Interim Consolidated Financial Statements

for the half-year ended 31 December 2021

Contents

These Financial Statements cover Core Lithium Ltd ("Core" or the "Company") as a Group consisting of Core Lithium Ltd and its subsidiaries, collectively referred to as the "Group". The financial report is presented in Australian currency.

Core is a company limited by shares, incorporated, and domiciled in Australia. Its registered office and principal place of business is:

Core Lithium Ltd
ACN 146 287 809
Level 5, 149 Flinders Street
ADELAIDE South Australia 5000

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 2021 and the Independent Review Report thereon.

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.

Gregory English	Non-Executive Chairman
Stephen Biggins	Managing Director
Heath Hellewell	Non-Executive Director
Malcolm McComas	Non-Executive Director

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

Operations
Core is constructing Australia's next lithium mine, the Finniss Lithium Project ("the Project") - one of Australia's most capital efficient and lowest cost hard rock spodumene lithium projects – located near Darwin Port in the Northern Territory, Australia (NT).

Lithium is the core element in the batteries that power electric vehicles, and the Project boasts world-class, high-grade, and high-quality lithium suitable for use in this high growth market.

Lithium prices remain at record highs as the uptake of battery and electric vehicle technology continues to grow exponentially, and Core's entry to market as a lithium producer is well timed to capitalise on the growing demand for high-quality spodumene concentrate.

Finniss lies within 25km in a straight line from power, gas and rail and one hour by sealed road to workforce accommodated in Darwin and Darwin Port - Australia's nearest port to Asia.

The Company's other project areas are focused on targets within prospective geological terrains for lithium, precious and base metals and uranium in Northern Territory and South Australia.

The half year to 31 December 2021 was a transformational period for the Company. Finniss is now fully funded and fully permitted, approximately 80% of Stage 1 for the first four years is now under binding offtake agreements, construction at Finniss has commenced and the Company is on track for production of first lithium concentrate in Q4 of 2022.

During the period, Core achieved the following key milestones:

- completed a Definitive Feasibility Study (DFS) and Expansion Scoping Study (ESS) for the Project confirming a mine life of 7 years and 10 years respectively;
- secured capital to fully fund the construction of the Finniss Project;
- made a Final Investment Decision (FID);
- awarded contracts to Lucas Total Contract Solutions (Lucas) for mining services and Primero Group (Primero) as Engineering, Procurement and Construction (EPC) for the Dense Media Separation (DMS) processing plant;
- secured a binding offtake agreement with Ganfeng Lithium (which is in addition to its binding offtake with Sichuan Yahua, also over four years); and
- commenced construction of the Project.

In July, Core reported an updated Stage 1 DFS that took into account a significant, 30% increase in the Total Ore Reserve at Finniss, increasing the total to 7.4Mt at 1.3% lithium with an initial eight-year Life of Mine (LoM).

Finniss was confirmed as a simple, low risk and low capital intensity project with high cash-generating potential with the release of the DFS and ESS in July 2021. These studies demonstrated compelling project economics including a low start-up capex of $89 million and a simple gravity fed DMS processing plant producing 175ktpa of spodumene concentrate on average over the LoM.

Directors' Report

REVIEW OF OPERATIONS AND FINANCIAL RESULTS (continued)

In August 2021, the Company signed an offtake agreement with Ganfeng Lithium for the supply of 75ktpa over four years. Ganfeng has a proven track record of investing in high-quality lithium projects, and Core looks forward to growing this relationship. The offtake agreement was made unconditional on 22 October 2021, following confirmation of regulatory approvals.

This offtake agreement is in addition to Core's existing offtake with Yahua of 75ktpa over four years. Together, these offtake agreements amount to approximately 80% of production from Stage 1 being contracted for four years.

In September 2021, Core awarded a three-year mining services agreement to Lucas for the construction of the Grants Open Pit Mine - the first mine to be developed at Finniss. The scope includes clear and grub, topsoil management, pads, roads, dumps, dams, bunds and water controls, and open pit mining (load and haul plus drill and blast).

Core awarded Primero the EPC contract for the construction of the 1Mtpa DMS plant. The high-grade ore at Finniss combined with exceptional spodumene metallurgy means that Core can produce high quality, coarse lithium concentrate using gravity only DMS.

Primero is an experienced and successful lithium EPC contractor and will be responsible for project management, engineering and detailed design, equipment and materials procurement, DMS plant construction, quality assurance and construction verification, and ore commissioning on receipt of first ore.

On 30 September 2021, the Core Board announced the FID to proceed with construction at Finniss, allowing project execution to begin immediately. FID represented the culmination of more than five years of work in which the Company was able to put together a low-risk, capital-efficient and high-margin lithium project that is capable of delivering both immediate and long-term value to our employees, shareholders, partners and stakeholders.

On 26 October 2021, Core announced that construction at Finniss had commenced. Over the one-year construction period before first lithium production in Q4 of 2022, Finniss will create more than 250 jobs for residents in Darwin, Palmerston and rural areas of the NT.

Exploration

The Company has continued with its exploration program at Finniss. Core has focused on Mineral Resource growth and conversion, as well as regional exploration to extend the LoM and to lay the foundations for production expansion within the broader Project.

In December 2021, Core exercised an option to acquire six prospective Mineral Leases (MLs) adjacent to the Finniss Lithium Project after a first pass drill assessment was completed during 2021 which included 29 RC holes. Subsequent to the reporting period the transfer of these titles has been completed under the Call Option Deed executed in March 2021.

Subsequent to the reporting period, an extensional drilling program at the BP33 deposit during the 2021 field season returned broad, high grade lithium intersections outside of the current Mineral Resource that the Company believes will deliver substantial extensions. The program consisted of seven RC holes and two diamond holes and confirmed that a spodumene-bearing pegmatite extends to the south and beyond the limits of the current Mineral Resource estimate.

Corporate and Results of Operations

During the period, the Company transitioned to larger premises to cater for a growing workforce and corporate demands on the business, as it makes a transition from explorer to producer.

The consolidated net loss of the Group for the six months to 31 December 2021 was $3,288,667 (31 December 2020: net loss of $914,980).

The Company's basic earnings per share was loss of 0.22 cents per share (31 December 2020: loss of 0.09 cents per share). No dividend has been paid during or is recommended for the half-year ended 31 December 2021 (31 December 2020: $Nil).

In July 2021, Core was successful in an application for a $6 million grant under the Federal Government's Modern Manufacturing Initiative ("Grant"). The Australian Federal Government has awarded the Grant in recognition of the future commercial potential for Core to produce battery-grade lithium chemical near the Finniss Project. This is a highly encouraging early step in Core's path to assessing the longer-term potential of the Finniss Project, through local downstream processing of Finniss lithium concentrate.

Directors' Report

REVIEW OF OPERATIONS AND FINANCIAL RESULTS (continued)

In August 2021, Core announced a $140 million equity raising comprising a $91 million placement, a $34 million equity investment from Ganfeng Lithium as a part of a binding offtake agreement, and a $15 million Share Purchase Plan (SPP) that was increased to $25 million following strong investor interest, bringing the total raised to $150 million.

The $34 million equity investment by Ganfeng was part of the binding offtake agreement for 75ktpa of spodumene concentrate from the Project over four years. The placement was issued at 33.8 cents per share - representing a 10% premium to the 10-day volume-weighted average price.

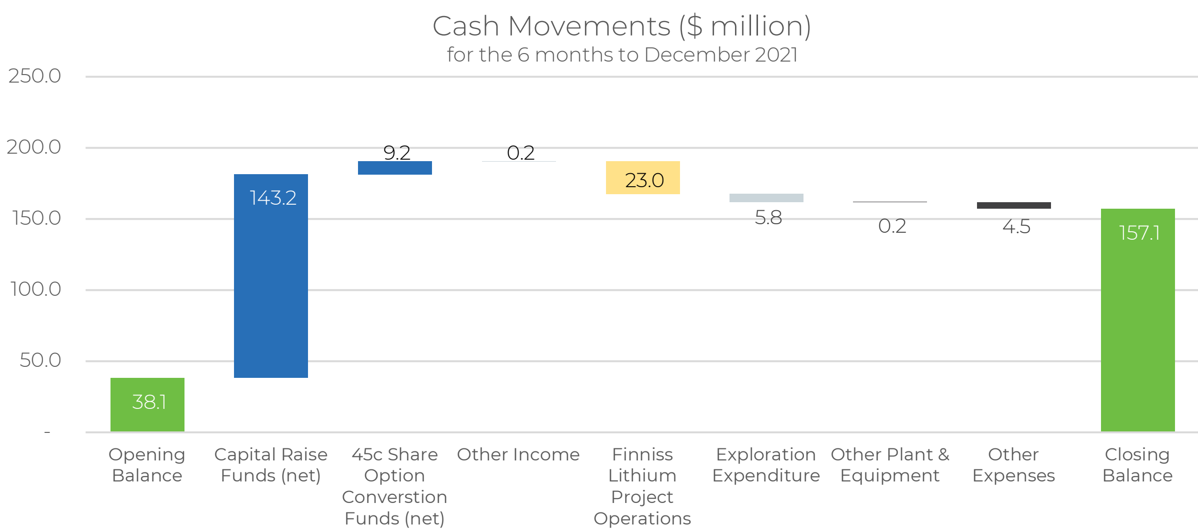
Liquidity
At 31 December 2021 the Company had a cash and cash equivalents balance of $157 million (30 June 2021: $38 million).

Significant cash inflows and outflows during the half-year (as shown in the chart below) include:

- receipt of $143 million (net of fees) from capital raising activity in the period;
- receipt of $9 million from exercise of options;
- payment of $23 million for construction activities including an environmental bond to the Northern Territory Government; and
- payment of $8 million for exploration activities, less $2 million received from the Federal Government as part of a $6 million Modern Manufacturing Initiative (MMI) Grant; and
- $5 million for corporate and other expenses.

Events Subsequent to Reporting Date
The following events occurred subsequent to the Reporting Date:

- The exercise of 23,205,857 unlisted share options with an exercise price of 45 cents per share resulting in $10,442,636 in cash receipts to the date of this report.
- In February 2022, Core was notified by the NT Department of Industry, Tourism and Trade that its application to transfer the six Mineral Leases (MLs) adjacent to the Finniss Lithium Project to the Company had been accepted, with Core making a $5 million cash payment to the vendors in order to close the transaction.
- In March 2022, Core announced that it had entered into a legally binding Term Sheet with Tesla, Inc. (Tesla) for the supply of up to 110,000 tonnes of Li_2O spodumene concentrate from the Finniss Lithium Project over a term of 4 years, with pricing referenced to the market price for spodumene concentrate, subject to a price floor and ceiling (Term Sheet). The Term Sheet is subject to the parties completing negotiations and execution of a definitive product purchase agreement by 27 August 2022, which is to provide for a supply commencement date before 31 July 2023 (subject to extension by mutual agreement).



Directors' Report

REVIEW OF OPERATIONS AND FINANCIAL RESULTS (continued)

Forward Looking Statement

Certain statements made in the Directors' Report contain or comprise forward-looking statements regarding Core's Mineral Resources and Ore Reserves, exploration and project development operations, production rates, life of mine, sales price forecasts and projected cash flow, capital expenditure, operating costs and other economic performance and financial condition as well as general market outlook. Although Core believes that the expectations reflected in such forward-looking statements are reasonable, such expectations are only predictions and are subject to inherent risks and uncertainties which could cause actual values, results, performance or achievements to differ materially from those expressed, implied or projected in any forward-looking statements and no assurance can be given that such expectations will prove to have been correct. Those inherent risks and uncertainties include, among other factors, changes in economic and market conditions, delays or changes in project development, success of business and operating initiatives, changes in the regulatory environment and other government actions, fluctuations in commodity prices and exchange rates, business and operational risk management and the impacts of the COVID-19 pandemic.

Except for statutory liability which cannot be excluded, each of Core, its officers, employees and advisors expressly disclaim any responsibility for the accuracy or completeness of the material contained in these forward-looking statements and excludes all liability whatsoever (including in negligence) for any loss or damage which may be suffered by any person as a consequence of any information in forward-looking statements or any error or omission. Core undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events other than required by the Corporations Act and ASX Listing Rules. Accordingly, you should not place undue reliance on any forward looking statement.

Competent Person Statement

Core confirms that it is not aware of any new information or data that materially affects the information included in this announcement and that all material assumptions and technical parameters underpinning the Mineral Resource and Ore Reserve estimates in the announcements "Grants Lithium Resource Increased by 42% ahead of DFS" dated 22 October 2018, "Maiden Sandras Mineral Resource Grows Finniss to 6.3Mt" dated 29 November 2018, "Finniss Feasibility Study and Maiden Ore Reserve" dated 17 April 2019, "Initial Resource for Lees Drives Finniss Mineral Resource" dated 6 May 2019, "Finniss Lithium Resource increased by over 50%" dated 15 June 2020, "Increased Ore Reserve Significantly Extends Finniss" dated 30 June 2020 and "Stage 1 DFS and Updated Ore Reserves" dated 26 July 2021 continue to apply and have not materially changed.

Core confirms that all material assumptions underpinning production target and forecast financial information derived from the production target announced on 30 June 2020 and 26 July 2021 continue to apply and have not materially changed.

Significant Changes

There have been no changes in the state of affairs of the Group that occurred during the half year under review not otherwise disclosed in this report.

A copy of the auditor's independence declaration as required under s307C of the Corporations Act 2001 (Cth) is included on page 7 of this financial report and forms part of this Directors' Report.

Signed in accordance with a resolution of the Directors.

Stephen Biggins
Managing Director
Signed this 10th day of March 2022
Adelaide, South Australia

Auditor's Independence Declaration

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Auditor's Independence Declaration

To the Directors of Core Lithium Ltd

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Core Lithium Ltd for the half-year ended 31 December 2021, 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, 10 March 2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half year ended 31 December 2021

	Notes	31 December 2021 $	31 December 2020 $
Interest income		153,700	25,393
Grant income		-	249,006
Employee benefits expense		(1,049,375)	(498,637)
Exploration expense		(1,599)	(38,429)
Depreciation expense		(39,802)	(63,562)
Share based payment expense		(124,414)	(74,423)
Public road improvements - Northern Territory		(551,285)	-
Other expenses	3	(1,675,892)	(514,328)
Loss before tax		(3,288,667)	(914,980)
Income tax benefit / (loss)		-	-
Loss from continuing operations attributable to owners of the parent		(3,288,667)	(914,980)
Other comprehensive income attributable to owners of the parent		-	-
Total comprehensive loss attributable to owners of the parent		(3,288,667)	(914,980)
Earnings per share from continuing operations			
Basic Loss - cents per share	4	(0.22)	(0.09)
There are no dilutive securities on issue.			

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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	31 December 2021 $	30 June 2021 $
ASSETS			
Current assets			
Cash and cash equivalents		157,076,563	38,107,642
Trade and other receivables	5	2,216,097	114,989
Financial assets		190,069	80,250
Other assets	6	709,446	73,180
Inventory	7	69,901	-
Total current assets		160,262,076	38,376,061
Non-current assets			
Other assets	6	14,513,666	793,027
Exploration and evaluation expenditure	8	36,095,205	33,718,808
Plant, equipment and development assets	9	28,021,218	305,971
Total non-current assets		78,630,089	34,817,806
TOTAL ASSETS		238,892,165	73,193,867
LIABILITIES			
Current liabilities			
Trade and other payables	10	13,580,430	1,575,891
Contract liability	11	2,368,263	-
Lease liability		164,040	57,433
Provisions	12	200,960	136,088
Total current liabilities		16,313,693	1,769,412
Non-current liabilities			
Lease liability		360,891	44,908
Provisions	12	1,706,940	65,086
Total non-current liabilities		2,067,831	109,994
TOTAL LIABILITIES		18,381,524	1,879,406
NET ASSETS		220,510,641	71,314,461
EQUITY			
Issued capital	13	243,125,623	90,606,910
Reserves	14	605,506	652,522
Accumulated losses		(23,220,488)	(19,944,971)
TOTAL EQUITY		220,510,641	71,314,461

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 2021

2021	SHARE CAPITAL $	RESERVES $	ACCUMULATED LOSSES $	TOTAL EQUITY $
Balance at 1 July 2021	90,606,910	652,522	(19,944,971)	71,314,461
Issue of shares - Share placement	124,875,464	-	-	124,875,464
Issue of shares - Share purchase plan	25,000,003	-	-	25,000,003
Share Issue transaction costs	(6,721,975)	-	-	(6,721,975)
Performance rights and options issued to officers and employees at fair value	-	137,547	-	137,547
Fair value of performance rights and options lapsed	-	(26,284)	13,150	(13,134)
Exercise of options	9,234,221	(27,279)	-	9,206,942
Exercise of performance rights at fair value	131,000	(131,000)	-	-
Transactions with owners	152,518,713	(47,016)	13,150	152,484,847
Comprehensive income:				
Total loss	-	-	(3,288,667)	(3,288,667)
Total other comprehensive income	-	-	-	-
Balance 31 December 2021	243,125,623	605,506	(23,220,488)	220,510,641

2020	SHARE CAPITAL $	RESERVES $	ACCUMULATED LOSSES $	TOTAL EQUITY $
Balance at 1 July 2020	49,856,210	746,536	(17,034,886)	33,567,860
Issue of shares - Share placement	1,061,533	-	-	1,061,533
Share Issue transaction costs	(60,529)	-	-	(60,529)
Performance rights and options issued to officers, employees and contractors at fair value	-	77,306	-	77,306
Fair value of performance rights and options that lapsed	-	(5,053)	2,169	(2,884)
Exercise of options	368,153	(88,153)	-	280,000
Exercise of performance rights at fair value	25,870	(25,870)	-	-
Transactions with owners	1,395,027	(41,770)	2,169	1,355,426
Comprehensive income:				
Total loss	-	-	(914,980)	(914,980)
Total other comprehensive income	-	-	-	-
Balance 31 December 2020	51,251,237	704,766	(17,947,697)	34,008,306

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 2021

	31 December 2021 $	31 December 2020 $
Operating activities		
Interest received	153,700	25,393
Payments to suppliers and employees	(4,318,482)	(1,265,144)
Proceeds from business grant funding	-	231,006
Net cash used in operating activities	(4,164,782)	(1,008,745)
Investing activities		
Payments for plant, equipment, and development assets	(19,522,087)	(4,238)
Payments for capitalised exploration expenditure	(8,254,139)	(4,374,366)
Government co-funding grants received	2,425,081	40,000
Payments for financial assets	(109,819)	-
Net proceeds / (payments) for security bond	(3,720,639)	(108,592)
Net cash (used in) / from investing activities	(29,181,603)	(4,378,604)
Financing activities		
Proceeds from issue of share capital	149,875,467	1,061,557
Proceeds from exercise of options	9,206,942	280,000
Payment of share issue transaction costs	(6,713,728)	(77,578)
Payments of lease liabilities	(53,375)	(56,360)
Net cash from financing activities	152,315,306	1,207,619
Net change in cash and cash equivalents	118,968,921	(4,179,730)
Cash and cash equivalents at the beginning of the period	38,107,642	8,709,771
Cash and cash equivalents at the end of the period	157,076,563	4,530,041

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 2021

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 2021 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in the exploration and development of minerals in world class mining provinces within Northern Territory and South Australia. The Company's flagship asset is the Finniss Lithium Project which is currently under construction.

b) General information and basis of preparation

The interim financial statements of the Group are for the six months ended 31 December 2021 and are presented in Australian dollars ($), which is the functional currency of the parent company. 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 AIFRS and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2021 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 Company 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 10 March 2022.

c) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the 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. Specific estimates are detailed within the notes to the financial statements.

d) Significant accounting policies

The accounting policies applied by the Group in the consolidated interim report are the same as those applied by the Group in its consolidated financial report as at year ended 30 June 2021 except for the following new policies detailed in this report:

- Inventory - Note 7
- Mine development assets - Note 9
- Contract liability - Note 11
- Provision for restoration and rehabilitation - Note 12

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

e) Adoption of the new and revised accounting standards

There are no new and revised accounting standards issued or issued but not yet effective which are expected to have a material impact on the financial statements. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

2 OPERATING SEGMENTS

The Directors have considered the requirements of *AASB 8 - Operating Segments* and the internal reports that are reviewed by the Chief Operating Decision Maker (the Board) in allocating resources have concluded that at this time there are no separately identifiable segments.

3 OTHER EXPENSES

	31 December 2021 $	30 December 2020 $
Statutory, compliance, legal and insurance expenses	752,091	144,268
Office expenses	232,643	86,441
Consultants and advisors expense	350,948	146,177
Public and investor relations expense	166,097	104,384
Other expenses	174,113	33,058
	1,675,892	514,328

4 EARNINGS PER SHARE

The weighted average number of shares for the purpose of diluted earnings per share can be reconciled to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	6 Months to December 2021	6 Months to December 2020
Weighted average number of shares used in basic earnings per share	1,487,620,237	988,458,166
Weighted average number of securities used in diluted earnings per share	1,487,620,237	988,458,166
Loss per share – basic and diluted (cents)	(0.22)	(0.09)

There were 82,810,262 Options (2020: 38,773,810) and 19,238,332 (2020: 22,466,666) Performance Rights outstanding at the end of the period that have not been taken into account in calculating diluted EPS due to their effect being anti-dilutive.

5 TRADE AND OTHER RECEIVABLES

	Notes	31 December 2021 $	30 June 2021 $
GST receivable		2,146,484	97,164
Other receivables		69,613	17,825
		2,216,097	114,989

6 OTHER ASSETS

	Notes	31 December 2021 $	30 June 2021 $
Prepayments		704,546	68,280
Other bonds and deposits		4,900	4,900
Total current other assets		709,446	73,180
Prepayments - EPC contract		10,000,000	-
Environmental exploration and mining bonds receivable		4,513,666	793,027
Total non-current other assets		14,513,666	793,027

Non-current prepayments include $10 million in early works payments to Primero for construction of the DMS plant in accordance with the EPC contract.

Environmental bonds receivable represents funds held by the Northern Territory Department of Primary Industry and Resources as security for rehabilitation for exploration and mining activities in the Northern Territory as per the Group's Mine Management Plans (MMP) for various project areas pursuant to the Mining Management Act 2001. This includes $3.7 million for the Grants MMP associated with commencement of mining and construction activities at the Finniss Lithium Project.

7 INVENTORY

	Notes	31 December 2021 $	30 June 2021 $
Consumables - fuel		69,901	-
		69,901	-

Consumables are valued at the lower of cost and net realisable value. Costs are assigned to individual items of stock on the basis of weighted average cost. Costs of purchased inventory are determined after deducting any applicable rebates and discounts. A periodic review is undertaken to establish the extent of any surplus or obsolete items and where necessary a provision is made.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

8 EXPLORATION AND EVALUATION EXPENDITURE

	Notes	31 December 2021 $	30 June 2021 $
Opening balance		33,718,808	26,380,721
Expenditure on exploration during the period		7,966,948	6,810,862
Bynoe Lithium acquisition costs	a	5,654,510	527,225
Transfer to development assets	b	(11,245,061)	-
Closing balance		36,095,205	33,718,808

During the current period, the Group's exploration activity was 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. Furthermore, the Group continued to advance exploration activity on non-core assets such as precious metals and uranium.

a In December 2021, the Group exercised the Call Option Deed with Outback Metals Proprietary Limited, Victory Polymetallic Pty Limited and Australia New Zealand Resources Corporation Pty Ltd. This triggered Core's obligation to pay $5 million with $1.5 million to be paid in cash and the balance of $3.5 million to be paid in cash or CXO shares, (at Core's election and subject to shareholder approval) in accordance with the Call Option Deed entered into in March 2021. This obligation was settled in full via a cash payment to Outback Metals Proprietary Limited on 28 February 2022. There was also stamp duty payable of $0.65 million associated with this transaction which was also paid subsequent to 31 December 2021. Amounts were accrued as exploration and evaluation expenditure at 31 December 2021.

b During the period a total of $11.2 million was transferred from exploration and evaluation assets to mine development assets. Costs associated with the approved Finniss Lithium Project, were transferred to mine development upon completion of the July 2021 DFS and the FID to Mine in September 2021 with the project now moving into development and construction phase.

Deferred feasibility

Feasibility expenditure represents costs related to the preparation and completion of feasibility studies to enable a development decision to be made in relation to an area of interest and is capitalised as incurred. When production commences, relevant past exploration, evaluation and feasibility expenditure in respect of an area of interest that has been capitalised is transferred to mine development where it is amortised over the life of the area of interest to which it relates on a unit of production basis. When an area of interest is abandoned or the Directors decide it is not commercial, any accumulated costs in respect of that area are written off in the year the decision is made. Each area of interest is reviewed at the end of each reporting period and accumulated costs written off to the extent they are not expected to be recoverable in the future.

Mineral rights

Mineral rights comprise identifiable exploration and evaluation assets, Mineral Resources and Ore Reserves, which are acquired as part of a business combination or a joint venture and are recognised at fair value at date of acquisition. Mineral rights are attributable to specific areas of interest and are classified within exploration and evaluation assets. Mineral rights attributable to each area of interest are amortised when commercial production commences on a unit of production basis over the estimated economic reserve of the mine to which the rights related.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2021

8 EXPLORATION AND EVALUATION EXPENDITURE (continued)

Key judgements - exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on several factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale or joint venture. Factors that could impact the future recoverability include the level of Ore Reserves and Mineral Resources, future technological changes, which could impact the cost of mining, future legislative changes, and changes to commodity prices and exchange rates. To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made. In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be reduced in the relevant reporting period in which this determination is made.

Key estimates - impairment

Impairment of specific exploration and evaluation assets during the year have occurred where Directors have concluded that capitalised expenditure is unlikely to be recovered by sale or future exploitation. At each reporting date the Group undertakes an assessment of the carrying amount of its exploration and evaluation assets. During the reporting period no indicators of impairment were identified on certain exploration and evaluation assets in accordance *with AASB 6 Exploration for and Evaluation of Mineral Resources*. No impairment loss has been recognised in relation to areas of interest as a result of the review where the Directors have concluded that capitalised expenditure is unlikely to be recovered by sale or future exploitation.

Key judgement, estimates and assumptions: Exploration, evaluation, and deferred feasibility expenditure

Judgement is required to determine whether future economic benefits are likely, from either exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of existence of reserves. In addition to these judgements, the Group has to make certain estimates and assumptions. The determination of JORC resources is itself an estimation process that involves varying degrees of uncertainty depending on how the resources are classified (i.e., measured, indicated, or inferred). The estimates directly impact when the Group capitalises exploration and evaluation expenditure. The capitalisation policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves will be found. Any such estimates and assumptions may change as new information becomes available. The recoverable amount of capitalised expenditure relating to undeveloped mining projects can be particularly sensitive to variations in key estimates and assumptions. If variation in key estimates or assumptions has a negative impact on recoverable amount it could result in a requirement for impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2021

9 PLANT, EQUIPMENT AND DEVELOPMENT ASSETS

	PLANT & EQUIPMENT - OTHER $	RIGHT OF USE ASSETS - BUILDINGS $	ASSETS UNDER CONSTRUCTION - FINNISS $	MINE DEVELOPMENT - FINNISS $	MINE REHABILITATION - FINNISS $	TOTAL $
Gross carrying amount						
Opening balance	375,113	324,406	-	-	-	699,519
Additions	216,424	469,575	9,687,726	4,575,249	1,613,054	16,562,028
Transfer from exploration assets	-	-	-	11,245,061	-	11,245,061
Disposals	(21,575)	-	-	-	-	(21,575)
Balance 31 December 2021	569,962	793,981	9,687,726	15,820,310	1,613,054	28,485,033
Depreciation and impairment						
Opening balance	(171,172)	(222,376)	-	-	-	(393,548)
Depreciation [1]	(37,908)	(46,144)	-	-	-	(84,052)
Disposals	13,785	-	-	-	-	13,785
Balance 31 December 2021	(195,295)	(268,520)	-	-	-	(463,815)
Carrying amount 31 December 2021	374,667	525,461	9,687,726	15,820,310	1,613,054	28,021,218

	PLANT & EQUIPMENT - OTHER $	RIGHT OF USE ASSETS - BUILDINGS $	ASSETS UNDER CONSTRUCTION - FINNISS $	MINE DEVELOPMENT - FINNISS $	MINE REHABILITATION - FINNISS $	TOTAL $
Gross carrying amount						
Opening balance	322,583	226,602	-	-	-	549,185
Additions	152,894	97,804	-	-	-	250,698
Disposals	(100,364)	-	-	-	-	(100,364)
Balance 30 June 2021	375,113	324,406	-	-	-	699,519
Depreciation and impairment						
Opening balance	(221,374)	(108,769)	-	-	-	(330,143)
Depreciation [1]	(46,021)	(113,607)	-	-	-	(159,628)
Disposals	96,223	-	-	-	-	96,223
Balance 30 June 2021	(171,172)	(222,376)	-	-	-	(393,548)
Carrying amount 30 June 2021	203,941	102,030	-	-	-	305,971

1 *Depreciation of equipment and right of use asset - buildings utilised for exploration activities is charged to exploration assets. The remaining depreciation of $39,802 for the 6 months to 31 December 2021 ($136,810 for the 12 months to 30 June 2021) is charged to the Statement of Profit or Loss and Other Comprehensive Income in the reporting period.*

9 PLANT, EQUIPMENT AND DEVELOPMENT ASSETS (continued)

Mine development

Development assets represent expenditure in respect of exploration, evaluation, feasibility and development of intangible assets incurred by or on behalf of the Group, including overburden removal and mine construction costs, previously accumulated and carried forward in relation to areas of interest in which mining has now commenced. Such expenditure comprises net direct costs and an appropriate allocation of directly related overhead expenditure.

All expenditure incurred prior to commencement of production from each development property is carried forward to the extent to which recoupment out of future revenue from the sale of production, or from the sale of the property, is reasonably assured.

When further development expenditure is incurred in respect of a mine property after commencement of production, such expenditure is carried forward as part of the cost of the mine property only when future economic benefits are reasonably assured, otherwise the expenditure is classified as part of the cost of production and expensed as incurred. Such capitalised development expenditure is added to the total carrying value of development assets being amortised.

Deferred mining expenditure - Pre-production mine development

Pre-production mining costs incurred by the Group in relation to accessing recoverable reserves are carried forward as part of 'mine development' when future economic benefits are established, otherwise such expenditure is expensed as part of the cost of production.

Transfer of exploration and evaluation assets to mine development

During the current period, the Group released the Definitive Feasibility Study for the Finniss Lithium Project in July 2021 which supported the Final Investment Decision made in September 2021. This triggered the transfer for costs relating to the approved Finniss Lithium Mine to be transferred to development.

An impairment assessment was undertaken as at the date assets were transferred. The recoverable amount of the Cash Generating Units (CGU) that included the transferred development asset was estimated based on the present value of the future cash flows expected to be derived from the CGU (value in use) for the Finniss Lithium Project and using a post-tax real discount rate of 7.8% The recoverable amount of the CGU was estimated to be higher than its carrying amount and no impairment loss has been identified from this review.

Assets under construction

Assets under construction includes the construction of tangible assets, including the DMS plant and other key site infrastructure. Once construction has been completed these assets will be transferred into the relevant category of Plant and equipment.

Key estimates and judgements - Ore Reserves

The Group estimates ore reserves and mineral resources each year based on information compiled by Competent Persons as defined in accordance with the Australian code for reporting Exploration Results, Mineral Resources and Ore Reserves 2012 ('JORC code'). Estimated quantities of economically recoverable reserves are based upon interpretations of geological models and require assumptions to be made including estimates of short and long-term commodity prices, exchange rates, future operating performance and capital requirements. Changes in reported reserve estimates can impact the carrying value of plant and equipment and development, provision for restoration and rehabilitation obligations as well as the amount of depreciation and amortisation.

Key judgement, estimates and assumptions: Impairment of assets

The Group assesses its CGU at least annually, to determine whether there is any indication of impairment or reversal of a prior impairment. Where an indicator of impairment or reversal exists, a formal estimate of the recoverable amount is made, which is deemed as being the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as ore reserves, future production, commodity prices, discount rates, exchange rates, operating costs, sustaining capital costs, any future development cost necessary to produce the reserves (including the magnitude and timing of cash flows) and operating performance.

Some other factors considered in management's assessment as to whether there existed any indicators of impairment at the CGUs included:
- Operational and financial performance of the CGUs;
- Potential to extend mine life across all CGUs;
- The current and forecast lithium price environment; and
- Acquisitions complementing the existing CGUs of the Group

No impairment of plant, equipment and development assets arose during the reporting period.

10 TRADE AND OTHER PAYABLES

	31 December 2021 $	30 June 2021 $
Trade and other payables	504,912	627,124
Accrued expenses	13,075,518	948,767
	13,580,430	1,575,891

11 CONTRACT LIABILITY

	31 December 2021 $	30 June 2021 $
Grant funding received in advance	2,368,263	-
	2,368,263	-

During the reporting period, the Group was awarded Australian Federal Government funding totaling $6 million for the Modern Manufacturing Initiative (MMI) Grant to co-fund the assessment of the potential feasibility of building a lithium chemical plant in Darwin. Upon signing the grant agreement Core received $2.37 million in up front funding to help fund studies and other related activity during the 3-year grant term.

This is recognised as an off set to capitalised expenditure as it is incurred by the Group in accordance with the performance obligations set out in the grant agreement.

12 PROVISIONS

	31 December 2021 $	30 June 2021 $
Employee benefits	200,960	136,088
Total current provisions	200,960	136,088
Employee benefits	88,786	65,086
Mine rehabilitation	1,613,054	-
Other	5,100	-
Total Non-Current Provisions	1,706,940	65,086

Provision for restoration and rehabilitation

Estimated costs of decommissioning and removing an asset and restoring the site are included in the cost of the asset as at the date the obligation first arises and to the extent that it is first recognised as a provision. The Group records the present value of the estimated cost of constructive and legal obligations to restore operating locations in the period in which the obligation is incurred. The nature of decommissioning activities includes dismantling and removing structures, rehabilitating mine sites, dismantling operating facilities, closure of plant and waste sites and restoration, reclamation, and revegetation of affected areas.

Typically, the obligation arises when the asset is installed, or the environment is disturbed at the development location. When the liability is initially recorded, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the change in the present value based on the discount rates that reflect the current market assessments and the risks specific to the liability. Additional disturbances or changes in decommissioning costs will be recognised as additions or changes to the corresponding asset and rehabilitation liability when incurred.

The unwind effect of discounting the provision is recorded as a finance cost in the Income Statement and the carrying amount capitalised as a part of mining assets is amortised on a unit of production basis. Costs incurred that relate to an existing condition caused by past operations, but do not have future economic benefits, are expensed as incurred.

Key judgement, estimates and assumptions: Provision for restoration and rehabilitation

The Group assesses its mine restoration and rehabilitation provision bi-annually in accordance with the accounting policy. Significant judgement is required in determining the provision for restoration and rehabilitation as there are many transactions and other factors that will affect the ultimate liability payable to rehabilitate and restore the mine sites. The estimate of future costs therefore requires management to make assessment of the future restoration and rehabilitation date, future environmental legislation, changes in regulations, price increases, changes in discount rates, the extent of restoration activities and future removal and rehabilitation technologies. When these factors change or become known in the future, such differences will impact the restoration and rehabilitation provision in the period in which they change or become known. At each reporting date the rehabilitation and restoration provision is remeasured to reflect any of these changes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2021

13 ISSUED CAPITAL

31 December 2021	Number of Shares	$
a) Issued and paid-up capital		
Fully paid ordinary shares	1,672,944,848	255,804,365
	1,672,944,848	255,804,365
b) Movements in fully paid shares		
Opening balance as at 1 July 2021	1,174,117,254	90,606,910
Issue of shares - share placements	393,738,374	124,875,464
Issue of shares - share purchase plan	80,646,015	25,000,003
Exercise of unquoted options (at fair value)	22,193,205	9,234,221
Exercise of unquoted rights (at fair value)	2,250,000	131,000
Transaction costs	-	(6,721,975)
Balance as at 31 December 2021	1,672,944,848	243,125,623

30 June 2021	Number of Shares	$
a) Issued and paid-up capital		
Fully paid ordinary shares	1,174,117,254	96,590,955
	1,174,117,254	96,590,955
b) Movements in fully paid shares		
Opening balance as at 1 July 2020	969,692,791	49,856,210
Issue of shares - Share placements	185,194,530	41,563,283
Shares issued as consideration for services rendered	306,123	75,000
Exercise of unquoted options (at fair value)	17,273,810	1,516,896
Exercise of unquoted performance rights (at fair value)	1,650,000	30,597
Transaction costs	-	(2,435,076)
Balance as at 30 June 2021	1,174,117,254	90,606,910

14 RESERVES

Nature and purpose of reserves

The share option reserve and performance rights reserve are used to recognise the fair value of all options and performance rights.

Movements in the period

Share based payments are in line with the Group's remuneration policy, details of which are outlined in the 30 June 2021 Annual Report. Movements in the share option reserve and performance rights reserve are illustrated below:

Option Reserve	Number of Options		Dollars ($)	
	6 Months to 31 December 2021	Year Ended 30 June 2021	6 Months to 31 December 2021	Year Ended 30 June 2021
Opening balance at beginning of period	105,003,467	42,273,810	310,388	615,941
Issued	-	81,003,467	-	964
Exercised	(22,193,205)	(17,273,810)	(27,279)	(303,384)
Lapsed	-	(1,000,000)	-	(3,133)
Balance at end of period	82,810,262	105,003,467	283,109	310,388

1 The amount expensed includes options issued in previous financial periods with the expense recognised evenly over the vesting period and current assessment of likelihood of achieving vesting conditions attached to these existing options.

During the six months to 31 December 2021 the Group did not issue any unquoted options. There were 20,193,205 unquoted options with an exercise price of 45 cents exercised during the period which were issued as attaching in conjunction with a share placement undertaken in February 2021 and 2,000,000 unquoted options exercised by directors which were exercisable for 6 cents. No instruments lapsed during the period.

During the year ended 30 June 2021 the Group issued 81,003,467 unquoted options attaching to shares issued under the $40.5 million share placement in February 2021 with an exercise price of 45 cents and an expiry of 12 February 2023. There were 17,273,810 unquoted options exercised by brokers which had an exercise price of between 6 and 8 cents and 1,000,000 employee options with performance conditions which lapsed.

14 RESERVES (continued)

Movements in the period (continued)

Performance Rights Reserve	Number of Rights		Dollars ($)	
	6 Months to 31 December 2021	Year Ended 30 June 2021	6 Months to 31 December 2021	Year Ended 30 June 2021
Opening balance at beginning of period	22,791,666	27,550,000	342,134	130,595
Issued to Key Management Personnel and employees as remuneration [1]	1,290,000	1,625,000	137,547	245,019
Exercised	(2,250,000)	(1,650,000)	(131,000)	(30,597)
Lapsed	(2,593,334)	(4,733,334)	(26,284)	(2,883)
Balance at end of period	19,238,332	22,791,666	322,397	342,134

1 The amount expensed includes performance rights issued in previous financial periods with the expense recognised evenly over the vesting period and current assessment of likelihood of achieving vesting conditions attached to these existing performance rights.

During the six months to 31 December 2021 the Group issued 540,000 performance rights to employees as remuneration. The performance rights have no exercise price and fair value of 27.5 cents with various KPI based performance conditions within various periods ranging from 31 December 2022 to 31 December 2024. There were also 750,000 performance rights issued to the Managing Director as remuneration which have no exercise price and a fair value of 54 cents with a non-market KPI based performance condition. During the period 2,250,000 performance rights issued to employees were exercised upon KPI performance conditions being met and 2,593,334 performance rights issued to the Managing Director and employees lapsed as KPI conditions were not met.

During the year ended 30 June 2021, the Group issued 1,625,000 performance rights to employees as remuneration. The performance rights have no exercise price and range in fair value from 1.70 cents to 2.89 cents with various KPI based performance conditions. Unquoted performance rights were issued to contractors as remuneration. These performance rights have an exercise price of nil and expire in various periods ranging from one month from issue to 30 June 2023. During the prior period 1,650,000 performance rights issued to employees and contractors were exercised upon KPI performance conditions being met and 4,733,334 performance rights issued to the Managing Director, employees and contractors lapsed as KPI conditions were not met.

Key judgements and estimates - Share-based payment transactions

The Group measures the cost of equity-settled transactions with key management personnel and other parties by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by the Board of Directors with reference to quoted market prices or using the Black-Scholes valuation method or a valuation methodology approximating Monte Carlo simulation as appropriate taking into account the terms and conditions upon which the equity instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2021

15 EVENTS ARISING SINCE THE END OF THE REPORTING PERIOD

The following events occurred subsequent to the Reporting Date:

- The exercise of 23,205,857 unlisted share options with an exercise price of 45 cents per share resulting in $10,442,636 in cash receipts to the date of this report.
- In February 2022, Core was notified by the NT Department of Industry, Tourism and Trade that its application to transfer the six Mineral Leases (MLs) adjacent to the Finniss Lithium Project to the Company had been accepted, with Core making a $5 million cash payment to the vendors in order to close the transaction.
- In March 2022, Core announced that it had entered into a legally binding Term Sheet with Tesla, Inc. (Tesla) for the supply of up to 110,000 tonnes of Li_2O spodumene concentrate from the Finniss Lithium Project over a term of 4 years, with pricing referenced to the market price for spodumene concentrate, subject to a price floor and ceiling (Term Sheet). The Term Sheet is subject to the parties completing negotiations and execution of a definitive product purchase agreement by 27 August 2022, which is to provide for a supply commencement date before 31 July 2023 (subject to extension by mutual agreement).

No other matters or circumstances have arisen since the end of the period 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 period.

16 CAPITAL COMMITMENTS

As at 31 December 2021 the group has outstanding contractual capital commitments of $32.6 million (30 June 2021: $nil).

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) giving a true and fair view of its financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and

   ii) complying with Australian Accounting Standard 134 Interim Financial Reporting; and

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:

Stephen Biggins
Managing Director
Signed this 10th day of March 2022 in Adelaide, South Australia

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Adelaide SA 5000

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Independent Auditor's Review Report

To the Members of Core Lithium Ltd

Report on the review of the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Core Lithium Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2021, 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 Ltd does not comply with the *Corporations Act 2001* including:

a giving a true and fair view of the Core Lithium Ltd's financial position as at 31 December 2021 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 2021 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, 10 March 2022

CORE
LITHIUM