RNS Number : 6565X
Bacanora Minerals Ltd
28 November 2017

28 November 2017

Bacanora Minerals Ltd

('Bacanora' or the 'Company')

1st Quarter Financial Statements

Bacanora, the London and Canadian listed (AIM: BCN and TSX-V: BCN) lithium and borates company focused on Mexico, is pleased to announce its unaudited condensed consolidated financial statements for the three-month period ended 30 September 2017, together with the accompanying notes.

QUARTERLY HIGHLIGHTS

Operational

Sonora Lithium Project ('Sonora' or 'the Project') in Mexico

- Environmental Impact Statement, ('Manifestacion de Impacto Ambiental' or '**MIA**'), for the construction of an open-pit mine and a large-scale beneficiation processing facility at the Company's flagship Sonora lithium project approved by SEMARNAT, the Environment Ministry of Mexico

- Access and surface rights secured at Sonora following signing of binding agreements to acquire the freehold to two parcels of land covering mineral resources contained within the La Ventana, Fleur and El Sauz areas which, following completion of the Feasibility Study, will provide the Company with unrestricted access to develop the Project and operate it for the initial life of mine

- Feasibility study activities continue at Sonora:

    - Metallurgical test work is ongoing at the SGS Laboratories in Perth and Ausenco Engineers is currently completing the flow sheet design and mass balance to finalise operating and capital cost estimates
    - Mine planning and equipment selection for the open pit mining operation is being carried out by IMC Mining Consultants in Tucson
    - Ongoing optimisation of the hydrometallurgical circuit utilising recycled Na_2SO_4 as a sulphate source
    - Local infrastructure, energy and natural gas supplies and consumable chemicals for the Project continue to be a focus as a result of the previously reported increases in operating and capital costs for natural gas and chemical reagents
    - The FS report, scheduled for later in 2017, will also include an updated Mineral Resource Estimate ('**MRE"**) and geological model by SRK Consulting (UK) Limited based on the infill drilling programme which was completed in Q3 2016

- The Company continues to operate its large scale lithium carbonate pilot plant in Hermosillo, Mexico currently focusing on:
    - production of battery grade lithium carbonate samples for distribution to potential customers in Asia
    - optimising the metallurgical flow sheet and ongoing FS testwork
    - operator training in preparation for the construction of the large scale plant

Zinnwald Lithium Project ('Zinnwald') Germany

- Jointly controlled entity, Deutsche Lithium GmbH ('**Deutsche Lithium**"), granted 30 year mining licence covering 256.5 hectares of the Zinnwald project by the Saxony State Mining Authority

- Recent testwork on Zinnwald concentrates has shown that a number of downstream lithium products can be produced from the Zinnwald ores, utilising chemicals and infrastructure available in the Dresden area

- As part of the ongoing development of Zinnwald, a Feasibility Study ('**FS**") is underway to develop a strategy to demonstrate the economic viability of producing higher value downstream lithium products for the European battery and automotive sectors and is expected to be completed in mid-2019

- A resource infill drilling programme to upgrade the existing resource model in accordance with National Instrument 43-101 - *Standard of Disclosure for Mineral Projects* ("**NI 43-101**") is ongoing
    - Four out of 15 planned infill drilling holes have been completed - the remaining holes are scheduled for completion by January 2018

- Completion of collection of a 100 tonne bulk ore sample from the legacy mine at Zinnwald to provide samples for metallurgical testwork has been complete - on completion of the concentration testwork, hydrometallurgical testwork for downstream processing will be undertaken, focusing on the production of higher value lithium battery chemical products

Financial

- Implementation of a restricted share unit plan along with the grant of an aggregate of 1,192,277 restricted share units thereunder to directors, officers and senior management members of the Company and its subsidiaries
    - the restricted share units vest on the date that is three years from the date of the grant, being 19 September 2020

- Granting of an aggregate of 2,227,410 options to acquire common shares in the capital of the Company at a price of £0.80 (approximately $1.32) pursuant to the Stock Option Plan of the Company to directors, officers and senior management members of the Company and its subsidiaries
    - the options vest as to 1/3 on the date of grant and an additional 1/3 on each of the first and second anniversaries of the date of grant and are exercisable for a period of three (3) years

- On 28 September 2017, 833,333 of the Company's warrants and 50,000 of the common share options were exercised at $0.45 and $0.25 respectively for aggregate gross proceeds of $387,500

Lithium property outlook

- The Company's strategy is to position itself to satisfy ongoing strong growth for lithium carbonate in the fast growing sectors of electric vehicles and energy storage. The Company is fully financed with approximately US$24.0 million in the bank at the date of this MD&A and is therefore fully funded through to the initial development of Sonora and the start of the construction stages.

- The pricing of lithium carbonate in China remained strong in August 2017, with reported sales by major producers in the region of US$14,000/t and spot sales around US$19,400/t (source: https://seekingalpha.com/article/4117788-lithium-miner-news-month-october-2017). With this in mind, the Company will update the pricing assumptions in its FS and expects to announce the updated long term pricing forecast for lithium carbonate for the FS prior to the FS being released.

For further information, please contact:

Bacanora Minerals Ltd.	Peter Secker, CEO	info@bacanoraminerals.com
Cairn Financial Advisers LLP, Nomad	Sandy Jamieson, Liam Murray	+44 (0) 20 7213 0880
Canaccord Genuity, Broker	Martin Davison, James Asensio	+44 (0) 20 7523 8000
St Brides Partners, Financial PR Adviser	Frank Buhagiar, Megan Dennison	+44 (0) 20 7236 1177

Consolidated Statements of Financial Position
Expressed in Canadian Dollars

As at	September 30, 2017	June 30, 2017
Assets		
Current		
Cash	**$34,324,655**	$38,755,184
Other receivables (Note 5(a))	**697,948**	676,498
Deferred costs	**8,108**	23,330
Total current assets	**35,030,711**	39,455,012
Non-current assets		
Investment in Joint Venture (Note 7)	**10,983,185**	10,946,471
Long-term derivative asset (Note 7)	**2,689,639**	2,689,639
Property and equipment (Note 8)	**4,031,733**	2,769,008
Exploration and evaluation assets (Note 9)	**18,765,197**	17,828,645
Total non-current assets	**36,469,754**	34,233,763
Total assets	**71,500,465**	73,688,775
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	**1,034,519**	1,092,806
Joint Venture obligation (Note 7)	**3,740,178**	4,474,832
Total current liabilities	**4,774,697**	5,567,638
Non-current liabilities		
Joint Venture obligation (Note 7)	**2,147,559**	1,927,626
Deferred tax liability	**135,000**	135,000
Total non-current liabilities	**2,282,559**	2,062,626
Total liabilities	**7,057,256**	7,630,264
Shareholders' Equity		
Share capital (Note 10)	**92,200,656**	91,805,916
Contributed surplus (Note 10(f))	**7,458,559**	6,784,655
Foreign currency translation reserve	**1,736,647**	2,273,622
Deficit	**(36,124,670)**	(34,001,997)
Attributed to Shareholders of Bacanora Minerals Ltd.	**65,271,192**	66,862,196
Non-controlling interest	**(827,983)**	(803,685)
Total shareholders' equity	**64,443,209**	66,058,511
Total Liabilities and Shareholders' Equity	**$ 71,500,465**	$ 73,688,775

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Loss

Unaudited

Expressed in Canadian Dollars

Three months ended September 30,

	2017	2016
Revenue		
Interest income	**$45,434**	$38,720
Expenses		
General and administrative (Note 11)	**1,260,884**	1,283,089
Accretion of Joint Venture obligation	**219,933**	-
Depreciation (Note 8)	**48,824**	39,695
Stock-based compensation (Note 10(g))	**681,144**	784,743
	2,210,785	2,107,527
Loss before other items	**(2,165,351)**	(2,068,807)
Foreign exchange gain (loss)	**54,457**	(846,580)
Warrant liability valuation	**-**	348,964
Joint Venture investment profit (loss)	**(21,991)**	-
Loss	**(2,132,885)**	(2,566,423)

Foreign currency translation adjustment	**(536,975)**	(513,327)
Total comprehensive loss	**(2,669,860)**	(3,079,750)
Loss attributable to shareholders of Bacanora Minerals Ltd.	**(2,122,673)**	(2,204,906)
Loss attributable to non-controlling interest	**(10,212)**	(361,517)
	(2,132,885)	(2,566,423)
Total comprehensive loss attributable to shareholders of Bacanora Minerals Ltd.	**(2,600,153)**	(2,718,233)
Total comprehensive loss attributable to non-controlling interest	**(69,707)**	(361,517)
	(2,669,860)	(3,079,750)
Net loss per share (basic and diluted)	**$(0.02)**	$(0.03)

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

Expressed in Canadian Dollars	Share Capital						
	Number of Shares	Amount	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Non-controlling interest	**Total**
Balance, June 30, 2016	**107,874,353**	**$57,058,924**	**$3,528,990**	**$2,574,478**	**$(15,150,873)**	**$(805,758)**	**$47,205,761**
Shares issued on exercise of warrants	2,925,000	4,493,502	-	-	-	-	4,493,502
Stock-based compensation expense	-	-	784,743	-	-	-	784,743
Foreign currency translation adjustment	-	-	-	(61,151)	-	-	(61,151)
Loss for the period	-	-	-	-	(2,204,906)	(361,517)	(2,566,423)
Balance, September 30, 2016	**110,799,353**	**$61,552,426**	**$4,313,733**	**$2,513,327**	**$(17,355,779)**	**$(1,167,275)**	**$49,856,432**
Brokered placements	20,907,186	30,895,043	-	-	-	-	30,895,043
Shares issued on exercise of options	200,000	101,780	(41,780)	-	-	-	60,000
Share issue costs	-	(743,333)	-	-	-	-	(743,333)
Stock-based compensation expense	-	-	2,512,702	-	-	-	2,512,702
Foreign currency translation adjustment	-	-	-	(239,705)	-	-	(239,705)
Loss for the period	-	-	-		(16,646,218)	363,590	(16,282,628)
Balance, June 30, 2017	**131,906,539**	**$91,805,916**	**$6,784,655**	**$2,273,622**	**$(34,001,997)**	**$(803,685)**	**$66,058,511**
Shares issued on exercise of warrants	833,333	375,000	-	-	-	-	375,000
Shares issued on exercise of options	50,000	19,740	(7,240)	-	-	-	12,500
Stock-based compensation expense	-	-	681,144	-	-	-	681,144
Foreign currency translation adjustment	-	-	-	(536,975)	-	-	(536,975)
Loss for the period	-	-	-	-	(2,122,673)	(24,298)	(2,146,971)
Balance, September 30, 2017	**132,789,872**	**$92,200,656**	**$7,458,559**	**$1,736,647**	**$(36,124,670)**	**$(827,983)**	**$64,443,209**

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows
Unaudited

Expressed in Canadian Dollars		
Three months ended September 30,		
	2017	2016
Cash provided by (used in)		
Operating activities		
Net loss	**$(2,132,885)**	$(2,566,423)
Depreciation	**48,824**	39,695
Warrant liability revaluation	**-**	(348,964)
Accretion of Joint Venture obligation	**219,933**	-
Joint Venture investment loss	**21,991**	-
Stock-based compensation expense (Note 10(g))	**681,144**	784,743
	(1,160,993)	(2,090,949)
Changes in non-cash working capital		
Other receivables	**21,450**	(102,393)
Prepaid	**(15,222)**	(15,365)
Accounts payable and accrued liabilities	**(45,065)**	424,662
	(1,199,830)	(1,784,045)
Financing activities		
Warrants proceeds	**375,000**	45,752
Option proceeds	**12,500**	-
	387,500	45,752
Investing activities		
Additions to mineral properties (Note 9)	**(975,392)**	(1,982,315)
Additions to property and equipment (Note 8)	**(1,304,547)**	(175,711)
Investment in Joint Venture (Note 7)	**(771,369)**	-
	(3,051,308)	(2,158,026)
Increase in cash position	**(3,863,638)**	(3,896,319)
Exchange rate effects	**(566,891)**	-
Cash, beginning of the period	**38,755,184**	28,730,168
Cash, end of the period	**$34,324,655**	$24,833,849

See accompanying notes to the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Bacanora Minerals Ltd. (the "**Company**" or "**Bacanora**") was incorporated under the *Business Corporations Act* of Alberta on September 29, 2008. The Company is dually listed on the TSX Venture Exchange as a Tier 2 issuer and on the AIM Market of the London Stock Exchange, with its common shares trading under the symbol, "BCN" on both exchanges. The address of the Company is 2204 6 Avenue N.W. Calgary, AB T2P 3S2.

The Company is an exploration stage mining company engaged in the identification, acquisition, exploration and development of mineral properties located in Mexico and Germany. The Company has not yet determined whether its mineral properties contain economically recoverable reserves. The recoverability of amounts capitalized is dependent upon the discovery of economically recoverable reserves, maintaining title in the properties and obtaining the necessary financing to complete the exploration and development of these projects and upon attainment of future profitable production. The amounts capitalized as exploration and evaluation assets represent costs incurred to date, and do not necessarily represent present or future values.

2. BASIS OF PREPARATION

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**").

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 27, 2017. The Board of Directors has the power and authority to amend these financial statements after they have been issued.

b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value.

These consolidated financial statements are presented in Canadian dollars. The functional currency of the Company is the British pound sterling ("**GBP**") and US dollar for its subsidiaries.

c) New standards and interpretations not yet adopted

A number of new IFRS standards, and amendments to standards and interpretations, are not yet effective for the period ended September 30, 2017, and have not been applied in preparing these condensed consolidated interim financial statements. None of these standards are expected to have a significant effect on the condensed consolidated interim financial statements of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4

a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company, 70% of its subsidiary, Mexilit S.A. de C.V. ("**Mexilit**"), 70% of its subsidiary, Minera Megalit S.A de C.V. ("**Megalit**"), 100% of its subsidiary, Operador Lithium Bacanora S.A de CV ("**OLB**") and through its wholly-owned subsidiary, Mineramex Limited, 99.9% of Minera Sonora Borax, S.A. de C.V. ("**MSB**"), and 60% of Minerales Industriales Tubutama, S.A. de C.V. ("**MIT**"). Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intercompany balances and transactions are eliminated in full. Losses within a subsidiary are attributed to the non- controlling interest even if that results in a deficit balance. A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

b) Joint Arrangements

Certain of the Company's activities are conducted through joint arrangements in which two or more parties have joint control. A joint arrangement is classified as either a joint operation or a joint venture, depending on the rights and obligations of the parties to the arrangement.

Joint operations arise when the Company has a direct ownership interest in jointly controlled assets and obligations for liabilities. The Company does not have this type of arrangement.

Joint ventures arise when the Company has rights to the net assets of the arrangement. For these arrangements, the Company uses the equity method of accounting and recognizes initial and subsequent investments at cost, adjusting for the Company's share of the joint venture's income or loss, less dividends received thereafter. When the Company's share of losses in a joint venture equals or exceeds its interest in a joint venture it does not recognize further losses. The transactions between the Company and the joint venture are assessed for recognition in accordance with IFRS.

Joint ventures are tested for impairment whenever objective evidence indicates that the carrying amount of the investment may not be recoverable under the equity method of accounting. The impairment amount is measured as the difference between the carrying amount of the investment and the higher of its fair value less costs of disposal and its value in use. Impairment losses are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

c) Foreign currency

***(i)* Transactions and balances:**

Transactions in foreign currencies are initially recorded in the functional currency at the rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange in effect at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. All exchange differences are recorded in net income (loss) for the year.

***(ii)* Translation to presentation currency:**

The results and balance sheet of the subsidiary are translated to the presentation currency as follows:

Assets and liabilities are translated at the closing rate at the dates of the consolidated statements of financial position;

Share capital is translated using the exchange rate at the date of the transaction; revenue and expenses for each statement of comprehensive income (loss) are translated at average exchange rates; and all resulting exchange differences are recognized in other comprehensive income (loss) in the consolidated statements of comprehensive loss.

The Company treats specific inter-company loan balances, which are not intended to be repaid in the foreseeable future, as part of its net investment in a foreign operation and any resulting exchange difference on these balances is recorded in other comprehensive loss. When a foreign entity is sold, such exchange differences are reclassified to income (loss) in the consolidated statements of comprehensive loss as part of the gain or loss on sale.

d) Cash

Cash is comprised of cash held on deposit and other short-term, highly liquid investments with original maturities of three months or less with a Canadian chartered bank, a British bank and a Mexican bank. These deposits and investments are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

e) Exploration and evaluation assets

Costs incurred prior to acquiring the right to explore an area of interest are expensed as incurred.

Exploration and evaluation assets are intangible assets. Exploration and evaluation assets represent the costs incurred on the exploration and evaluation of potential mineral resources, and include costs such as exploratory drilling, sample testing, activities in relation to the evaluation of technical feasibility and commercial viability of extracting a mineral resource, and general & administrative costs directly relating to the support of exploration and evaluation activities. The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. The recoverable amount is the higher of the assets fair value less costs to sell and value in use. Assets are allocated to cash generating units not larger than operating segments for impairment testing.

Purchased exploration and evaluation assets are recognized as assets at their cost of acquisition or at fair value if purchased as part of a business combination. They are subsequently stated at cost less accumulated impairment. Exploration and evaluation assets are not amortized. Where the Company's exploration commitments for a mineral property are performed under option agreements with a third party, the proceeds of option payments under such agreements are applied to the mineral property to the extent costs are incurred. The excess, if any, is recorded to the statements of comprehensive loss. Asset swaps are recognized at the carrying amount of the asset being swapped when the fair value of the assets cannot be determined.

Once the work completed to date on an area of interest is sufficient such that the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development. Exploration and evaluation assets are tested for impairment before the assets are transferred to development property; capitalized expenditure is transferred to mine development assets or capital work in progress.

f) Stock-based payments

(i) Stock-based payment transactions

The Company grants stock options and restricted share units to acquire common shares to directors, officers and employees ("equity-settled transactions"). The board of directors determines the specific grant terms within the limits set by the Company's Stock Option Plan and Restricted Share Unit Plan.

Equity-settled transactions

The costs of equity-settled transactions are measured by reference to the fair value at the grant date and are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant persons become fully entitled to the award (the "vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share option reserve. No expense is recognized for awards that do not ultimately vest.

The Company's Restricted Share Unit Plan provides the Company with a choice of settling the arrangement in cash or by issuing common shares. The Company accounts for these transactions in accordance with the requirements applied to equity-settled transactions.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Company's financial statements in accordance with IFRS requires management to make certain judgments, estimates, and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from these estimates. Information about the significant judgments, estimates, and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

a) Exploration and evaluation assets

The Company is in the process of exploring its mineral properties and has not yet determined whether the properties contain economically recoverable mineral reserves. The recoverability of carrying values for mineral properties is dependent upon the discovery of economically recoverable mineral reserves, the ability of the Company to obtain the financing necessary to complete exploration and development, and the success of future operations.

The application of the Company's accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that costs incurred will be recovered through successful exploration and development or sale of the asset under review when assessing impairment. Furthermore, the assessment as to whether economically recoverable reserves exist is itself an estimation process. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalized is written off in the net income (loss) in the period when the new information becomes available. In situations where indicators of impairment are present for the Company's exploration and evaluation assets, estimates of recoverable amount must be determined as the higher of the estimated value in use or the estimated fair value less costs to sell.

b) Title to mineral property interests

Although the Company has taken steps to verify the title to the exploration and evaluation assets in which it has an interest, in accordance with industry practices for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

c) Functional currency

The Company transacts in multiple currencies. The assessment of the functional currency of each entity within the consolidated group involves the use of judgment in determining the primary economic environment each entity operates in. The Company first considers the currency that mainly influences sales prices for goods and services, and the currency that mainly influences labour, material and other costs of providing goods or services. In determining functional currency the Company also considers the currency from which funds from financing activities are generated, and the currency in which receipts from operating activities are usually retained. When there is a change in functional currency, the Company exercises judgment in determining the date of change.

d) Share-based payments

The Company utilizes the Black-Scholes Option Pricing Model to estimate the fair value of stock options and restricted share units granted to directors, officers and employees. The use of the Black-Scholes Option Pricing Model requires management to make various estimates and assumptions that impact the value assigned to the stock options and restricted share units including the forecast future volatility of the stock price, the risk-free interest rate, dividend yield, and the expected life of the stock options and restricted share units. Any changes in these assumptions could have a material impact on the share- based payment calculation value.

The same estimates are required for transactions with non-employees where the fair value of the goods or services received cannot be reliably determined.

e) Joint Venture investment

The Company applies IFRS 11 to all joint arrangements and classifies them as either joint operations or joint ventures, depending on the contractual rights and obligations of each investor. The Company holds 50% of the voting rights of its joint arrangement with SolarWorld AG. The Company has determined to have joint control over this arrangement as under the contractual agreements, unanimous consent is required from all parties to the agreements for certain key strategic, operating, investing and financing policies. The Company's joint arrangement is structured through a limited liability entity - Deutsche Lithium GmbH ("**DL**") and provides the Company and SolarWorld AG (parties to the agreement) with rights to the net assets of DL under the arrangements. Therefore, this arrangement has been classified as a joint venture. The Joint Venture obligation includes assumptions regarding the expected timing of the expenditures and on the discount rate used. Any changes in the timing of the expectations could impact the recorded amount. Refer to Note 7 regarding inputs used.

f) Long-term derivative asset

The Company's Joint Venture arrangement with SolarWorld AG stated above gives it the right, either alone or together with another party, to purchase the remaining 50% of the voting rights of DL for 30 million Euros (herein referred to as the "Option"). This Option is available to the Company within 6 months of the earlier of the completion of the Feasibility Study or the second anniversary of the agreement. The Company used significant judgment to determine the fair value of this Option and considered the enterprise value per measured and indicated resources of comparable mining entities within the last quarter of fiscal 2017 to determine an appropriate range. The Company re-assesses its inputs to determine change in the valuation of the Option at each reporting period. Any changes in the assumptions could have a material impact on the Option value.

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

This note presents information about the Company's exposure to credit, liquidity and market risks arising from its use of financial instruments and the Company's objectives, policies and processes for measuring and managing such risks.

a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. Financial instruments that potentially subject the Company to concentrations of credit risk consist of other receivables which relate solely to input tax receivables in Canada and value added tax receivables in Mexico. Any changes in management's estimate of the recoverability of the amount due will be recognized in the period of determination and any adjustment may be significant. The carrying amount of accounts and related party receivables represents the maximum credit exposure.

The Company's cash is held in major Canadian, UK and Mexican banks, and as such the Company is exposed to the risks of those financial institutions. Substantially all of the accounts receivables represent amounts due from the Canadian and Mexican governments and accordingly the Company believes them to have minimal credit risk.

The Board of Directors monitors the exposure to credit risk on an ongoing basis and does not consider such risk significant at this time. The Company considers all of its accounts receivables fully collectible.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they became due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses. Liquidity risk arises primarily from accounts payable and accrued liabilities, current portion of the Joint Venture obligation and commitments, all with maturities of one year or less.

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices, and interest rates will affect the value of the Company's financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing long-term returns.

The Company conducts exploration projects in Mexico. As a result, a portion of the Company's expenditures, other receivables, accounts payables and accrued liabilities are denominated in US dollars and Mexican pesos and are therefore subject to fluctuation in exchange rates. As at June 30, 2017, a 5% change in the exchange rate between the Canadian dollar and the GBP would have an approximate
$5,595,000 (2016 - $2,353,000) change to the Company's total comprehensive loss.

d) Fair values

The fair value of cash, other receivables, accounts payable and accrued liabilities and current portion of the Joint Venture obligation approximate their carrying values due to the short term nature of the instruments.

Fair value measurements recognized in the statement of financial position subsequent to initial fair value recognition can be classified into Levels 1 to 3 based on the degree to which fair value is observable.

Level 1 - Fair value measurements are those derived from quoted prices in active markets for identical assets and liabilities.

Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly, or indirectly.

Level 3 - Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The fair value disclosed for the long-term derivative asset (Note 7), Joint Venture obligation (Note 7) and recoverable amount of certain exploration and evaluation assets (Note 9) are classified under Level 3.

Each of these items was recognised during the year and there were no transfers between any levels of the fair value hierarchy.

6. CAPITAL MANAGEMENT

The Company's objectives in managing capital are to safeguard its ability to operate as a going concern while pursuing exploration and development and opportunities for growth through identifying and evaluating potential acquisitions or businesses. The Company defines capital as the Company's shareholders equity excluding contributed surplus, of

$57,812,632 at September 30, 2017 (June 30, 2017
- $60,077,541).

The Company sets the amount of capital in proportion to risk and corporate growth objectives. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

7. INVESTMENT IN JOINTLY CONTROLLED ENTITY

Effective February 17, 2017, the Company acquired a 50% interest in a jointly controlled entity, Deutsche Lithium GmbH located in southern Saxony, Germany that is involved in the exploration of a lithium deposit in the Alterberg-Zinnwald region of the Eastern Ore Mountains in Germany. The determination of DL as a joint venture was based on DL's structure through a separate legal entity whereby neither the legal form nor the contractual arrangement give the owners the rights to the assets and obligations for the liabilities within the normal course of business, nor does it give the rights to the economic benefits of the assets or responsibility for settling liabilities associated with the arrangement. Accordingly, the investment is accounted for using the equity method.

The Company acquired its interest for a cash consideration of €5 million (approximately $7.1 million) from SolarWorld AG ("**SolarWorld**") and an undertaking to contribute up to €5 million toward the costs of completion of a feasibility study, which is anticipated to take approximately 18-24 months. Additionally, legal fees of $228,679 were paid in connection to this transaction. The Company, alone or together with any reasonably acceptable third party, has an option to acquire the remaining 50% of the jointly controlled entity within this 24 month period for €30 million. In the event that the Company does not exercise this right within the above stated timeframe, then SolarWorld has the right but not the obligation to purchase the Company's 50% interest for €1.

The following table summarizes the purchase price allocation for the joint venture acquisition:

	Amount
Working capital	$178,337
Exploration and evaluation assets	13,692,671
Property and equipment	108,730
Less: deferred tax liability	(3,244,919)
Enterprise value	**$ 10,734,819**

The current value of DL is substantially attributed to the exploration and evaluation assets, and therefore, contribution paid in excess of the carrying value of net assets is attributed to the exploration and evaluation assets.

Consideration for the joint venture acquisition consisted of the following:

	Amount
Cash	$7,334,277
Joint venture obligation	6,000,542
Less: Long-term derivative asset	(2,600,000)
Total consideration paid	**$10,734,819**

The Company's undertaking to contribute up to €5 million toward the costs of completion of a feasibility study within the next 18-24 months has been recorded as a liability in the consolidated statement of financial position, presented in accordance with its due date, between current and non-current portions. As at September 30, 2017, the current portion of the obligation was 3,740,177 (June 30, 2017 - $4,474,832) and the non-current portion was $2,147,559 (June 30, 2017 - $1,927,626) which includes the accretion of $219,933 (year ended June 30, 2017 - $401,915). The Company used a discount rate of 20% and final payment to conclude in March, 2019 to determine the present value of the obligation. If the estimated rate increased/decreased by 5% it would result in an (decrease) increase to the obligation of ($243,000) and $265,000 respectively.

The option to purchase the remaining 50% interest has been recognized as a derivative asset in the consolidated statement of financial position as it represents the option to acquire equity instruments at a future point in time. This derivative asset has been recorded at the present value of its fair value at
$2,675,283 (June 30, 2017 - $2,689,639). The fair value was determined by reviewing the total enterprise value per contained lithium quantity multiples of comparable hard-rock mining lithium companies. If the multiple used increased or decreased by 10% it would result in a fair value increase (decrease) of $1.7 million and $(1.8 million) respectively. The derivative asset has been classified as long-term due to its realization being in line with the

completion of a feasibility study, which is anticipated to take approximately 18-24 months.

Reconciliation of the carrying amount of net investment in joint venture is as follows:

	September 30, 2017
Opening Balance	**$10,946,471**
Share of Loss	36,714
Balance, September 30, 2017	**$10,983,185**

Summarized financial information in respect of the Company's joint venture in DL is set out below. The summarized information represent amounts shown in DL's financial statements, as adjusted for differences in accounting policies and fair value adjustments required related to the Company's investment in the joint venture. Amounts have been translated in accordance with the Company's accounting policy on foreign currency translation.

	September 30, 2017
Current assets	**$995,957**
Non-current assets	**27,750,743**
Current liabilities	**6,920,015**
Profit from continuing operations	**72,102**
Total comprehensive income	**72,102**

8. PROPERTY AND EQUIPMENT

Cost	**Building and equipment**	**Office furniture and equipment**	**Computer equipment**	**Transportation equipment**	**Land**	**Total**
Balance, June 30, 2016	**$2,773,567**	**$3,147**	**$10,539**	**$188,263**	**-**	**$ 2,975,516**
Additions	410,546	-	-	149,465	**-**	**560,011**
Foreign exchange	38,917	-	-	3,908	**-**	**42,825**
Balance, June 30, 2017	**$3,223,030**	**$3,147**	**$10,539**	**341,636**	**-**	**$ 3,578,352**
Additions	294,484	-	-	-	1,010,063	1,304,547
Foreign exchange	6,703	-	-	3,610	-	10,313
Balance, Sep. 30, 2017	**$3,524,217**	**$3,147**	**$10,539**	**345,246**	**$1,010,063**	**$4,893,212**

Accumulated depreciation	**Building and equipment**	**Office furniture and equipment**	**Computer equipment**	**Transportation equipment**	**Land**	**Total**
Balance, June 30, 2016	**$492,627**	**$3,147**	**$10,539**	**$104,832**	**-**	**$611,145**
Additions	131,300	-	-	52,853	-	**184,153**
Foreign exchange	11,712	-	-	2,334	-	**14,046**
Balance, June 30, 2017	**$635,639**	**$3,147**	**$10,539**	**$160,019**	**-**	**$809,344**
Additions	35,613			13,211	-	**48,824**
Foreign exchange	2,152			1,159	-	**3,311**
Balance, Sep. 30, 2017	**$673,404**	**$3,147**	**$10,539**	**$174,389**	**-**	**$861,479**

Carrying amounts	**Building and equipment**	**Office furniture and equipment**	**Computer equipment**	**Transportation equipment**	**Land**	**Total**
At June 30, 2017	$2,587,391	-	-	$181,617	-	$2,769,008
At Sep. 30, 2017	**$2,850,813**	**-**	**-**	**$170,857**	**$1,010,063**	**$4,031,733**

9. EXPLORATION AND EVALUATION ASSETS

The Company's mining claims consist of mining concessions located in the State of Sonora, Mexico. The specific descriptions of such properties are as follows:

a. Magdalena Borate property

The Magdalena Borate project consists of seven concessions, with a total area of 7,095 hectares. The concessions are 100% owned by MSB. The Magdalena property is subject to a 3% gross overriding royalty payable to Minera Santa Margarita S.A. de C.V., a subsidiary of Rio Tinto PLC, and a 3% gross overriding royalty payable to the estate of the past Chairman of the Company on sales of borate produced from this property.

During the year ended June 30, 2017, the Company determined there to be indicators of impairment on the exploration and evaluation assets located in the Magdalena Borate property based on the Company's decision to not further explore borates. As such, the Company recognized impairment of $8,037,430 on these assets as the recoverable amount of the property was lesser than the carrying value based on fair value less cost to sell. Fair value for the property has been assessed by the Company on the basis of estimated land value.

b. Sonora Lithium property

The Sonora Lithium Project consists of ten contiguous mineral concessions. The Company through its wholly-owned Mexican subsidiary, MSB, has a 100% interest in two of these concessions: La Ventana and La Ventana 1, covering 1,820 hectares. Of the remaining concessions, five are owned 100% by Mexilit - El Sauz, El Sauz 1, El Sauz 2, Fleur and Fleur 1 covering 6,334 hectares. Mexilit is owned 70% by Bacanora and 30% by Cadence Minerals Plc ("**Cadence**") formerly known as Rare Earth Minerals Plc.

The remaining three concessions, Buenavista, Megalit and San Gabriel, cover 89,235 hectares, and are subject to a separate agreement between the Company and Cadence. As at June 30, 2017, Buenavista and San Gabriel concessions are owned by Megalit, while the Megalit concession was in the process of being transferred to Megalit. The Megalit concessions is currently owned by MSB. Megalit is owned 70% by Bacanora and 30% by Cadence. As at September 30, 2017 USD$1,012,444 (2016 - USD$1,048,780) of the Company's cash is restricted to be spent on Megalit.

The Sonora Lithium property is subject to a 3% gross overriding royalty payable to the estate of the past Chairman of the Company, on sales of mineral products produced from certain concessions within this property.

The balance of investment in mining claims as of September 30, 2017 and June 30, 2016 corresponds to concession payments to the federal government, costs of exploration and paid salaries, and consists of the following:

	Magdalena Borate	La Ventana Lithium	Mexilit Lithium	Megalit Lithium	Total
Balance, June 30, 2016	$8,602,183	$5,147,394	$3,242,501	$824,635	$17,816,713
Additions	74,608	8,118,390	24,968	48,214	8,266,180
Reimbursement of expenses from Cadence	-	-	(301,000)	-	(301,000)
Impairment loss	(8,037,430)	-	-	-	(8,037,430)
Foreign exchange	39,764	25,659	16,056	2,703	84,182
Balance, June 30, 2017	**$679,125**	**$13,291,443**	**$2,982,525**	**$875,552**	**$17,828,645**
Additions	-	902,590	6,619	6,183	915,392
Foreign exchange	-	20,864	150	146	21,160
Balance, Sep. 30, 2017	**$679,125**	**$14,214,897**	**$2,989,294**	**$881,881**	**$18,765,197**

10. SHARE CAPITAL

a) Authorized

The authorized share capital of the Company consists of an unlimited number of voting common shares without nominal or par value.

b) Common Shares Issued

	Shares	Amount
Balance, June 30, 2016	**107,874,353**	**$57,058,924**
Shares issued on exercise of warrants(2,3)	2,925,000	4,493,502
Shares issued on exercise of options	200,000	101,780
Shares issued in private placement for cash(4)	12,333,261	18,057,648
Shares issued in private placement for cash(5)	8,573,925	12,837,395
Share issue costs	-	(743,333)
Balance, June 30, 2017	**131,906,539**	**$91,805,916**
Shares issued on exercise of warrants	833,333	375,000
Shares issued on exercise of options	50,000	19,740
Balance, September 30, 2017	**132,789,872**	**$92,200,656**

(1) On November 13, 2015, the Company completed a private financing of 11,476,944 common shares at a price of $1.56 (£0.77) per share for aggregate gross proceeds of $17,871,564 (£8,837,247). The Company paid commission of $354,280 and other share issue expenses of $56,117. As part of the financing, 1,973,407 common shares were acquired by Cadence, a company that is a significant shareholder.

(2) On May 20, 2016, the Company completed a private financing that raised approximately $14,681,700 (£7,702,500) via the placing of 9,750,000 units (the "Placing Units") at a price of approximately $1.48 (£0.79) per Placing Unit (the "Placing"). The Company paid commission of $440,500 and other share issue expenses of $64,893. Each Placing Unit is comprised of one new common share of the Company (a "Placing Share") and 0.3 of one common share purchase warrant, with each whole warrant (a "Placing Warrant") being exercisable into one common share at a price of approximately $1.48 (£0.79) at any time subsequent to July 25, 2016, but on or before September 30, 2016. Accordingly, an aggregate of 9,750,000 Placing Shares and 2,925,000 Placing Warrants were issued under this Placing. The Placing Warrants are denominated in a currency different than the functional currency and were recorded originally as warrant liability of $453,299 using the Black-Scholes option pricing model. This warrant liability was re-measured as at June 30, 2016 to be $897,323 using the Black-Scholes option pricing model. On the exercise date of September 30, 2016, the warrant liability was re-measured to be $548,359 using the Black-Scholes option pricing model.

The following assumptions were used in the Black-Scholes option pricing model to determine the valuation of the warrant liability:

Input	May 20, 2016	June 30, 2016	September 30, 2016
Risk-free interest rate	0.39%	0.25%	0.12%
Expected volatility	38%	44%	32.63%
Expected life (years)	0.33	0.25	0.01
Fair-value per warrant	$0.15	$0.31	$0.19

(3) On September 30, 2016, the Company issued 2,925,000 common shares upon the exercise of its warrants at a price £0.79 ($1.35) per share for aggregate gross proceeds of £2,310,750 (approximately $3.9 million). The Company paid commission of £69,323 ($118,355) and recognized a further increase in its share capital of $548,359 in relation to the previously recorded warrant liability.

(4) On May 2, 2017, the Company issued 12,333,261 common shares to Hanwa Co., LTD. The common shares represent 10.0% of the issued and outstanding share capital of the Company and were issued at a price of £0.83 ($1.46) per share for gross proceeds of £10,175,000 (approximately $18.1 million) for Bacanora pursuant to the Company's offtake agreement for battery grade lithium carbonate at its Sonora lithium project in Mexico. The Company paid other share issue expenses of $74,505.

(5) On May 24, 2017, the Company completed a private financing of 8,573,925 common shares at price of £0.86 ($1.49) per share to a US based investment company for aggregate gross proceeds of approximately £7.4 million (approximately $12.8 million). The Company paid commission of £294,943 ($513,496) and other share issue expenses of $36,977.

c) Stock options

The following tables summarize the activities and status of the Company's stock option plan as at and during the period ended September 30, 2017.

	Number of options	Weighted average exercise price
Balance, June 30, 2016	**4,975,000**	**$1.52**
Exercised	(200,000)	0.30
Expired/Cancelled	(325,000)	0.68
Issued	2,937,400	1.41
Balance, June 30, 2017	**7,387,400**	**$1.55**
Exercised	(50,000)	0.25
Issued	2,227,410	1.32
Balance, September 30, 2017	**9,564,810**	**$1.47**

Grant date	Number outstanding at Sep. 30, 2017	Exercise price	Weighted average remaining contractual life (Years)	Expiry date	Number exercisable at Sep. 30, 2017
September 11, 2013	500,000	0.30	1.2	Sept. 11, 2018	500,000
December 2, 2015	925,000	1.58	3.4	Dec. 2, 2020	925,000
January 22, 2016	1,000,000	1.56(1)	0.6	Jan. 22, 2018	1,000,000
April 27, 2016	2,000,000	1.94(2)	2.0	May 27, 2019	2,000,000
March 1, 2017	400,000	1.39(3)	4.7	March 1, 2022	400,000
March 1, 2017	2,012,400	1.39(3)	2.7	March 1, 2020	664,092
May 15, 2017	500,000	1.53(4)	2.9	May 15, 2020	165,000
September 20, 2017	2,227,410	1.32(5)	3.0	Sept. 20, 2017	735,045
	9,564,810				**6,389,137**

(1) Exercise price of £0.77 per share
(2) Exercise price of £0.96 per share
(3) Exercise price of £0.85 per share
(4) Exercise price of £0.87 per share
(5) Exercise price of £0.80 per share

d) Warrants

The following tables summarize the activities and status of the Company's warrants as at and during the period ended September 30, 2017.

	Number of warrants	Remaining contractual life (Years)	Expiry date	Weighted Average Exercise price
Balance, June 30, 2016	3,758,333			
Exercised	(2,925,000)	-	-	$1.51
Balance, June 30, 2017	**833,333**	**0.8**	**March 26, 2018**	**$0.45**
Exercised	(833,333)	-	-	-
Balance, September 30, 2017	**-**	**-**	**-**	**$0.00**

e) Restricted Share Units

On September 20, 2017, the Company implemented a Restricted Share Unit ("RSU") Plan. The RSU Plan is administered by the Compensation Committee under the supervision of the Board of Directors as compensation to officers, directors, consultants, and employees. The Compensation Committee determines the terms and conditions upon which a grant is made, including any performance criteria or vesting period.

Upon vesting, each RSU entitles the participant to receive one common share, provided that the participant is continuously employed with or providing services to the Company. RSUs track the value of the underlying common shares, but do not entitle the recipient to the underlying common shares until such RSUs vest, nor do they entitle a holder to exercise voting rights or any other rights attached to ownership or control of the common shares, until the RSU vests and the RSU participant receives common shares.

The maximum number of RSUs issuable under the RSU Plan is fixed at 13,190,653, provided however that at no time may the number of RSUs issuable under the RSU Plan, together with the number of common shares issuable under options that are outstanding under the Company's Stock Option Plan, exceed 10% of the issued and outstanding common shares as at the date of a grant under the RSU Plan or the Stock Option Plan, as the case may be.

The following tables summarize the activities and status of the Company's restricted share units plan as at and during the period ended September 30, 2017.

	Number of units	Vesting Date	Weighted average value
Balance, June 30, 2017	-	-	-
Issued	1,192,277	September 20, 2020	1.32
Balance, September 30, 2017	**1,192,277**	-	**$1.32**

f) Contributed surplus

The following table presents changes in the Company's contributed surplus.

	September 30, 2017	June 30, 2017
Balance, beginning of period	**$6,784,655**	$3,528,990
Exercise of stock options	**(7,240)**	(41,780)
Stock-based compensation expense (Note 10(c))	**681,144**	3,297,445
Balance, end of period	**$ 7,458,559**	$ 6,784,655

g) Stock-based compensation expense

During the period ended September 30, 2017, the Company recognized $636,991 (2016 - $3,277,615) of stock-based compensation expense. The fair value of the stock-based compensation as estimated on the dates of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	September 30, 2017	June 30, 2017
Risk-free interest rate	0.77% - 1.15%	0.77% - 1.15%
Expected volatility	101.34% - 127.03%	101.34% - 127.03%
Expected life (years)	3 - 5	3 - 5
Fair value per option	$0.77 - $1.18	$0.77 - $1.15

Expected volatility is based on historical volatility of the Company's stock prices.

h) Per share amounts

Basic loss per share is calculated using the weighted average number of shares of 131,925,742 for the period ended September 30, 2017 (2016 - 102,255,672). Options and warrants were excluded from the dilution calculation as they were anti-dilutive.

11. GENERAL AND ADMINISTRATIVE EXPENSES

The Company's general and administrative expenses include the following:

For the period ended	**September 30, 2017**	September 30, 2016
Management fees (Note 13)	**$325,403**	$397,380
Legal and accounting fees	**391,025**	564,316
Investor relations	**251,914**	74,941
Office expenses	**30,380**	124,820
Travel and other	**262,162**	121,632
Total	**$1,260,884**	$1,283,089

12. SEGMENTED INFORMATION

The Company currently operates in two operating segments, the exploration and development of mineral properties in Mexico and the exploration and development of mineral properties in Germany. Before this year, the Company operated only in one segment in Mexico. Management of the Company makes decisions about allocating resources based on two operating segments. Summary of the identifiable assets, liabilities and net loss by operating segment are as follows:

September 30, 2017	Mexico	Germany	Head Office	Consolidated
Current assets	$3,640,263	-	$31,390,448	$35,030,711
Long-term derivative asset	-	-	2,689,639	2,689,639
Property and equipment	3,936,241	-	95,492	4,031,733
Investment in jointly controlled entity	-	11,739,831	-	11,739,831
Exploration and evaluation assets	18,765,197	-	-	18,765,197
Total assets	**$26,341,701**	**$11,739,831**	**$ 34,175,579**	**$72,257,111**
Current liabilities	$671,689	-	$4,103,008	$4,774,697
Joint Venture obligation	-	-	2,147,559	2,147,559
Deferred tax liability	-	-	135,000	135,000
Total liabilities	**$671,689**	**-**	**$ 6,385,567**	**$7, 057,256**

For the period ended September 30, 2017	Mexico	Germany	Head Office	Consolidated
Interest income	-	-	45,434	45,434
General and administrative	92,072	-	1,168,812	1,260,884
Accretion of Joint Venture obligation	-	-	219,933	219,933
Depreciation	48,824	-	-	48,824
Stock-based compensation	-	-	681,144	681,144
Loss before other items	**$(140,896)**	**-**	**$(2,024,455)**	**$(2,165,351)**

13. RELATED PARTY TRANSACTIONS

a. Related party expenses

The Company's related parties include directors and officers and companies which have directors in common.

During the period ended September 30, 2017, directors and management fees in the amount of $430,429 (2016 - $351,170) were paid to directors and officers of the Company which was expensed as general and administrative costs. Of the total amount incurred as directors and management fees, $55,048(2016 - $56,574) remains in accounts payables and accrued liabilities on September 30, 2017.

During the period ended September 30, 2017, the Company paid $90,444 (2016 - $351,170) to Grupo Ornelas Vidal S.A. de C.V., a consulting firm of which Martin Vidal, director of the Company and president of MSB, is a partner. These services were incurred in the normal course of operations for geological exploration and pilot plant operation. As of September 30, 2017, $Nil (2016 - $$107,906) remains in accounts payable and accrued liabilities.

b. Key management personnel compensation

Key management of the Company are directors and officers of the Company and their remuneration includes the following:

For the period ended,	**September 30, 2017**	September 30, 2016
Director's remuneration:		
Estate of Colin Orr-Ewing	-	10,056
James Leahy	-	12,863

Shane Shircliff	**-**	3,546
Derek Batorowski	**-**	3,546
Kiran Morzaria	**-**	4,375
Raymond Hodgkinson	**13,566**	-
Jamie Strauss	**24,666**	-
Andres Antonius	**15,641**	-
Junichi Tomono	**-**	-
Total directors' remuneration	**53,873**	$34,386
Management's remuneration:		
Mark Hohnen	**$98,535**	$87,852
Peter Secker	**123,169**	107,118
Martin Vidal	**78,203**	58,689
Derek Batorowski	**76,649**	63,125
Total management's remuneration	**$376,556**	$316,784
Total directors' and management's remuneration	**$430,429**	$351,170
Operational consulting fees:		
Groupo Ornelas Vidal SA CV	**$90,444**	$257,654
Stock-based compensation expense to directors and management	**$571,759**	$784,743

As at September 30, 2017, the following options were held by directors of the Company:

	Date of grant	Exercise price	Number of options
	September 11, 2013	$0.30	200,000
	December 2, 2015	$1.58	175,000
Martin Vidal	March 1, 2017	$1.39	125,000
	September 11, 2013	$0.30	200,000
	December 2, 2015	$1.58	175,000
Derek Batorowski	March 1, 2017	$1.39	125,000
	December 2, 2015	$1.58	1,000,000
	January 22, 2016	$1.94	2,000,000
	March 31, 2017	$1.39	249,900
Mark Hohnen	September 19, 2017	$1.32	224,910
	March 1, 2017	$1.39	750,000
Jamie Strauss	September 19, 2017	$1.32	750,000
	March 1, 2017	$1.39	200,000
Raymond Hodgkinson	September 19, 2017	$1.33	100,000
	May 15, 2017	$1.53	500,000
Andres Antonius	September 19, 2017	$1.32	750,000

14. COMMITMENTS AND CONTINGENCIES

The Company has commitments for lease payments for field office and camp with no specific expiry dates. The total annual financial commitment resulting from these agreements is $9,156. Additionally, the Company has commitments for lease payments for its UK office in the amount of $49,000 per year until July, 2018.

The properties in Mexico are subject to spending requirements in order to maintain title of the concessions. The capital spending requirement for 2017 is $744,060. The properties are also subject to semi-annual payments to the Mexican government for concession taxes, which will be approximately $167,586 in fiscal 2018.

The Company, as part of a land purchase agreement, has committed to making a payment of $650,000 USD on December 15, 2020.

****ENDS****

END

QRFOKODBKBDBBDB