



ASX ANNOUNCEMENT

ASX: CXO

29th August 2017

\$2M Placement to Yahua International to Advance Finniss Lithium Project

HIGHLIGHTS

- Core and Ya Hua International Investment and Development Co. Ltd which is wholly owned by Sichuan Yahua Industrial Group Co., Ltd have executed a Framework Agreement and Subscription Agreement for a strategic placement and negotiation of cooperation and spodumene offtake agreements
- Yahua has committed to subscribe for \$2 million at 6 cents per share at a substantial premium to Core's recent market price
- Yahua Group is a A\$2.2 billion A-share listed company on the Shenzhen Stock Exchange, and is one of China's largest lithium hydroxide and carbonate producers, with significant expansion plans
- The parties have agreed to negotiate commercial offtake arrangements for DSO lithium spodumene from Core's lithium deposits located within the Finniss Lithium Project
- Core and Yahua will work together to advance Finniss Lithium Project into production, with a starter DSO open pit mining operation proposed from the Grants deposit
- The signing of this Framework Agreement and Subscription Agreement with Yahua reflects the strong level of interest from potential offtakers and development partners for the high grade spodumene at the Finniss Lithium Project near Darwin, Northern Territory



Core Exploration Limited (ASX:CXO) (“**Core**” or “**Company**”) is pleased to announce that it has entered into a binding Subscription Agreement and Framework Agreement with Ya Hua International Investment and Development Co. Ltd (“**Yahua**”) which is wholly owned by Sichuan Yahua Industrial Group Co. Ltd (“**Yahua Group**”), one of China’s largest lithium hydroxide and carbonate producers, for a placement of \$2 million to Yahua (“**Placement**”). The Framework Agreement forms a strategic alliance between Yahua and Core and provides for the future negotiation of an offtake and cooperation agreement. The aim of the strategic alliance is to establish a lithium mining operation at Core’s Finnis Lithium Project located near Darwin, in the Northern Territory.

The Placement to Yahua will be conducted in two tranches:

- Core will initially receive A\$1 million and issue Yahua with 16.7 million fully paid Core shares at 6 cents per share (**Tranche 1 Placement**). The Tranche 1 Placement is not conditional on shareholder approval and has been completed – an Appendix 3B follows this announcement.
- Core will receive a further A\$1 million and issue Yahua with a further 16.7 million fully paid shares in Core at 6 cents per share, subject to receipt of customary Australian and Chinese regulatory approvals by 31 October 2017 (**Tranche 2 Placement**).

In addition to the Placement, Yahua and Core have agreed to negotiate in good faith to establish binding co-operation and offtake agreements, which will provide for Yahua to acquire DSO lithium production from Core’s exploration licence EL 29698 which is part of the Finnis Lithium Project and may include Yahua assisting Core in sourcing commercial debt financing for development of the Finnis Lithium Project.

The parties will seek to document the cooperation and offtake agreements by 31 October 2017, or a later date by mutual agreement (**Sunset Date**). The Framework Agreement will terminate if the cooperation and offtake agreements are not executed by the Sunset Date. Also, Yahua is not required to proceed with the Tranche 2 Placement if the relevant Chinese and Australian regulatory approvals for the Tranche 2 Placement have not been granted by the Sunset Date.

Yahua Group is already one of China’s largest lithium producers, and has significant expansion plans. Yahua Group’s existing operations includes a 12,000tpa lithium hydroxide refinery and a 6,000tpa lithium carbonate refinery, and it has plans to expand its production to 50,000tpa of lithium salt production. As a major supplier of lithium salts in China, Yahua Group has long term stable relationships with a number of the large downstream customers of lithium batteries, and has broad marketing and distribution channels. Yahua Group already has



significant business interests in Australia, including operations in Darwin, where it manufactures explosives for industrial use.

The fundamental objective of both Core and Yahua is to develop the Finnis Lithium Project as rapidly as possible so that Core can commence generating cashflow from its Finnis Project and take advantage of the current strong offtake pricing available, and Yahua can take delivery of high grade DSO material to utilise in its lithium refineries in China.

Stephen Biggins, Core's Managing Director commented:

"The commencement of a strategic relationship with Yahua represents a landmark transaction for Core as we embark on a plan to rapidly transition into lithium DSO production, with the 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.

We are very pleased to partner with a credible partner such as Yahua, and look forward to working with them as major shareholder and eventually, offtake customer for Core.

Yahua has many years of experience in lithium production and we expect this will be of great benefit to Core as we embark on the development of our own lithium production at the Finnis Project."

Yahua's investment provides for \$2 million in new equity funding at a substantial premium to Core's recent share price, and will allow Core to expedite its plans to establish a DSO lithium mining business initially at its Grants deposit, whilst ensuring Core remains well funded to continue its broader exploration efforts at the Finnis Project, with the objective to discover larger lithium resources to build a long life spodumene concentrate operation.

Yahua has agreed to a Standstill period in which it will not, and will procure that each of its related body corporates do not acquire additional Core securities for a period of 12 months from the last date that Placement shares are issued, or enter into any arrangement conferring rights on any third party the economic effect of which is equivalent or substantially the same as acquiring or holding securities in Core, unless it has received the prior written consent of Core.



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 company on the Shenzhen-stock exchange in China, with a market capitalisation of over RMB 13 billion (A\$2.2 billion).

The company's main products include industrial explosives, industrial detonators, industrial cords, industrial detonators and customised 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 in domestic market and to overseas markets.

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