



ASX: CXO ANNOUNCEMENT

1 April 2019

Yahua Increases Lithium Concentrate Offtake Commitment

HIGHLIGHTS

- Core and Yahua have agreed to expand lithium concentrate offtake commitment by 50%;
- Offtake has been increased to 75,000t per annum of 5.5% Li₂O concentrate;
- The Offtake Agreement includes a floor price, guaranteeing a robust operating margin and revenue for the first 2 years;
- Core is in continuing discussions with various additional potential offtake partners and is focussed on executing further binding offtake agreements ahead of Financial Final Investment Decision (FID);
- Yahua is one of China's largest lithium hydroxide and carbonate producers.

Emerging Australian lithium developer, **Core Lithium Ltd (ASX: CXO)** (“Core” or “the Company”) is pleased to announce that it has expanded its existing binding lithium offtake agreement (“**Offtake Agreement**”) with Yahua for its 100% owned Finniss Lithium Project, located near Darwin in the Northern Territory.

The Offtake Agreement is with one of China's largest lithium hydroxide and carbonate producers, Ya Hua International Investment and Development Co. (“**Yahua**”), a wholly owned subsidiary of A\$2Bn market value and Shenzhen-stock exchange listed Sichuan Yahua Industrial Group Co., Ltd.

Execution of the agreement illustrates Yahua's support for the project as Core positions itself to be Australia's next lithium producer.

Stephen Biggins, Core's Managing Director commented, “*The signing of the binding offtake agreement with Yahua for the Finniss Lithium Project is another significant milestone for Core, and we are delighted to further strengthen our strategic relationship with one of our largest shareholders.*”



“The offtake agreement underscores the strong relationship Core has developed with customers and high-quality chemical converters in Asia, who are suppliers into the fast-growing lithium battery materials sector.

“Additionally, the strengthened terms further de-risks our development plans and gives substantial clarity on project funding as we embark on our plan to rapidly transition into production.”

Offtake Agreement Details

The Offtake Agreement is for the supply of Li₂O concentrate from the Mineral Lease and exploration license that contains the Grants and BP33 lithium deposits (Lithium Deposits) until 30 November 2023 and the delivery of 300,000 dry metric tonnes of Li₂O concentrate. The Mineral Lease was granted in January 2019 for Core’s 100% owned Finniss Lithium Project near Darwin.

The Offtake Agreement provides for attractive pricing linked to the market for 6.0% FOB spodumene concentrate and contains an agreed price floor and ceiling for the first 2 years, ensuring Core’s operating margin is protected during the commissioning and capital payback period.

The Offtake Agreement accounts for approximately 40% of the Grants and BP33 lithium deposit production over the life of those mines, underpinning its production profile and providing great confidence to Core to fast-track development of the mine. The Offtake Agreement represents significant value for the Company in early stage project revenues over the term of the Offtake Agreement.

As part of the Offtake Agreement, Core has granted Yahua a first right of refusal over Li₂O concentrate offtake produced from the Lithium Deposits up to the greater of 300,000 tonnes of Li₂O concentrate or 50% of the forecast production for any calendar year.

The Offtake Agreement ends on the latter of Core having supplied 300,000 dry metric tonnes of Li₂O concentrate to Yahua, or 30 November 2023, and may be extended by mutual agreement between Core and Yahua.

About the Finniss Lithium Project

The Finniss Project comprises over 500km² of granted tenements over the Bynoe Pegmatite Field, near Darwin in the Northern Territory. Exploration and Mineral Resource drilling to date has confirmed that ore-grade lithium mineralisation is widespread within the Finniss Project, and Core’s drilling in 2018 and into early 2019 has already shown the potential to substantially grow the Mineral Resource base to underpin a potential long-life lithium mining and production operation.



Core is planning to be the next lithium producer in Australia through mining and production of high-quality lithium concentrate from the Finnis Project and is aiming to complete a DFS, regulatory approvals, financing and internal approvals before commencing construction later this year.

The Finnis Project has substantial infrastructure advantages supporting the Project's development; being close to grid power, gas and rail and within easy trucking distance by sealed road to Darwin Port - Australia's nearest port to Asia.

Core intends to ship the lithium concentrate from Darwin Port to customers in Asia to meet their growing global demand for lithium, including Yahua as Core's maiden offtake customer.

About Sichuan Yahua Industrial Group Co., Ltd

Sichuan Yahua Industrial Group Co., Ltd. (Yahua) is a China-based diversified chemical company principally engaged in the manufacture and distribution of civil explosives. Core has binding Offtake and US\$20 million binding pre-payment agreement with Yahua.

The company is an A-share listed on the Shenzhen-stock exchange in China, with an approximate market capitalisation of RMB 8 billion (A\$2.0 billion).

The company's main products include industrial explosives, industrial detonators, industrial cords and customised civil explosive products, among others. The Company's products are mainly applied in mining, hydropower, transportation construction, urban renewal, geological exploration and national defence industries. The company is also involved in the provision of engineering blasting solutions and related services, as well as the production and sale of lithium carbonate, lithium hydroxide and other lithium salt products. The Company distributes its products into China's domestic market and exports from China to overseas markets.

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Competent Persons Statement

The Mineral Resources underpinning the production target have been prepared by a Competent Person in accordance with the requirements of the JORC code. Core confirms that all material assumptions underpinning production target and forecast financial information derived from the product target announced on 25 June 2018 continue to apply and have not materially changed.