BACANORA lithium

Bacanora Lithium Plc

Interim Report and Financial Statements

Six month period ended 30 June 2021

Company Directory

Board of Directors	Mark Hohnen (Chairman) Peter Secker (CEO) Eileen Carr Jamie Strauss Andres Antonius Junichi Tomono Wang Xiaoshen Graeme Purdy
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Business Review

Highlights – for the six months ended 30 June 2021 and subsequent events

Corporate financing for Bacanora Lithium Plc's ("Bacanora" or the "Company") 50% share of the funding requirements of the Sonora Lithium Project ("Sonora Project" or "Project"), Mexico

- On 8 February 2021, Bacanora completed a successful placing and retail offer which raised gross proceeds of £48.1 million (US$66.3 million) through the issue of a total of 106,995,885 new ordinary shares at a price of 45 pence per placing share.
- In addition to the placing and retail offer, Ganfeng Lithium Co., Ltd. ("Ganfeng"), Bacanora's cornerstone investor and offtake partner, exercised its pre-emption right at the placing price and increased its holding in the Company on 26 May 2021. Ganfeng subscribed for a total of 53,333,333 new ordinary shares at the placing price of 45 pence per share, representing gross proceeds of £24.0 million (US$33.9 million). On completion of Ganfeng's investment, Bacanora has 384,144,901 shares in issue and Ganfeng has an ownership stake of 28.88% at the reporting date.
- Ganfeng completed its option to increase its stake in Sonora Lithium Ltd ("SLL") from 22.5% to 50% (the "Option") on 26 February 2021. SLL is the operational holding company for the Sonora Project. Consequently, Ganfeng have subscribed for 73,955,680 new ordinary shares in SLL at 29.59 pence at a total value of £21.9 million (US$30.4 million). On completion of the transaction, a revised 50:50 Joint Venture Agreement ("JVA") came into force, whereby each party is responsible for their portion of the Project capex.
- After review of the provisions of the revised JVA, the Company has assessed that Bacanora now has joint control over SLL and its subsidiaries (the "Sonora Lithium Group"). Therefore, in the Group financial statements, the Group no longer consolidates the Sonora Lithium Group and instead recognises its investment in the Sonora Lithium Group.
- Due to the passage of time from the initial US$150 million debt facility agreement in July 2018 with RK Mine Finance ("RK"), Bacanora and RK signed a non-binding indicative term sheet to amend certain terms during the period. The Company and RK were in discussions for a number of months with a view to agreeing updated legally binding terms and documentation. However, due to extension fee considerations and the limited availability period for an extension post the expiry date of 18 June 2021, the Company and RK have agreed that the remaining undrawn facility, amounting to US$125 million, will no longer be available for draw down. The Company will continue to engage with RK as well as seek alternative terms with other debt providers in light of the current favourable debt market conditions. The first tranche of the RK debt facility, US$25 million, was drawn down in July 2018 and Bacanora will maintain this first tranche in accordance with the existing terms of the debt facility.
- Bacanora and its subsidiaries (the "Group") has a strong consolidated cash balance of US$130.7 million as at 30 June 2021. Together with the cash in Sonora Lithium Group of US$29.9 million, the total aggregated cash balance amounted to US$160.6 million as at 30 June 2021.

Recommended cash offer by Ganfeng for the Bacanora's share capital

- On 6 May 2021, Bacanora and Ganfeng announced that they had entered into an agreement regarding the terms of a possible cash offer by Ganfeng for the entire issued and to be issued share capital of Bacanora that Ganfeng does not already own.
- On 25 August 2021, the Bacanora Independent Directors and the Ganfeng Board reached an agreement on the terms of a recommended conditional cash offer to be made by Ganfeng for the entire issued and to be issued ordinary share capital of Bacanora not already owned by Ganfeng (the "Offer"). The Bacanora Board also intend to make a conditional distribution *in specie*, comprising the shares in Zinnwald Lithium Plc (AIM:ZNWD) ("Zinnwald") currently owned by Bacanora, to all Bacanora Shareholders (including Ganfeng) on the record date, being the date the Offer becomes or is declared unconditional. The distribution is subject to various conditions. Subject to the conditions being met, Bacanora Shareholders will be entitled to receive for each Bacanora Share 67.5 pence in cash from Ganfeng pursuant to the Offer and 0.23589 Zinnwald Shares to be distributed by Bacanora.

Sonora Project – focused on finalising engineering processes and early site works

- Whilst COVID-19 has impacted the Company and its partners, work to complete the front-end engineering design ("FEED") has continued throughout the period, with GR Engineering Services ("GRES") completing the front-end concentrator and mechanical engineering and Ganfeng completing its flow sheet design testwork for the production of battery-grade lithium from the samples provided by the pilot plant.
- Ganfeng is continuing to work with its suppliers and, along with the Company, is maintaining its previously advised project delivery schedule with first lithium production in H2 2023. The project delivery schedule includes the first equipment deliveries from China arriving in Mexico in Q2 2022.
- Rescue and removal of surface vegetation and topsoil in the area required for the construction of the lithium processing plant have been completed. Plant site location survey, geotechnical, and hydrogeological works have also been completed.
- As a result of COVID-19 related travel restrictions, site works for bulk earthworks, civil engineering, and pouring foundations have been rescheduled to Q4 2021.

Zinnwald Lithium Project, Germany ("Zinnwald Project") – acquisition of the remaining 50% of Deutsche Lithium

- In June 2021, Zinnwald, Bacanora's associate company, acquired the remaining 50% of Deutsche Lithium GmbH ("DL") that it did not already own for a total consideration of €8.8 million consisting of a cash payment of €1.5 million and the issue of approximately 50 million new shares in Zinnwald (the "DL Acquisition").
- DL is developing the Zinnwald Project in Germany. The DL Acquisition gives Zinnwald full ownership and operational control of the Zinnwald Project and is in line with its corporate objective to become a key supplier to the European lithium market. On completion of the acquisition, Bacanora's shareholding in Zinnwald decreased to 35.5% from an initial holding of 44.3%. Bacanora maintains its right to appoint one director to the board of Zinnwald.

Chairman Statement

Dear Stakeholders,

It is with great pleasure that I update you, our valued stakeholders, on Bacanora Lithium's most recent developments through this half year review. The first six months of the 2021 financial year have proved an active and highly productive period for the advancement of our flagship Sonora Lithium Project in Mexico.

We achieved one of our most significant milestones to date being the successful equity fund raising for our share of the capital cost requirements for the Phase 1 development of the Sonora Project, with gross proceeds of £48.1 million (US$66.3 million) in February 2021. Furthermore, Ganfeng exercised its pre-emption rights and increased its shareholding in Bacanora to 28.88%, which raised a further £24.0 million (US$33.9 million) in May 2021. The Company now has sufficient funds to support the short-term funding requirements and the construction programme for the next 15 months.

On the subject of financing, it should be mentioned that Bacanora has been in discussions with RK regarding the US$150 million debt facility that was secured in July 2018. Due to extension fee considerations and the limited availability period for an extension, the Company and RK have agreed that the remaining undrawn facility of US$125 million will no longer be available for draw down. The Company will continue to engage with RK as well as seek alternative terms with other debt providers in light of the current favourable debt market conditions.

The second pivotal development was the negotiation of a new JVA with our cornerstone investor Ganfeng, which enabled it to increase its stake in SLL, the operational holding company of the Sonora Project, from 22.5% to 50%. Following approval of the deal, SLL's board was restructured to comprise two Bacanora appointed directors and two Ganfeng appointed directors, with the chairman being one of the Bacanora directors. Bacanora has remained the operator of the Project, while Ganfeng continues to be responsible for leading certain engineering, procurement and construction ("EPC") activities including the battery-grade lithium hydrometallurgical plant.

This deal was a positive reiteration of Ganfeng's commitment not only to the development and commissioning of the Sonora Project but also of the Project's quality and potential. This transaction resulted in the investment of US$30.4 million into SLL, which not only assisted in bolstering SLL's financial position as it heads towards the start of construction but also further de-risking the Project and reducing the equity demands on Bacanora's own shareholders to fund Phase 1 of the Project.

During this period under review, the initial site works commenced at the Sonora Project, including initial environmental site activities in preparation for the construction of the mine and processing plant and development of associated infrastructure. Plant site location survey, geotechnical, and hydrogeological works have been completed. The rescue and removal of surface vegetation and topsoil in the area required for the construction of the lithium processing plant has also been completed. These activities, undertaken by a team of 15 personnel including two ecologists, a biologist, and a forestry engineer, were performed in compliance with obligations contained within the Project's environmental approvals. We are pleased to report that the majority of these personnel were local to the area.

Parallel to these activities, preparatory work required to upgrade the main access road to the site commenced in preparation for providing access for heavy equipment to begin the bulk site earthworks later in the year. Similarly, construction of site accommodation and ancillary facilities also got underway.

Not only are these activities a milestone in the Project's story but they are significant achievements against the backdrop of COVID-19 related uncertainty and disruption that continued to influence the macro socio-economic landscape in the first half of 2021. It is a testament to the determination and commitment of the Bacanora team that we were able to forge ahead, despite those challenges, with our objective of unlocking substantial value for stakeholders through the development of the Sonora Project.

The Company's priority remains the health and well-being of its staff, partners and Project stakeholders; Bacanora and the Project team continue to take all appropriate measures to protect them in accordance with the relevant governmental and regional requirements and at the same time mitigate the impact of COVID-19 safety protocols on Project construction.

Since becoming a cornerstone investor in October 2019, Ganfeng's expertise in lithium battery chemistry and construction has been critical for the metallurgical testwork for the project. Throughout this process, Bacanora has continued to supply Ganfeng with ore samples from Sonora for modelling and optimisation of the process design ahead of the eventual commercial volumes in 2023.

We are pleased to have begun the early initial surface work to prepare the site for construction activities and are grateful to our team for their ability to perform these workstreams during a global pandemic. We look forward to updating shareholders on the early construction activities.

Mark Hohnen, Chairman
08 September 2021

Corporate and operations review

Group structure and financing

The period to date has seen several developments with regards to the fulfilment of the Company's strategic objectives. The Company's primary focus has been to complete the design and funding required to construct the Sonora Project.

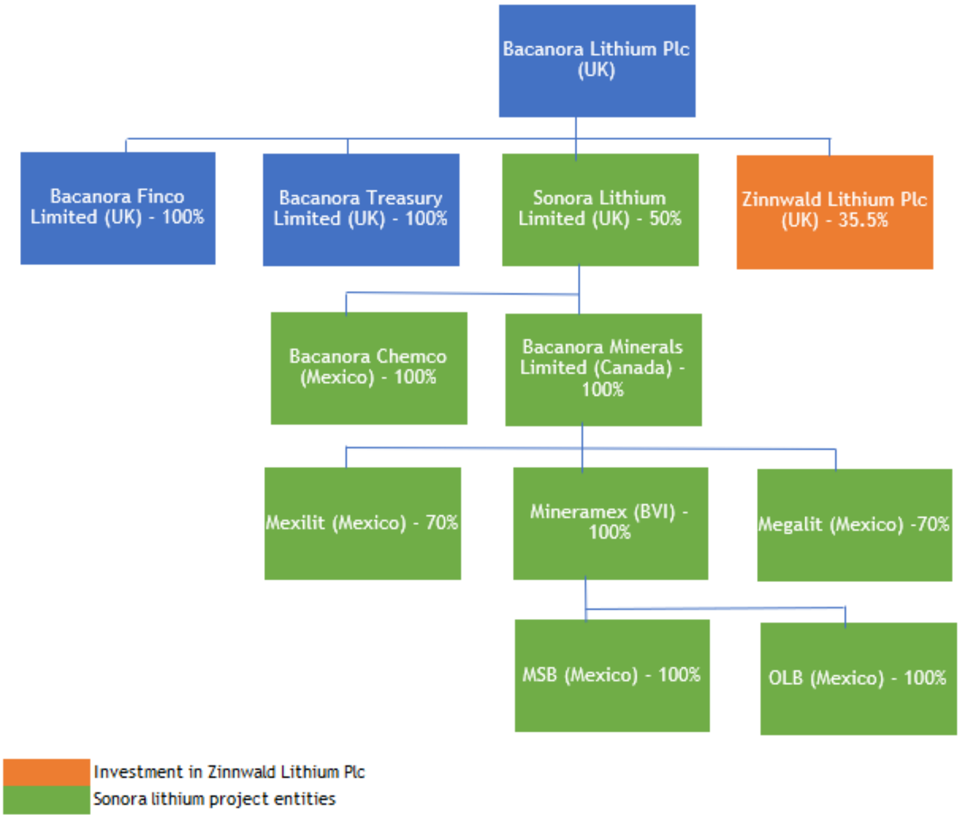
The Company has made significant progress in funding the Sonora Project. Ganfeng initially invested in the Group in 2019 through its initial subscription for 29.99% share in Bacanora Lithium Plc and acquisition of a 22.5% stake in SLL, the operational holding company for the Sonora Project. In February 2021, Ganfeng completed its option to increase its stake in SLL to 50%. Ganfeng purchased 73,955,680 new ordinary shares in SLL at 29.59p at a total value of £21.9 million (US$30.4 million). On completion, a new JVA came into force, which replaces the original joint venture agreement. Ganfeng now owns 50% of the enlarged issued capital of SLL and will be responsible for funding its 50% pro rata share of the development cost of the Sonora Project. The funds received from the exercise of Ganfeng's option will be applied towards the development of the Project. The board of SLL comprises two Bacanora appointed directors and two Ganfeng appointed directors, with the chairman being one of the Bacanora directors. Bacanora will remain as the operator of the Project, while Ganfeng will be responsible for leading certain EPC activities associated with the Project. As a result of this change in shareholding in SLL and the terms of the new JVA, Bacanora has been assessed as having joint control of the Sonora Lithium Group.

In order to fund Bacanora's share of the Project's capital expenditure, the Company completed a successful placing and retail offer in February 2021. The placing and retail offer raised gross proceeds of £48.1 million (US$66.3 million) through the issue of a total of 106,995,885 new ordinary shares at a placing price of 45 pence per share. Furthermore, on 26 May 2021 Ganfeng completed its pre-emption right to increase its shareholding in the Company. Ganfeng subscribed for a total of 53,333,333 new ordinary shares at the placing price of 45 pence per share, representing gross proceeds of £24.0 million (US$33.9 million). Consequently, at the reporting date the Company had 384,144,901 shares in issue of which Ganfeng own 28.88%.

Recognising the passage of time from the initial US$150 million debt facility agreement with RK entered into in July 2018, Bacanora and RK signed a non-binding indicative term sheet to amend certain terms to extend the facility during the period. The Company and RK were in discussions for a number of months with a view to agreeing legally binding terms and documentation. However, due to extension fee considerations and the limited availability period for an extension post the expiry date of 18 June 2021, the Company and RK have agreed that the remaining undrawn facility, amounting to US$125 million, will no longer be available for draw down. The first tranche of US$25 million of the RK debt facility, will be retained with the existing terms of the debt facility. The Company will continue to engage with RK as well as seek alternative terms with other debt providers in light of the current favourable debt market conditions.

With a consolidated Group cash balance of US$130.7 million and an aggregated cash balance (including cash of US$29.9 million in Sonora Lithium Group) of US$160.6 million as at 30 June 2021, the Company has sufficient funds to support the short-term funding requirements and its share of the ongoing construction programme for the next 15 months. Bacanora's existing cash balance will cover a significant portion of the capital cost requirements for the Company's 50% share of the Project. Replacement of the US$125 million debt facility, which is no longer available to the Company, will be the final part of the Project financing package. Any further debt financing is subject to Board approvals from both prospective debt providers and the Company and entering into definitive legal agreements with each other.

Group structure of operational entities at 30 June 2021



The Company has joint control of the Sonora Lithium Group entities shown in green above.

Recommended cash offer for Bacanora

On 6 May 2021, Bacanora and Ganfeng announced that they had entered into an agreement regarding the terms of a possible cash offer by Ganfeng for the entire issued and to be issued share capital of Bacanora that Ganfeng does not already own. Please see the announcement on the Company's website for further details[1].

On 25 August 2021, the Bacanora Independent Directors and the Ganfeng Board announced that they had reached agreement on the terms of a recommended cash offer to be made by Ganfeng for the entire issued and to be issued ordinary share capital of Bacanora not already owned by Ganfeng. The full announcement of the recommended firm offer is available on the Company's website[2].

In addition to the recommended cash offer the Bacanora Board also intend to make a conditional distribution *in specie*, comprising the shares in Zinnwald currently owned by Bacanora, to all Bacanora shareholders (including Ganfeng) on the record date, being the date the Offer becomes or is declared unconditional. The distribution is subject to various conditions including approval by the shareholders of a reduction of share premium to create distributable reserves, approval by the High Court of the reduction, approval by RK, the Offer becoming or being declared unconditional and expiry of certain lock in restrictions over the Zinnwald shares. The making of the distribution, and the transfer of the Zinnwald shares, will, in any event, occur no earlier than 30 October 2021. None of the conditions are capable of being waived by the Company. Please see the announcement on the Company's website for further details[3].

[1] https://polaris.brighterir.com/public/bacanora_lithium/news/rns/story/xzmd47w
[2] https://polaris.brighterir.com/public/bacanora_lithium/news/rns/story/xj3evow
[3] https://polaris.brighterir.com/public/bacanora_lithium/news/rns/story/wv14qzw

Zinnwald acquisition

In June 2021, Zinnwald, an associate company, completed its strategic acquisition of the 50% of DL that it does not already own from the estate of SolarWorld Aktiengesellschaft, for a total consideration of €8.8 million, settled by a cash payment of €1.5 million and the issue of approximately 50 million new ordinary shares of 1 pence each[4] in Zinnwald. The DL Acquisition gives Zinnwald full ownership and operational control of the Zinnwald Project in Germany. On completion of the DL Acquisition, Zinnwald's issued share capital consisted of 255,105,953 Ordinary Shares with one voting right each. Bacanora's shareholding in Zinnwald continues to be 90,619,170 shares representing a dilution in shareholding from the initial holding of 44.3% to 35.5%. Bacanora maintains its right to appoint one Director to the Board of Zinnwald.

Sonora Project

A significant amount of preparatory work for the plant site was completed during the period including plant site location survey, geotechnical, and hydrogeological works. Vegetation and topsoil rescue for the plant site has been completed. The work to protect the flora at the plant site area was completed in Q2 2021. The Sonora Lithium Group relocated the flora and is working to ensure that vegetation formerly located at the plant site is preserved. The majority of the workforce for this work has been employed from the local Bacadehuachi area.

Test well construction and pumping tests were completed in the period. This work enables the hydrological model to be validated for the selected site so that design of the permanent well can begin to supply process water for the site.

The Sonora Lithium Group has completed the purchase of 1,173 hectares of land for the new plant site location at Las Perdices in July 2021, with the payment of the remaining US$0.3 million consideration. This payment was in addition to US$0.2 million initial instalment made in July 2018 and a second instalment of US$0.1 million in December 2020.

The Sonora Project's priority remains the health and well-being of staff, partners and its local communities. The Sonora Lithium Group continue to take all appropriate measures to protect them in accordance with the relevant governmental and regional requirements. In August 2021, Sonora was in the Orange (High) traffic light level of risk[5], meaning essential and non-essential labour activities are permitted but with certain limitations, and always following safety protocols[6].

Site works for bulk earthworks, civil engineering, and pouring foundations have been rescheduled to Q4 2021, in light of the current travel restrictions. Bacanora continues to work with its joint venture partner, Ganfeng, to mitigate the impact of COVID-19 safety protocols on project construction, optimising work rotations and reducing accommodation population density. By extending work rosters for employees and contractors, the Sonora Lithium Group hopes to provide more time for contractors to be on-site, whilst enabling camp accommodation optimisation. This will ensure room sizes and staffing levels meet the new COVID-19 social distancing requirements.

Work to finalise the FEED is ongoing with experienced engineering groups. The plant is split into three sections. Engineering for the front-end ore concentrator and mechanical processing is led by GRES. GRES has completed its concentrator design work and will integrate this into the overall project scope. The pyrometallurgical engineering, primarily for the kiln design, is being engineered by an international manufacturer of industrial kilns. The hydrometallurgical plant, including the production of the final battery-grade lithium product, will be engineered by Ganfeng themselves due to their proven expertise in this field.

On completion of Ganfeng's increase of its shareholding in SLL to 50% in February 2021, a new 50:50 JVA came into effect with Ganfeng. Consequently, Ganfeng is responsible for leading certain engineering and procurement activities for the hydrometallurgical lithium plant and will work jointly with GRES for the construction stage of the Project. Once Ganfeng completes their design work for the hydrometallurgical plant, GRES will develop an integrated "wrap" engineering package for the entire process plant. GRES has agreed to integrate a complete

[4] https://polaris.brighterir.com/public/zinnwald_lithium/news/rns/story/xozv5mw
[5] https://mx.usembassy.gov/covid-19-information-for-u-s-citizens-in-mexico/
[6] https://www.natlawreview.com/article/red-orange-yellow-green-go-considerations-reopening-mexico-social-educational-and

engineering, procurement, construction and/or management “EPC/M” solution for the plant to incorporate the process guarantees from the respective engineering firms for the pyrometallurgical and hydrometallurgical circuits.

Ganfeng is continuing to work with its suppliers and, along with the Company, is maintaining its previously advised project delivery schedule with first lithium production in H2 2023. The project delivery schedule includes the first equipment deliveries from China arriving in Mexico in Q2 2022 and initial lithium plant dry commissioning scheduled for H2 2023. Recent quotes for bulk steel deliveries and plate work in Mexico have confirmed that pricing is still within the budget.

A short list of LNG suppliers has been completed and supply sources, from Hermosillo or Agua Prieta, are being evaluated with draft supply contracts being reviewed. Evaluation of co-gen power suppliers continued in 2021, with proposals from a shortlist of three providers currently under evaluation.

In 2020, politicians from the MORENA party tabled plans to reform Mexico’s constitution and mining code in order to nationalise lithium resources in the country[7]. In June 2021, the Mexican government stepped back from nationalisation of existing lithium concessions and announced a potential new lithium bill due in September 2021. Economy Minister Tatiana Clouthier has said that the government was considering a public-private partnership to develop new lithium concessions and indicated that the government may institute a rule with a mandatory state owned stake of 51% for new lithium concessions[8].

Lithium Market Update

Despite the unprecedented global disruption precipitated by the COVID-19 pandemic, 2020 and H1 2021 saw a revival in market sentiment for lithium with allied rebound in demand and prices. In 2020, lithium prices were beset by a softening in demand caused by COVID-19 related softening demand caused by lockdowns which restricted manufacturing output and related reduction in consumer confidence. By the turn of the year prices had begun to recover, with reported prices in December 2020 for 99.5% lithium carbonate battery-grade spot midpoint prices CIF China, Japan & Korea at US$6,750 and min 56.5% lithium hydroxide battery-grade spot midpoint prices CIF China, Japan & Korea at US$9,000 per tonne respectively[9]. Across H1 2021, lithium product prices continued their upward trajectory, by June 2021 prices continued to be strong with lithium carbonate and lithium hydroxide both at US$13,500 and US$15,000 per tonne respectively[10]. This trend has continued into Q3 2021, with Fastmarkets reporting prices of US$14,000 and US$15,500 per tonne respectively in July 2021[11]. According to Fastmarkets, prices were US$7,500 and US$9,750 per tonne for lithium carbonate and hydroxide in June 2020 respectively this represents between a 27% and 54% increase year on year (“YOY”). Orocobre announced Olaroz lithium carbonate sold in Q1 2021 at an average of US$5,853 per tonne FOB with pricing up more than 50% on Q4 2020 and up nearly 90% since Q3 2020. They provided forward guidance that Q2 2021 sales price of US$7,400 per tonne was anticipated[12]. This buoyancy of the lithium price follows on from the market tightening as the electric vehicle (“EV”) revolution accelerates, demand has eroded the oversupply seen in 2019 and 2020. This tightness in the market is expected to continue, with Credit Suisse saying that lithium demand might treble by 2025 from 2020 levels and that supply would be stretched to meet that demand, but higher prices were needed to incentivise the required supply response[13].

World demand for lithium is forecast to increase from 305,000 tonnes lithium carbonate equivalent (“LCE”) in 2020 to 452,000 tonnes in 2021 (48% increase YOY)[14]. This is primarily driven by sales of EVs which increased by 126% YOY for Q1 2021, which is skewed due to low sales in Q1 2020 attributable to the pandemic. However global EV sales are expected to exceed 4.6 million in 2021 vs 3.2 million units in 2020, which would be a 44% increase for the

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[7] https://www.mineria-pa.com/noticias/amagues-de-nacionalizar-litio-en-mexico-genera-preocupacion/
[8] https://www.reuters.com/business/energy/mexico-eyes-bigger-role-lithium-industry-sees-speculation-mining-concessions-2021-03-24/
[9] https://seekingalpha.com/article/4396089-lithium-miners-news-for-month-of-december-2020
[10] https://seekingalpha.com/article/4436538-lithium-miners-news-for-the-month-of-june-2021
[11] https://seekingalpha.com/article/4441360-lithium-miners-news-for-the-month-of-july-2021
[12] https://www.orocobre.com/wp/?mdocs-file=7800
[13]https://www.forbes.com/sites/timtreadgold/2021/07/02/lithium-price-tipped-to-rise-after-warning-of-perpetual-deficit/?sh=2b11b1744ab7
[14] https://publications.industry.gov.au/publications/resourcesandenergyquarterlyjune2021/documents/Resources-and-Energy-Quarterly-June-2021.pdf

year, which is comparable to the 43% increase from 2019 to 2020[15]. The consequence of this dramatic change in consumer behaviour is that in 2023, demand for lithium is forecast to increase at a CAGR of 30% to 675,000 tonnes LCE from 2020 levels. By 2030, global battery demand is expected to increase 14-fold by 2030[16] with Statista estimating lithium demand of 1.8 million tonnes by 2030[17].

In contrast to the impressive demand fundamentals, lithium production is only anticipated to be 441,000 tonnes LCE in 2021, down from 464,000 tonnes in 2020. However, lithium production is expected to grow at a CAGR of 13.4% to 679,000 in 2023. Macquarie said this year's deficit would be 2,900 tonnes of LCE, rising to 20,200 tonnes in 2022 and then up to 61,000 tonnes in 2023[18]. It is at this point that lithium stocks are expected to be exhausted and persistent undersupply to be entrenched. By 2030, Fitch estimates lithium production will increase to 1.5 million tonnes LCE[19]. The investment required to triple production in that period will require incentive pricing. By 2023, forecast lithium hydroxide prices are expected to be US$14,300 per tonne[20]. In May 2021, Fitch Solutions has published a price forecast of over US$15,000 in 2025 for lithium carbonate and hydroxide[21].

Current lithium-ion batteries utilise an anode (the negative electrode) made of graphite often with some silicon added, a cathode (the positive electrode) and a liquid electrolyte to pass lithium ions between the electrodes. The cathode plays an important role in determining the characteristics of the battery as the battery's capacity and voltage are determined by the cathode material. The potential difference is usually small for the anode, but the potential difference is relatively high for the cathode. Therefore, the cathode plays a significant role in the voltage of the battery. The greater amount of lithium, the bigger the capacity; and the bigger potential difference between cathode and anode, and therefore the higher the voltage[22]. In existing commercial batteries, cathodes are frequently made from lithium cobalt oxide, lithium manganese oxide, lithium iron phosphate ("LFP"), as well as lithium nickel manganese cobalt oxide ("NMC") or lithium nickel cobalt aluminium oxide ("NCA")[23]. Developments in the use of cathodes affect the type of lithium raw material used in its production and therefore the market dynamics of that material. LFP and NMC batteries often use lithium carbonate for their production, whilst high purity, nickel-based NMC and NCA lithium batteries tend to use lithium hydroxide[24]. LFP type batteries benefit from low-resistant properties, thereby increasing their safety and thermal abilities, and they have lower costs but with lower energy densities[25]. The development of Cell to Pack batteries has ameliorated the impact of lower energy densities by fitting more LFP battery into the same space, thereby enabling companies like Tesla (Model 3) and BYD to fit high range batteries at a lower cost[26].

NMC batteries can use lithium hydroxide over lithium carbonate as they have higher specific discharge capacity and capacity retention (longer useful life). Raising the nickel content at the cathode, allows the energy density of these batteries to increase accordingly, with less cobalt involved thereby reducing costs and dependence on the cobalt supply chain. Lithium hydroxide is preferable for Ni-rich NMC/NCA cathode materials[27].

Lithium is a specialist product; lithium buyers seek surety of supply and consistency of product with tight specifications. This is particularly true for lithium hydroxide because of its association with high-nickel chemistries and inherent challenges. Historically lithium hydroxide has been derived from lithium carbonate products, as such the price has been based on the presiding carbonate price plus the additional processing cost, therefore prices for

[15] http://www.ev-volumes.com/
[16] http://www3.weforum.org/docs/WEF_A_Vision_for_a_Sustainable_Battery_Value_Chain_in_2030_Report.pdf
[17] https://www.statista.com/statistics/452025/projected-total-demand-for-lithium-globally/
[18] https://www.forbes.com/sites/timtreadgold/2021/07/02/lithium-price-tipped-to-rise-after-warning-of-perpetual-deficit/
[19] https://www.mining.com/lithium-outlook-bright-as-ever-fitch-report/
[20] https://publications.industry.gov.au/publications/resourcesandenergyquarterlyjune2021/documents/Resources-and-Energy-Quarterly-June-2021.pdf
[21] https://www.mining.com/lithium-outlook-bright-as-ever-fitch-report/
[22] https://www.samsungsdi.com/column/technology/detail/55272.html?listType=gallery#:~:text=Electrolyte%20is%20the%20component%20which,move%20back%20and%20forth%20easily
[23] https://batteryuniversity.com/learn/article/types_of_lithium_ion
[24] https://publications.industry.gov.au/publications/resourcesandenergyquarterlydecember2020/documents/Resources-and-Energy-Quarterly-Dec-2020.pdf
[25] https://www.spglobal.com/platts/en/market-insights/blogs/metals/051921-lithium-carbonate-hydroxide-batteries-ev-policy-subsidies-china-eu
[26] https://www.spglobal.com/platts/en/market-insights/blogs/metals/051921-lithium-carbonate-hydroxide-batteries-ev-policy-subsidies-china-eu
[27] https://poworks.com/which-one-is-better-for-nmc-nca-and-lfp-battery-lithium-carbonate-or-lithium-hydroxide

each product broadly moved in parallel with a spread of circa US$1,500-$2,000 per tonne[28]. However, the increase in usage of LFP batteries in China has increased the demand for lithium carbonate relative to hydroxide, which has led to a premium for lithium carbonate in H1 2021 in the domestic Chinese market. In due course, the propensity for US and European consumers to demand larger vehicles with higher ranges, with less cobalt, may drive demand for high Ni-NMC cathode chemistries that favour lithium hydroxide over time, which may reverse the trend for carbonate premia. The characteristics of the lithium market, and particularly lithium hydroxide, drives the creation of long term offtake agreements, with transactions occurring on private contract terms, which are more stable than pricing in the spot market. This contributes to the opacity of the lithium market as well as reduced volatility in pricing for contract suppliers/customers versus spot market participants and particularly spot lithium carbonate. Cash-settled lithium hydroxide futures commenced trading in May 2021 via price assessment from Fastmarkets[29]. This increasing sophistication will enable greater participation in the market, as well as increased pricing transparency.

As lithium is increasingly viewed as being a long term strategic material for the future, so it is experiencing rising government intervention and resource nationalism. Manufacturers of batteries in the USA and Europe are ramping up construction of the giga-plants to ensure surety of supply to local industries. In September 2020 the European Raw Materials Alliance was launched which aims to make Europe economically more resilient by diversifying its supply chains, creating jobs, attracting investments to the raw materials value chain, fostering innovation and developing the circular economy[30]. The EU is funding initiatives to develop supportive frameworks under the Horizon Resilience programmes[31]. Currently, Europe has 15 large-scale battery cell factories under construction, including Northvolt's plants in Sweden and Germany, CATL's German facility, and SK Innovations second plant in Hungary. Britishvolt is due to break ground this summer at their site in Blyth, Northumberland. Also in the UK, Nissan announced that it will build a gigafactory in Sunderland[32]. By 2025 planned European facilities will produce enough cells to be self-sufficient for the European automotive industry and power at least 6 million EVs[33]. In the US, Tesla secured its own lithium mining rights in Nevada and have signed an offtake agreement with Piedmont Lithium for spodumene concentrate from North Carolina in order to secure local lithium supplies[34]. The Biden administration on 8 June 2021 outlined plans to address shortfalls in semiconductor and battery manufacturing as well as critical minerals supplies, marking a new chapter in US efforts to compete internationally in those markets, allocating at least US$50 billion in investments for domestic semiconductor manufacturing and providing US$50 billion to fund a federal supply chain resilience programme. In Argentina, State Oil company YPF has created YPF Litio, which will work toward lithium extraction in the country[35]. However, despite the push to control resources and battery manufacturing locally, according to Roskill, research shows the geographical distribution of lithium ion battery cell manufacturing capacity will remain Asia-centric and particularly China-focused. China is expected to account for over 58% of global capacity by 2030[36]. This desire for localisation provides an opportunity for Sonora Project and Zinnwald to supply the key element, lithium, to their respective geographic markets. Battery recycling will provide an additional stream of lithium via industrial scale processing of spent batteries, this will provide a steady stream of battery chemicals especially to markets which have not got ready supplies of primary sources of those elements.

Prior to the COVID-19 crisis, lithium oversupply was being addressed by reductions in production and expansion in the wider market, particularly of spodumene concentrate. A number of lithium companies either mothballed operations, reduced output or delayed construction of new capacity[37,38,39,40,41]. In response to the recent positive

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[28] https://www.spglobal.com/platts/en/market-insights/blogs/metals/051921-lithium-carbonate-hydroxide-batteries-ev-policy-subsidies-china-eu

[29] https://www.cmegroup.com/trading/metals/other/lithium-futures.html#

[30] https://eitrawmaterials.eu/eit-rawmaterials-will-manage-newly-launched-european-raw-materials-alliance-erma/

[31] https://ec.europa.eu/info/funding-tenders/opportunities/docs/2021-2027/horizon/wp-call/2021-2022/wp-7-digital-industry-and-space_horizon-2021-2022_en.pdf

[32] https://news.sky.com/story/nissan-to-unveil-new-sunderland-gigafactory-that-will-help-boost-electric-car-production-12345950

[30] https://www.reuters.com/article/eu-battery-idUSKBN2841Z3

[31] https://stockhead.com.au/resources/tesla-supplier-piedmont-lithium-will-join-the-us-nasdaq-exchange/

[35] https://www.bnamericas.com/en/news/argentinas-ypf-eyeing-lithium-potential

[36] https://www.mining.com/competition-for-controlling-li-ion-battery-production-intensifies-report/

[37] https://www.reuters.com/article/galaxy-rsrcs-output/australias-galaxy-resources-to-slash-output-at-flagship-lithium-mine-in-2020-idUSL4N29S077

demand, the closures of the spodumene mines are being unwound and new production volumes announced. For instance, Galaxy announced that Mt Cattlin is now running at capacity in June 2021 and their Sal de Vida project underway[42]. Covalent Lithium began its US$700 million Mt Holland spodumene mine and lithium hydroxide refinery construction, in July 2021 after approval from its JV partners Wesfarmers and Sociedad Quimica y Minera de Chile ("SQM") earlier in the year. It is estimated that Mt Holland will produce 45,000 tonnes of lithium hydroxide per annum[43,44].

In order to accelerate the adoption of electric vehicles as part of their net zero commitments by 2050, governments are combining the stimulus of subsidies for clean technologies with prohibition of the sale and use of more polluting vehicles. In July 2021, the European Union proposed climate change legislation aimed at pushing it towards its goal of becoming carbon neutral by 2050. The proposals include effectively banning the sale of petrol and diesel powered cars by 2035. The UK is more ambitious, with the sale of pure combustion engine vehicles banned from 2030[45] and is expanding the area of the ultra-low emission zone around London on 25 October 2021[46]. President Biden has re-joined the Paris Climate agreement and plans to spend up to US$2 trillion investment in clean energy over four years and ensure 100% clean energy by 2035. Furthermore, specific plans for the automotive industry include support for car buyers to switch to EVs and a commitment to build 500,000 charging stations. 14.7 million new cars were sold in 2020 in the US, of which just 0.3 million plug-in hybrids and EVs were sold[47,48]. The US electric vehicles market is expected to reach 6.9 million unit sales by 2025, which will be supported by expanded EV infrastructure[49]. President Biden's green new deal promises US$174 billion for among other things, developing domestic supply chains for electric vehicles and helping consumers buy specifically American-made vehicles[50]. This underlines the importance of strategic supply access.

As a result of the optimism in the lithium market, like Bacanora, a number of lithium companies have been able to raise additional funds for development of their construction projects. For instance, Galaxy Resources raised AU$161 million equity financing in November 2020 with proceeds to be applied to Sal de Vida stage 1 and James Bay[51]. Between November 2020 and January 2021, Lithium Americas announced the closing of US$100 million offering to fund working capital[52] and a further US$400 million offering to develop its Thaker Pass lithium project[53]. Also, in January 2021, Neo Lithium Corp, raised C$30.1 million in a private deal placing to fund its 3Q lithium project in Argentina[54]. In April 2021, SQM raised US$1.1 billion to fund the 2021-24 capital programme[55]. In May 2021, Livent announced it was resuming its 5,000 tonne lithium hydroxide addition at Bessemer City in the US and its phase one lithium carbonate expansion of 10,000 tonnes in Argentina. The company also announced it would start on a

38 https://uk.reuters.com/article/us-albemarle-results/albemarle-to-delay-construction-plans-for-125000-tons-of-lithium-processing-idUKKCN1UY1QS
39 https://www.afr.com/companies/mining/tianqi-puts-brakes-on-landmark-wa-lithium-plant-expansion-20190910-p52ppp
40 https://www.afr.com/companies/mining/minres-reaps-us1-3-billion-for-stake-in-mothballed-lithium-mine-20191101-p536h2
41 https://www.nemaskalithium.com/en/investors/press-releases/2019/53f0e3be-0d29-475e-b37f-7090e58ede31/
42 https://wcsecure.weblink.com.au/pdf/GXY/02381236.pdf
43 https://www.mining-technology.com/news/wesfarmers-sqm-approve-mt-holland-lithium-project/
44 https://www.mining-technology.com/news/wesfarmers-construction-mt-holland-wa/
45 https://www.theguardian.com/business/2021/mar/15/car-industry-lobbied-uk-government-delay-ban-petrol-diesel-cars
46 https://tfl.gov.uk/modes/driving/ultra-low-emission-zone/ulez-where-and-when
47 https://www.focus2move.com/usa-vehicles-sales/
48 https://www.theguardian.com/environment/2021/jan/19/global-sales-of-electric-cars-accelerate-fast-in-2020-despite-covid-pandemic
49 https://www.spglobal.com/platts/en/market-insights/latest-news/electric-power/111920-us-ev-market-sales-to-rise-to-69-million-units-by-2025-frost-amp-sullivan#:~:text=London-,US%20EV%20market%20sales%20to%20rise%20to,units%20by%202025%3A%20Frost%20%26%20Sullivan&text=London%20%E2%80%94%20The%20US%20electric%20vehicles,19.
50 https://www.theatlantic.com/science/archive/2021/06/climate-change-green-vortex-america/619228/
51 https://wcsecure.weblink.com.au/pdf/GXY/02313309.pdf?source=content_type%3Areact%7Cfirst_level_url%3Aarticle%7Csection%3Amain_content%7Cbutton%3Abody_link
52 https://www.lithiumamericas.com/news/lithium-americas-announces-closing-of-us100m-atm-offering?source=content_type%3Areact%7Cfirst_level_url%3Aarticle%7Csection%3Amain_content%7Cbutton%3Abody_link
53 https://www.lithiumamericas.com/_resources/news/nr_20210122.pdf
54 https://www.neolithium.ca/news-detail.php?id_news=67
55 https://s25.q4cdn.com/757756353/files/doc_news/2021/03/PR_FinCapitalIncrease_28abr2021_ing.pdf

10,000t phase two expansion in Argentina, aiming for commercial production by the end of 2023[56]. In June 2021, Livent announced that it expected to receive net proceeds of up to US$252.4 million in a stock offering[57].

As a result of the attractive long-term fundamentals of the lithium market and value opportunities in the market, the industry is also seeing a trend for consolidation. In April 2021, Orocobre and Galaxy agree to a proposed A$4 billion merger of equals to form the fifth largest global lithium chemicals company[58]. In June 2021, Ganfeng announced it would raise HK$4.9 billion (US$630 million) from the sale of new shares to boost capacity and fund potential investments. In February 2021, Ganfeng increased its stake in SLL from 22.5% to 50% for US$30.4 million. In May 2021, Ganfeng completed its exercise of pre-emption right in Bacanora for US$33.9 million, taking its holding to 28.88%. Ganfeng has acquired a 35% stake in the Sal de la Puna lithium project in Argentina for US$2.8 million in February 2021. Ganfeng also invested US$130 million for a 50% stake in the Goulamina spodumene lithium mine in Mali in June 2021, agreed to acquire Millennial Lithium in a US$277 million deal in July 2021 and agreed a US$25 million investment and offtake with Core Lithium in August 2021[59,60].

Rio Tinto's announcement in April 2021, that it has commenced production of battery-grade lithium from Boron mine site's tailings was a good indication that one of the majors was tentatively looking to enter the lithium market with an initial capacity of at least 5,000 tonnes per year from their demonstration plant[61]. This was followed up in July 2021 with the announcement that Rio Tinto has committed US$2.4 billion to the Jadar lithium-borates project in Serbia, which will produce 58,000 tonnes of lithium carbonate per year at full capacity[62]. Sizeable deals have been commonplace up the value chain as well, as demonstrated by Northvolt's raise of US$2.8 billion in equity to expand capacity at the factory it is building in northern Sweden[63]. In addition, Britishvolt have said that it is considering a London listing by the end of Q2 2022, construction of the £2.6bn plant located in Northumberland, is set to begin at the end of July 2021[64]. The plant is expected to be operational by 2023, and by 2027 will produce 300,000 batteries for EVs a year. SK Innovation have announced that it will invest the equivalent of US$26bn into EV battery production over the next five years to quintuple output[65].

There is intense development across many different battery types and chemistries competing to prevail as the dominant technology. There is a wide variety of technologies, with improved charge, energy density, life cycles and cost of batteries, for a range of applications, please see reference for further details on some of the new technologies in development. Battery costs continue their inexorable reductions[66]. Wright's Law aims to provide a reliable framework for forecasting cost declines as a function of cumulative production. Specifically, it states that for every cumulative doubling of units produced, costs will fall by a constant percentage. US$100 per kilowatt-hour is the point of cost parity with internal combustion engine vehicles, which would be an inflection point for mass uptake of EVs. Market commentators like BloombergNEF are predicting cell costs fall to US$60/kWh by 2029 (a year earlier than previous estimates), from US$137/kWh in 2020[67]. Reuters reported last year that CATL was producing cobalt-free LFP battery packs battery packs at below US$80/kWh[68]. CATL have announced the construction of a new plant which would be able to make 80 gigawatt-hours of battery cells a year, this would be in addition to 69.1GWh in current production capacity and another 77.5GWh under construction. The new plant will manufacture CATLs cell-to-chassis (CTC) batteries. The new technology integrates cells directly onto an EV's frame to increase

[56] https://ir.livent.com/news/news-details/2021/Livent-Releases-First-Quarter-2021-Results/default.aspx
[57] https://ir.livent.com/news/news-details/2021/Livent-Announces-Pricing-Of-Offering-Of-13000000-Shares-Of-Common-Stock/default.aspx
[58] https://www.orocobre.com/wp/?mdocs-file=7803
[59] https://www.reuters.com/article/core-lithium-ganfeng-lithium-supply-deal/australias-core-lithium-inks-4-year-supply-deal-with-chinas-ganfeng-idUSL4N2PG17C
[60] https://www.argusmedia.com/en/news/2241836-chinas-ganfeng-plans-15gwh-battery-production-projects
[61] https://www.riotinto.com/en/news/releases/2021/Rio-Tinto-achieves-battery-grade-lithium-production-at-Boron-plant
[62] https://www.riotinto.com/news/releases/2021/Rio-Tinto-commits-funding-for-Jadar-lithium-project?hsamp_network=linkedin&hsamp=baSXcdeMEVKP7
[63] https://www.reuters.com/business/energy/battery-maker-northvolt-raises-275-bln-expand-factory-2021-06-09/
[64] https://www.cityam.com/gigafactory-firm-britishvolt-mulling-london-listing/
[65] https://asia.nikkei.com/Business/Technology/SK-Innovation-pumps-26bn-into-EV-batteries-to-quintuple-output
[66] https://www.pocket-lint.com/gadgets/news/130380-future-batteries-coming-soon-charge-in-seconds-last-months-and-power-over-the-air
[67] https://www.bloomberg.com/news/newsletters/2021-05-25/hyperdrive-daily-the-ev-price-gap-narrows
[68] https://www.reuters.com/article/us-autos-tesla-batteries-exclusive/exclusive-teslas-secret-batteries-aim-to-rework-the-math-for-electric-cars-and-the-grid-idUKKBN22Q1WC

the energy density of battery systems. As such CTC battery systems have lower weight and volumes than traditional battery packs[69]. CATL has said electric vehicles could attain driving ranges of over 800 km (500 miles) using CTC technology, CATL aims to launch the technology before 2030[70].

In March 2021, Volkswagen at their “power day” announced that further savings will be delivered by optimising the cell type, deploying innovative production methods as well as consistent recycling. Volkswagen is aiming to gradually reduce battery costs in the entry-level segment by up to 50 percent and in the volume segment by up to 30 percent. On average, Volkswagen aims to drive down the cost of battery systems to significantly below €100 per kilowatt hour. It also announced a plan for six battery "gigafactories" with an eventual production capacity of 240GWh per year and to integrate the supply chain through recycling[71]. Not to be outdone, in April 2021, General Motors announced that it is experimenting with silicon-rich and lithium metal anodes, solid state and high voltage electrolytes, and dry processing of electrodes for its next generation of Ultium batteries, due around 2025. General Motors aims to reduce battery cell cost to well under $100 per kilowatt-hour by 2025. General Motors executives also have said the company expects its future EV batteries to last for a million miles or more, with driving ranges of 500-600 miles (805 to 965 km) between charges[72].

With the ongoing investment and development of EVs, battery technology and grid storage, the lithium market has very positive demand fundamentals, currently and on the foreseeable horizon, which bodes well for our investments in Sonora and Zinnwald projects.

Financial Review

The Group made a total comprehensive income of US$29.7 million for the six months ended 30 June 2021 (six months ended 30 June 2020: US$10.8 million loss). The positive results during the period is primarily due to the recognition of a number of non-recurring items namely a gain on the change of control of Sonora Lithium Ltd of US$31.9 million, an increase in the share of net assets of Zinnwald Lithium Plc of US$2.0 million, deemed dividend income of US$4.2 million, offset by foreign exchange difference recycled through profit and loss of US$3.6 million. Excluding these non-recurring items, the Group made an underlying comprehensive loss from continuing operations of US$4.8 million. During the six months ended 30 June 2020, the total comprehensive loss of US$10.8 million included a US$6.1 million loss on a discontinued operation, principally due to the impairment of Deutsche Lithium GmbH. Excluding the discontinued operation, the Group made an underlying operating loss from continuing operations of US$4.7 million in the first half of 2020.

During the six months ended 30 June 2021, the Group incurred US$2.2 million general and administrative costs (six months ended 30 June 2020: US$2.4 million) and share-based payment expense of US$0.2 million (six months ended 30 June 2020: US$0.2 million). The operating loss was US$2.4 million for the six month period (six months ended 30 June 2020: US$2.8 million). Savings were made due to reduced corporate activities particularly on legal and professional fees and travel compared to the first half of 2020 as well as exclusion of costs of SLL and its subsidiaries from 26 February 2021 due to deconsolidation.

The Group incurred finance costs of US$2.4 million in relation to the Company’s debt financing for the six months ended 30 June 2021 (six months ended 30 June 2020: US$2.5 million), of which US$1.4 million was interest paid in cash compared to nil for the six months to 30 June 2020. The finance cost decreased during the period due to an adjustment to the amortised cost of borrowings following a change in estimated timing of contractual cash flows. Finance income totalled US$0.4 million during the six months (six months ended 30 June 2020: US$0.6 million) being cash interest income on cash reserves of US$0.1 million, revaluation gain of financial warrants of US$0.1 million and interest income of loan facilities to related parties of US$0.2 million.

The net assets of the Group increased to US$163.9 million at 30 June 2021 from US$49.9 million at 31 December 2020, due primarily to the issuance of equity totalling US$96.4 million, net of costs, during the period and the total

[69] https://equalocean.com/news/2021012815969
[70] https://www.reuters.com/technology/exclusive-tesla-supplier-catl-plans-new-battery-plant-shanghai-sources-2021-06-03/
[71] https://www.volkswagen-newsroom.com/en/press-releases/power-day-volkswagen-presents-technology-roadmap-for-batteries-and-charging-up-to-2030-6891
[72] https://mobile.reuters.com/article/amp/idUSKBN2BU39B?__twitter_impression=true

comprehensive income for the six month period of US$29.7 million, offset by changes in net assets resulting from the loss of control and deconsolidation of SLL and its subsidiaries amounting to US$12.3 million.

The Group had a consolidated cash balance of US$130.7 million at 30 June 2021, which increased by US$91.5 million from US$39.2 million at 31 December 2020. Over the six month period, the increase in cash was a result of total equity raise of US$96.4 million, net of issue costs, offset by cash expenditure on operations of US$2.8 million, payments of interest on the RK debt facility of US$1.4 million, reduction in cash on change of control of subsidiaries of US$0.4 million, purchases of property, plant and equipment of US$0.2 million and payments to related parties of US$0.1 million. The Sonora Lithium Group has a cash balance of US$29.9 million at 30 June 2021. Together, the total aggregated cash of the Group and Sonora Lithium Group amounts to US$160.6 million at 30 June 2021.

Given the unprecedented COVID-19 health and ensuing economic crises, many companies have seen their balance sheets come under duress since the turn of the year. Being at a preconstruction phase of operations and having raised significant sums in the equity market, Bacanora and SLL have not entered into commitments to develop the Sonora Project and retain significant cash balances. Consequently, the Directors have, at the time of approving the Financial Statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

Financing update

Despite the impact of the ongoing COVID-19 pandemic on Project financing, the Company has made significant strides in the period, to secure additional funding required for the development costs of the Sonora Project. Bacanora's cornerstone investor and offtake partner, Ganfeng, completed its option to increase its stake in SLL from 22.5% to 50% on 26 February 2021. Ganfeng subscribed for 73,955,680 new ordinary shares in SLL at 29.59 pence at a total value of £21.9 million (US$30.4 million). This investment forms part of the Sonora Lithium Group's assets to fund the Project. The strategic investment from Ganfeng forms a major part of the finance package for the construction of an initial 17,500 tonnes per annum LCE operation for the Sonora Project. As part of the revised JV agreement, Ganfeng and Bacanora will contribute proportionally to the construction funding for the Sonora Project in SLL.

In order to support Bacanora's 50% share of the Sonora Project construction funding requirement, Bacanora embarked on an ambitious fundraising process. On 8 February 2021, Bacanora completed a successful placing and retail offer which raised gross proceeds of £48.1 million (US$66.3 million) through the issue of a total of 106,995,885 new ordinary shares at a placing price of 45 pence per share. On 26 May 2021, Ganfeng completed its pre-emption right to increase its shareholding in the Company to 28.88%. Ganfeng subscribed for a total of 53,333,333 new ordinary shares at the placing price of 45 pence per share, representing gross proceeds of £24.0 million (US$33.9 million).

During the period, Bacanora and RK signed a non-binding indicative term sheet to amend certain terms to the US$150 million debt facility, recognising the passage of time from the initial drawing. The Company and RK have been in discussions for a number of months with a view to agreeing legally binding terms and documentation to amend said terms. However, due to extension fee considerations and the limited availability period for an extension post the expiry date of 18 June 2021, the Company and RK have agreed that the remaining undrawn facility, amounting to US$125 million, will no longer be available for draw down. The first tranche of the RK debt facility, US$25 million, was drawn down in July 2018 and Bacanora will maintain this first tranche in accordance with the existing terms of the debt facility. The Company will continue to engage with RK as well as seek alternative terms with other debt providers in light of the current favourable debt market conditions. Careful stewardship of the Company's capital resources have meant that the Company enjoyed a strong cash position of US$130.7 million at the period end. These funds will support the Company's 50% share of the capital costs required for the Sonora Project over the next 15 months. In addition, Sonora Lithium Group's cash balance of US$29.9 million will enable the Company to commence earthworks for the Project in 2021.

On behalf of the Board of Directors,

Janet Blas, Chief Financial Officer

08 September 2021

BACANORA lithium

Governance

General governance matters update for the six months to 30 June 2021

Sustainability and Environmental Social and Governance (“ESG”) Matters

The Bacanora Board (or “Board”) continues to provide leadership and support to our senior management team in order to achieve sustainable added value for shareholders. The Board is responsible for enabling the efficient operation of the Company by providing adequate financial and human resources, and an appropriate system of financial control to ensure these resources are fully monitored and utilised. The Board believe strongly in the value and importance of good corporate governance and in its accountability to all stakeholders in Bacanora including our shareholders, employees, advisers, regulators and other suppliers. Robust corporate governance improves performance and mitigates risk and therefore is an important factor in achieving the medium to long-term success of the Company. In addition, the Company recognises its responsibility across ESG more widely through incorporation of transparent environmental and social policies and metrics within its business plan. The Board believes that the promotion of a corporate culture based on sustainability, sound ethical values and behaviours is essential to maximise shareholder value.

The Company maintains a code of conduct that includes clear guidance on what is expected of every employee and officer of the Company. Adherence of these standards is a key factor in the evaluation of performance within the Company, including during annual performance reviews. The code of conduct is included on the Company’s website and has been translated into Spanish for use in our operations in Mexico.

Sustainability reporting

In the Company’s most recent annual report, we outlined our sustainability philosophy together with our reporting and management structures. Bacanora will publish its first standalone Sustainability Report later in 2021. This will give a baseline assessment of where Bacanora is, what it has achieved to date, the external frameworks and initiatives it will align to (including the UN Sustainability Goals and the GRI reporting standards), baseline KPIs and metrics, where it is going and how sustainability fits into the Company’s strategy.

Current sustainability focus and deliverables in H1 2021

Group sustainability framework

At a Corporate level, the Company’s ongoing focus in 2021 has been to put in place a holistic “joined-up” framework to create a long term Sustainability Framework to govern all Group’s policies and activities.

Operational level

On an **Environmental** level, the Company continues to update its documentation and structures around its Environmental and Social Management Plans and developing an integrated Environmental and Social Impact Assessment combining all existing documentation.

On a **Social** level, over the past 6 months, as the focus of the Sonora Project has transitioned from off-site engineering to on-site pre-development works, the Company has continued to engage with our local stakeholders. Whilst large gatherings and some in-person meetings have been hampered due to ongoing COVID-19 complications in Mexico, there have continued to be positive local and regional interactions between the Company and local individuals, property owners, business owners and community leaders. As the early site works for the Project commenced, a priority employment strategy was established to ensure a local workforce and regional contractors and were employed to commence site preparation work, road upgrades, flora and fauna studies, wildlife relocation, vegetation rescue and topsoil preservation over the location for the Stage 1 of the lithium processing plant. Bacanora is currently employing regional engineering firms to perform site works and orthographic surveys using the local work force and local landowners to prepare access routes, accommodation site locations, borefields and site infrastructure. In addition, the Company is developing plans with local leaders to increase its interface with local schools and suppliers. As the project moves towards commencing project construction towards the end of 2021, the ongoing relationships with local communities will continue to be a priority.

On a **Governance** basis, as noted in the 2020 annual report, the Company has established local committees to manage its key requirements going forward.

Other matters of Governance in H1 2021

Remuneration Matters

In line with its commitment to best governance practices, regardless of whether they are legally required, the Company put its 2020 remuneration report to shareholders for the first time at the 2021 AGM. The report was approved with more than 90% approval and the Company will continue to put the remuneration reports at AGMs in the future. The Shareholders also approved the terms of the new short-term and long-term incentive schemes with more than 95% in favour at the 2021 AGM. These schemes were detailed in full in the 2020 Annual Report and were constructed based on independent best practice guidance from Pearl Meyer.

As noted in the 2020 Annual Report, the Company was undertaking a review of its pension provisions and would put in place a plan to align any contributions to Executive Directors to those of the majority of its workforce. This was in line with guidance from the Investment Association (IA) (and under the FRC Code of Corporate Governance) that companies need a plan to achieve this by the end of 2022. After discussions with its advisers, it was agreed to maintain the 15% level already contractually agreed to with Executive Directors and to increase the level paid to other UK employees to 10%, effective from 1st January 2021.

Matters arising from the 2021 AGM

Whilst all the resolutions proposed at the AGM were passed, the Company received negative recommendations from the two main Proxy firms, ISS and Glass Lewis, in regard to the level of share headroom applied for with pre-emption rights disapplied. The Company had applied for a level greater than both the 10% recommended by the Investment Association or 5% as recommended by the Pre-Emption Group. The Board acknowledges that whilst the 20% it applied for is not uncommon for growth companies on AIM, it will review the level it applies for at the next AGM and take into account best practice guidance.

The Company received one other material negative vote from a substantial shareholder regarding the Company's gender representation on its Board. The Company currently has one female independent NED out of the four independent NEDs on its Board and has a female CFO. The Board acknowledges that it should endeavour to increase the diversity of the Board as the Company and its Board evolves.

General Governance

In response to the potential offer from Ganfeng, the Board formed a separate Committee of Independent Directors. The Committee's mandate is solely in regard to any matters directly associated with this potential offer. The Committee comprises all Directors, aside from Mr Wang Xiaoshen as the appointed representative of Ganfeng. All other matters in the ordinary course of business remain subject to the Board and its standing committees under their existing mandates, which were reviewed and amended in full in 2020 and documented in the most recent annual report.

Independent review report to Bacanora Lithium Plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 which comprises the Interim Consolidated Statement of Financial Position, Interim Consolidated Statement of Comprehensive Income, Interim Consolidated Statement of Changes in Equity and Interim Consolidated Statement of Cash Flows and related notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on AIM which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the Company's annual accounts having regard to the accounting standards applicable to such annual accounts.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity'', issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six month period ended 30 June 2021 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on AIM and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

DocuSigned by:

Jack Draycott

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BDO LLP

Chartered Accountants

London, UK

08 September 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Interim Consolidated Statement of Financial Position

As at 30 June 2021

In US$	Note	30 June 2021 Unaudited	31 December 2020 Audited
Assets			
Current assets			
Cash and cash equivalents		**130,749,987**	39,238,496
Other receivables and prepayments		**402,404**	2,044,988
Total current assets		**131,152,391**	41,283,484
Non-current assets			
Investment in associate	6	**9,789,569**	7,865,575
Investment in joint venture	7	**50,799,785**	-
Receivables from related parties	16	**4,211,372**	-
Property, plant and equipment	8	**-**	32,217,934
Exploration and evaluation assets		**-**	570,732
Total non-current assets		**64,800,726**	40,654,241
Total assets		**195,953,117**	81,937,725
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		**307,304**	1,329,214
Payables to related parties	16	**20,795**	-
Borrowings	9	**3,251,455**	-
Total current liabilities		**3,579,554**	1,329,214
Non-current liabilities			
Accrued liabilities		**80,761**	-
Borrowings	9	**26,968,304**	29,197,920
Financial warrant liability	10	**1,452,796**	1,549,576
Total non-current liabilities		**28,501,861**	30,747,496
Total liabilities		**32,081,415**	32,076,710
Shareholders' equity			
Share capital	11	**52,615,373**	30,348,183
Share premium	11	**90,954,210**	16,801,168
Merger reserve	11	**53,557,251**	53,557,251
Share-based payment reserve		**803,099**	977,738
Foreign currency translation reserve		**1,686**	3,872,567
Retained earnings		**(34,059,917)**	(68,021,565)
Equity attributable to equity shareholders of Bacanora Lithium Plc		**163,871,702**	37,535,342
Non-controlling interest		**-**	12,325,673
Total shareholders' equity		**163,871,702**	49,861,015
Total liabilities and shareholders' equity		**195,953,117**	81,937,725

The accompanying notes on pages 26 - 47 are an integral part of these Interim Consolidated Financial Statements.

The Interim Consolidated Financial Statements of Bacanora Lithium Plc, registered number 11189628, were approved and authorised for issue by the Board of Directors on 08 September 2021 and were signed on its behalf by:

Mark Hohnen

08 September 2021

Interim Consolidated Statement of Comprehensive Income
For the six month period ended 30 June 2021

In US$	Note	Six months ended 30 June 2021 Unaudited	Six months ended 30 June 2020 Unaudited
Expenses			
General and administrative	12	**(2,161,512)**	(2,441,159)
Depreciation		**(30,948)**	(96,225)
Share-based payment expense	11	**(190,068)**	(217,641)
Foreign exchange loss		**(63,587)**	(94,314)
Operating loss		**(2,446,115)**	(2,849,339)
Finance and other income	13	**442,127**	646,206
Finance costs	13	**(2,419,738)**	(2,512,028)
Share of profit in investment in associate	6	**210,458**	-
Share of loss in investment in joint venture	7	**(355,978)**	-
Gain on increase in net assets of associate	6	**2,016,059**	-
Gain on change in control of subsidiaries	7	**31,920,796**	-
Distribution income on release of payable	16	**4,169,666**	-
Profit/(loss) before tax from continuing operations		**33,537,275**	(4,715,161)
Tax charge		**(4,103)**	-
Profit/(loss) after tax from continuing operations		**33,533,172**	(4,715,161)
Loss on discontinued operation	14	**-**	(6,084,912)
Profit/(loss) after tax		**33,533,172**	(10,800,073)
Other comprehensive income/(loss):			
Foreign currency translation adjustment	6	**(302,523)**	-
Recycled translation difference through profit and loss	7	**(3,568,358)**	-
Total comprehensive income/(loss)		**29,662,291**	(10,800,073)
Profit/(loss) after tax attributable to shareholders of Bacanora Lithium Plc		**33,596,941**	(10,617,525)
Loss after tax attributable to non-controlling interests		**(63,769)**	(182,548)
Profit/(loss) after tax		**33,533,172**	(10,800,073)
Total comprehensive income/(loss) attributable to shareholders of Bacanora Lithium Plc		**29,726,060**	(10,617,525)
Total comprehensive loss attributable to non-controlling interests		**(63,769)**	(182,548)
Total comprehensive income/(loss)		**29,662,291**	(10,800,073)
Net earnings/(loss) per share (Continuing operations) (basic)	11	**0.11**	(0.02)
Net earnings/(loss) per share (Discontinued operations) (basic)	11	**-**	(0.03)
Net earnings/(loss) per share (Continuing operations) (diluted)	11	**0.10**	(0.02)
Net earnings/(loss) per share (Discontinued operations) (diluted)	11	**-**	(0.03)

The accompanying notes on pages 26 - 47 are an integral part of these Interim Consolidated Financial Statements.

Interim Consolidated Statement of Changes in Equity

For the six month period ended 30 June 2021

In US$	Note	Share capital: Number of shares	Share capital: Value	Share premium	Merger reserve	Share-based payment reserve	Foreign currency translation reserve	Retained earnings	Total equity attributable to Bacanora Lithium Plc	Non-controlling interest	Total equity
31 December 2019 (Audited)		222,981,837	30,240,469	16,646,060	53,557,251	3,807,562	3,568,358	(55,464,190)	52,355,510	12,645,715	65,001,225
Comprehensive income for the period:											
Loss for the period		-	-	-	-	-	-	(10,617,525)	(10,617,525)	(182,548)	(10,800,073)
Total comprehensive loss		-	-	-	-	-	-	(10,617,525)	(10,617,525)	(182,548)	(10,800,073)
Contributions by and distributions to owners:											
Lapsed option charge		-	-	-	-	(1,393,295)	-	1,393,295	-	-	-
Share-based payment expense	11	-	-	-	-	217,641	-	-	217,641	-	217,641
30 June 2020 (Unaudited)		222,981,837	30,240,469	16,646,060	53,557,251	2,631,908	3,568,358	(64,688,420)	41,955,626	12,463,167	54,418,793
Comprehensive income for the period:											
Loss for the period		-	-	-	-	-	-	(4,984,543)	(4,984,543)	(137,494)	(5,122,037)
Other comprehensive loss		-	-	-	-	-	304,209	-	304,209	-	304,209
Total comprehensive loss		-	-	-	-	-	304,209	(4,984,543)	(4,680,334)	(137,494)	(4,817,828)
Contributions by and distributions to owners:											
Issue of share capital - RSUs	11	833,846	107,714	155,108	-	(708,097)	-	332,301	(112,974)	-	(112,974)
Lapsed option charge		-	-	-	-	(1,319,097)	-	1,319,097	-	-	-
Share-based payment expense	11	-	-	-	-	373,024	-	-	373,024	-	373,024
31 December 2020 (Audited)		223,815,683	30,348,183	16,801,168	53,557,251	977,738	3,872,567	(68,021,565)	37,535,342	12,325,673	49,861,015
Comprehensive income for the period:											
Profit/(loss) for the period		-	-	-	-	-	-	33,596,941	33,596,941	(63,769)	33,533,172
Other comprehensive loss		-	-	-	-	-	(3,870,881)	-	(3,870,881)	-	(3,870,881)
Total comprehensive income/(loss)		-	-	-	-	-	(3,870,881)	33,596,941	29,726,060	(63,769)	29,662,291
Contributions by and distributions to owners:											
Issue of share capital - Capital raise	11	106,995,885	14,730,123	48,129,302	-	-	-	-	62,859,425	-	62,859,425
Change in control of subsidiaries	7		-	-	-	(239,354)	-	239,354	-	(12,261,904)	(12,261,904)
Issue of share capital - Ganfeng pre-emption	11	53,333,333	7,537,067	26,023,740	-	-	-	-	33,560,807	-	33,560,807
Lapsed option charge		-	-	-	-	(125,353)	-	125,353	-	-	-
Share-based payment expense	11	-	-	-	-	190,068	-	-	190,068	-	190,068
30 June 2021 (Unaudited)		384,144,901	52,615,373	90,954,210	53,557,251	803,099	1,686	(34,059,917)	163,871,702	-	163,871,702

The accompanying notes on pages 26 - 47 are an integral part of these Interim Consolidated Financial Statements.

Interim Consolidated Statement of Cash Flows

For the six month period ended 30 June 2021

In US$	Note	Six months ended 30 June 2021 Unaudited	Six months ended 30 June 2020 Unaudited
Cash flows from operating activities			
Total profit/(loss) before tax for the period		**33,537,275**	(10,800,073)
Adjustments for:			
Depreciation of property, plant and equipment		**30,948**	96,225
Share-based payment expense	11	**190,068**	217,641
Foreign exchange		**64,201**	57,521
Finance and other income	12	**(442,127)**	(646,206)
Finance costs	12	**2,419,738**	2,512,028
Share of profit in investment in associate	6	**(210,458)**	-
Share of loss on investment in joint venture	7	**355,978**	-
Gain on increase in net assets of associate	6	**(2,016,059)**	-
Gain on change in control of subsidiaries	7	**(31,920,796)**	-
Deemed dividend income	7	**(4,169,666)**	-
Loss on discontinued operation		**-**	6,084,912
Changes in working capital items:			
Other receivables		**(290,470)**	(129,470)
Accounts payable and accrued liabilities		**(332,237)**	(392,680)
Net cash used in operating activities		**(2,783,605)**	(3,000,102)
Cash flows from investing activities:			
Interest received		**100,936**	270,462
Purchase of property, plant and equipment		**(179,117)**	(1,393,826)
Purchase of exploration and evaluation assets		**(18,751)**	(19,520)
Payments to related parties		**(126,206)**	-
Cash reduction on the change of control of subsidiaries	7	**(421,708)**	-
Payments to Deutsche Lithium		**-**	(364,195)
Net cash used in investing activities		**(644,846)**	(1,507,079)
Cash flows from financing activities			
Issues of share capital, net of share costs	10	**96,420,232**	-
Interest payments	8	**(1,397,898)**	-
Net cash flows from financing activities		**95,022,334**	-
Change in cash and cash equivalents during the period		**91,593,883**	(4,507,181)
Exchange rate effects		**(82,392)**	(14,800)
Cash and cash equivalents, beginning of the period		**39,238,496**	48,903,551
Cash and cash equivalents, end of the period		**130,749,987**	44,381,570

The accompanying notes on pages 26 - 47 are an integral part of these Interim Consolidated Financial Statements.

Notes to the Interim Consolidated Financial Statements

1 Corporate information

Bacanora Lithium Plc (the "Company" or "Bacanora") was incorporated under the Companies Act 2006 of England and Wales on 6 February 2018. The Company is listed on the AIM market of the London Stock Exchange, with its common shares trading under the symbol, "BCN". The registered address of the Company is 4 More London Riverside, London, SE1 2AU.

The Group is a mining group engaged in the identification, acquisition, exploration and development of mineral properties located in Mexico and Germany, through its investments in the Sonora Lithium Project and Zinnwald Lithium Plc.

2 Basis of preparation

a) Statement of compliance

These Interim Consolidated Financial Statements for the six months ended 30 June 2021 and the information relating to the year ended 31 December 2020 and six months ended 30 June 2020 contained within the Interim Consolidated Financial Statements do not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. The audited Consolidated Financial Statements for the year ended 31 December 2020 have been delivered to the Registrar of Companies and the auditor's report on those Financial Statements was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006.

These Interim Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements for the year ended 31 December 2020.

These Interim Consolidated Financial Statements were authorised for issue by the Board of Directors on 08 September 2021.

b) Basis of measurement

These Interim Consolidated Financial Statements have been prepared on a historical cost basis, except for certain financial instruments and investments that have been measured at fair value.

These Interim Consolidated Financial Statements are presented in United States dollars ("US$"). The functional currency of the Company and its subsidiaries is the United States dollar.

c) Going Concern

The Directors have, at the time of approving the Interim Consolidated Financial Statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Group has a significant cash balance of US$130.7 million as at 30 June 2021 and has not entered into funding commitments to its investments in associate or joint venture. Thus, the going concern basis of accounting in preparing the Financial Statements continues to be adopted.

3 Significant accounting policies

The preparation of Interim Consolidated Financial Statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Group's accounting policies.

The Interim Consolidated Financial Statements have been prepared using accounting policies consistent with those used in the preparation of the audited Consolidated Financial Statements for the Group for the year ended 31 December 2020 except for those which have changed within the interim period to 30 June 2021, which have been disclosed below.

a) Basis of consolidation

The Interim Consolidated Financial Statements comprise the Financial Statements of the Company and following subsidiaries at 30 June 2021:

Name of subsidiary	Country of incorporation	Shareholding on 30 June 2021	Shareholding on 31 December 2020	Nature of business
Bacanora Finco Ltd	UK	100%	100%	Financing company
Bacanora Treasury Ltd	UK	100%	100%	Financing company
Battery Finance (Jersey) Ltd[1]	Jersey	N/A	100%	Dissolved
Bacanora Battery Metals Ltd[2]	UK	N/A	100%	Dissolved
Sonora Lithium Group Companies[3]				
Sonora Lithium Ltd	UK	N/A	77.5%	Holding company
Bacanora Chemco S.A. de C.V.	Mexico	N/A	77.5%	Lithium processing
Bacanora Minerals Ltd	Canada	N/A	77.5%	Holding company
Mexilit S.A. de C.V.	Mexico	N/A	54.25%	Lithium Mining/exploration
Minera Megalit S.A. de C.V.	Mexico	N/A	54.25%	Mineral exploration
Mineramex Ltd	BVI	N/A	77.5%	Holding company
Minera Sonora Borax, S.A. de C.V.	Mexico	N/A	77.5%	Lithium mining/exploration
Operadora de Litio Bacanora S.A. de C.V.	Mexico	N/A	77.5%	Mexican service organisation
Minerales Industriales Tubutama, S.A. de C.V.	Mexico	N/A	46.5%	Dormant

[1]Battery Finance (Jersey) Ltd was dissolved on 4 May 2021.
[2]Bacanora Battery Metals Ltd was dissolved on 4 May 2021.
[3]The Company has joint control over SLL and its subsidiaries (the "Sonora Lithium Group") from 26 February 2021, and therefore performed deconsolidation procedures during the period.

Subsidiaries are controlled by the Company where the Company is exposed to, or has rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its application of this power. 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. A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

On 26 February 2021, Ganfeng Lithium Co., Ltd. ("Ganfeng") completed its option to increase its stake in Sonora Lithium Ltd ("SLL") from 22.5% to 50%. SLL is the operational holding company for the Sonora Lithium Project. Consequently, Ganfeng subscribed for 73,955,680 new ordinary shares in SLL at 29.59 pence at a total value of £21.9 million (US$30.4 million). On completion of the transaction, a revised 50:50 Joint Venture Agreement ("JVA") came into force, whereby each party is responsible for their portion of Project capex. After performing a detailed control assessment including a review of the provisions of the revised JVA, management have assessed that the Company now has joint control over the Sonora Lithium Group, and therefore the results of the Sonora Lithium Group have been consolidated to 26 February 2021. Subsequently, the Group's investment in the Sonora Lithium Group has been accounted for using the equity method. For further detail see note 7.

b) Standards, amendments and interpretations adopted

During the period, the following standards and amendments have been implemented.

Standard	Detail	Effective date
IFRS 7, IFRS 9, IAS 39	Amendments regarding pre-replacement issues in the context of the IBOR reform	1 January 2021

The implementation of the above amendment did not result in material adjustments to the Interim Consolidated Financial Statements.

c) Standards, amendments and interpretations effective in future periods

At the date of authorisation of these Interim Consolidated Financial Statements, the following new standards, amendments and interpretations to existing standards have been published but are not yet effective and have not been adopted early by the Group.

Standard	Detail	Effective date
IAS 1	Amendment – regarding the classification of liabilities	1 January 2023
IAS 1	Amendment – regarding the disclosure of accounting policies	1 January 2023
IAS 8	Amendment – regarding the definition of accounting estimate	1 January 2023
IAS 12	Amendment – regarding deferred tax on leases and decommissioning obligations	1 January 2023
IAS 16	Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use	1 January 2022
IAS 37	Amendments regarding the costs to include when assessing whether a contract is onerous	1 January 2022

The impact of the implementation of the above amendments is currently being evaluated.

4 Critical accounting estimates and judgements

The preparation of the Interim Consolidated Financial Statements requires management to make certain judgements, estimates, and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from these estimates.

Management's assessment of the significant judgements, estimates, and assumptions that have the most significant effect on the Interim Consolidated Financial Statements have not changed from the year ended 31 December 2020 except for the following:

a) Investments in associates – Zinnwald Lithium Plc

The Group has significant influence over Zinnwald Lithium Plc as assessed using IAS 28. This influence is derived through its shareholding, seat on the company's board of directors and its rights to a 2% net royalty. No value has been attributed to the net royalty rights due to it not meeting the recognition principles of IFRS 9.

The investment is assessed at each reporting period date for impairment in accordance with IAS 28. An impairment is recognised if there is objective evidence that events after the recognition of the investment have had an impact on the estimated future cash flows which can be reliably estimated. In addition, the assessment as to whether economically recoverable reserves exist is itself an estimation process.

During the period, Zinnwald Lithium Plc acquired the remaining 50% of Deutsche Lithium GmbH that, prior to the transaction, it did not already own, for a total consideration of €8.8 million consisting of a cash payment of €1.5 million and the issue of approximately 50 million new shares. This resulted in Zinnwald Lithium Plc owning 100% of Deutsche Lithium GmbH and obtaining control of Deutsche Lithium GmbH. Zinnwald Lithium Plc has estimated the acquisition date fair value of the previously held 50% shareholding in Deutsche Lithium GmbH, resulting in a €1 million revaluation gain being recognised.

b) Investments in joint ventures – Sonora Lithium Ltd

The Group 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. Bacanora and Ganfeng have contractually agreed sharing of control through the JVA, where decisions about certain relevant activities of the Sonora Lithium Group require the unanimous consent of both parties. The Sonora Lithium Group is structured through separate legal entities and both parties have legal rights to the net assets of the arrangement through their respective shareholdings. Therefore, management have assessed that Bacanora has joint control of the Sonora Lithium Group and classified its investment in the Sonora Lithium Group as a joint venture.

The investment is assessed at each reporting period date for impairment in accordance with IAS 28. An impairment is recognised if there is objective evidence that events after the recognition of the investment have had an impact on the estimated future cash flows which can be reliably estimated. In addition, the assessment as to whether economically recoverable reserves exist is itself an estimation process.

On the change of control from subsidiaries to joint venture, management have applied judgement in determining the fair value of its retained interest in SLL. The fair value of the retained interest has been determined by reference to the Company market price at which the shares in SLL were issued to Ganfeng, therefore utilising level 2 hierarchy inputs.

c) Borrowings

The Group revises its estimates of cashflows on the primary and secondary Eurobonds when new information is available. This includes the estimated production profile based on the Sonora Feasibility Study and estimated timing of the commissioning of the Sonora Lithium Project which will impact the future cashflows of the production linked secondary Eurobond. When the estimates are revised, the Group recalculates the amortised cost of the Eurobond as the present value of the estimated future contractual cash flows that are discounted at the financial instrument's original effective interest rate or, when applicable, the revised effective interest rate for market rate changes. In the six month period to 30 June 2021, the cashflow estimates have been revised and the original effective interest rate has been used to recalculate the present value of the estimated future contractual cashflows.

5 Significant events and transactions

a) Placing and retail offer

On 8 February 2021, Bacanora completed a successful placing and retail offer which raised gross proceeds of £48.1 million (US$66.3 million) through the issue of a total of 106,995,885 new ordinary shares at a price of 45 pence per share.

b) Ganfeng investment in SLL

On 26 February 2021, Ganfeng completed its option to increase its stake in SLL from 22.5% to 50%. Consequently, Ganfeng subscribed for 73,955,680 new ordinary shares in SLL at 29.59 pence at a total value of £21.9 million (US$30.4 million). On completion of the transaction, a revised JVA came into force, whereby each party is responsible for their portion of Project capex. After performing a detailed control assessment including a review of the provisions of the revised JVA, management have assessed that the Company now has joint control over the Sonora Lithium Group, and therefore the results of the Sonora Lithium Group have been consolidated to 26 February 2021. Subsequently, the Group's investment in the Sonora Lithium Group has been accounted for using the equity method. For further detail see note 7.

c) Bacanora and SLL deed of release

On 19 May 2021, SLL performed a US$8.3 million capital reduction. On the same day, the Company and SLL signed a deed of release relating to a payable balance totaling US$8.3 million. The release of the payable resulted in a deemed distribution of US$8.3 million. Bacanora's 50% share has been credited against the Company's investment in joint venture to reflect the decrease in share of net assets of the Sonora Lithium Group. A gain of US$4.2 million, resulting from the receipt of Ganfeng's share of the distribution, has been recognised through the Statement of Comprehensive Income.

d) **Ganfeng pre-emption rights investment**

On 26 May 2021, in addition to the placing and retail offer, Ganfeng completed its pre-emption rights at the placing price to increase its holding in the Company to 28.88%. Ganfeng subscribed for a total of 53,333,333 new ordinary shares at the placing price of 45 pence per share, representing gross proceeds £24.0 million (US$33.9 million).

e) **RK debt facility**

Due to the passage of time from the initial US$150 million debt facility agreement in July 2018 with RK Mine Finance ("RK"), Bacanora and RK signed a non-binding indicative term sheet to amend certain terms during the period. The Company and RK have been in discussions for a number of months with a view to agreeing legally binding terms and documentation. However, due to extension fee considerations and the limited availability period for an extension post the expiry date of 18 June 2021, the Company and RK have agreed that the remaining undrawn facility, amounting to US$125 million, will no longer be available for draw down. The first tranche of the RK debt facility, US$25 million, was drawn down in July 2018 and Bacanora will maintain this first tranche in accordance with the existing terms of the debt facility. The Company will continue to engage with RK as well as seek alternative terms with other debt providers in light of the current favourable debt market conditions.

This amendment to the terms of the debt facility have not been accounted for as a modification of the debt facility as the amendment only relates to the undrawn facility.

6 Investment in associate

The following entities have been included in the Interim Consolidated Financial Statements as an associate using the equity method:

Name	**Country of incorporation**	**Principal place of business**	**Shareholding 30 June 2021**	Shareholding 31 December 2020
Zinnwald Lithium Plc	UK	UK	35.5%	44.3%

a) **Prior period - Initial recognition**

On 29 October 2020, the Group acquired its interest in Zinnwald Lithium Plc in exchange for its 50% investment in Deutsche Lithium GmbH and a cash consideration, a total consideration valued at US$7.7 million.

The investment in associate has been equity accounted for under IAS 28 based on the significant influence the Group has over Zinnwald Lithium Plc. This influence is derived through its shareholding, its right to a seat on the company’s board of directors and its rights to a net royalty. No value has been attributed to the net royalty rights due to it not meeting the recognition principles of IFRS 9.

In US$	**Consideration**
Investment in Deutsche Lithium	6,036,515
Cash	1,627,642
Total	7,664,157

The following table summarises the purchase price allocation for the transaction:

In US$	**Purchase price**
Net current assets	2,725,594
Non-current assets	4,938,563
Total	7,664,157

b) Current period

During the period, Zinnwald Lithium Plc acquired the remaining 50% of Deutsche Lithium GmbH that, prior to the transaction, it did not already own, for a total consideration of €8.8 million consisting of a cash payment of €1.5 million and the issue of approximately 50 million new shares. This resulted in Zinnwald Lithium Plc owning 100% of Deutsche Lithium GmbH and obtaining control of Deutsche Lithium GmbH. Bacanora's shareholding in Zinnwald Lithium Plc decreased to 35.5%.

The reconciliation of the carrying amount of the investment in associate is as follows:

In US$	**30 June 2021**	31 December 2020
	Unaudited	Audited
Opening carrying value	**7,865,575**	-
Initial recognition	**-**	7,664,157
Share of gain/(loss) on investment in associate	**210,458**	(102,791)
Increase in share of net assets	**2,016,059**	-
Foreign exchange translation (loss)/gain	**(302,523)**	304,209
Closing carrying value	**9,789,569**	7,865,575

The summarised financial information of Zinnwald Lithium Plc on a consolidated basis and reconciliation to the investment carrying amount is set out below. The summarised information represents amounts shown in the financial statements of Zinnwald Lithium Plc, as adjusted for differences in accounting policies and fair value adjustments related to the Company's investment in the associate. Amounts have been translated in accordance with the Company's accounting policy on foreign currency translation.

In US$	**30 June 2021**	31 December 2020
	Unaudited	Audited
Current assets	**3,527,690**	6,170,648
Non-current assets	**24,198,911**	11,645,728
Current liabilities	**(167,562)**	(69,980)
Net assets (100%)	**27,559,039**	17,746,396
Group share of net assets (35.5%/44.3%)	**9,789,569**	7,865,575

Zinnwald Lithium Plc is listed on the AIM market of the London Stock Exchange, with its common shares trading under the symbol, "ZNWD". The closing share price on 30 June 2021 was 18.5 pence per share resulting in a market fair value, of the Company's shares of £16,764,546 (US$23,230,012).

Zinnwald Lithium Plc made a loss after tax and total comprehensive loss of €935,488 for the period, of which, the Company has recognised its share of total comprehensive income for the period.

Zinnwald Lithium Plc has no commitments as at 30 June 2021.

7 Investment in joint venture

The following entities have been included in the Interim Consolidated Financial Statements using the equity method:

Name	**Country of incorporation**	**Principal place of business**	**Shareholding 30 June 2021**
Sonora Lithium Ltd	UK	UK	50.0%

On 26 February 2021, Ganfeng completed its option to increase its stake in SLL from 22.5% to 50%. Consequently, Ganfeng subscribed for 73,955,680 new ordinary shares in SLL at 29.59 pence at a total value of £21.9 million (US$30.4 million). On completion of the transaction, a revised 50:50 Joint Venture Agreement ("JVA") came into force, whereby each party is responsible for their portion of Project capex. After performing a detailed control assessment including a review of the provisions of the revised JVA, which include the unanimous consent of both parties over certain relevant activities, management have assessed that the Company now has joint control over SLL and its subsidiaries, and therefore performed deconsolidation procedures. Subsequently, the Group's investment in the Sonora Lithium Group has been accounted for using the equity method.

The following is an analysis of the assets and liabilities over which the Group lost control and the net liabilities which were recognised on 26 February 2021:

In US$	**30 June 2021 Unaudited**
Current assets	**(2,455,859)**
Non-current assets	**(32,999,937)**
Current liabilities	**737,535**
Net assets deconsolidated	**(34,718,261)**
Receivables from related parties	**3,822,698**
Payables to related parties	**(8,339,332)**
Net liabilities recognised	**(4,516,634)**
Net asset impact of loss of control	**(39,234,895)**

The total cash and cash equivalents deconsolidated on 26 February 2021 was US$421,708.

As a result, a gain on change in control of subsidiaries has been recognised:

In US$	**30 June 2021 Unaudited**
Fair value of interest retained	**55,325,429**
Net asset impact of loss of control	**(39,234,895)**
Non-controlling interest	**12,261,904**
Gain on deconsolidation of subsidiary	**28,352,438**
Gain on deconsolidation of subsidiary	**28,352,438**
Gain on recycle of foreign currency translation reserve	**3,568,358**
Total gain on change in control of subsidiaries	**31,920,796**

The reconciliation of the carrying amount of the investment in joint venture is as follows:

In US$	30 June 2021 Unaudited
Opening carrying value	-
Initial recognition	55,325,429
Share of loss on investment in joint venture	(355,978)
Distribution received	(8,339,332)
Gain on change in net assets of joint venture	4,169,666
Closing carrying value	50,799,785

The summarised financial information of the Sonora Lithium Group and reconciliation to the investment carrying value is set out below. The summarised information represents amounts shown in Sonora Lithium's consolidated financial statements, as adjusted for differences in accounting policies and fair value adjustments related to the Company's investment in joint venture.

In US$	30 June 2021 Unaudited
Current assets	31,720,045
Non-current assets	74,138,508
Current liabilities	(764,596)
Non-current liabilities	(4,211,372)
Net assets (100%)	100,882,585
Net assets attributable to non-controlling interests	716,985
Share of net assets attributable to the equity shareholders of SLL	101,599,570
Group share of net assets (50%)	50,799,785

Included in the amounts above are:

In US$	30 June 2021 Unaudited
Cash and cash equivalents	29,859,309
Non-current financial liabilities	4,211,372

Summarised financial information relating to the consolidated results of the Sonora Lithium Group for the period between 26 February and 30 June 2021 is presented below:

In US$	30 June 2021 Unaudited
Depreciation	(61,895)
Interest income	18,358
Interest expense	(241,673)
Total loss and total comprehensive loss	(711,956)

The Sonora Lithium Group had the following commitments at 30 June 2021:

- land purchases totalling US$0.3 million due on the clearance of liens which was achieved on 22 July 2021, payments were made and title transferred to the Sonora Lithium Group on the same day.
- concession taxes on the license properties, which are expected to total approximately US$183,180 in the following twelve months.
- rental payments totalling US$24,890 in Hermosillo, Sonora over the next six months.

8 Property, plant and equipment

The Sonora Lithium Group owns ten contiguous mineral concessions in Sonora, Mexico. Seven of these ten concessions form the Sonora Lithium Project covered by the technical Feasibility Study released in January 2018.

As disclosed in note 7, on 26 February 2021, management have assessed that the Company now has joint control over SLL and its subsidiaries, and therefore the results of the Sonora Lithium Group have been consolidated to 26 February 2021. Subsequently, the Group's investment in the Sonora Lithium Group has been accounted for using the equity method. For further detail see note 7.

The movements within of property, plant and equipment as at 30 June 2021 are set out below:

Cost (US$)	Evaluated mineral property	Land	Buildings	Plant and machinery	Office furniture and equipment	Transportation	Total
31 December 2019	26,140,230	3,035,000	840,472	737,266	435,697	120,734	31,309,399
Additions	1,387,722	-	-	-	6,104	-	1,393,826
30 June 2020	27,527,952	3,035,000	840,472	737,266	441,801	120,734	32,703,225
Additions	569,598	-	-	-	-	-	569,598
31 December 2020	28,097,550	3,035,000	840,472	737,266	441,801	120,734	33,272,823
Additions	**475,840**	**-**	**-**	**-**	**-**	**-**	**475,840**
Deconsolidation of subsidiaries[1]	**(28,573,390)**	**(3,035,000)**	**(840,472)**	**(737,266)**	**(441,801)**	**(120,734)**	**(33,748,663)**
30 June 2021	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Depreciation							
31 December 2019	-	-	208,201	378,404	160,880	118,274	865,759
Charge for the period	-	-	21,755	37,432	34,578	2,460	96,225
30 June 2020	-	-	229,956	415,836	195,458	120,734	961,984
Charge for the period	-	-	21,158	37,233	34,514	-	92,905
31 December 2020	-	-	251,114	453,069	229,972	120,734	1,054,889
Charge for the period	**-**	**-**	**7,043**	**12,417**	**11,483**	**-**	**30,943**
Deconsolidation of subsidiaries[1]	**-**	**-**	**(258,157)**	**(465,486)**	**(241,455)**	**(120,734)**	**(1,085,832)**
30 June 2021	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net Book Value							
31 December 2019	26,140,230	3,035,000	632,271	358,862	274,817	2,460	30,443,640
30 June 2020	27,527,952	3,035,000	610,516	321,430	246,343	-	31,741,241
31 December 2020	28,097,550	3,035,000	589,358	284,197	211,829	-	32,217,934
30 June 2021	**-**	**-**	**-**	**-**	**-**	**-**	**-**

[1]Disposals are a result of not consolidating the balance sheet of the Sonora Lithium Group from 26 February 2021.

9 Borrowings

On 3 July 2018, the Group entered into a US$150 million senior debt facility with RK Mine Finance (“RK”), drawing down US$25 million. On 22 June 2021, it was agreed with RK that the remaining undrawn facility of US$125 million would no longer be available for drawdown.

The US$25 million drawn amount is structured as two separate Eurobonds, listed on The International Stock Exchange:

Primary bond: US$25 million nominal amount secured notes issued at a purchase price of US$23 million with a 6-year term and bearing an interest rate of three months USD LIBOR + 8% per annum based on a nominal amount of US$25 million. Interest was capitalised every three months for the first 24 months and thereafter interest is paid every three months in cash.

Second bond: US$2 million nominal amount, zero interest-bearing, secured notes issued at a purchase price of US$12 million with a 20-year term. The nominal amount is repayable by reference to monthly production of lithium at a rate of US$160 per tonne of lithium produced, with any remaining amount repayable at the end of the 20-year term.

The loan can be voluntarily redeemed at any stage by repayment of the principal and any outstanding interest and early repayment charges.

RK holds a fixed charge security over the shares of various subsidiaries of the Group except for Bacanora Lithium Plc and Bacanora Battery Metals Limited. RK also holds a fixed charge security over certain bank accounts held by the relevant UK and Canadian holding companies and Mexican entities. RK holds a floating charge over Bacanora Lithium Plc’s assets not covered by the fixed charge. RK holds fixed and floating charge over the assets of the relevant Mexican entities related to the Sonora Lithium Project.

The facility has a debt covenant for the Group to maintain a minimum working capital balance of US$15 million measured monthly. Working capital for the purpose of the debt covenant is defined as current assets minus current liabilities, excluding assets and liabilities relating to Zinnwald Lithium Plc, Bacanora Battery Metals Limited and overdue VAT receivables.

The effective interest rate of the primary and secondary Eurobonds is 19.25% and 23.47% respectively (31 December 2020: 19.37% and 23.47% respectively).

The carrying value of the Group’s borrowings at 30 June 2021 is as follows:

In US$	**Interest rate**	**Maturity**	**30 June 2021 Unaudited**	31 December 2020 Audited
Current				
Primary Eurobond	LIBOR with a 1% minimum + 8%	2024	**3,251,455**	-
Total current borrowings			**3,251,455**	-
Non-current				
Primary Eurobond	LIBOR with a 1% minimum + 8%	2024	**23,032,398**	25,394,439
Secondary Eurobond	Zero interest bearing	2038	**3,935,906**	3,803,481
Total non-current borrowings			**26,968,304**	29,197,920
Total borrowings			**30,219,759**	29,197,920

The movement in the Group's borrowings in the six months ended 30 June 2021 is as follows:

In US$	Primary Eurobond	Secondary Eurobond	Total
31 December 2019 (Audited)	21,607,156	2,444,454	24,051,610
Primary Eurobond finance cost	2,839,013	-	2,839,013
Eurobond unwinding	1,658,804	1,359,027	3,017,831
Interest payments	(710,534)	-	(710,534)
31 December 2020 (Audited)	25,394,439	3,803,481	29,197,920
Primary Eurobond finance cost	**1,397,898**	**-**	**1,397,898**
Eurobond unwinding	**889,414**	**132,425**	**1,021,839**
Interest payments	**(1,397,898)**	-	**(1,397,898)**
30 June 2021 (Unaudited)	**26,283,853**	**3,935,906**	**30,219,759**

10 Financial warrants liability

The Company granted RK with 6 million warrants alongside the above Eurobonds in July 2018. The warrants are exercisable over five years at an exercise price of a 20% premium to the 20-day VWAP determined on 3 July 2018, subject to normal anti-dilution provisions, cash settlement at the Company's option, and share exercise at either party's option. The warrants have been initially recorded, as a non-current liability, at their level 3 hierarchy fair value on 3 July 2018 of US$2.9 million and subsequently revalued at each reporting period, determined using the Black-Scholes pricing model with the following inputs.

	30 June 2021 Unaudited	31 December 2020 Audited
Number of warrants	**6,792,409**	6,000,000
Term	**2.01**	2.50
Share Price (£)	**0.59**	0.64
Exercise Price (£)	**0.88**	0.99
Volatility	**68.38%**	68.97%
Risk Free rate	**1.44%**	0.92%
Valuation (US$)	**1,452,796**	1,549,576

The expected volatility has been determined by calculating the historical volatility of the Company's share price since listing. The term used in the model has been adjusted to reflect the period in which the warrants can be exercised. The number of warrants and exercise price are contractually adjusted for the dilution effects of below market value share issuances. The issuances of ordinary shares during the period resulted in adjustments to the number of warrants and exercise price.

11 Equity

a) Authorised and issued share capital

The authorised share capital of the Company consists of an unlimited number of voting common shares of par value £0.10.

	Shares	Share Capital (In US$)	Share Premium (In US$)
31 December 2019 (Audited)	222,981,837	30,240,469	16,646,060
Issue of share capital - RSUs[1]	833,846	107,714	155,108
31 December 2020 (Audited)	223,815,683	30,348,183	16,801,168
Issue of share capital - Capital raise[2]	**106,995,885**	**14,730,123**	**48,129,302**
Issue of share capital - Ganfeng pre-emption[3]	**53,333,333**	**7,537,067**	**26,023,740**
30 June 2021 (Unaudited)	**384,144,901**	**52,615,373**	**90,954,210**

[1] The issuance of 833,846 new ordinary shares in relation to the vesting of RSUs granted in September 2017 at an issue price of 24.4p.

[2] The issuance of 101,395,885 new ordinary shares in the Company to institutional and professional investors at a price of 45p. In addition, retail and other investors subscribed for 5,600,000 new ordinary shares at a price of 45p. Amounts are shown net of transaction costs.

[3] Ganfeng exercised its pre-emption rights in relation to the above capital raise and subscribed to a total of 53,333,333 new ordinary shares at a price of 45p. Amounts are shown net of transaction costs.

b) Share options

All outstanding share options were issued under the Group's Share Option Plan. Options generally vest as one third on the date of grant and an additional one third on each of the first and second anniversaries of the date of grant. All options expire after three months of an employee leaving the Company. The options have no other vesting conditions. The following tables summarise the activities and status of the Company's share option plan as at and during the six months ended 30 June 2021:

	Number of options	Weighted average exercise price (£)
31 December 2019 (Audited)	6,610,901	0.70
Granted	1,258,009	0.24
Expired	(4,389,810)	(0.82)
31 December 2020 (Audited)	3,479,100	0.38
Expired	**(312,500)**	**(0.90)**
30 June 2021 (Unaudited)	**3,166,600**	**0.33**

Grant date	Number outstanding at 30 June 2021	Exercise price (£)	Weighted average remaining contractual life (Years)	Expiry date	Number exercisable at 30 June 2021
01 March 2017	175,000	0.85	0.67	01 March 2022	175,000
06 September 2018	432,729	0.39	0.18	05 September 2021	432,729
28 October 2019	1,300,862	0.33	1.33	27 October 2022	867,241
02 October 2020	1,258,009	0.24	2.26	02 October 2023	419,336
	3,166,600				1,474,970

c) Restricted share units

On 20 September 2017, the Company implemented a Restricted Share Unit ("RSU") Plan. The RSU Plan is administered by the Remuneration Committee under the supervision of the Board of Directors. The Remuneration 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 Group's Share Option Plan, exceed 10% of the issued and outstanding common shares as at the date of a grant under the RSU Plan or the Share Option Plan, as the case may be.

The following tables summarise the activities and status of the Company's restricted share unit plan as at and during the six months ended 30 June 2021:

	Number of units
31 December 2019 (Audited)	2,473,600
Granted	466,805
Vested	(1,192,277)
31 December 2020 (Audited)	1,748,128
30 June 2021 (Unaudited)	**1,748,128**

Grant date	Number outstanding at 30 June 2021	Weighted average remaining vesting period (Years)	Vesting date	Number exercisable at 30 June 2021
06 September 2018	205,491	0.18	05 September 2021	-
28 October 2019	1,075,832	1.33	27 October 2022	-
02 October 2020	466,805	2.33	27 October 2023	-

d) Share-based payment expense

During the six months ended 30 June 2021 the Group recognised US$190,068 (six months ended 30 June 2020: US$217,641) of share-based compensation expense. The fair value of the share-based expense was estimated on the dates of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	Six months ended 30 June 2021 Unaudited	Six months ended 30 June 2020 Unaudited
Risk-free interest rate	**1.85% - 3.0%**	1.61% - 3.0%
Expected volatility[1]	**54.73% - 65.01%**	54.73% - 91.07%
Expected life (years)	**3**	3 - 5
Fair value per option	**17.0c - 49.7c**	17.0c - 62.2c

[1] Expected volatility is derived from the Company's historical share price volatility.

e) Merger reserve

On 23 March 2018, the Plan of Arrangement to re-domicile the Bacanora Group from Canada to the UK became effective resulting in Bacanora Lithium Plc becoming the new holding company for Bacanora Minerals Ltd. Under the Company's Act 06 Section 612, a merger reserve has been utilised to account for the difference between the share capital and net asset investment in Bacanora Minerals Ltd. In addition, on consolidation the difference between the net investment in Bacanora Lithium Plc and share capital in Bacanora Minerals Ltd is accounted for in the merger reserve.

f) Earnings/Losses per share

Earnings per share for the six months ended 30 June 2021 were as follows:

Unaudited	**Six months ended 30 June 2021 Basic**	**Six months ended 30 June 2021 Diluted**
Gain after tax attributable to shareholders of Bacanora Lithium Plc (US$)	**33,596,941**	**33,533,667**
Weighted average number of common shares	**318,070,281**	**320,254,320**
Gain per share (US$)	**0.11**	**0.10**

Diluted earnings per share has been adjusted by the following dilution effects:

Numerator **Unaudited**	**Six months ended 30 June 2021**
Gain after tax attributable to shareholders of Bacanora Lithium Plc (US$) used in basic EPS	**33,596,941**
Effects of:	
Restricted Share Units	**(63,274)**
Gain after tax attributable to shareholders of Bacanora Lithium Plc (US$) used in diluted EPS	**33,533,667**

Denominator **Unaudited**	**Six months ended** **30 June 2021**
Weighted average number of common shares used in basic EPS	**318,070,281**
Effects of:	
Share Options	**1,222,569**
Restricted Share Units	**961,470**
Weighted average number of common shares used in diluted EPS	**320,254,320**

Losses per share for the six months ended 30 June 2020 were as follows:

	Six months ended 30 June 2020 Continuing operations Unaudited	Six months ended 30 June 2020 Held for sale operations Unaudited
Loss after tax attributable to shareholders of Bacanora Lithium Plc (US$)	(4,532,613)	(6,084,912)
Weighted average number of common shares for the purposes of basic and diluted loss per share	222,981,837	222,981,837
Basic and diluted loss per share (US$)	(0.02)	(0.03)

12 General and administrative expenses

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

In US$	**Six months ended** **30 June 2021** **Unaudited**	Six months ended 30 June 2020 Unaudited
Employee and contractor costs	**1,195,176**	1,234,826
Legal and accounting fees	**405,202**	700,780
Investor relations	**266,056**	164,077
Travel and other expenses	**147,347**	160,478
Office expenses	**39,806**	103,005
Audit fees for the Group and Company	**60,623**	39,724
Audit fees of subsidiaries by Group auditor/ associates of Group auditor	**8,660**	6,828
Non audit services	**38,642**	31,441
Total	**2,161,512**	2,441,159

13 Finance income and costs

The Group's finance income and costs are as follows:

In US$	**Six months ended 30 June 2021 Unaudited**	Six months ended 30 June 2020 Unaudited
Interest and other income	**342,610**	270,462
Warrant liability revaluation	**99,517**	375,744
Finance income	**442,127**	646,206
Warrant liability revaluation	**-**	-
Primary Eurobond interest expense	**(1,397,898)**	(1,423,328)
Other finance costs[1]	**(1,021,840)**	(1,088,700)
Finance costs	**(2,419,738)**	(2,512,028)
Net finance costs	**(1,977,611)**	(1,865,822)

[1] Other finance costs include Eurobond unwinding of transaction costs, discounts and costs associated with the re-estimation of future cash flows.

14 Loss on discontinued operation

The loss in the comparative period for the six months ended 30 June 2020 resulted from the Group's investment in Deutsche Lithium being reclassified to held to sale and remeasured at lower of carrying value or fair value less costs to sell as at 30 June 2020. The investment was subsequently sold, with cash, for shares in Zinnwald Lithium Plc. Please refer to the audited Consolidated Financial Statements for the year ended 31 December 2020 for further information.

15 Segmental information

The Group currently operates in three operating segments which includes the exploration and development of mineral properties in Mexico, primarily the development of the Sonora Lithium Project, through its investment in Sonora Lithium Ltd, the Group's corporate entities with head office located in London, UK and the Group's investment in Zinnwald Lithium Plc.

Prior to 26 February 2021, the Company consolidated the results of the Sonora Lithium Group segment. From 26 February 2021, the Company has joint control over the segment and therefore performed deconsolidation procedures and subsequently equity accounts for its investment in Sonora Lithium Ltd.

A summary of the identifiable assets, liabilities and net losses by operating segment are as follows:

30 June 2021 (In US$) (Unaudited)	Head Office	Sonora Lithium Group	Zinnwald Lithium Plc	Consolidated
Current assets	131,152,391	-	-	131,152,391
Receivables from related parties	4,211,372	-	-	4,211,372
Investment in associate	-	-	9,789,569	9,789,569
Investment in joint venture	-	50,799,785	-	50,799,785
Total assets	135,363,763	50,799,785	9,789,569	195,953,117
Current liabilities	3,579,554	-	-	3,579,554
Accrued liabilities (non-current)	80,761	-	-	80,761
Borrowings (non-current)	26,968,304	-	-	26,968,304
Warrant liability (non-current)	1,452,796	-	-	1,452,796
Total liabilities	32,081,415	-	-	32,081,415

For the six months ended 30 June 2021 (In US$) (Unaudited)	Head Office	Sonora Lithium Group	Zinnwald Lithium Plc	Consolidated
General and administrative expense	(2,014,950)	(146,562)	-	(2,161,512)
Depreciation	-	(30,948)	-	(30,948)
Share-based payment expense	(190,068)	-	-	(190,068)
Foreign exchange gain/(loss)	(68,399)	4,812	-	(63,587)
Operating loss	(2,273,417)	(172,698)	-	(2,446,115)
Finance income	442,127	-	-	442,127
Finance costs	(2,419,738)	-	-	(2,419,738)
Share of profit in investment in associate	-	-	210,458	210,458
Share of loss in investment in joint venture	-	(355,978)	-	(355,978)
Gain on increase in net assets of associate	-	-	2,016,059	2,016,059
Gain on change in control of subsidiaries	31,920,796	-	-	31,920,796
Dividend income	-	4,169,666	-	4,169,666
Tax charge	-	(4,103)		(4,103)
Segment profit/(loss) after tax	27,669,768	3,636,887	2,226,517	33,533,172

31 December 2020 (In US$) (Audited)	Corporate entities	Mexican entities	Zinnwald Lithium Plc	Deutsche Lithium (Germany)	Consolidated
	Continued operation	Continued operation	Continued operation	Discontinued operation	
Current assets	39,209,166	2,074,318	-	-	2,074,318
Investment in associate	-	-	7,865,575	-	7,865,575
Property, plant and equipment	-	32,217,934	-	-	32,217,934
Exploration and evaluation assets	-	570,732	-	-	570,732
Total assets	39,209,166	34,862,984	7,865,575	-	42,728,559
Current liabilities	911,871	417,343	-	-	417,343
Borrowings	29,197,920	-	-	-	-
Warrant liability	1,549,576	-	-	-	-
Total liabilities	31,659,367	417,343	-	-	417,343
Property, plant and equipment additions	-	1,963,424		-	1,963,424
Exploration and evaluation asset additions	-	36,144		-	36,144

Six months ended 30 June 2020 (In US$) (Unaudited)	Corporate entities	Mexican entities	Deutsche Lithium (Germany)	Consolidated
	Continued operation	Continued operation	Discontinued operation	
General and administrative expense	(1,987,264)	(453,895)	-	(2,441,159)
Depreciation	-	(96,225)	-	(96,225)
Share-based payment expense	(217,641)	-	-	(217,641)
Foreign exchange gain/(loss)	9,189	(103,503)	-	(94,314)
Operating loss	(2,195,716)	(653,623)	-	(2,849,339)
Finance income	642,941	3,265	-	646,206
Finance costs	(2,512,028)	-	-	(2,512,028)
Loss on held for sale operations	-	-	(6,084,912)	(6,084,912)
Segment loss for the period	(4,064,803)	(650,358)	(6,084,912)	(10,800,073)

16 Related party disclosures

a) Related party transactions

The Group's related parties for the period ended 30 June 2021 include:

- joint venture: Sonora Lithium Ltd and its subsidiaries, together the "Sonora Lithium Group";
- associate: Zinnwald Lithium Plc;
- Ganfeng Lithium Co., Ltd. and
- the Group's key management personnel.

The following transactions took place between the Group and related parties (other than with key management personnel which have been disclosed separately):

		Six months ended 30 June 2021 Unaudited		Six months ended 30 June 2020 Unaudited	
Related party	**Type of transaction**	**Transaction amount**	**Balance receivable/(payable)**	Transaction amount	Balance receivable/(payable)
		US$	**US$**	US$	US$
Ganfeng Lithium Co., Ltd.	Share purchase - Sonora Lithium[1]	**30,428,986**	**-**	-	-
Ganfeng Lithium Co., Ltd.	Share purchase - pre-emption[2]	**33,916,800**	**-**	-	-
Sonora Lithium Ltd	Payable[3]	**8,339,332**	**-**	-	-
Sonora Lithium Ltd	Short term funding	**20,795**	**(20,795)**	-	-
Bacanora Chemco S.A. de C.V.	Project funding and interest	**318,673**	**3,472,466**	-	-
Bacanora Minerals Ltd	Project funding	**70,000**	**738,906**	-	-

[1]On 26 February 2021, Ganfeng completed its option to increase its stake in SLL from 22.5% to 50%. Consequently, Ganfeng subscribed for 73,955,680 new ordinary shares in SLL at 29.59 pence at a total value of £21.9 million (US$30.4 million). On completion of the transaction, a revised JVA came into force, whereby each party is responsible for their portion of Project capex. After review of the provisions of the revised JVA, which include the unanimous consent of both parties over certain relevant activities, management have assessed that the Company now has joint control over SLL and its subsidiaries, and therefore performed deconsolidation procedures. For further detail see note 7.

[2]On 21 May 2021, Ganfeng completed its pre-emption right exercise to increase its holding in the Company to 28.88%. Ganfeng subscribed for a total of 53,333,333 new ordinary shares at the placing price of 45 pence per share, representing gross proceeds £24.0 million (US$33.9 million).

[3] On 19 May 2021, SLL performed a US$8.3 million capital reduction. On the same day, the Company and SLL signed a deed of release relating to a payable balance totaling US$8.3 million. The release of the payable resulted in a deemed distribution of US$8.3 million, Bacanora's share has been credited against the Company's investment in joint venture to reflect the decrease in share of net assets of the Sonora Lithium Group. A gain of US$4.2 million, resulting from the receipt of Ganfeng's share of the distribution, has been recognised through the Statement of Comprehensive Income.

There were no transactions with Ganfeng in the comparative period of the six months ended 30 June 2020. Sonora Lithium Ltd, Bacanora Chemco S.A. de C.V. and Bacanora Minerals Ltd were subsidiaries of the Group during the comparative period therefore all intergroup transactions and outstanding balances were eliminated.

BACANORA lithium

b) Key management personnel compensation

During the six months ended 30 June 2021, key management personnel remuneration totalled US$861,343 (six months ended 30 June 2020: US$799,011). Of the total amount incurred, US$nil (30 June 2020: US$nil) remains in accounts payables and accrued liabilities at 30 June 2021.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel are considered to be the Directors of the Company and the CFO, their remuneration for the period is presented below:

In US$	**Six months ended 30 June 2021 Unaudited**				Six months ended 30 June 2020 Unaudited			
	Fees	**Gross Salary**	**Share-based payment remuneration**	**Total**	Fees	Gross Salary	Share-based payment remuneration	Total
Mark Hohnen	**-**	**166,887**	**29,363**	**196,250**	-	141,703	65,728	207,431
Jamie Strauss	**41,722**	**-**	**-**	**41,722**	37,644	-	-	37,644
Eileen Carr	**32,682**	**-**	**-**	**32,682**	29,469	-	6,148	35,617
Andres Antonius	**25,000**	**-**	**-**	**25,000**	25,000	-	-	25,000
Graeme Purdy[1]	**27,815**	**-**	**-**	**27,815**	10,140	-	-	10,140
Peter Secker	**-**	**239,900**	**37,977**	**277,877**	-	216,951	77,458	294,409
Janet Blas	**-**	**159,934**	**100,063**	**259,997**	-	144,538	44,232	188,770
Total Director's and management's remuneration	**127,219**	**566,721**	**167,403**	**861,343**	102,253	503,192	193,566	799,011

[1] Appointed - 20 April 2020

As at 30 June 2021, the following options were held by Directors of the Company:

	Date of grant	Exercise price (£)	Number of options
Mark Hohnen	28 October 2019	0.33	151,438
	02 October 2020	0.24	179,501
Eileen Carr	18 April 2018	0.90	312,500
Peter Secker	28 October 2019	0.33	205,800
	02 October 2020	0.24	215,488

As at 30 June 2021, the following restricted share units were held by Directors of the Company:

	Date of grant	Number of RSUs
Mark Hohnen	28 October 2019	204,970
	02 October 2020	97,811
Peter Secker	28 October 2019	278,546
	02 October 2020	117,420

17 Commitments

The Group has the following commitments:

- Approximately US$33,256 relating to the rental expense of the UK head office, payable within the next six months.

18 Subsequent events

On 24 August 2021, the Company provided an update on the litigation with the Estate of Colin Orr-Ewing (the "Estate") in regard to its challenge to the validity of the lithium royalty over the Sonora Lithium Project. As previously reported, in the Company's recent Annual Financial Statements to 31st December 2020, the Alberta Court held a hearing on 9 March 2021 to hear the Estate's application for Summary Trial on the grounds that the Company's action was time limitation barred. The Court has now issued its judgement that found in favour of the Estate. The Company intends to appeal this judgement on a point of law. The Company maintains that the royalty is invalid on the grounds of misrepresentation and a lack of consideration and intends to exhaust all legal avenues on behalf of all its shareholders to ensure that the Alberta Courts adjudicate fully on the merits of the case, rather than restricting their review to a technical time limitation defence. The Company has at all times taken a conservative approach to the treatment of the purported royalty and included it fully in the financial model for the Sonora Feasibility Study published in 2018, as well as all financial projections to investors and debt funding partners.

On 25 August 2021, Ganfeng and Bacanora announced a recommended firm offer for Bacanora. The full announcement of the recommended firm offer is available on the Company's website[73].

[73] https://polaris.brighterir.com/public/bacanora_lithium/news/rns/story/xj3evow