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Interim Consolidated Financial Statements
for the half-year ended 31 December 2020

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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 the 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 1, 366 King William Street
ADELAIDE South Australia 5000

Directors' Report

The Directors of Core Lithium Ltd present their Report together with the financial statements of the consolidated entity, being Core Lithium ("Core" or "the Company") and its controlled entities ("the Group") for the half year ended 31 December 2020 and the Independent Review Report thereon.

DIRECTORS

The following persons were directors of Core throughout the period.

- Gregory English
- Stephen Biggins
- Heath Hellewell
- Malcolm McComas

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

Core is well positioned to be Australia's next lithium producer, developing the Finnis Lithium Project ("the Project") which is one of Australia's most capital efficient and lowest cost hard rock spodumene lithium projects located near Darwin Port in the Northern Territory, Australia.

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

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

In the half year to 31 December 2020, Core continued to build strategic relationships with potential offtake partners and project financiers and invest in exploration and project development activities at its 100%-owned Finnis Lithium Project in the Bynoe Pegmatite Field region in the Northern Territory.

During the period, Core commenced a lithium resource infill and expansion program to further define and grow Mineral Resources and project mine life with the aim of releasing an updated and optimised Definitive Feasibility Study ("DFS") in Q2 2021.

Discussions and negotiations with the Northern Territory government resulted in the signing of a non-binding indicative term sheet with the Local Jobs Fund for a \$5 million concessional Finance Facility to contribute to the lower start-up capital funding needs.

Core has also advanced high-grade gold and silver projects in NT. The Company has discovered multiple new gold prospects with visible gold, gold nuggets and +100g/t¹ gold assays within months of starting gold exploration. A short RAB drilling program commenced during the period.

The consolidated net loss of the Group, for the six months to 31 December 2020 was \$914,980 (2019: \$1,653,624).

In January 2021, Core received and accepted the Northern Territory Government's offer of a Mineral Lease (ML 32346) for the BP33 deposit for a term of 25 years.

In February 2021, Core successfully raised \$40.5 million in additional capital through the Placement of 162 million shares to new high-quality institutional investors. For every two new Placement shares, the Group has also issued one unlisted attaching option (approximately 81 million options), with an exercise price of \$0.45 and a two-year expiry.

¹ Core confirms that it is not aware of any new information or data that materially affects the results included in this announcement as "Gold grades over 100gt Au and visible gold - Bynoe Project" on 28 September 2020.

Directors' Report

REVIEW OF OPERATIONS AND FINANCIAL RESULTS (continued)

In March 2021, Core, through its newly created 100% owned subsidiary Bynoe Lithium Pty Ltd (**Bynoe**) entered into a call option with Outback Metals Proprietary Limited (**Outback**) and Victory Polymetallic Pty Limited (**Victory**) (collectively the **Grantors**) to potentially acquire six granted mining leases (ML29912, ML29914, ML29985, ML31654, MLN 813 and MLN 1148) (**Mineral Titles**) containing over 30 lithium pegmatite targets adjacent to the Project near Darwin in the Northern Territory (**Call Option Deed**).

Bynoe has until 31 December 2021 to exercise its call option and may extend that date by three months until 31 March 2022 and a further three months until 30 June 2022, subject to paying \$250,000 to the Grantors for each extension (**Call Option Period**).

During the Call Option period:

- Bynoe is granted an exclusive irrevocable licence and right to access and conduct exploration and land access assessment activities on the Mineral Titles at its own cost and risk. The Grantors are restricted from relinquishing, forfeiting, surrendering, or cancelling ground or rights under, or otherwise dealing with, the Mineral Titles; and
- title to the Mineral Titles remains with the Grantors.

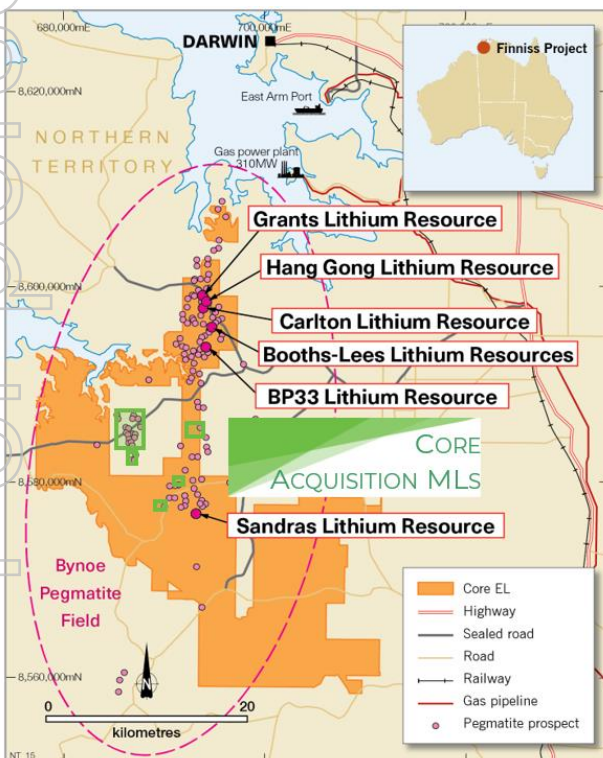
Australia New Zealand Resources Corporation Pty Ltd (**Landowner**) owns the land underlying two of the Mineral Titles (ML 29985 and MLN 1148) and is also a party to the Call Option Deed and agrees to enter into a Covenant (described below) on exercise of the Call Option. Bynoe must pay \$25,000 per annum to the Landowners as compensation and is to provide an additional \$50,000 on signing the Call Option Deed in the form of cash or a bank guarantee as a security deposit for rehabilitation liabilities. If Bynoe (or its nominee) exercises and completes the call option transaction, the \$50,000 will be returned or netted off the purchase price. The Landowner cannot deal with the underlying freehold during the Call Option period unless the third party taking an interest agrees to be bound by the terms of the Call Option including the requirement to enter into the Covenant. Bynoe can withdraw from the arrangement at any time. The Call Option will terminate at the end of the Call Option Period if it has not been exercised.

If Bynoe exercises the option, subject to securing the appropriate authorisations, it must pay:

- (a) \$5,000,000 to the Grantors, with \$1,500,000 to be paid in cash and the balance of \$3,500,000 to be paid in cash or CXO shares, at Core's discretion (subject to any shareholder approval otherwise the balance of consideration will be cash). Any shares will be subject to a 4 month and 14-day escrow period.
- (b) Contingent consideration will also be payable of \$500,000 to the Grantors, (\$150,000 in cash and \$350,000 in cash or CXO shares, at Core's discretion (subject to any required shareholder approval)) for each 1mt JORC resource Bynoe discovers, capped at an aggregate amount of \$5,000,000. Any shares will be subject to a 3 month and 14-day escrow period.

Completion is conditional on Bynoe securing Ministerial approval within 6 months after the call option exercise date. If Ministerial approval is not obtained, then Bynoe can elect to terminate and the consideration will not become payable.

If the call option is exercised, the Landowners must enter 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. The Covenant is to be registered.



Directors' Report

REVIEW OF OPERATIONS AND FINANCIAL RESULTS (continued)

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:

- (a) \$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.
- (b) \$1,900,000 (Indexed using Darwin CPI) to the Landowner, on the Mine Development Date.

Core guarantees the financial obligations of Bynoe under the Call Option Deed and the Covenant.

Upon execution, Core paid \$500,000 for the option to acquire the Mineral Titles and issued a Bank Guarantee for \$50,000 as security for the rehabilitation obligations in relation to any exploration on the mineral titles during the period up to completion under the Call Option Deed.

A copy of the auditor's independence declaration as required under s307C of the Corporations Act 2001 (Cth) is included on page 6 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 2021
Adelaide, South Australia

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Auditor's Independence Declaration



Level 3, 170 Frome Street
Adelaide SA 5000

Correspondence to:
GPO Box 1270
Adelaide SA 5001

T +61 8 8372 6666

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 year ended 31 December 2020, 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 AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance
Adelaide, 10 March 2021

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half year ended 31 December 2020

	Notes	31 December 2020 \$	31 December 2019 \$
Interest income		25,393	38,413
Grant income	3	249,006	40,000
Employee benefits expense		(498,637)	(510,157)
Exploration expense		(38,429)	(12,817)
Impairment expense		-	-
Depreciation expense		(63,562)	(72,455)
Share based payment (expense)		(74,423)	(237,500)
Other expenses		(514,328)	(899,108)
Loss before tax		(914,980)	(1,653,624)
Income tax benefit / (loss)		-	-
Loss for the period from continuing operations attributable to owners of the parent		(914,980)	(1,653,624)
Other comprehensive income attributable to owners of the parent		-	-
Total comprehensive loss for the period attributable to owners of the parent		(914,980)	(1,653,624)
Earnings per share from continuing operations			
Basic Loss - cents per share	4	(0.09)	(0.21)
There are no dilutive securities on issue.			

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	31 December 2020 \$	30 June 2020 \$
ASSETS			
Current assets			
Cash and cash equivalents		4,530,041	8,709,771
Trade and other receivables		44,145	37,683
Other assets		83,373	22,623
Total current assets		4,657,559	8,770,077
Non-current assets			
Exploration and evaluation expenditure	5	29,665,567	26,380,721
Plant and equipment		166,829	219,042
Other assets		527,128	421,036
Total non-current assets		30,359,524	27,020,799
TOTAL ASSETS		35,017,083	35,790,876
LIABILITIES			
Current liabilities			
Trade and other payables		854,741	2,080,228
Employee provisions		103,497	100,904
Total current liabilities		958,238	2,181,132
Non-current liabilities			
Trade and other payables		-	9,777
Employee provisions		50,539	32,107
Total non-current liabilities		50,539	41,884
TOTAL LIABILITIES		1,008,777	2,223,016
NET ASSETS		34,008,306	33,567,860
EQUITY			
Issued capital	6	51,251,237	49,856,210
Reserves	7	704,766	746,536
Accumulated losses		(17,947,697)	(17,034,886)
TOTAL EQUITY		34,008,306	33,567,860

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 2020

2020	SHARE CAPITAL \$	OPTION/RIGHTS RESERVE \$	ACCUMULATED LOSSES \$	TOTAL EQUITY \$
Balance at 1 July 2020	49,856,210	746,536	(17,034,886)	33,567,860
Share placement	1,061,533	-	-	1,061,533
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 (exercise price & transfer of cost of instruments exercised)	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 profit or loss for the reporting year	-	-	(914,980)	(914,980)
Total other comprehensive income for the reporting year	-	-	-	-
Balance 31 December 2020	51,251,237	704,766	(17,947,697)	34,008,306
2019	SHARE CAPITAL \$	OPTION/RIGHTS RESERVE \$	ACCUMULATED LOSSES \$	TOTAL EQUITY \$
Balance at 1 July 2019	42,184,370	487,339	(12,808,643)	29,863,066
Share placement	350,000	-	-	350,000
Shares issued as remuneration for services rendered by external parties	120,000	-	-	120,000
Transaction costs	(24,892)	-	-	(24,892)
Performance rights and options issued to officers, employees and contractors at fair value	-	217,500	-	217,500
Fair value of performance rights and options that lapsed	-	(81,966)	81,966	-
Exercise of performance rights at fair value	38,681	(38,681)	-	-
Transactions with owners	483,789	96,853	81,966	662,608
Comprehensive income:				
Total profit or loss for the reporting year	-	-	(1,653,624)	(1,653,624)
Total other comprehensive income for the reporting year	-	-	-	-
Balance 31 December 2019	42,668,159	584,192	(14,380,301)	28,872,050

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 2020

	31 December 2020 \$	31 December 2019 \$
Operating activities		
Interest received	25,393	45,189
Payments to suppliers and employees	(1,265,144)	(1,623,437)
Proceeds from grant funding	231,006	40,000
Net cash used in operating activities	(1,008,745)	(1,538,248)
Investing activities		
Payments for plant and equipment	(4,238)	(10,096)
Proceeds from royalty sale	-	6,875,000
Payments for capitalised exploration expenditure	(4,374,366)	(3,965,818)
Net cash (used in) / from investing activities	(4,378,604)	2,899,086
Financing activities		
Proceeds from issue of share capital	1,061,557	350,000
Proceeds from exercise of options	280,000	-
Payment of transaction costs	(77,578)	(39,392)
Payments of lease liabilities	(56,360)	(58,211)
Net cash from financing activities	1,207,619	252,397
Net change in Cash and cash equivalents	(4,179,730)	1,613,235
Cash and cash equivalents at the beginning of the period	8,709,771	2,387,665
Cash and cash equivalents at the end of the period	4,530,041	4,000,900

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 2020

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a) Nature of operations

Core's principal activities are developing lithium and diversified metals projects through exploration in world class mining provinces within Northern Territory and South Australia.

b) General information and basis of preparation

The interim consolidated financial statements (the interim financial statements) of the Group are for the six months ended 31 December 2020 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 2020 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 2021.

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.

i) Key estimates - impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

ii) 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.

iii) 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.

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 2020. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 2020

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 GRANT INCOME

Grant income accounts for Federal Government grant income and support for various industry support initiatives and incentives.

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 2020	6 Months to December 2019
Weighted average number of shares used in basic earnings per share	988,458,166	788,876,175
Weighted average number of securities used in diluted earnings per share	988,458,166	788,876,175
Loss per share – basic and diluted (cents)	(0.09)	(0.21)

There were 38,773,810 Options (2019: 44,273,810) and 22,466,666 (2019: 29,850,000) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 2020

5 EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2020 \$	30 June 2020 \$
Opening balance	26,380,721	27,321,225
Expenditure on exploration during the period	3,324,846	5,504,258
Government co-funding	(40,000)	-
Fair value of exploration licence and mineral lease acquired ²	-	100,000
Fair value of contingent consideration to Liontown Resources Ltd ⁴	-	1,500,000
Sale of future royalty on Finniss Lithium Project ³	-	(6,875,000)
Impairment of capitalised exploration ¹	-	(1,169,762)
Closing balance	29,665,567	26,380,721

During the current period, the Group focused exploration efforts on an infill and extension lithium drilling program to further define and grow Mineral Resources and project mine life with the aim of releasing an updated and optimised Definitive Feasibility Study for the Finniss Lithium Project in 2021.

- 1 The impairment of capitalised exploration in the year ended 30 June 2020 represents the write down of tenements that have been relinquished during that period. In accordance with AASB 6 - *Exploration for and Evaluation of Mineral Resources*, there has been no indicators of impairment identified in the current period.
- 2 During the prior period, the Group issued 1,269,905 shares for the right to acquire an ancillary mineral lease within EL 31133 which is adjacent to the existing mining leases held at the Finniss Lithium Project. In addition, the Group issued 1,317,792 shares upon completion of an agreement to acquire Exploration Licence EL26848 (Walanbanba) in the Northern Territory. The fair value of the shares issued has been reflected above.
- 3 During the prior period 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 is an additional \$1.25million of funding that is conditional on the Group announcing a 15 million tonne JORC Mineral Resource for the Finniss Lithium Project and the achieving continuous operation of the processing plant for more than 14 consecutive days (Stage 2). The royalty rate on receipt of initial proceeds under Stage 1 is 2.115% and increases to 2.50% upon achievement of the Stage 2 milestone and payment of the balance of the purchase price by LRC. The Finniss Lithium Project assets are held as security over the royalty funding received in advance.
- 4 In June 2020, the Group announced a JORC Mineral Resource totaling 5Mt within the Bynoe Project Area. This triggered Core's obligation to pay Liontown Resources Ltd (ASX: LTR, "Liontown") \$1,500,000 in cash or shares (at Core's election and subject to shareholder approval) in accordance with the sale agreement entered into in September 2017. This obligation was settled in full via a cash payment to Liontown in July 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 2020

6 ISSUED CAPITAL

31 December 2020	Number of Shares	\$
a) Issued and paid-up capital		
Fully paid ordinary shares	997,830,321	51,251,237
	<u>997,830,321</u>	<u>51,251,237</u>
b) Movements in fully paid shares		
Opening balance as at 1 July 2020	969,692,791	49,856,210
Share placement	23,187,530	1,061,533
Exercise of quoted options (exercise price & transfer of cost of instruments exercised)	3,500,000	368,153
Exercise of unquoted rights (at fair value)	1,450,000	25,870
Transaction costs	-	(60,529)
Balance as at 31 December 2020	<u>997,830,321</u>	<u>51,251,237</u>
30 June 2020	Number of Shares	\$
a) Issued and paid-up capital		
Fully paid ordinary shares	969,692,791	49,856,210
	<u>969,692,791</u>	<u>49,856,210</u>
b) Movements in fully paid shares		
Opening balance as at 1 July 2019	778,191,657	42,184,370
Share purchase plan	48,807,821	2,074,332
Share placements	137,110,460	5,805,320
Shares issued as consideration for Exploration Licence and Mineral Ancillary Lease	2,587,697	100,000
Shares issued as consideration for services rendered	392,156	20,000
Exercise of unquoted performance rights (at fair value)	2,603,000	38,681
Transaction costs	-	(366,493)
Balance as at 30 June 2020	<u>969,692,791</u>	<u>49,856,210</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 2020

7 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 2020 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 2020	Year Ended 30 June 2020	6 Months to 31 December 2020	Year Ended 30 June 2020
Opening balance at beginning of period	42,273,810	20,000,000	615,941	343,365
Issued to Key Management Personnel, and employees as remuneration ¹	-	21,000,000	(2,169)	274,961
Issued to consultants as remuneration	-	3,273,810	-	39,399
Exercised	(3,500,000)	-	(88,153)	-
Lapsed	-	(2,000,000)	-	(41,784)
Balance at end of period	38,773,810	42,273,810	525,619	615,941

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 2020 the Group did not issue any unquoted options. There were 3,500,000 unquoted options exercised by brokers which were exercisable for 8.0 cents.

During the year ended 30 June 2020 the Group issued 1,000,000 unquoted options to employees as remuneration, subject to a Key Performance Indicator (KPI) vesting condition, are exercisable at 6.0 cents and expire on 31 December 2023. Furthermore, the Group issued 3,273,810 unquoted options to consultants as remuneration for services provided during the period, are exercisable at 5.3 cents and expire on 30 September 2022. A further 20,000,000 unquoted options issued to directors, following shareholder approval, which are exercisable at 6.0 cents and expire on 30 June 2023. Finally, 2,000,000 unquoted options issued to directors, employees and contractors were forfeited and lapsed as KPI conditions were not met.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 2020

7 RESERVES (continued)

Movements in the period (continued)

Performance Rights Reserve	Number of Rights		Dollars (\$)	
	6 Months to 31 December 2020	Year Ended 30 June 2020	6 Months to 31 December 2020	Year Ended 30 June 2020
Opening balance at beginning of period	27,550,000	9,665,000	130,595	143,974
Issued to Key Management Personnel, consultants, and employees as remuneration ¹	500,000	28,100,000	77,306	183,865
Exercised	(1,450,000)	(2,603,000)	(25,870)	(38,681)
Lapsed ²	(4,133,334)	(7,612,000)	(2,884)	(158,563)
Balance at end of period	22,466,666	27,550,000	179,147	130,595

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.

2 This includes 4,133,334 performance rights where vesting conditions were not met as at 30 June 2020, however had not yet formally lapsed. These performance rights had been reassessed and written back to \$nil at 30 June 2020. The options formally lapsed on 24 July 2020.

During the six months to 31 December 2020 the Group issued 500,000 performance rights to employees a remuneration. The performance rights have no exercise price and fair value of 4.7 cents with various KPI based performance conditions and expire in various periods ranging from 31 March 2024 to 30 June 2024. During the period 1,450,000 performance rights issued to employees were exercised upon KPI performance conditions being met and 4,133,334 performance rights issued to directors, employees and contractors were forfeited as KPI conditions were not met.

During the year ended 30 June 2020, the Group issued 28,100,000 performance rights to employees a 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 2,603,000 performance rights issued to employees and contractors were exercised upon KPI performance conditions being met and 7,612,000 performance rights issued to directors, employees and contractors were forfeited as KPI conditions were not met.

8 EVENTS ARISING SINCE THE END OF THE REPORTING PERIOD

In January 2021, Core received and accepted the NT Government's offer of a Mineral Lease (ML 32346) for the BP33 deposit for a term of 25 years.

Furthermore, during January, February and March 2021, the following instruments were exercised:

- Exercise of 500,000 unquoted options with an exercise price of 8 cents and expiry of 31 January 2021.
- Exercise of 4,000,000 unquoted options with an exercise price of 6 cents and expiry of 30 June 2022.
- Exercise of 3,273,810 unquoted options with an exercise price of 5.3 cents and expiry of 30 September 2022.
- Exercise of 6,000,000 unquoted options with an exercise price of 8.0 cents and expiry of 5 September 2022.
- Exercise of 100,000 unquoted performance rights where performance hurdles were met.

In February 2021, Core raised \$40.5 million in additional capital through the placement of 162,007,000 shares and 81,003,467 unquoted options (45 cent exercise price and 2-year expiry) to new institutional investors, primarily located in North America, Europe and Australia.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 2020

8 EVENTS ARISING SINCE THE END OF THE REPORTING PERIOD (continued)

In March 2021, Core, through its newly created 100% owned subsidiary Bynoe Lithium Pty Ltd (**Bynoe**) entered into a call option with Outback Metals Proprietary Limited (**Outback**) and Victory Polymetallic Pty Limited (**Victory**) (collectively the **Grantors**) to potentially acquire six granted mining leases (ML29912, ML29914, ML29985, ML31654, MLN 813 and MLN 1148) (**Mineral Titles**) containing over 30 lithium pegmatite targets adjacent to the Project near Darwin in the Northern Territory (**Call Option Deed**). Bynoe has until 31 December 2021 to exercise its call option and may extend that date by three months until 31 March 2022 and a further three months until 30 June 2022, subject to paying \$250,000 to the Grantors for each extension (**Call Option Period**). During the Call Option period:

- Bynoe is granted an exclusive irrevocable licence and right to access and conduct exploration and land access assessment activities on the Mineral Titles at its own cost and risk. the Grantors are restricted from relinquishing, forfeiting, surrendering, or cancelling ground or rights under, or otherwise dealing with, the Mineral Titles; and
- title to the Mineral Titles remains with the Grantors.

Australia New Zealand Resources Corporation Pty Ltd (**Landowner**) owns the land underlying two of the Mineral Titles (ML 29985 and MLN 1148) and is also a party to the Call Option Deed and agrees to enter into a Covenant (described below) on exercise of the Call Option. Bynoe must pay \$25,000 per annum to the Landowners as compensation and is to provide an additional \$50,000 on signing the Call Option Deed in the form of cash or a bank guarantee as a security deposit for rehabilitation liabilities. If Bynoe (or its nominee) exercises and completes the call option transaction, the \$50,000 will be returned or netted off the purchase price. The Landowner cannot deal with the underlying freehold during the Call Option period unless the third party taking an interest agrees to be bound by the terms of the Call Option including the requirement to enter into the Covenant. Bynoe can withdraw from the arrangement at any time. The Call Option will terminate at the end of the Call Option Period if it has not been exercised. If Bynoe exercises the option, subject to securing the appropriate authorisations, it must pay:

- (a) \$5,000,000 to the Grantors, with \$1,500,000 to be paid in cash and the balance of \$3,500,000 to be paid in cash or CXO shares, at Core's discretion (subject to any shareholder approval otherwise the balance of consideration will be cash). Any shares will be subject to a 4 month and 14-day escrow period.
- (b) Contingent consideration will also be payable of \$500,000 to the Grantors, (\$150,000 in cash and \$350,000 in cash or CXO shares, at Core's discretion (subject to any required shareholder approval)) for each 1mt JORC resource Bynoe discovers, capped at an aggregate amount of \$5,000,000. Any shares will be subject to a 3 month and 14-day escrow period.

Completion is conditional on Bynoe securing Ministerial approval within 6 months after the call option exercise date. If Ministerial approval is not obtained, then Bynoe can elect to terminate and the consideration will not become payable. If the call option is exercised, the Landowners must enter 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. The Covenant is to be registered. 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:

- (a) \$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.
- (b) \$1,900,000 (Indexed using Darwin CPI) to the Landowner, on the Mine Development Date.

Core guarantees the financial obligations of Bynoe under the Call Option Deed and the Covenant.

Upon execution, Core paid \$500,000 for the option to acquire the Mineral Titles and issued a Bank Guarantee for \$50,000 as security for the rehabilitation obligations in relation to any exploration on the mineral titles during the period up to completion under the Call Option Deed.

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.

Directors' Declaration

In the opinion of the Directors of Core Lithium Ltd:

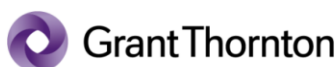
- a) the consolidated financial statements and notes of Core Lithium Ltd are in accordance with the Corporations Act 2001 (Cth), including:
 - i) giving a true and fair view of its financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
 - ii) complying 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 2021 in Adelaide, South Australia

Independent Auditor's Review Report



Level 3, 170 Frome Street
Adelaide SA 5000

Correspondence to:
GPO Box 1270
Adelaide SA 5001

T +61 8 8372 6666

Independent Auditor's 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 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated condensed 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 Core Lithium Ltd's financial position as at 31 December 2020 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.

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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 2020 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 AUDIT PTY LTD
Chartered Accountants



J. L. Humphrey
Partner – Audit & Assurance

Adelaide, 10 March 2021

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