

Bacanora Lithium plc / Index: AIM / Epic: BCN / Sector: Natural Resources

4 June 2018

**Bacanora Lithium plc ("Bacanora" or the "Company")
Positive Progress at Sonora Lithium Project**

Bacanora Lithium plc, the London listed lithium exploration and development company, is pleased to provide a positive update on the ongoing development of its Sonora Lithium Project in Mexico ('Sonora' or the 'Project') as it prepares to commence construction of a fully integrated lithium carbonate operation, beginning with Stage 1 construction of a 17,500 tpa plant before upgrading to 35,000 tpa via a planned Stage 2 expansion project.

Highlights:

- State Governor Claudia Pavlovich hosted the official Project Commencement ceremony in Hermosillo, Mexico
- Hanwa Corporation ('Hanwa') of Japan has agreed in principle to extend their initial lithium off-take partnership for a further 5 years at a rate of 17,500 tpa of lithium carbonate, on the same commercial terms as the initial 5 year off-take
- Front End Engineering Design (FEED) ongoing and scheduled to have final designs, cost estimates and process guarantee scopes substantially completed by end Q2 2018
- Continued pilot plant operations for operator training and production of battery grade lithium samples for delivery to selected customers
- Current timetable is to commission the plant within 20 months subject to project financing

Bacanora CEO Peter Secker said:"Bacanora is continuing its strategy to become a leading, low cost producer of battery grade lithium carbonate. To maximise these strong value prospects we are focused on fast-tracking the Project into production with preliminary site access developments underway and the chemical processing plant construction due to commence later this year. This will initially focus on building a 17,500 tpa lithium carbonate plant with engineering design and documentation for procurement of long lead items being developed. Following successful project execution, we will look to undertake our Stage 2 expansion plan to increase lithium production to 35,000 tpa. In support of this, we have agreed in principle to extend the initial lithium off-take partnership with Hanwa for a further 5 years at a rate of 17,500 tpa and are expecting to complete formal documentation shortly. In addition, we are progressing well in discussions for additional strategic partners for the extra Stage 2 off-take tonnages. These are exciting times for Bacanora and we look forward to sharing further updates on the road to production in due course."

Project Commencement Ceremony

Project development took another significant step forward in early April 2018 with an official Project Commencement ceremony held in Hermosillo, Mexico. The ceremony was presided over by Governor Claudia Pavlovich and senior Sonora state government personnel and focussed on the significant economic opportunities that the construction of a fully integrated lithium carbonate facility will create. This includes the new employment opportunities that will be created and the enhanced standing it will give Sonora state as a supporter of new "green" technology in North America.

Off-take Agreement with Hanwa:

Following on from the Company signing a 5-year lithium off-take agreement with Hanwa in April 2017, Bacanora has continued to strengthen its relationship with Hanwa, which is one of the largest battery chemical traders in Asia. Accordingly, Bacanora and Hanwa have agreed in principle to extend their initial lithium off-take partnership for a further 5 years at a rate of 17,500 tpa of lithium carbonate, on the same commercial terms as the initial 5 year off-take, with lithium sales continuing to be based on an "at market" pricing structure. Formal documentation for this is now being prepared. This additional 5-year agreement will underpin the Company's expansion strategy to bring on a Stage 2 expansion of the project to increase lithium production to 35,000 tpa. The Company continues to hold discussions with additional strategic investors for additional Stage 2 off-take tonnages.

Front End Engineering Design (FEED) and EPC/EPCM Engineering

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, are advancing 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 also ongoing. The current FEED schedule is to have designs, cost estimates and process guarantee scopes to be substantially completed by end Q2 2018, with orders for long lead items being placed at the end of the FEED process in Q3 2018. The current timetable is based on a planned commissioning of the project in Q1 2020 and lithium carbonate shipments commencing subsequent to commissioning. This schedule and final project go ahead is subject to completing the US\$450 million debt and equity project financing strategy and final Board approvals. The schedule will be updated at the end of the FEED process.

****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 Project¹, 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 1.9 Mt of Measured Resources and 3.1Mt of Indicated Resources) of LCE² 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 (Li₂CO₃) equivalent; determined by multiplying Li value in percent by 5.324 to get an equivalent Li₂CO₃ 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.

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