Interim Consolidated Financial Statements

for the half year ended 31 December 2023

Contents

This Report covers Core Lithium Ltd ("Core", the "Parent" or the "Company") and its subsidiaries, collectively referred to as "the Group".

The financial report is presented in Australian dollars.

Its registered office and principal place of business is:

Core Lithium Ltd
Level 9, 2 Mill Street Perth 6000
Western Australia

Directors' Report

Your directors present their report together with the financial statements of the consolidated entity being Core Lithium Ltd ("Core" or "the Company") and its controlled entities ("the Group") for the half year ended 31 December 2023 and the Independent Auditor's Review Report therein.

Directors

The Directors of the Company who held office during the half year and up to the date of this report are stated below. Directors were in office for this entire period unless otherwise stated.

Greg English	Non-Executive Chair
Heath Hellewell	Non-Executive Director
Malcolm McComas	Non-Executive Director
Andrea Hall	Non-Executive Director (resigned 12 March 2024)

Review of operations and financial results for the period

Finniss Operations

During the six months ending 31 December 2023 (HY24), a total of 49,530 tonnes (t) of spodumene concentrate was produced at an average grade of 4.8%. This was produced with an average cash operating unit cost for HY24 of $1,926/t. There was significant progress made in both the mine and processing plant that led to improved productivity and record production. Continuous recovery improvement was demonstrated during the period with monthly recovery reaching as high as 63%. During HY24, there was a focus on building consistent ore supply to the Run of Mine pad (ROM) with ore stockpile at 31 December 2023, totalling 289kt.

Despite the improvement in production, the market deteriorated in the HY24 period, with a significant fall in the lithium price over the past 12 months down 85% to US$950/t at 31 December 2023.

The BP33 early works were suspended during December 2023. As a result of the significant fall in the lithium price, post half year end, on 5 January 2024, Core announced the suspension of mining at the Grants open pit operation. Consequently, activity has been reduced to processing existing ROM stockpiles, which are expected to be depleted by mid-2024. The Group will continue to monitor the lithium market in considering a possible restart of mining at the Grants open pit. Further detail on the impact of these matters is discussed below in the significant changes to the state of affairs.

Sustainability

In HY24, Core continues to refine sustainability frameworks, systems, and protocols in line with leading practice guidelines.

The focus on Critical Risk Management (CRM) continued during the period. The integration of CRM into assessments of material safety risk events was finalised and ready for implementation. The health monitoring program continued with a full year of monitoring data set to inform risk management activities and control effectiveness programs.

Water storage and discharge infrastructure construction continued and was commissioned in preparation for the upcoming wet season. An updated water management strategy was prepared to reflect the increased sizing of water storage facilities and the improved linkage of facilities and operational efficiency. Telemetered water monitoring stations have been installed at downstream sites to improve the data which informs our operational water strategy.

Financial Overview

Summarised below is a reconciliation of the Group's underlying performance, (non-IFRS measure) to the reported Loss after income tax:

	HY24 $000's
Sales	134,796
Cash cost of sales	(72,458)
Non-cash inventory net realisable value adjustment (NRV)	(28,074)
Corporate expenses	(13,715)
Other operating cost	(4,287)
Onerous contract expenses	(27,582)
Foreign currency loss	(134)
EBITDA[1]	**(11,454)**
Impairment of non-financial assets	(119,647)
Impairment of capitalised exploration expense	(792)
Depreciation and Amortisation	(33,635)
EBIT[1]	**(165,528)**
Finance costs	(1,451)
Interest and other income	4,221
Operating Loss before income tax	**(162,758)**
Income tax expense	(4,862)
Loss after income tax	**(167,620)**

1. This financial performance summary is a non-IFRS measure and is unaudited.

Financial Performance

The Group generated revenue for HY24 of $134.8 million from shipments of spodumene concentrate and fines. The cash cost of sales of $72.5 million represents the mining, processing and site general and administration costs. Other operating cost mainly relates to royalties that were payable to the Northern Territory Government of $1.4 million and to Lithium Royalty Corporation of $2.0 million and demobilisation cost for the mining contractor of $2.3 million.

The Group's earnings before interest tax, depreciation and amortisation (EBITDA) were a loss of $11.5 million. This EBITDA loss reflects the impact of non-cash NRV adjustments of $28.1 million and provision for onerous contracts of $27.6 million. Before the one-off impact of onerous contract expenses, the EBITDA would be an income of $16.1 million.

As a result of the decision to suspend mining at the Grants open pit and the decline in lithium prices, an impairment loss of $119.6 million was recorded. Total depreciation and amortisation across the Group was $33.6 million. In summary, the Group reported a net loss after tax of $167.6 million.

Financial Position

As at 31 December 2023, Core had cash of $124.8 million and inventory with a net realisable value of $33.6 million (a majority being the ore stockpiled in preparation for the wet season). The Group has derecognised its deferred tax assets, which related to tax losses that were expected to be recouped against future taxable income.

Sales and Marketing

Core sold 54.1kt of spodumene concentrate in the HY24 period, at an average realised price (spodumene concentrate 6% equivalent) of US$2,098/t[1] and 46.3kt of lithium fines at an average realised price of US$106/t. The pricing mechanism includes adjustments for grade and a price settlement period. Pricing periods used to adjust provisional pricing are typically a two-month period, including the month of shipment, which is intended to ensure final pricing is better aligned with the time of delivery of product to the end customer. Based on the current lithium pricing, a repayment of $13.7 million has been recognised as a financial liability for the November and December shipments.

Core is currently in discussions with its offtake partners regarding future delivery schedules and the potential impact of the decision to suspend mining on the long-term offtake agreements.

[1] This SC6 price is before grade adjustments and penalties associated with Core's lower grade concentrate, which averaged 4.8% in the period.

Exploration and Studies

Core continued to work to grow the Finniss Lithium Project's Mineral Resources and undertook extensive drilling in the HY24 period. Total exploration expenditure for the HY24 period was $21.5 million, directed towards resource definition drilling at BP33 and Carlton and extension and definition drilling of other known deposits at Lees-Booths, Ah Hoy, Penfolds and Hang Gong. Geophysical and geochemical surveys were also undertaken to identify new targets and were successful in identifying a number of anomalies which warrant further exploration attention. While some of this work commenced prior to the onset of the wet season, this work has provided additional exploration targets across the Finniss leases.

An updated Mineral Resource estimate for BP33 was announced on 16 October 2023 with an increase in the proportion of the Measured and Indicated categories to 9.36Mt, 89% of the total Mineral Resource Estimate. Infill drilling completed as part of the Resource's Definition program has led to an increase in the average grade and resource estimate at BP33 from 10.1Mt at 1.48% Li_2O[2] to 10.5Mt at 1.53% Li_2O[3]. As announced, the BP33 early works was suspended and all construction and infrastructure material delivered to site will be secured until a decision is made to recommence the early works at BP33. Work continues on the BP33 updated feasibility study, with BP33 Final Investment Decision (FID) deferred until market conditions improve.

Significant changes to the state of affairs

As detailed above, there has been a significant change in the operations at the Finniss Lithium Project. Additionally, the Group announced the termination of the mining services agreement with Lucas Total Contract Solutions (Lucas) by mutual agreement.[4] Operational activity has been reduced to processing existing ore stockpiles with ~289kt on the ROM pad at 31 December 2023.

Core remains debt-free with a cash balance of $124.8 million at the end of the period. The Group has moved to reduce costs and preserve cash. Core will strictly assess capital allocation with the aim of emerging from the current market conditions in the best condition possible. The Group retains significant exploration potential, both within the Finniss region and its broader tenement portfolio which includes the Shoobridge and Anningie Barrow Creek lithium projects as well as the Napperby uranium project.

Key risks and uncertainties

As detailed above, subsequent to 31 December 2023 the nature of Core's business has changed. In light of these circumstances, the key risks that may impact Core's financial and operating results in the future are presented below:

- **Health and safety:** managing inherent hazards to safeguard physical and psychological health, ensuring activities are executed to minimise risks.
- **Operational delivery:** with a focus on processing existing stockpiles, ensuring constant engagement with our contractors, and detailed planning is required to mitigate operational risks. Ensuring timely delivery of products to customers in a rapidly changing environment.
- **Financial resilience:** as highlighted by the recent significant fall in the lithium prices, the Group will continue to manage revenue uncertainty and currency risks to maintain financial stability in the face of market volatility.
- **Growth and development:** the cessation of mining at the Grants open pit and the processing of stockpiles are expected to finish in mid-2024. The Group will focus on growth strategies, acknowledging uncertainties in mineral resources and reserves estimation and recognising the desire to retain a strong financial position should prices improve.
- **Mining and processing risks and insurance risks:** insurance is maintained to mitigate inherent operational hazards, acknowledging potential impacts on financial performance.
- **Legal and regulatory compliance:** monitoring legal requirements and implementing checks within contracts ensures that the changing nature of operations complies with regulatory standards.
- **Social licence to operate:** maintaining community relations by fulfilling promises and adapting to changing societal expectations through regular communication.
- **Environment, including climate change:** committing to environmental stewardship, considering climate

[2] The BP33 Mineral Resource of announced on 6 March 2023 is comprised of Measured Resource 2.85Mt @ 1.46% Li_2O, Indicated Resource 4.09Mt @ 1.53% Li_2O and Inferred Resource 3.17Mt @ 1.45% Li_2O.
[3] The BP33 Mineral Resource of announced on 16 October 2023 is comprised of Measured Resource 2.85Mt @ 1.44% Li_2O, Indicated Resource 6.51Mt @ 1.55% Li_2O and Inferred Resource 1.14Mt @ 1.59% Li_2O. Core confirms that the Company is not aware of any new information or data that materially affects the Mineral Resource Estimates cross referenced in this report and confirms that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.
[4] Refer to ASX announcement dated 28th February 2024.

change impacts, and mitigating risks to maintain operational integrity and future viability.

- **Anti-corruption and ethical misconduct:** establishing processes and fostering a culture of ethical behaviour mitigate risks of misconduct.
- **Cybersecurity:** protocols and governance frameworks are in place to manage cyber risks across IT infrastructure.

This half-year financial report includes a summary of the operating and financial risk management disclosures required for an annual report. It should be read in conjunction with the Group's most recent Annual Report, available on the Company's website. Readers are encouraged to carefully review and contemplate these risks when assessing the information presented in this report.

Risk management

Core has a Risk and Sustainability Committee that is tasked, among other things, with consistently identifying and assessing risks to the business. Details about this Committee and the Group's 2023 Corporate Governance Statement are available on our website at www.corelithium.com.au/about/corporate-governance.

Rounding of amounts

Amounts in this report and the accompanying financial report have been rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191. The Company is an entity to which the instrument applies.

Events arising since the end of the reporting date

On 5 January 2024, the Group announced that mining at Grants open pit and BP33 early works program had been suspended due to the significant fall in the lithium price. As at 31 December 2023, the Group had ~289kt of ore stockpiles and it is expected it will take approximately 6 months to process this material.

On 28 February 2024, the Group announced the mining services agreement with Lucas had been terminated by mutual agreement.

On 12 March 2024, the Group announced the resignation of non-executive director Andrea Hall and Gareth Manderson stepping down from the CEO role, with Doug Warden appointed interim CEO, and James Virgo appointed interim CFO.

Subsequent to period end, the Group advised Primero that the operation and maintenance agreement for the DMS plant would end once the processing of the remaining ROM stocks was completed.

No other matters or circumstances have arisen since the end of the half year which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

Greg English
Non-Executive Chair
12 March 2024

Auditors Independence Declaration

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Auditor's Independence Declaration

To the Directors of Core Lithium Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Core Lithium Limited for the half-year ended 31 December 2023. I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b no contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 12 March 2024

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half year ended 31 December 2023

	Notes	31 December 2023 $'000	31 December 2022 $'000
Revenue from contracts with customers		134,796	-
Cost of sales	3	(132,613)	-
Gross profit		**2,183**	**-**
Interest income		3,060	1,004
Other income		1,161	-
Operating expenses	4	(5,744)	-
Onerous contracts provision expense	13	(27,582)	-
General and administration expenses	5	(13,812)	(8,830)
Impairment of non-financial assets	9	(119,647)	-
Impairment of capitalised exploration expense	7	(792)	(1,049)
Finance costs		(1,451)	(329)
Foreign currency loss		(134)	(29)
Loss before income tax expense		**(162,758)**	**(9,233)**
Income tax expense	10	(4,862)	-
Net loss for the period		**(167,620)**	**(9,233)**
Other comprehensive income		-	-
Total comprehensive loss for the period		**(167,620)**	**(9,233)**
Earnings per share from continuing operations			
Basic loss per share		(8.16)	(0.52)
Diluted loss per share		(8.16)	(0.52)

This statement should be read in conjunction with the notes to the financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	31 December 2023 $'000	30 June 2023 $'000
ASSETS			
Current assets			
Cash and cash equivalents		124,826	152,786
Trade and other receivables		10,197	6,745
Other financial assets		570	160
Inventories	6	33,595	28,851
Other assets		2,052	3,191
Total current assets		**171,240**	**191,733**
Non-current assets			
Other assets		11,922	11,802
Exploration and evaluation assets	7	74,323	53,572
Plant, equipment, and mine development assets	8	135,186	241,174
Deferred tax asset	10	-	4,862
Total non-current assets		**221,431**	**311,410**
TOTAL ASSETS		**392,671**	**503,143**
LIABILITIES			
Current liabilities			
Trade and other payables		31,967	30,978
Financial liabilities	11	14,865	83,623
Other liabilities		1,305	2,368
Lease liabilities	12	2,273	3,461
Provisions	13	11,274	569
Total current liabilities		**61,684**	**120,999**
Non-current liabilities			
Lease liabilities	12	3,314	19,483
Provisions	13	32,069	7,739
Total non-current liabilities		**35,383**	**27,222**
TOTAL LIABILITIES		**97,067**	**148,221**
NET ASSETS		**295,604**	**354,922**
EQUITY			
Issued capital	14	478,632	370,940
Reserves		958	532
Accumulated losses		(183,986)	(16,550)
TOTAL EQUITY		**295,604**	**354,922**

This statement should be read in conjunction with the notes to the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2023

2023	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2023	370,940	532	(16,550)	354,922
Issue of shares - share placement	100,000	-	-	100,000
Issue of shares - Shares Purchase Plan (SPP)	11,368	-	-	11,368
Issue costs – net of tax	(3,676)	-	-	(3,676)
Performance rights issued to officers and employees at fair value	-	610	-	610
Lapse of performance rights at fair value	-	(184)	184	-
Transactions with owners	**478,632**	**958**	**(16,366)**	**463,224**
Comprehensive income:				
Total profit or loss	-	-	(167,620)	(167,620)
Total other comprehensive income	-	-	-	-
Balance 31 December 2023	**478,632**	**958**	**(183,986)**	**295,604**

2022	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2022	265,668	454	(27,397)	238,725
Issue of shares - share placement	100,000	-	-	100,000
Issue costs	(3,781)	-	-	(3,781)
Performance rights and options issued to officers and employees at fair value	-	99	-	99
Fair value of performance rights and options lapsed	-	(38)	38	-
Exercise of options	1,487	(68)	-	1,419
Exercise of performance rights at fair value	135	(135)	-	-
Transactions with owners	**363,509**	**312**	**(27,359)**	**336,462**
Comprehensive income:				
Total profit or loss	-	-	(9,233)	(9,233)
Total other comprehensive income	-	-	-	-
Balance 31 December 2022	**363,509**	**312**	**(36,592)**	**327,229**

This statement should be read in conjunction with the notes to the financial statements.

STATEMENT OF CASH FLOWS

For the half year ended 31 December 2023

	31 December 2023 $'000	31 December 2022 $'000
Operating activities		
Receipts from customers	67,750	-
Interest received	3,060	1,004
Payments to suppliers and employees	(125,048)	(13,408)
Interest paid	(549)	-
Net cash used in operating activities	**(54,787)**	**(12,404)**
Investing activities		
Payments for plant, equipment, and mine development assets	(53,839)	(84,181)
Payments for capitalised exploration and evaluation expenditure	(22,495)	(9,951)
Proceeds from disposal of plant and equipment	42	-
Government co-funding grants received	-	86
Payments for environmental and security bonds	(530)	-
Net cash used in investing activities	**(76,822)**	**(94,046)**
Financing activities		
Proceeds from the issue of share capital	111,368	100,000
Proceeds from exercise of options	-	1,737
Payments of share issue transaction costs	(3,675)	(3,781)
Payments of lease liabilities	(2,670)	(1,365)
Net cash from financing activities	**105,023**	**96,591**
Net change in cash and cash equivalents	**(26,586)**	**(9,859)**
Net foreign exchange difference	(1,374)	-
Cash and cash equivalents at the beginning of the period	152,786	135,198
Cash and cash equivalents at the end of the period	**124,826**	**125,339**

This statement should be read in conjunction with the notes to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2023

1 Statement of significant accounting policies

a) **Reporting entity**

Core Lithium Ltd (the "Company") is a listed public company registered and domiciled in Australia. These consolidated interim financial statements ("interim financial statements") as at and for the 6 months ended 31 December 2023 comprise the Company and its subsidiaries (together referred to as the "Group").

The Group is an Australian hard-rock lithium mining company that owns and operates the Finniss Lithium Project on the Cox Peninsula, 88km south-west of the Darwin Port in the Northern Territory.

b) **General information and basis of preparation**

The interim financial statements of the Group are for the six months ended 31 December 2023 and are presented in Australian dollars ($) which is the functional currency of the Group. The amounts contained in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) where noted ($000).These general purpose interim financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001 (Cth)* and *AASB 134 - Interim Financial Reporting*.

They do not include all the information required in annual financial statements in accordance with AASB and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2023 and any public announcements made by the Group during the half year in accordance with the continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the Corporations Act 2001 (Cth). The Group is a for profit entity for the purposes of preparing its financial statements.

The interim financial statements have been approved and authorised for issue by the board of directors on 12 March 2024.

c) **Critical accounting estimates and judgements**

The Directors evaluate estimates and judgements incorporated into the interim financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends of economic data, obtained both externally and within the Group.

d) **Onerous contracts**

If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract.

An onerous contract is a contract under which the unavoidable costs (i.e. the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract (i.e. both incremental costs and an allocation of costs directly related to contract activities).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2023

2 Operating segments

Management has determined the operating segments based on internal reports about components of the Group that are regularly reviewed by the CEO as Chief Operating Decision Maker (CODM), to make strategic decisions. The Group has identified two reportable segments of its business:

- Finniss Lithium Project mining, crushing and processing operations. Mining at Grants open pit and BP33 early works program has been suspended due to the significant deterioration in the lithium price. Processing existing stockpiles will continue for up to six months. The Group will continue to monitor the lithium market in considering a possible restart of mining at the Grants open pit.
- Exploration: exploration and evaluation of primarily lithium mineralisation.

The CODM monitors performance in these areas separately. Unless stated otherwise, all amounts reported to the CODM are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group. Operating segment performance details for the six-month periods ended 31 December 2023 and 31 December 2022 are set out below:

Segment results

December 2023 Segment results	Finniss Lithium Project $'000	Exploration $'000	Total $'000
Segment revenue	134,796	-	134,796
Cost of sales	(132,613)	-	(132,613)
Gross profit	2,183	-	2,183
Exploration and evaluation assets and impairment	-	(792)	(792)
Other operating expenses	(5,744)	-	(5,744)
Onerous and general contract expenses	(27,582)	-	(27,582)
Impairment of non-financial assets	(119,647)	-	(119,647)
Segment margin	(150,790)	(792)	(151,582)
Interest income			3,060
Other income			1,161
General and administration expense			(13,812)
Finance costs			(1,451)
Foreign currency loss			(134)
Loss before tax			**(162,758)**

December 2022 Segment results	Finniss Lithium Project $'000	Exploration $'000	Total $'000
Segment revenue	-	-	-
Cost of sales	-	-	-
Gross profit	-	-	-
Exploration and evaluation assets and impairment	-	(1,049)	(1,049)
Other operating expenses	(3,238)	-	(3,238)
Segment margin	(3,238)	(1,049)	(4,287)
Interest income			1,004
Finance costs			(329)
Other expenses			(5,621)
Loss before tax			**(9,233)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2023

2 Operating segments (cont.)

Operating segment assets are reconciled to total assets as follows:

	31 December 2023 $'000	30 June 2023 $'000
Segment assets		
Finniss Lithium Project	197,246	288,957
Exploration	64,141	54,370
Total segment assets	**261,387**	**343,327**
Unallocated assets:		
Cash and cash equivalents	124,826	152,786
Other receivables	1,218	582
Other financial assets	570	160
Other assets	1,042	796
Deferred tax asset	-	4,862
Plant and equipment assets	3,628	630
Total assets	**392,671**	**503,143**

Operating segment liabilities are reconciled to total liabilities as follows:

	31 December 2023 $'000	30 June 2023 $'000
Segment liabilities		
Finniss Lithium Project	90,232	140,985
Exploration	14	4,246
Total segment liabilities	**90,246**	**145,231**
Unallocated liabilities:		
Trade and other payables	1,396	2,232
Financial liabilities	1,305	-
Lease liabilities	3,468	333
Provisions	652	425
Total liabilities	**97,067**	**148,221**

3 Cost of sales

	31 December 2023 $'000	31 December 2022 $'000
Mining costs[1]	68,908	22,294
Processing costs	24,233	2,422
Port costs	8,808	643
Net inventory movement	(2,778)	(10,277)
Employee benefits expense	2,461	2,015
Depreciation and amortisation expense[2]	33,538	2,487
Mining cost deferral[1]	(2,557)	(19,584)
Total cost of sales	**132,613**	-

1 Mining costs are shown as a gross expense with mining cost deferral representing costs associated with waste stripping that are deferred to mine properties in the Statement of Financial Position and amortised over the life of mine.

2 Depreciation & amortisation reflects the amount charged to the profit & loss statement. There was an additional $11.2 million in depreciation & amortisation which was included in inventory at balance date and will be charged to Cost of Sales when the inventory is sold.

4 Operating expenses

	31 December 2023 $'000	31 December 2022 $'000
Royalties	3,439	-
Demobilisation expense[1]	2,305	-
Total operating expenses	**5,744**	**-**

1 Demobilisation expense relates to the costs associated with the suspension of mining activities across a range of contractors at site.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2023

5 General and administration expense

	31 December 2023 $'000	31 December 2022 $'000
Salaries and wages expense	3,796	1,109
Superannuation expense	547	266
Director fees	251	187
Other employee benefits	1,352	191
Consulting expenses	1,858	682
Travel costs	642	180
Administration costs	4,658	2,794
Non-site depreciation expense	97	84
Share-based payment expense	611	99
Site contractor expenses[1]	-	3,238
Total general and administration expense	**13,812**	**8,830**

[1]These expenses relate to cost of site contractors prior to the first sale which occurred post 31 December 2022. Subsequent to 31 December 2022 costs associated with costs of production have been recognised under cost of sales.

6 Inventories

	31 December 2023 $'000	30 June 2023 $'000
Product inventory - work in progress - at NRV	23,142	2,580
Product inventory - finished goods - at NRV	6,275	24,059
Consumables - at cost	4,178	2,212
Total inventories	**33,595**	**28,851**

7 Exploration and evaluation

	Notes	31 December 2023 $'000	30 June 2023 $'000
Opening balance		53,572	40,154
Expenditure during the period	a	21,543	16,284
Transfer to development assets		-	(1,616)
Impairment of capitalised exploration expense	b	(792)	(1,250)
Closing balance		**74,323**	**53,572**

a. During the current period, the Group's exploration activity was primarily focused on extension lithium drilling programs to further define and grow Mineral Resources and project mine life as well as further exploration on other lithium prospects in and around the Finniss Lithium Project.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2023

7 Exploration and evaluation (cont.)

b. The Group at each reporting date reviews its areas of interest and considered the appropriateness to impair any of the remaining carrying values of exploration expenditure where the foreseeable exploration expenditure program in a specific area of interest is neither budgeted nor planned as at 31 December 2023, as a result of this review an impairment expense of $0.8 million was recognised in the statement of profit or loss and other comprehensive income.

8 Plant, equipment and mine development assets

	Plant and Equipment $'000	Right of use Assets $'000	Mine Properties $'000	Stripping Activity assets $'000	Total $'000
Gross carrying value					
Opening balance	1,455	30,492	132,362	89,219	253,528
Additions	665	3,249	59,987	2,501	66,402
Remeasurement	-	(18,996)	-	-	(18,996)
Disposals	(46)	-	-	-	(46)
Balance 31 December 2023	**2,074**	**14,745**	**192,349**	**91,720**	**300,888**
Accumulated Depreciation and Impairment					
Opening balance	(390)	(4,584)	(1,346)	(6,034)	(12,354)
Depreciation[1]	(125)	(2,484)	(5,161)	(25,950)	(33,720)
Impairment	(439)	(3,350)	(56,122)	(59,736)	(119,647)
Disposals	19	-	-	-	19
Balance 31 December 2023	(935)	(10,418)	(62,629)	(91,720)	(165,702)
Carrying value 31 December 2023	**1,139**	**4,327**	**129,720**	**-**	**135,186**

	Plant and equipment[1] $'000	Right of use assets $'000	Mine properties $'000	Stripping activity assets $'000	Total $'000
Gross carrying value					
Opening balance	746	3,391	50,194	17,549	71,880
Additions	777	27,578	82,168	71,670	182,193
Disposals	(68)	(477)	-	-	(545)
Balance 30 June 2023	**1,455**	**30,492**	**132,362**	**89,219**	**253,528**
Accumulated Depreciation					
Opening balance	(237)	(1,115)	-	-	(1,352)
Depreciation[1]	(186)	(3,656)	(1,346)	(6,034)	(11,222)
Disposals	33	187	-	-	220
Balance 30 June 2023	(390)	(4,584)	(1,346)	(6,034)	(12,354)
Carrying value 30 June 2023	**1,065**	**25,908**	**131,016**	**83,185**	**241,174**

1 Depreciation of plant and equipment and right of use assets which are used for exploration or mine development activities is charged to exploration and evaluation and mine development assets in the Statement of Financial Position. Depreciation of plant and equipment used in mining and processing ore is included in the cost of inventory.

9 Impairment

Impairment indicator assessment

Core Lithium announced a strategic review of its operation underpinned by the significant decline in spodumene concentrate prices during the half year. On 5 January 2024, the Group announced the results of its strategic review and the suspension of mining at the Finniss Lithium Project. These factors together were considered as indicators of impairment. As a result, an impairment test was performed to determine the recoverable amount of the identified cash generating unit (CGU), being the Finniss Lithium Project. Impairment is recognised when the assets' carrying value exceeds its recoverable amount, being the higher of the assets' fair value less costs of disposal (FVLCD) and value in use.

Impairment testing

The recoverable amount for the Finniss Lithium Project has been determined based on FVLCD using both a market (for resources) and cost (for the Dense Media Separation (DMS) plant & mine infrastructure) approach basis. In determining fair value less costs of disposal, recent market transactions are considered. The current operations are focused on processing stockpiled ore on the run-of-mine (ROM) pad. The cash flows generated from this activity support the net realisable value of the inventory as detailed in note 6, and therefore do not contribute to the recoverable amount of the broader Finniss Lithium Project CGU's non-current assets.

As required by *AASB 136 - 'Impairment of Assets'*, the Group first determined the recoverable amount of standalone assets and individually impaired them where applicable. Where stand-alone values could not be determined, these assets were included in a broader CGU carrying value. The recoverable amount and subsequent impairment expense were then determined at an CGU level using a market approach.

Any additional impairment, being the difference between the CGU recoverable amount and its carrying value (less the individually impaired assets) was allocated on a pro-rata basis across all asset categories.

As outlined in *AASB 13 - Fair Value Measurement*, a combination of a market transaction approach and cost approach was used to determine the CGU's recoverable amount. A resource multiple from comparable transactions and specific asset valuations were used, with these values determined by separate third-party valuation experts.

Key assumptions used to determine the recoverable amount

The table below summarises the key assumptions used in determining the recoverable amount:

	31 December 2023
Resource Multiple ($/tonne of lithium carbonate equivalent (LCE))	$90 - $120
Costs of disposal	2% - 3%

The resource tonnes used for the assessment are based on the Group's most recent JORC Reserves and Resources Statement. To ensure comparability of transactions, the resource multiples have been adjusted to reflect the lithium carbonate price as of 31 December 2023.

Resources (Market Approach)

The Mineral Resources for the Finniss Lithium Project have been valued based on a multiple per tonne of Mineral Resource. The multiple was determined by an independent valuation expert based on comparable market transactions adjusted for current pricing assumptions. In addition, the enterprise value to Mineral Resource multiples of publicly listed lithium companies were also considered. In determining an appropriate multiple, the independent valuer considered the size, grade and location of the comparable Mineral Resources.

9 Impairment (cont.)

The Group's Mineral Resource estimates are reported in lithium oxide (Li_2O). The lithium oxide is converted to lithium carbonate equivalent (LCE) using a rate of 2.473 to derive a resource multiple on an $/t LCE basis.

Dense Media Separation (DMS) plant & mine infrastructure (Cost Approach)

The fair value less costs of disposal of the DMS plant and mine infrastructure was based on the fair value provided by an independent valuer with extensive experience in valuing such assets. In determining this fair value, the principles of highest and best use as outlined in *AASB 13* have been applied. The valuation of the DMS plant assumes its future use for concentrate production despite the recent suspension of mining activities at the Finniss Lithium Project.

Recognition
An impairment loss of $119.7 million was recognised at 31 December 2023 and allocated to the Finniss Project CGU, as summarised in the table below:

	31 December 2023 $'000
Plant and equipment	439
Right of use assets	3,350
Stripping activity assets	59,735
Mine properties	56,122
Total impairment recognised	**119,647**

10 Income tax

The prima facie income tax expense on pre-tax accounting profit/(loss) from continuing operations reconciles to the income tax expense in the financial statements as follows:

	31 December 2023 $'000	30 June 2023 $'000
Reconciliation of effective tax rate		
Profit/(Loss) from continuing operations before tax	**(162,758)**	**9,228**
Income tax benefit/(expense) calculated at 30%	48,827	(2,768)
Effect of income and expenditure that is either not assessable or deductible in determining taxable profit	(9)	(161)
Initial recognition of deferred tax assets	-	4,511
Under/ Over in respect of prior periods	9	-
Derecognition of tax assets	(4,862)	-
Deferred tax assets and liabilities not recognised	(48,827)	-
Total tax benefit/(expense) relating to continuing operations	**(4,862)**	**1,582**

The tax rate used for the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australia tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

10 Income tax (cont.)

At 31 December 2023, the Group reported an income tax expense of $4.9 million. This amount represents the derecognition of the existing net deferred tax asset (DTA). The Group has suspended mining activities, which prompted a reassessment of the recoverability of the DTA relating to carried forward losses. This reassessment was completed in accordance with *AASB 112 - Income Taxes* and the Group's accounting policy, which requires sufficient future taxable profits for the utilisation of tax losses. The Group can still use their tax losses from previous years for income tax purposes.

Deferred tax balances

Net Deferred Tax Balances (including Tax Losses) are only recognised to the extent that it is probable that future taxable earnings will be available against which the benefits of the deferred tax asset can be used.

With the suspension of mining, the Group was required to derecognise the deferred tax asset (DTA) that was originally recognised at 30 June 2023.

11 Financial liabilities

	31 December 2023 $'000	30 June 2023 $'000
Financial liabilities	14,865	83,623
Total financial liabilities	**14,865**	**83,623**

As at 31 December 2023, the Group recognised a financial liability of $14.9 million primarily related to quotational pricing adjustments reflecting the difference between the provisional invoice against the estimated final price, based on pricing at 31 December 2023.

The prior year amount related to prepaid revenue arrangement where the Group received US$61.4 million (A$91.5 million) for the delivery of 15,000t of spodumene concentrate. The Group delivered 1,923t into the contract prior to the 30 June 2023 year end. The financial liability represents the obligation to deliver 13,077t, as well as the settlement of the final quotation period price adjustment.

12 Lease liabilities

	31 December 2023 $'000	30 June 2023 $'000
Current		
Lease liabilities	**2,273**	**3,461**
Non-Current		
Lease liabilities	**3,314**	**19,483**

12 Lease liabilities (cont.)

Set out below are the carrying values of lease liabilities recognised and the movements during the reporting period.

		31 December 2023 $'000	30 June 2023 $'000
Opening Balance		**22,944**	**2,086**
Additions	a	3,249	27,578
Repayments	b	(2,750)	(7,735)
Interest	b	766	1,015
Lease remeasurements	c	(18,622)	-
Closing Balance		**5,587**	**22,944**

a) Lease liabilities are initially measured at the present value of future minimum lease payments, discounted using the Group's incremental borrowing rate. Minimum lease payments are fixed payments based on the contract terms and do not include non-lease components of a contract.

   Short term leases (lease term of 12 months or less) and leases of low value assets are recognised and incurred as an expense in the consolidated income statement.

b) Lease payments are discounted using the Groups' incremental borrowing rate where the implicit interest rate in the lease is not readily determined or available. The Group's incremental borrowing rate is the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value or the right of use asset in an economic environment with similar terms and conditions.

   Lease payments are allocated between principal and interest payment. The interest expense is recognised in the Statement of Profit or Loss and Other Comprehensive Income over the lease term to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

c) The lease liability is remeasured when there are changes in future lease payments arising from a change in (i) index or rate, (ii) if there is a change in the Group's estimate of amounts to be payable (iii) including the Group's assessment of whether it will exercise a purchase, extension or termination option, where there is a significant event or change in circumstance that affects the ability of the Group to exercise, or not to exercise, an option. A corresponding adjustment is made to the carrying value of the lease assets, with any excess recognised in the consolidated income statement.

The Group has reviewed all lease related contracts and remeasured three lease terms, and has subsequently recognised a lease liability remeasurement of $18.6 million as at 31 December 2023.

13 Provisions

		31 December 2023 $'000	30 June 2023 $'000
Current Provisions			
Employee benefits		843	569
Demobilisation of right of use assets		2,460	-
Onerous contract provision	a	7,971	-
Total Current Provisions		**11,274**	**569**
Non-Current Provisions			
Employee leave benefits		30	30
Demobilisation of right of use assets		-	528
Mine rehabilitation		12,422	7,176
Office restoration		6	5
Onerous contract provision	a	19,611	-
Total Non-Current Provisions		**32,069**	**7,739**
Total provisions		**43,343**	**8,308**

Onerous contract provision

a) An onerous contract provision assessment requires the Group to make certain estimates and judgments which are subject to risk and uncertainty, and hence, changes in economic conditions can affect these assumptions. When a provision is made for a loss-making contract, the amount is discounted to the present value being the lower of the net cost of fulfilling the contract or the cost arising from failure to fulfil the contract, keeping all other variables constant.

At 31 December 2023, the Group commenced a review of all significant long-term contracts, in light of the fall in lithium prices and suspension of mining at Grants. A majority of the Group's contracts have been identified as executory in nature or via routine purchase orders, which can be cancelled without compensation and therefore are not considered onerous.

The Group has identified certain operational contracts as onerous and has recognised a provision of $27.6 million as at 31 December 2023 for the unavoidable contractual payments including penalties, as required by *AASB 137 - 'Provisions, Contingent Liabilities and Contingent* Assets'. Certain portions of the costs associated with these contracts are recognised as lease liabilities where they meet the criteria under *AASB 16 - Leases* to be treated as a right of use asset (refer note 12 – lease liability).

14 Issued capital

31 December 2023	Number of shares	$'000
a) Issued and paid-up capital		
Fully paid ordinary shares	2,136,935,544	478,632
	2,136,935,544	**478,632**
b) Movements in fully paid shares		
Opening balance	1,858,516,794	370,940
Share placements	250,000,000	100,000
Share purchase plan	28,418,750	11,368
Issue costs	-	(3,676)
Balance as 31 December 2023	**2,136,935,544**	**478,632**

30 June 2023	Number of shares	$'000
a) Issued and paid-up capital		
Fully paid ordinary shares	1,858,516,794	370,940
	1,858,516,794	**370,940**
b) Movements in fully paid shares		
Opening balance	1,732,611,716	265,668
Share placements	97,087,379	100,000
Exercise of unquoted options	23,409,366	5,802
Exercise of unquoted performance rights	5,408,333	-
Issue costs	-	(530)
Balance as 30 June 2023	**1,858,516,794**	**370,940**

15 Dividend

There were no interim dividends paid or provided for Core Lithium Limited during the half year end up to the date of this report (half year ended 31 December 2022: $nil).

16 Commitments and contingencies

In July 2019, the Group received a payment in advance of $6.875 million from Lithium Royalty Corp (LRC) for the right to receive 2.115% of gross revenue from the sale of products from the Finniss Lithium Project. Under this royalty agreement there was an additional $1.25 million of funding which was conditional upon:

- the Group announcing a 15 million tonne JORC Mineral Resource for the Finniss Lithium Project, which was achieved in July 2022; and
- achieving continuous operation of the processing plant for more than 14 consecutive days (Stage 2), which was achieved in May 2023.

The royalty rate increased to 2.50% (from 2.12%) upon achievement of the Stage 2 milestones. As a result of the achievement of the Stage 1 & 2 milestones, the remaining $1.25 million, was received from LRC in June 2023. The Finniss Lithium Project assets are held as security for the transaction.

In 2021, Core Lithium Ltd and Bynoe Lithium Pty Ltd entered into a Call Option Deed with Outback Metals Proprietary Limited (Outback), Victory Polymetallic Pty Limited (Victory) (collectively the Grantors) and Australia New Zealand Resources Corporation Pty Ltd (the Landowner) to potentially acquire up to six granted Mineral Leases (MLs) adjacent to the Group's Finniss Lithium Project in the Northern Territory. During the current period this call option was exercised and the tenements were acquired. Contingent consideration of $0.5 million will also be payable to the Grantors ($0.15 million in cash and $0.35 million in cash or Core Lithium Ltd shares, at the Group's discretion (subject to any required shareholder approval) for each 1 million tonne JORC resource identified by Bynoe, capped at an aggregate amount of $5.0 million. Any shares will be subject to a 3 month and 14-day escrow period.

As part of this transaction the Landowners also entered into a Covenant in Gross (Covenant) with Bynoe which runs with and binds that part of the land which underlies the two Mineral Titles, ML 29985 and MLN 1148. Under the terms of the Covenant, the Landowners agree to give Bynoe a right of first refusal to purchase the underlying land if the Landowner intends to sell the land, and otherwise undertakes to ensure any third-party purchaser is bound by the Covenant.

Under the covenant, Bynoe agrees to pay compensation to the Landowner in full and final satisfaction for any damage, disturbance, and loss of access to the land including as compensation under the Mineral Titles Act:

- $500 per hectare per annum to the Landowner, for any part of the Landowner's underlying land that is subject to the Mineral Titles. Bynoe must pay this annual compensation until the Mine Development Date (being the date Bynoe secures authorisations to develop and operate a mine on either or both affected Mineral Titles and reaching a final investment decision; or it purchases the underlying land from the Landowner). No compensation will be payable if Bynoe does not undertake Mining Activities on the affected Mineral Titles in any 12-month period; and
- $1.9 million (indexed using Darwin CPI) to the Landowner, on the Mine Development Date.

In June 2023 the Group received notification from Tesla regarding a potential legal claim stemming from events in 2022 where a binding term sheet was executed between the parties. The term sheet formed the basis for negotiating of a potential offtake agreement for the supply of lithium spodumene concentrate and was subject to execution of a definitive agreement by October 2022. The final agreement was not executed by the deadline as such the matter was closed. Tesla has indicated to the Group their intention to pursue legal remedies if the matter cannot be resolved without litigation.

The Group is working with its legal advisors and Tesla to resolve the matter. The Group considers that it is not probable that a payment will be made, given the matter is not sufficiently advanced and no formal claim has been received.

16 Commitments and contingencies (cont.)

The Group has offtake agreements with Ganfeng Lithium and Sichuan Yahua for the supply of lithium spodumene concentrate. Within these agreements, there are annual shipment quantities that Core Lithium is contractually obligated to meet. Due to the suspension of mining at the Finniss operations, there is a possibility that Core Lithium may not meet this obligation. In respect of one of these agreements, if this obligation is not met, Core Lithium is obligated to pay the customer the difference between the price and the price the customer actually paid in procuring a replacement supply of spodumene concentrate.

The Group is working with its offtake partners to ensure their contractual obligations are met. The Group considers that it is not probable at the date of this report, that a payment will be made and potential liability is contingent on future events.

17 Events arising since the end of the reporting period

On 5 January 2024, the Group announced that mining at Grants open pit and BP33 early works program had been suspended due to the significant fall in the lithium price. As at 31 December 2023, the Group had ~289kt of ore stockpiles and it is expected it will take approximately 6 months to process this material.

On 28 February 2024, the Group announced the mining services agreement with Lucas had been terminated by mutual agreement.

On 12 March 2024, the Group announced the resignation of non-executive director Andrea Hall and Gareth Manderson stepping down from the CEO role, with Doug Warden appointed interim CEO, and James Virgo appointed interim CFO.

Subsequent to period end, the Group advised Primero that the operation and maintenance agreement for the DMS plant would end once the processing of the remaining ROM stocks was completed.

No other matters or circumstances have arisen since the end of the half year which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

Directors' Declaration

In the opinion of the Directors of Core Lithium Ltd:

a) the consolidated financial statements and notes of Core Lithium Ltd are in accordance with the *Corporations Act 2001* (Cth), including:

   i) complying with Accounting Standard AASB 134 Interim Financial Reporting, the Corporation regulations 2001; and

   ii) giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance, as required by Accounting Standards, for the half year ended on that date.

b) there are reasonable grounds to believe that Core Lithium Ltd will be able to pay its debts when they become due and payable.

Signed in accordance with a resolution of the Directors:

Greg English
Chair
12 March 2024
Perth, Western Australia

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Independent Auditor's Review Report

To the Members of Core Lithium Limited

Report on the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Core Lithium Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

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

a giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half year ended on that date; and

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

Basis for Conclusion

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

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 12 March 2024

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