

**BACANORA MINERALS LTD.**  
**Consolidated Financial Statements**  
**June 30, 2015 and 2014**

## **Management's Responsibility**

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To the Shareholders of Bacanora Minerals Ltd.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. The Board fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Company's external auditors.

BDO Canada LLP, an independent firm of Chartered Accountants, is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

Calgary, Alberta  
October 26, 2015

*(signed) "Peter Secker"*

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Peter Secker  
Chief Executive Officer

*(signed) "Derek Batorowski"*

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Derek Batorowski  
Chief Financial Officer



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## Independent Auditor's Report

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To the Shareholders of  
Bacanora Minerals Ltd.

We have audited the accompanying consolidated financial statements of Bacanora Minerals Ltd., which comprise the consolidated statements of financial position as at June 30, 2015 and June 30, 2014, the consolidated statements of comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Bacanora Minerals Ltd. as at June 30, 2015 and June 30, 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

*BDO Canada LLP*

Chartered Accountants  
Calgary, AB  
October 27, 2015

**BACANORA MINERALS LTD.**  
**Consolidated Statements of Financial Position**  
**Expressed in Canadian Dollars**

As at	June 30, 2015	June 30, 2014
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 9,820,069	\$ 1,115,687
Cash held in trust (Note 8(c))	170,968	1,373,750
Accounts receivable	240,810	544,714
Deferred costs	18,506	27,664
<b>Total current assets</b>	<b>10,250,353</b>	<b>3,061,815</b>
<b>Non-current assets</b>		
Related party receivable	-	5,323
Property and equipment (Note 7)	2,570,803	1,549,474
Exploration and evaluation assets (Note 8)	11,907,427	8,841,774
<b>Total non-current assets</b>	<b>14,478,230</b>	<b>10,396,571</b>
<b>Total assets</b>	<b>24,728,583</b>	<b>13,458,386</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	740,057	236,865
Due to related parties (Note 14)	58,706	92,564
Mineral property deposit (Note 8(c))	-	544,400
<b>Total current liabilities</b>	<b>798,763</b>	<b>873,829</b>
<b>Non-current liabilities</b>		
Rehabilitation provision (Note 9)	150,000	27,400
Deferred tax liability (Note 11)	135,000	113,000
<b>Total non-current liabilities</b>	<b>285,000</b>	<b>140,400</b>
<b>Total liabilities</b>	<b>1,083,763</b>	<b>1,014,229</b>
<b>Shareholders' Equity</b>		
Share capital (Note 10)	24,827,911	13,713,743
Contributed surplus (Note 10(e))	657,254	890,017
Foreign currency translation reserve	1,695,333	248,098
Deficit	(2,855,397)	(1,750,287)
Attributed to Shareholders of Bacanora Minerals Ltd.	24,325,101	13,101,571
Non-controlling interest	(680,281)	(657,414)
<b>Total shareholders' equity</b>	<b>23,644,820</b>	<b>12,444,157</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 24,728,583</b>	<b>\$ 13,458,386</b>

**Approved by the Board of Directors:**

*(signed) "James Leahy"*

James Leahy

Director

*(signed) "Shane Shircliff"*

Shane Shircliff

Director

See accompanying notes to the consolidated financial statements.

Commitments (Note 15)

**BACANORA MINERALS LTD.**  
**Consolidated Statements of Comprehensive Loss**  
**Expressed in Canadian Dollars**

<b>For the years ended</b>	<b>June 30, 2015</b>	<b>June 30, 2014</b>
<b>Revenue</b>		
Interest income	\$ 108,403	\$ 10,710
<b>Expenses</b>		
General and administrative (Note 12)	2,753,173	1,068,668
Depreciation (Note 7)	287,527	135,819
Stock-based compensation (Note 10(f))	-	198,466
Impairment of exploration and evaluation assets	-	1,220,826
	<b>3,040,700</b>	<b>2,623,779</b>
Loss before other items	<b>(2,932,297)</b>	<b>(2,613,069)</b>
Foreign exchange gain (loss)	<b>191,133</b>	<b>(41,890)</b>
<b>Loss before tax</b>	<b>(2,741,164)</b>	<b>(2,654,959)</b>
Deferred tax (Note 11)	<b>(22,000)</b>	<b>154,000</b>
<b>Loss for the year</b>	<b>(2,763,164)</b>	<b>(2,500,959)</b>
Foreign currency translation adjustment	<b>1,447,235</b>	<b>89,725</b>
<b>Total comprehensive loss</b>	<b>\$ (1,315,929)</b>	<b>\$ (2,411,234)</b>
Loss attributable to shareholders of Bacanora Minerals Ltd.	<b>(2,740,297)</b>	<b>(1,996,181)</b>
Loss attributable to non-controlling interest	<b>(22,867)</b>	<b>(504,778)</b>
	<b>\$ (2,763,164)</b>	<b>\$ (2,500,959)</b>
Total comprehensive loss attributable to shareholders of Bacanora Minerals Ltd.	<b>(1,293,427)</b>	<b>(1,906,456)</b>
Total comprehensive loss attributable to non-controlling interest	<b>(22,503)</b>	<b>(504,778)</b>
	<b>\$(1,315,930)</b>	<b>\$ (2,411,234)</b>
<b>Net loss per share</b> (basic and diluted)	<b>\$ (0.03)</b>	<b>\$ (0.03)</b>

See accompanying notes to the consolidated financial statements.

**BACANORA MINERALS LTD.**  
**Consolidated Statements of Changes in Shareholders' Equity**  
**Expressed in Canadian Dollars**

For the years ended June 30, 2015 and 2014

	Share Capital					Total
	Number of Shares	Amount	Contributed Surplus	Accumulated other comprehensive income	Deficit	
Balance, June 30, 2013	63,290,812	\$13,524,583	\$764,711	\$158,373	\$(2,968,231)	\$11,326,800
Shares issued for services	90,000	36,000	-	-	-	36,000
Shares issued on exercise of options	400,000	153,160	(73,160)	-	-	80,000
Stock-based compensation expense	-	-	198,466	-	-	198,466
Foreign currency translation adjustment	-	-	-	89,725	-	89,725
Disposition of interest in subsidiary	-	-	-	-	3,214,125	3,214,125
Loss for the year	-	-	-	-	(1,996,181)	(2,500,959)
<b>Balance, June 30, 2014</b>	<b>63,780,812</b>	<b>\$13,713,743</b>	<b>\$890,017</b>	<b>\$248,098</b>	<b>\$(1,750,287)</b>	<b>\$12,444,157</b>
Brokered placement	14,393,940	8,610,601	-	-	-	8,610,601
Shares issued as broker's compensation	90,909	141,115	-	-	-	141,115
Share issue costs	-	(2,009,435)	1,061,000	-	-	(948,435)
Shares issued on exercise of options	900,000	578,762	(232,763)	-	-	345,999
Shares issued on exercise of warrants	5,781,748	3,793,125	(1,061,000)	-	-	2,732,125
Foreign currency translation adjustment	-	-	-	1,447,235	-	1,447,235
Disposition of interest in subsidiary	-	-	-	-	1,635,187	1,635,187
Loss for the year	-	-	-	-	(2,740,297)	(2,763,164)
<b>Balance, June 30, 2015</b>	<b>84,947,409</b>	<b>\$24,827,911</b>	<b>\$657,254</b>	<b>\$1,695,333</b>	<b>\$(2,855,397)</b>	<b>\$23,644,820</b>

**BACANORA MINERALS LTD.**  
**Consolidated Statements of Cash Flows**  
**Expressed in Canadian Dollars**

<b>For the years ended</b>	<b>June 30, 2015</b>	<b>June 30, 2014</b>
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net loss	\$ (2,763,164)	\$ (2,500,959)
Depreciation and impairment of exploration and evaluation assets	287,527	1,356,645
Stock-based compensation expense (Note 10(f))	-	198,466
Deferred income tax (Note 11)	22,000	(154,000)
	<b>(2,453,637)</b>	<b>(1,099,848)</b>
Changes in non-cash working capital		
Accounts receivable	303,905	(112,147)
Deferred costs	9,158	3,156
Accounts payable and accrued liabilities	503,192	80,782
	<b>(1,637,382)</b>	<b>(1,128,057)</b>
<b>Financing activities</b>		
Issue of shares, net of expenses	7,803,281	80,000
Warrants proceeds	2,732,733	-
Option proceeds	345,999	-
Related party advances	(29,143)	26,309
Mineral property deposit	(544,400)	44,400
Disposition of interest in subsidiary	1,635,187	3,214,125
	<b>11,943,657</b>	<b>3,364,834</b>
<b>Investing activities</b>		
Additions to mineral properties (Note 8)	(1,941,318)	(3,128,323)
Additions to property and equipment (Note 7)	(863,357)	(168,937)
	<b>(2,804,675)</b>	<b>(3,297,260)</b>
<b>Increase (decrease) in cash position</b>	<b>7,501,600</b>	<b>(1,060,483)</b>
<b>Cash and cash held in trust, beginning of the year</b>	<b>2,489,437</b>	<b>3,549,920</b>
<b>Cash and cash held in trust, end of the year</b>	<b>\$ 9,991,037</b>	<b>\$ 2,489,437</b>

See accompanying notes to the consolidated financial statements.

**BACANORA MINERALS LTD.**  
**Notes to the Consolidated Financial Statements**  
**As at and for the years ended June 30, 2015 and 2014**  
**Expressed in Canadian dollars**

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**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 Exchanges, 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 a development stage mining company engaged in the identification, acquisition, exploration and development of mineral properties located in Mexico. The Company has not yet determined whether its mineral properties contain economically recoverable reserves. The recoverability of amounts capitalized is dependent upon the discovery of economically recoverable reserves, securing and 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 mineral properties represent costs incurred to date, and do not necessarily represent present or future values.

The Company has generated accumulated losses of \$2,855,397 (2014 - \$1,750,287) and the shareholders' equity of two of the Company's subsidiaries incorporated in Mexico have decreased to an amount less than one third of their share capital which, according to Mexican laws, may be a cause for dissolving a company at the request of any interested third party. If the Company is not able to generate income producing transactions through the identification and exploitation of ores, and continue to raise sufficient capital to continue exploration activities, there is a risk that the rights to the mining concessions could be challenged.

**2. BASIS OF PREPARATION**

**a) Statement of compliance**

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

The audited annual financial statements were authorized for issue by the Board of Directors on October 26, 2015. The Board of Directors has the power and authority to amend these financial statements after they have been issued.

**b) Basis of measurement**

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

These consolidated financial statements are presented in Canadian dollars. The functional currency of the Company is the Canadian dollar and for its subsidiaries is the US dollar.

**3. SIGNIFICANT ACCOUNTING POLICIES**

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



**BACANORA MINERALS LTD.**  
**Notes to the Consolidated Financial Statements**  
**As at and for the years ended June 30, 2015 and 2014**  
**Expressed in Canadian dollars**

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**a) Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company, 70% of its subsidiary, Mexilit S.A. de C.V. ("**Mexilit**"), 70% of its subsidiary, Minera Megalit S.A de C.V. ("**Megalit**"), 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 subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies. All intercompany balances and transactions are eliminated in full. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

**b) 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 period.

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

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

Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

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

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

**c) Cash and cash held in trust**

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 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. Cash held in trust represents funds received as part of the Company's investment arrangements but not yet deposited in the Company's Canadian chartered bank account.

**BACANORA MINERALS LTD.**  
**Notes to the Consolidated Financial Statements**  
**As at and for the years ended June 30, 2015 and 2014**  
**Expressed in Canadian dollars**

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**d) Exploration and evaluation assets**

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

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

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

**e) Property and equipment**

Property and equipment is carried at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property and equipment consists of the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is provided at rates calculated to expense the cost of property and equipment, less their estimated residual value, using the straight-line method over a five year period.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end, and adjusted prospectively if appropriate.

**f) Rehabilitation provision**

The Company recognizes provisions for contractual, constructive or legal obligations, including those associated with the reclamation of mineral interests (exploration and evaluation assets) and plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a provision for the rehabilitation is recognized at its present value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding provision is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset. Following the initial recognition of the rehabilitation provision, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, and amount or timing of the underlying cash flows needed to settle the obligation.

**BACANORA MINERALS LTD.**  
**Notes to the Consolidated Financial Statements**  
**As at and for the years ended June 30, 2015 and 2014**  
**Expressed in Canadian dollars**

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**g) Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at management's best estimate of the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in any provision due to passage of time is recognized as accretion expense.

**h) Interest income**

Interest income is recorded on an accrual basis using the effective interest method.

**i) Financial instruments**

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets and financial liabilities are subsequently measured as described below.

**(i) Financial assets**

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition: loans and receivables; financial assets at fair value through profit or loss; held-to-maturity investments; and available-for-sale financial assets.

The category determines how the asset is subsequently measured and whether any resulting income or expense is recognized in profit or loss or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are considered impaired when there is objective evidence that a financial asset or a group of financial assets has been impaired.

**i. Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortized cost using the effective interest method, less provision for impairment, if any.

Loans and receivables comprise cash, cash held in trust, and accounts and related party receivables.

**BACANORA MINERALS LTD.**  
**Notes to the Consolidated Financial Statements**  
**As at and for the years ended June 30, 2015 and 2014**  
**Expressed in Canadian dollars**

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**(ii) Financial liabilities**

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains and losses recognized in profit or loss. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

The Company's financial liabilities measured at amortized cost include accounts payables and accrued liabilities and due to related parties. The Company currently does not have any financial liabilities classified as held for trading or designated at fair value through profit or loss.

**j) Impairment of assets**

**i) Financial assets**

A financial asset that is not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. The amount of the impairment loss is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss, unless the impairment relates to an equity investment.

**ii) Non-financial assets**

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that the assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate largely independent cash inflows, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Recoverable amount is the higher of fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized in profit or loss.

**BACANORA MINERALS LTD.**  
**Notes to the Consolidated Financial Statements**  
**As at and for the years ended June 30, 2015 and 2014**  
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With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognized in profit or loss.

**k) Income taxes**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in comprehensive loss.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income taxes are calculated based on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not recognized on the initial recognition of goodwill, on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction, and on temporary differences relating to investments in subsidiaries and jointly controlled entities where the reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred income tax assets and liabilities are measured, without discounting, at the tax rates that are expected to apply when the assets are recovered and the liabilities settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities and assets are expected to be settled or recovered.

**l) Loss per share**

Basic loss per share is calculated by dividing the loss attributable to the common shareholders of the Company by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per share is calculated by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which comprise share options and warrants granted.

**BACANORA MINERALS LTD.**  
**Notes to the Consolidated Financial Statements**  
**As at and for the years ended June 30, 2015 and 2014**  
**Expressed in Canadian dollars**

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**m) Share-based payments**

***i) Share-based payment transactions***

The Company grants stock options 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. The Company's stock-based payment plan does not feature any option for a cash settlement.

***ii) 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.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the stock-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where equity-settled transactions are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of the options that will eventually vest.

Where equity-settled transactions are entered into with non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the equity instruments issued. Otherwise, stock-based payments to non-employees are measured at the fair value of the goods or services received.

Upon exercise of stock options, the proceeds received are allocated to share capital along with any value previously recorded in share option reserve relating to those options. The dilutive effect of outstanding options is reflected as additional dilution in the computation of diluted earnings per share.

**n) Segmental reporting**

The Company has one segment as it is in the business of mineral property exploration and evaluation in Mexico.

**BACANORA MINERALS LTD.**  
**Notes to the Consolidated Financial Statements**  
**As at and for the years ended June 30, 2015 and 2014**  
**Expressed in Canadian dollars**

---

**o) Standards, amendments and interpretations not yet effective**

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements are provided below.

**i) IAS 1, Presentation of Financial Statements**

In December 2014, the IASB issued amendments to IAS 1, clarifying guidance on the concepts of materiality and aggregation of items in the financial statements, the use and presentation of subtotals in the statement of operations and the statement of comprehensive income or loss, and providing additional flexibility in the structure and disclosures of the financial statements to enhance understandability. The amendments to IAS 1 may be applied immediately, and become mandatory for annual periods beginning on or after January 1, 2016. The Company does not expect the impact of the amendments to IAS 1 to have a material effect on the Company's financial statements.

**ii) IFRS 9, Financial Instruments**

IFRS 9 reflects the first phase of the IASB's work on the replacement of IAS 39 Financial Instruments, Recognition and Measurement. The standard revises and limits the classification and measurement models available for financial assets and liabilities to amortized cost or fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is currently assessing the impact of the new standard on its financial statements, but does not anticipate that the adoption of the standard will have a significant impact.

**iii) IFRS 15, Revenue from Contracts with Customers**

In May 2014, the IASB issued IFRS 15. IFRS 15 provides a single model to determine how and when an entity should recognize revenue, as well as requiring entities to provide more informative, relevant disclosures in respect to its revenue recognition criteria. IFRS 15 is to be applied prospectively and is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company is in the process of evaluating the impact that IFRS 15 may have on the Company's financial statements.

**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.

**BACANORA MINERALS LTD.**  
**Notes to the Consolidated Financial Statements**  
**As at and for the years ended June 30, 2015 and 2014**  
**Expressed in Canadian dollars**

---

**a) Exploration and evaluation assets**

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

The application of the Company's accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that costs incurred will be recovered through successful exploration and development or sale of the asset under review when assessing impairment. Furthermore, the assessment as to whether economically recoverable reserves exist is itself an estimation process. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalized is written off in the statement of comprehensive loss in the period when the new information becomes available. The carrying value of these assets is detailed in Note 8.

**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) Rehabilitation provision**

Rehabilitation or similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations.

**d) Contingencies**

Contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

**e) Share-based payments**

The Company utilizes the Black-Scholes Option Pricing Model to estimate the fair value of stock options 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 including the forecast future volatility of the stock price, the risk-free interest rate, dividend yield and the expected life of the stock options. 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.



**BACANORA MINERALS LTD.**  
**Notes to the Consolidated Financial Statements**  
**As at and for the years ended June 30, 2015 and 2014**  
**Expressed in Canadian dollars**

---

**f) Income taxes**

The Company is subject to income tax in several jurisdictions and significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. In the prior year these transactions included the transfer of properties between Mexican subsidiaries. Transactions between the Company's Mexican subsidiaries are required by Mexican tax rules to be recorded on an arms' length basis and the Company made estimates as to the measurement of these transactions. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. Despite the Company's belief that its tax return positions are supportable, the Company acknowledges that certain positions may potentially be challenged and may not be fully sustained upon review by tax authorities. The Company believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretation of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities, and such differences will impact income tax expense in the period in which such determination is made.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized.

**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 accounts and related party receivables. Any changes in management's estimate of the recoverability of the amount due will be recognized in the period of determination and any adjustment may be significant. The carrying amount of accounts and related party receivables represents the maximum credit exposure.

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

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

**BACANORA MINERALS LTD.**  
**Notes to the Consolidated Financial Statements**  
**As at and for the years ended June 30, 2015 and 2014**  
**Expressed in Canadian dollars**

---

**b)     *Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial 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 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, accounts receivables, accounts payables and accrued liabilities are denominated in US dollars and Mexican pesos and are therefore subject to fluctuation in exchange rates. As at June 30, 2015, a 5% change in the exchange rate between the Canadian dollar and US dollar would have an approximate \$545,000 (2014 - \$87,000) change to the Company's total comprehensive loss.

**d)     *Fair values***

The carrying value approximates the fair value of the financial instruments due to the short term nature of the instruments.

**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 \$23,667,847 at June 30, 2015 (2014 - \$12,211,554), 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. The Company is not subject to any externally imposed capital requirements other than those disclosed in Note 1.

**BACANORA MINERALS LTD.**  
**Notes to the Consolidated Financial Statements**  
**As at and for the years ended June 30, 2015 and 2014**  
**Expressed in Canadian dollars**

**7. PROPERTY AND EQUIPMENT**

<b>Cost</b>	<b>Building and equipment</b>	<b>Office furniture and equipment</b>	<b>Computer equipment</b>	<b>Transportation equipment</b>	<b>Total</b>
<b>Balance, June 30, 2013</b>	<b>\$1,489,954</b>	<b>\$ 3,119</b>	<b>\$ 7,536</b>	<b>\$ 108,710</b>	<b>\$ 1,609,319</b>
Additions	150,173	28	456	24,229	174,886
<b>Balance, June 30, 2014</b>	<b>\$1,640,127</b>	<b>\$3,147</b>	<b>\$7,992</b>	<b>\$132,939</b>	<b>\$1,784,205</b>
Additions	1,291,927	-	3,472	13,457	1,308,856
<b>Balance, June 30, 2015</b>	<b>\$2,932,054</b>	<b>\$3,147</b>	<b>\$11,464</b>	<b>\$146,396</b>	<b>\$3,093,061</b>

<b>Accumulated depreciation</b>	<b>Building and equipment</b>	<b>Office furniture and equipment</b>	<b>Computer equipment</b>	<b>Transportation equipment</b>	<b>Total</b>
<b>Balance, June 30, 2013</b>	<b>\$ 26,503</b>	<b>\$ 2,118</b>	<b>\$ 5,052</b>	<b>\$ 63,887</b>	<b>\$ 97,560</b>
Additions	107,009	314	1,461	28,387	137,171
<b>Balance, June 30, 2014</b>	<b>\$133,512</b>	<b>\$2,432</b>	<b>\$6,513</b>	<b>\$92,274</b>	<b>\$234,731</b>
Additions	278,524	715	1,330	6,958	287,527
<b>Balance, June 30, 2015</b>	<b>\$412,036</b>	<b>\$3,147</b>	<b>\$7,843</b>	<b>\$99,232</b>	<b>\$522,258</b>

<b>Carrying amounts</b>	<b>Building and equipment</b>	<b>Office furniture and equipment</b>	<b>Computer equipment</b>	<b>Transportation equipment</b>	<b>Total</b>
At June 30, 2014	\$ 1,506,615	\$ 715	\$ 1,479	\$ 40,665	\$1,549,474
<b>At June 30, 2015</b>	<b>\$ 2,520,018</b>	<b>\$ -</b>	<b>\$ 3,621</b>	<b>\$ 47,164</b>	<b>\$2,570,803</b>

**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) Tubutama Borate property**

Originally referred to as the Carlos project, Tubutama Borate project consists of four mining concessions with a total area of 766 hectares. The concessions are located 15 kilometers from the town of Tubutama, and are 100% owned by MIT. During the year, the Company allowed two mining concessions to lapse. The Tubutama property is subject to a 3% gross overriding royalty payable to a director of the Company on sales of borate produced from this property.

For the year ended June 30, 2014 an impairment charge of \$1,220,826 was recognized in respect of the Tubutama Borate property. As a result of the Company's decision to let certain Tubutama concessions lapse and the Company's focus on the other mining claims an impairment test was performed. The recoverable amount is its value in use and is determined to be \$nil as the Company expects no cash inflows to arise related to this property.

**BACANORA MINERALS LTD.**  
**Notes to the Consolidated Financial Statements**  
**As at and for the years ended June 30, 2015 and 2014**  
**Expressed in Canadian dollars**

---

**b) Magdalena Borate property**

Originally referred to as San Francisco and El Represo projects, Magdalena Borate project consists of seven concessions, with a total area of 7,095 hectares. The concessions are located 15 kilometers from the cities of Magdalena and Santa Ana, and 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 a director of the Company on sales of borate produced from this property.

**c) 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 1,775 hectares. Of the remaining concessions, one is owned 100% by Mexilit, El Sauz, covering 1,025 hectares. The remaining four concessions consist of El Sauz 1, El Sauz 2, Fleur and Fleur 2 and cover, in total 4,300 hectares that were owned by MSB with the requirement to transfer them to Mexilit per the agreement with REM. Subsequent to year end, these concessions were transferred to Mexilit. Mexilit is owned 70% by Bacanora and 30% by Rare Earth Minerals PLC ("REM"). In the prior year, REM made payment of USD\$2,250,000 (CAD\$2,384,775) to acquire the 30% interest in Mexilit of which USD\$500,000 (CAD\$500,000) was received in the year ended June 30, 2013 and was recorded as mineral property deposit. Of the total amount received, USD\$1,500,000 was restricted for expenditures on Mexilit concessions and spent in fiscal 2015. Of the funds received in fiscal 2014, \$1,373,750 was held in trust. REM's option to earn up to 49.9% of Mexilit expired during the year.

The remaining three concessions, Buenavista, Megalit and San Gabriel, cover 89,235 hectares, and are subject to a separate agreement between the Company and REM. As at June 30, 2015, all three claims are held by MSB with the requirement to transfer them to Megalit per the agreement with REM. Subsequent to year end, Buenavista and San Gabriel concessions were transferred to Megalit. At June 30, 2014, REM owned 10% of Megalit for a payment of USD\$750,000 (CAD\$829,350) in the prior year. In fiscal 2015 REM increased its holdings of Megalit to 30% of the common shares with a payment of USD\$1,500,000 (CAD\$1,635,187) of which USD\$500,000 (CAD\$544,400) was received in fiscal 2014 and was presented as mineral property deposit as at June 30, 2014. The funds received were required to be used only for expenditures in the Megalit concession. As at June 30, 2015, \$170,968 of the funds received was held in trust. REM has the option to earn up to 49.9% of Megalit under terms and consideration yet to be agreed upon.

The change in ownership interest of Mexilit and Megalit in the year did not result in a loss of control and as such have been accounted for as equity transactions.

The Sonora Lithium property is subject to a 3% gross overriding royalty payable to Mr. Colin Orr-Ewing, Chairman of the Company, on sales of mineral products produced from this property.

**BACANORA MINERALS LTD.**  
**Notes to the Consolidated Financial Statements**  
**As at and for the years ended June 30, 2015 and 2014**  
**Expressed in Canadian dollars**

The balance of investment in mining claims as of June 30, 2015 and June 30, 2014 corresponds to concession payments to the federal government, deferred costs of exploration and paid salaries, and consists of the following:

	Tubutama Borate	Magdalena Borate	La Ventana Lithium	Mexilit Lithium	Megalit Lithium	Total
<b>Balance, June 30, 2013</b>	<b>\$ 1,201,583</b>	<b>\$ 4,729,885</b>	<b>\$ 227,430</b>	<b>\$ 690,251</b>	<b>\$ -</b>	<b>\$ 6,849,149</b>
Additions	19,243	1,449,706	383,231	1,361,271	-	3,213,451
Impairment	(1,220,826)	-	-	-	-	(1,220,826)
<b>Balance, June 30, 2014</b>	<b>\$ -</b>	<b>\$ 6,179,591</b>	<b>\$ 610,661</b>	<b>\$ 2,051,522</b>	<b>\$ -</b>	<b>\$ 8,841,774</b>
Additions:	-	1,066,567	1,321,176	40,005	637,905	3,065,653
<b>Balance, June 30, 2015</b>	<b>-</b>	<b>\$ 7,246,158</b>	<b>\$ 1,931,837</b>	<b>\$ 2,091,527</b>	<b>\$ 637,905</b>	<b>\$ 11,907,427</b>

**9. REHABILITATION PROVISION**

The Company records a liability for the estimated site rehabilitation costs, discounted to net present value. The net present value is determined using the liability-specific risk-free interest rate. The site rehabilitation costs consists of slope stabilization, re-contouring and seeding waste piles, and stabilizing and monitoring tailings disposal sites. The present value of the obligation was estimated at approximately \$150,000 (2014 - \$27,400).

**10. SHARE CAPITAL**

**a) Authorized**

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

**b) Common shares issued**

	Shares	Amount
<b>Balance, June 30, 2013</b>	<b>63,290,812</b>	<b>\$ 13,524,583</b>
Shares issued to a director for services rendered	90,000	36,000
Shares issued on exercise of options	400,000	153,160
<b>Balance, June 30, 2014</b>	<b>63,780,812</b>	<b>\$ 13,713,743</b>
Brokered placement issued for cash <sup>(1)</sup>	14,393,940	8,610,601
Shares issued for share issuance	90,909	141,115
Share issue costs	-	(2,009,435)
Shares issued on exercise of warrants	5,781,748	3,793,125
Shares issued on exercise of options	900,000	578,762
<b>Balance, June 30, 2015</b>	<b>84,947,409</b>	<b>\$ 24,827,911</b>

**BACANORA MINERALS LTD.**  
**Notes to the Consolidated Financial Statements**  
**As at and for the years ended June 30, 2015 and 2014**  
**Expressed in Canadian dollars**

(1) On July 25, 2014, the Company completed a brokered financing of 14,393,940 common shares at a price of £0.33 (CAD\$0.60) per share for aggregate gross proceeds of £4,750,000 (CAD\$8,610,601). Upon completion of this offering, the Company paid cash commissions to its broker, in the amount of £200,500 (CAD\$366,153) and 390,874 non-transferrable warrants ("Broker Warrants"). In addition, the Company paid its Nominated Advisor, a corporate finance fee in the amount of £80,000 (CAD\$146,096) and issued 390,874 Broker Warrants. Each Broker Warrant entitles the holder to purchase one common share at a price of £0.33 (CAD\$0.60) until expiry on the date that is five years from the date of issuance, being July 25, 2019. Included in the share issue costs are a total of \$1,061,000 relating to the issuance of 781,748 warrants to the Company's brokers, all of which were exercised during the year. In relation to the private placement, the Company issued 90,909 shares to its advisor which were valued at \$141,115 and included in share issue costs. The Company also had \$295,071 of share issue costs relating to legal matters involved with the Company's private placement.

**c) Stock options**

The following tables summarize the activities and status of the Company's stock option plan as at and during the year ended June 30, 2014.

	Number of options	Weighted average exercise price
<b>Balance, June 30, 2013</b>	<b>2,950,000</b>	<b>\$ 0.35</b>
Exercised	(400,000)	0.20
Issued	950,000	0.30
Cancelled	(75,000)	0.27
<b>Balance, June 30, 2014</b>	<b>3,425,000</b>	<b>\$ 0.35</b>
Exercised	(900,000)	0.38
Expired	(50,000)	0.25
<b>Balance, June 30, 2015</b>	<b>2,475,000</b>	<b>\$ 0.38</b>

(1) All options outstanding at June 30, 2015 and 2014 were exercisable.

Grant date	Number outstanding at June 30, 2015	Exercise price	Weighted average remaining contractual life (Years)	Expiry date	Number exercisable at June 30, 2015
December 8, 2010	650,000	0.24	0.9	Dec. 8, 2015	650,000
June 19, 2011	350,000	0.44	1.5	Jun. 19, 2016	350,000
July 19, 2011	500,000	0.50	1.5	July 19, 2016	500,000
September 28, 2012	50,000	0.25	2.7	Sept. 28, 2017	50,000
September 11, 2013	925,000	0.30	3.4	Sept. 11, 2018	925,000
	2,475,000				2,475,000

**BACANORA MINERALS LTD.**  
**Notes to the Consolidated Financial Statements**  
**As at and for the years ended June 30, 2015 and 2014**  
**Expressed in Canadian dollars**

**d) Warrants**

The fair value of these broker warrants issued in fiscal 2015 was determined at the date of grant using the Black-Scholes option pricing model with the following assumptions:

	June 30, 2015	June 30, 2014
Risk-free interest rate	1.91%	-
Expected volatility	109%	-
Expected life	5 years	-
Fair value per option	\$1.36	-

The following tables summarize the activities and status of the Company's warrants as at and during the year ended June 30, 2015.

	Number of warrants	Remaining contractual life (Years)	Expiry date	Weighted Average Exercise price
<b>Balance, June 30, 2014</b>	5,833,333	2.8	March 26, 2018	\$ 0.45
Issued	781,748	4.1	July 25, 2019	\$ 0.61
Exercised	(5,781,748)	-	-	\$ 0.47
<b>Balance, June 30, 2015</b>	<b>833,333</b>	<b>2.8</b>	-	<b>\$ 0.51</b>

Grant date	Number outstanding at June 30, 2015	Exercise Price	Weighted average remaining contractual life (Years)	Expiry date	Financing Warrants
March 26, 2013	833,333	\$ 0.45	2.8	March 26, 2018	833,333
<b>June 30, 2015</b>	<b>833,333</b>	-	-	-	<b>833,333</b>

**e) Contributed surplus**

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

	June 30, 2015	June 30, 2014
Balance, beginning of year	\$ 890,017	\$ 764,711
Granting of warrants	1,061,000	-
Exercise of warrants	(1,061,000)	-
Exercise of stock options	(232,763)	(73,160)
Stock-based compensation expense	-	198,466
<b>Balance, end of year</b>	<b>\$ 657,254</b>	<b>\$ 890,017</b>

**BACANORA MINERALS LTD.**  
**Notes to the Consolidated Financial Statements**  
**As at and for the years ended June 30, 2015 and 2014**  
**Expressed in Canadian dollars**

**f) Stock-based compensation expense**

During the year ended June 30, 2015, the Company recognized \$Nil (2014 - \$198,466) of stock-based compensation expense. The fair value of the prior year stock-based compensation was estimated on the dates of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	<b>June 30, 2015</b>	June 30, 2014
Risk-free interest rate	-	1.37%
Expected volatility	-	90%
Expected life	-	5 years
Fair value per option	-	\$0.21

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

**g) Per share amounts**

Basic loss per share is calculated using the weighted average number of shares of 81,969,138 for the year ended June 30, 2015 (2014 – 63,371,360). Options and warrants were excluded from the dilution calculation as they were anti-dilutive.

**11. INCOME TAXES**

The income tax provision differs from income taxes which would result from applying the expected tax rate to net loss before income taxes. The differences between the "expected" income tax expenses and the actual income tax provision are summarized as follows:

<b>June 30,</b>	<b>2015</b>	2014
Loss before tax	<b>\$ (2,741,164)</b>	\$(2,654,959)
Expected income tax recovery at 25% (2014 – 25%)	<b>(689,358)</b>	(663,739)
Stock-based compensation	-	49,776
Difference from foreign operations	<b>(31,349)</b>	(97,366)
Rate changes	<b>(130,759)</b>	-
Change in deferred tax asset not recognized	<b>873,466</b>	557,329
Total income taxes	<b>\$ 22,000</b>	\$ (154,000)



**BACANORA MINERALS LTD.**  
**Notes to the Consolidated Financial Statements**  
**As at and for the years ended June 30, 2015 and 2014**  
**Expressed in Canadian dollars**

The components of the Company's net future income tax asset (liability) are as follows:

June 30,	2015	2014
<b>Canada</b>		
Share issuance costs and financing costs	\$ 243,083	\$ 62,287
Unrealized foreign exchange	64,425	28,288
Non-capital losses available for future periods	1,640,729	945,579
Unrecognized deferred tax asset	(1,948,237)	(1,036,154)
Canada net deferred income tax asset	\$ -	\$ -
<b>Mexico</b>		
Property and equipment	\$ (145,567)	\$ 22,089
Exploration and evaluation assets (Minerales Industriales Tubutama)	-	135,383
Exploration and evaluation assets (other Mexican subsidiaries)	(863,970)	(469,690)
Unrealized foreign exchange	(32,723)	(34,930)
Non-capital losses available for future periods	1,169,675	535,180
Unrecognized deferred tax asset	(262,415)	(301,032)
Mexico net deferred tax liability	(135,000)	(113,000)
Total net deferred tax liability	\$ (135,000)	\$ (113,000)

As at June 30, 2015, the Company has, for tax purposes, non-capital losses available to carry forward to future years as follows: Canada - \$6,202,000 (2014 - \$3,782,000) expiring from 2027 to 2035 and Mexico - \$3,899,000 (2014 - \$1,785,000) expiring from 2020 to 2025.

**12. GENERAL AND ADMINISTRATIVE EXPENSES**

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

For the year ended	June 30, 2015	June 30, 2014
Management fees (Note 14)	\$ 705,084	\$ 311,271
Legal and accounting fees	1,041,619	507,381
Engineering fees	-	2,100
Investor relations	427,862	105,112
Office expenses	177,495	112,751
Miscellaneous	401,113	30,053
Total	\$ 2,753,173	\$ 1,068,668

**BACANORA MINERALS LTD.**  
**Notes to the Consolidated Financial Statements**  
**As at and for the years ended June 30, 2015 and 2014**  
**Expressed in Canadian dollars**

**13. SEGMENTED INFORMATION**

The Company currently operates in one operating segment, the exploration and development of mineral properties in Mexico. Management of the Company makes decisions about allocating resources based on the one operating segment. A geographic summary of non-current assets by country is as follows:

	Mexico		Canada		Consolidated	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Property and equipment	\$ 2,570,803	\$ 1,549,474	\$ -	\$ -	\$ 2,570,803	\$ 1,549,474
Exploration and evaluation assets	\$ 11,907,427	\$ 8,841,774	\$ -	\$ -	\$ 11,907,427	\$ 8,841,774

**14. RELATED PARTY TRANSACTIONS**

**a. Related party expenses**

The Company's related parties include directors and officers and companies which have directors in common. Transactions made with related parties are made in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

During the year ended June 30, 2015, directors and management fees in the amount of \$705,084 (2014 - \$559,290) were paid to directors and officers of the Company. Of this amount, \$157,353 (2014 - \$220,535) was capitalized to exploration and evaluation assets, and \$547,731 (2014 - \$338,757) was expensed as general and administrative costs. Of the total amount incurred as directors and management fees, \$58,706 (2014 - \$92,564) remains in accounts payables and accrued liabilities on June 30, 2015.

During the year ended June 30, 2015, the Company paid \$67,723 (2014 - \$Nil) to a daughter of the Chairman of the Board of Directors of the Company. These services were incurred in the normal course of operations for office administrative services. As of June 30, 2015, \$Nil (2014 - \$Nil) remains in due to this related party.

During the year ended June 30, 2015, the Company paid \$978,946 (2014 - \$918,389) to Grupo Ornelas Vidal S.A. de C.V., a consulting firm of which Martin Vidal, director and president 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 services, as such, the entire amount has been capitalized. As of June 30, 2015, \$80,080 (2014 - \$74,205) remains in accounts payable and accrued liabilities.

**BACANORA MINERALS LTD.**  
**Notes to the Consolidated Financial Statements**  
**As at and for the years ended June 30, 2015 and 2014**  
**Expressed in Canadian dollars**

**b. Key management personnel compensation**

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

For the year ended,	June 30, 2015	June 30, 2014
Director's fees:		
Colin Orr-Ewing	\$ 60,000	\$ 30,000
James Leahy	20,000	8,833
Guy Walker	19,389	8,833
Shane Shircliff	17,500	-
Derek Batorowski	17,500	-
Kiran Morzaria	12,072	-
David Lenigas	-	-
<b>Total director's fees:</b>	<b>\$ 146,461</b>	<b>\$ 47,666</b>
Management and consulting fees:		
Paul Conroy	\$ 50,000	\$ 117,956
Peter Secker	76,442	-
Martin Vidal	222,706	196,000
Shane Shircliff	77,000	73,384
Derek Batorowski	132,475	124,284
<b>Total management and consulting fees</b>	<b>\$ 558,623</b>	<b>\$ 511,624</b>
Employee's salaries:		
Cordelia Orr-Ewing	\$ 67,723	\$ -
<b>Total employee's salaries</b>	<b>\$ 67,723</b>	<b>\$ -</b>
<b>Total director's, management's, consultant's and employee's salaries</b>	<b>\$ 772,807</b>	<b>\$ 559,290</b>
Operational consulting fees:		
Martin Vidal	\$ 978,946	\$ 918,389
<b>Stock-based compensation</b>	<b>\$ -</b>	<b>\$ 167,129</b>

As at June 30, 2015 and 2014 the following options were held by directors of the Company:

Name	Date of grant	Exercise price(\$)	Number of options
James Leahy	December 8, 2010	0.24	200,000
Shane Shircliff	July 19, 2011	0.50	500,000
	September 11, 2013	0.30	200,000
Martin Vidal	December 8, 2010	0.24	250,000
	June 11, 2011	0.44	250,000
	September 11, 2013	0.30	200,000
Derek Batorowski	December 8, 2010	0.24	100,000
	September 11, 2013	0.30	200,000

**BACANORA MINERALS LTD.**  
**Notes to the Consolidated Financial Statements**  
**As at and for the years ended June 30, 2015 and 2014**  
**Expressed in Canadian dollars**

**15. 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 \$16,500.

The properties in Mexico are subject to spending requirements in order to maintain title of the concessions. The capital spending requirement for 2016 is \$105,200. The properties are also subject to semi-annual payments to the Mexican government for concession taxes.

**16. NON-CONTROLLING INTERESTS**

The summary financial information for the Company's Mexican subsidiaries Mexilit, Megalit and MIT is as follows.

**MIT**

	June 30, 2015	June 30, 2014
Current assets	56,610	\$ 93,401
Non-current assets	700	707
Current liabilities	-	-
Non-current liabilities	1,645,924	1,621,380
Accumulated non-controlling interest	635,326	611,761
Loss (income) for the year	(50,101)	1,219,443
Net cash flow from operating activities	(171)	20,709
Net cash flow from financing activities	-	15,381
Net cash flow from investing activities	-	(36,088)
Net change in cash	(171)	2
Cash beginning of year	171	169
Cash end of year	-	171

**Mexilit**

	June 30, 2015	June 30, 2014
Current assets	1,001,481	\$ 1,012,366
Non-current assets	2,616,908	2,063,373
Current liabilities	-	46,873
Non-current liabilities	3,540,378	2,942,495
Accumulated non-controlling interest	17,120	25,912
Loss (income) for the year	411,656	73,576
Net cash flow from operating activities	(53,382)	(235,811)
Net cash flow from financing activities	597,563	3,094,600
Net cash flow from investing activities	(358,652)	(2,066,771)
Net change in cash	185,530	792,018
Cash beginning of year	792,018	-
Cash end of year	977,548	792,018

**BACANORA MINERALS LTD.**  
**Notes to the Consolidated Financial Statements**  
**As at and for the years ended June 30, 2015 and 2014**  
**Expressed in Canadian dollars**

**Megalit**

	June 30, 2015	June 30, 2014
Current assets	\$ 287,806	-
Non-current assets	563,027	-
Current liabilities	19,299	-
Non-current liabilities	935,369	-
Accumulated non-controlling interest	45,565	-
Loss (income) for the year	(75,787)	-
Net cash flow from operating activities	(65,239)	-
Net cash flow from financing activities	935,371	-
Net cash flow from investing activities	(639,721)	-
Net change in cash	230,410	-
Cash beginning of year	-	-
Cash end of year	230,410	-

**17. SUBSEQUENT EVENTS**

Subsequent to June 30, 2015, 200,000 common share options exercisable at \$0.30 per share were exercised for gross proceeds of \$60,000.