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Bacanora Lithium PLC
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Bacanora Lithium plc ("Bacanora" or the "Company")
Third Quarter Financial Statements

Bacanora Lithium plc, the London listed lithium exploration and development company, is pleased to announce its unaudited condensed consolidated financial statements for the three-month period ended 31 March 2018, together with the accompanying notes.

QUARTERLY HIGHLIGHTS

Operational

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

- Summary results of the Feasibility Study ('FS') on Sonora confirm the positive economics and favourable operating costs of a 35,000 tonnes per annum ("tpa") battery grade lithium carbonate ("Li2CO3") operation at the Company's flagship Sonora Project:
  - Pre-tax project Net Present Value ("NPV") of US$1.253 billion at an 8% discount rate
  - Internal Rate of Return ("IRR") of 26.1%
  - Life of Mine ("LOM") operating costs of US$3,910/t Li2CO3
- The complete Technical Report of the FS, which was prepared in accordance with National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("NI 43-101"), was filed on SEDAR on 24 January 2018 and is also available on the Company's website
- The Company continues to progress with the development of Sonora based on a planned commissioning of the project in Q1 2020 and lithium carbonate shipments commencing subsequent to commissioning:
  - The Front End Engineering Design ("FEED") of both the roaster/kiln and the crystalliser/evaporation/IX, which account for approximately 75% of the total capital cost of the processing plant, has commenced following the delivery of bulk lithium samples from Sonora to selected vendors
  - Detailed discussions with EPC/EPCM groups for all other parts of the processing plant are ongoing
  - The current FEED schedule is to have designs, cost estimates and process guarantee scopes completed in Q2 2018 with orders for long lead items being placed at the end of the FEED process in Q3 2018
  - The current timetable for the plant construction is subject to completing the US$420M project financing strategy and final Board approvals - schedule will be updated at the end of the FEED process
- Water licence permits covering Sonora have been granted by the Comisión Nacional Del Agua ('CONAGUA') - follows the granting of the 'Manifestacion de Impacto Ambiental' ('MIA') environmental permits and the completion of the land acquisition agreements for the purchase of the surface land over the Sonora project area in Q4 2017
- Detailed quotes for the supply of LNG are currently being evaluated - it is currently envisaged that LNG gas supplies will be initially utilised at Sonora during the early stages of commissioning whilst gas consumption is low
- Detailed discussions underway with potential Build, Own and Operate (BOO) energy partners for a gas pipeline development to the Project along with the finalisation of the proposed natural gas pipeline routes - currently proposed that natural gas will be supplied to the Project, via a third party pipeline once energy consumption reaches steady state
- The Company continues to operate its 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

- The FS for the Zinnwald Lithium Project in Germany to develop a strategy to demonstrate the economic

viability of producing higher value downstream lithium products for the European battery and automotive sectors continues on schedule
- Following the completion of the infill drilling programme in December 2017, assay results are currently being collated
- Work for the purposes of updating the resource estimate in accordance with National Instrument 43-101 - Standards of Disclosure for Mineral Projects ('NI 43-101') will commence in Q2 2018 and will be followed by mine design and mine planning activities
- Work on the processing flow sheet has progressed through the crushing, grinding and magnetic separation stages and roasting testwork is now underway
- Metallurgical testwork will then focus on the production of high value downstream lithium products, facilitated by access to product reagents from the chemical industries located in Dresden
- The FS remains on track for completion in Q2 2019

Corporate
- Admission of and commencement of trading of Bacanora Lithium plc shares on AIM took place on Monday 26 March 2018, following the Annual and Special Meeting of Bacanora Minerals Ltd. held in Canada on 19 March 2018 to approve the plan of arrangement (the "Arrangement") as set out in the management information circular sent to shareholders dated 16 February 2018 (the "Circular")
- The common shares of Bacanora Minerals Ltd. were delisted and cancelled from trading on the TSX Venture Exchange and AIM market of the London Stock Exchange as of the close of business on 23 March 2018
- The appointments of Mr Peter Secker, Chief Executive Officer, as an Executive Director; Ms Janet Boyce as Chief Financial Officer; and Ms Eileen Carr as Non-Executive Director of the Company
- The Company is financed with approximately CAD$19 million in cash at the date of this report

Lithium Properties Outlook
- The Company's strategy is to position itself to satisfy ongoing strong growth in demand for lithium carbonate in the fast-growing sectors of electric vehicles and energy storage
- The pricing of lithium carbonate in China remained strong with reported sales by major producers in the region of US$13,000/t to US$16,000/t and in most cases, up by 20% from 2017 prices. Spot sales price for battery grade lithium carbonate reached up to US$24,450 (source:https://seekingalpha.com/article/4166868-lithium-miners-news-month-april-2018).

Other
- As announced on 28 February 2018 and 6 April 2018, in spite of the Company's best efforts to ensure compliance, NextView Capital failed to complete the placing of 32,976,635 common shares in the Company at a price of 94.53 pence for aggregate proceeds of £31,172,813 as contemplated under the binding placing letter. Accordingly, the Company has terminated the Placing Letter and has reserved its rights to pursue any available legal remedies against NextView.

****ENDS****

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ABOUT BACANORA:

Bacanora Lithium is a London listed lithium exploration and development company (AIM: BCN). The Company is exploring for, and developing a pipeline of international lithium projects, with a primary focus on its 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[2] and an additional Inferred Mineral Resource of 3.7 Mt of LCE. The Company's Feasibility Study (which was announced 12 December 2017) has established Proven Mineral Reserves (in accordance with 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 30,000 tpa SOP producer in Mexico. In addition to the Sonora Lithium Project, the Company also has a 50% interest in the Zinnwald Lithium Project and the Falkenhain Licence in southern Saxony, Germany. Each of the Zinnwald Lithium Project and the Falkenhain Licence are 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 and the Falkenhain Licence provides close geographical proximity 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 (Li_2CO_3) equivalent; determined by multiplying Li value in percent by 5.324 to get an equivalent Li_2CO_3 value in per cent. Use of LCE is to provide data comparable with industry reports and assumes complete conversion of lithium in clays with no recovery or process losses.

Condensed Consolidated Interim Statements of Financial Position

Expressed in Canadian Dollars

		31 March 2018		30 June 2017
Assets				
Current assets				
Cash	$	**22,012,039**	$	38,755,184
Other receivables (Note 5(a))		**819,436**		676,498
Deferred costs		**32,771**		23,330
Total current assets		**22,864,246**		39,455,012
Non-current assets				
Investment in Joint Venture (Note 7)		**10,367,454**		10,946,471
Long-term derivative asset (Note 7)		**3,160,644**		2,689,639
Property and equipment (Note 8)		**4,570,902**		2,769,008
Exploration and evaluation assets (Note 9)		**25,035,964**		17,828,645
Total non-current assets		**43,134,964**		34,233,763
Total assets	$	**65,999,210**	$	73,688,775
Liabilities and shareholders' equity				
Current liabilities				
Accounts payable and accrued liabilities	$	**1,061,796**	$	1,092,806
Joint Venture obligation (Note 7)		**1,659,999**		4,474,832
Total current liabilities		**2,721,795**		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		**2,856,795**		7,630,264
Shareholders' equity				
Share capital (Note 10)		**95,034,230**		91,805,916
Contributed surplus (Note 10(f))		**7,459,056**		6,784,655
Foreign currency translation reserve		**2,289,948**		2,273,622
Deficit		**(40,818,141)**		(34,001,997)
Attributed to Shareholders of Bacanora Lithium Plc		**63,965,093**		66,862,196
Non-controlling interest		**(822,678)**		(803,685)
Total shareholders' equity		**63,142,415**		66,058,511
Total liabilities and shareholders' equity	$	**65,999,210**	$	73,688,775

Condensed Consolidated Interim Statements of Comprehensive Loss

Expressed in Canadian Dollars

		Three months ended 31 March				Nine months ended 31 March		
		2018		2017		**2018**		2017
Revenue								
Interest income	$	**49,450**	$	22,771	$	**145,952**	$	85,009
		49,450		22,771		**145,952**		85,009
Expenses								
General and administrative (Note 11)		**1,937,486**		914,684		**4,804,638**		3,420,053
Accretion of joint venture obligation		**-**		-		**404,694**		-
Depreciation (Note 8)		**28,142**		104,772		**135,507**		147,603
Stock-based compensation (Note 10(g))		**896,860**		1,658,030		**1,855,154**		3,039,412
		2,862,488		2,677,486		**7,199,993**		6,607,068
Loss before other items		**(2,813,038)**		(2,654,715)		**(7,054,041)**		(6,522,059)
Foreign exchange gain (loss)		**483,261**		1,804,303		**797,953**		500,111
Warrant liability valuation		**-**		-		**-**		348,964
Joint venture investment profit (loss)		**(319,367)**		70,235		**(579,049)**		70,235
Loss		**(2,649,144)**		(780,177)		**(6,835,137)**		(5,602,749)
Foreign currency translation adjustment		**(308,872)**		(1,042,288)		**16,326**		(91,701)
Total comprehensive loss		**(2,958,016)**		(1,822,465)		**(6,818,811)**		(5,694,450)
Loss attributable to shareholders of Bacanora Lithium Plc		**(2,592,454)**		(117,642)		**(6,816,144)**		(4,144,625)
Loss attributable to non-controlling interest		**(56,690)**		(662,536)		**(18,993)**		(1,458,124)
		(2,649,144)		(780,178)		**(6,835,137)**		(5,602,749)
Total comprehensive loss attributable to shareholders of Bacanora Lithium Plc		**(2,901,326)**		(1,159,930)		**(6,799,818)**		(4,236,326)
Total comprehensive loss attributable to non-controlling interest		**(56,690)**		(662,536)		**(18,993)**		(1,458,124)
		(2,958,016)		(1,822,466)		**(6,818,811)**		(5,694,450)
Net loss per share (basic and diluted)	$	**(0.02)**	$	(0.01)	$	**(0.05)**	$	(0.05)

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

Expressed in Canadian Dollars

Share capital

Accumulated

	Number of shares	Amount	Contributed surplus	other comprehensive income	Deficit	Non-controlling interest	**Total**
Balance, 30 June 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 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	-	(118,910)	-	-	-	-	(118,910)
Stock-based compensation expense	-	-	3,039,412	-	-	-	3,039,412
Foreign currency translation adjustment	-	-	-	(90,701)	-	-	(90,701)
Loss for the period	-	-	-	-	(4,144,625)	(341,731)	(4,486,356)
Balance, 31 March 2017	**110,999,353**	**$61,535,296**	**$6,526,622**	**$2,483,777**	**$(19,295,498)**	**$(1,147,489)**	**$50,102,708**
Brokered placements	20,907,186	30,895,043	-	-	-	-	30,895,043
Share issue costs	-	(624,423)	-	-	-	-	(624,423)
Stock-based compensation expense	-	-	258,033	-	-	-	258,033
Foreign currency translation adjustment	-	-	-	(210,155)	-	-	(210,155)
Loss for the period	-	-	-	-	(14,706,499)	343,804	(14,362,695)
Balance, 30 June 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	1,300,000	2,679,564	(1,180,753)	-	-	-	1,498,811
Shares to be issued	-	173,750					173,750
Stock-based compensation expense	-	-	1,855,154	-	-	-	1,855,154
Foreign currency translation adjustment	-	-	-	16,326	-	-	16,326
Loss for the period	-	-	-	-	(6,816,144)	(18,993)	(6,835,137)
Balance, 31 March 2018	**134,039,872**	**$95,034,230**	**$7,459,056**	**$2,289,948**	**$(40,818,141)**	**$(822,678)**	**$63,142,415**

Condensed Consolidated Interim Statements of Cash Flows
Expressed in Canadian Dollars

	Three months ended 31 March		Nine months ended 31 March	
	2018	2017	**2018**	2017
Cash provided by (used in)				
Operating activities				
Net loss	$ **(2,649,144)**	$ (780,177)	$ **(6,835,137)**	$ (5,602,749)
Depreciation	**28,142**	104,772	**135,507**	147,603
Warrant liability revaluation	**-**	-	**-**	(348,964)
Accretion of joint venture obligation	**-**	-	**404,694**	-
Joint venture investment loss	**319,367**	-	**579,049**	-
Stock-based compensation expense (Note 10(g))	**896,860**	1,658,030	**1,855,154**	3,039,412
	(1,404,775)	982,625	**(3,860,733)**	(2,764,698)
Changes in non-cash working capital				
Other receivables	**381,861**	(135,112)	**(142,938)**	(324,662)
Prepaid	**10,147**	68,512	**(9,441)**	23,486
Accounts payable and accrued liabilities	**(271,440)**	(1,264,657)	**(31,010)**	(1,662,149)
	(1,284,207)	(348,632)	**(4,044,122)**	(4,728,023)

Financing activities				
Issue of shares, net of expenses	**1,530,561**	186,758	**1,672,561**	101,780
Warrants proceeds, net of expenses	**-**	-	**375,000**	2,925,616
Repayment of joint venture obligation	**(2,183,380)**	-	**(4,742,459)**	-
	$ **(652,819)**	$ 186,758	$ **(2,694,898)**	$ 3,027,396
Investing activities				
Additions to exploration and evaluation assets (Note 9)	**(1,979,305)**	(2,430,040)	**(7,015,866)**	(6,179,438)
Additions to property and equipment (Note 8)	**(178,028)**	(359,325)	**(2,055,474)**	(3,992)
Investment in joint venture (Note 7)	**-**	(7,104,782)	**-**	(7,104,779)
	$ **(2,157,333)**	$ (9,894,147)	$ **(9,071,340)**	$ (13,288,209)
Decrease in cash position	**(4,094,359)**	(10,056,021)	**(15,810,360)**	(14,988,836)
Exchange rate effects	**(1,327,556)**	-	**(932,785)**	-
Cash, beginning of period	**27,433,954**	23,797,353	**38,755,184**	28,730,168
Cash, end of period	$ **22,012,039**	$ 13,741,332	$ **22,012,039**	$ 13,741,332

Notes to the Condensed Consolidated Interim Financial Statements
As at and for the three and nine months ended 31 March 2018 and 2017
Expressed in Canadian dollars, unless otherwise stated

1. CORPORATE INFORMATION

Bacanora Lithium Plc (the "Company" or "Bacanora") is a company registered in England and Wales, with a registration number 11189628 and is quoted on the AIM Market of the London Stock Exchange, with its ordinary shares of £0.10 each traded under the symbol "BCN". The registered address of the Company is 4 More London Riverside, London, SE1 2AU.

The Company is an exploration and development company focused on developing its Sonora Lithium Project ("Sonora" or the "Project") located in Sonora state in Mexico and its Zinnwald Lithium Project ("Zinnwald"), located in southern Saxony, Germany.

On 23 March 2018, Bacanora Lithium Plc (a company incorporated in England and Wales), Bacanora Minerals Ltd. (a company formed in Alberta, Canada), 1976844 Alberta Ltd. (a wholly owned subsidiary of Bacanora Lithium Plc formed in Alberta, Canada) and shareholders of Bacanora Minerals Ltd. completed a re-domicile of Bacanora Minerals Ltd. to the United Kingdom by way of a plan of arrangement (the "Arrangement") under the *Business Corporations Act* (Alberta). The Arrangement resulted in Bacanora Lithium Plc becoming the ultimate parent holding company of Bacanora Minerals Ltd. (an entity formed in Alberta as a result of amalgamation between Bacanora Minerals Ltd. and 1976844 Alberta Ltd.), and all of its subsidiaries (the "Group").

Under the Arrangement, all existing common shares in Bacanora Minerals Ltd. weretransferred to a wholly owned subsidiary of Bacanora Lithium Plcin exchange for ordinary shares in Bacanora Lithium Plc. The share capital structure(including number of issued shares on a fully diluted basis) of Bacanora Lithium Plc is substantially the same as the share capital of Bacanora Minerals Ltd.prior to the completion of the Arrangement and the rights attached to the new ordinary shares in Bacanora Lithium Plc aresimilar to the common shares of Bacanora Minerals Ltd. prior to the completion of the Arrangement. Furthermore, the common shares of Bacanora Minerals Ltd. were delisted from TSX Venture Exchange and the AIM Market of the London Stock Exchange. In all other material respects, the Group remained unchanged as a result of the Arrangement and the financial statements reflect a continuation of the results of operations of the Group.

2. BASIS OF PREPARATION

a) Statement of compliance

These condensed consolidated interim 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 authorised for issue by the Board of Directors on 24 May 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 condensed consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value.

These condensed consolidated interim 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 31 March 2018 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 condensed consolidated interim 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 condensed consolidated interim 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 recognises 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 recognise 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 recognised.

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 condensed consolidated interim 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 recognised in other comprehensive income (loss) in the condensed consolidated interim 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 condensed consolidated interim 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 recognised 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 amortised. The excess, if any, is recorded to the condensed consolidated interim statements of comprehensive loss. Asset swaps are recognised 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; capitalised 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 recognised, 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 recognised 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 recognised as at the beginning and end of that period and the corresponding amount is represented in share option reserve. No expense is recognised 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 capitalised, information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalised 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 utilises 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 31 March 2018, 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 (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 recognised 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 31 March 2018, a 5% change in the exchange rate between the Canadian dollar and the GBP would have an approximate $1,930,000 (2017 - $5,595,000) 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 recognised in the condensed consolidated interim 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 period 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 $56,506,037 at 31 March, 2018 (30 June 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 17 February 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 the joint arrangement'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. 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 summarises 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 31 March 2018, the current portion of the obligation was $1,659,999 (30 June 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 30 June 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 ($66,700) and $70,500 respectively.

The option to purchase the remaining 50% interest has been recognised 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 (30 June 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 realisation 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:

		Amount
Opening balance	$	-
Investment in DL		10,734,819
Share of profit		48,465
Foreign exchange gain		163,187
Balance, 30 June 2017		10,946,471
Share of loss		(441,229)
Foreign exchange loss		(137,788)
Balance, 31 March 2018	$	10,367,454

Summarised financial information in respect of the Company's joint venture in DL is set out below. The summarised 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.

		31 March 2018		30 June 2017
Current assets	$	2,633,780	$	509,292
Non-current assets		3,737,695		27,795,666
Current liabilities		110,621		6,093,169
Loss from continuing operations		579,049		271,868
Total comprehensive loss	$	579,049	$	271,868

Subsequent to the transaction, SolarWorld filed for bankruptcy protection in Germany due to ongoing pricing pressures in its core solar markets. The Company is confident that the SolarWorld insolvency process will have no material impact on the Company's interest in Deutsche Lithium and the Zinnwald project.

On 18 December 2017, Deutsche Lithium GmbH has been granted an exploration licence covering 295 hectares of the previously mined Falkenhain Lithium deposit ("Falkenhain") in southern Saxony, Germany. Falkenhain, which is located within 5 km of Zinnwald, has the potential to increase the life of mine at Zinnwald. Deutsche Lithium plans to explore the deposit over the next five years and to combine its exploration and development with Zinnwald.

8. PROPERTY AND EQUIPMENT

Cost		**Building and equipment**		**Office furniture and equipment**		**Computer equipment**		**Transportation equipment**		**Land**		**Total**
Balance, 30 June 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, 30 June 2017	**$**	**3,223,030**	**$**	**3,147**	**$**	**10,539**	**$**	**341,636**	**$**	**-**	**$**	**3,578,352**
Additions		176,321		1,186		4,666		-		1,873,301		2,055,474
Foreign exchange		(22,549)		(1)		1		-		(101,598)		(124,147)
Balance, 31 March 2018	**$**	**3,376,802**	**$**	**4,332**	**$**	**15,206**	**$**	**341,636**	**$**	**1,771,703**	**$**	**5,509,679**

Accumulated depreciation	**Building and equipment**	**Office furniture and equipment**	**Computer equipment**	**Transportation equipment**	**Land**	**Total**
Balance, 30 June						

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, 30 June 2017	**$ 635,639**	**$ 3,147**	**$ 10,539**	**$ 160,019**	**$ -**	**$ 809,344**
Additions	106,595	406	1,218	27,288	-	135,507
Foreign exchange	(4,565)	(25)	(74)	(1,410)	-	(6,074)
Balance, 31 March 2018	**$ 737,669**	**$ 3,528**	**$ 11,683**	**$ 185,897**	**$ -**	**$ 938,777**

Carrying amount	Building and equipment	Office furniture and equipment	Computer equipment	Transportation equipment	Land	Total
At 30 June, 2017	$ 2,587,391	$ -	$ -	$ 181,617	$ -	$ 2,769,008
At 31 March 2018	**$ 2,639,133**	**$ 804**	**$ 3,523**	**$ 155,739**	**$ 1,771,703**	**$ 4,570,902**

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 30 June 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 recognised 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 31 March 2018, Buenavista and San Gabriel concessions are owned by Megalit, while the Megalit concession was in the process of being transferred to Megalit. The Megalit concession is currently owned by MSB. Megalit is owned 70% by Bacanora and 30% by Cadence. As at 31 March 2018, USD$1,012,444 (2017 - USD$1,048,780) of the Company's cash is restricted to be spent on Megalit.

The Sonora Lithium Project is purportedly subject to a 3% gross overriding royalty payable to the Orr-Ewing Estate pursuant to the Royalty Agreements, on sales of mineral products produced from certain concessions within the Sonora Lithium Project. However, Bacanora Minerals Ltd is currently challenging the validity and enforceability of such royalty and is seeking an order of the Court declaring such royalty void ab initio. The basis of Bacanora Minerals Ltd claim is that the Royalty was originally granted based on a negligent or fraudulent misrepresentation by Mr. Orr-Ewing that he held a pre-existing royalty granted prior to the acquisition of the Sonora Lithium Project by Bacanora Minerals Ltd.

The balance of investment in mining claims as of 31 March 2018 and 30 June 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, 30 June 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, 30 June 2017	**$ 679,125**	**$ 13,291,443**	**$ 2,982,525**	**$ 875,552**	**$ 17,828,645**
Additions	-	6,975,807	20,609	19,450	7,015,866
Foreign exchange	-	221,546	(23,264)	(6,829)	191,453
Balance, 31 March 2018	**$ 679,125**	**$ 20,488,796**	**$ 2,979,870**	**$ 888,173**	**$ 25,035,964**

10. SHARE CAPITAL

a) Authorised

The authorised share capital of the Company consists of ordinary shares of £0.10 each.

b) Common Shares Issued

	Shares		Amount
Balance, 30 June 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, 30 June 30 2017	**131,906,539**	**$**	**91,805,916**
Shares issued on exercise of warrants(5)	833,333		375,000
Shares issued on exercise of options(6)	1,300,000		2,679,564
Shares to be issued(7)	-		173,750
Balance, 31 March 2018	**134,039,872**	**$**	**95,034,230**

(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 recognised 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.

(5) On 28 September 2017, 833,333 of the Company's warrants were exercised at $0.45 for aggregate gross proceeds of $375,000.

(6) On 28 September 2017, 50,000 of the Company's common shares options were exercised at $0.25 for aggregate gross proceeds of $12,500. On 19 December 2017, 200,000 and 50,000 of the Company's common shares options were exercised at $0.30 and $1.39 each respectively for aggregate gross proceeds of $129,500. On 10 January 2018, 1,000,000 of the Company's common share options were exercised at a price of £0.77 (approximately $1.31) per share for gross proceeds of £770,000 (approximately $1.3 million).

(7) During the period ended 31 March 2018, the Company received notice and funds of $173,750 in order to exercise 125,000 share options at a price of $1.39 each. The new ordinary shares relating to the exercise of options were issued post 31 March 2018.

c) Stock options

The following tables summarise the activities and status of the Company's stock option plan as at and during the period ended 31 March 2018.

	Number of options	Weighted average exercise price
Balance, 30 June 2016	**4,975,000**	**$ 1.52**
Exercised	(200,000)	0.30

Expired/cancelled	(275,000)	1.45
Issued	2,937,400	1.41
Balance, 30 June 2017	**7,437,400**	**$ 1.52**
Exercised	(1,300,000)	1.32
Issued	2,227,410	1.32
Balance, 31 March 2018	**8,364,810**	**$ 1.49**

Grant date	**Number outstanding at 31 March 2018**	**Exercise price**	**Weighted average remaining contractual life (Years)**	**Expiry date**	**Number exercisable at 31 March 2018**
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
April 27, 2016	2,000,000	1.94(1)	1.8	May 27, 2019	2,000,000
March 1, 2017	350,000	1.39(2)	4.5	March 1, 2022	350,000
March 1, 2017	2,012,400	1.39(2)	2.5	March 1, 2020	1,328,184
May 15, 2017	500,000	1.53(3)	2.7	May 15, 2020	165,000
September 20, 2017	2,227,410	1.32(4)	2.8	Sept. 20, 2020	735,045
	8,364,810				**5,853,229**

(1) Exercise price of £0.96 per share (2) Exercise price of £0.85 per share (3) Exercise price of £0.87 per share

(4) Exercise price of £0.80 per share

d) Warrants

The following table summarises the activities and status of the Company's warrants as at and during the period ended 31 March 2018.

	Number of warrants	**Remaining contractual life (Years)**	**Expiry date**	**Weighted Average Exercise price**
Balance, 30 June 2016	3,758,333			
Exercised	(2,925,000)	-	-	$ 1.51
Balance, 30 June 2017	**833,333**	**0.8**	**March 26, 2018**	**$ 0.45**
Exercised	(833,333)	-	-	-
Balance, 31 March 2018	**-**	**-**	**-**	**$ 0.00**

e) Restricted Share Units

On 20 September 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 table summarises the activities and status of the Company's restricted share units plan as at and during the period ended 31 March 2018.

	Number of units	**Vesting Date**	**Weighted average value**
Balance, June 30, 2017	-	-	**$ -**
Issued	1,192,277	September 20, 2020	1.32
Balance, 31 March 2018	**1,192,277**	-	**$ 1.32**

f) Contributed surplus

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

	31 March 2018	30 June 2017
Balance, beginning of period	$ **6,784,655**	$ 3,528,990
Exercise of stock options	**(1,180,753)**	(41,780)
Stock-based compensation expense (Note 10(c))	**1,855,154**	3,297,445
Balance, end of period	$ **7,459,056**	$ 6,784,655

g) Stock-based compensation expense

During the period ended 31 March 2018, the Company recognised $1,855,154 (2017 - $3,039,412) 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:

	31 March 2018	30 June 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 133,928,761 for the three month period ended 31 March 2018 (2017 - 110,923,797) and 133,331,843 for the nine months period ended 31 March 2018 (2017 - 109,858,112). 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:

	Three months ended 31 March		Nine months ended 31 March	
	2018	2017	**2018**	2017
Management fees (Note 13)	$ **534,442**	$ 344,443	$ **1,358,318**	$ 1,117,806
Legal and accounting fees	**852,112**	53,463	**1,863,946**	1,054,864
Investor relations	**225,531**	226,172	**641,437**	509,802
Office expenses	**26,884**	15,837	**77,681**	197,538
Travel and other	**298,517**	274,769	**863,256**	540,043
Total	$ **1,937,486**	$ 914,684	$ **4,804,638**	$ 3,420,053

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. Previously, 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:

31 March 2018	**Mexico**	**Germany**	**Corporate**	**Consolidated**
Current assets	$ 2,783,140	$ -	$ 20,081,106	$ 22,864,246
Long-term derivative asset	-	-	3,160,644	3,160,644
Property and equipment	4,488,719	-	82,183	4,570,902
Investment in jointly controlled entity	-	10,367,454	-	10,367,454
Exploration and evaluation assets	25,035,964	-	-	25,035,964
Total assets	**$ 32,307,823**	**$ 10,367,454**	**$ 23,323,933**	**$ 65,999,210**
Current liabilities	$ 727,887	$ -	$ 333,909	$ 1,061,796
Joint Venture obligation	-	-	1,659,999	1,659,999
Deferred tax liability	-	-	135,000	135,000
Total liabilities	**$ 727,887**	**$ -**	**$ 2,128,908**	**$ 2,856,795**

30 June 2017	**Mexico**	**Germany**	**Corporate**	**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 31 March 2018	Mexico	Germany	Corporate	Consolidated
Interest income	$ 21,112	$ -	$ 124,840	$ 145,952
General and administration	388,755	-	4,415,883	4,804,638
Accretion of Joint Venture obligation	-	404,694	-	404,694
Depreciation	135,507	-	-	135,507
Stock-based compensation	-	-	1,855,154	1,855,154
Loss before other items	**$ 503,150**	**$ 404,694**	**$ 6,146,197**	**$ 7,054,041**

For the period ended 31 March 2017	Mexico	Germany	Corporate	Consolidated
Interest income	$ 11,915	$ -	$ 73,094	$ 85,009
General and administration	304,159	-	3,115,894	3,420,053
Depreciation	147,603	-	-	147,603
Stock-based compensation	-	-	3,039,412	3,039,412
Loss before other items	**$ 439,847**	**$ -**	**$ 6,082,212**	**$ 6,522,059**

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 three and nine months ended 31 March 2018, directors and management fees in the amount of $355,692 and $1,034,223 respectively (2017 - $347,989 and $1,013,096 respectively) 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, $67,171 (2017 - $68,069) remains in accounts payables and accrued liabilities on 31 March 2018.

During the three and nine months ended 31 March 2018, the Company paid $15,199 and $121,284, respectively (2017 - $84,879 and $613,357 respectively) to Grupo Ornelas Vidal S.A. de C.V., a consulting firm of which Martin Vidal is a partner. Martin Vidal served as a director of the Company and president of MSB until 30 November, 2017. These services were incurred in the normal course of operations for geological exploration and pilot plant operation. As of 31 March 2018, $nil (2017 - $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 31 March		Nine months ended 31 March	
	2018	2017	**2018**	2017
Director's remuneration:				
Estate of Colin Orr-Ewing	$ -	$ -	$ -	$ 10,056
James Leahy	-	12,000	-	37,263
Shane Shircliff	-	-	-	6,462
Derek Batorowski	**10,322**	-	**10,322**	-
Kiran Morzaria	-	1,223	-	9,972
Raymond Hodgkinson	**13,695**	13,558	**40,956**	18,095
Jamie Strauss	**26,699**	13,558	**76,031**	18,673
Andres Antonius	**12,501**	-	**43,783**	-
Junichi Tomono	-	-	-	-
Eileen Carr	**11,483**	-	**11,483**	-
Total directors' remuneration	$ **74,700**	$ 40,339	$ **182,575**	$ 100,521
Management's remuneration:				
Mark Hohnen	$ **106,442**	$ 81,679	$ **307,115**	$ 254,137
Peter Secker	**123,987**	98,932	**349,536**	310,585
Martin Vidal	**15,199**	84,879	**109,362**	218,733
Derek Batorowski	**53,291**	82,499	**211,437**	229,641
Janet Boyce	**56,773**	-	**56,773**	-
Total management's remuneration	$ **355,692**	$ 347,989	$ **1,034,223**	$ 1,013,096
Total directors' and management's remuneration	$ **430,392**	$ 388,328	$ **1,216,798**	$ 1,113,617
Operational consulting fees: Groupo Ornelas Vidal SA CV	$ **15,199**	$ 84,879	$ **121,284**	$ 613,357
Stock-based compensation expense to directors and management	$ **736,033**	$ 806,177	$ **1,522,483**	$ 2,050,290

As at 31 March 2018, the following options were held by directors of the Company:

	Date of grant	Exercise price	Number of options
	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
	January 22, 2016	$1.94	2,000,000
	March 1, 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

As at 31 March 2018, 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 period ended 31 March 2018, 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.

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.

The properties in Mexico are subject to spending requirements in order to maintain title of the concessions. The capital spending requirement for 2018 is $744,060. The properties are also subject to semi-annual payments to the Mexican government for concession taxes, which will be approximately $167,000 in fiscal year 2018.

The Company, as part of land purchase agreements, has committed to making payment of US$1,500,000 in December 2020.

15. SUBSEQUENT EVENTS

On April 20, 2018, the Company announced the grant of 312,500 options to acquire ordinary shares in the capital of the Company at a price of approximately £0.895 ($1.60), being the closing share price on 18 April 2018, to Ms Eileen Carr, a Non-Executive Director of the Company. Such 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 years.

On 11 May 2018, the Company issued 125,000 ordinary shares following an exercise of share options at $1.39 each for gross proceeds of $173,750.

END

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