

Bacanora Minerals LTD / Index: AIM; TSX-V / Epic: BCN / Sector: Natural Resources

2 March 2018

**Bacanora Minerals Ltd ("Bacanora" or the "Company")
Interim Results**

Bacanora Minerals Ltd., the London and Canadian listed lithium exploration and development company, is pleased to provide its unaudited condensed consolidated interim results for the 6 month period ended 31 December 2017. These results were prepared in line with International Financial Reporting Standards, and, unless otherwise specified, amounts are expressed in Canadian dollars ('CAD\$').

HIGHLIGHTS

Operational

Sonora Lithium Project, Mexico ('Sonora')

- Positive economics and favourable operating costs of a 35,000 tonnes per annum ("tpa") battery grade lithium carbonate ("Li₂CO₃") operation at Sonora confirmed in recently completed Feasibility Study ("FS"):
 - US\$1.253 billion pre-tax project Net Present Value ("NPV") at an 8% discount rate and US\$11,000/t Li₂CO₃ price
 - 26.1% Internal Rate of Return ("IRR")
 - US\$3,910/t Li₂CO₃ Life of Mine ("LOM") operating costs, placing Sonora among the low cost brine producers of South America
- Continuous operation of large scale lithium carbonate pilot plant to:
 - produce battery grade lithium carbonate samples for distribution to potential customers in Asia
 - optimise the metallurgical flow sheet and facilitate FS test work
 - train operators in preparation for commissioning of the large-scale plant in Q1 2020
- Environmental approval granted for the construction of an open-pit mine and a large-scale beneficiation processing facility at Sonora
- Access and surface rights secured at Sonora following signing of binding agreements to acquire the freehold to two parcels of land

Zinnwald Lithium Project, Germany ('Zinnwald')

- Feasibility Study underway to demonstrate the economic viability of producing high value downstream lithium products at the Company's 50% owned Zinnwald Project for the European battery and automotive sectors - expected to be completed in mid-2019
- Results of testwork on concentrates demonstrate downstream lithium products can be produced from the Zinnwald ores, utilising chemicals and infrastructure available in the Dresden area
- 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
- Exploration licence covering 295 hectares of the previously mined Falkenhain Lithium deposit located 5 km from Zinnwald in southern Saxony, granted to Deutsche Lithium, which has potential to increase the life of mine at Zinnwald

Corporate

- Proposed change of domicile of jurisdiction from Canada to the UK (the "Re-domicile") by means of a plan of arrangement under the Business Corporations Act (Alberta):
 - all existing common shares of Bacanora will be exchanged for ordinary shares in Bacanora UK, a company that has been established in the UK to become the new holding company for Bacanora and its subsidiaries
 - share capital of Bacanora UK will be substantially identical to the existing share capital of Bacanora and the rights attaching to the new ordinary shares in Bacanora UK will be substantially the same as for the current Bacanora common shares

- Circular sent to shareholders setting out full details of the Transaction and containing notice of a general and special meeting to be held on 19th March 2018
- Board changes in line with Bacanora's transition from an explorer to a lithium development company, ahead of commencement of the construction phase at Sonora

Peter Secker, CEO of Bacanora, said, "With strong demand for high value lithium products being driven by rapidly emerging industries such as electric vehicles and energy storage, there is a need for world class lithium deposits to be brought into production. With a US\$1.25 billion NPV, a 26.1% IRR, and US\$3,910/t Li₂CO₃ Life of Mine operating costs, the recently completed Feasibility Study confirms Sonora is one such world class project. With this in mind and subject to the successful completion of our project financing strategy, we remain focused on commencing construction of a 35,000 tpa operation at Sonora in H1 2018 with a view to achieving first production in Q1 2020 and I look forward to providing updates on our progress."

Chairman's Statement

Our objective is to develop Bacanora into a leading supplier of high value lithium products to fast-growing industries, such as electric vehicles and energy storage. The period under review saw us take a major step towards achieving this goal with the completion of a Feasibility Study ('FS') which confirmed the excellent economics and highly favourable competitive position of a 35,000 tonnes per annum ("tpa") battery grade lithium carbonate ("Li₂CO₃") operation at our flagship Sonora Project in Mexico.

The numbers speak for themselves. The FS estimates a pre-tax project NPV for Sonora of US\$1.25 billion at an 8% discount rate based on an US\$11,000/t Li₂CO₃ price; an IRR of 26.1%; and LOM operating costs of US\$3,910/t of Li₂CO₃, which puts Sonora on a similar position on the industry cost curve as the low cost brine producers of South America. This is a major positive as it differentiates Sonora from other deposits that are either already producing or are under development. While Sonora may have a similar low-cost profile to the South American projects, it is a non-brine deposit and does not require a two year evaporation process to produce lithium carbonate, as is the case with the brines. Instead, by deploying a simple and proven processing route, it is planned that the Sonora plant will take just 5-7 days to process ore into Li₂CO₃, matching the production rate of the higher cost hard rock deposits. Sonora therefore uniquely benefits from having low costs similar to the brine deposits, while having the short production timelines associated with the hard rock producers. This, along with a large and high grade Measured plus Indicated Mineral Resource estimate of over 5 million tonnes ('Mt') of LCE, an additional Inferred Mineral Resource of 3.7 Mt of LCE and a low stripping ratio open pit mining operation, confirms our long held view that Sonora is a world class project which is well placed to become a major supplier to fast growing, end markets for lithium.

We are confident that Sonora can match the short timeframes of the hard rock producers because our pilot plant at Hermosillo in Mexico has been continuously producing >99.5% battery grade LCE for two and half years. As well as proving the processing route and optimising the metallurgical flowsheet for the FS, the pilot plant played a key role in securing Hanwa Co. LTD, a leading Japan-based global trading company and one of the largest traders of battery chemicals in the Asian region, as an offtake partner for up to 100% of the 17,500tpa Li₂CO₃ that will be produced during Stage 1 production. In tandem with the offtake agreement, Hanwa also acquired an initial 10% equity interest in Bacanora, joining a number of institutional investors on our shareholder register, including BlackRock Inc. and M&G Investment Funds.

Having confirmed the excellent economics of Sonora via the FS and secured an offtake agreement for Stage 1 production, we are keen to commence the construction of the mine and processing plant at Sonora in H1 2018. During the half year period under review, we were pleased to receive approval for our 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 Sonora from SEMARNAT, the Environment Ministry of Mexico. In addition, we secured access and surface rights 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. As a result, we now have unrestricted access to develop Sonora and operate it for the initial life of mine.

Thanks to the progress made at Sonora, once funding has been finalised we will be in a position to immediately commence construction work. Funding is expected to comprise a combination of debt and equity finance and discussions with relevant parties are ongoing. We remain confident that funding will be in place to allow the construction phase to commence in H1 2018, targeting first production of Li₂CO₃ in Q1 2020.

Bacanora is not a single project company. Outside Sonora, work continues on a Feasibility Study at our 50%

owned Zinnwald Project in Germany to develop a strategy to produce higher value downstream, lithium products for the European battery and automotive sectors. Initial laboratory testwork has been positive and has demonstrated that higher value lithium products can be produced from the Zinnwald concentrates. A resource infill drilling programme to upgrade the existing resource model in accordance with NI 43-101 along with the collection of a 100 tonne bulk ore sample from the legacy mine at Zinnwald to provide samples for metallurgical testwork have been completed. 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.

In addition to being located in a granite hosted Sn/W/Li belt that has been mined historically for tin, tungsten and lithium in the heart of Germany's industrial region, Zinnwald provides an excellent entry point into the rapidly growing market for lithium in Germany which is being driven by the automotive, renewable energy storage and chemicals industries. With this in mind we were pleased to announce our subsidiary Deutsche Lithium was awarded an exploration licence covering 295 hectares of the previously mined Falkenhain Lithium deposit ("Falkenhain") which lies just 5 km from Zinnwald. The licence award at Falkenhain has the potential to extend the life of mine at Zinnwald.

Corporate

In tandem with work on the ground at Sonora and Zinnwald, we have been focused on ensuring Bacanora makes the transition from an exploration to a development company as smoothly as possible at the corporate level. In line with this, post period end we announced plans to effect a redomicile of the Company's jurisdiction from Canada to the UK (the "Re-domicile") by means of a plan of arrangement under the Business Corporations Act (Alberta). Subject to shareholder, regulatory and Canadian court approval, this will entail exchanging all existing common shares of Bacanora for ordinary shares in Bacanora UK, a company that has been established in the UK to become the new holding company for Bacanora and its subsidiaries. The share capital of Bacanora UK will be substantially identical to the existing share capital of Bacanora and the rights attaching to the new ordinary shares in Bacanora UK will be substantially the same as for the current Bacanora common shares. In all other respects, the Group will remain unchanged as a result of the Re-domicile.

The Directors believe that becoming a UK domiciled company with its primary listing on AIM and its headquarters and senior management based in the UK will raise the Company's profile and status as one of the few, and the most advanced, of the pure-lithium investment opportunities on AIM amongst European investors and within the international mining sector. It will also bring management closer to the Company's major institutional shareholders and potential debt providers, the majority of whom reside in London, and will result in a significant reduction in corporate overheads by removing duplicate costs associated with maintaining a dual listing.

In addition to the Re-domicile, changes to the Board and management both during the half year under review and post period end ought to be seen in the context of Bacanora preparing to switch from being a pure play explorer to a lithium development company. Ms Eileen Carr, a Chartered Certified Accountant with over 25 years' experience in the resource sector, was appointed to the Board as a Non-Executive Director, while Ms Janet Boyce, a certified public accountant who has held a number of senior financial roles with public resource companies, has joined the Company as Chief Financial Officer. Janet has taken over the financial responsibilities from Mr Derek Batorowski, who stepped down as CFO to pursue other business interests. Derek, who as one of the founding directors of Bacanora has played a major role in getting Bacanora to this stage in its development, will continue to serve Bacanora as a Non-Executive Director of the Company.

In addition, in December 2017 we announced that Martin Vidal stepped down as a President and a Director of the Company. As with Derek, Martin, who remains with the Company in an advisory/consultancy capacity, has made an invaluable contribution to the Company's development over the years, from the time of first discovery and exploration of our lithium assets, through to the development phase.

Financial

The Company held cash balances of approximately US\$19 million at the date of this report.

During the period ended 31 December 2017, the Company issued 833,333 new common shares as a result of warrants exercise and 300,000 common shares as a result of stock options exercised for total proceeds of US\$397,600. Following this exercise, the Company has no further warrants outstanding. As at 31 December 2017, the Company had 133,039,872 Common Shares in issue.

Outlook

The building blocks to commence the production of LCE at Sonora in Q1 2020 are falling into place. With an NPV of US\$1.25 billion, an IRR of 26.1%, and favourable operating costs of US\$3,910/t Li₂CO₃, the recently completed FS confirms Sonora's world class credentials. In Hanwa, Bacanora has a leading global battery metals trading house as an offtake partner and strategic investor. Environmental approval and access and surface rights have been secured. While we have a strong shareholder register comprised predominantly of supportive institutional investors.

The next step is to secure a debt and equity funding package. Based on the discussions we are having, we remain confident that construction work remains on track to commence in H1 2018, as we focus on establishing Sonora as the next world class lithium mine supplying fast growing markets such as electric vehicles and energy storage.

Mark Hohnen

1 March 2018

Interim Condensed Consolidated Statements of Financial Position Expressed in Canadian Dollars (unaudited)

	December 31, 2017	June 30, 2017
Assets		
Current assets		
Cash	\$ 27,433,954	\$ 38,755,184
Other receivables (Note 5(a))	1,201,297	676,498
Deferred costs	42,918	23,330
Total current assets	28,678,169	39,455,012
Non-current assets		
Investment in Joint Venture (Note 7)	10,686,822	10,946,471
Long-term derivative asset (Note 7)	3,160,644	2,689,639
Property and equipment (Note 8)	4,409,319	2,769,008
Exploration and evaluation assets (Note 9)	22,112,755	17,828,645
Total non-current assets	40,369,540	34,233,763
Total assets	\$ 69,047,709	\$ 73,688,775
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,333,237	\$ 1,092,806
Joint Venture obligation (Note 7)	3,843,379	4,474,832
Total current liabilities	5,176,616	5,567,638
Non-current liabilities		
Joint Venture obligation (Note 7)	-	1,927,626
Deferred tax liability	135,000	135,000
Total non-current liabilities	135,000	2,062,626
Total liabilities	5,311,616	7,630,264
Shareholders' equity		

Share capital (Note 10)	92,372,546	91,805,916
Contributed surplus (Note 10(f))	7,693,319	6,784,655
Foreign currency translation reserve	2,661,903	2,273,622
Deficit	(38,225,686)	(34,001,997)
Attributed to Shareholders of Bacanora Minerals Ltd.	64,502,082	66,862,196
Non-controlling interest	(765,989)	(803,685)
Total shareholders' equity	63,736,093	66,058,511
Total liabilities and shareholders' equity	\$ 69,047,709	\$ 73,688,775

Interim Condensed Consolidated Statements of Comprehensive Loss
Expressed in Canadian Dollars
(unaudited)

	Three months ended December 31		Six months ended December 31	
	2017	2016	2017	2016
Revenue				
Interest income	\$ 51,068	\$ 23,238	\$ 96,502	\$ 62,238
	51,068	23,238	96,502	62,238
Expenses				
General and administrative (Note 11)	1,606,268	1,222,280	2,867,152	2,505,369
Accretion of Joint Venture obligation	184,761	-	404,694	-
Depreciation (Note 8)	58,541	3,136	107,365	42,831
Stock-based compensation (Note 10(g))	277,150	596,639	958,294	1,381,382
	2,126,720	1,822,055	4,337,505	3,929,582
Loss before other items	(2,075,652)	(1,798,817)	(4,241,003)	(3,867,344)
Foreign exchange gain (loss)	260,235	(457,612)	314,692	(1,304,192)
Warrant liability valuation	-	-	-	348,964
Joint Venture investment profit (loss)	(237,691)	-	(259,682)	-
Loss	(2,053,108)	(2,256,429)	(4,185,993)	(4,822,572)
Foreign currency translation adjustment	925,256	1,463,914	388,281	950,587
Total comprehensive loss	(1,127,852)	(792,515)	(3,797,712)	(3,871,985)
Loss attributable to shareholders of Bacanora Minerals Ltd.	(2,101,016)	(1,822,078)	(4,223,689)	(4,026,984)
Loss attributable to non-controlling interest	47,908	(434,071)	37,696	(795,588)
	(2,053,108)	(2,256,149)	(4,185,993)	(4,822,572)
Total comprehensive loss attributable to shareholders of Bacanora Minerals Ltd.	(1,235,255)	(358,164)	(3,835,408)	(3,076,397)
Total comprehensive loss attributable to non-controlling interest	107,403	(434,071)	37,696	(795,588)
	(1,127,852)	(792,235)	(3,797,712)	(3,871,985)
Net loss per share (basic and diluted)	\$ (0.01)	\$ (0.02)	\$ (0.03)	\$ (0.05)

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity
Expressed in Canadian Dollars
(unaudited)

	Share capital		Contributed surplus	Accumulated other comprehensive income	Deficit	Non-controlling interest	Total
	Number of shares	Amount					
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	4,486,570	-	-	-	-	4,486,570
Share issue costs	-	(111,978)	-	-	-	-	(111,978)
Stock-based compensation expense	-	-	1,381,382	-	-	-	1,381,382
Foreign currency translation adjustment	-	-	-	951,587	-	-	951,587
Loss for the period	-	-	-	-	(4,026,984)	(396,433)	(4,423,417)
Balance, December 31, 2016	110,799,353	\$61,433,516	\$4,910,372	\$3,526,065	\$(19,177,857)	\$(1,202,191)	\$49,489,905
Brokered placements	17,982,186	26,408,473	-	-	-	-	26,408,473
Shares issued on exercise of options	200,000	101,780	(41,780)	-	-	-	60,000
Shares issued on exercise of warrants	2,925,000	4,493,502	-	-	-	-	4,493,502
Share issue costs	-	(631,355)	-	-	-	-	(631,355)
Stock-based compensation expense	-	-	1,916,063	-	-	-	1,916,063
Foreign currency translation adjustment	-	-	-	(1,252,443)	-	-	(1,252,443)
Loss for the period	-	-	-	-	(14,824,140)	398,506	(14,425,634)
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	300,000	191,630	(49,630)	-	-	-	142,000
Stock-based compensation expense	-	-	958,294	-	-	-	958,294
Foreign currency translation adjustment	-	-	-	388,281	-	-	388,281
Loss for the period	-	-	-	-	(4,223,689)	37,696	(4,185,993)
Balance, December 31, 2017	133,039,872	\$92,372,546	\$7,693,319	\$2,661,903	\$(38,225,686)	\$(765,989)	\$63,736,093

Interim Condensed Consolidated Statements of Cash Flows
Expressed in Canadian Dollars
(unaudited)

	Three months ended December 31		Six months ended December 31	
	2017	2016	2017	2016
Cash provided by (used in)				
Operating activities				
Net loss	\$ (2,053,108)	\$ (2,256,148)	\$ (4,185,993)	\$ (4,822,571)

Depreciation	58,541	3,136	107,365	42,831
Warrant liability revaluation	-	-	-	(348,964)
Accretion of Joint Venture obligation	184,761	-	404,694	-
Joint Venture investment loss	237,691	-	259,682	-
Stock-based compensation expense (Note 10(g))	277,150	596,639	958,294	1,381,382
	(1,294,965)	(1,656,373)	(2,455,958)	(3,747,322)
Changes in non-cash working capital				
Other receivables	(546,249)	(135,192)	(524,799)	(189,550)
Prepaid	(4,366)	(29,661)	(19,588)	(45,026)
Accounts payable and accrued liabilities	285,496	(610,707)	240,431	(725,123)
	(1,560,084)	(2,431,933)	(2,759,914)	(4,707,021)
Financing activities				
Warrants proceeds	-	3,693,563	375,000	3,739,315
Repayment of Joint Venture obligation	(2,559,079)	-	(2,559,079)	-
Option proceeds	129,500	-	142,000	-
	\$ (2,429,579)	\$ 3,693,563	\$ (2,042,079)	\$ 3,739,315
Investing activities				
Additions to mineral properties (Note 9)	(4,061,169)	(1,767,083)	(5,036,561)	(3,749,398)
Additions to property and equipment (Note 8)	(572,899)	(531,044)	(1,877,446)	(215,711)
Investment in Joint Venture (Note 7)	712,665	-	(58,704)	-
	\$ (3,921,403)	\$ (2,298,127)	\$ (6,972,711)	\$ (3,965,109)
Increase in cash position	(7,911,066)	(1,036,496)	(11,774,704)	(4,932,815)
Exchange rate effects	1,020,365	-	453,474	-
Cash, beginning of period	34,324,655	24,833,849	38,755,184	28,730,168
Cash, end of period	\$ 27,433,954	\$ 23,797,353	\$ 27,433,954	\$ 23,797,353

Notes to the Interim Condensed Consolidated Financial Statements
As at and for the three and six months ended December 31, 2017 and 2016
Expressed in Canadian dollars, unless otherwise stated
(unaudited)

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

These interim condensed consolidated interim financial statements were authorized for issue by the Board of Directors on February, 2018. The Board of Directors has the power and authority to amend these financial statements after they have been issued.

b) Basis of measurement

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

These interim condensed consolidated financial statements are presented in Canadian dollars. The functional currency of the Company is the British pound sterling ("GBP") and US dollar ("USD") 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 December 31, 2017, and have not been applied in preparing these interim condensed consolidated financial statements. None of these standards are expected to have a significant effect on the interim condensed consolidated financial statements of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The preparation of interim condensed 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 interim condensed 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 proportionately 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 interim condensed 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 interim condensed 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 interim condensed 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. The excess, if any, is recorded to the interim condensed consolidated 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.

Change of Control

Certain stock options granted by the Company have an accelerated vesting feature whereby the stock option holders are entitled to cash settlement in the event of a change of control of the Company. For a change of control that is within the Company's control, the accounting policy choices are to classify the stock options as equity unless the choice of equity has no commercial substance, or the Company has past practice of settling in cash or generally settles in cash then they are classified as a liability. When the change of control is outside the Company's control, the options are classified as a liability and recorded once the change in control is probable.

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 and developing its mineral properties. The recoverability of carrying values for mineral properties is dependent upon obtain the financing necessary to complete the 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.

Judgment is required to determine whether a change of control of the Company is in the control of the Company and probable. As at December 31, 2017, the Company has assessed a change of control is within the Company's control and stock options that entitle the holders to cash settlement only upon a change in control of the Company have been treated as equity instruments.

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 other 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 other 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 other receivables fully collectible.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become 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 USD and Mexican pesos and are therefore subject to fluctuation in exchange rates. As at December 31, 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 interim condensed consolidated 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 \$56,808,763 at December 31, 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 and has been discussed in Note 4(e). 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 from the date of inception. 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 December 31, 2017, the current portion of the obligation was \$3,843,379 (June 30, 2017 - \$4,474,832) and the non-current portion was \$nil (June 30, 2017 - \$1,927,626) which includes the accretion of \$404,694 (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 \$3,160,644 (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 another 12-16 months.

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

	December 31, 2017
Opening Balance	\$ 10,946,471
Investment in DL	58,704
Share of Loss	(259,682)
Foreign exchange loss	(58,671)
Balance, December 31, 2017	\$ 10,686,822

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.

	December 31, 2017
Current assets	\$ 1,540,588
Non-current assets	27,877,461
Current liabilities	4,509,161
Loss from continuing operations	(259,682)
Total comprehensive loss	(259,682)

7. 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	2,216	1,186	743	-	1,873,301	1,877,446
Foreign exchange	-	-	-	-	(129,770)	(129,770)
Balance, Dec 31, 2017	\$ 3,225,246	\$ 4,333	\$ 11,282	\$ 341,636	\$ 1,743,531	\$ 5,326,028

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		95,208		1,071		42		11,044		-		107,365
Foreign exchange		-		-		-		-		-		-
<hr/>												
Balance, Dec 31, 2017	\$	730,847	\$	4,218	\$	10,581	\$	171,063	\$	-	\$	916,709

Carrying amount	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 Dec 31, 2017	\$ 2,494,399	\$ 115	\$ 701	\$ 170,573	\$ 1,743,531	\$ 4,409,319

8. 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 less 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 December 31, 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 December 31, 2017 USD\$1,012,444 (2017 - 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 December 31, 2017 and June 30, 2017 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 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	-	5,023,921	6,565	6,075	5,036,561
Foreign exchange	-	(752,451)	-	-	(752,451)

9. 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 ^(1,2)	2,925,000	4,493,502
Shares issued on exercise of options	200,000	101,780
Shares issued in private placement for cash ⁽³⁾	12,333,261	18,057,648
Shares issued in private placement for cash ⁽⁴⁾	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	300,000	191,630
Balance, December 31, 2017	133,039,872	\$ 92,372,546

(1) 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

(2) 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.

(3) 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.

(4) 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 December 31, 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	(250,000)	0.52
Issued	2,227,410	1.32

Balance, December 31, 2017 **9,364,810** **\$ 1.47**

Grant date	Number outstanding at December 31, 2017	Exercise price	Weighted average remaining contractual life (Years)	Expiry date	Number exercisable at December 31, 2017
September 11, 2013	300,000	0.30	1.0	Sept. 11, 2018	300,000
December 2, 2015	975,000	1.58	3.2	Dec. 2, 2020	975,000
January 22, 2016	1,000,000	1.56 ⁽¹⁾	0.4	Jan. 22, 2018	1,000,000
April 27, 2016	2,000,000	1.94 ⁽²⁾	1.8	May 27, 2019	2,000,000
March 1, 2017	350,000	1.39 ⁽³⁾	4.5	March 1, 2022	350,000
March 1, 2017	2,012,400	1.39 ⁽³⁾	2.5	March 1, 2020	664,092
May 15, 2017	500,000	1.53 ⁽⁴⁾	2.7	May 15, 2020	165,000
September 20, 2017	2,227,410	1.32 ⁽⁵⁾	2.8	Sept. 20, 2020	742,470
	9,364,810				6,196,562

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

d) Warrants

The following table summarize the activities and status of the Company's warrants as at and during the period ended December 31, 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, December 31, 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 December 31, 2017.

	Number of units	Vesting Date	Weighted average value
Balance, June 30, 2017	-	-	\$ -
Issued	1,192,277	September 20, 2020	1.32
Balance, December 31, 2017	1,192,277	-	\$ 1.32

f) Contributed surplus

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

	December 31, 2017		June 30, 2017
Balance, beginning of period	\$	6,784,655	\$ 3,528,990
Exercise of stock options		(49,630)	(41,780)
Stock-based compensation expense (Note 10(c))		958,294	3,297,445
Balance, end of period	\$	7,693,319	\$ 6,784,655

g) Stock-based compensation expense

During the period ended December 31, 2017, the Company recognized \$958,294 (2016 - \$1,381,382) 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:

	December 31, 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 132,463,151 for the period ended December 31, 2017 (2016 - 102,255,672). Options and warrants were excluded from the dilution calculation as they were anti-dilutive.

10. GENERAL AND ADMINISTRATIVE EXPENSES

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

	Three months ended December 31		Six months ended December 31	
	2017	2016	2017	2016
Management fees (Note 13)	425,011	209,047	750,414	773,363
Legal and accounting fees	533,378	591,244	924,403	1,001,401
Investor relations	222,389	208,689	474,303	283,630
Office expenses	175,386	56,881	205,766	181,701
Travel and other	250,104	156,419	512,266	265,274
Total	\$ 1,606,268	\$ 1,222,280	\$ 2,867,152	\$ 2,505,369

11. 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:

June 30, 2017	Mexico	Germany	Head Office	Consolidated
Current assets	\$ 2,853,283	\$ -	\$ 36,601,729	\$ 39,455,012
Long-term derivative asset	-	-	2,689,639	2,689,639
Property and equipment	2,673,516	-	95,492	2,769,008
Investment in jointly controlled entity	-	10,946,471	-	10,946,471
Exploration and evaluation assets	17,828,645	-	-	17,828,645
Total assets	\$ 23,355,444	\$ 10,946,471	\$ 39,386,860	\$ 73,688,775
Current liabilities	\$ 672,578	\$ -	\$ 4,895,060	\$ 5,567,638
Joint Venture obligation	-	-	1,927,626	1,927,626
Deferred tax liability	-	-	135,000	135,000
Total liabilities	\$ 672,578	-	\$ 6,957,686	\$ 7,630,264
For the period ended December 31, 2016	Mexico	Germany	Head Office	Consolidated
Interest income	\$ 5,832	\$ -	\$ 56,406	\$ 62,238
General and administration	(391,951)	-	(2,113,418)	(2,505,369)

Depreciation	(42,831)	-	-	(42,831)
Stock-based compensation	-	-	(1,381,382)	(1,381,382)
Loss before other items	\$ (428,950)	\$ -	\$ (3,438,394)	\$ (3,867,344)

December 31, 2017	Mexico	Germany	Head Office	Consolidated
Current assets	\$ 2,143,971	\$ -	\$ 26,534,198	\$ 28,678,169
Long-term derivative asset	-	-	3,160,644	3,160,644
Property and equipment	4,327,136	-	82,183	4,409,319
Investment in jointly controlled entity	-	10,686,822	-	10,686,822
Exploration and evaluation assets	22,112,755	-	-	22,112,755
Total Assets	\$ 28,583,862	\$ 10,686,822	\$ 29,777,025	\$ 69,047,709
Current liabilities	\$ 856,569	\$ -	\$ 476,668	\$ 1,333,237
Joint Venture obligation	-	-	3,843,379	3,843,379
Deferred tax liability	-	-	135,000	135,000
Total liabilities	856,569	-	4,455,047	5,311,616

For the period ended December 31, 2017	Mexico	Germany	Head Office	Consolidated
Interest income	\$ 15,584	\$ -	\$ 80,918	\$ 96,502
General and administration	(266,837)	-	(2,600,315)	(2,867,152)
Accretion of Joint Venture obligation	-	(404,694)	-	(404,694)
Depreciation	(107,365)	-	-	(107,365)
Stock-based compensation	-	-	(958,294)	(958,294)
Loss before other items	\$ (358,618)	\$ (404,694)	\$ (3,477,691)	\$ (4,241,003)

12. 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 three and six months ended December 31, 2017, directors and management fees in the amount of \$354,499 and \$784,796 respectively (2016 - \$372,180 and \$719,802) 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, \$67,826 (2016 - \$72,636) remains in accounts payables and accrued liabilities on December 31, 2017.

During the three and six months ended December 31, 2017, the Company paid \$15,641 and \$94,163 (2016 - \$270,823 and \$528,477) 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 December 31, 2017, \$31,277 (2016 - \$nil) 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:

	Three months ended December 31		Six months ended December 31	
	2017	2016	2017	2016
Director's remuneration:				
Estate of Colin Orr-Ewing	\$ -	\$ -	\$ -	\$ 10,056
James Leahy	-	12,400	-	25,263
Shane Shircliff	-	2,916	-	6,462

Derek Batorowski	-	-	-	-
Kiran Morzaria	-	4,375	-	8,749
Raymond Hodgkinson	13,695	1,250	27,132	1,250
Jamie Strauss	24,666	2,916	49,332	2,916
Andres Antonius	15,641	-	31,282	-
Junichi Tomono	-	-	-	-
Total directors' remuneration	\$ 54,002	\$ 23,857	\$ 107,746	\$ 54,696
Management's remuneration:				
Mark Hohnen	\$ 102,138	\$ 84,606	\$ 200,672	\$ 172,458
Peter Secker	102,380	104,536	225,548	211,653
Martin Vidal	15,960	75,164	94,163	133,853
Derek Batorowski	80,018	84,017	156,667	147,142
Total management's remuneration	\$ 300,497	\$ 348,323	\$ 677,050	\$ 665,106
Total directors' and management's remuneration	\$ 354,499	\$ 372,180	\$ 784,796	\$ 719,802
Operational consulting fees:				
Groupo Ornelas Vidal SA CV	\$ 15,641	\$ 270,823	\$ 94,163	\$ 528,477
Stock-based compensation expense to directors and management	\$ 232,758	\$ 638,837	\$ 804,800	\$ 1,244,113

As at December 31, 2017, the following options were held by directors of the Company:

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

As at December 31, 2017, the following RSU's were held by directors and officers of the Company:

	Date of grant	Weighted average value	Vesting Date	Number of RSU's
Mark Hohnen	September 20, 2017	\$1.32	September 20, 2020	557,843
Peter Secker	September 20, 2017	\$1.32	September 20, 2020	634,434

b) Change of Control

During the quarter ended December 31, 2017, the Company amended the employment and consultancy arrangements respectively between the Company and each of Peter Secker, Chief Executive Officer, and Fernan Pty Ltd, which provides the services of Mark Hohnen, Executive Chairman. Peter Secker's service contract has been amended as follows: (i) the removal of performance bonus provisions of up to £250,000; (ii) the removal of a £250,000 change of control payment; (iii) an increase of £50,000 in annual salary; (iv) the inclusion of new pensions arrangements; and (v) the inclusion of a cash payment representing an acceleration of unvested options in the event of a change of control of the Company at an acquisition price of at least 130 pence per Bacanora share. Such cash

payment will be calculated on the basis of the difference between the acquisition price per Bacanora share and 102 pence (being the middle market price of a Bacanora share at close of business in London on 17 November 2017), multiplied by 2,550,000 in the event that such change of control is completed prior to the award of performance based options in relation to the financial year ended 30 June 2018 and a further 2,550,000 in the event that such change of control is completed prior to the award of

performance based options in relation to the financial year ended 30 June 2019. In the event the Board has resolved upon Mr. Secker's award in the relevant financial year (which may be zero) then the right to the relevant payment terminates for that period.

The consultancy agreement with Fernan Pty Ltd. has been amended to provide Mark Hohnen also with a cash payment representing an acceleration of unvested options in the event of a change of control of the Company on the same terms as Peter Secker, save that the multiplier for each relevant financial year is 2,124,150.

13. 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 land purchase agreements, has committed to making payments of \$1,500,000 USD in December of 2020.

****ENDS****

For further information please visit www.bacanoraminerals.com or contact:

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ABOUT BACANORA:

Bacanora is a Canadian and London listed lithium exploration and development company (TSX-V: BCN and AIM: BCN). The Company is exploring for, and developing a pipeline of international lithium projects, with a primary focus on the Sonora Lithium Project. The Company's operations are based in Hermosillo in northern Mexico. The Company is led by a team with lithium expertise and proven mine development, construction and operations experience.

The Sonora Lithium Project (1), which consists of ten mining concession areas covering approximately 100 thousand hectares in the northeast of Sonora State. The Company, through drilling and exploration work to date, has established a Measured plus Indicated Mineral Resource estimate of over 5 Mt (comprising 1.9Mt of Measured Resources and 3.1Mt of Indicated Resources) of LCE and an additional Inferred Mineral Resource of 3.7 Mt of LCE (2). The Feasibility Study discussed herein has established Proven Mineral Reserves (in accordance with National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("NI 43-101")) of 1.67 MT and Probable Mineral Reserves of 2.85 Mt LCE and confirmed the economics associated with becoming a 35,000 tpa lithium carbonate and 50,000 tpa SOP producer in Mexico. In addition to the Sonora Lithium Project, the Company also has a 50% interest in the Zinnwald Lithium Project in southern Saxony, Germany. The Zinnwald Lithium Project is located in a granite hosted Sn/W/Li belt that has been mined historically for tin, tungsten and lithium at different times over the past 300 years. The strategic location of the Zinnwald Lithium Project allows immediate access to the German automotive and downstream lithium chemical industries.

1. The Sonora Lithium Project is comprised of the following lithium properties: La Ventana lithium concession, which is 100 percent owned by Bacanora and El Sauz and Fleur concessions, which are held by Mexilit S.A. de C.V. ('Mexilit') which is owned 70 percent by Bacanora and 30 percent by Cadence Minerals Plc.

2. LCE = lithium carbonate (Li₂CO₃) equivalent; determined by multiplying Li value in percent by 5.324 to get an equivalent Li₂CO₃ value in per cent. Use of

Cautionary Statement Regarding Forward-Looking Information

Except for statements of historical fact, this news release contains certain "forward-looking information" within the meaning of applicable securities law. Forward-looking information is frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may" or "will" occur. In particular, forward-looking information in this press release includes, but is not limited to: the completion of the aforementioned financing and the anticipated timing thereof. Although we believe that the expectations reflected in the forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct. We cannot guarantee future results, performance or achievements. Consequently, there is no representation that the actual results achieved will be the same, in whole or in part, as those set out in the forward-looking information.

Forward-looking information is based on the opinions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those anticipated in the forward-looking information. Some of the risks and other factors that could cause the results to differ materially from those expressed in the forward-looking information include, but are not limited to: commodity price volatility; general economic conditions in Canada, the United States, Mexico and globally; industry conditions, governmental regulation, including environmental regulation; unanticipated operating events or performance; failure to obtain industry partner and other third party consents and approvals, if and when required; the availability of capital on acceptable terms; the need to obtain required approvals from regulatory authorities; stock market volatility; competition for, among other things, capital, skilled personnel and supplies; changes in tax laws; and the other risk factors disclosed under our profile on SEDAR at www.sedar.com. Readers are cautioned that this list of risk factors should not be construed as exhaustive.

The forward-looking information contained in this news release is expressly qualified by this cautionary statement. We undertake no duty to update any of the forward-looking information to conform such information to actual results or to changes in our expectations except as otherwise required by applicable securities legislation. Readers are cautioned not to place undue reliance on forward-looking information.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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