

Core Lithium Ltd

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Core Lithium retains speculative buy recommendation from RM Research

Core Lithium Ltd (ASX:CXO) recently received a positive Assessment Report from the Northern Territory Environment Protection Authority (NTEPA) for the development of its Grants Lithium Project.

This completes the Environmental Impact Assessment process for Grants and paves the way for the company to apply for an authorisation under the NT Mining Management Act.

RM Research has maintained its speculative buy on this potentially near term, low CAPEX/OPEX producer with favourable logistics and relatively low CAPEX giving this project an excellent chance of making it through to production.

Following is an extract from RM Research's update on Core:

Royalty deal provides development/exploration funding for Finnis

- Speciality royalty company Lithium Royalty Corporation (LRC) has agreed to provide A\$8.125 million in two tranches in return for the right to receive a 2.5% of gross revenue royalty on the project. A\$6.88 million will be released on execution and held in escrow pending FIRB approval (Stage 1-timing 8 weeks), with A\$1.25 million conditional on CXO outlining a 15 million tonne JORC Mineral Resource at Finnis and achieving continuous operation of the processing plant for more than 14 consecutive days (Stage 2).

- The Royalty rate is 2.115% on Stage 1 increasing to 2.50% on achievement of the Stage 2 milestone and payment of the balance of the purchase price by LRC.

- Funds will be used to progress Finnis towards development, near term resource growth and exploration activity.

DFS delivers compelling metrics

- The DFS published in April 2019 returned a healthy NPV10 of \$114 million with an IRR of 80% based on a 3.5 year mine life treating 2.6Mt of ore for 481,018 tonnes of concentrate at a head grade of 1.42%. CAPEX at \$73 million is modest and assumes a US\$687/tonne spodumene concentrate price and a USD:AUD exchange rate of US\$0.70. We note that prices have slipped to around US\$550/tonne however the A\$ spodumene concentrate price has increased from \$981 to \$999/t over this period.

- While the mine life is short, logistics (rail, access to shipping facilities) are excellent in comparison to peers and we are optimistic that near term exploration will be successful within the license areas (covering an area of around 500km²) in pushing the mine life out beyond 5 years.

Price: 0.037

Market Cap: \$29.32 m

1 Year Share Price Graph



Share Information

Code: CXO

Listing: ASX

52 week High Low
0.059 0.031

Sector: Battery Metals

Website: www.coreexploration.com.au

Company Synopsis:

Core Lithium Ltd (ASX:CXO) is an emerging lithium developer.

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- In late May 2019, CXO also indicated Finnis could produce 200K to 250K tonnes of fine lithium as a by-product at a very low additional cost. Given projected pricing of US\$50 to US\$75/t, and recent end user interest, RMR consider this has an excellent chance of adding to the revenue stream.

Lithium prices remains under pressure

- 2019 to 2020 looks like the market will remain in oversupply driven by Australia-China spodumene conversion capacity. Current lithium prices do make a large proportion of lithium resources look attractive with much of the supply surplus coming from hard rock lithium producers. We anticipate prices to recover moving into late 2020.

Near-Term Price Catalysts

- Price catalysts include further drilling and resource upgrades (including conversion of the majority of 5-8Mt of JORC Resources to Reserves), permitting, offtake agreements, project financing, updates on fine lithium products and possible extensions to mine life beyond 2024.

Action and Recommendation

- RMR is maintaining its speculative buy on this potentially near term, low CAPEX/OPEX producer with favourable logistics and relatively low CAPEX giving this project an excellent chance of making it through to production. The primary caveat remains the market for lithium which has been under recent pressure however we anticipate spodumene concentrate prices to recover moving into late 2020. RMR intend to publish more detailed commentary later in 2019.

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