spectrum of our lithium compound and derivative products. Our Kwinana Plant in Western Australia and our Suining Plant in Sichuan province, once fully constructed and operational, are expected to significantly increase our capacity to produce high quality battery-grade lithium hydroxide and battery-grade lithium carbonate. With such a diverse geographic coverage of production, we are well positioned to support various customers from all over the world. Our diverse geographic coverage also ensures that we can supply to our customers in a stable, efficient and cost-effective manner and helps safeguard our and our customers' supply chain against various external risks.

In addition, our highly advanced production technologies also greatly improve our operational efficiency and lower our production costs. Our battery-grade lithium carbonate production technology uses special process control indicators and control methods in the production process to deliver products of lithium carbonate with lower impurity; at the same time, this technology directly uses spodumene as a raw material to produce battery-grade lithium carbonate, without other cumbersome

BUSINESS

conversion processes, and has a higher lithium recovery rate and lower production cost. Compared with the traditional calcium oxide conversion method, our technology for preparing battery-grade lithium hydroxide has a shorter process, lower energy consumption, and higher yield. At the same time, special drying equipment is used to ensure that carbon dioxide, the key impurity index in the product, is maintained at a far lower level than the industry standards. We have also implemented fully automated production lines and intelligent production machinery for the manufacture and quality control of our lithium hydroxide products at the Shehong Plant in Sichuan province. This has significantly improved our ability to meet the stringent requirements set by mainstream battery material manufacturers in an efficient and cost effective manner.

Capitalizing on our fully vertically integrated business model, we are able to achieve significant cost advantage and high profitability. For the years ended December 31, 2019, 2020 and 2021, our gross profit margin was 56.0%, 41.3% and 61.7%, respectively.

Established leader in the global lithium industry that has built a stable customer base and a critical partner in the supply chain of many key battery and EV OEMs around the world

Throughout our over 20 years of history in the lithium industry, we have developed long-term relationships with many preeminent lithium end users globally and in China, through our dedicated and committed sales forces as well as unparalleled sales coverage efforts. We have a stable and high-quality customer base primarily consisting of global top-tier battery manufacturers, battery materials producers, multinational electronics companies and glass producers. The mutual recognition among leading companies in all links of the industry chain has been greatly improved, and the mutual dependence and stickiness are gradually increasing. Our products are supplied to three of the five largest manufacturers of large-cell lithium-ion batteries in the world, as well as six of the ten largest cathode material manufacturers in the world as measured by market share in 2021, according to the Wood Mackenzie Report. We have maintained stable relationships with a majority of our five largest customers during the Track Record Period. We have integrated ourselves into many of our customers' own R&D efforts, including efforts to develop batteries with long life, high energy density and high reliability and safety. We have become a critical supplier for many of our customers. The importance of our products within the supply chain of our customers and our products' track record of high quality and consistency have enabled us to develop and maintain long-term customer relationships.

Long and proven track record of efficient operation in lithium mining and manufacturing, with expertise and technical strengths enabling us to achieve high product consistency and quality required for the accreditation process in the battery industry supply chain

The mining of lithium raw materials and the manufacturing of lithium compounds and derivatives are both demanding and sophisticated industrial operations which, according to the Wood Mackenzie Report, pose a number of high barriers to entry. With respect to lithium mining, our subsidiary Talison is a well-established leader with significant experience in the mining of lithium ores and production of lithium concentrate over its more than 30 years of successful operation of the largest hard rock lithium mine in the world in terms of reserves and production in 2021, according to the Wood Mackenzie Report. With respect to the manufacture of lithium compounds and derivatives, barriers to entry include difficulties in obtaining production technology and know-how, developing customized products, providing resources for marketing, sales and logistics support, obtaining approval from customers as a new supplier and ensuring security of feedstock supply. These barriers could pose challenges to new market entrants in achieving large-scale commercialized production of lithium

BUSINESS

products on a consistent basis, especially for battery-grade products as they often require strict accreditation processes. As an established industry-leading lithium compound producer, we have a long and proven history of supplying high-quality battery-grade lithium compounds at a large scale. According to the Wood Mackenzie Report, our lithium carbonate products are considered to be the benchmark products in the China market, and we produce larger volumes of lithium compounds at superior quality compared to most of our domestic competitors. The fact that we participated in setting the product standards and specification for the manufacture of various types of lithium compounds in China is a testament to the high quality and consistency of our products. As a result, we are able to consistently pass the demanding accreditation processes conducted by many leading battery material manufacturers.

Due to our extensive experience and industry-leading expertise in the manufacture of lithium compounds and derivatives, we are confident in our ability to efficiently roll out new plants and maintain high standards of operational performance at the same time. Throughout our history we have demonstrated a strong commitment to and capability of effectively implementing debottlenecking, ramping up capacity utilization and conducting technological upgrades for our compounds and derivatives manufacturing plants. For example, we have conducted multiple technological upgrades to our Zhangjiagang Plant in Jiangsu province, which resulted in further improvements in production efficiency and a decrease in energy consumption. We are also continuously enhancing the automation technologies at our Shehong Plant in Sichuan province to improve production quality and lower production costs. We have completed our preliminary research on low-cost lithium sulfide production method and plan to complete the pilot scale testing by September 30, 2022.

Our technology center has been identified as the “National Enterprise Technology Center (國家企業技術中心)” by five government authorities, including the NDRC and the Ministry of Science and Technology. We also won the title of “National Technological Innovation Demonstration Enterprise (國家技術創新示範企業)” issued by the MIIT. Our research on the “Key Technologies and Industrialization of Lithium Materials for Electric Vehicle Battery Manufacturing” (電動汽車動力電池鋰材料製造關鍵技術及產業化) won first prize in the China Non-ferrous Metals Industry Science and Technology Award. As of the Latest Practicable Date, we had assembled a dedicated team of R&D employees, led by a core team of experienced experts from a variety of scientific fields essential to the R&D of lithium products. As of the Latest Practicable Date, through our R&D efforts, we had obtained a total of 166 authorized patents and 32 patents in the application stage, including several industry-leading technology and product innovations. For example, we have developed an award-winning innovative method for the manufacture of battery-grade lithium carbonate, which has significantly improved production efficiency and consistency. In addition, we also participated in the formulation of production standards and specifications for various lithium compounds in the PRC, including battery-grade and industrial-grade lithium carbonate, as well as battery-grade and industrial-grade lithium hydroxide.

Experienced and committed international management team with visionary leadership and proven execution capabilities, overseen by effective and efficient corporate governance system

Our proven track record of successful operations and our leading market position bear testament to our management team’s leadership and execution prowess. Led by our visionary Chairman, Mr. Jiang Weiping, we have a deep bench of highly qualified management team with extensive experience in the industry. Primarily responsible for the overall strategic planning and business development of the Company, and making major strategy decisions, Mr. Jiang has over 20

BUSINESS

years of experience in the lithium industry. Mr. Jiang has been an economic development consultant of Suining Municipal People's Government since March 2017, a council member and the vice president of the Association of Listed Companies of Sichuan Province since August 2018, and the executive vice president of the lithium branch of China Non-Ferrous Metals Industry Association since May 2016.

Our development history is the epitome of the strategic vision of Mr. Jiang, the execution capabilities of our management team, and our commitment to delivering on our promises to our customers and the vision of developing the lithium industry, for example, the acquisition of a 51% equity interest in Windfield, the parent of Talison, the strategic investment in SQM, the acquisition and subsequent debottlenecking and operational improvement of the Zhangjiagang Plant in Jiangsu province and the investment and construction of the Kwinana Plant in Western Australia.

We believe that our experienced management team can quickly adapt to the evolving needs of our Company, identify trends in our industry, capture end-market opportunities, and ensure that our business development and expansion aligns with the industry trends in China and globally. For details of our senior management team, please refer to the section headed "Directors, Supervisors, Senior Management and Employees" in this Prospectus.

Socially responsible and fully committed to sustainable development with high ESG standards

We attach great importance to the development and implementation of the industry's highest level of occupational safety and environmental protection standards, which are considered to be the key factors for the sustainable and continuous success of lithium compound and derivative production companies.

Occupational health and safety are among our most important corporate and social responsibilities. We regularly provide training on health, safety and accident prevention for employees and contractors. We require employees engaged in mining, construction and hazardous chemical production and processing businesses in the PRC to obtain and maintain relevant safe work permits issued by respective local government authorities in the PRC. We have established a system to properly record accidents and follow up such accidents by our relevant production teams and administrative personnel in accordance with our internal policies. We follow international practices and have passed GB/T 28001-2011 Occupational Health and Safety Management System Certification, aligning with international practices. All of our domestic production plants have passed OHSAS18001 or ISO45001 Occupational Health and Safety Management System Certification. As of the Latest Practicable Date, we did not face any major claims due to accidents.

We seek to comply with the environmental laws and regulations governing air pollution, noise emissions, hazardous materials, water and waste emissions and other environmental issues issued by relevant government departments in the jurisdictions where we operate. We have implemented strict waste disposal procedures in our production plants. The waste we produce is processed in accordance with applicable environmental standards. In 2021, our exhaust gas emission and greenhouse gas emission decreased by 6.6% and 21.8%, respectively, as compared to 2020. During the Track Record Period, we achieved significant progress in environmental protection and passed the ISO14001:2004 environmental management system certification.

We have also maintained stringent environmental operating conditions in our overseas mining operations. For example, the Greenbushes Mine site is certified to International Standards ISO 9001:2008 Quality Management System Requirements and ISO 14001:2015 Environmental Management System requirements and is externally audited.

BUSINESS

Our Directors confirm that we have complied with applicable health and safety laws and regulations in all material aspects, and we have not violated these laws and regulations during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any safety incidents that had a significant impact on our operations.

DEVELOPMENT STRATEGIES

Our strategic goal is to strengthen our leading position in the global lithium producing industry. We plan to achieve this goal by implementing the following development strategies:

Expand our mining operations to support our future business growth

Our upstream operations are the foundation of our vertically integrated business model and are also key in supporting our overall business growth and meeting anticipated market demands.

We aim to enhance our upstream lithium resources supply through a series of expansion strategies, which include expanding existing mine operations, developing and constructing reserve assets, investing in new lithium resources and cooperating with the world's leading mining companies to explore new investment and development opportunities for lithium assets.

The Greenbushes Mine will continue to provide high-quality raw materials for our production of lithium compounds. The currently planned expansion of capacity is intended to reach design levels of production over the next six years to match forecast demand growth. We have completed the construction of a tailings retreatment plant for reclamation of mine tailings in the first quarter of 2022, which will add an annual production capacity of spodumene concentrate of 280,000 tons when in full operation according to the BDA Report. We commenced the construction of CGP3 in 2019 and expect the construction to complete in 2025, taking the annual lithium concentrate production capacity to 2.1 million tons post commissioning according to the BDA Report. A further processing plant, CGP4, is also planned for construction beginning in 2025, which is expected to be operational by 2027. We expect the Greenbushes Mine to continue to maintain its low cost production after the completion of the expansions above. Our management team at Talison is well-trained and highly experienced to ensure the successful execution of the expansion plan.

The Yajiang Cuola Mine is our important lithium asset and has significant development potential. We are conducting a feasibility study of recommencing the development and production of the Yajiang Cuola Mine. In addition, we also monitor lithium resource projects in other regions of the world and will continue to seek investment opportunities in other lithium resources. Where our financial conditions permit, we may consider making acquisitions or establishing strategic partnerships with leading mining companies to gain access to other high-quality lithium mining resources in China and globally.

Further enhance our production capacity for lithium compounds and derivatives and enrich product offerings

In order to fully seize the growth opportunities of downstream demand in the lithium industry, we plan to further increase our production capacity of lithium compounds and derivatives to provide raw materials for the capacity expansion of the world's top battery manufacturers. We are conducting a feasibility study regarding the construction plan and preparing estimates for the required capital

BUSINESS

expenditure of a second phase of the battery-grade lithium hydroxide plant in Kwinana, Western Australia. When the second phase of the plant becomes operational, the total annual production capacity of the Kwinana Plant will reach 48,000 tons, further enhancing our production capabilities in battery-grade lithium hydroxide.

To enhance our production capacity of battery-grade lithium carbonate, we are constructing a lithium carbonate processing plant in Anju District of Suining, Sichuan province, China with an annual production capacity of 20,000 tons. Due to its geographic proximity to our Shehong Plant, we believe that we will be able to minimize the execution risks and improve cost efficiency through the operational synergies between the two plants. We also plan to expand the lithium production capacity at the Tongliang Plant in Chongqing by adding an estimated annual production capacity of 2,000 tons, so as to capitalize on the future development in solid-state lithium batteries as well as other downstream applications of lithium metal. In addition, we plan to continuously upgrade and improve our production technologies at the Shehong Plant and Zhangjiagang Plant to increase production capacity and efficiency.

Furthermore, we will continue to cooperate with high-quality downstream lithium compounds processing plants through tolling arrangements to supplement our lithium compounds processing capacity to leverage our competitive edge and strengths in upstream lithium resources, and fully take advantage of the flexibility provided by such tolling arrangements to meet the market demand.

We believe that with our production technology and operational experience as well as long-term relationships with our customers, we will have unique competitive advantages in constructing and operating new plants in China and globally. We will make full use of these advantages to effectively reduce the execution risks and operating costs. In addition to the aforementioned plans, we will also consider further capacity expansion in other business areas on a global scale according to the market's future demand for lithium products and our actual situation.

Establish various strategic partnerships with leading companies in the upstream and downstream of the value chain to fully capture the latest opportunities

In order to fully capture the latest opportunities in the lithium producing industry and enhance our leading position in the lithium producing sector, we plan to establish various strategic partnerships with major participants in the upstream and downstream of the value chain, including equity investments, projects, collaboration at product level, joint technological innovation, which will be able to help reduce our initial capital investment, share project risks, and at the same time fully benefit from both sides' respective advantages and achieve a win-win situation.

In the upstream lithium mining business, we will continue to seek partners to expand our access to high-quality lithium mining resources. We will try to carry out strategic cooperation and continue to cooperate with the world's leading mining companies to explore new lithium resource development opportunities, so as to expand the layout of high-quality lithium resources.

In the downstream lithium compounds business, we plan to sign long-term sales agreements with reputable customers to further develop and maintain customer relationship. We will also consider deepening our partnerships with customers in the downstream of the value chain, such as cooperation in the downstream precursor production, battery recycling and other businesses of the value chain.

BUSINESS

We believe that through strategic cooperation with key players in the upstream and downstream of the value chain, we aim to further strengthen our connections with all segments along the lithium battery value chain and enhance our position as a core supplier of raw materials in the industry.

We will also gain exposure to emerging technologies in the new energy industry through strategic investment. For example, our investments in Shanghai Aerospace Power Technology Co., Ltd., SES Holdings Pte. Ltd., Beijing WeLion New Energy Technology Co., Ltd. and XTC New Energy Materials (Xiamen) Co., Ltd. (廈門廈鎢新能源材料股份有限公司) have enabled us to access emerging battery and battery materials business and better capitalize on future developments in new battery applications of lithium. We believe such strategic investments will not only help us adapt to evolving industry trends and customer demand, but also create more business opportunities for our business. For more information, please see “—Our Operations” and “—Our Investments in the Global Lithium Value Chain—Investments in Downstream New Energy Companies.”

Continue to expand our global business and develop our global customer base

We plan to further expand our business globally and expand our global customer base to enhance our position as a core material supplier in the global lithium industry.

Through our successful acquisition and operation of the Greenbushes Mine in Australia, we have achieved self-sufficiency in feedstock supply for our current lithium compounds operations with high-quality and low-cost lithium raw materials. Following its planned expansions, the Greenbushes Mine will provide further support to our expansions of manufacturing capacity for lithium compounds and derivatives. Through the construction of our Kwinana Plant in Australia, we have established a leading battery-grade lithium hydroxide manufacturing hub with close proximity to key raw materials supply and better access to global end-market customers. Our strategic acquisition of an equity stake in SQM has enabled us to benefit from SQM’s operation in world-class brine resources in Chile. Through such initiatives, we have gained significant experience in operating in overseas markets, which provides a strong basis to pursue our strategy to continue to build our global presence.

With our rich experience in overseas operations, we will continue to develop our international business in the future, build an integrated and global production operation that covers critical stages of the value chain. We plan to expand our global business and penetrate into overseas market such as European market through strategic collaboration and joint ventures. At the same time, we will also grow our global customer base. We plan to continue to expand our customer base and deepen customer relationships on a global scale by further strengthening our sales and customer-oriented R&D capabilities. We will continue to enhance our international sales and marketing capabilities by recruiting and training sales personnel.

Reinforce our R&D capabilities, enhance our know-how of the lithium battery value chain, and improve our core competitiveness

We have been committed to investing significant resources in our R&D efforts to support our overall development strategy. We strive to further advance our R&D to optimize product quality, improve operational efficiency and lower production costs, and in the meantime, develop forward-looking technologies that may lead industry transformations.

Our future R&D priorities include optimizing and upgrading the technology of extracting lithium from brine mines, improving the comprehensive utilization of mineral resources to reduce

BUSINESS

carbon emissions, continuing to optimize our lithium compounds and derivatives products based on our customers' feedback and developments in the end markets, strengthening our R&D on lithium recycling to keep in step with latest industry trends, furthering our understanding of advanced lithium-based battery materials expected to be applied in next generation battery technologies, and participating in the R&D of potential future battery technologies in order to develop innovative products to suit our customers' needs and enhance our know-how of lithium battery value chain. To this end, we plan to continuously expand our talent pool and leverage our long-standing relationship with customers and in-depth understanding of the downstream supply chain, so as to improve our core competitiveness.

OUR OPERATIONS

One of our subsidiaries is the largest mined lithium operator globally in terms of lithium concentrate output in 2021, with a market share of 38%, and we ranked third in terms of revenue generated from lithium in 2021, according to the Wood Mackenzie Report. We are also the world's fourth largest and Asia's second largest lithium compound producer as measured by production output in 2021, according to the Wood Mackenzie Report. We have over 20 years of experience in the lithium industry. Our fully vertically integrated model allows us to operate in both the upstream and downstream segments of the lithium industry, ranging from the mining and producing of lithium concentrates to the manufacturing of lithium compounds. Through our subsidiary, Talison, we hold the lithium mining rights at the Greenbushes Mine, the world's largest hard rock mine as measured by the size of production and reserves in 2021, according to the Wood Mackenzie Report. The Greenbushes Mine was also the lowest cost large-scale lithium mine in 2021, according to the Wood Mackenzie Report.

Our revenues are generated from two business segments, namely (i) sales of lithium compounds and derivatives and (ii) sales of lithium concentrates. The following table sets forth a breakdown of our total revenue by business segments, each expressed in an absolute amount and as a percentage of our total revenue, for the periods indicated:

	For the year ended December 31,					
	2019		2020		2021	
	Amount	%	Amount	%	Amount	%
	(RMB in millions, except for percentage)					
Sales of lithium compounds and derivatives	2,902.3	60.3	1,735.3	54.0	4,960.2	65.3
Sales of lithium concentrates	1,914.1	39.7	1,479.9	46.0	2,637.7	34.7
Total Revenue	<u>4,816.4</u>	<u>100.0</u>	<u>3,215.2</u>	<u>100.0</u>	<u>7,597.9</u>	<u>100.0</u>

The following table sets forth a breakdown of our gross profit and gross profit margin by business segments, for the periods indicated:

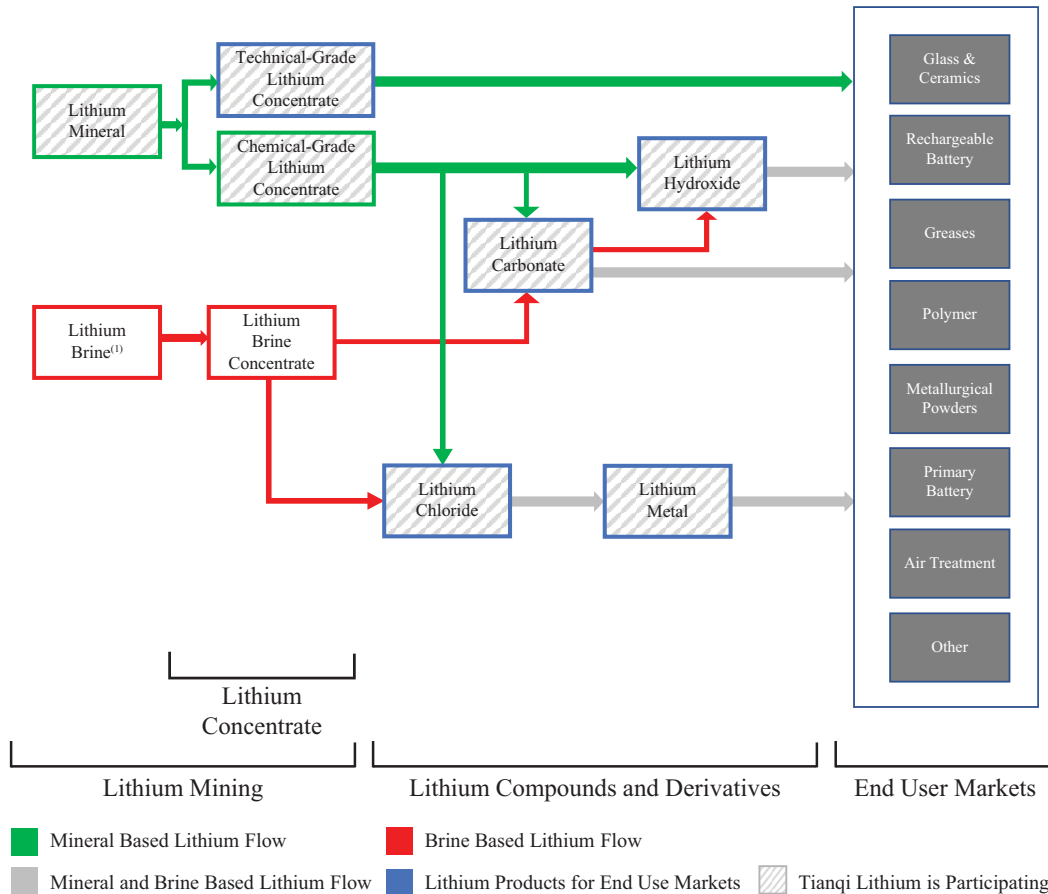
	For the year ended December 31,					
	2019		2020		2021	
	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)
	(RMB in millions, except for percentage)					
Sales of lithium compounds and derivatives	1,381.2	47.6	402.2	23.2	3,052.2	61.5
Sales of lithium concentrates	1,316.1	68.8	924.8	62.5	1,635.7	62.0
Total Gross Profit	<u>2,697.3</u>	<u>56.0</u>	<u>1,327.0</u>	<u>41.3</u>	<u>4,687.9</u>	<u>61.7</u>

BUSINESS

Gross profit margin for our sales of lithium compounds and derivatives business decreased from 47.6% in 2019 to 23.2% in 2020, primarily due to a decrease in the selling prices of our lithium compounds and derivatives in 2020, in line with decreased prevailing market prices, while the average production cost remained relatively stable. Gross profit margin for our sales of lithium compounds and derivatives business increased from 23.2% in the year ended December 31, 2020 to 61.5% in the year ended December 31, 2021, primarily due to a significant increase in the selling prices of our lithium compounds and derivatives in the year ended December 31, 2021 in line with increased prevailing market prices.

OUR FULLY VERTICALLY INTEGRATED BUSINESS MODEL

We believe our fully vertically integrated business model is key to our success in providing high-quality lithium products and meeting our customer's stringent demands. Our vertical integration incorporates critical segments of the lithium value chain, including (i) mining of lithium ore and manufacturing of lithium concentrate, and (ii) manufacturing of lithium compounds and derivatives. The diagram below illustrates our integrated business model and the interconnections between our production processes.



Note:

(1) We gain exposure through our equity investment in SQM.

BUSINESS

MINING, PRODUCTION AND SALES OF LITHIUM CONCENTRATES

Through our subsidiaries TLEA and Windfield, we hold an indirect 26.01% equity interest in Talison, which owns and holds the lithium mining rights at the Greenbushes Mine. We also own the mining rights at the Yajiang Cuola Mine in Sichuan, China. Currently, only the Greenbushes Mine is in operation, processing lithium ore into lithium concentrates, while the Yajiang Cuola Mine is currently held as a lithium asset for future development.

For the years ended December 31, 2019, 2020 and 2021, revenue generated from our sale of lithium concentrates amounted to RMB1,914.1 million, RMB1,479.9 million and RMB2,637.7 million, respectively, representing 39.7%, 46.0% and 34.7% of our total revenue for the same periods, respectively. For the years ended December 31, 2019, 2020 and 2021, gross profit generated from sales of lithium concentrates amounted to RMB1,316.1 million, RMB924.8 million and RMB1,635.7 million, respectively, representing gross profit margin of 68.8%, 62.5% and 62.0%, respectively.

Our Lithium Resources Assets

The Greenbushes Mine is currently in operation, and the Yajiang Cuola Mine lithium resources asset is held for future development. As of the Latest Practicable Date, we relied on the Greenbushes Mine for all of our lithium concentrate production and supply of lithium raw materials. The expiry dates of our mining leases for the Greenbushes Mine range from December 27, 2026 to September 27, 2036. Upon the expiry of current terms of our mining leases, the Western Australian Minister for Mines and Petroleum will have the discretion to extend the leases for further periods (no more than 21 years each) subject to our compliance with the conditions in the leases. The expiry date of our exploration license is March 7, 2026. Upon the expiry of the current term of our exploration license, the Western Australian Minister for Mines and Petroleum will have a discretion to extend the license for a term of five years and any subsequent renewal terms of two years if the Minister is satisfied that the exploration license is in good standing and a prescribed ground for extension of the exploration license exists. All lithium operations in the Jiajika District, including the construction of our Yajiang Cuola Mine, were suspended by the Department of Land and Resources of Ganzi Prefecture in October 2013, due to an alleged environmental incident related to a neighboring mine owned and constructed by a third party. The People's Government of Ganzi Tibetan Autonomous Prefecture published a regulatory guidance relating to the construction recommencement in a press release in 2019, which provided policy guidance for our business development in Ganzi, in particular, in relation to our development and construction at Yajiang Cuola Mine. We are conducting a feasibility study of recommencing the development and production of the Yajiang Cuola Mine.

BUSINESS

The following table sets forth our ownership percentages in the two mines and their respective acquisition dates, locations, lithium reserves or resource amounts and grades or concentrations as of December 31, 2021, according to the BDA Report.

Assets	Ownership	Acquisition time	Location	Type	Resources					Reserves				
					Measured (Mt LCE) ⁽⁷⁾	Indicated (Mt LCE) ⁽⁷⁾	Inferred (Mt LCE) ⁽⁷⁾	Total (Mt LCE) ⁽⁷⁾	Grade (lithium oxide)	Proved (Mt LCE) ⁽⁸⁾	Probable (Mt LCE) ⁽⁸⁾	Total (Mt LCE) ⁽⁸⁾	Grade (lithium oxide)	
Greenbushes		May	Greenbushes,											
Mine	26.01% ⁽¹⁾	2014	Australia	Spodumene										
—Central Lode and Kapanga					0.04	10.3	2.7	13.1	1.6% ⁽⁴⁾	0.04	8.2	8.3	2.0% ⁽⁵⁾	
—TSF1					—	0.5	0.1	0.6	1.3% ⁽⁴⁾	—	0.4	0.4	1.4% ⁽⁵⁾	
Yajiang Cuola														
Mine	100% ⁽²⁾	October 2008	Cuola, Yajiang, PRC	Spodumene	—	0.5	0.2	0.6	1.3% ⁽⁶⁾	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾	

Notes:

- (1) As of the Latest Practicable Date, we held a 51% equity interest in TLEA, which owned 51% of equity interest in Windfield. Talison is a wholly owned subsidiary of Windfield, and owns 100% equity interest in and holds the lithium mining titles at the Greenbushes Mine.
- (2) We owned 100% equity interest in Yajiang Cuola Mine through our wholly owned subsidiary, Shenghe Lithium, as of the Latest Practicable Date.
- (3) As of December 31, 2021, the lithium reserves were considered not defined for the Yajiang Cuola Mine under the JORC standards, according to the BDA Report.
- (4) Lithium oxide grade for measured resources, indicated resources and inferred resources in the Central Lode and Kapanga were 3.2%, 1.8% and 1.0%, respectively, as of December 31, 2021. Lithium oxide grade for the indicated resources in the enriched zone and inferred resources in depleted zone of TSF1 were 1.5% and 0.8%, respectively, as of December 31, 2021.
- (5) Lithium oxide grade for proven ore reserves and probable ore reserves in the Central Lode and Kapanga were 3.2% and 2.0%, respectively, as of December 31, 2021. Lithium oxide grade for probable reserves in the TSF1 was 1.4%, as of December 31, 2021.
- (6) Lithium oxide grade for indicated resource and inferred resource of Yajiang Cuola Mine were 1.3% and 1.3%, respectively, as of December 31, 2021.
- (7) Resources in the Central Lode and Kapanga areas of the Greenbushes Mine were based on a cut-off grade of 0.5% lithium oxide. Resources in TSF1 of the Greenbushes Mine were based on a cut-off grade of 0.7% lithium oxide. Resources in the Yajiang Cuola Mine were based on a cut-off grade of 0.5% lithium oxide. The cut-off grades on which our resources are based are in accordance with industry standard commonly used by experts for the same type of mines as the Greenbushes Mine and Yajiang Cuola Mine.
- (8) Reserves in the Central Lode and Kapanga of the Greenbushes Mine were based on a block cut-off grade of 0.7% lithium oxide. Reserves in TSF1 of the Greenbushes Mine were based on a cut-off grade of 0.7% lithium oxide. The cut-off grades on which our reserves are based are in accordance with industry standards commonly used by experts for the same type of mine as the Greenbushes Mine.

In addition, as of the Latest Practicable Date, we held minority equity interests in certain lithium resources assets in China and Chile. For more information, see “—Our Investments in the Global Lithium Value Chain.”

BUSINESS

Lithium Resources Asset in Operation—Greenbushes Mine

The Greenbushes Mine is located in Greenbushes, approximately 250km south of Perth and 90km southeast of the port of Bunbury, Western Australia, a major bulk-handling port in the southwest of Western Australia. It has been producing lithium concentrates since 1983. In 2014, we acquired a 51% equity interest in Windfield, the parent entity of Talison, which owns 100% equity interest in and holds the lithium mining rights in the Greenbushes Mine. The remaining 49% equity interest in Windfield is held by RT Lithium, an Independent Third Party except being a substantial shareholder of Windfield. In June 2021, we restructured our shareholding in Windfield by establishing a joint venture, TLEA, in which we hold a 51% equity interest, whereas a strategic investor, IGO, holds the remaining 49% of TLEA. TLEA holds 51% equity interest in Windfield. The following map shows the location of the Greenbushes Mine:



Source: BDA Report

The transaction with IGO requires the TLH Multiple Entry Consolidated (the “MEC”) group to undertake an ‘internal restructure’. The ATO is currently focused on arrangements whereby a restructure by an MEC group enables a tax free exit from Australian investments. We are currently consulting with the ATO in respect of the tax treatment of the IGO Transaction to obtain certainty of the tax outcome. As this engagement process is in its early stages, the timeline for the conclusion of the ATO engagement is uncertain and outside of our control. After consulting with our tax advisor who is qualified to advise on the compliance status and the potential tax liability in relation to the IGO Transaction, we are of the view that (i) there has been no non-compliance with Australian tax laws as

BUSINESS

of the Latest Practicable Date in connection with the IGO Transaction, as no tax lodgments have been made for the year in which the IGO Transaction occurred and the application of Part IVA is at the discretion of the ATO, which has not been exercised as of the Latest Practicable Date, and (ii) if the ATO were to exercise its discretion to apply Part IVA, this would not result in non-compliance, and the assessed total tax liability could be up to A\$167 million (before penalties and interest) based on what is considered to be the most likely counterfactual if Part IVA were to apply as of the Latest Practicable Date.

Resource and Reserve

The Greenbushes Mine is the largest hard rock lithium mine in the world as measured by the size of reserves, according to the Wood Mackenzie Report. The majority of lithium resource and reserve of the Greenbushes Mine are located at the Central Lode and Kapanga, and the rest of them are located at the TSF1. The Central Lode and Kapanga contain approximately 13.1 million tons LCE of lithium resources and 8.3 million tons LCE of proven and probable lithium reserves as of December 31, 2021, according to the BDA Report. According to the BDA Report, as of December 31, 2021, the lithium oxide grades of the resources and reserves of the Central Lode and Kapanga were 1.6% and 2.0%, respectively. Located in a central part of the Greenbushes Mine, the TSF1 had approximately 0.6 million tons LCE of indicated and inferred lithium resources and 0.4 million tons LCE of probable lithium reserves as of December 31, 2021, according to the BDA Report.

According to the BDA Report, as of December 31, 2021, the remaining LoM of the Greenbushes Mine was estimated to be approximately 21 years based on the ore reserves on December 31, 2021, taking into consideration the expansion projects currently undertaken, planned and considered. For more information on the expansion works, see “—Lithium Asset in Operation—Greenbushes Mine—Expansion Plan.”

We conducted exploration drillings at the Central Lode, which identified that all significant lithium resources are confined to the Central Lode’s lithium orebody within the main pegmatite zone, with deposit remaining partly open at depth and along strike to the south. We also undertook drillings to explore the lithium resources contained in the TSF1 area. We incurred capital expenditures in connection with our exploration activities, mainly with respect to the drilling cost, of A\$7.4 million, A\$9.1 million and A\$11.0 million in the years ended December 31, 2019, 2020 and 2021, respectively.

We will conduct further review prior to significant ore flow from Kapanga, as recommended in the BDA Report, and will take into account, among others, the following: (i) at present, Kapanga ore dilution loss is covered by the fact that it is a probable ore reserve estimate; (ii) there will be no significant flow of ore from Kapanga until 2027 or later, and additional reviews of Kapanga will be needed before ore flow as the resource will change with drilling activities; and (iii) dilution and ore loss will be adjusted through the reconciliation process when ore mining commences and will be reviewed regularly.

Production

The high-quality ore at the Greenbushes Mine allows for efficient and low-cost production of lithium concentrates. The Greenbushes Mine is considered to have one of the lowest production costs for mined lithium products in 2021, according to the Wood Mackenzie Report. In 2021 and prior years, the Greenbushes Mine had the largest lithium concentrate output in the world, according to the Wood Mackenzie Report. The Greenbushes Mine has three plants for the processing of lithium ore into

BUSINESS

lithium concentrate, which are located adjacent to the open pit mining operation. The three plants, namely the Technical-Grade Plant (“TGP”), the Chemical-Grade Plant No. 1 (“CGP1”) and the Chemical-Grade Plant No. 2 (“CGP2”), produce lithium concentrates containing a range of grades with varying iron impurity levels. Low iron technical-grade concentrates are produced at the TGP, and chemical-grade concentrate which contains higher levels of iron is produced at CGP1 and CGP2. Talison has completed commissioning of CGP2 and its associated crusher, CR2, which is in the ramp up stage. Total spodumene concentrate production capacity is expected to be approximately 1.34 million tons per annum on completion of the CGP2 ramp up and yield improvements, according to the BDA Report. CGP2 is expected to reach full production by the fourth quarter of 2022. The annual production volume of the Greenbushes Mine is determined with reference to the expected demand of our Company (through TLEA) and Albemarle Germany (through RT Lithium) respectively, taking into account factors such as market demand and the production plans for further product processing. Windfield will devise a production plan based on such expected demand as well as its inventory level and production capacity. For the year ended December 31, 2021, CGP1 processed around 1.83 million tons of ore, CGP 2 processed around 1.39 million tons of ore, and the TGP processed around 0.35 million tons of ore, with total production of 0.95 million tons of technical and chemical grade concentrates according to the BDA Report.

The following table sets forth a summary of effective processing capacity and utilization rates for our processing plants at the Greenbushes Mine during the Track Record Period.

	For the year ended December 31,					
	2019		2020		2021	
	Effective Processing Capacity ⁽¹⁾	Utilization Rate ⁽²⁾	Effective Processing Capacity ⁽¹⁾	Utilization Rate ⁽²⁾	Effective Processing Capacity ⁽¹⁾	Utilization Rate ⁽²⁾
	(tons of ore)	%	(tons of ore)	%	(tons of ore)	%
TGP	374,000	100	374,000	62	374,000	95
CGP1	1,820,000	91	1,820,000	77	1,820,000	101
CGP2	800,000	47	800,000	35	1,600,000	87

Notes:

- (1) The effective processing capacity represents the average of each month’s designed processing capacity multiplied by the number of months in actual processing.
- (2) The utilization rate is calculated based on the actual output for the relevant period divided by the effective processing capacity for the relevant period.

The main production facilities at Greenbushes Mine consist of processing plants, crushing plants, a water treatment plant, power and water supply facilities, a laboratory, an administrative office, occupational health and safety training offices, dedicated mines rescue area, stores, storage sheds, workshops and engineering offices. Talison holds a number of mining and ancillary licenses at the Greenbushes Mine. For details about the mining permits at the Greenbushes Mine, see “—Our Mining Permits.”

Expansion Plan

Talison plans to increase production capacity in line with an anticipated increase in demand for lithium products, through a series of simple, modular, and low-cost expansions based on existing proven technology, according to the BDA Report. The currently planned expansion of capacity is intended to reach design levels of production over the next six years to match forecast demand growth. The three existing plants, the Technical Grade Plant (“TGP”) and the two Chemical Grade Plants (“CGP1” and “CGP2”) produce mineral concentrates containing a range of lithium grades with

BUSINESS

varying iron impurity levels. On July 24, 2018, our board approved the construction of a third chemical-grade lithium concentrate plant (“CGP3”) and related infrastructure. We commenced the construction of CGP3 in 2019 and expect the construction to be completed in 2025, taking annual lithium concentrate production capacity to 2.1 million tons post commissioning according to the BDA Report. A further processing plant CGP4 is also planned for construction beginning in 2025. CGP3 will be capable of increasing the Greenbushes Mine’s annual output of chemical-grade lithium concentrate by approximately 520,000 tons when fully constructed and operational, according to the BDA Report. We received the Ministerial Approval for the Lithium Mine Expansion (CGP3 and CGP4) by way of published Ministerial Statement No. 1111 on August 19, 2019. In addition, we have completed the construction of a tailings retreatment plant (“TRP”) in the first quarter of 2022. TRP will be capable of processing 280,000 tons of spodumene concentrate per annum post commissioning, according to the BDA Report. We are also considering additional expansion projects.

Capital Expenditure

Capital expenditure of the Greenbushes Mine primarily covers our activities including plants, tailings storage facility and port facility expansions, mine development and R&D, exploration, and construction of water treatment plant. Total capital expenditure of the Greenbushes Mine for the year ended December 31, 2021 was A\$128.3 million. The total capital expenditures for the construction of CGP3 and related infrastructure are expected to be A\$626.8 million.

Operating Costs

Operating costs of the Greenbushes Mine include mining cost, processing cost, general and administrative cost, product transportation and marketing cost and royalty. Mining cost mainly includes cost of mine contractor, consumables, workforce employment, fuel, electricity and water, as well as repair and maintenance. Processing cost mainly includes cost of repair and maintenance, consumables, workforce employment, fuel, electricity and water. General administrative cost includes cost of on-site and off-site management and environmental cost.

Our all-in sustaining costs were the lowest among all lithium mines in the world in 2021, according to the Wood Mackenzie Report. This is mainly due to (i) the high quality of ore produced from the Greenbushes Mine, (ii) the geological advantages of our lithium mines, (iii) our developed infrastructure, and (iv) our mature technologies and processes and robust production capabilities. For details of our operating cash costs, see “Appendix IV—Competent Person’s Report.” The following table sets forth the operating cash costs of the Greenbushes Mine for the periods indicated, according to the BDA Report:

<u>Unit Operating Costs</u>	<u>For the year ended December 31,</u>		
	<u>2019</u>	<u>2020</u>	<u>2021</u>
	(A\$/t spodumene concentrate)		
Mining cost	103.5	113.7	82.5
Processing cost	116.3	104.1	96.6
General and administrative cost	19.5	25.1	22.0
Total Site Operating Cost	239.3	243.0	201.1
Product transportation and marketing cost	24.6	22.3	21.0
Royalty	54.8	29.3	84.5
Total Operating Cash Cost	318.6	294.5	306.5

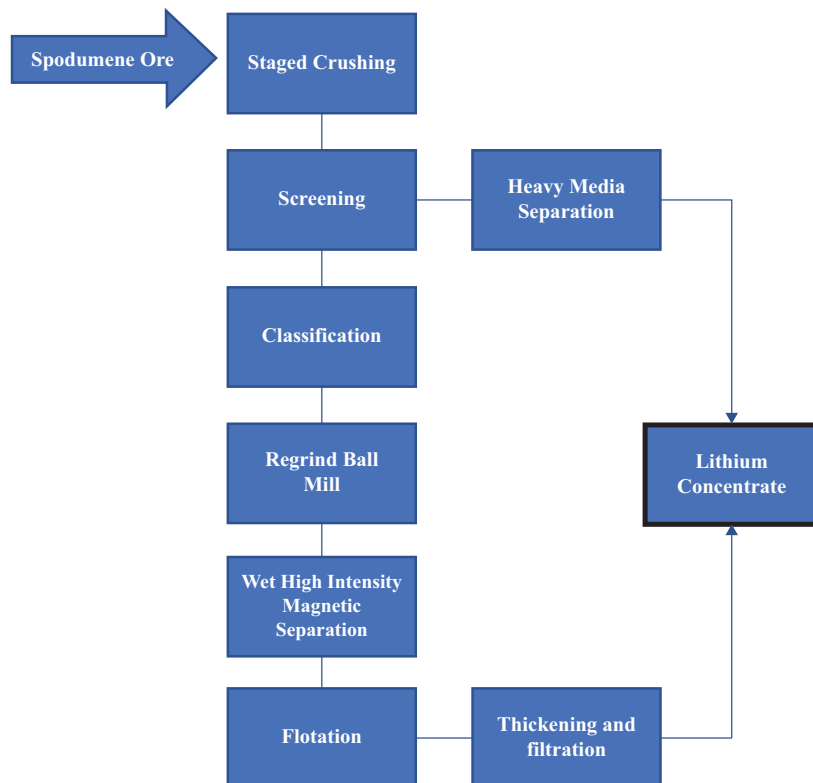
BUSINESS

Lithium Concentrate Products

The Greenbushes Mine produces two types of lithium concentrates, namely technical-grade and chemical-grade concentrates. These two products primarily differ in lithia and iron content and particle size. Technical-grade lithium concentrates contain lithium oxide content of 5.0% to 7.2% and chemical-grade lithium concentrates contain lithium oxide content of 6%. End users of technical-grade lithium concentrates are primarily companies engaged in the glass, ceramics and porcelain industries while end users of chemical-grade lithium concentrate are primarily lithium compound producers and manufacturing plants. Talison has been the largest supplier of lithium concentrates in the world by production for seven years since 2015, according to the Wood Mackenzie Report. For the years ended December 31, 2019, 2020 and 2021, Talison produced approximately 765,000, 580,000 and 954,000 tons of lithium concentrates, respectively, according to the BDA Report.

Extraction and Beneficiation Process

We use the open-pit mining method for the extraction of lithium ore at the Greenbushes Mine. We then process lithium ore into lithium concentrates at the Greenbushes Mine through the following steps: (1) mined ore undergoes size reduction in a multi-stage crushing circuit, (2) crushed ore is sized by screens and coarse fractions are concentrated by heavy media separation to separate lithium minerals from lower density minerals and produce coarse lithium concentrates, (3) classification takes place to separate the remaining ore stream into several size fractions using screens and hydraulic sizing, (4) regrind ball milling is used to improve the liberation of the lithium minerals, (5) wet high intensity magnetic separation is applied to remove potentially contaminating minerals, (6) flotation is used to produce fine lithium concentrates, and (7) thickening and filtration are conducted to produce the finished lithium concentrates in chemical or technical grade. The diagram below illustrates the typical extraction and beneficiation process at the Greenbushes Mine.



BUSINESS

Production Planning

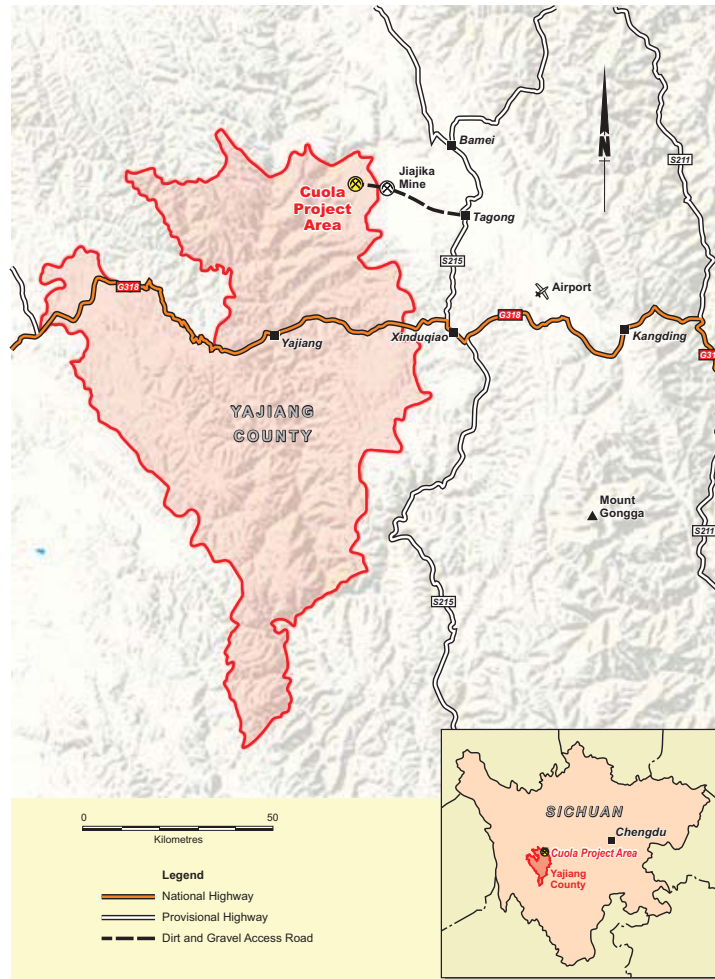
Production plans are prepared on a periodic basis based on anticipated market trends and discussions with customers of lithium concentrates. Regular production schedules are prepared based on these plans and existing inventory levels.

Delivery and Transportation

The Greenbushes Mine is well established in close proximity to a major highway and port in Western Australia's South West region. The finished lithium concentrate products are transported via the road from the Greenbushes Mine to a designated port for overseas freight shipping. Title and risks generally transfer to customers when the products are loaded onto the delivering vessel. Lithium concentrate products are commonly further transported in bulk to China where they may be consumed in bulk by lithium compound plants, or re-packaged into smaller quantities for direct delivery to customers. Our lithium concentrates are also transported to other countries directly from Australia in either bulk or packaged form. Our Directors have confirmed that we had not experienced any material shortage of transportation capacity during the Track Record Period and up to the Latest Practicable Date.

Lithium Asset—Yajiang Cuola Mine

The Yajiang Cuola Mine is located in the administration area of Xinwei Village, Murong Township, Yajiang County, Ganzi Tibetan Autonomous Prefecture, Sichuan Province, China. The map below shows the location of the Yajiang Cuola Mine:



Source: BDA Report

The Yajiang Cuola Mine is part of the larger Jiajika lithium mineralization district, which is believed to be the largest hard rock lithium mineralization district in China and Asia, according to the BDA Report. We hold 100% equity interest in the Yajiang Cuola Mine through our wholly-owned subsidiary, Shenghe Lithium, and have obtained the mining license for the spodumene deposits in the Yajiang Cuola Mine in April 2012. Our mining license is valid until 2032 and is renewable subject to certain conditions. The Yajiang Cuola Mine had approximately 632,000 tons LCE of lithium resources as of December 31, 2021, according to the BDA Report. During the Track Record Period, we held the Yajiang Cuola Mine as a lithium asset for future development. All the lithium operations in the Jiajika District, including the construction of our Yajiang Cuola Mine, were suspended by the Department of Land and Resources of Ganzi Prefecture in October 2013, due to an alleged environmental incident related to a neighboring mine owned and constructed by a third party. The People’s Government of Ganzi Tibetan Autonomous Prefecture published a regulatory guidance relating to the construction

BUSINESS

recommencement in a press release in 2019, which provided policy guidance for our business development in Ganzi, in particular, in relation to our development and construction at Yajiang Cuola Mine. We strategically adjusted the re-commencement of the construction of the Yajiang Cuola Mine since 2019 in response to the demand shrunk in 2019 and 2020 during the lithium market downturn. In addition, the lithium concentrates mined in the Greenbushes Mine were sufficient to meet our demands, therefore, after the completion of the investment in SQM, we strategically reallocated our financial resources to prioritize the timely repayment of our bank borrowings and the operation of our existing business and temporarily adjusted and slowed down some of our expansion plans which were less urgent. We are conducting a feasibility study of recommencing the development and production of the Yajiang Cuola Mine, and expect to complete the feasibility study in the second half of 2022. We had spent approximately RMB150 million on Yajiang Cuola Mine as of the Latest Practicable Date. We expect the construction will resume in the second half of 2022 and complete in 2025. We do not foresee any material impediment for recommencing the development and production pursuant to the regulatory guidance relating to the construction recommencement published in a press release by the People's Government of Ganzi Tibetan Autonomous Prefecture in 2019. If development and production of the Yajiang Cuola Mine involve drilling activities in the future, we will fully consider relevant geological conditions and strictly follow applicable rules and regulations, including General Requirements for Mineral Exploration (GB/T 13908-2020) and Geological Core Drilling Regulations (DZT0227-2010). Currently, we source all of our spodumene concentrates from the Greenbushes Mine.

MANUFACTURE AND SALES OF LITHIUM COMPOUNDS AND DERIVATIVES

Our Lithium Compounds and Derivatives Products

We are the world's fourth largest and Asia's second largest lithium compound producer as measured by production output in 2021, according to the Wood Mackenzie Report. For the year ended December 31, 2021, our production capacity of lithium compounds and derivatives was 44,800 tons. Our Zhangjiagang Plant was the only fully-automated battery-grade lithium carbonate manufacturing plant in operation in the world as of the Latest Practicable Date, according to the Wood Mackenzie Report. We manufacture a variety of lithium compounds and derivatives from lithium concentrates, primarily including lithium carbonate, lithium hydroxide, lithium chloride and lithium metal. For the years ended December 31, 2019, 2020 and 2021, revenue generated from manufacture and sales of lithium compounds and derivatives amounted to RMB2,902.3 million, RMB1,735.3 million and RMB4,960.2 million, respectively, representing 60.3%, 54.0% and 65.3% of our total revenue for the same periods, respectively. For the years ended December 31, 2019, 2020 and 2021, gross profit generated from manufacture and sale of lithium compounds and derivatives amounted to RMB1,381.2 million, RMB402.2 million and RMB3,052.2 million, respectively, representing profit margin of 47.6%, 23.2% and 61.5% for the same periods, respectively.

BUSINESS

The following table sets forth a breakdown of the output of our main lithium compounds and derivatives products produced by us, for the periods indicated:

	For the year ended December 31,		
	2019	2020	2021
	Production Output (tons)	Production Output (tons)	Production Output (tons)
Lithium carbonate	33,527	28,328	33,087
Lithium hydroxide	4,969	4,883	5,042
Lithium chloride	4,659	4,303	4,984
Lithium metal	582	537	583

The following table sets forth a breakdown of our revenue from manufacturing and sales of lithium compounds and derivatives by product type, each expressed as an absolute amount and as a percentage of our total revenue for the periods indicated:

	For the year ended December 31,					
	2019		2020		2021	
	Revenue	% of Total Revenue	Revenue	% of Total Revenue	Revenue	% of Total Revenue
	(RMB in millions, except for percentage)					
Lithium carbonate	2,107.2	72.7	1,082.9	62.3	3,849.5	77.6
Lithium hydroxide	403.9	13.9	322.8	18.6	639.9	12.9
Lithium chloride ⁽¹⁾	33.1	1.1	53.2	3.1	82.5	1.7
Lithium metal	319.1	11.0	240.6	13.9	326.6	6.6
Others ⁽²⁾	39.0	1.3	35.8	2.1	61.7	1.2
Total lithium compounds and derivatives	2,902.3	100.0	1,735.3	100.0	4,960.2	100.0

Notes:

- (1) Majority of the lithium chloride we produced is consumed internally for manufacture of lithium metal.
(2) Others primarily include sodium sulfate, sodium hypochlorite and mineral ash and slag.

Our lithium compounds, including (i) battery-grade and industrial grade lithium carbonate, (ii) battery-grade lithium hydroxide and (iii) lithium chloride, can be used for a number of purposes such as (i) lithium battery cathode and electrolytes materials which are used in mobile electronic devices, EVs and energy storage equipment, (ii) raw materials for special glass and ceramic, (iii) chemical materials for grease, and (iv) tranquilizer. Our lithium metal products, which are in the forms of ingots, foil and rods in a range of sizes and thickness, are used in areas including the manufacturing of lithium battery cathode materials, as catalysts in the manufacture of pharmaceutical intermediaries and in the manufacture of alloys and other light-weight materials used in aircraft.

Our lithium carbonate products are considered a benchmark in the Chinese market with high performance features such as fine particle sizes to promote chemical bonding and low impurities to mitigate the potential battery cell failure. For example, in 2021, the average calcium level of our lithium carbonate products was approximately 3.5ppm, lower than the 50ppm criteria set out in Battery-grade Lithium Carbonate Industrial Standard (YS/T5822013). In addition, according to the Wood Mackenzie Report, our lithium carbonate products are considered the benchmark products in the China market, as we produce larger volumes of lithium carbonate at superior quality compared to most of our domestic competitors. Furthermore, we are capable of producing lithium compounds in large volumes with high consistency in quality.

BUSINESS

Our consistent and high-quality source of feedstock supply is key to achieving our high-quality, large-scale and consistent manufacture of lithium compounds. We source all of our chemical-grade lithium concentrates as feedstock from our captive Greenbushes Mine, the world's largest and highest-grade lithium deposit. The Greenbushes Mine's lithium concentrates are a long-established and benchmark product in the lithium industry, according to the Wood Mackenzie Report. We are the only lithium producer in China that has achieved 100% self-sufficiency and fully vertically integrated lithium mines through a large, consistent and stable supply of lithium concentrates, according to the same source. The consistency and high quality of our feedstock input naturally lead to the consistency and high quality of production output, even for large scale operations.

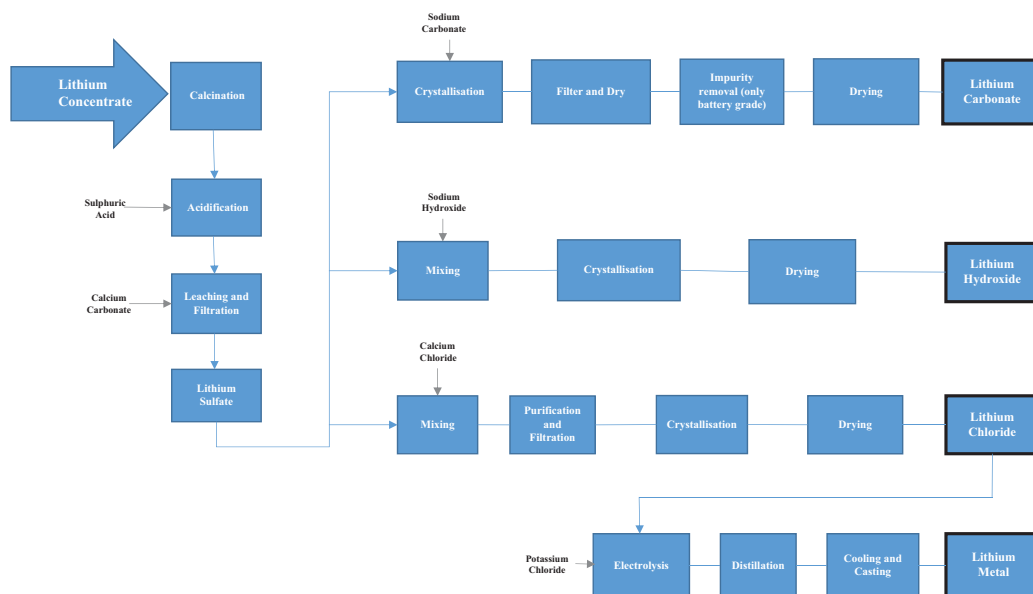
Our mineral-based and mature processing technique also plays an important role in our product quality and consistency. Our mature processing techniques have been developed and improved through our two decades of operations and research and development efforts, which ensures optimal reliability of our operations.

Cathode and electrolyte material manufacturers have stringent requirements for lithium products in terms of quality, consistency and volume, as failures in lithium raw materials may lead to costly recall of end products and damages to brand reputations. As a result, customers audit their suppliers on a multitude of levels through strict and long accreditation processes. Leveraging our aforementioned competitive advantages, we have become a long-term accredited supplier for major lithium cathode and electrolytes materials producers in China and globally and are uniquely positioned to meet the significant incremental demand from EVs and energy storage system in China and globally. Invited by the China Nonferrous Metals Industry Association, we participated in setting the national standards and specifications for various lithium compounds products in China, including battery-grade and industrial-grade lithium carbonate, battery-grade and industrial-grade lithium hydroxide and various other products.

BUSINESS

Manufacture of Lithium Compounds and Derivatives

We process lithium concentrates into lithium carbonate, lithium hydroxide, lithium chloride and lithium metal through the following steps; (1) We carry out calcination, acidification and leaching and filtration of lithium concentrates, which create lithium sulfate; (2) sodium carbonate, sodium hydroxide and calcium chloride are added for producing lithium carbonate, lithium hydroxide and lithium chloride, respectively; and (3) lithium metal is produced using lithium chloride through processes including electrolysis and distillation. The following chart illustrates our lithium compounds and metal manufacturing process:



Production Planning

We typically prepare production plans on a periodic basis based on anticipated market trends and discussions with our customers. Pursuant to these plans and existing inventory levels, we procure raw materials and prepare monthly production schedules.

Existing Manufacturing Plants

We operate a total of three manufacturing plants in China. The table below sets forth the location, product categories and year of commencement of operation for these manufacturing plants:

<u>Plant Name</u>	<u>Location</u>	<u>Primary Products Manufactured</u>	<u>Year of Commencement of Operation</u>
Shehong Plant	Shehong, Sichuan, China	Lithium carbonate, Lithium hydroxide, Lithium chloride, Lithium metal	1995
Zhangjiagang Plant	Zhangjiagang, Jiangsu, China	Lithium carbonate	2015 ⁽¹⁾
Tongliang Plant	Tongliang, Chongqing, China	Lithium metal	2017 ⁽²⁾

Notes:

- (1) We acquired the Zhangjiagang Plant in 2015.
- (2) We acquired the operating assets of the Tongliang Plant in 2017.

BUSINESS

Our Shehong Plant processes lithium mineral concentrates supplied by the Greenbushes Mine to produce a variety of lithium compounds, predominantly lithium carbonate with smaller volumes of lithium hydroxide, lithium chloride and lithium metal. As of the Latest Practicable Date, we had upgraded a number of production technologies and techniques at Shehong Plant, including the automation modification of production line, improvement of production techniques of lithium carbonate and lithium chloride, as well as improvements in environmental protection facilities, in order to increase our production capacity and production efficiency. Our Zhangjiagang Plant was the only fully-automated battery-grade lithium carbonate manufacturing plant in operation in the world, as of the Latest Practicable Date, according to the Wood Mackenzie Report. As of the Latest Practicable Date, we had upgraded a number of production technologies and techniques at Zhangjiagang Plant, including the optimization of utilization of raw materials as well as improvement of environment protection facilities, in order to increase our production capacity and production efficiency.

Our Tongliang Plant focuses on the production of lithium metal products. As of the Latest Practicable Date, we were conducting comprehensive upgrades of our Tongliang Plant, including but not limited to establishing the world's first lithium metal automatic production line designed to produce lithium metal products, and improving environmental protection facilities and production techniques.

Production Capacity and Utilization Rate

We have maintained consistently high utilization rates during the Track Record Period. The following table sets forth a summary of our annual production capacity and utilization rates for our production plants for the periods indicated.

	For the year ended December 31,					
	2019		2020		2021	
	Effective Production Capacity ⁽¹⁾	Utilization Rate ⁽²⁾	Effective Production Capacity ⁽¹⁾	Utilization Rate ⁽²⁾	Effective Production Capacity ⁽¹⁾	Utilization Rate ⁽²⁾
	(tons)	%	(tons)	%	(tons)	%
Shehong Plant	24,200	102	24,200	81	24,200	99
Zhangjiagang Plant	18,500	100	20,000	90	20,000	96
Tongliang Plant	600	84	600	76	600	84

Notes:

- (1) The effective production capacity represents the average of each month's designed production capacity multiplied by the number of months in actual production. The effective production capacity is measured in tons.
- (2) The utilization rate is calculated based on the actual output for the relevant period divided by the effective production capacity for the relevant period.

Production Expansion Plan

In order to meet the fast-growing demand for lithium compounds and derivatives, we plan to expand our production capacity by constructing additional manufacturing plants in Australia and China. We believe that our expansion projects will help us further strengthen our production capacity, maintain our global market share and realize our market potential.

In 2016, we announced the construction of the Kwinana Plant for manufacturing battery-grade lithium hydroxide in Kwinana, Western Australia. We completed construction and started rectification and commissioning of the first phase of the Kwinana Plant in 2019. The rectification and commissioning of the first phase of the Kwinana Plant were suspended in 2020, and the construction of

BUSINESS

the second phase has suspended since 2019. We resumed the rectification and commissioning of the first phase of the Kwinana Plant in 2021. The first phase of the Kwinana Plant is currently in the trial production stage. The total capital expenditures for the construction of the first phase of the Kwinana Plant was A\$770 million and was funded through the proceeds from an A Shares rights issue in 2017 and cash on hand. We are conducting a feasibility study regarding the construction plan and preparing estimates for the required capital expenditure for the second phase of the Kwinana Plant, and expect to resume construction in the second half of 2022. Each of the first and second phases of the Kwinana Plant will have a capacity of 24,000 tons for battery-grade lithium hydroxide annually once fully constructed and operational. The Kwinana Plant will be operated by TLK, in which we own a 51% equity interest through our subsidiary, TLEA.

We and the municipal government of Suining entered into a strategic cooperation framework agreement in 2017 (as amended) for the establishment of the Anju Plant for producing lithium carbonate in two phases. The Anju Plant is located in Anju District of Suining, Sichuan province, China. Phase I of the Anju Plant is planned to be a lithium carbonate product line with approximately 20,000 tons annual production capacity. Pursuant to the framework agreement, the relevant government agencies would work with us in planning the construction and obtaining the relevant approvals and permits required for the plant. We had spent RMB150 million for Phase I of the Anju Plant as of the Latest Practicable Date. The construction of the Phase I of the Anju Plant commenced in May 2019 but was suspended in July 2019. We have resumed construction in the first quarter of 2022.

We suspended construction of the Kwinana Plant and Phase I of the Anju Plant because (i) demand shrunk in 2019 and 2020 during the lithium market downturn, and thus we slowed down our capacity expansion; and (ii) after the completion of our investment in SQM, we strategically re-allocated our financial resources to prioritize the timely repayment of our bank borrowings and the operation of our existing business, and temporarily suspended some of our expansion plans which were less urgent.

We plan our expansion projects on the basis of, among other considerations, strengthening relationships with customers, estimated market supply and demand for relevant products, utilization of existing manufacturing plants, estimated cost of development, availability and cost of lithium concentrates and availability and cost of capital resources. Expansions involve numerous risks and there is no guarantee that any of the expansion projects will be successful. We may also undertake additional expansion projects as we continue to grow worldwide. For more information on risks relating to our expansion projects, see “Risk Factors—Risk Factors Relating to Our Business—We may not be successful in expanding our operations to meet our demands or managing our growth effectively.”

Machinery and Equipment

Our major machinery and equipment for the production of lithium concentrates primarily include ball mills, heavy medium separators, classifiers, flotation machines and dryers for our processing plants at the Greenbushes Mine. We engage contractors for certain mining activities, who provide and use machinery and equipment such as drilling and blasting equipment, crushers, excavator and trucks as required by their work. Our major machinery and equipment for manufacture of lithium compounds and derivatives include calcining kiln, acidification kiln, cooling kiln, ball grinding mill, centrifugal machine, squeezing machine, crystallizer, electrolytic tank, finery, vacuum distilling

BUSINESS

furnace and MVR system. We own all the major machinery and equipment at our lithium compounds and derivatives manufacturing plants. We are constantly repairing and upgrading our machinery and equipment to improve our operational efficiency. Depreciation is calculated to write-off the cost of equipment and machinery over the estimated useful lives based on various methods, including reducing balance over ten years for machinery and equipment exposed to acid and alkali; higher of units of production method or straight line method over 20 years for mining-specific machinery and equipment; and straight line method over five to ten years for other equipment and machinery. See “Appendix I—Accountants’ Report—Notes to the Historical Financial Information.”

Maintenance

We conduct inspections and maintenance at our manufacturing plants on a periodic basis, while overhauls are generally carried out on the whole manufacturing plant at a particular location from time to time. We have on average around two to four weeks of overhaul and maintenance each year at our three manufacturing plants in China. At the Greenbushes Mine, we require our contractors to keep all their machinery and equipment in good and proper repair and conduct regular safety checks during the term of their services. For our processing plants’ machinery and equipment that we own, we also conduct maintenance and overhaul on a regular basis.

We have developed and implemented internal procedures at our plants periodically according to the characteristics and requirements of the particular equipment and machinery in order to ensure their proper function. During the Track Record Period, we did not experience any material or prolonged suspension of operations due to machinery, equipment or other facility failures.

Delivery and Transportation

With respect to our lithium compounds and metal products, we generally deliver finished products directly to our customers’ warehouses or their designated locations by truck transportation operated by third-party logistics companies. We cover the delivery costs and the third-party logistics companies assume the related risks during the course of delivery, against which they would purchase transportation insurance policies. In case of export products, we would deliver them to the relevant port of export and have them shipped by sea freight to complete the delivery according to the relevant shipping agreement.

BUSINESS

EXPANSION PLANS

The following table sets forth a summary of our major expansion plans.

Plant Name	Current Production Capacity (tpa)	Expected Increase in Production Capacity (tpa)	Major Products	Key Timeline	Current Status	Amount of Capital Expenditure Incurred⁽¹⁾	Expected Source of Funding
Greenbushes CGP3	N/A	520,000	Chemical-grade Lithium Concentrate	Expect to complete in 2025.	Under Construction	AS\$123.0 million	Operating Cash Flow and Debt Financing
Yajiang Cuola Mine	N/A	100,000	Lithium Concentrate	Expect to recommence development in the second half of 2022 and complete in 2025.	Feasibility Study	RMB75.4 million	Operating Cash Flow
Kwinana Plant Phase II . .	N/A	24,000	Battery-grade Lithium Hydroxide	Expect to commence construction in the second half of 2022 and complete in 2024.	Feasibility Study	AS\$246.0 million	IPO Proceeds and Operating Cash Flow
Anju Plant Phase I . . .	N/A	20,000	Battery-grade Lithium Carbonate	Expect to complete in 2023.	Under Construction	RMB66.5 million	IPO Proceeds
Tongliang Plant	600	2,000	Lithium Metal	Expect to commence Phase I (800tpa) construction in the second half of 2022 and complete in 2023; expect to commence Phase II (1200tpa) construction in 2024 and complete in 2025.	Feasibility Study	RMB0.1 million	Operating Cash Flow

Note:

(1) As of March 31, 2022.

In addition to the aforementioned expansion plans, we have completed the construction of Greenbushes TRP in the first quarter of 2022. A further processing plant, Greenbushes CGP4, is also planned for construction beginning in 2025, which will be funded by Talison.

SALES AND MARKETING

We market and sell lithium concentrates and lithium compounds and derivatives in both domestic and overseas markets. We have a dedicated sales and marketing department that is responsible for marketing and sales of our products. With over 20 years of experience in the lithium industry, we have established a stable customer base in China and globally, and have become a critical supplier for our customers. We also provide value-added services such as optimized delivery arrangements in order to strengthen our relationship with customers. Our brand and products are widely recognized by our customers. Our key market is China. Revenue from China, which represents sales of products delivered to China, accounted for 73.2%, 76.9% and 86.6% of our revenue in 2019, 2020 and 2021, respectively.

As of the Latest Practicable Date, our sales and marketing department had 22 personnel, which focus on business development, customer service and industry coverage. We have four separate teams dedicated to providing (i) sales and marketing coverage in China, (ii) sales and marketing coverage in

BUSINESS

overseas markets primarily including Europe, North America and East Asia, (iii) sales services, logistics coordination and administrative support, and (iv) product management and development. We analyze the dynamics of existing customers and trends in key markets to discover sales opportunities. Our sales team regularly communicate our current offerings and development plans to our existing and potential customers. They also gather feedback from customers on our products and assist us in understanding and responding to demands for our products.

For the years ended December 31, 2019, 2020 and 2021, our selling and distribution expenses were RMB22.5 million, RMB20.5 million and RMB20.5 million, respectively, accounting for 0.5%, 0.6% and 0.3% of our total revenue during the same periods, respectively.

Pricing Strategy

We price our lithium compounds products based on a number of factors, including customer relationship, raw material costs and production costs, prevailing market prices, specifications of products, length of contract, and other contract terms such as delivery and payment. The prices of our products are also affected by the global and domestic economic environment and the demand for lithium concentrates and lithium compounds as well as market competition in the lithium industry.

For more information on sales and pricing of lithium concentrates from the Greenbushes Mine, see “Connected Transactions—Non-Exempted Continuing Connected Transactions Subject To Reporting And Announcement Requirements.”

Customers

We sell our technical-grade lithium concentrates primarily to Albemarle Germany, an indirect shareholder of Talison through Windfield, and companies engaged in the glass, ceramics and porcelain industries, and our chemical-grade lithium concentrates primarily to Albemarle Germany. Our top customers for lithium compounds include battery material producers, glass production companies, manufacturers of pharmaceutical intermediaries and manufacturers of alloys for use in aircrafts. The revenue generated from our battery-grade lithium compound products, which are largely purchased by battery material manufacturers, accounted for 70.6%, 67.2% and 84.3% of our total revenue generated from lithium compound in 2019, 2020 and 2021, respectively. We expect that our sales will continue to be driven by the demand in the end markets we serve. During the Track Record Period and up to the Latest Practicable Date, we did not experience material quality issues with our products.

During the Track Record Period, our products were sold primarily in China and also in 22 other countries and regions including Korea, Japan, the United Kingdom, India and Germany. Our customers require high-quality and consistent production, reliable delivery and supportive after-sale services. Over the years, we have built strong relationships with our customers by consistently meeting these needs, growing our production capacity and improving our technologies to support their growth. Our products are supplied to three of the five largest manufacturers of large-cell lithium-ion batteries in the world, as well as six of the ten largest cathode manufacturers in the world as measured by market share in 2021, according to the Wood Mackenzie Report. Certain of these customers were among our top ten customers during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, we did not experience any customer complaints about our products that would have a material adverse impact on our operations or financial results.

We primarily sell our products directly to customers. We also sell our products to a small portion of our customers through traders, primarily due to customers’ needs of funds provided by

BUSINESS

traders to meet our relatively short credit term requirement or the common practice in certain local markets such as Japan. The terms of contracts between traders and us are in line with those of contracts between customers and us. During the Track Record Period and up to the Latest Practicable Date, all the traders were independent third parties. The revenue contribution from sales through traders accounted for 13.3%, 19.8% and 14.2% of our total revenue in 2019, 2020 and 2021, respectively. We currently rely on short-term contracts with the majority of our customers. Each short-term contract sets out the agreed terms, including the pricing, product specifications which may incorporate the relevant industry standards, quantity, payment terms, packaging, date and means of delivery. The key terms of our sales contracts are as follows:

- *Price adjustment.* Parties may renegotiate prices if the market price of the product fluctuates significantly.
- *Return policy.* We typically give our customer ten days after the delivery to submit complaints with regard to the quality of our products in written form. In the case of such customer complaint, if the product in question is determined, by a third party inspection organization or by us, to be non-compliant with the stipulated criteria, compensation will be agreed with the customer. Deceptive products may be returned or exchanged. We did not experience any material returns or refunds during the Track Record Period.
- *Re-sale restriction.* The products are for the buyer's own use, and shall not be re-sold to any third party.
- *Intellectual property rights.* We own all the intellectual property rights to our products.
- *Termination.* Either party may terminate the contract unilaterally if the other party fails to adhere to its obligations and fails to take necessary rectification measures or provide reasonable explanations within certain period of time.

We also enter into annual or semi-annual contracts with certain overseas customers which contain terms and conditions, including price, product specification, quantity, payment terms, date and means of delivery. We are also in the process of negotiating long-term purchase agreements with certain overseas customers although there is no certainty that these will be successfully completed.

In 2019, 2020 and 2021, our revenue generated from our largest customer, Albemarle and its related entities, amounted to RMB1,321.7 million, RMB1,041.1 million and RMB1,350.5 million, respectively, representing 27.4%, 32.4% and 17.8% of our total revenue, respectively. In 2019, 2020 and 2021, our revenue generated from our five largest customers amounted to RMB2,456.4 million, RMB1,821.5 million and RMB3,781.7 million, respectively, representing 51.0%, 56.7% and 49.8% of our total revenue, respectively.

In 2019, 2020 and 2021, our largest customer, Albemarle and its related entities, was a lithium compound producer headquartered in the U.S. that purchased technical-grade concentrates and chemical-grade concentrates from us. While this customer is headquartered in the U.S., most of our sales to it during the Track Record Period were delivered to its affiliates located outside of the United States. After consulting with its legal advisors, the Company is of the view that the risk that these transactions would be deemed to have violated relevant PRC and US laws or regulations is remote, as (i) the transactions are conducted in accordance with the Albemarle Agreements, which are part of the co-investment arrangement with commercial substance, and (ii) the Albemarle Agreements are entered into between an Australian entity (Windfield) and a German entity (Albemarle Germany), and lithium concentrate products are delivered domestically within Australia to Albemarle Germany's lithium hydroxide plant pursuant to the Albemarle Agreements. During the Track Record Period, we sourced

BUSINESS

raw materials and services mainly from Australia and China, and our products were sold primarily to customers outside the United States. Therefore, the trade tensions between the United States and China, such as the increase in tariffs, are unlikely to impair our ability to carry out our business. Furthermore, as of the Latest Practicable Date, the trade of lithium concentrates and lithium compounds were not subject to any trade restrictions between the United States and China. As our products do not involve sensitive technologies or functions and are unlikely to raise national interest concerns, we do not expect that any trade restrictions would be imposed on our products in the near future. In light of the foregoing, the Directors are of the view that the trade tension between the United States and China would not have a material impact on the Company's business operations. With regard to the due diligence conducted, nothing has come to the attention of the Joint Sponsors which would cast doubt on the Directors' view that the trade tension between the United States and China would not have a material impact on the Group's business operations. During the same period, the rest of our five largest customers who purchased lithium compounds and derivatives from us were based in China or South Korea. We have maintained stable relationships with a majority of our five largest customers during the Track Record Period.

Our Top Five Customers

The following table sets forth details of our top five customers for the year ended December 31, 2019:

Ranking	Customer	Business activities	Commencement of business relationship	Relationship with us	Credit terms	Settlement method	Transaction amount (RMB in thousands)	Percentage of total revenue (%)
1	Albemarle and its related entities	Mining, production and sales of lithium concentrate	2014	Connected person	90 days from the date of billing	Bank transfer	1,321,692	27.4
2	XTC New Energy Material and its related entities	Manufacturing and sales of lithium compounds and derivatives	2016	Independent third party	60 days after receipt of goods	Bank transfer or bill settlement	497,111 ⁽⁴⁾	10.3
3	LG CHEM. Ltd. ⁽¹⁾	Manufacturing and sales of lithium compounds and derivatives	2017	Independent third party	30 days from the date of billing	Bank transfer	221,481	4.6
4	Shanghai Iwatani Co., Ltd. (上海岩穀有限公司) ⁽²⁾	Manufacturing and sales of lithium compounds and derivatives	2010	Independent third party	15 days from the date of billing	Bank transfer	217,717	4.5
5	Livent Lithium Industry (Zhangjiagang) Co., Ltd. (力文特鋰業(張家港)有限公司) ⁽³⁾	Manufacturing and sales of lithium compounds and derivatives	2017	Independent third party	15 days after receipt of goods	Bank transfer or bill settlement	198,422	4.1
Total							2,456,423	51.0

Notes:

(1) A leading chemical company in South Korea, focusing on petrochemicals, advanced materials, life sciences and batteries, with a registered capital of approximately KRW391 billion. (Sources: official website of the company)

BUSINESS

- (2) The Chinese subsidiary of a group company headquartered in Japan, with a registered capital of US\$2.35 million and recorded a revenue of RMB1.7 billion in 2020. The traditional strength of the group has been in energy, and has extended its operations into other businesses, including machinery, electronic equipment, materials and food. (Sources: official website of the company, commercial database)
- (3) The Chinese subsidiary of a group company headquartered in the US, with a registered capital of US\$8 million. The group is a world leader in lithium technology and is listed on the New York Stock Exchange. (Sources: official website of the company, commercial database)
- (4) Including the purchases made through three procurement agents in the amount of RMB98.0 million, RMB178.3 million and RMB51.3 million, respectively.

The following table sets forth details of our top five customers for the year ended December 31, 2020:

Ranking	Customer	Business activities	Commencement of business relationship	Relationship with us	Credit terms	Settlement method	Transaction amount (RMB in thousands)	Percentage of total revenue (%)
1	Albemarle and its related entities	Mining, production and sales of lithium concentrate	2014	Connected person	90 days from the date of billing	Bank transfer	1,041,119	32.4
2	XTC New Energy Material and its related entities	Manufacturing and sales of lithium compounds and derivatives	2016	Independent third party	60 days after receipt of goods	Bank transfer or bill settlement	366,160 ⁽²⁾	11.5
3	SK Innovation Co., Ltd. ⁽¹⁾	Manufacturing and sales of lithium compounds and derivatives	2019	Independent third party	30 days from the date of billing	Bank transfer	187,650	5.8
4	Shanghai Iwatani Co., Ltd. (上海岩穀有限公司)	Manufacturing and sales of lithium compounds and derivatives	2010	Independent third party	15 days from the date of billing	Bank transfer	120,388	3.7
5	Livent Lithium Industry (Zhangjiagang) Co., Ltd. (力文特鋰業(張家港)有限公司)	Manufacturing and sales of lithium compounds and derivatives	2017	Independent third party	15 days after receipt of goods	Bank transfer or bill settlement	106,211	3.3
Total							1,821,528	56.7

Notes:

- (1) A company headquartered in South Korea with a registered capital of approximately KRW468.6 billion and recorded a revenue of KRW3.81 trillion in 2020, with leading positions in petroleum production, battery production, and information and electronic materials industries. (Sources: official website and relevant announcement of the company)
- (2) Including the purchases made through one procurement agent in the amount of RMB355.2 million.

BUSINESS

The following table sets forth details of our top five customers for the year ended December 31, 2021:

Ranking	Customer	Business activities	Commencement of business relationship	Relationship with us	Credit terms	Settlement method	Transaction amount (RMB in thousands)	Percentage of total revenue (%)
1	Albemarle and its related entities	Mining, production and sales of lithium concentrate	2014	Connected person	90 days from the date of billing	Bank transfer	1,350,545	17.8
2	XTC New Energy Material and its related entities	Manufacturing and sales of lithium compounds and derivatives	2016	Independent third party	60 days after receipt of goods or payment in advance	Bank transfer or bill settlement	1,224,266 ⁽⁴⁾	16.1
3	Sichuan Yuneng New Energy Battery Materials Co., Ltd. (四川裕能新能源電池材料有限公司) ⁽¹⁾	Manufacturing and sales of lithium compounds and derivatives	2020	Independent third party	7 days after receipt of goods or payment in advance	Bank transfer or bill settlement	561,657	7.4
4	Shenzhen Dynanonic Company Limited (深圳市德方納米科技股份有限公司) ⁽²⁾ and its related entities	Manufacturing and sales of lithium compounds and derivatives	2015	Independent third party	7 days after receipt of goods or payment in advance	Bank transfer or bill settlement	358,073	4.7
5	Guizhou Anda Energy Technology Co., Ltd. (貴州安達科技能源股份有限公司) ⁽³⁾	Manufacturing and sales of lithium compounds and derivatives	2015	Independent third party	7 days after receipt of goods or payment in advance	Bank transfer or bill settlement	287,124	3.8
Total							3,781,665	49.8

Notes:

(1) A company incorporated in China and engages in the development and manufacture of new energy battery materials, with a registered capital of RMB350 million. (Sources: commercial database)

BUSINESS

- (2) A company incorporated in China, with a registered capital of RMB89.2 million. The company engages in the development and manufacture of lithium-ion battery materials and is listed on the Shenzhen Stock Exchange. (Sources: official website of the company and commercial database)
- (3) A company incorporated in China, with a registered capital of RMB421.6 million. The company engages in the development and manufacture of new energy battery materials and is listed on the National Equities Exchange and Quotations since 2014. (Sources: official website of the company and commercial database)
- (4) Including the purchases made through two procurement agents in the amount of RMB108.1 million and RMB893.4 million, respectively.

XTC New Energy Materials and its related entities made purchases through procurement agents due to our strict payment terms with a relatively short credit period. We are able to identify the ultimate customers in this scenario as (i) the identity of the ultimate customer would be set out in the sales agreement between us and the procurement agents as well as in relevant delivery orders, and (ii) we would be responsible for delivering products and providing after-sales services directly to the ultimate customer in accordance with the agreements with the procurement agents.

None of our Directors or their respective associates or any Shareholder (whom to the knowledge of our Directors owns more than 5% of the issued Shares) had any interest in any of our five largest customers during the Track Record Period and as of the Latest Practicable Date. During the Track Record Period and as of the Latest Practicable Date, we did not have material disputes with our customers.

OUR INVESTMENTS IN THE GLOBAL LITHIUM VALUE CHAIN

Investment in SQM

We sought to broaden our network in the manufacture and sales of lithium products by investing in SQM, which has generated consistent and attractive benefits to us both financially and strategically.

SQM has provided consistent dividend payouts to us. According to SQM's annual reports on Form 20-F of years 2020 and 2021 filed with the SEC on March 16, 2021 and April 25, 2022 (the "**SQM Annual Report**"), for the years ended December 31, 2019, 2020 and 2021, SQM generated revenue of approximately US\$1,944 million, US\$1,817 million and US\$2,862 million, respectively, and gross profit of approximately US\$560 million, US\$483 million and US\$1,090 million, respectively. During the same periods, SQM reported profit for the year of US\$281 million, US\$168 million and US\$592 million, respectively. During the years ended December 31, 2019, 2020 and 2021, we received cash dividends of US\$79.6 million, US\$51.4 million and US\$124.0 million from SQM, which represented a yield as a percentage of our total investment costs of 1.9%, 1.2% and 2.9%, respectively.

From strategic perspective, we believe that our investment in SQM will strengthen our ability to capitalize on the strong growth prospects of the lithium-ion battery and EV markets. SQM is the world's largest producer of lithium compounds from brine as measured by production output in 2021, according to the Wood Mackenzie Report. We view our investment in SQM as strategic investment considering (i) SQM as the largest lithium compounds producer from brine as measured by production output in 2021, according to the Wood Mackenzie Report; and (ii) our right to nominate three out of eight board seats. The investment in SQM will also enable us to financially benefit from SQM's operations. Therefore, we believe our investment in SQM will generate long-term value and can help create future cooperation opportunities. As of the Latest Practicable Date, we did not have collaboration with SQM relating to the lithium business.

We have derived certain facts, statistics and business and financial information relating to SQM from information disclosed by SQM in its various public disclosures. We cannot assure you that the

BUSINESS

information derived from SQM's public disclosures was stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere in this Prospectus. See "Risk Factors—Certain facts and statistics derived from SQM's public disclosure may not be reliable."

Acquisition of SQM

On December 3, 2018, we completed the acquisition of 62,556,568 Series A shares of SQM held by Nutrien at a consideration of approximately US\$4.07 billion, representing approximately 23.77% of the total issued capital of SQM then. The SQM Transaction was completed on December 3, 2018. Immediately following the completion of the SQM Transaction, we held 62,556,568 Series A shares and 5,516,772 Series B shares of SQM, altogether representing approximately 25.86% of the total issued capital of SQM. Following SQM's capital increase of US\$1.1 billion in April 2021 and our disposal of 241,454 Series B shares, 2,079,125 Series B shares and 675,258 Series B shares of SQM in June 2021, the first quarter of 2022 and June 2022, respectively, we held 22.78% of the total issued capital of SQM and were the second largest shareholder of SQM as of the Latest Practicable Date. As of March 31, 2022, SQM's largest shareholder and its affiliates held in an aggregate of approximately 25.2% of the equity interest in SQM, according to the SQM's interim financial report for the first quarter of 2022.

In addition to our cash on hand, we incurred the SQM Indebtedness to finance the consideration of the SQM Transaction. For details of our financing arrangements in relation to the SQM Transaction, see "Financial Information—Factors Affecting Our Financial Condition and Results of Operations—SQM Investment" and "Financial Information—Indebtedness." We plan to apply approximately HK\$8,865 million out of the total net proceeds of HK\$12,022 million from the Global Offering (assuming an Offer Price of HK\$75.50 per H Share, being the mid-point of the stated range of the Offer Price per H Share) to repay the outstanding balance of SQM Indebtedness. See "Future Plans and Use of Proceeds—Use of Proceeds."

Agreement among Shareholders

Our wholly-owned subsidiary, ITS, entered into an agreement among shareholders ("**Agreement among Shareholders**") with Sociedad de Inversiones Pampa Calichera S.A., Potasios de Chile S.A. and Inversiones Global Mining Chile Ltda. (collectively, "**PAMPA**") on April 10, 2019. The Agreement among Shareholders was further amended and extended on March 26, 2020, October 1, 2020, April 8, 2021 and December 21, 2021.

According to the Agreement among Shareholders, ITS and PAMPA, as the second and first largest shareholders of the SQM then, agreed on a number of corporate governance matters concerning SQM, including (i) in the event that a party has elected an SQM director solely voting its Series A shares and the director later resigns, such party's proposal to elect the director's successor shall be supported by the other party, (ii) if a candidate of ITS has been proposed as a candidate for the directors' committee, the corporate governance committee or the safety, health and environmental committee, PAMPA shall take all available actions to support such proposal, provided that ITS and its directors elected to SQM's board may only promote one person to each of such SQM committees, and (iii) each party agrees that the dividend policy then, which provides that SQM shall distribute and pay dividend in the amount of 50% to 100% of the net income of a year when certain financial parameters are met, is in the best interest of all shareholders of SQM. We believe that our and PAMPA's commitment to building a cooperation relationship will continue to support the future growth of SQM and will in turn benefit us both strategically and financially.

BUSINESS

Tianqi Extrajudicial Agreement with the FNE

We have the right to nominate up to three members to the board of directors of SQM. On May 17, 2018, we entered into the SQM Share Purchase Agreement with Nutrien. Although the SQM Transaction did not trigger the reporting obligation to FNE, the CORFO demanded the FNE to initiate an investigation on the SQM Transaction considering the possible impact of concentration of the operators after the transaction. On June 15, 2018, FNE initiated the investigation. On August 27, 2018, we and the FNE entered into the FNE Agreement, which subjects us to certain restrictions with respect to our rights in electing directors as an SQM shareholder and our dealings with SQM, including but not limited to certain restrictions on our rights in accessing SQM's sensitive information and certain requirements to notify the FNE of potential contracts with SQM and investments in SQM. The restrictions will remain in place for a period of four years since completion date of the acquisition and will be automatically renewed for a period of two years. Pursuant to the FNE Agreement, we cannot nominate any of our directors, executives or employees to the board of directors of SQM. We and the directors nominated by us cannot influence or intervene for our benefit and prejudice the interests of SQM. The directors nominated by us cannot participate in or be part of any committees, the management or other decision-making bodies related to lithium of SQM or of any companies controlled by SQM, unless nominated by any of SQM's independent directors, and they will personally bind themselves to the obligations assumed by us with the FNE. We report to FNE the appointments of such directors and our compliance with the Extrajudicial Agreement. As of the Latest Practicable Date, three of the directors of SQM were nominated by us.

Independent Directors of SQM Nominated by Us

As of the Latest Practicable Date, we nominated the following three directors to the board of SQM, which was approved by SQM's annual general shareholders' meeting on April 26, 2022.

Mr. Ashley Luke Ozols is a director of SQM and a member of its directors' committee. He earned a commerce degree from the University of New South Wales Sydney and is also a CFA charterholder. He has vast international business experience specializing in providing strategic advisory and financing solutions to American, Australian and Asian based clients. Previously, he worked for us focusing on business development and led the SQM Transaction in 2018. He previously spent 15 years in investment banking at Macquarie, Grant Samuel and CLSA.

Ms. Dang Qi is a director of SQM and a member of its safety, health and environment committee. She is a graduate in Spanish Literature and Spanish-speaking Cultures from the Beijing Foreign Studies University, is an excellent social communicator with nine years of experience as a Chinese director and correspondent in four Latin American countries and, until the beginning of 2022, a chief reporter at Xinhua News Agency in Beijing, China. Ms. Dang has extensive working experience as a chief correspondent in Latin America, with more than 17 years working for Xinhua News Agency, a Chinese state news agency, and reported closely on the SQM Transaction and the brine deposits of the Salar de Atacama. Between May 2017 and March 2019, she was the director of Xinhua News Agency office in Chile.

Mr. Antonio Schneider is a director of SQM and a member of its corporate governance committee. He has a doctorate from The New School, New York and is a graduate of Economics from the University of Chile. He was Professor at the Autonomous Metropolitan University, UAM, Mexico D.F. Mr. Schneider is Chilean, and has collaborated in the Consultancy of the Presidency in Mexico on Food Systems and Technologies until 1982. Since then, he has worked in Chile in the cosmetics, forest

BUSINESS

products, salmon and food crops, fruit export, and food products industries. He is associated with financial and banking representations, mainly in Larrain Vial S.A., in international business, mining and its development as a national investment bank. He is a partner and director in Telecom and wifi systems at Transam Will. He has been a director at InvertecFoods, Pesquera Yadran, ChileFoods, Indura Peru, Salmonfood, Banco Estado and currently in companies in Chile and Peru at DDPacifico, Electra Santa Rosa.

Despite the restrictions imposed by the FNE Agreement, the directors nominated by us usually would share similar views in terms of industry and business development. Subject to compliance with the FNE Agreement, the three directors nominated by us have actively participated and will continue to actively participate in SQM board meetings, exerting important strategic impact on SQM at the board level.

Business Overview of SQM

SQM is based in Santiago, Chile. It was founded in 1968 and is currently listed on the Santiago Stock Exchange, the Santiago Electronic Stock Exchange and the New York Stock Exchange. According to the SQM Annual Report, SQM believes that it is the world's largest producer of potassium nitrate and iodine and one of the world's largest lithium producers. Its products are sold in approximately 110 countries through its worldwide distribution network, with 92% of its sales in 2021 derived from countries outside Chile.

Its products are mainly derived from mineral deposits found in northern Chile. It mines and processes caliche ore and brine deposits. The caliche ore in northern Chile contains the only known nitrate and iodine deposits in the world and is the world's largest commercially exploited source of natural nitrates. The brine deposits of the Salar de Atacama, a salt-encrusted depression to which SQM has mining exploitation rights, contain high concentrations of lithium and potassium as well as significant concentrations of sulfate and boron. See “—Salar de Atacama Brine Deposits” for details.

Main Business Lines of SQM

According to the SQM Annual Report, SQM's main business lines include (i) specialty plant nutrition, (ii) iodine and derivatives, (iii) lithium and derivatives; (iv) potassium products, (v) industrial chemicals, and (vi) other products and services. According to the SQM Annual Report, for the year ended December 31, 2021, these six businesses lines represented 32%, 15%, 33%, 15%, 5% and 1%, respectively, of SQM's revenues in 2021.

Specialty Plant Nutrients

SQM's products have significant advantages for certain applications over commodity fertilizers based on other sources of nitrogen and potassium, such as urea and potassium chloride. In 2021, SQM sold its specialty plant nutrients in approximately 103 countries and to more than 1,200 customers.

Iodine and Its Derivatives

SQM believes that it is the world's leading producer of iodine and iodine derivatives, which are used in a wide range of medical, pharmaceutical, agricultural and industrial applications. In 2021, SQM sold its iodine products in approximately 52 countries to approximately 260 customers, and most of its sales were outside of Chile.

BUSINESS

Lithium and Its Derivatives

SQM is a leading producer of lithium carbonate, which is used in a variety of applications, including electrochemical materials for batteries, frits for the ceramic and enamel industries, heat-resistant glass (ceramic glass), air conditioning chemicals, continuous casting powder for steel extrusion, pharmaceuticals and lithium derivatives. It is also a leading supplier of lithium hydroxide, which is primarily used as an input for the lubricating greases industry and for cathodes for high energy capacity batteries.

SQM produces lithium carbonate at its Salar del Carmen facilities, near Antofagasta, Chile, from highly concentrated lithium chloride produced in the Salar de Atacama. The annual production capacity of its lithium carbonate plant at the Salar del Carmen is now 120,000 metric tons per year. According to the Wood Mackenzie Report, SQM was the largest producer of lithium compounds from brine by production volume in 2021.

SQM also produces lithium hydroxide at the same plant at the Salar del Carmen, next to the lithium carbonate operation. The lithium hydroxide facility has a production capacity of 21,500 metric tons per year. In February 2021, SQM's board of directors approved the investment for its 50% share of the development costs in the Mt. Holland lithium project in SQM's joint venture with Wesfarmers, which it expects will have a total production capacity of 50,000 metric tons.

In 2021, SQM sold its lithium products in approximately 43 countries to approximately 244 customers, and most of the sales were to customers outside of Chile.

Potassium Chloride and Potassium Sulfate

SQM produces potassium chloride and potassium sulfate from brines extracted from the Salar de Atacama, both of which are fertilizer used in crops. In 2021, SQM sold potassium chloride and potassium sulfate in approximately 38 countries to approximately 543 customers.

Industrial Chemicals

SQM produces and sells three industrial chemicals namely sodium nitrate, potassium nitrate and potassium chloride. In 2021, SQM sold its industrial nitrate products in approximately 59 countries to approximately 280 customers.

Other Commodity Fertilizers

SQM also receives income from the commercialization of third-party fertilizers (specialty and commodity) in Chile and around the world. These fertilizers are traded in large volumes worldwide and are used as raw material for its specialty mixes or to complement SQM's product portfolio.

Salar de Atacama Brine Deposits

The Salar de Atacama, located approximately 210km east of Antofagasta, is a salt-encrusted depression in the Atacama Desert. Brines are pumped from depths of 15 to 150 meters below surface, through a field of wells that are located in the Salar de Atacama, distributed in areas authorized for exploitation, and which contain relatively high concentrations of potassium, lithium, sulfates and other minerals.

BUSINESS

The brines are estimated to cover a surface of approximately 2,800 square kilometers and contain commercially exploitable deposits of potassium, lithium, sulfates and boron. SQM’s mining exploitation rights to the Salar de Atacama are pursuant to a lease agreement, which expires in 2030. The lease agreement, as amended in January 2018, permits the Chilean Nuclear Energy Commission (Comisión Chilena de Energía Nuclear) to establish a total accumulated production and sales limit of up to 349,553 metric tons of lithium metallic equivalent (1,860,670 tons of lithium carbonate equivalent), which is in addition to the approximately 64,816 metric tons of lithium metallic equivalent (345,015 tons of lithium carbonate equivalent) remaining from the originally authorized amount.

According to the Wood Mackenzie Report, the Salar de Atacama has the largest brine-based lithium reserve in the world in 2021. According to the technical report summary filed by SQM in April 2022, the Salar de Atacama had a total lithium mineral resources of 10.8 million tons (Li) as of December 31, 2021. The following table sets forth details of the estimated measured, indicated and inferred lithium resources of the Salar de Atacama as of December 31, 2021, according to the technical report summary.

	<u>Measured Resources</u>	<u>Indicated Resources</u>	<u>Inferred Resources</u>	<u>Total Resources</u>
	(tons in million)	(tons in million)	(tons in million)	(tons in million)
Salar de Atacama	5.4	2.8	2.6	10.8

Notes: The mineral resource estimate considers a 0.05 weight percent cut-off grade for Li based on the cost of generating Li product, lithium carbonate sales, and the respective cost margin. Based on historical lithium prices from 2010 and the forecast to 2040, a projected lithium carbonate price of US\$11,000/ton with the corresponding cost and profit margin is considered with a small increase to accommodate the evaporation area and use of additives.

SQM’s lithium resources data is not readily comparable with our lithium resources and reserves data which was determined and reported in accordance with the JORC Code, and we are unable to estimate SQM’s lithium resources data under the JORC Code. Potential investors are cautioned not to place undue reliance on SQM’s lithium resources information contained in this Prospectus.

Investments in Downstream New Energy Companies

Shanghai Aerospace Power Technology

As of the Latest Practicable Date, we held a 9.91% equity interest in Shanghai Aerospace Power Technology Co., Ltd. (“SAPT”). As a subsidiary of China Aerospace Science and Technology Corporation and Shanghai Aerospace Industry (Group) Co., Ltd., SAPT is a new energy company in China that primarily operates in the development and manufacture of advanced lithium-based batteries for a range of applications including EVs and electric locomotives. Through our investment, we supported SAPT in a major production upgrade project for its manufacture and integration of lithium-ion batteries.

SES Holdings

As of the Latest Practicable Date, we held a 7.49% equity interest in SES AI Corporation (“SES”). SES and its subsidiaries specialize in the development and manufacture of solid-state batteries with ultra-high energy density using ultra-thin lithium-metal foil, as well as electrolyte and anode materials. We believe our investment in SES will provide us strategic exposure and market insight into next-generation battery technologies and help us develop our lithium metal business.

Beijing WeLion New Energy Technology

As of the Latest Practicable Date, we held a 3.26% equity interest in Beijing WeLion New Energy Technology Co., Ltd. (“WeLion”). Founded in 2016 and headquartered in Beijing, China,

BUSINESS

WeLion focuses on the development and manufacture of hybrid solid/liquid electrolyte batteries and all-solid lithium batteries. Through this investment, we expect to strengthen our ties with the latest developments in solid-state battery technologies.

XTC New Energy Materials

As of the Latest Practicable Date, we held a 2.25% equity interest in XTC New Energy Materials (Xiamen) Co., Ltd. (廈門廈鎬新能源材料股份有限公司) (“**XTC New Energy Material**”). Founded in 2016 and based in Xiamen, China, XTC New Energy focuses on the development and manufacture of lithium-ion battery cathode materials. The company mainly produces lithium cobalt oxide, nickel-cobalt-manganese based ternary materials, etc. It has been listed on the Shanghai Stock Exchange Star Market with the stock code of 688778 since August 2021. We expect to create more research and development opportunities and strengthen our strategic partnerships with XTC New Energy Materials through this investment in the field of new energy.

Investments in Upstream Lithium Assets

Zhabuye Salt Lake Project

The Zhabuye Salt Lake Project is located in Tibet Autonomous Region, China. As of the Latest Practicable Date, we held a 20% equity interest in Shigatse Zhabuye, which owns the exploration rights of the Zhabuye Salt Lake Project. The Zhabuye Salt Lake Project has 5.8 million tons LCE of lithium resources in 2021, according to the Wood Mackenzie Report and is already in production.

Salares 7 Project

The Salares 7 Project is located in Region III, Chile. The Salares 7 Project is a lithium and potassium brine exploration project which consists of seven salars (brine lakes and surrounding concessions). Chile SALA is the owner of exploration rights of the Salares 7 Project. Chile SALA is owned as to 50% by Talison, a non-wholly owned subsidiary of the Company, and 50% by the Company’s Chilean partner San Antonio Sociedad Contractual Minera, an Independent Third Party. As Talison only holds 50% of the issued shares in Chile SALA, and the decisions of Chile SALA are made by Talison in conjunction with the other shareholder of Chile SALA pursuant to a joint venture agreement governing the operations of Chile SALA, we do not exercise control over Chile SALA. Therefore, in accordance with IFRSs, Chile SALA is not consolidated as a subsidiary into our financial statements. As of the Latest Practicable Date, we indirectly held a 26.01% equity interest in Talison and in turn held a 13% equity interest in Salares 7 Project, and were not planning to undertake any development or exploration activities at the Salares 7 Project.

OUR MINING PERMITS

As of the Latest Practicable Date, we held a total of 18 valid mining and related ancillary permits and licenses in China and Australia, collectively covering a total area of 10,336.7 hectares. In addition, we held an exploration license which covers an area of two blocks (one block = one graticule which is one minute of latitude by one minute of longitude).

Under the relevant PRC mineral laws and regulations, all mineral resources in China are owned by the state. Mining companies, are required to obtain mining and exploration permits prior to undertaking any mining or exploration activities, and the mining and exploration permits are

BUSINESS

limited to a specific geographic area and a certain time period. Mining enterprises that have, in accordance with law, applied for and obtained the right of mining and are conducting exploration within the designated mining area for the purpose of their own production are not required to separately make an application and registration for the right of exploration. We held one valid mining permit in China with respect to our Yajiang Cuola Mine as of the Latest Practicable Date, which covers an area of approximately 2.069 square kilometers and 1.2 million tons of permitted annual production. Our mining rights under the permit primarily include rights to mine mineral resources through opencast and underground mining and obtain the mineral products mined within the boundary delineated in the mining permit which is obtained according to law, subject to restrictions primarily including the effective protection, the rational mining, the comprehensive use of the mineral resources and the requirements of the state laws and regulations for labor safety, soil and water conservation, land reclamation and environmental protection. Types of minerals covered by the mining permit are lithium, beryllium, niobium and tantalum. Generally granted with a term of up to 20 years, the mining permit is valid until 2032 and renewable for another 20 years subject to certain conditions. These conditions primarily include lawful transfer of mining rights, timely payment of prescribed fees, assessment reports on mineral resource reserves, qualification certificates for mining rights, materials relating to environmental protection, and timely completion of prescribed renewal application procedures. In addition, there may be other materials required by the state departments of mineral resources for renewal. After due and careful review, the Directors are of the view that they do not foresee material obstacles for the renewal of the mining permit of the Yajiang Cuola Mine on the following basis (i) the current term of the mining permit will not expire until 2032; (ii) the Company is able to fulfill the substantive conditions prescribed under the currently effective rules and regulations in all material respects, such as the full payment of prescribed fees, and the Directors do not foresee material obstacles to satisfy the procedural conditions thereunder, including the timely completion of prescribed renewal application procedures; (iii) the Company closely monitors the legislative and regulatory development, so as to ensure that it could always meet the major renewal requirements; and (iv) the PRC Legal Advisor is of the view that, subject to the fulfillment of prescribed conditions, there are no material legal impediments that would prevent the Company from renewing the permit. For more information related to the regulatory environment related to mineral resources in China, see “Regulatory Environment—PRC General Industry Regulations—Laws and regulations of China’s mining industry—1. Law of the Mineral Resources of the PRC.”

Under the relevant Australian laws and regulations, each state and territory generally owns and regulates the mineral resources within its boundaries and ownership of minerals does not pass to the miner until the minerals have been extracted from the land. Under the Mining Act 1978 (WA) and Mining Regulations 1981(WA) in Western Australia, mining companies, including our subsidiary Talison, are required to obtain the applicable mining leases and ancillary licenses and leases prior to undertaking the relevant mining activities. As of the Latest Practicable Date, for the Greenbushes Mine, Talison held and had 100% interest in a total of 13 valid mining leases, two general purpose leases, one exploration license and two miscellaneous license granted under the Mining Act 1978 (WA) (the “**Greenbushes Mining Titles**”). Applications for two general purpose leases and a prospecting license are also pending. The expiry dates for these leases and license are set out in the table below. The Greenbushes Mining Titles cover a total area of approximately 10,129.7 hectares (not including the land covered by exploration license E 70/5540). Subject to the Mining Act 1978 (WA), the mining leases generally allow us to take and remove any minerals (except iron ore) and do all things necessary to effectively carry out mining operations in, on or under the land. As the holder of

BUSINESS

the mining leases we own all the minerals lawfully mined from the land in accordance with the leases. The mining leases also entitle us to fossick, prospect and explore for lithium minerals within the permitted areas. These mining leases do not in themselves confer authority to produce minerals, and we need further approvals before production may commence, including approvals in respect of the mining proposals, potential environmental impacts and protection of aboriginal people's property rights. The two general purpose leases grant us exclusive occupancy of the land area in which we operate for the purposes of concentrating lithium ore and depositing of lithium ore tailings, subject to certain conditions. The prospecting license, if granted, permits us to prospect for minerals (except iron ore) over an area of land and undertake various ancillary activities necessary or expedient to prospect for minerals. The exploration license permits our exploration activities over a larger area of land for a longer period than a prospecting license, authorizing us to enter land and undertake operations and works necessary for mineral exploration, including digging pits, trenches and holes, sinking bores, tunneling and extracting up to 1,000 tons of earth. The miscellaneous licenses we hold are for a communications facility, a minesite accommodation facility, a minesite administration facility, a storage facility, a pipeline, a power line and water supply and are also subject to certain conditions. Currently, the expiry dates of our mining leases for the Greenbushes Mine range from December 27, 2026 to September 27, 2036. Upon the expiry of current terms of our mining leases, the Western Australian Minister for Mines and Petroleum will have a discretion to extend the leases for further periods (no more than 21 years each) subject to our compliance with the conditions in the leases. Although the Minister has the discretion to extend the term, their decision must be exercised reasonably. Further, in March 2022, the Western Australian Department of Mines indicated in its discussions with us that the Minister will consider (i) whether the mining leases are in good standing and (ii) if the mining lease holder has been in compliance with the conditions when examining and considering the application for renewal. General conditions mainly include (i) requirements to incur expenditure on the mining leases in excess of a minimum amount per year; (ii) rehabilitation obligations in relation to disturbance to the land the subject of mining operations; (iii) an obligation to pay an annual rental fee; (iv) compliance with specified legislation relevant to the conducting of mining operations; (v) payment of royalties in accordance with the Mining Act 1978 (WA); and (vi) submitting annual reports in relation to project operations, environmental management and rehabilitation work. More specific conditions may be imposed on individual mining leases. As of the Latest Practicable Date, the mining leases held by the Greenbushes Mine were not subject to any specific conditions in relation to extension. The Greenbushes Mining Titles are subject to certain mining mortgages and caveats in relation to a corporate loan taken by our Australian subsidiaries. For more information related to the risks associated with these mortgages and caveats, see "Risk Factors—Risks Relating to Our Business—We are subject to certain restrictive covenants and risks associated with our debt financing terms which may limit or otherwise adversely affect our businesses, financial condition, results of operations and prospects." The expiry date of our exploration license is March 7, 2026. Upon the expiry of current term of our exploration license, the Western Australian Minister for Mines and Petroleum will have a discretion to extend the license for a term of five years and any subsequent renewal terms of two years if the Minister is satisfied that the exploration license is in good standing and a prescribed ground for extension of the exploration license exists. The prescribed grounds for extension include: (i) where an exploration program could not be completed or undertaken in certain circumstances; (ii) the land has been unworkable; or (iii) work already carried out justifies further exploration. After due and careful review, the Directors are of the view that they do not foresee material obstacles for the extension of the mining leases and the exploration license of the Greenbushes Mine when renewals are required on the following basis (i) as a common practice, if mining leases and exploration licenses are in good standing, the Minister will generally grant an extension, and the

BUSINESS

Mining Titles Online Register maintained by the Western Australian Department of Mines indicated that all the mining leases and the exploration license held in connection with the Greenbushes Mine were in good standing in May 2022; and (ii) the Australian Legal Advisor is of the view that, to the best of its knowledge and subject to the mining leases and exploration license being in good standing and there being appropriate grounds at the time for the relevant tenements to be renewed, there are no material legal impediments that would prevent the Company from being granted renewals of the mining leases and the exploration license. For more information related to the regulatory environment for mineral resources in Australia, see “Regulatory Environment—Western Australian Mining Laws and Regulations—General Mining Law in Western Australia.”

As of the Latest Practicable Date, we had obtained the requisite approvals, licenses and permits for our current mining operations in all material aspects. None of our mining permits are currently being renewed or need to be renewed in the near future. For our operations at the Greenbushes Mine, there are a number of ancillary permits, authorization and approvals primarily related to environmental and planning compliance that are required to be renewed before December 31, 2022. We do not anticipate any material impediment with their renewals. For more information on the risks related to our mining rights, see “Risk Factors—Risks Relating to Our Business—Failure to obtain or maintain required government permits, licenses and approvals for our mining and exploration activities or renewals thereof could materially and adversely affect our business, results of operations, financial position and growth prospects.”

The following table sets forth details of our mining, exploration and other related ancillary permits as of the Latest Practicable Date:

<u>Mines</u>	<u>Permit Type</u>	<u>Permit Holder (interest)</u>	<u>Area (hectare)</u>	<u>Permitted annual production volume (million tons)</u>	<u>Permit Number</u>	<u>Issuance Date</u>	<u>Expiry Date</u>	<u>Status</u>
Greenbushes Mine . . .	Mining Lease	Talison (100%)	968.9	—	M01/02	December 28, 1984	December 27, 2026	Valid
	Mining Lease	Talison (100%)	999.6	—	M01/03	December 28, 1984	December 27, 2026	Valid
	Mining Lease	Talison (100%)	998.9	—	M01/04	December 28, 1984	December 27, 2026	Valid
	Mining Lease	Talison (100%)	999.4	—	M01/05	December 28, 1984	December 27, 2026	Valid
	Mining Lease	Talison (100%)	984.1	—	M01/06	December 28, 1984	December 27, 2026	Valid
	Mining Lease	Talison (100%)	997.1	—	M01/07	December 28, 1984	December 27, 2026	Valid
	Mining Lease	Talison (100%)	999	—	M01/08	December 28, 1984	December 27, 2026	Valid
	Mining Lease	Talison (100%)	997.3	—	M01/09	December 28, 1984	December 27, 2026	Valid
	Mining Lease	Talison (100%)	999.6	—	M01/10	December 28, 1984	December 27, 2026	Valid
	Mining Lease	Talison (100%)	998.9	—	M01/11	December 28, 1984	December 27, 2026	Valid
	Mining Lease	Talison (100%)	18	—	M01/16	June 6, 1986	June 5, 2028	Valid
	Mining Lease	Talison (100%)	3	—	M01/18	September 28, 1994	September 27, 2036	Valid
	Mining Lease	Talison (100%)	70.4	—	M70/765	June 20, 1994	June 19, 2036	Valid
	Miscellaneous License	Talison (100%)	9.3	—	L01/01	March 19, 1986	December 27, 2026	Valid

BUSINESS

Mines	Permit Type	Permit Holder (interest)	Area (hectare)	Permitted annual production volume (million tons)	Permit Number	Issuance Date	Expiry Date	Status
	Miscellaneous Licence	Talison (100%)	66.3	—	L70/232	April 21, 2022	April 20, 2043	Valid
	General Purpose Lease	Talison (100%)	10	—	G01/01	November 17, 1986	June 5, 2028	Valid
	General Purpose Lease	Talison (100%)	10	—	G01/04	April 21, 2022	April 20, 2043	Valid
	Exploration License	Talison (100%)	—	—	E 70/5540	March 8, 2021	March 7, 2026	Valid
	General Purpose Lease (pending)	Talison (100%)	15.1	—	G70/267	—	—	Pending
	General Purpose Lease (pending)	Talison (100%)	32.1	—	G70/268	—	—	Pending
	Prospecting License (pending)	Talison (100%)	9.3	—	P 01/2	—	—	Pending
Yajiang Cuola Mine	Certificate of Mining	Shenghe Lithium (100%)	206.9	1.2	C510000201204 5210124005	April 6, 2012	April 6, 2032	Valid

SUPPLIERS AND CONTRACTORS

We use suppliers and contractors to procure a wide range of goods and services including utilities, energy, raw materials, mining operation services, construction services and other facilitating goods and services. For the years ended December 31, 2019, 2020 and 2021, our total amount of purchases from our suppliers and contractors amounted to RMB5,553.9 million, RMB2,265.7 million and RMB3,066.0 million, respectively.

Our Top Five Suppliers and Contractors

In 2019, 2020 and 2021, purchases from our top five suppliers and contractors amounted to RMB2,981.9 million, RMB635.5 million and RMB772.4 million, representing 53.7%, 28.1% and 25.2% of our total purchases for the same periods, respectively. During the same periods, purchases from our largest supplier amounted to RMB2,329.7 million, RMB225.4 million and RMB262.6 million, representing 41.9%, 9.9% and 8.6% of our total purchases, respectively.

During the Track Record Period and as of the Latest Practicable Date, none of our Directors or their respective associates or any Shareholder (whom to the knowledge of our Directors owns more than 5% of the issued Shares) had any interest in any of our five largest suppliers of raw materials, utilities and energy. During the Track Record Period and as of the Latest Practicable Date, we did not have material disputes with our suppliers.

BUSINESS

The following table sets forth details of our top five suppliers and contractors for the year ended December 31, 2019:

Ranking	Supplier	Business activities	Commencement of business relationship	Relationship with us	Credit terms	Settlement method	Transaction amount (RMB in thousands)	Percentage of total purchase (%)
1	MSP Engineering ⁽¹⁾	Construction services	2010	Independent third party	14 days	Electronic payment	2,329,662	41.9
2	SG Mining Pty Ltd ⁽²⁾	Mining services	2009	Independent third party	15 days from end of month of invoice	Electronic payment	249,075	4.5
3	Mondium Pty Ltd ⁽³⁾	Construction services	2017	Independent third party	30 days from end of month of invoice	Electronic payment	199,124	3.6
4	Cape Crushing & Earthmoving ⁽⁴⁾	Mining services	2018	Independent third party	30 days from end of month of invoice	Electronic payment	110,185	2.0
5	Mol Mitsui O.S.K. Lines ⁽⁵⁾	Logistics transportation	2016	Independent third party	7 days	Electronic payment	93,819	1.7
Total							<u>2,981,865</u>	<u>53.7</u>

Notes:

- (1) An engineering design and processing plants construction company with 50 years' international project delivery experience headquartered in Australia. (Source: official website of the company)
- (2) A company founded in 2008 and located in Western Australia in the industry of construction and mining machinery. (Source: commercial database)
- (3) An engineering, procurement and construction ("EPC") company located in Western Australia delivering EPC projects in the minerals processing sector domestically and in selected international markets. (Source: official website of the company)
- (4) A leading Australian provider of mining (including crushing, tailings dams, site dewatering) and utilities (water & gas pipelines, power and communications) services located in Western Australia. (Source: official website of the company)
- (5) A global shipping company headquartered in Japan with customers in a wide variety of fields including dry bulkers, crude oil tankers, car carriers and containerships. (Sources: official website of the company)

BUSINESS

The following table sets forth details of our top five suppliers and contractors for the year ended December 31, 2020:

Ranking	Supplier	Business activities	Commencement of business relationship	Relationship with us	Credit terms	Settlement method	Transaction amount (RMB in thousands)	Percentage of total purchase (%)
1	SG Mining Pty Ltd	Mining services	2009	Independent third party	15 days from end of month of invoice	Electronic payment	225,429	9.9
2	Mondium Pty Ltd	Construction services	2017	Independent third party	30 days from end of month of invoice	Electronic payment	175,154	7.8
3	MSP Engineering	Construction services	2010	Independent third party	14 days	Electronic payment	86,135	3.8
4	Mol Mitsui O.S.K. Lines	Logistics transportation	2016	Independent third party	7 days	Electronic payment	79,101	3.5
5	Alinta Sales Pty Ltd ⁽¹⁾	Utilities services	2019	Independent third party	14 days	Electronic payment	69,711	3.1
Total							<u>635,530</u>	<u>28.1</u>

Note:

(1) An Australian private company incorporated in 2000 providing utilities services. (Source: commercial database)

BUSINESS

The following table sets forth details of our top five suppliers and contractors for the year ended December 31, 2021:

Ranking	Supplier	Background	Commencement of business relationship	Relationship with us	Credit terms	Settlement method	Transaction amount (RMB in thousands)	Percentage of total purchase (%)
1	SG Mining Pty Ltd	Mining services	2009	Independent third party	15 days from end of month of invoice	Electronic payment	262,645	8.6
2	Mondium Pty Ltd	Construction services	2017	Independent third party	30 days	Electronic payment	195,013	6.4
3	Mol Mitsui O.S.K. Lines	Logistics transportation	2016	Independent third party	7 days	Electronic payment	122,376	4.0
4	Chengxin Lithium Group Co., Ltd. (盛新 鋰能集團股 份有限公 司) ⁽¹⁾	Processing	2019	Independent third party	30 days from the date of billing	Electronic Payment	117,850	3.8
5	Sichuan Chuangang Gas Co., Ltd. Suining Branch (四川 川港燃氣有 限責任公司 遂寧分公 司) ⁽²⁾	Utilities services	2017	Independent third party	5 days from the date of billing	Electronic payment	74,496	2.4
Total							<u>772,380</u>	<u>25.2</u>

Notes:

- (1) A company headquartered in China. The company mainly engages in the production and sales of new energy lithium battery materials and is listed on the Shenzhen Stock Exchange. (Sources: official website of the company and commercial database) The company provided tolling services to us, which mainly included processing lithium concentrates into lithium compounds and derivatives. It also purchased lithium products from us according to the commercial arrangements with us. For the years ended December 31, 2019, 2020 and 2021, the costs incurred in relation to the company's tolling services accounted for 0.8%, 0.6% and 4.1% of our total costs of sales, respectively. For the years ended December 31, 2019, 2020 and 2021, the revenue generated from our sales to the company accounted for 1.3%, 0.8% and 2.0% of our total revenue for the respective periods.
- (2) A branch of a company engaging in planning, construction and operation of natural gas pipelines and sales of natural gas located in Sichuan Province, China. (Source: commercial database)

Suppliers of Raw Materials, Utilities and Energy

Our well-established relationships with our suppliers of raw materials, utilities and energy enable us to better manage the quality, quantity and price of our products. We maintained stable relationships with our suppliers. During the Track Record Period and as of the Latest Practicable Date, we did not encounter any material disruption to our business as a result of shortage or delay in the supply of raw materials, utilities or energy. Most of the raw materials, utilities and energy that we procure are readily available from multiple suppliers and can be sourced at reasonable prices.

BUSINESS

Raw Materials

The primary lithium raw material for our lithium compounds and derivatives production is lithium concentrates. We have achieved self-sufficiency in lithium concentrates for our lithium compounds and derivatives manufacturing operations through the Greenbushes Mine.

We rely on suppliers for various chemical materials used for our manufacturing operations, primarily including sulfuric acid, hydrochloric acid, sodium hydroxide, sodium carbonate, calcium hydroxide, calcium chloride and calcium carbonate, in manufacturing our lithium compounds and derivatives products. Our suppliers of lithium concentrates are mainly located in Australia, and our suppliers of chemical materials are mainly located in China. In recent years, trade tensions between China and Australia have escalated and China has imposed trading restrictions on imports of certain products from Australia. As of the Latest Practicable Date, there had been no restrictions in China and Australia that materially and adversely affect the import of our lithium raw materials from Australia to China, and thus our business operations had not been materially impacted.

The salient terms of standard procurement agreements are set out as below:

- *Price.* The total amount payable under the contract is typically calculated based on the unit price and the actual supply volume.
- *Payment.* We typically make the payment after we receive and decide to accept the delivery.
- *Quality control.* We are entitled to conduct verification and testing before we decide to accept the delivery. Defective products may be returned or exchanged. We also have the right to claim damages pursuant to the agreement.
- *Termination.* We are entitled to terminate the procurement agreement if the delivery is overdue for a certain period of time.

Our chemical materials are generally purchased on a short-term order basis from reputable domestic suppliers. Our quality control, procurement, production planning and warehousing departments periodically determine the amount and specification of chemicals to purchase based on our production needs. To maximize supply efficiency, we typically survey and evaluate chemicals suppliers who are in a radius of a few kilometers to ensure convenient logistics and timely transportation. After placing our purchase orders and upon receiving the chemicals, we conduct rigorous sampling, verification and testing to make sure the products are in line with our long-established acceptance standards before we decide to accept the delivery. We also require all our suppliers to ensure that the products comply with the relevant environmental, health, safety and intellectual property laws and regulations. Every supplier selected must go through a trial period before being officially engaged. We evaluate our existing suppliers of raw materials at least once a year and grade their performance.

During the Track Record Period, prices of our raw materials experienced fluctuations. We do not engage in hedging by using derivative instruments to hedge the risk exposures in connection with our raw materials. We take into account such fluctuation in raw material costs when pricing our products. Besides raw lithium materials, most of our raw materials are commodities that can be readily purchased on public markets at transparent market prices. We did not experience any shortage of or any quality issues with our raw materials during the Track Record Period that materially affected our operations.

BUSINESS

We closely monitor the quality of all raw materials provided by our suppliers to ensure that they comply with our stringent requirements. Our quality control system covers the placing of purchase orders, pre-delivery inspections and laboratory tests. We further utilize our ERP system to manage the supply of raw materials effectively and efficiently. We evaluate our suppliers periodically based on a range of factors, including the quality of raw materials delivered and punctuality of delivery. In addition, we have undertaken other quality control measures for raw materials. See “Business—Quality Control” for more details. During the Track Record Period, we did not have any material dispute with our suppliers.

Utilities and Energy

At the Greenbushes Mine, water for mineral processing is from rainfall and stored in several process dams located on site, with majority of the water used being recovered and recycled. The Greenbushes Mine currently purchases its power from a local electricity supplier, and power is reticulated and metered within the site. The Greenbushes Mine currently sources diesel from a reputable supplier. For our manufacturing plants in China, we source electricity from local distributors under the State Grid. Our manufacturing plants also require natural gas and coal, which are sourced from reputable local suppliers. Our manufacturing plants in China require a very small amount of water supply. The relevant fees charged to us by our utilities and energy suppliers are generally in line with market rates. Below are certain major long-term contracts we entered into during the Track Record Period for our utilities and energy supply:

- Talison entered into a three-year supply agreement with a utilities supplier of diesel starting from May 2021, which is renewable for another two years by mutual consent. Under such agreement, the fuel price is determined according to a pricing schedule. Payment is generally made on a weekly basis for orders placed and accepted in the given week.
- Talison entered into an electricity supply agreement which will end on December 31, 2022 and will be replaced by a new electricity supply agreement for a seven-year supply of electricity starting from January 2023. The price is calculated under a pricing schedule stipulated therein and payment is made for the relevant supply period.
- Shehong Tianqi entered into a natural gas supply agreement with a natural gas supplier in China for a period of one year starting from September 2021, renewable by mutual consent. The supplier shall provide continuous supply of natural gas in compliance with national standards. The natural gas was charged at a fixed price and the payment was generally made on a monthly basis.
- Shehong Tianqi entered into a high-voltage electricity supply agreement with an electricity supplier for a period of three years starting from June 2021, which is renewable by mutual consent. The electricity supplier has received a prepayment and payment for our consumption will be deducted from such prepayment on a monthly basis.

Mining Contractors

We use mining contractors for our operations at the Greenbushes Mine, in line with industry practice. During the Track Record Period, we engaged one contractor for open-pit mining activities, and one contractor for drilling and blasting activities. In the years ended December 31, 2019, 2020 and 2021, our total purchases from these two contractors amounted to A\$61.4 million, A\$55.9 million and

BUSINESS

A\$68.1 million, respectively. As of December 31, 2021, our business relationships with these two contractors had lasted for 12 and 10 years, respectively.

These outsourcing arrangements help us lower our operational costs and reduce our capital expenditures for equipment and machinery. We believe that the services provided by our mining contractors are not unique in the market and it will not be difficult for us to find substitute contractors to provide similar services on similar terms. We adhere to our rigorous procedures to properly manage risks associated with mining contractors and ensure all necessary information is gathered before their engagement. We gather a broad range of information including health, safety, environment, community relations, training and previous contracting experience with us to assess contractors' competence and ensure they meet the relevant regulatory requirements to conduct their activities. We generally do not rely on contractors for our manufacturing plants in China.

Our contractual arrangements with these two mining contractors during the Track Record Period are summarized below:

- Talison entered into a contract with a contractor for the drilling and blast services at the Greenbushes Mine. The original term of three years starting June 2014 was extended to March 2023. Service fees are calculated based on the rates for different categories of services provided and are generally paid on a monthly basis. Relevant termination events primarily include liquidation of either party and substantial breach of contract.
- Talison entered into a contract with a contractor for the open-pit mining activities at the Greenbushes Mine, as well as the operations of related infrastructure and equipment. The original term of three years starting July 2014 was extended to March 2023. Service fees are calculated based on the rates for different categories of services and are generally paid on a monthly basis. Relevant termination events primarily include liquidation of either party and substantial breach of contract.

Our Directors have confirmed that our mining contractors at the Greenbushes Mine are Independent Third Parties. We had not experienced any material dispute with our mining contractors or any suspension or delay of operations as a result of improper conduct on the part of our mining contractors during the Track Record Period. We believe that the services that we outsourced to our mining contractors are generally common in the market, and it would not be difficult for us to find alternative contractors to provide similar services on terms similar with our existing contracting arrangements.

Construction Contractors

We also engage construction contractors to provide engineering, procurement and construction services for our expansion projects. In September 2021, Talison entered into a contract with one of our construction contractors for the provision of engineering, design, procurement, construction and management of a chemical-grade concentrates plant with expected completion by the second quarter of 2025.

MSP Engineering is one of our major construction contractors during the Track Record Period, which represents a significant portion of the total amount of purchases we made from our suppliers and contractors. TLK entered into a contract with MSP Engineering for the design, construction and commissioning of the first Kwinana Plant (LHPP1) in the fourth quarter of 2016 and the second

BUSINESS

Kwinana Plant (LHPP2) in the fourth quarter of 2017. In March 2020, MSP Engineering commenced legal proceedings against TLK in the Supreme Court of Western Australia, seeking payment of approximately A\$38.9 million in respect of both contracts. In October 2021, TLK, MSP Engineering and Tianqi Lithium Co. Limited entered into a settlement deed to resolve all claims between the parties arising out of the lithium hydroxide plant in Kwinana and related contracts. Pursuant to the settlement deed, the parties suspended all of the court proceedings and arbitral proceedings and agreed to discontinue them permanently, without any award or costs orders being made, subject to the terms of the deed. In February 2022, all the conditions contained in the settlement deed were fulfilled. As such, parties have discontinued all legal proceedings by consent, which has been formalised by applicable sealed orders. See “Business—Legal Proceedings” for details.

Tolling Arrangements

We continuously expand our production capacity. Before the new production capacity becomes available, we cooperate with and outsource some manufacturers of lithium compounds and derivatives to downstream lithium compounds processing plants through tolling arrangements to enhance our processing capabilities and meet the demand of our downstream customers. During the Track Record Period, we sourced tolling services from Chengxin Lithium Group Co., Ltd. (盛新鋰能集團股份有限公司), an Independent Third Party headquartered in China. Chengxin Lithium Group Co., Ltd. mainly engages in the production and sales of new energy lithium battery materials and is listed on the Shenzhen Stock Exchange. See also “Business—Suppliers and Contractors—Our Top Five Suppliers and Contractors”.

For the years ended December 31, 2019 and 2020 and 2021, the costs incurred in relation to the tolling arrangements with downstream lithium compounds processing plants were RMB16.4 million, RMB10.6 million and RMB117.9 million, respectively, accounting for 0.8%, 0.6% and 4.1% of our total costs of sales for the respective periods. The unit processing fee remained relatively stable during the Track Record Period. The costs incurred in relation to the tolling arrangements with downstream lithium compounds processing plants decreased from RMB16.4 million in 2019 to RMB10.6 million in 2020, primarily due to the adjustments to processing volume in light of the decrease in market demand. From 2020 to 2021, our upstream lithium concentrates production volume increased significantly, primarily driven by the increase in market demand. In 2021, the utilization rate of TGP, CGP1 and CGP2 reached 95%, 101% and 87%, respectively. The tolling arrangements enable us to capture the market opportunities by increasing our downstream processing volume, which aligns with the increase in our upstream production volume. Accordingly, the costs incurred in relation to the tolling arrangements with downstream lithium compounds processing plants increased from RMB10.6 million in 2020 to RMB117.9 million in 2021.

Our tolling arrangements with downstream lithium compounds processing plants are in line with the industry norm, and the key terms of our tolling arrangements are as follows:

- *Our responsibilities.* We are typically responsible for providing processing plants with lithium concentrates which are the primary lithium raw material for lithium compounds and derivatives production.
- *Obligations of downstream lithium compounds processing plants.* Processing plants are responsible for manufacturing lithium compounds and derivatives in accordance with standards prescribed in the agreements.

BUSINESS

- *Processing fees.* The unit price is generally determined with reference to, among others, the costs incurred by processing plants in relation to the processing of lithium concentrate into lithium compounds and derivatives.
- *Quality control.* Products failed to meet the required standards may be re-processed or exchanged. We also have the right to claim damages pursuant to agreements.
- *No assignment.* Processing plants are not allowed to assign or sub-contract their obligations under agreements to any other party without our written consent.

INVENTORY MANAGEMENT

Our inventories primarily consist of raw materials, work-in-progress, finished goods and low-value consumption goods. To minimize the risk of inventory build-up, we review our inventory levels on a regular basis. We believe that maintaining appropriate levels of inventories can help us better plan raw material procurement and deliver our products to meet customer demand in a timely manner without straining our liquidity. The value of our inventories accounted for 14.3%, 29.9% and 13.5% of our total current assets as of December 31, 2019, 2020 and 2021, respectively.

QUALITY CONTROL

As of the Latest Practicable Date, we had a quality control team of 87 employees. We are committed to implementing high-standard quality control over our business operations. During the Track Record Period and up to the Latest Practicable Date, there was no incident of failure in our quality control systems which had a material impact on us. We implement an internal quality control system to perform various inspections over the course of the entire manufacturing and delivery processes. We are required to comply with specific guidelines based on international product safety and restricted and hazardous materials laws and regulations that are applicable in the jurisdictions into which our customers sell their products. During the Track Record Period, we had been in full compliance with our customers' stringent quality control requirements.

We take a holistic approach to quality control and implement stringent standards in all aspects of our operation, ranging from procurement, production, warehousing, inventory storage to delivery, to ensure our full compliance with the stringent benchmarks and specifications of our customers and ourselves. We have strong quality control programs in place at our manufacturing facilities. We are certified to the ISO9001:2015 Quality Management System. Our quality control team is responsible for establishing the quality control systems and inspection guidelines for our production, while the respective departments of our operating team are responsible for implementing the quality control standards and procedures. To ensure the effectiveness of our overall quality control system, our quality control team also carries out regular system audits on manufacturing procedures, conducts performance reviews and statistical analysis and provides training on inspection techniques and awareness of quality control.

Procurement

We typically procure raw materials from suppliers who have passed our quality and reliability assessment. We evaluate our suppliers periodically based on a range of factors, including quality of raw materials delivered and punctuality of delivery. We conduct random sample tests on incoming raw materials upon delivery to ensure a high-quality, low-cost and rapid supply chain. We test the raw materials in our internal laboratory and return raw materials that fail to pass our inspection.

BUSINESS

Production

We strictly follow our customers' quality requirements and specifications and all relevant industry standards for our production, including national standards and our internal quality standards. At the designated checkpoints on our production lines, our quality control team conducts periodic tests and inspections of semi-finished products in accordance with our internal quality control processes. These tests are intended to ensure that our products meet both our quality standards and compliance requirements and those of our customers' at each stage of the production process. In terms of production safety, we have employed a three-tiered safety inspection policy, where our respective production manager inspects the production workshop at least once a day, our respective facility manager inspects at least once a week and our environmental, health and safety department inspects once a day to ensure high levels of production safety. Our quality control team prepares daily quality analysis reports that are submitted to our senior management and the relevant production team to monitor and improve our production processes.

We have received various certifications from government authorities or recognized organizations. For example, our production facilities are certified to ISO 9001-2015 quality management system, ISO 14001-2015 environmental management system and occupational health and safety management system, which is evidence that our quality control system is on par with international practices. We have also been granted the Safety Production Permit by Administration of Work Safety. We have also participated in setting certain national and industrial standards with regard to product specifications and product analysis standards, such as the industrial standard for battery-grade lithium orthophosphate monometallic (YS/T 967-2014) and the national standard for lithium (GB/T 4369-2015).

Warehousing

Our finished products are first packaged and stored at our warehouses before being transported and delivered. Finished products are stored in designated zones within our warehouses by type and production date. Additionally, we take safety measures to minimize fire hazards, water damage and other risks to our products.

Delivery

We conduct sampling inspections for every batch of finished products prior to its delivery. Our quality control team collaborates with the relevant production team to ensure that our packaging is well designed and adequate to safeguard our finished products during their transportation. Our packaging therefore tends to vary depending on the volume and sensitivity of each product.

RESEARCH AND DEVELOPMENT

Research and Development Team

As of the Latest Practicable Date, we had assembled a team of 38 employees in our research and development department in China and Australia dedicated to product development and technology advancement. Our core team comprises a group of experts with advanced degrees and extensive experience in materials engineering, inorganic chemistry, chemical engineering, metallurgy and other scientific fields essential to the research and development of lithium products. We encourage open and constructive competition internally and pursue merit-based appointment of leaders for our research and development projects. Our research and development teams are located in Chengdu, Shehong, Zhangjiagang, Tongliang and Western Australia.

BUSINESS

In the years ended December 31, 2019, 2020 and 2021, our research and development expenses amounted to RMB48.4 million, RMB24.3 million and RMB18.9 million, respectively. Our research and development costs decreased from RMB48.4 million in 2019 to RMB24.3 million in 2020, primarily attributable to (i) a decrease in the employee benefit expense, and (ii) a decrease in fees and expense paid in connection with our commissioned research and development projects. Our research and development costs further decreased to RMB18.9 million in 2021, primarily attributable to the decreased amortization of intangible assets due to the disposal of some patent rights in Chongqing Tianqi.

We place great importance on the creation, application, management and protection of our intellectual property rights. Through research and development, we have obtained various intellectual property rights that are material to our business. As of the Latest Practicable Date, we had a total of 166 authorized patents. See “Business—Intellectual Property” for details. We retain rights to self-developed patents and other intellectual properties.

Our Research and Development Efforts

To improve our product quality and cost efficiency, we have made many breakthroughs in the traditional production processes and techniques. We have developed a series of innovative production techniques and installed advanced equipment to optimize the manufacturing process. We have participated in setting a range of national and industrial standards with regards to lithium product specifications and product analysis standards. We are capable of customizing our compounds and derivatives products to cater to high-end customers’ specific needs through our proprietary demagnetization and filtration techniques that enable us to manufacture lithium products with high lithium concentration and low impurities. For example, we have developed an innovative method for the manufacture of battery-grade lithium carbonate (硫酸鋰溶液生產低鎂電池級碳酸鋰的方法), which won a gold award in the Awards for Chinese Outstanding Patented Invention & Industrial Design jointly held by the State Intellectual Property Office and World Intellectual Property Organization. As an important breakthrough in lithium extraction, such technique significantly improved the efficiency and consistency in the preparation of lithium carbonate and provided high-quality materials for the production of more reliable and safer lithium batteries. In addition, we have employed industry-leading techniques in the manufacture of battery-grade lithium hydroxide, which greatly reduced the length and energy consumption of the preparation processes and improved the quality of the processed materials. Our manufacturing plants use highly specialized equipment and machinery for chemical separation and purification to help us in manufacturing industry-leading lithium products. We have also made sizable investments in technical innovation and automation of manufacturing machinery for our lithium production, which helped us meet the stringent demands of many high-end customers.

Our R&D efforts have produced a number of technical achievements and have a proven track record of generating a large amount of intellectual property and industry know-how we use in our production processes. For our technological breakthroughs and innovative products, we have been awarded with multiple accreditations and recognitions from various organizations and entities in our industry.

We commenced the construction of our Tianqi Global Research Center in Tianfu New District, Chengdu, China in February 2016, to facilitate our R&D capabilities. Our Tianqi Global Research Center has been recognized as a national-level intellectual property enterprise and a provincial technology center. Through our R&D center, we undertake post-doctoral scientific research approved

BUSINESS

by the Ministry of Human Resources and Social Security of the PRC and the National Administrative Committee of Post-Doctoral Researchers as well as research on the lithium and new energy industry. Approved by Sichuan Provincial Government, we established the Sichuan Provincial Key Laboratory for Lithium Resource and Lithium Material (鋰資源與鋰材料四川省重點實驗室) in 2017, through which we gathered a group of renowned experts globally to participate in and guide our research, development efforts.

In addition, we are committed to building R&D collaborations with research institutions, which we believe provides us with insights into industry trends and emerging new technologies and therefore enables us to focus our current and future research and development efforts more effectively. During the Track Record Period, we collaborated with three renowned universities and research institutes on three projects.

INFORMATION TECHNOLOGY SYSTEMS

Our information technology department is key to achieving our operational and strategic goals and strengthening our competitive position. Our advanced information technology systems are integrated into all aspects of our operations, including sales management, procurement and supply chain management, production planning and monitoring, financial and technical reporting and human resources management. Such systems therefore significantly improve our operational efficiency and support our strategic growth.

The ERP system is critical to our operations. We utilize the ERP system to retrieve and analyze our operational data to aid faster decision-making and boost productivity. The ERP system provides outstanding industrial solutions covering various aspects of our operations, including production and sales, financial accounting, enterprise performance management, production equipment management, quality management, procurement and inventory management and human capital management.

We have implemented certain initiatives to further improve our information technology systems and to continue to support our business growth. For example, we implemented and tested an office automation (“OA”) system to comprehensively digitalize our business management, internal coordination and information sharing and storage in 2018, which has greatly improved our management efficiency and operational performance. We believe that such initiatives will strengthen our overall operational capabilities, increase efficiency and facilitate knowledge accumulation, sharing and utilization across the business innovations.

RISK MANAGEMENT

We have in place a comprehensive internal control and risk management system to address the strategic, operational, financial, legal, investment and market risks identified in relation to our operations. This system comprises various measures and policies, including budget management, procurement management, expenditure management, sales and collection management, inventory management, fixed assets management, research and development management, safety and environmental protection management, investment management, financial leverage management, connected party transaction controls, anti-fraud and whistle-blowing procedures, information disclosure controls, human resources management, IT management and financial and operational controls and monitoring procedures.

BUSINESS

To monitor the implementation of our risk management policies and corporate governance measures after the Global Offering, we have adopted and will continue to adopt, amongst others, the following risk management measures:

- establish the strategy and investment committee to evaluate and make recommendations on (i) long-term development strategies and plans; (ii) major financing proposals where Board approval is required by our Articles of Association; (iii) major capital expenditures or investments where Board approval is required by our Articles of Association; and (iv) other key matters that may affect the development of our Company. The strategy and investment committee consists of five Directors, being Mr. Pan Ying, Ms. Tang Guo Qiong, Mr. Jiang Weiping, Ms. Jiang Anqi and Mr. Ha, Frank Chun Shing. For the qualification and experience of these members, see “Directors, Supervisors, Senior Management and Employees;”
- establish the audit and risk committee to review and supervise our financial reporting process and internal control system, set up the risk management and internal audit procedures, provide advice and comments to our Board and perform other duties and responsibilities as may be assigned by our Board. The audit and risk committee currently consists of three Directors, being Ms. Tang Guo Qiong, Mr. Pan Ying and Mr. Xiang Chuan and will be adjusted before the Listing to ensure compliance with Listing Rules. For the qualification and experience of these members, see “Directors, Supervisors, Senior Management and Employees;”
- establish the Internal Audit Department that is independent from our management and reports directly to the Board of Directors to ensure the legality, compliance, truthfulness and integrity of our operations;
- establish anti-fraud policies to identify, prevent and punish unethical and illegal conducts, as well as whistle-blowing procedures to encourage our employees to bring those conducts to the attention of our senior management and Board of Directors and ensure the protection of whistle-blowers;
- adopt various policies to ensure our compliance with the Listing Rules, including but not limited to policies in respect of risk management, connected transactions and information disclosure;
- engage accounting firms to provide professional advice and consultations with respect to our risk management; and
- arrange for our Directors and senior management to attend training seminars on the Listing Rules’ requirements and the responsibilities of a director of a Hong Kong listed company.

Our Board is responsible for overseeing our overall risk management. After due consideration, our Directors are of the view that our current internal control measures are adequate and effective. For more information on our risk management measures, see “Directors, Supervisors, Senior Management and Employees—Committees under The Board of Directors—Audit and Risk Committee.”

COMPETITION

We compete with a number of domestic and international companies focused on the mining of lithium resources and production and sale of lithium compounds and derivatives, particularly those with extensive marketing and sales networks and large reserves of lithium. The supply of mined

BUSINESS

lithium is dominated by five producers, with an aggregate market share of approximately 85% in terms of output in 2021, according to the Wood Mackenzie Report. Through our subsidiary Talison, we hold lithium mining rights at the Greenbushes Mine, which was the largest lithium mining operation in the world as measured by spodumene concentrate output in 2021 and accounted for approximately 38% of the global lithium mining output in 2021, according to the Wood Mackenzie Report. The supply of lithium products is undertaken by a number of companies, among which Albemarle, SQM, Ganfeng and our Company are the key players, according to the Wood Mackenzie Report. These four companies accounted for approximately 50% of the global supply of the refined lithium products, which include lithium compounds and lithium metal, in 2021, according to the Wood Mackenzie Report. According to the Wood Mackenzie Report, these four companies were also the top four lithium compound producers and we were the world's fourth largest and Asia's second largest lithium compound producer in 2021. For battery-grade lithium carbonate, the major producers include Albemarle, our Company, SQM, Nanshi Group and Ganfeng, with an aggregate market share of around 57% as measured by output in 2021, according to the Wood Mackenzie Report. And for battery-grade lithium hydroxide products, the market is becoming increasingly competitive due to the increase in demand since 2015, and we are one of the world's top ten suppliers of battery-grade lithium hydroxide in terms of production output in 2021, according to the same source. The majority of large-scale lithium producers are integrated, either through partial or full ownership of operations from the extraction of raw materials through to production of lithium compounds. For more information, see "Industry Overview."

A number of entry barriers to the global lithium industry need to be considered. According to the Wood Mackenzie Report, key barriers to entry for companies in the lithium mining industry include high capital requirements, long development process, technological know-how, scarcity of quality resources, increasingly stringent environmental, social and corporate governance standards and political and environmental factors.

We believe the most important competitive factors are access to stable and high quality lithium resources, quality of products, research and development capabilities, delivery schedule and customer service. We expect to face competition from both existing and new competitors as we grow our business into new business lines, geographic markets and product categories. We believe that we are well positioned to compete against our industry peers with our high-quality lithium resources, strong research and development capabilities, global sales and distribution network and vertically integrated business model. For more information, see "—Competitive Strengths."

PROPERTIES

The Company's registered office is located in Northern Taihe County in Shehong, PRC and its contact office is located at No. 10 East Gaopeng Road, Hi-Tech Zone, Chengdu, PRC. We occupy certain properties in China and Australia in connection with our business operations. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. They mainly include premises for our manufacturing facilities, warehouses, offices and dormitories.

According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which require a valuation report with respect to all our interests

BUSINESS

in land or buildings, for the reason that, as of December 31, 2021, none of our properties had a carrying amount of 15% or more of our consolidated total assets.

Owned Land and Buildings

As of the Latest Practicable Date, we owned buildings in 85 locations in China with an aggregate gross floor area (“GFA”) of 114,658.1 sq.m, used as mining and manufacturing facilities, offices and dormitories to support our business operations. The following table sets forth a summary of certain information regarding our owned buildings in China.

<u>Use of Property</u>	<u>Approximate GFA</u> (sq.m.)
Manufacturing, Warehousing, Operation and Office	88,576.9
Others	<u>26,081.2</u>
Total	<u><u>114,658.1</u></u>

As of the Latest Practicable Date, we had not obtained the required ownership related certificate from the local government authorities for ten owned properties in China, with an aggregate GFA of 9,889.2 sq.m., which accounted for 8.6% of the GFA of our total owned buildings in China. These properties are located on land that we own and mainly used as our manufacturing facilities. We are in the process of applying for the relevant ownership certificates. Currently there has been no dispute with respect to their ownership. Please see “Risk Factors—Risks Relating to Our Business—We are in the process of applying for ownership certificates for some of our properties.” Our PRC Legal Advisor has advised us that the absence of such ownership certificate is unlikely to materially and adversely affect our operations.

As of the Latest Practicable Date, in addition to the properties aforementioned, we owned the land use rights of two parcels of land with a total site area of 55,923.9 sq.m, in Chengdu and Zhangjiagang, China primarily for manufacturing, warehousing, operation, office and others. We have freehold interest in 38 parcels of land in Australia with a total site area of 6,189,998 sq.m, in Greenbushes, Australia primarily for our mining and lithium concentrates production operations.

As of the Latest Practicable Date, save as disclosed above, our PRC Advisor and Australian Legal Advisor had confirmed that we had obtained all relevant property titles certificates and other relevant land use rights certificates for our material manufacturing facilities in China and Australia, respectively.

Leased Land and Buildings

As of the Latest Practicable Date, our leased properties in China mainly included three leased buildings, which have an aggregate GFA of approximately 2,569.9 sq.m, and are used as offices to support our business operations. These buildings are located in Chengdu, China.

Our leased properties in Australia primarily include four parcels of land and are used for our manufacturing plant and port access to support our business operations. We also have a leased property in Perth, Australia with an approximate floor area of 451 sq.m., which is used as a corporate office.

Our PRC Legal Advisor and Australian Legal Advisor confirmed, respectively, that as of the Latest Practicable Date, the relevant lease agreements were legal and valid and the lessors have

BUSINESS

obtained relevant ownership certificates for such properties and have the right to lease the properties to us. As of the Latest Practicable Date, the leasing agreements for our leased properties in China had not completed lease registration. Our PRC Legal Advisor confirmed that the non-registration of lease agreements will not affect the validity of the lease agreements and is unlikely to materially and adversely affect our operations.

INTELLECTUAL PROPERTY

We rely on a combination of trademark, trade secret and other intellectual property laws as well as confidentiality agreements with our employees, suppliers, customers and others to protect our intellectual property. As of the Latest Practicable Date, we had 166 authorized patents, including 84 invention patents in the PRC and 4 invention patents overseas, 11 design patents and 67 utility model patents, and we were in the process of applying for 32 patents in China. We operate our business under “Tianqi Lithium” and certain other brand names and logos. As of December 31, 2021, we had 29 and 33 registered trademarks in China and overseas, respectively, which are material to our business. We have also obtained the certification of National Standard for Enterprise Intellectual Property Management (GB/T 29490-2013). For details of our intellectual property portfolio, see “Appendix VIII—Statutory and General Information—4. Further Information about Our Business—B. Our intellectual property rights.”

In addition, as of the Latest Practicable Date, all of our research and development personnel had entered into confidentiality and non-competition agreements with us. These agreements help our intellectual property protection and require our employees to assign to us all of the inventions, designs and technologies they develop during their employment with us.

As of the Latest Practicable Date, our Directors confirmed that they were not aware of any material violation or infringement of any intellectual property rights owned by us or by any third parties, or any threatened material proceedings or claims relating to intellectual property rights against us. However, despite our best efforts, we cannot be certain that third parties will not infringe or misappropriate our intellectual property rights or that we will not be sued for intellectual property infringement. See “Risk Factors—Risks Relating to Our Business—The failure to maintain or protect our intellectual property rights, trade secrets, and proprietary technology and processes could have an adverse effect on our business, financial condition and results of operations.”

INSURANCE

We maintain insurance coverage in amounts that we believe are consistent with our risks of loss and our industry’s customary practices. In China, pursuant to the relevant PRC laws and regulations, we maintain property insurance, employer liability insurance, environmental liability insurance, public liability insurance, safety production liability insurance and machinery breakdown insurance for our business operation, as well as endowment insurance, medical insurance, unemployment insurance, directors’ and officers’ liability insurance, work injury insurance and maternity insurance for our employees and personal injury insurance for all our employees. During the Track Record Period, we had not been subject to any administrative penalties in connection with the PRC labor laws and regulations including regulations in relation to social insurance and housing fund contributions for our employees. The PRC legal advisor is of the view that we were in compliance with PRC labor laws and regulations in material aspects during the Track Record Period. In Australia, pursuant to the relevant Australia laws and regulations, we maintain property insurance, mobile plant and motor vehicle

BUSINESS

insurance, workers' compensation insurance, public and products liability insurance, marine transit insurance, crime insurance, construction liability insurance and charterers insurance for our operations, as well as corporate travel insurance, workers compensation insurance, personal accident journey insurance and directors' and officers' liability insurance for our employees.

As of the Latest Practicable Date, we had not received any material insurance claims against us. Consistent with what we believe to be customary practice in our industry, we generally do not maintain any business interruption insurance. Our insurance policies are typically reviewed on an annual basis. We believe that the existing insurance coverage of our business is adequate and is standard for our industry. However, the insurance policies maintained by us may not be sufficient to cover claims in respect of personal injury or property or environmental damage arising from accidents on our properties or relating to our operations, or to cover business interruption risks. Such coverage is not mandatory according to the laws and regulations of the PRC. See "Risk Factors—Risks Relating to Our Business—We may not be adequately insured against losses and liabilities arising from various operational risks and hazards that we are subject to" for further information.

EMPLOYEES

We place great importance on attracting and retaining qualified employees. We are committed to investing in our employees' training and development. As of the Latest Practicable Date, we had 1,473 full-time employees, 1,279 of which were working with our operations in China and 194 with our overseas operations. A breakdown of our employees by function as of the Latest Practicable Date is set forth below.

<u>Function</u>	<u>Number of Employees</u>	<u>Percentage of Total (%)</u>
Management	110	7.5
Research & Development	38	2.6
Sales and Marketing	22	1.5
Procurement and Supply Chain	21	1.4
Production	919	62.4
Quality Control	87	5.9
Others ⁽¹⁾	276	18.7
Total	<u>1,473</u>	<u>100.0</u>

Note:

(1) Includes finance, IT, human resources, administrative and other personnel.

We emphasize the training of our employees in order to enhance their technical and product knowledge and their personal development, job satisfaction, recognition, work environment, work safety and career advancement. As of the Latest Practicable Date, our Directors, Supervisors and senior management held approximately 13.62% of the restricted shares granted under our share incentive plans. We believe our share incentive plans will help align our Directors, Supervisors and senior management's interests with the Group's goals.

There are labor unions for our employees in a number of jurisdictions where we operate including the PRC. During the Track Record Period and up to the Latest Practicable Date, we had no material dispute with any labor union.

BUSINESS

We focus on improving our employees' welfare and maintaining a constant dialog with our employees. We had not experienced any major dispute with our employees during the Track Record period, and we believe that we maintain a good working relationship with our employees.

ENVIRONMENTAL, OCCUPATIONAL, HEALTH AND SAFETY

We attach great importance to the development and implementation of the industry's highest level of environmental protection and occupational safety standards, which are considered to be the key factors for the sustainable and continuous success of lithium concentrate, compound and derivative production companies.

Environmental Protection

We are fully committed to sustainable development with high environmental protection standards. We are subject to environmental laws and regulations governing air pollution, noise emissions, hazardous substances, water and waste discharge and other environmental matters issued by relevant governmental authorities in the jurisdictions in which we operate. For more information, see "Regulatory Environment." We require all of our members to comply with applicable environmental regulations, and implement stringent environmental standards in our mining and manufacturing operations. Our environmental expenditure amounted to RMB40.4 million, RMB18.1 million and RMB25.7 million for the years ended December 31, 2019, 2020 and 2021, respectively. During the Track Record Period, we had achieved significant progress in environmental protection and are certified to ISO14001: 2015 Environmental Management Systems. In 2021, our exhaust gas emission and greenhouse gas emission decreased by 6.6% and 21.8%, respectively, as compared to 2020. In 2021, our reused water volume accounted 91% of our overall used water volume.

During the Track Record Period and up to the Latest Practicable Date, we had complied with applicable environmental laws and regulations in all material respects. As of the Latest Practicable Date, we were not aware of any environmental proceedings or investigations to which we were or might become a party that could have a material adverse effect on our business, financial condition and results of operations. Our mining and manufacturing processes had not resulted in the release of toxic or hazardous substances during the Track Record Period.

Our environmental policy and management

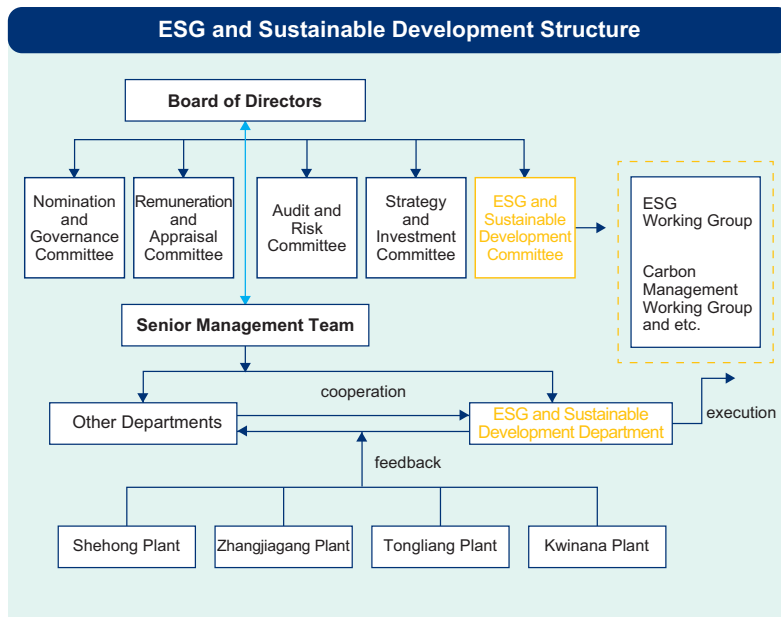
We face various environmental risks in connection with our operations, including greenhouse gas and exhaust gas emission, water-intensive production process, wastewater disposal, solid waste and hazardous waste disposal. We recognize the importance of environmental protection and sustainability, and we aim to operate and develop in an environmentally friendly and sustainable way.

We have established our environmental, social and governance policies (the "ESG Policies"), which outlined, among others, ESG governing structure, ESG strategy formation procedures and ESG risk management and monitoring. In particular, we have implemented certain environmental policies and procedures, including the Measures for the Management of Waste Gas Emissions, the Measures for the Management of Wastewater Discharge, the Measures for the Management of Solid Waste Disposal, the Measures for the Management of Hazardous Waste Disposal and the Environmental Management Procedure. We closely monitor the latest ESG-related laws and regulations, and update our own ESG measures to make sure that we comply with the latest regulatory updates.

BUSINESS

We set up metrics and targets to assess and manage ESG related risks. For example, in our Zhangjiagang Plant, we set a target for water consumption in 2021, which was 21.8 tons of water per ton of products, and were able to achieve our target as the actual amount of water consumed was 21.2 tons of water per ton of products. We prepare an ESG report every year to review our key ESG performance.

We have established a three-level ESG governance structure with the Board taking the overall responsibility of overseeing and supervising ESG Policies, strategies and goals. The ESG and Sustainable Development Committee under the Board is mainly responsible for implementing our ESG strategies, identifying ESG-related risks and opportunities, evaluating and managing material ESG issues (including climate-related issues) and coordinating different teams in relation to ESG-related issues. Members of the ESG committee include Ms. Jiang Anqi, Mr. Ha, Frank Chun Shing, Mr. Xiang Chuan. The Board's Office and the ESG and Sustainability Department are in charge of daily execution and implementation of the ESG Policies, assessing and analyzing relevant ESG risks and opportunities and preparing the ESG reports and other reports to be presented to the ESG and Sustainable Development Committee. Our senior management pro-actively participate in the discussion with the Board's Office and the ESG and Sustainability Department if they identify any ESG-related risks or opportunities. We incorporate key environmental, health and safety indicators into our evaluation scheme and conduct performance evaluation for our managements on this basis. We have developed a comprehensive environmental protection management and control structure.



Our Mining Operations

Our mining operations at the Greenbushes Mine cover certain state forest and privately owned land and we are required to rehabilitate the relevant area. We made provisions for estimated rehabilitation and mine closure costs, which represent the discounted value of the present obligation to restore, dismantle and rehabilitate mine properties and development. As of December 31, 2021, our provision for rehabilitation amounted to RMB335.3 million. In addition, pursuant to the Mining Rehabilitation Fund Act 2012, Talison is required to contribute an annual levy of approximately A\$281,400 to the mining rehabilitation fund (the "MRF") relating to the mining operations at the

BUSINESS

Greenbushes Mine, according to the BDA Report. The MRF is a pooled fund that is to be used to rehabilitate abandoned mine sites in the State of Western Australia.

Operations at the Greenbushes Mine are managed by a comprehensive environmental management system with stringent environmental operating conditions certified under ISO 14001:2015 environmental management standards. We are also proactively managing water quality including by constructing a water treatment plant. We also maintain a close and cooperative relationship with the local community. This includes the provision of financial and other support to community groups and participation in local community activities which includes community programs and projects, tourism, environmental activities, schools and educational programs. These proactive community relations programs help provide additional economic and social benefits for the communities and regions surrounding our lithium operations at the Greenbushes Mine.

Our Manufacturing Operations

We have implemented stringent waste treatment procedures at our manufacturing facilities. Waste produced by us is treated in compliance with applicable environmental standards. We treat exhaust gas through advanced technology and use online monitoring system to control exhaust gas emission. Waste water treatment facilities and reclaimed water reuse systems have been introduced, through which we were able to reuse 91% of the total volume of water we consumed in 2021. We also attach importance to the recycling and reuse of solid waste. Furthermore, we have special procedures and designated staff in place to treat and dispose of any hazardous waste. Hazardous waste will be stored separately from non-hazardous waste. We also engage qualified third parties to collect and dispose hazardous waste.

We have launched several waste management projects in our manufacturing plants. Through our “coal to gas” conversion project in Shehong plant, our carbon dioxide emission decreased by 52.8%, sulfur dioxide emission decreased by 96.7% and nitrogen oxide emission decreased by 55.6% in 2021 as compared to 2018. In Zhangjiagang Plant, two online monitoring facilities have been put in place to further enhance our wastewater treatment capacity. In the Kwinana Plant, we have adopted a waste management program, through which we make monthly environmental and safety incentive plan to enhance the environmental protection awareness of our employees, and have also established an effective waste management and recycling system.

Our Investments

As of the Latest Practicable Date, we held an approximately 22.78% equity interest in and are the second largest shareholder of SQM. According to SQM’s sustainability report for the year 2020 (the “**SQM Sustainability Report**”), SQM has set a goal to transition toward “green lithium” production, aiming to minimize the impact of its operating activities and optimize the use of resources. According to the SQM Sustainability Report, around 95.8% of the energy used by SQM was solar energy, and more than 90% of the water used in its lithium hydroxide production was recycled water from the city of Antofagasta in 2020. Its lithium production and sales processes are certified to ISO 9001:2015 Quality Management System, and it is in the process of preparing for the Initiative for Responsible Mining Assurance certification, according to the same source. SQM closely monitors and publishes daily consumption data for each of the ponds in Salar de Atacama on its website. It has also adopted a sustainable development plan, which contains carbon neutrality measures for lithium production in the next ten years and aims to reduce brine use by 50% in 2030, according to the SQM Sustainability Report.

BUSINESS

Occupational Health and Safety

Occupational health and safety is one of our most important corporate and social responsibility. Our business operations involve risks and hazards that could result in personal injury, damage or destruction of property, business interruption and possible legal liabilities. Health and safety of all our employees, contractors and the public is our top priority.

We offer regular trainings on health, safety and accident prevention to our employees and contractors. We have established and implemented comprehensive safety regulations and periodically evaluate the sufficiency of our regulations. We have safety guidelines in place to ensure that our employees use and maintain equipment properly. We also conduct evaluation regularly on potential health and safety issues for our new products and production procedures. We have established safety committees at each of our production sites, which monitor the weekly, monthly and ad hoc safety inspections. We have dedicated a team of personnel led by our environmental, health and safety officers to handle environmental, occupational, health and safety compliance-related matters. We also implemented a comprehensive emergency plan to safeguard our employees, the environment and our business operation in response to the occurrence of environmental, occupational, health and safety incidents.

We are dedicated to continually promoting our workplace safety and wellness. We deploy noise protection device to reduce noise hazards, install separation facilities to protect employees from potential workplace risks such as pipeline leakage, and contract with qualified companies to conduct occupational hazard detection and assessment. We distribute personal protection equipment and emergency medicines to employees regularly to ensure their safety at work. We also set up health stations and equip employees with blood pressure monitors, blood glucose meters and other devices. Furthermore, we provide health education to our staff, such as chronic disease prevention and health promotion.

We require our staff members who engage in the mining, construction and dangerous chemicals production and processing operations in the PRC to obtain and maintain work safety permits issued by the relevant PRC local government authorities. In the PRC, the work safety permit review is performed by the relevant government authorities once every three years. We have not experienced any termination or suspension of our work safety permits by the relevant PRC government departments. With regard to our overseas operations, we are committed to strict compliance with the applicable local laws on occupational health and safety. As of the Latest Practicable Date, we had complied with the applicable laws and regulations on occupational health and work safety in all material respects. We have in place a system for recording and handling accidents to be carried out by the relevant production team and administrative personnel in accordance with our relevant internal policies. We are certified to GB/T 28001-2011 Occupation Health and Safety Management System to be in line with international practices. All of our domestic production plants had passed OHSAS18001 or ISO45001 Occupational Health and Safety Management System Certification as of the Latest Practicable Date. The lost time injury frequency rate (the “LTIFR”) of Shehong, Zhangjiagang and Tongliang plants was 0.72, 1.82 and 2.23 in 2020, respectively, and was lower than the average LTIFR of US industrial companies (which was 8.0 in the same year). During the Track Record Period, we did not record any material accidents. As of the Latest Practicable Date, no material claim had been brought against us as a result of an accident. For more information on our environmental, health and safety compliance, see “—Legal and Regulatory Compliance—Non-compliance”.

BUSINESS

To ensure the safety of our employees and prevent further recurrence of such incidents, we are committed to further strengthening our operational procedures and safety standards for our production process, including fire safety, warehouse safety, work-related injuries prevention, electricity safety, and emergency and evacuation procedures. We provide our employees with occupational safety education and training to enhance their awareness of safety issues. We also carry out equipment maintenance on a regular basis to ensure their smooth and safe operation. We also require our contractors to strictly comply with our internal management system for environmental, occupational, health and safety related matters, including but not limited to environmental, health and safety personnel staffing, protection equipment for workers, safety procedure, standard equipment operation procedure, transportation arrangement and emergency plan.

Our Directors confirm that we comply with the applicable health and safety laws and regulations in all material respects, and that, during the Track Record Period and up to the Latest Practicable Date, we were not in breach of such laws and regulations. We have not encountered any safety-related accidents that had any material impact on our operations during the Track Record Period and up to the Latest Practicable Date.

Potential Impact of ESG-Related Risks

Our business operations are subject to environmental protection laws and regulations promulgated by the relevant authorities and governments where we operate. Over the years of operation, we have identified physical risks and transition risks which could have a material impact on our business, operations and financial conditions and performance. For example, the effects of extreme weather events such as typhoons, floods, droughts, extreme hot or cold weather may cause transportation delays, supply chain disruptions, workforce reduction, damage to our facilities, or suspension of water, natural gas or power supply, therefore affecting our operations or decreasing the production capacity of our plants.

Furthermore, potential transition risks may result from the transitioning to lower-carbon operations which entails change in climate-related regulations and policies. Tightened environmental regulations may require significant investment to be made in transforming our business and operations and may expose us to regulatory and policy risks, technology risk, market risk and reputation risk. For instance, failure to comply with tightened reporting obligations relating to pollutant emissions may result in fines and penalties, loss of businesses, closure of operations and negative impact on our brands and reputation. Consumers' preference towards green and low-carbon products may increase our procurement costs and affect our planning of business and technology development.

Notwithstanding the above, due to our effective strategies and mitigating measures as outlined in details below, our business, results of operation and financial condition had not been materially adversely impacted by any ESG or climate-related incident during the Track Record Period and up to the Latest Practicable Date.

Our Strategies in Addressing ESG-Related Risks and Opportunities

We have established a process of materiality analysis to determine material ESG-related issues. The steps include preliminary identification of material issues through peer benchmarking, media and policy trends analysis, stakeholder interviews and other analysis methods based on the development of such issues.

BUSINESS

Climate-related issues are among our key agenda. Supervised by our Board, we actively identify and monitor climate-related risks and opportunities over the short, medium and long term and we seek to take such risks and opportunities into considerations when we are developing our businesses and financial strategies.

We refer to the Task Force on Climate-related Financial Disclosure framework for the purpose of identifying and analyzing climate-related risks and opportunities arising from our business, operations and supply chain. The main opportunities we have identified include the following:

- industry development: with the consensus of the world's major economies moving towards low carbon and a green economy, the vigorous development of China's lithium battery industry has brought unprecedented development opportunities to the lithium battery cathode material market; and
- product and services: with the intensification of global climate change, customers prefer to select environmental-friendly products and services and the development of low carbon products will enhance our competitiveness and brand recognition.

Risk Management and Mitigating Measures

We have adopted a series of comprehensive and effective measures to identify, assess, manage and reduce ESG-related risks. For example, Tianqi Shehong conducts environmental evaluation for all its new construction, expansion and renovation projects, and therefore is able to respond to ESG related risks more quickly and efficiently. It has also implemented an emergency plan for natural gas outage caused by thunderstorms, which better prepares our Shehong Plant for thunderstorm related emergencies. We strive to contribute to the transformation from traditional energy to clean energy. Our Shehong Plant has achieved 100% utilization of green electricity sourced from hydroelectric power for production in 2021.

We will also continuously monitor climate-related matters and governmental developments around actions to combat climate change and act to minimize the impact on our operations.

Metrics and Targets

We strictly adhere to the standards, metric and targets set or issued by the relevant ESG-related laws and regulations in assessing and managing our impacts on the environment as a result of our business activities, such as the discharge of pollutants or harmful substances in our production. In the meantime, we are in the process of establishing more detailed ESG-related metrics and targets after consulting with relevant stakeholders.

AWARDS AND RECOGNITION

We have received numerous awards and recognitions in respect of our business operation, products, as well as our research and development capabilities, including but not limited to:

<u>Award-winning Project</u>	<u>Award Type</u>	<u>Awarding Institution/ Authority</u>	<u>Award Date</u>
Overall Competitiveness	Sichuan Province Private Enterprises Top 100	Sichuan Federation of Industry and Commerce	2021
Innovation Capability	China Non-Ferrous Metals Industry Association Science and Technology Progress First Prize	China Non-Ferrous Metals Industry Association	2020

BUSINESS

<u>Award-winning Project</u>	<u>Award Type</u>	<u>Awarding Institution/ Authority</u>	<u>Award Date</u>
Innovation Capability	Sichuan Province Science and Technology Progress Second Prize	Science and Technology Department of Sichuan Province	2019
Overall Competitiveness	Sichuan Province Outstanding Private Enterprises	People's Government of Sichuan Province	2018
Method for Producing Low Magnesium Battery-Grade Lithium Carbonate with Lithium Sulfate Solution (硫酸鋰溶液生產低鎂電池級碳酸鋰的方法)	Chinese Patent Invention Golden Award	State Intellectual Property Office of the PRC and World Intellectual Property Organization	2013

CERTIFICATES, LICENSES, PERMITS AND APPROVALS

We are required to obtain various certificates, licenses, permits and approvals for our operations including, among other things, those required for mining and exploration, waste discharge, safety production, sale of hazardous chemicals and production of chemical products. For details about our mining permits, see “—Our Mining Permits.”

Pursuant to Australian laws and regulations, before commencing mining operations, we are required to pass a number of inspections and obtain permits and licenses with respect to acknowledgment and protection of aboriginal people's property and heritage interest and rights, among other things.

As of the Latest Practicable Date, there were no registered or unregistered native title claims affecting Australian operations. A series of native title determinations in the Federal Court of Australia made on December 1, 2021 resolved a number of historic native title claims that had been made in relation to land including the Greenbushes Mine operations. It was determined that native title did not exist within the determination area, which includes the Greenbushes operations site.

Based on our legal advisor's advice, we believe that these determinations have resolved all past and any future native title claims over land subject to the mining titles and related ancillary licenses.

As of the Latest Practicable Date, there was one registered Aboriginal heritage site affecting three properties owned by Talison and six areas of land covered by our mining titles and related ancillary licenses for the Greenbushes Mine. There may also be unregistered Aboriginal sites within the area covered by our mining titles and related ancillary licenses for the Greenbushes Mine. The presence of Aboriginal heritage sites may limit or preclude additional mining, exploration or construction activity within the area of those sites and may cause delays and expenses in obtaining relevant clearances and approvals. Compliance with the Aboriginal Heritage Act is a standard condition imposed generally on mining tenements in Western Australia. It is an offense under the Aboriginal Heritage Act for a person to damage or in any way alter an Aboriginal site or any object on or under an Aboriginal site (which, amongst other things, includes any sacred, ritual or ceremonial site of importance and special significance to people of Aboriginal descent). However, based on our legal advisor's advice, we believe that the existing registered Aboriginal heritage site would not materially affect our current operations. If additional Aboriginal heritage sites were identified in the future, then our ability to conduct future operations could be materially impacted.

BUSINESS

Notwithstanding the presence of the registered Aboriginal heritage site, based on our legal advisor's advice, there is nothing to suggest that we are non-compliant with any law, rule or regulation relating to native title or Aboriginal heritage.

During the Track Record Period and up to the Latest Practicable Date, we had complied with all relevant applicable laws and regulations in all material respects and had obtained all requisite licenses, approvals and permits from relevant regulatory authorities for our material businesses in the jurisdictions in which we operate, save as disclosed in “—Legal and Regulatory Compliance—Non-compliance” below. All of these licenses, approvals and permits remained in full effect, and no circumstances existed that would render the revocation or cancellation of our licenses, approvals and permits or would render legal impediments to our business operations. Our PRC Legal Advisor and Australian Legal Advisor have advised us that, to the best of their knowledge, there is no legal impediment to renewing any material licenses, approvals or permits for our business and operations in the PRC and Australia, so long as we comply with the relevant legal requirements and provided that we take necessary steps and submit the relevant applications in accordance with the requirements prescribed by the applicable laws and regulations.

LEGAL AND REGULATORY COMPLIANCE

As of the Latest Practicable Date, there was no litigation, arbitration or administrative proceedings pending or threatened against our Company or any of our Directors which could have a material and adverse effect on our financial condition or results of operations. We may from time to time become a party to various legal, arbitration or administrative proceedings arising in the ordinary course of our business.

Legal Proceedings

Legal Proceedings Relating to MSP Engineering

In March 2020, MSP Engineering commenced legal proceedings against our subsidiary TLK in the Supreme Court of Western Australia, seeking payment of approximately A\$38.9 million of the remaining construction fees relating to the lithium hydroxide plant in Kwinana, Western Australia. TLK defended on the grounds that MSP Engineering's construction was delayed and had cost overruns.

In April 2020, TLK commenced arbitral proceedings in Perth against MSP Engineering, claiming damages for project delay and cost overruns, totalling approximately A\$225 million. In January 2021, MSP Engineering commenced separate arbitration proceedings against TLK for construction fees claimed as owing, totalling approximately A\$50.5 million.

In March 2021, the Supreme Court of Western Australia ordered TLK to pay MSP Engineering A\$38.9 million in construction fees. TLK appealed the judgment. The Court of Appeal of Western Australia then ordered TLK to pay A\$38.9 million into a Court of Appeal trust account pending determination of the appeal.

In October 2021, TLK, MSP Engineering and Tianqi Lithium Co. Limited entered into a settlement deed to resolve all claims between the parties arising out of the lithium hydroxide plant in Kwinana and related contracts. Pursuant to the settlement deed, the parties suspended all of the court proceedings and arbitral proceedings and agreed to discontinue them permanently, without any award

BUSINESS

or costs orders being made, subject to the terms of the deed. As part of the settlement, the A\$38.9 million being held on trust by the Court of Appeal of Western Australia was transferred into an escrow account managed by FTI Consulting. Subject to certain conditions under the deed of settlement being satisfied, MSP Engineering is to be paid a net sum of approximately A\$17.3 million and TLK a net sum of approximately A\$23.1 million. Once the arbitral proceedings commenced by TLK are discontinued, A\$1.2 million provided by TLK as security for costs in the proceedings will also be returned to TLK.

In February 2022, all the conditions contained in the settlement deed were fulfilled. As such, parties have discontinued all legal proceedings by consent, which has been formalised by applicable sealed orders. The A\$38.9 million previously paid to the Court of Appeal of Western Australia and then transferred into the escrow account is being distributed in accordance with the settlement deed, and we have received A\$21.4 million from the escrow account as of February 2022. In March 2022, the A\$1.2 million provided as security for costs was also returned to TLK. Our Australian Legal Advisor is of the view that, since all the conditions under the settlement deed were fulfilled and parties have discontinued all legal proceedings, this case is unlikely to materially and adversely affect our operations.

Legal Proceeding Relating to CLSA Australia

In November 2017, we entered into an agreement with CLSA Australia in relation to its consulting services in the SQM Transaction. In January 2021, CLSA Australia filed a lawsuit against us in the Intermediate People's Court of Chengdu City of Sichuan Province, PRC, alleging failure of payment by us of the service fee of approximately RMB27.8 million, together with damages arising from overdue payment in the amount of approximately RMB3.3 million. In March and April 2021, the judge granted the interlocutory injunction to freeze three bank accounts of our Company and Tianqi Xinlong and to deposit 5% of the shares we hold in Chengdu Tianqi. We defended on the grounds that (i) CLSA Australia did not provide the consulting services in accordance with the agreements; and (ii) our Company and Tianqi Xinlong are independent legal entities. A trial was held in September 2021, and the case was still pending as of the Latest Practicable Date.

Based on the complaint made by CLSA Australia, its maximum claim against us was in the amount of approximately RMB30 million as of the Latest Practicable Date. Our PRC Legal Advisor is of the view that, since the amount in dispute is relatively small and approximately RMB27.7 million has been recorded in trade and other payables in our financial statements, the case will not have a material adverse impact on our business operations and financial results.

Legal Proceeding Relating to Chongqing Yutai

In August 2021, Chongqing Yutai Guarantee Co., Ltd. ("**Chongqing Yutai**") filed a lawsuit against our subsidiary, Chengdu Tianqi, Chongqing Kunyu Lithium Co., Ltd. ("**Chongqing Kunyu**"), Chongqing Kunhui New Materials Technology Co., Ltd. and several natural persons, in Chongqing First Intermediate People's Court, requesting mainly for (i) compensation for losses arising out of the breach of contract in the amount of RMB30 million from Chongqing Kunyu, Chongqing Kunhui New Materials Technology Co., Ltd. and several natural persons who are Independent Third Parties and agreed to provide guarantee for Chongqing Kunyu or its affiliates, and (ii) the cancellation of the investment agreement entered into by and between Chengdu Tianqi and Chongqing Kunyu on January 26, 2017. Chongqing Kunyu was our lithium metals processing partner through tolling

BUSINESS

arrangement from 2011 to 2017 and we entered into the investment agreement with Chongqing Kunyu to set up Chongqi Tianqi for the purpose of increasing our downstream processing capacity. According to the investment agreement, Chengdu Tianqi and Chongqing Kunyu are obligated to contribute RMB154.3 million and RMB24.3 million, respectively, for the purpose of setting up a new company, Chongqing Tianqi. As of the Latest Practicable Date, Chengdu Tianqi had fully contributed RMB154.3 million to Chongqing Tianqi in cash, which had been verified by the bank transfer receipt. Chongqing Kunyu had contributed the assets with a value of RMB2.6 million to Chongqing Tianqi, which had been verified by an asset appraisal report issued by a licensed third party appraisal firm and a transfer confirmation letter in accordance with the investment agreement and confirmed by both Chengdu Tianqi and Chongqing Kunyu on an arm's length basis. Chongqing Yutai, as Chongqing Kunyu's creditor, alleged that such capital contribution represented a clearly unreasonably low price transfer of Chongqing Kunyu's assets to the newly established company, and in turn seriously affected the exercise of its creditor's right against Chongqing Kunyu. Therefore, Chongqing Yutai requested that the investment agreement be voided.

In April 2022, Chongqing First Intermediate People's Court dismissed all the claims made by Chongqing Yutai. Chongqing Yutai filed an appeal with the higher People's Court of Chongqing in May 2022, and the legal proceeding is still pending. The PRC Legal Advisor is of the view that this case will not have a material adverse impact on our operations, taking into account various factors, including but not limited to the following (i) even if the higher People's Court of Chongqing ordered the cancellation of the investment agreement, the cancellation of the investment agreement itself would not impact the assets and operations of both Chengdu Tianqi and Chongqing Tianqi; (ii) the contribution made by Chongqing Kunyu accounts for a small percentage of the net assets of Chongqing Tianqi; and (iii) the equity interest held by Chongqing Kunyu represents a small percentage of the equity interests of Chongqing Tianqi.

Non-compliance

As of the Latest Practicable Date, we and our Directors are not aware of any material non-compliance, which would have a material adverse effect on our business, financial condition and results of operations.