

Classification and Environmental and Social Strategy (ESS) Sal de Vida – Argentina

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1. Project Scope and Objective and IDB Invest Participation

The Sal de Vida Project (the "Project" or "SdV") consists of the construction and operation of a lithium (Li) mining project in Salar del Hombre Muerto (the "Salar"), located in the province of Catamarca, Argentina, 4,100 meters above sea level and approximately 90 km north of the departmental capital of Antofagasta de la Sierra. The Project will be operated by Galaxy Lithium (Sal de Vida) S.A (the "Company"), a subsidiary of the Allkem Limited group, the fifth largest lithium producer worldwide.

SdV will extract brine with more than 500 ppm of Li from an aquifer whose depth ranges from 200 to 300 meters, and then pre-concentrate it through a natural evaporation process. Submersible pumps in 8 wells located in the eastern sub-basin will be used to extract brine from inside the evaporite basin during the Project's first stage of development. The main components of the Project include, as of May 2023: i) a well field, together with its brine distribution system; ii) solar evaporation concentration ponds for halite and muriate salts; iii) a lithium carbonate equivalent (LCE) production plant; iv) harvested salt stockpiles; and v) ancillary infrastructure (camp, administrative and support buildings). All industrial process facilities and ancillary services will be located east of the Los Patos River alluvial cone within the company's mining easement and property.

In its first stage of development, the Project is expected to generate around 15 thousand tons per year of LCE, which will be exported to the European and U.S. markets, where lithium will be used as a key component in the manufacture of electric vehicle batteries.

The Salar (the second largest in Argentina) is in Argentina's Southern Puna, an arid ecoregion characterized by sparse herbaceous and shrubby vegetation with less than 300 millimeters of precipitation per year, low temperatures, and high solar radiation. Vegetation consists of scattered grasslands, low shrublands, and extensive arid plains. The Project is located within the Key Biodiversity Area (KBA) of the Salar del Hombre Muerto, which is also an Important Bird and Biodiversity Area (IBA). The typical fauna of this ecoregion includes mammals such as the vicuña, the Andean cat, the red fox, and birds such as flamingos (three species). Some of these species are of conservation interest. There are also endemic plant and animal species.

The nearest human settlement to the Project site is Ciénaga Redonda, which is located almost 5 km from the site and has approximately 30 inhabitants. There are also some scattered rural dwellings (*puestos*) within a 50 km radius of the Project. The estimated total population, between Ciénaga Redonda and the *puestos*, is 80 people. There are other population centers (Antofalla, El Peñón) at distances greater than 150 km.

The Project's preliminary social baseline identified a group of self-identified Indigenous people in the Salar del Hombre Muerto region and a high geographic mobility of the population, with family members traveling in and out of the Salar area for work, education, and to support family members through economic and domestic activities.

2. Classification and Environmental and Social Strategy

The project has been pre-classified as Category A, in accordance with IDB Invest's Environmental and Social Sustainability Policy because of its potential to generate risks and impacts related to: (i) water use, given that SdV is located in an arid region in the Argentine Puna; (ii) the Salar's fresh and hypersaline water systems, which could be altered by the use of brackish water; (iii) biodiversity, as the Salar is a globally recognized IBA and KBA; (iv) the presence of indigenous communities; (v) the generation of cumulative impacts by other mining projects from neighboring companies; (vi) working conditions and management of occupational health and safety issues; (vii) contractor management; (viii) safety in the transportation of workers, products, and inputs; and (ix) community-related impacts. Contextual risks include a possible increase in society's perception of lithium mining and its potential impacts on water resources, biodiversity, and communities.

The Project team, with the support of specialized external consultants, has prepared an Environmental and Social Impact Assessment Report for the mining stage, completed in February 2021, and updated in August 2022 (see www.idbinvest.org).

The environmental and social due diligence (ESDD) process will analyze, among others, the following topics: (i) the Project's E&S management systems; (ii) E&S and OHS policies, plans, and procedures; (iii) environmental and social impact assessments ("ESIAs") for the Project; (iv) hydrogeological studies and models; (v) contingency plans; (vi) social baseline studies; (vii) biodiversity monitoring reports; (viii) contractor management audits and protocols; (ix) human resource policies; and (x) planning and execution of stakeholder engagement processes, including grievance mechanisms and social investment activities conducted by the Project.

Based on the information received and reviewed so far the Performance Standards (PS) that the Project is likely to trigger are: PS1 Assessment and Management of Environmental and Social Risks and Impacts; PS2 Labor and Working Conditions; PS3 Resource Efficiency and Pollution Prevention; PS4 Community Health, Safety, and Security; PS6 Biodiversity Conservation and Sustainable Management of Living Natural Resource; and ND7: Indigenous Peoples. The final determination of the PSs triggered by the Project will be done by the end of the ESDD process.

Once the ESDD process is completed, an Environmental and Social Review Summary ("ESRS") and an Environmental and Social Action Plan ("ESAP") will be prepared and published on this website to close any compliance gaps with IDB Invest's Environmental and Social Sustainability Policy.

3. Additional Information

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In addition, as a last resource, affected communities can access IDB Invest's Independent Consultation and Investigation Research (MICI) as follows:

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