



ASX ANNOUNCEMENT

ASX: CXO

1st December 2017

DSO Lithium Offtake Agreement and US\$20 Million Prepayment Agreement to Support Development of Finniss Lithium Project

HIGHLIGHTS

- **Binding Offtake and Prepayment Agreements signed with Ya Hua International Investment and Development Co. Ltd, a wholly owned subsidiary of Shenzhen-stock exchange listed Sichuan Yahua Industrial Group Co., Ltd (“Yahua”)**
- **Offtake Agreement provides for the supply of 1 million dry metric tonnes of lithium DSO to be supplied from Core’s 100% owned Finniss Lithium Project in the Northern Territory**
- **US\$20 million conditional prepayment facility, to be repaid through the supply of future DSO or Li₂O concentrate production from the Finniss Lithium Project**
- **Core is currently undertaking a Pre-Feasibility Study for the development of the Grants Mineral Resource, targeting first deliveries from mid-2019**
- **Yahua is one of China’s largest lithium hydroxide and carbonate producers**

Core Exploration Limited (ASX:CXO) (“Core” or “the Company”) is pleased to announce that it has entered into a binding lithium offtake agreement (“**Offtake Agreement**”) and a conditional US\$20 million prepayment agreement (“**Prepayment Agreement**”) for its 100% Finniss Lithium Project near Darwin in the Northern Territory.

The Offtake and Prepayment Agreements are with one of China’s largest lithium hydroxide and carbonate producers, Ya Hua International Investment and Development Co. (“**Yahua**”), a wholly owned subsidiary of A\$3Bn market value and Shenzhen-stock exchange listed Sichuan Yahua Industrial Group Co., Ltd. Execution of the agreements represents a milestone step for the Company as it advances its plans to become a low-cost lithium producer.

Stephen Biggins, Core’s Managing Director commented:

“The signing of the first offtake and prepayment agreements for the Finniss Lithium Project is a significant milestone for Core, and we are delighted to have extended our strategic relationship with Yahua, as one of our largest shareholders as a result of the recent \$2m equity investment into Core.”

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Within the space of just over 12 months we have discovered and defined the Northern Territory's first lithium Mineral Resource, completed a robust mining study in respect of the development of Grants as a high grade DSO mine, applied for a Mineral Lease, and now concluded our maiden offtake and prepayment agreements – a key element which significantly de-risks our development plans.

These agreements are a strong endorsement of the Finniss Lithium Project and gives substantial clarity on project funding as we embark on our plan to rapidly transition into lithium DSO production, with a view to generating early cashflow that can fund our ultimate goal of becoming a long-term supplier of spodumene concentrate to the growing lithium battery market.”

The Offtake Agreement

The Offtake Agreement is for the supply of 1 million dry metric tonnes of direct shipping lithium ore (“DSO”) from the Mineral Lease that contains the Grants lithium deposit. The Mineral Lease area remains in application status, and was applied for in mid-October 2017, and sits within Core’s 100% owned granted Exploration Licences near Darwin.

The Offtake Agreement provides for attractive pricing linked to the market for 6% lithium concentrate, but subject to a price floor and ceiling.

It is expected that the Offtake Agreement will account for more than 50% of the Grants lithium deposit production over the life of mine, underpinning its production profile and providing great confidence to Core to fast-track development of the mine. The Offtake Agreement represents significant value for the Company in early stage project revenues over the term of the contract.

As part of the Offtake Agreement, Core has granted Yahua a first right of refusal over DSO offtake produced from the Grants lithium deposit and surrounding EL 29698 up to the greater of 500,000 tonnes of DSO or 25% of the forecast production for any calendar year.

The Offtake Agreement ends on the earlier of Core having supplied 1Mt of DSO to Yahua, or 5 years, and may be extended by mutual agreement between Core and Yahua.

In the event that Core elects not to produce a DSO product, but instead takes the product through to a value-added lithium concentrate, the Offtake Agreement provides for Yahua and Core to negotiate in good faith to agree any necessary amendments to reflect the production of lithium concentrate rather than DSO.

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The Prepayment Agreement

Pursuant to the Prepayment Agreement that has been executed with Yahua, subject to the satisfaction of various conditions precedent, Yahua has agreed to provide a US\$20 million prepayment to Core to be used for the development of the Grants lithium deposit. The prepayment will be offset by Core through the delivery of either DSO or Li₂O concentrate production from the Finniss Lithium Project or cash payment.

Core will be able to access the prepayment in three tranches, subject to its satisfying various conditions precedent, including the grant of a Mining Licence and receipt of all necessary regulatory approvals to commence mining, a decision to mine being made by no later than 31 December 2019, the granting of a mining mortgage over the Grants Mining License and the completion of a Feasibility Study that demonstrates a Measured and Indicated Mineral Resource of at least 1Mt and supports a Net Present Value of greater than US\$20 million for the development of the Grants Lithium Deposit.

If Core draws down on the prepayment facility, Yahua's first right of refusal will be extended from the Mineral Lease area and EL 29698 only (as provided for in the Offtake Agreement), to a first right over 50% of the production of DSO from the Company's Finniss Lithium Project tenements, which may be extended to Li₂O Concentrate in the event that Core decides to produce Li₂O Concentrate from the Finniss Lithium Project.

The Prepayment agreement includes usual representations and undertakings (in addition to usual insolvency related events), which would prevent Core from drawing on the prepayment agreement or terminating the pre-payment agreement, including as a result of a failure to ship any DSO to Yahua within twelve (12) months of a Decision to Mine.

About the Grants Lithium Development

The Grants lithium deposit represents the first Mineral Resource defined within Core's Finniss Lithium Project in the Northern Territory, and is one of many similar pegmatite prospects identified by Core within its portfolio, which also includes the high grade BP33 lithium prospect located 5km away from Grants, and where recent drilling has demonstrated potential for a second high grade, moderate scale project.

The proposed Grants Lithium development will include an open pit, waste rock dump, ore stockpile and processing infrastructure. The Grants deposit contains a Mineral Resource of 1.8 million tonnes of high grade spodumene, the standard lithium mineral used by the lithium industry as a feedstock for lithium chemicals to produce a range of end products including contributing to the production of lithium ion batteries.

Core intends to ship the lithium product from Darwin Port to customers in China to meet their growing global demand for lithium including Yahua as our maiden offtake customer.

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A Pre-Feasibility Study in respect of the Grants development is continuing, including additional drilling to upgrade the current JORC Resource. The Company expects to report an updated Mineral Resource and results of its Pre-Feasibility Study in Q1 2018.

About Sichuan Yahua Industrial Group Co. Ltd

Sichuan Yahua Industrial Group Co., Ltd. is a China-based company principally engaged in the manufacture and distribution of civil explosives. The company is an A-share listed on the Shenzhen-stock exchange in China, with a market capitalisation of over RMB 15 billion (A\$3.0 billion).

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

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The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Stephen Biggins (BSc(Hons)Geol, MBA) as Managing Director of Core Exploration Ltd who is a member of the Australasian Institute of Mining and Metallurgy and is bound by and follows the Institute's codes and recommended practices. He has sufficient experience which is relevant to the styles of mineralisation and types of deposits under consideration and to the activities being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Biggins consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. This report includes results that have previously been released under JORC 2012 by Core on 08/05/2017 as "Core Defines First Lithium Resource in the NT". The Company is not aware of any new information that materially affects the information included in this announcement.

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