

ASX: CXO Announcement

31 August 2020

Finniss Lithium Project Update

Highlights

- Evaluation of key underground Pre-Feasibility Study findings identifies significant opportunities to further add value resulting from recent increases to the Finniss Lithium Project's Mineral Resources and Ore Reserves and doubling of life of mine (LOM) including:
 - Increasing Finniss' production capacity, based on growing offtake interest and expanded LOM, with only minor change to start-up capex
 - Assessing the growth potential of the Grants prospect
 - Optimising the balance between initial Grants open pit and new Grants underground mining operation to minimise strip ratio and start-up capex
 - Assessing grid connection for the Finniss Project to reduce power cost and emissions footprint
 - Further increases to Resource, Reserve and LOM
- Update to the June 2020 PFS to Definitive Feasibility Study (DFS) level in Q1 2021 to include these opportunities
- COVID-19 has influenced a positive world-wide pivot toward EVs as part of the global green economic recovery, but lockdown also has delayed EV sales volumes and slowed lithium demand
- New Lithium price forecasts predict increasing lithium prices in 2022 and accelerating upward in 2023

- Finniss final investment decision (FID) in 2021 timed for expected post-COVID-19 recovery in global lithium demand and prices
- DFS update aimed to maximise Project outcome without delaying Core’s capability to achieve target FID
- Core has approvals in place to build and operate the Finniss Lithium Project as soon as global COVID-19 economy and lithium sector recovers and can be ready if the world economy recovers sooner than expected

Advanced Australian lithium developer Core Lithium Ltd (Core or the Company) (ASX: CXO) is pleased to announce that a number of significant opportunities have been recognised as a result of recently announced increases to Resources, Reserves and Life of Mine (LOM) of the Finniss Lithium Project.

Core intends to capture the value of these resulting new opportunities in an updated Finniss Project Definitive Feasibility Study.

To maximise the value of the Finniss Project to shareholders, Core is targeting FID in 2021 timed to take advantage of forecast higher lithium demand and prices as illustrated in Figure 1 below.

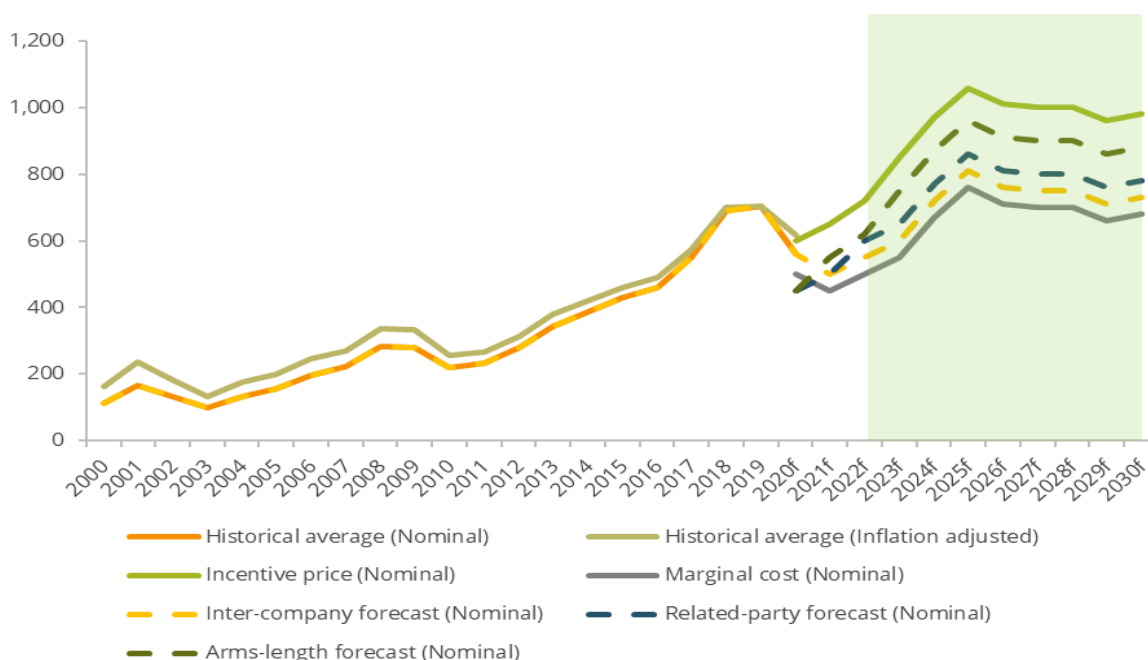


Figure 1 – Roskill average annual price forecast for chemical-grade spodumene concentrate, 2000-2030 (US\$/t 6.0% Li₂O CIF China)

Additional Offtake and Increasing Production Capacity

As evidenced by the recent Placement and letter of intent for Finniss offtake tonnes with leading lithium group Xinfeng (see ASX announcement 19 August 2020), Core continues to receive growing interest from new parties and is close to completing additional binding offtake and customer project finance agreements.

Combined with the recently announced much larger Finniss Mineral Resource and longer LOM, Core is assessing the Finniss Project's potential to increase the production capacity. Importantly, based on the existing crushing and DMS process plant design and throughput potential, an increase in capacity may be achieved without substantially increasing start-up capex.

Core is aiming to capture the potential benefit of increasing project revenues by increasing production and sales of high-quality concentrate.

Grants Open-Pit and Underground Optimisation

The recently completed underground mining PFS has highlighted a new opportunity to extend mining of the high-grade Grants resource, which is open beneath the current open pit design.

Core's mining engineering team is working to optimise the depth of the Grants open pit to complement an extended underground mining operation to exploit the deeper extents of the Grants orebody.

Optimising open pit and underground mining has the potential to minimise the pre-strip start-up capex and overall stripping ratio.

Extending mining of the Grants orebody also has the potential to push back development capex needed to develop the BP33 orebody.

Extending Grants and BP33 Reserves and Resources

The mine planning and resource assessment studies completed in the June 2020 Quarter have highlighted valuable opportunities to further extend resources and reserves at Grants and BP33, particularly in light of efficient underground mining methods verified in the PFS.

A focused resource drilling campaign is expected to commence next month, including at BP33 where the mineralisation remains open along strike and at depth. For example, the last holes drilled at BP33 showcased outstanding lithium intersections of 107m @ 1.7% Li₂O with the high-grade spodumene pegmatite open along strike in both directions and at depth (see ASX announcement 16 January 2020).

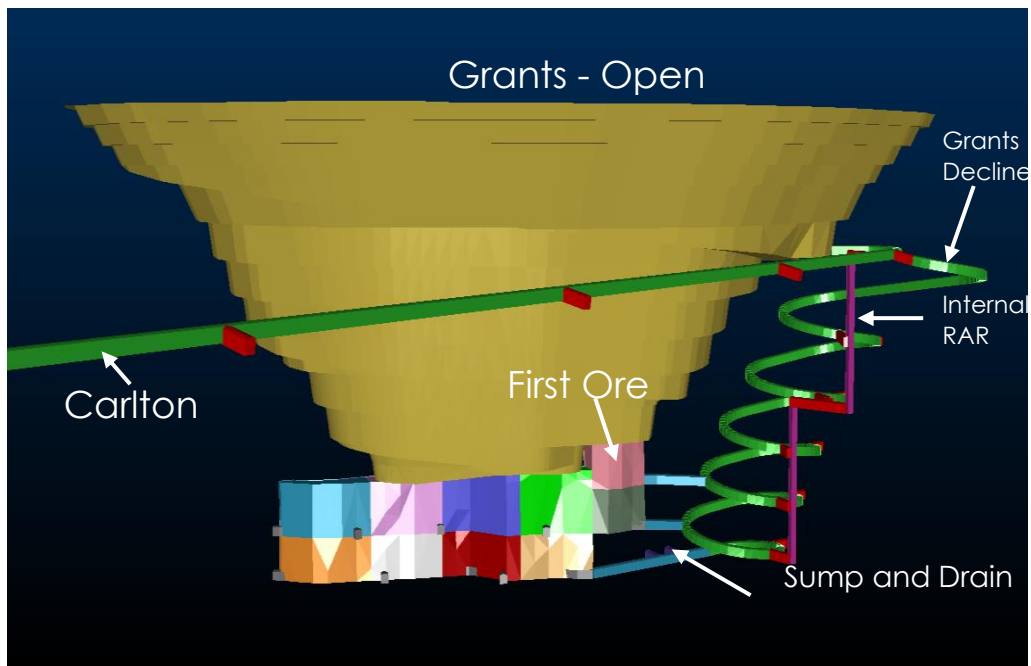


Figure 2 - Preliminary Grants Open-Pit and Underground Mine Design and Resource is open at depth

Grid Power Connection

The opportunity to connect the Finniss Project to the NT electricity grid has the potential to lead to reduced power prices and contribute to a reduction in the emissions footprint of the project.

The 2019 DFS was based on diesel-generated power. However, a recent financial analysis and report by GPA Engineering recommended that power supplied from the distribution network (grid connection) would be the standout power option over a longer period.

The power supply costs for the Finniss Project are expected to decrease as a result as well as benefit the community with potential for additional future grid connections along Cox Peninsula Road.

This new power option would incorporate the construction of a new 22KV overhead line for a distance of approximately 9.5km to the Finniss site from the existing electricity distribution network owned by Power and Water Corporation (PWC). PWC is a NT Government-owned corporation that transmits and distributes electricity and provides water services across the Northern Territory.

Core has engaged with PWC to optimise the provision of grid connection for the project.

COVID-19 and the Global Lithium Market

Demand for electric vehicles is expected to surge in coming years, spurred by government mandates, rising concern about climate change and other factors. The Coronavirus pandemic has temporarily held up that trend, causing a short-term oversupply of lithium that has pushed down lithium prices further this year and forced existing producers to cut production and halt expansion projects.

Forecast growth in lithium demand will require significant additional mined and refined production, and lithium prices must increase in order to spur investment and prevent future supply crunches of the battery metal.

Recent lithium prices forecast by Roskill (Figure 1), Benchmark and other industry analysts predict that lithium prices will recover in 2022 and prices will accelerate upwards from 2023, reflecting anticipated supply shortages before reaching a balance after 2025.

Project Readiness - Optimising Feasibility and Project Value ahead of FID

To maximise the value of the Finniss Project to shareholders, Core is now targeting FID mid-2021 to enable a production start date in H2 2022, timed to take advantage of forecast higher lithium demand and prices.

The revised timing of the optimised Feasibility Study update in Q1 2021 has been carefully considered, with the aim of maximising the best possible outcome for the Finniss Project without delaying Core's capability to achieve target FID by mid-2021.

Core has approvals in place to build and operate the Finniss Project, which means the Project can be ready to capture the recovery in market conditions if the world economy recovers sooner than expected.

The recent Local Jobs Fund (LJF) commitment by the NT Government (see ASX announcement dated 5 August 2020) is a strong endorsement of the Finniss Project and expected to contribute to the lower start-up capex needs. The concessional interest rate is expected to reduce the overall cost of finance.

Core has achieved significant milestones at the Finniss Project in 2020. The planned upside opportunities being delivered later this year are expected to provide even more value to Finniss when the updated Feasibility Study is released in early 2021.

Core's Managing Director Stephen Biggins commented:

"The decisions, as detailed in this announcement, have all been made with the best interests of our shareholders in mind.

"Whilst we could have made the decision to proceed with the updated Feasibility Study and retained our target FID date, Core's management team could not ignore the range of market factors and opportunities that have been presented to us, which will add significant further value to our flagship Finniss Lithium Project if we revise our schedule.

"This decision was not taken lightly, but we strongly believe that, in the long run, the benefits that will come with our revised schedule will mean longer-term rewards for our shareholders.

"We're excited to be able to add further value to the Finniss Project ahead of release of the updated Feasibility Study, whilst also progressing positive discussions additional binding offtake and customers."

This announcement has been approved for release by the Core Lithium Board.

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About the Finniss Lithium Project

The Finniss Lithium Project is at the front of the line of new global lithium production and has arguably the best logistics chain to markets of any Australian lithium project.

The Project lies within 25km of port, power station, gas, rail and one hour by sealed road to workforce accommodated in Darwin and importantly to Darwin Port - Australia's nearest port to Asia.

Core has recently announced a 50% increase in Resources and a 7-year Life of Mine (LOM) backed by Reserves (15 June 2020 and 30 June 2020 ASX announcements).

Core has also recently signed its first European Offtake MOU with Geneva-based Transamine for 50,000tpa, in addition to binding offtake for 75,000tpa with one of China's largest lithium producers, Sichuan Yahua.

Lithium is the core element in batteries used to power electric vehicles, and the Finniss Project boasts world-class, high-grade and high-quality lithium suitable for this use & other renewable energy sources.

Core confirms that it is not aware of any new information or data that materially affects the results included in this announcement as cross referenced in the body of this announcement. Core confirms that all material assumptions underpinning production target and forecast financial information derived from the product target announced on 30 April 2019 and 30 June 2020 continue to apply and have not materially changed.