

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this Document, or the action you should take, you should seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 ("FSMA") if you are in the United Kingdom or, if not, from another appropriately authorised independent adviser who specialises in advising on the acquisition of shares and other securities. The Company and the Directors, details of which or whom appear on page 4 of this Document, accept responsibility both individually and collectively for the information contained in this Document. To the best of the knowledge and belief of the Company and the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application will be made for all of the issued and to be issued Common Shares to be admitted to trading on the AIM market of the London Stock Exchange ("AIM"). AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required, pursuant to the AIM Rules for Companies, to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this Document. The Common Shares are not admitted to trading on any recognised investment exchange and apart from the application for Admission, no such other applications have been or are intended to be made. The Directors expect that Admission will become effective and that dealings in the Common Shares will commence on AIM on 25 July 2014. This Document, which comprises an AIM admission Document, has been drawn up in accordance with the AIM Rules for Companies. This Document does not constitute an offer of transferable securities to the public within the meaning of section 102B of FSMA and is not required to be issued as a prospectus in accordance with the provisions of section 85 of FSMA and is not a Prospectus (as defined in the AIM Rules for Companies). Accordingly, this Document has not been prepared in accordance with the Prospectus Rules (as defined in the AIM Rules for Companies), nor has it been approved by the Financial Conduct Authority (the "FCA") pursuant to section 85 of FSMA and a copy has not been and will not be delivered to the FCA.



BACANORA MINERALS LTD.

(Incorporated and registered in Canada under the *Business Corporations Act* (Alberta), registered number 2014289082)

**Placing of 14,393,940 Placing Shares and 2,000,000 Vendor Placing Shares at a price of 33 pence per share
and**

Admission of the Common Shares to trading on AIM

Nominated Adviser



Cairn Financial Advisers LLP

Financial Adviser, Broker and Placing Agent



HD Capital Partners LLP

The attention of persons receiving a copy of this Document is drawn to the Risk Factors set out in Part II of this Document. The AIM Rules are less demanding than those of the Official List. No liability whatsoever is accepted by Cairn Financial Advisers LLP or HD Capital Partners LLP for the accuracy of any information or opinions contained in this Document, or for the omission of any material information, for which the Company and the Directors are solely responsible. The whole of the text of this Document should be read.

Cairn Financial Advisers LLP and HD Capital Partners LLP, which are authorised and regulated in the United Kingdom by the FCA and are members of the London Stock Exchange, are the Company's Nominated Adviser and Broker respectively in connection with the Admission for the purposes of the AIM Rules and are acting exclusively for the Company and no one else in connection with the matters described herein and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Cairn Financial Advisers LLP and HD Capital Partners LLP or for advising any other person in respect of the proposed Placing and Admission or any acquisition of shares in any company. The responsibilities of Cairn Financial Advisers LLP, as Nominated Adviser under the AIM Rules, are owed solely to the London Stock Exchange and are not owed to the Company or any Director or to any other person in respect of their decision to acquire Common Shares in reliance on any part of this Document. No person has been authorised to give any information or make any representations other than those contained in this Document and, if given or made, such information or representations must not be relied upon as having been so authorised. No representation or warranty, express or implied, is made by Cairn Financial Advisers LLP or HD Capital Partners LLP as to any of the contents of this Document. Neither Cairn Financial Advisers LLP nor HD Capital Partners LLP has authorised the contents of any part of this Document for any purpose and no liability whatsoever is accepted by Cairn Financial Advisers LLP or HD Capital Partners LLP for the accuracy of any information or opinions contained in this Document. Neither the delivery of this Document hereunder nor any subsequent subscription or sale made for Common Shares shall, under any circumstances, create any implication that the information contained in this Document is correct as of any time subsequent to the date of this Document.

Copies of this Document will be available free of charge during normal business hours on any weekday (except public holidays) at the offices of Cairn Financial Advisers LLP, 61 Cheapside, London EC2V 6AX from the date of this Document and shall remain available for a period of one month from Admission. Additionally, an electronic version of this Document will, from Admission on an ongoing basis, be available on the Company's website: www.bacanoraminerals.com.

An investment in the Company may not be suitable for all recipients of this Document. Any such investment is speculative and involves a high degree of risk. Prospective purchasers of Common Shares should carefully consider whether an investment in the Company is suitable for them in light of their circumstances and the financial resources available to them. Attention is drawn, in particular, to the Risk Factors set out in Part II of this Document.

OVERSEAS SHAREHOLDERS

This Document does not constitute an offer to sell, or a solicitation to buy, Common Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular, this Document is not, subject to certain exceptions, for distribution in or into the United States of America, Canada, Australia, the Republic of South Africa, Japan or the Republic of Ireland. The Common Shares have not been nor will be registered under the United States Securities Act of 1933, as amended, nor under the securities legislation of any state of the United States or any province or territory of Canada, Australia, the Republic of South Africa, Japan, the Republic of Ireland or in any country, territory or possession where to do so may contravene local securities laws or regulations. Accordingly, the Common Shares may not, subject to certain exceptions, be offered or sold directly or indirectly in or into the United States of America, Canada, Australia, the Republic of South Africa, Japan, the Republic of Ireland or to any national, citizen or resident of the United States of America, Canada, Australia, the Republic of South Africa, Japan or the Republic of Ireland. The distribution of this Document in certain jurisdictions may be restricted by law. No action has been taken by the Company or by Cairn Financial Advisers LLP or HD Capital Partners LLP that would permit a public offer of Common Shares or possession or distribution of this Document where action for that purpose is required. Persons into whose possession this Document comes should inform themselves about, and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Holding Common Shares may have implications for overseas Shareholders under the laws of the relevant overseas jurisdictions. Overseas Shareholders should inform themselves about and observe any applicable legal requirements. It is the responsibility of each overseas Shareholder to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction.

Canada

The issuance of the Placing Shares and sale of the Vendor Placing Shares will be exempt from the prospectus requirements of the securities legislation of the provinces and territories of Canada. The Placing Shares and Vendor Placing Shares have not been qualified for sale in the Province of Alberta, Canada, and may not be offered or sold in the Province of Alberta, Canada, directly or indirectly, on behalf of the Company.

This Document has been provided to you on the basis that you are at the time of the offer and sale of the Placing Shares and Vendor Placing Shares resident outside of the Province of Alberta, Canada and are acquiring the Placing Shares for investment purposes only, and not with a view to resale of the Placing Shares and Vendor Placing Shares to a person resident in the Province of Alberta, Canada for a period of four months and one day from the time of the offer and sale of the Placing Shares and Vendor Placing Shares. Persons who do not fall within the foregoing criteria should not rely on or act upon this Document. If you are uncertain whether or not you fall within the above categories, you should consult a professional adviser for advice.

FORWARD-LOOKING STATEMENTS

Certain statements in this Document are forward-looking statements. These forward-looking statements are not based on historical facts but rather on the Directors' expectations regarding the Company's future growth, results of operations, performance, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, planned exploration and development activity and the results of such activity, business prospects and opportunities. Such forward-looking statements reflect the Directors' current beliefs and assumptions and are based on information currently available to management. Forward-looking statements involve significant known and unknown risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including risks associated with vulnerability to general economic and business conditions, competition, environmental and other regulatory changes, the results of exploration and development drilling and related activities, actions by governmental authorities, the availability of capital markets, reliance on key personnel, uninsured and underinsured losses and other factors, many of which are beyond the control of the Company. These forward-looking statements are subject to, *inter alia*, the risk factors described in Part II of this Document. Although the forward-looking statements contained in this Document are based upon what the Directors believe to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements.

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Part I of this Document contains cross-references to information contained in the Competent Person's Report ("CPR") set out in Part III of this Document. The Company confirms that the information contained in Part I which has been extracted from the CPR has been accurately reproduced and that so far as the Company is aware and is able to ascertain from the CPR, no facts have been omitted which would render the extracts inaccurate or misleading. The Competent Person has reviewed the information contained in this Document which relates to information contained in the CPR and has confirmed in writing to the Company and Cairn and HD Capital that the information presented is accurate, balanced and complete and not inconsistent with the CPR.

PLACING STATISTICS

Placing Price (per share)	33 pence
Number of Existing Common Shares in issue before Admission	63,780,812
Number of Placing Shares being issued pursuant to the Placing	14,393,940
Number of Vendor Placing Shares being sold pursuant to the Placing	2,000,000
Number of Common Shares in issue following the Placing on Admission ⁽¹⁾	78,265,661
Placing Shares as a percentage of the Enlarged Share Capital	18.39 per cent.
Number of Common Shares under option or warrant following the Placing and Admission	10,115,082
Number of Common Shares on a fully diluted basis following the Placing and Admission ⁽²⁾	88,380,743
Gross proceeds of the Placing receivable by the Company	£4,750,000
Estimated cash proceeds of the Placing receivable by the Company (net of commissions and expenses)	£4,038,000
Market capitalisation of the Company on Admission at the Placing Price	£25,827,668
AIM symbol	BCN
TSX-V Symbol	BCN
ISIN	CA05634Q1054

Notes

- (1) This is the aggregate of the Existing Common Shares, the Adviser Shares and the Placing Shares.
(2) This is calculated on the basis that the Options, Existing Warrants and Adviser Warrants are exercised in full.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	2014
Publication of this Document	21 July
Admission and commencement of dealings on the London Stock Exchange	08:00 on 25 July
CREST accounts expected to be credited by	25 July

Note

All references to times in this timetable are to London times. The times and dates may be subject to change.

DIRECTORS, SECRETARY AND ADVISERS

Directors	Colin Ian Orr-Ewing (<i>Non-executive Chairman</i>) Martin Fernando Vidal Torres (<i>President & Director</i>) Shane Watson Shircliff (<i>CEO & Director</i>) Derek Batorowski (<i>CFO & Director</i>) Guy Redvers Walker (<i>Non-executive Director</i>) James Gerald Leahy (<i>Non-executive Director</i>)
Corporate Secretary	Paul Bolger
Registered Office	1250, 639 – 5th Avenue SW Calgary Alberta T2P 0M9 Canada
Website	www.bacanoraminerals.com
Financial Adviser, Broker and Placing Agent	HD Capital Partners LLP Aldermay House 10-15 Queen Street London EC4N 1TX United Kingdom
Nominated Adviser	Cairn Financial Advisers LLP 61 Cheapside London EC2V 6AX United Kingdom
Canadian Solicitors to the Company	Tingle Merrett LLP 1250, 639-5th Avenue S.W. Calgary Alberta T2P 0M9 Canada
English Solicitors to the Company	Fladgate LLP 16 Great Queen Street London WC2B 5DG United Kingdom
Mexican Solicitors to the Company	Melicoff & Asociados S.C. Dr. Paliza No. 59 Col. Centenario Hermosillo, Sonora C.P. 83100 Mexico
Solicitors to the Nominated Adviser and Broker	Trowers & Hamlins LLP 3 Bunhill Row London EC1Y 8YZ United Kingdom
Reporting Accountants to the Company	Crowe Clark Whitehill LLP St Bride's House 10 Salisbury Square London EC4Y 8EH United Kingdom

Auditor	BDO Canada LLP 630, 903-8th Avenue S.W. Calgary Alberta T2P 0P7 Canada
Competent Person	Amerlin Exploration Services Ltd 2150 – 1851 Savage Road Richmond B.C. V6V 1R1 Canada
Financial Public Relations	Buchanan Communications Ltd 107 Cheapside London EC2V 6DN United Kingdom
Canadian Registrars and Transfer Agent	Alliance Trust Company 1010, 407 – 2nd Street S.W. Calgary Alberta T2P 2Y3 Canada
UK Registrars and Transfer Agent	Capita Registrars (Guernsey) Limited Mont Crevelt House Bulver Avenue St Sampson GY2 4LH Guernsey
Depositary	Capita IRG Trustees Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU United Kingdom

DEFINITIONS

The following definitions apply throughout this Document unless the context otherwise requires:

“Act”	the Companies Act 2006 of the United Kingdom (as amended from time to time);
“Admission”	the admission of the entire share capital of the Company (including the Placing Shares) to trading on AIM and such admission becoming effective in accordance with the AIM Rules;
“Admission Document” or “Document”	this document;
“Adviser Shares”	90,909 Common Shares issued to the Broker, pursuant to the Placing Agreement;
“Adviser Warrants”	the warrants to subscribe for an aggregate of 781,748 Common Shares issued to Cairn and HD Capital, pursuant to a warrant instrument, details of which are set out in paragraph 14.4(e) of Part V of this Document;
“AIM”	the AIM Market operated by the London Stock Exchange;
“AIM Rules for Companies” or “AIM Rules”	the London Stock Exchange’s rules and guidance notes contained in its “AIM Rules for Companies” publication relating to companies whose securities are traded on AIM, as amended from time to time;
“AIM Rules for Nominated Advisers”	the London Stock Exchange’s rules and guidance notes contained in its “AIM Rules for Nominated Advisers” publication relating to the nominated advisers of companies whose securities are traded on AIM, as amended from time to time;
“Articles”	the amended and restated articles of incorporation of the Company for the time being, a summary of which is set out in paragraph 6 of Part V of this Document;
“ASX”	the Australian Securities Exchange Limited, that is Australia’s primary securities exchange;
“Audit Committee”	the audit committee of the Board comprising Guy Walker (chairman), James Leahy and Shane Shircliff;
“Bacanora Minerals” or the “Company”	Bacanora Minerals Ltd., a limited company registered in Alberta, Canada with registration number 2014289082;
“Board”	the board of Directors of the Company;
“Broker”	the broker to the Company for the purposes of the AIM Rules, being HD Capital;
“Business Corporations Act” or “BCA”	the <i>Business Corporations Act</i> (Alberta), as amended from time to time;
“BVI”	British Virgin Islands;
“By-laws”	the amended and restated by-laws of the Company for the time being, a summary of which is set out in paragraph 6 of Part V of this Document;
“Canadian Dollar”, “C\$” or “CAD”	Canadian dollars, the lawful currency of Canada;

“Cairn”	Cairn Financial Advisers LLP, the Company’s nominated adviser for the purposes of the AIM Rules;
“certificated” or “in certificated form”	a share or other security recorded on the relevant register of the share or security concerned as being held in certificated form and title to which may be transferred by means of a stock transfer form;
“City Code”	the City Code on Takeovers and Mergers issued by the Takeover Panel;
“Common Shares”	common shares with no par value in the capital of the Company;
“Competent Person” or “CP”	Amerlin Exploration Services Ltd, the competent person responsible for the information contained within the CPR in accordance with the AIM Rules;
“Competent Person’s Report” or “CPR”	the report prepared by the Competent Person, as set out in Part III of this Document;
“CREST”	the computerised settlement system to facilitate the transfer of title of shares or other securities in uncertificated form operated by Euroclear;
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), including any enactment or subordinate legislation which amends or supersedes those regulations and any applicable rules made under those regulations or any such enactment or subordinate legislation for the time being in force;
“Crowe Clark Whitehill”	Crowe Clark Whitehill LLP, the Company’s reporting accountants;
“Deed Poll”	the deed poll dated 1 July 2014 executed by the Depositary in relation to the issue of DIs by the Depositary, described in paragraph 19.1 of Part V of this Document;
“Depositary”	Capita IRG Trustees Limited;
“DIs” or “Depositary Interests”	uncertificated depositary interests issued by the Depositary and representing Common Shares in the Company, pursuant to the Deed Poll;
“Directors”	the directors of the Company whose names are set out on page 4 of this Document;
“Disclosure and Transparency Rules” or “DTRs”	the Disclosure and Transparency Rules (in accordance with section 73A (3) of FSMA) being the rules published by the FCA from time to time relating to the disclosure of information in respect of financial instruments which have been admitted to trading on a regulated market, or for which a request for admission to trading on such a market has been made;
“Enlarged Share Capital”	the enlarged share capital of the Company upon Admission, being 78,265,661 Common Shares, comprising the Existing Common Shares, the Adviser Shares and the Placing Shares;
“Euroclear”	Euroclear UK & Ireland Limited, a company incorporated in England and Wales with registration number 2878738;
“Existing Common Shares”	the 63,780,812 Common Shares in issue as at the date of this Document;

“Existing Warrants”	the 5,833,334 outstanding warrants to subscribe for Common Shares, details of which are set out in paragraph 5.7 of Part V of this document;
“Existing Shareholders”	the holders of Existing Common Shares;
“Federal Mining Ministry”	the Ministry (Secretariat) of Mining (Mexico);
“Financial Conduct Authority” or “FCA”	the United Kingdom Financial Conduct Authority;
“FSMA”	the Financial Services and Markets Act 2000 of the United Kingdom, as amended from time to time;
“Group”	the Company and its subsidiaries and subsidiary undertakings as at the date of Admission;
“Gross Proceeds”	£4,750,000, being the proceeds of the Placing for the Company before the deduction of expenses and commission;
“HD Capital”	HD Capital Partners LLP, the Company’s financial adviser, broker and placing agent;
“HMRC”	Her Majesty’s Revenue & Customs;
“Inspectorate”	Inspectorate Exploration & Mining Services Ltd, a subsidiary of Bureau Veritas, 67-71 Boulevard du Château, 92200 Neuilly-sur-Seine, France;
“ISIN”	International Security Identification Number;
“Lock-in Agreements”	the lock-in agreements described in paragraph 14.4(d) of Part V of this Document;
“London Stock Exchange”	London Stock Exchange plc;
“Magdalena Borate Project” or “Magdalena Basin Project”	the Company’s borate concession areas located near the town of Magdalena de Kino in Sonora State, Mexico comprising the six San Francisco concessions and the El Represso concession;
“Magdalena Basin”	an area of several borate zones near the town of Magdalena de Kino in Sonora State, Mexico;
“Megalit”	Minera Megalit S.A. de C.V., a company incorporated in Mexico with registered number 42244*7, currently 90 per cent. owned by the Company and 10 per cent. owned by REM Mexico;
“Mexilit”	Mexilit S. A. de C.V., a company incorporated in Mexico with registered number 41753*7, currently 70 per cent. owned (indirectly) by the Company and 30 per cent. owned by REM Mexico;
“Mineramex”	Mineramex Limited, a BVI incorporated company with registered number 687069, being a wholly-owned subsidiary of the Company;
“MIT”	Minerales Industriales Tubutama S.A de C.V., a company incorporated in Mexico with registered number 34289*7, being indirectly 60 per cent. owned by the Company;
“MSB”	Minera Sonora Borax S.A. de C.V., a company incorporated in Mexico with registered number 36668*7, being indirectly 99.9 per cent. owned by the Company;

“MSM”	Minera Santa Margarita S.A. de C.V. (a subsidiary of Rio Tinto);
“MXN”	Mexican pesos, the legal currency of Mexico;
“Net Proceeds”	£4,038,000 being the estimated proceeds of the Placing for the Company after the deduction of expenses and commissions;
“NI 43-101”	National Instrument 43-101 – <i>Standards of Disclosure for Mineral Projects</i> of the Canadian Securities Administrators;
“NI 58-101”	National Instrument 58-101 – <i>Disclosure of Corporate Governance Practices</i> , issued by the Canadian Securities Administrators, which prescribes effective corporate governance guidelines;
“NP 58-201”	National Policy 58-201 – <i>Corporate Governance Guidelines</i> issued by the Canadian Securities Administrators, which prescribes effective corporate governance guidelines;
“Official List”	the list maintained by the UKLA in accordance with section 74(1) of FSMA for the purposes of Part VI of FSMA;
“Options”	the options to subscribe for Common Shares pursuant to the Stock Option Plan, details of which are set out in paragraphs 5.6 and 11.2 of Part V of this Document;
“Pilot Plant”	the pilot processing plant of the Company in Hermosillo, Sonora, Mexico;
“Placees”	investors to whom Placing Shares are issued pursuant to the Placing Agreement;
“Placing”	the conditional placing by HD Capital on behalf of the Company of the Placing Shares and on behalf of the Vendors of the Vendor Placing Shares, in each case at the Placing Price pursuant to the Placing Agreement;
“Placing Agreement”	the conditional placing agreement dated 21 July 2014 between the Company, the Directors, Cairn, HD Capital and the Vendors relating to the Placing and Vendor Placing, details of which are set out at paragraph 14.4(c) of Part V of this Document;
“Placing Price”	33 pence per Placing Share;
“Placing Shares”	14,393,940 new Common Shares to be issued to the Placees at the Placing Price pursuant to the Placing;
“Rare Earth Minerals” or “REM”	Rare Earth Minerals plc, a company incorporated in England and Wales with the registration number 05234262, whose shares are admitted to trading on AIM, and its subsidiary undertakings, including REM Mexico;
“REM Mexico”	REM Mexico Ltd, a company incorporated in England at Wales with registered number 8022329, a wholly-owned subsidiary of REM;
“REM Agreement 1”	the agreement between Bacanora Minerals, MSB, Mexilit, REM and REM Mexico Ltd dated 22 May 2013, as amended by an addendum thereto dated 24 June 2014 (concerning the El Sauz, El Sauz 1, El Sauz 2, Fleur and Fleur 1 concessions and the terms of the REM Agreement Stage 3 Option (as defined in paragraphs 14.3(c) of Part V of this Document)), further details of which are set out in paragraph 14.3(a) of Part V of this Document;

“REM Agreement 2”	the agreement between Bacanora Minerals, MSB, Megalit, REM, and REM Mexico Limited dated 12 March 2014 concerning the San Gabriel, Buenavista and Megalit concessions, further details of which are set out in paragraph 14.3(b) of Part V of this Document;
“Registrar”	Capita Registrars (Guernsey) Limited;
“Remuneration Committee”	the remuneration committee of the Board comprised of James Leahy (chairman), Guy Walker and Derek Batorowski;
“Rio Tinto”	Rio Tinto plc, a company whose shares are admitted to the Official List;
“Shareholders”	the persons who are registered as holders of the Common Shares from time to time;
“Sonora Lithium Project”	the geological exploration and business development of the La Ventana, La Ventana 1, El Sauz, El Sauz 1, El Sauz 2, Fleur, Fleur 1, San Gabriel, Buenavista and Megalit concessions;
“Sterling” or “£” or “GBP”	the legal currency of the UK;
“Stock Option Plan”	the stock option plan established by the Company, a summary of which is set out in paragraph 12 of Part V of this Document;
“subsidiary” and “subsidiary undertaking”	have the meanings given to them by the Act;
“Takeover Panel”	the Panel on Takeovers and Mergers which administers the City Code;
“TSX”	the Toronto Stock Exchange;
“TSX-V”	the TSX Venture Exchange, on which the Existing Common Shares are currently listed for trading;
“TSX-V Rules”	the rules and policies, appendices and forms of TSX-V as set forth in the TSX-V Corporate Finance Manual, as amended from time to time;
“Tubutama Borax”	Tubutama Borax plc;
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland;
“UKLA”	the United Kingdom Listing Authority, being the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA;
“US” or “United States” or “USA”	the United States of America, its territories and possessions, any states of the United States of America and the District of Columbia and all other areas subject to its jurisdiction;
“US Dollar”, “US\$” or “\$US”	the legal currency of the United States;
“U.S. Borax”	U.S. Borax Inc., a subsidiary of Rio Tinto;
“uncertificated” or “in uncertificated form”	a share or other security recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which may be transferred by means of CREST;

“Vendors”	those Shareholders selling Common Shares in the Vendor Placing, being Colin Orr-Ewing and parties associated with him;
“Vendor Placing”	the conditional placing of the Vendor Placing Shares; and
“Vendor Placing Shares”	2,000,000 Existing Common Shares, in aggregate, to be sold by the Vendors to the Placees at the Placing Price pursuant to the Placing.

The exchange rate used in this document for Canadian Dollars to Sterling is 1.832, being the exchange rate on 18 July 2014.

GLOSSARY OF TECHNICAL TERMS AND MEASUREMENTS

The following table provides an explanation of certain technical terms and abbreviations used in this Document. The terms and their assigned meanings may not correspond to standard industry meanings or usage of these terms.

“Approved for Title”	refers to the status of an application for the grant of a concession, as described in paragraph 7 of Part I of this Document;
“B ₂ O ₃ ”	boron trioxide one of the oxides of boron;
“borate”	refers generically to boron bearing minerals, both sodium and calcium borate;
“borax”	a boron compound, otherwise known as sodium borate, sodium tetraborate, or disodium tetraborate, from which boric acid can be prepared;
“boric acid”	an acidic boron compound with the formula H ₃ BO ₃ which is usually found in a crystalline form;
“boron”	a metalloid element that is not found in its pure form on earth but rather in naturally occurring compounds, which are commonly known as borates;
“CIM”	the CIM Definition standards for Mineral Resources and Mineral Reserves which is prepared by the CIM Standing Committee incorporated into NI 43-101;
“colemanite”	a boron mineral with the formula Ca ₂ B ₆ O ₁₁ ·5H ₂ O which is formed by diagenesis and the alteration of other borate minerals;
“Ha”	hectare, the metric unit of area;
“hectorite”	a rare soft, greasy, white clay mineral with a chemical formula of Na _{0.3} (Mg,Li) ₃ Si ₄ O ₁₀ (OH) ₂ ;
“IRR”	internal rate of return;
“kernite”	is a hydrated sodium borate hydroxide mineral with formula Na ₂ B ₄ O ₆ (OH) ₂ ·3(H ₂ O);
“LCE”	the total equivalent amount of lithium carbonate (see explanation below entitled “Explanation of Lithium Classification”);
“Indicated Resource” or “Indicated Mineral Resource”	a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed;
“Inferred Resource”	an inferred mineral resource is that part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonable assumed, but not verified, geological and grade continuity. The

estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes;

“Mt”	millions of tonnes;
“pegmatite”	an igneous rock composed of interlocking crystals usually larger than 2.5 cm in size;
“ppm”	parts per million;
“spodumene”	a mineral that occurs in lithium-rich granite pegmatites;
“ulexite”	a boron mineral compound with the formula $\text{NaCaB}_5\text{O}_6(\text{OH})_6 \cdot 5(\text{H}_2\text{O})$ which is a hydrous sodium and calcium borate;
“Unit A”, “Unit B” and “Unit C”	Borate mineralised beds at the Cajon deposit in the Magdalena basin; and
“XRD”	X-ray diffraction, a process used for determining the atomic and molecular structure of matter to identify mineral species and compounds.

Explanation of Lithium Classification

- Lithium grades are usually presented in percentage, parts per million (ppm), lithium oxide (Li_2O) content or Lithium (Li) content. Brine lithium content may also be defined in milligrams per litre (mg/L).
- Lithium carbonate is represented by the formula Li_2CO_3 .
- Lithium carbonate equivalent (“LCE”) is the total equivalent amount of lithium carbonate, assuming the lithium content in the deposit or a product such as spodumene concentrate (usually with ~6 per cent. lithium oxide content) is converted to lithium carbonate, using the conversion rates in the table included further below.
- Lithium resources and reserves are usually presented in tonnes of LCE or Li.
- LCE or Li amounts usually assume 100 per cent. recovery, particularly for resources and reserves.
- Example: if a company has 12 million tonnes of resources at 1.5 per cent. Li grade, total contained resources are $12,000,000 \times 1.5$ per cent. = 180,000 tonnes Li. To convert to LCE: $180,000 \text{ Li} \times 5.324 = 958,320$ tonnes of LCE.

<i>To Convert</i>	<i>To Li</i>	<i>To LiOH</i>	<i>To LiOH-H2O</i>	<i>To Li₂O</i>	<i>To Li₂CO₃</i>	<i>To LiAlSi₂O₆</i>
Li	1.000	3.448	6.061	2.153	5.324	26.455
LiOH	0.290	1.000	1.751	0.624	1.543	7.770
LiOH-H ₂ O	0.165	0.571	1.000	0.356	0.880	4.435
Li ₂ O	0.465	1.603	2.809	1.000	2.476	12.500
Li ₂ CO ₃	0.188	0.648	1.136	0.404	1.000	5.025
LiAlSi ₂ O ₆	0.038	0.129	0.225	0.080	0.199	1.000

HISTORIC EXCHANGE RATES

The following historic exchange rates are included for reference only:

	<i>As at</i> <i>31/12/2013</i>	<i>As at</i> <i>18/07/2014</i>
GBP : CAD	1.762	1.832
GBP : USD	1.657	1.707
GBP : MXN	21.711	22.123
USD : CAD	1.063	1.075
USD : MXN	13.100	12.990

Source: XE.com

PART I

INFORMATION ON THE GROUP

1 Introduction

Bacanora Minerals was incorporated in Alberta, Canada in September 2008. In April 2010, concurrent with the completion of the acquisition of Mineramex, the Company was listed on the TSX-V as a Tier 2 issuer and trading of the Company's Common Shares began under the ticker (symbol) BCN.

The Company explores and develops industrial mineral projects, with a primary focus on borates and lithium. The Company's operations are based in Hermosillo in northern Mexico and the Company currently has two significant projects under development in the State of Sonora, one being a borate project and the other a lithium project.

The Company is seeking Admission to AIM and to raise up to £4.75 million before expenses for the Company. Details of the proposed use of funds are outlined in paragraph 16 of Part I of this Document. In addition, it is proposed that, as part of the Placing, the Vendors will sell, in aggregate, 2,000,000 Existing Common Shares at the Placing Price.

The Common Shares are currently listed on the TSX-V, and will continue to be listed and traded on the TSX-V following Admission.

The two main assets of Bacanora Minerals are:

- The Magdalena Borate Project in Sonora State, Mexico, where the Company's main borate zone, El Cajon, has a NI 43-101 compliant Indicated Resource of 1.17 Mt of B₂O₃, at an 8 per cent. cut-off grade. The Company has completed a number of measures to determine the geological and commercial potential of the project and is undertaking a pre-feasibility exercise to determine the economic benefit of developing the mine and constructing a processing plant on site in order to become a supplier of boric acid; and
- The Sonora Lithium Project, which covers ten mining concession areas in North East Sonora State. Five of the concessions have been granted by the Federal Mining Ministry, and the remaining five areas are the subject of applications that have been made by the Company and are Approved for Title. The Company, through drilling work to date, has established a NI 43-101 compliant Indicated Resource of 2.68 Mt of LCE at a 2,000 ppm cut-off grade attributable to Bacanora Minerals. With the additional drilling and other assessment work that is required, the Directors believe that the Company is well placed to increase the lithium resources of the Company and to establish the potential economic benefit of developing the mining area.

The Company has also constructed the Pilot Plant in Hermosillo, Sonora State, Mexico in order to conduct detailed metallurgy on core samples and run process tests to establish the optimum ore processing methods for both the Magdalena Borate Project and the Sonora Lithium Project.

2 History and Background

The Company acquired Mineramex in April 2010, whose sole assets consist of 99.9 per cent. of the issued and outstanding shares of MSB and 60 per cent. of the issued and outstanding shares of MIT. MSB and MIT are two Mexican corporations that hold certain exploration and development stage borate and other mining concessions in the Magdalena and Tubutama regions in the northern Sonora State of Mexico. These claims are located approximately 180 km north of the city of Hermosillo, in Sonora State, Mexico, and are about 80 km south of the border with Arizona, USA.



Figure 1: Location of Bacanora Minerals' Mineral Concessions. Source: CPR – Figure 1

In August 2010, the Company acquired four mining concessions in the Sonora State of Mexico, comprising the La Ventana, San Gabriel, El Sauz and Buenavista concessions. These concessions are located approximately 190 km northeast of Hermosillo in Sonora State, Mexico and about 200 km southeast from the Magdalena Basin. The Company applied to the Federal Mining Ministry for additional concessions in 2013 in order to significantly increase the overall project area.

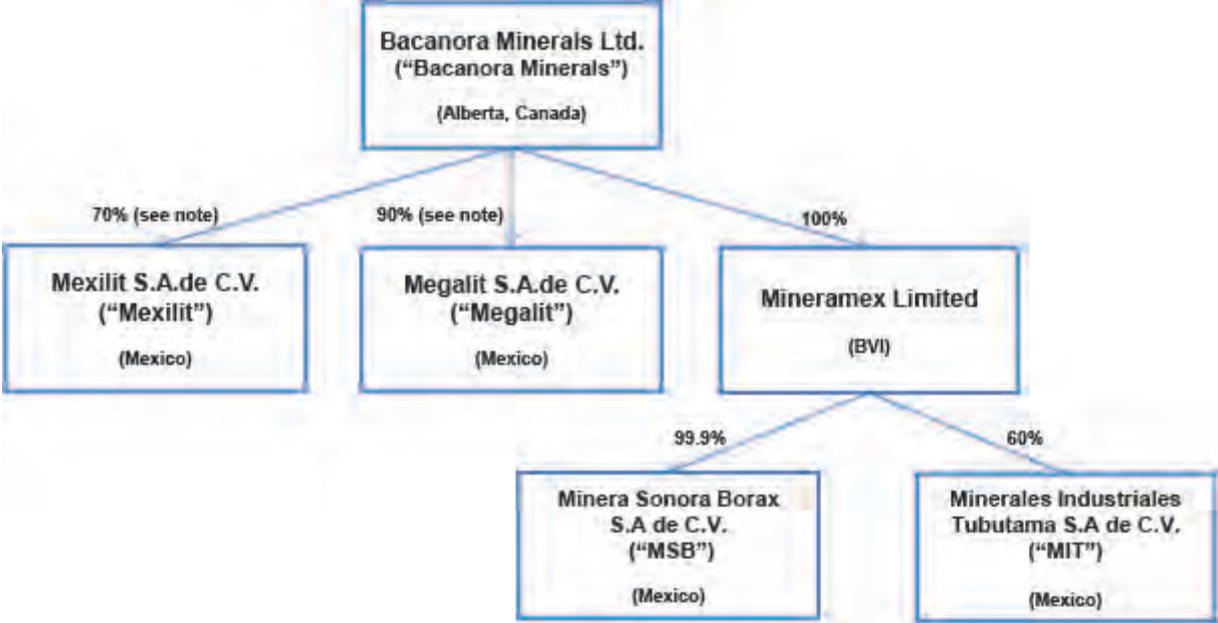
The Company has undertaken further exploration activity and testing in order to increase the Company's knowledge of its concessions and establish the potential economic viability of developing its projects. These developments of the Company are explained further in this Document but are summarised as follows:

- Executing a series of exploration programmes on the Company's concessions, including drilling, sampling and mapping of geological information aimed at better determining the size, mineralogy and grades of the Company's concessions;
- Commissioning a number of independent expert reports to provide a third party assessment and validation of the Company's concessions and resource declarations compliant with applicable regulatory requirements and standards;
- Raising the necessary financial resources to provide the funding for the Company's working capital and initial exploration requirements;
- Planning, building and commissioning the Pilot Plant to enable the Company to perform testing of excavated ore and develop the optimum full scale production process methodology to upgrade and refine excavated materials from within the Company's concession areas operating the Pilot Plant to do so;
- Performing testing of excavated ore as well as refined materials to help improve the efficiency of the Company's upgrading process; and
- Entering into the REM Agreement 1 and REM Agreement 2 with REM as an additional source of funding for the further drilling and project evaluation of certain concessions within the Company's Sonora Lithium Project.

To date, approximately C\$11.5 million has been invested by the Company on exploration activities and the construction, commissioning and operation of the Pilot Plant.

3 Group Structure

The following is a diagram of the Company’s Group structure as at the date of this Document:



Note: As more fully described in this Document:

- REM (through REM Mexico) owns 30 per cent. of Mexilit under the terms of REM Agreement 1.
- REM (through REM Mexico) owns 10 per cent. of Megalit, and has provided notice of exercise of its option to acquire up to 30 per cent. under the terms of REM Agreement 2. REM has until 23 November 2014 to deliver US\$1 million in order to earn this interest.
- Under the terms of REM Agreement 1 and REM Agreement 2, REM has the conditional right to negotiate to acquire up to 49.9 per cent. of Megalit and Mexilit.
- Immediately following Admission and completion of the Placing, REM will own 9.11 per cent. of the Enlarged Share Capital.

Figure 2: The Group Structure of Bacanora Minerals

The Company’s Magdalena Borate Project concessions are wholly-owned by MSB, a subsidiary undertaking of the Company. The Company also has six mining concessions at Tubutama, located 65 km northwest of Magdalena, which are owned by MIT, in which the Company has a 60 per cent. interest.

The Company’s Sonora Lithium Project concessions are owned by the Company’s subsidiary undertakings Mexilit, Megalit and MSB. As at the date of this Document, the Sonora Lithium Project consists of ten concessions, two of which (La Ventana and La Ventana 1) are 100 per cent. owned by MSB. Another five concessions (El Sauz, El Sauz 1, El Sauz 2, Fleur and Fleur 1) form the concessions under REM Agreement 1, pursuant to which REM currently has a 30 per cent. interest in Mexilit (with Bacanora Minerals holding the remaining 70 per cent.). Lastly, three concessions (San Gabriel, Buenavista and Megalit) form the concessions under REM Agreement 2, pursuant to which REM currently has a 10 per cent. interest in Megalit (with Bacanora Minerals holding the remaining 90 per cent.).

The terms and conditions of the REM Agreement 1 and the REM Agreement 2 are set out in more detail below in this Part I and in paragraphs 14.3(a) and 14.3(b) of Part V of this Document.

4 Royalty Agreements

In return for Mr. Colin Orr-Ewing, a Director of the Company, providing financial support to the Company and its subsidiaries in its earliest stages of development, in 2008 and 2010, the Company (or wholly-owned subsidiaries thereof) entered into royalty agreements with Mr. Orr-Ewing. As a result, sales of products from the Company's lithium and borate assets are subject to a 3 per cent. gross overriding royalty payable to Mr. Orr-Ewing. In addition, sales of products from the Company's San Francisco concessions in the Magdalena basin are also subject to a 3 per cent. gross overriding royalty payment to MSM, a subsidiary of Rio Tinto. Further information on the Company's royalty agreements is set out in paragraph 14.2 of Part V of this Document.

5 The Magdalena Borate Project

Background

North American exploration efforts for borates since the discovery of world-class borate deposits near Death Valley, California in the 1870s have concentrated on the regions of south western USA and north western Mexico for analogous geological environments. In the 1960s, U.S. Borax, a subsidiary of Rio Tinto and the operator of the largest borate mines in the USA, commenced exploration in northern Mexico. This resulted in the successful discovery of borate mineralisation near the town of Magdalena de Kino in Sonora State, Mexico. Exploration efforts continued by U.S. Borax in this region until 2006, resulting in the identification of several borate zones within what has become known as the Magdalena Basin.

This exploration process was successful in identifying numerous borate targets in the Magdalena Basin and several pilot plant metallurgy studies were completed by U.S. Borax. As all of the exploration up to 2006 in the vicinity of the Magdalena Borate Project area was undertaken by U.S. Borax (including its subsidiaries, or via joint venture agreements), the integrity of geological knowledge was recorded and the geological understanding of the region evolved over time via its exploration programmes. In 2002, U.S. Borax staked the San Francisco concessions that now comprise the concessions in the Magdalena Basin that were acquired by Bacanora Minerals in April 2010.

Following the acquisition of its concessions within the Magdalena Basin, the Company has further developed its understanding of the economic potential of the development of borates within the Magdalena Borate Project concessions. Bacanora Minerals has conducted an exploration programme and appointed third party consultants to determine not only the economic merits of the development and commercialisation of its concessions, but also to provide an assessment of the size and grade of the borates within its concessions to the applicable regulatory standards.

Company's Concessions in the Magdalena Basin

The Company's concessions in the Magdalena Basin consist of seven individual concessions held by Bacanora Minerals's Mexican subsidiary, MSB. The property totals 16,503 Ha in area. The concessions are located approximately 180 km north of the city of Hermosillo, in Sonora State, Mexico, and are about 80 km south of the border with Arizona, USA. Importantly, the concessions are close to local infrastructure, with electricity, roads, water and rail available via the local town of Magdalena de Kino (see the local map at Figure 3). Within the Company's concessions, three main borate zones have been identified to date, namely: El Cajon, Bellota and Pozo Nuevo. The concessions of Bacanora Minerals are set out in Table 1 below.

<i>Concession Name</i>	<i>Title#</i>	<i>Record Date</i>	<i>Expiry Date</i>	<i>Area (Ha)</i>
San Francisco No. 1	226246	08/13/2002	08/12/2052	2,303
San Francisco No. 2	217948	09/18/2002	09/17/2052	583
San Francisco No. 3	226249	09/18/2002	09/17/2052	351
San Francisco No. 5	220721	09/30/2003	09/29/2053	1,500
San Francisco Fraccion 1	226247	05/17/2002	05/16/2052	2,344
San Francisco Fraccion 2	226248	05/17/2002	05/16/2052	4,980
El Represo	229363	04/12/2007	04/11/2057	4,442

Table 1: The Concession Status for the Magdalena Basin Project

Of the main borate zones identified to date, El Cajon is the most advanced in its development. The Cajon deposit is located inside the San Francisco 2 and San Francisco Fraccion 2 concessions, with a possible extension to the south of Cajon into the San Francisco 1 concession. There is also a concession that belongs to another company, Unimin Corporation, one of North America's leading producers of non-metallic industrial minerals, located to the north of Cajon. There is local mining activity at the Yeso Gypsum mine, a privately-owned mine on a separate lease within the boundaries of the Bacanora Minerals's concessions, which supplies 10,000 tonnes of material per month to cement plants located near to Hermosillo.

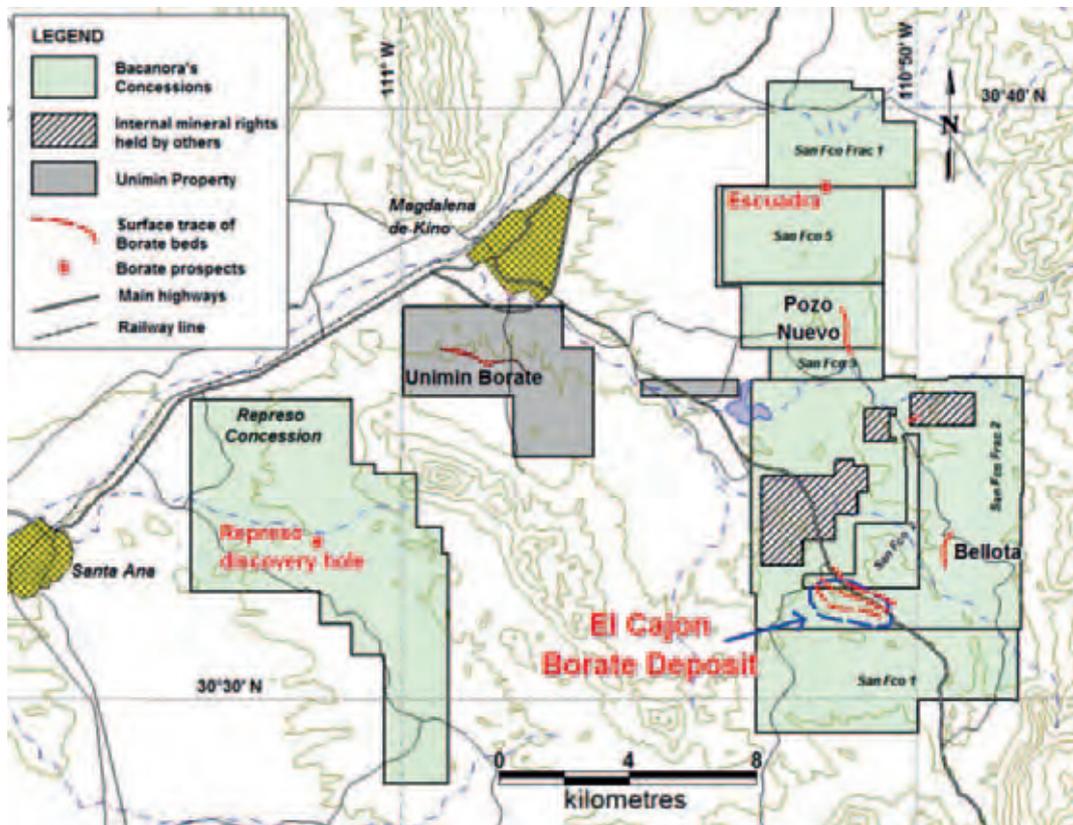


Figure 3: Map of Bacanora Minerals' Concessions. Source: CPR – Figure 2

Land Access to the concessions of the Magdalena Borate Project

Access rights to the concessions of the Company have yet to be obtained by Bacanora Minerals via localised agreements with local landowners and at present, informal arrangements have been agreed allowing exploration, drilling and sampling to take place. However, the Mexican authorities, when granting a mining concession, grant the concession holder the rights to apply for expropriation, temporary occupation or easement rights, if needed, to carry out exploration or exploitation works. Mining concessionaires have no obligation to pay government fees for land access.

Exploration Programme

The Company undertook a diamond drilling programme in 2010 within the El Cajon zone, furthering the Company's understanding of the mineralogy from the data provided by exploration previously undertaken by U.S. Borax. As part of this programme, a total of 18 core holes were drilled in order to provide in-fill data between holes previously drilled by U.S. Borax. In 2011, a further 30 core holes were drilled at El Cajon and in 2012 a further 14 core holes were completed. Further details and the results of Bacanora Minerals's drilling are found in the section 9.1 of the CPR set out in Part III of this Document.

El Cajon Mineral Resource and Estimates

There are three separate colemanite horizons (Units: A, B and C) within the gently southwest-dipping sediments that underlie the area of El Cajon. The drilling performed to date has allowed an Indicated Resource of borate of 11 Mt at an 8 per cent. cut-off grade averaging 10.6 per cent. B₂O₃ or 1.17 Mt of

B₂O₃ to be estimated for El Cajon under CIM resource-reserve criteria. The estimate includes Indicated Resources, using a cut off of 8.0 per cent. B₂O₃, for Unit A of 7.49 Mt averaging 10.81 per cent. B₂O₃, 0.8 Mt averaging 9.0 per cent. B₂O₃ for Unit B and 2.76 Mt averaging 10.5 per cent. B₂O₃ for Unit C. The average thickness for each bed making up the three units ranges from 4.2 to 9.8 metres. Further details are set out in section 1.2 of the CPR set out in Part III of this Document. Investors are cautioned that the resource estimate does not mean or imply that an economic borate deposit exists on the Magdalena borate concessions. Further testing will need to be undertaken to confirm economic feasibility.

A table of the thickness and grade characteristics of the El Cajon Borate deposit is found below:

Borate Indicated Resources, El Cajon Deposit

Unit	Cut-off B ₂ O ₃ %	Tonnage (millions)	Grade B ₂ O ₃ %	Tonnes B ₂ O ₃
A	6	23.89	8.0	1,910,000
	8	7.49	10.8	808,000
	10	3.45	13.2	455,000
B	6	5.36	7.0	375,000
	8	0.81	9.0	72,000
	10	0.10	10.8	11,000
C	6	7.02	8.2	581,000
	8	2.76	10.5	290,000
	10	1.41	12.1	171,000
Total: A, B & C	8	11.06	10.6	1,170,000

Table 2: Borate Indicated Resources, El Cajon Deposit. Source: CPR – Table 2

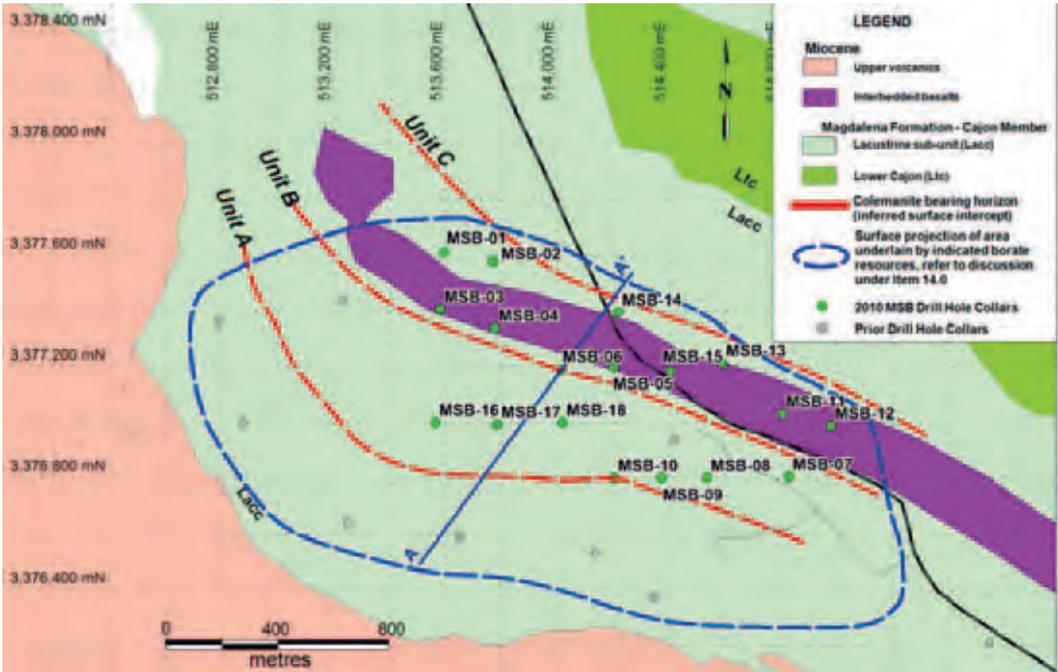


Figure 4: Drill Hole Location Plan, El Cajon. Source: CPR – Figure 19

An illustration of a geological cross section through the El Cajon borate deposit can be found below:

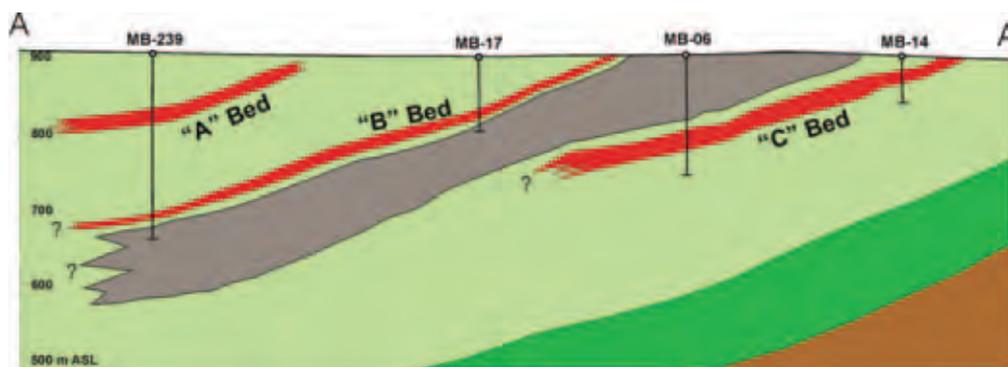


Figure 5: Geological Cross Section through the El Cajon Deposit. Source: CPR – Figure 20

As set out in section 1.2 of the CPR in Part III of this Document, initial metallurgical test work has indicated that a colemanite concentrate grading between 38 per cent. and 42 per cent. B_2O_3 can be produced from an average feed of 10.5 per cent. B_2O_3 from El Cajon using a combination of scrubbing, de-sliming and flotation. The Company has constructed the Pilot Plant in order to conduct detailed metallurgy and improve the borate content of the colemanite concentrate, as well as to finalise a full scale production flow sheet and to produce colemanite concentrates for test marketing. In addition, the Company has recently added a boric acid line to the Pilot Plant.

Economic Assessment in January 2013

A preliminary economic assessment, based on colemanite production scenarios for El Cajon, was concluded in 2013. This analysis was based upon the concept of a potential colemanite mine and associated production facility. The assessment's key assumptions included a mining rate of 231,100 tonnes averaging 10.5 per cent. B_2O_3 per annum, a yield of 50,000 tonnes of between 40 and 42 per cent. colemanite concentrate per annum and a mine life of over 25 years. The assessment predicted annual revenues of US\$25 million for an IRR of 24.8 per cent. with a four year pay back. Capital costs were estimated at US\$7.25 million and average operating costs at US\$170 per tonne. The net present value of the project, discounted at 8 per cent., was estimated at US\$113 million, assuming an average colemanite concentrate price of US\$500 per tonne. The preliminary economic assessment is preliminary in nature as it includes mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorised as mineral reserves, and there is no certainty that the preliminary assessment will be realised. Readers are cautioned that actual results, should they be realised, may vary from those presented. Further testing will need to be undertaken to confirm economic feasibility of the Magdalena Borate Project. The analysis is set out in table 37 in section 22.1 of the CPR in Part III of this Document.

It should be noted that the above referenced preliminary economic assessment was completed in January 2013 and is subject to certain assumptions concerning commodity prices, cash flow forecasts, project capital and operating costs, commodity recoveries, mine life and production rates that were considered reasonable by the author of thereof at that time. It is also notable that the foregoing preliminary economic assessment contemplated the production of colemanite, rather than boric acid. The preliminary economic assessment has not been updated and some of the assumptions, if made today, may change.

Recent Developments

Subsequent to the date of the preliminary economic assessment report, described above, the Company has been developing techniques for improving the borate content of the colemanite concentrate produced from the Pilot Plant. The Directors believe that boric acid production would be a more effective use of lower grade borate mineralisation located at surface and as a result added a boric acid line to the Pilot Plant.

In April 2014, the Company announced that it had successfully produced material grading 99 per cent. boric acid from the Pilot Plant on samples taken during bulk sampling of the borate-bearing Unit A at the El Cajon borate deposit. The Directors believe this to be a significant development for the Company. The purity of the boric acid was confirmed by Inspectorate based on XRD data obtained from samples that Inspectorate submitted to the Department of Earth & Ocean Sciences at the University of British Columbia.



Figure 6: The Open Pit at El Cajon, Magdalena. Source: Bacanora Minerals

Strategic Plans

The Company is looking to further develop its plans to maximise the potential from its Magdalena Borate Project concessions. Having been able to produce a high purity boric acid of a grade of 99 per cent., the Directors are looking to gauge the demand from potential customers of boric acid from the El Cajon deposit, as well as the associated anticipated pricing of the product. The Directors believe that the potential for Bacanora Minerals to produce boric acid from the materials excavated from its concessions looks very promising, although further work will be required to establish the economic viability of the project.

The Company is therefore continuing to develop its plans for commercial production of boric acid, which involves a pre-feasibility stage assessment and the commissioning of engineering design work for a full scale commercial boric acid plant, which would initially produce up to 25,000 tonnes per annum. In conjunction with this work, the Company will be updating its mine plan and reviewing necessary capital and operating cost data for a pre-feasibility report.

In addition, the Company is looking to determine the potential viability for a second commercial product to be produced from the clays excavated from El Cajon in conjunction with Grinding Solutions Ltd, a UK based mineral processing company, in order to formulate a process for the production of a marketable drilling mud product.

The Directors believe that the proceeds of the Placing will enable the Company to produce a pre-feasibility report to confirm the economic feasibility of the El Cajon borate deposit and to assist the Directors in determining the most appropriate way to develop the project further.

In summary, it is the strategy of the Directors to complete a thorough assessment over the next several months of the economic viability of producing boric acid at a commercial grade and scale as an industrial product for potential customers. The Directors anticipate that the pre-feasibility report will be available by late 2014 or early 2015.

Tubutama Basin Project

The Tubutama Basin Project consists of six concessions covering 1,661 Ha, 65 km northwest of Magdalena de Kino, Sonora. The project is borate-focused, although there is potential for development of gypsum resources on the ground. Work on the concessions has located low grade borate mineralisation (5.1 per cent. to 8.7 per cent. B₂O₃ from drilling). The low grade borates represent a potential future resource for boric acid. At this time, however, Bacanora Minerals has no plans for further work on this concession and it is not considered to be a material asset to the Company.

6 Background on the Borate Market

The primary source of both boron and borates is from the mining of colemanite, ulexite, and kernite. Only certain deposits have historically been mined economically, with the most significant mines located in arid regions of Turkey and the USA.

Borax is a boron compound, otherwise known as sodium borate, sodium tetraborate, or disodium tetraborate, from which boric acid can be prepared. Colemanite is the most widely recognised calcium boron mineral, with associated other industrial products such as boric acid derived from it.

Borate Market Trends

Most of the production of borates in China, Russia and the US is not traded internationally. Global consumption is thought to be approx. 3.9 Mt per annum, but the volume of internationally traded borax was lower at approx. 2.7 Mt in 2013.

Most of the growth in global boron consumption has come from Asia, which consumes 48 per cent. of the world's borates. Borates have been used to grow crops for many years and are used to improve yields and quality where there are deficiencies in soil nutrients. Given the usages of borates in the construction and glass industries, it is anticipated that a growing world population, an expanding middle class and increase in urbanisation is expected to lead to a rise in demand for boron and its associated compounds. There is also expected to be an increase in demand for borates used in the global fibreglass industry, which is currently growing at a rate of 7 per cent. per annum, spurred by a 19 per cent. growth in Chinese consumption from the construction industry.

Consumption of borates is expected to continue increasing in the future, spurred by demand in the emerging market for agricultural, ceramic, and glass products. World consumption of B_2O_3 is projected to reach 2.0 Mt of B_2O_3 by the end of this year, compared with 1.5 Mt of B_2O_3 in 2010.

The price of boron compounds peaked in 2011 due to a sudden increase in demand for boric acid, a consequence of the Fukushima nuclear disaster where boric acid was used to aid in the clean-up and containment process. As a direct result of this disaster, nuclear plants have carried out safety reviews and some have begun to use a layer of boron steel to protect the reactor core which has driven demand for boric acid. This, coupled with other unrelated supply constraints, has resulted in higher prices and expanded production. Industrial Minerals recorded an annual change in the value of colemanite from May 2011 to May 2012 from US\$478 to US\$730 per tonne (Latin American, 40 per cent. B_2O_3 FOB Buenos Aires) and from US\$657 to US\$979 per tonne (Decahydrate Borax, Latin American, FOB Buenos Aires) during a similar period.

Other growing uses for boron include in oilfield applications, where it is added to other chemicals as well as proppants, a solid material, typically treated sand or man-made ceramic materials, designed to keep an induced hydraulic fracture open, during or following a fracturing treatment. In addition, the production of boro-silicate glass and displays for electrical devices is also expected to represent a potential growth market.

Borate Market Participants

Eti Maden, part of a Turkish state-owned corporation, and Rio Tinto are the world's largest producers of borates and have dominated the global market for a number years.

Eti Maden was founded in 1935 and claims to hold the largest boron deposit in the world. Eti Maden was established by the Turkish government to make the best use of Turkey's natural resources and to provide the highest benefit to the Turkish economy. Eti Maden has increased its productivity by more than 190 per cent. over the past eight years and now claims to account for more than 65 per cent. of global supply of boron. Given the size of its deposits, the Directors believe that it is likely that Eti Maden will continue to dominate the boron production markets for the foreseeable future, alongside Rio Tinto.

U.S. Borax, a Rio Tinto subsidiary, operates California's largest open pit mine and has a refinery in Boron, California. It supplies nearly half of all the world's demand for refined borates and focusses on being at the forefront of technological developments as well being the world leader in boric acid production. The mine has produced boron for over 140 years of continuous production.

It also operates a refinery and shipping terminal in Los Angeles and a trona mine in Owens Lake, USA. Trona is mined as a primary source of sodium carbonate in the USA. U.S. Borax's worldwide organisation includes mines and refineries near Salta, Argentina and has packaging and distribution facilities and sales and customer service centres around the world.

As well as a planned capacity upgrade at its boron mine, Rio Tinto is also conducting exploration in Serbia at its Jadar project, around 100km from Belgrade. Rio Tinto has declared an Inferred Resource of 125.3 Mt with a weighted average Li_2O concentration of 1.8 per cent. and 16.2 Mt B_2O_3 in the Lower Jadarite Zone. Rio Tinto estimates that bringing Jadar from its development to production will take about six years. The Serbian deposits are mineable either by solution mining or by underground mining.

Orocobre Limited ("Orocobre") is listed on the ASX and the TSX and has a market capitalisation of C\$378.6 million as at the close of 18 July 2014. Orocobre owns a number of lithium and borate projects with a focus on Argentina. It acquired Borax Argentina S.A., an Argentine boron minerals and refined chemicals producer, in August 2012 from Rio Tinto. It operates its borax operations from three mines, two concentration plants and refinery operation. It reported annual revenues of AU\$19.1 million for its borax segment in the year to 30 June 2013. In April 2014, it reported that its total estimated resources from its borax assets are 17.3 Mt at a grade of 19.5 per cent. or 3.4 Mt of B_2O_3 .

Uses of Borates

Borates are used in a variety of important materials and in a variety of industrial applications. Presently their most significant uses are within the fiberglass, glass, agriculture, detergent and ceramics industries.

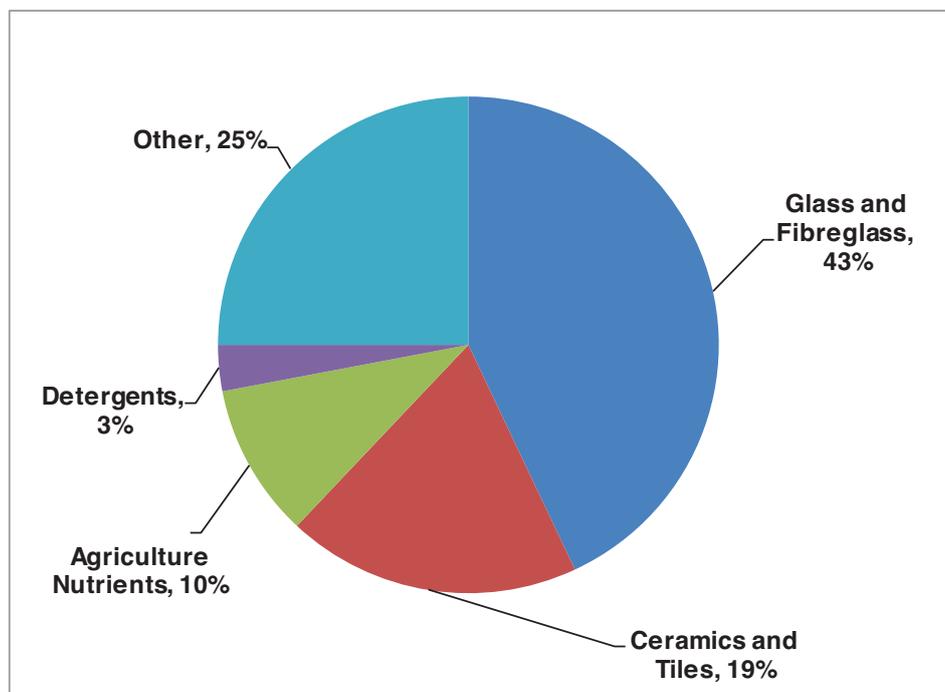


Figure 7: Global Boron Compound Uses. Source: U.S. Borax

The industrial sectors to which borates provide material benefits include:

- Insulation fiberglass which is the largest use of borates worldwide. Thermal wool helps insulate buildings, as borates increase the absorbance of infrared radiation, thus increasing the insulation properties. Insulation fiberglass is also less dangerous in the installation process because the borates are biosoluble (dissolve if inhaled in lungs). Insulation fiberglass is also water-resistant.
- The glass manufacturing industry, borates are to be found in many household appliances (Pyrex, microwave plates, washing machine doors). In addition, borates are used in the manufacture of solar panels (domestic and industrial), through the use of borosilicate glass tubes which contain a solar

collector, capturing energy from the sun. Borates are also increasingly used in the manufacture of displays for electrical devices (for example, mobile telephones, computers, tablets and television screens). They are also used as a scratch-proof layer on touchscreens on such devices.

- In ceramic glazes and porcelain enamels. They are applied to different substances such as tiles, tableware and bone china. Borates are used to help to form a smooth surface, reduce thermal expansion and help reduce the tile thickness, thus reducing costs.
- In the agriculture sector, borates are considered to be one of the micronutrients vital to crop production. Boron deficiency is one of the most widespread crop deficiencies, affecting all major crops (alfalfa, coffee, corn, rice, peanuts, olives, soybeans, sugar beet and vegetables).
- In most cleaning and detergent products, including soap bars, washing powders and bleaches. They also control fungi and bacteria in personal care products.
- Other uses of borates include:
 - Nuclear industry: boron is capable of capturing neutrons and is used in nuclear shielding and cooling for nuclear reactors.
 - Borates are used in a wide range of other household and industrial products, including wood treatment.

7 The Sonora Lithium Project

Background

There are no records of exploration or mineral occurrences in the Sonora Lithium Project area prior to 1998 when other operators staked the area for borates; their claims were abandoned in 2001.

In August 2010, the Company acquired four lithium exploration concessions in the Sonora State of Mexico, comprising the La Ventana, San Gabriel, El Sauz and Buenavista concessions. The concessions and the others adjoining them are referred to as the Sonora Lithium Project in this Document. These lithium concessions are located 190 km northeast of Hermosillo in Sonora State, Mexico and about 200 km southeast from the Magdalena Borate Project.

Bacanora Minerals has undertaken significant exploration activities on the Sonora Lithium Project since the concessions were acquired by the Company.

Sonora Lithium Project Concessions

The Sonora Lithium Project presently involves ten concessions, five of which have been issued to the Company and five of which have been applied for and are Approved for Title. The issued and Approved for Title concessions of Bacanora Minerals are set out in Table 3 below:

<i>Concession Name</i>	<i>Title #</i>	<i>Record Date</i>	<i>Expiry Date</i>	<i>Area (Ha)</i>
100 % interest owned by Bacanora Minerals				
La Ventana	235611	01/22/2010	01/21/2060	875
La Ventana 1	Approved for Title (File no. 82/38725)	04/02/2013	n/a	945
70% interest owned by Bacanora Minerals – subject to REM Agreement 1				
El Sauz	235614	01/22/2010	01/21//2060	1,025
Fleur	Approved for Title (File no. 82/38425)	04/02/2013	n/a	2,335
El Sauz 1	Approved for Title (File no. 82/38724)	04/02/2013	n/a	200
El Sauz 2	Approved for Title (File no. 82/38812)	04/02/2013	n/a	1,144
Fleur 1	Approved for Title (File no. 82/38723)	04/02/2013	n/a	1,630
90% interest owned by Bacanora Minerals – subject to REM Agreement 2				
Buenavista	235613	01/22/2010	01/21/2060	649
Megalit	Approved for Title (File no. 82/38845)	11/07/2013	n/a	87,086
San Gabriel	235816	03/12/2010	03/11/2060	1,500

Table 3: The Concession Status for the Sonora Lithium Project

Bacanora Minerals’s wholly-owned subsidiary, MSB, has a 100 per cent. interest in two of these concessions: La Ventana and La Ventana 1, covering approximately 1,820 Ha.

The five concessions that are subject to the REM Agreement 1 (El Sauz, El Sauz 1, El Sauz 2, Fleur and Fleur 1) cover approximately 6,334 Ha in total. Bacanora Minerals owns 70 per cent. of the share capital of Mexilit, with the other 30 per cent. owned by REM Mexico (see Figure 2). In addition, REM Mexico has the first right until 30 September 2014 to commence negotiations with Bacanora Minerals to increase its interest from 30 per cent. by a further 19.9 per cent. to 49.9 per cent. in Mexilit. The status of these concessions is set out above in Table 3.

The three concessions that are subject to the REM Agreement 2 (Buonavista, Megalit and San Gabriel) cover approximately 89,235 Ha in total. Bacanora Minerals currently owns 90 per cent. of the share capital of Megalit, with the other 10 per cent. owned by REM Mexico (see Figure 2). REM Mexico has provided notice of its intention to exercise its option and increase its interest to 30 per cent. of Megalit, which will be achieved once REM has deposited an additional US\$1 million with Bacanora Minerals on or before 23 November 2014 to fund further exploration. In addition, REM Mexico has the first right to negotiate with Bacanora Minerals to increase its interest from 30 per cent. (if so achieved, for a twenty-two month period following the date of REM Agreement 2) by a further 19.9 per cent. to 49.9 per cent. in Megalit. The status of these concessions is set out above in Table 3.

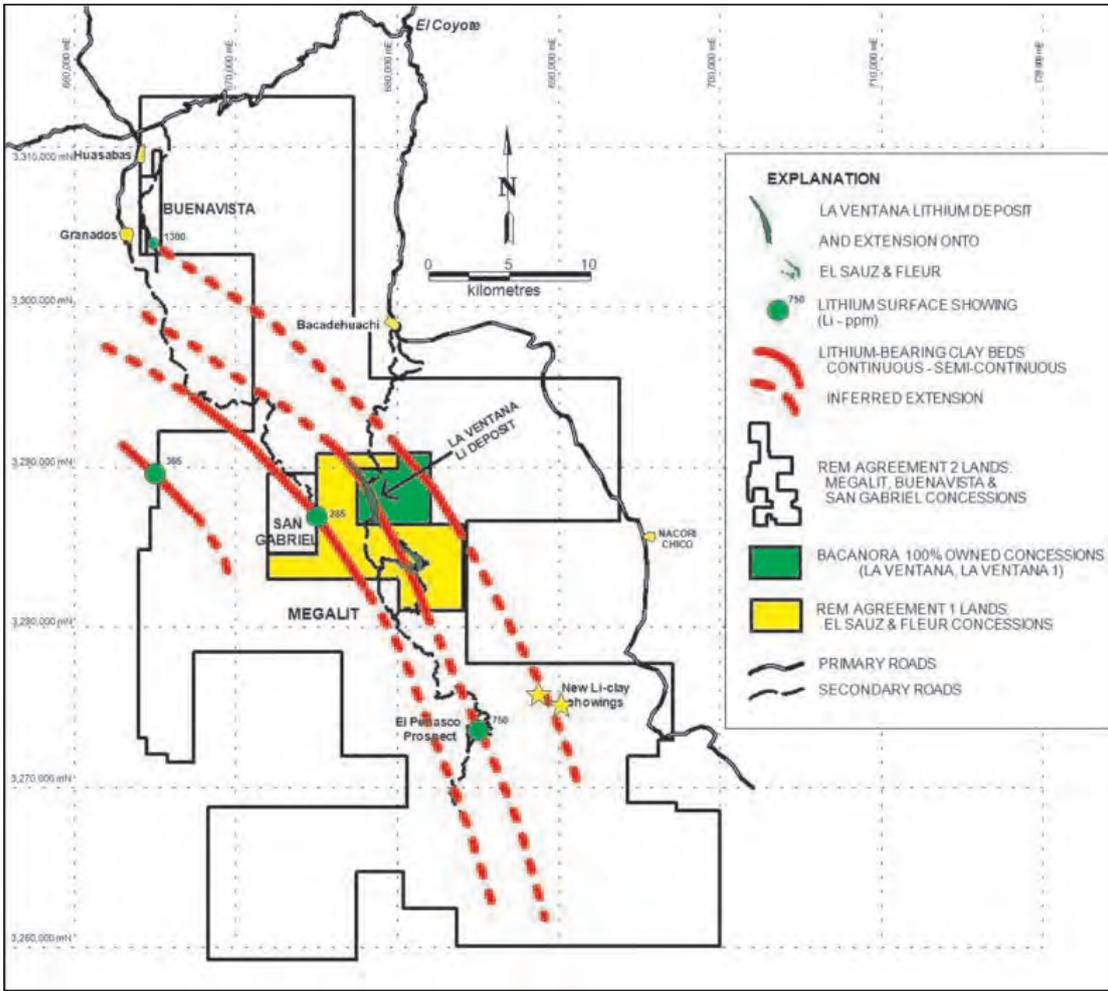


Figure 8: A Map of the Sonora Lithium Project concessions. Source: CPR – Figure 4

A number of the Company’s concessions are in the “Approved for Title” stage of application, as outlined in Table 3 above. A summary of the process of obtaining title to a concession from the Federal Mining Registry is as follows:

- Initially an application for title is submitted to the local registry where the property is located;

- Following the submission of the application, the applicant has 60 days to file a survey with the local registry;
- Upon receipt of the survey, the local registry reviews and either approves it or responds to the applicant and gives them a further 15 days to correct their survey; and
- If the survey is approved (i.e. no objections are conveyed to the applicant), it is stamped “Approved for Title” and is submitted to the Federal Mining Registry in Mexico City for them to grant title to the applicant as a final administrative step.

The Directors believe that there is minimal risk of title not being granted for the concessions labelled “Approved for Title” in Table 3 to MSB (as the applicant for such concessions) and that Bacanora is, and has been, appropriately able to conduct its exploration activities within these concessions consistent with Approved for Title status. Once the concessions that are presently labelled “Approved for Title” have been issued to MSB, the concessions will be transferred to Mexilit and Megalit in line with Mexican law and applicable regulations and in accordance with the contractual obligations of the REM Agreement 1 and the REM Agreement 2.

Land Access to the concessions of the Sonora Lithium Project

Access rights to the concessions of the Company have yet to be obtained by Bacanora Minerals via localised agreements with local landowners and at present, informal arrangements have been agreed allowing exploration, drilling and sampling to take place. However, the Mexican authorities, when granting a mining concession, grant the concession holder the rights to apply for expropriation, temporary occupation or easement rights, if needed, to carry out exploration or exploitation works. Mining concessionaires have no obligation to pay government fees for land access.

Local Geographic Factors

Access to the Sonora Lithium Project is by way of Federal Highway 14, a two-lane highway from Hermosillo, for a distance of 225 km east, then south for 20 km on a paved, two-lane highway to the town of Bacadehuachi. Bacanora Minerals has established its base of operations for work on its concessions in this town. Access to the concessions from Bacadehuachi is via secondary, unimproved, dry-weather roads, approximately 10-12 km to the south, crossing various privately owned ranches. The concessions are situated in the western portion of the Sierra Madre Occidental physiographic province within the state of Sonora. Average elevation of the Sonora Lithium Project is approximately 900 metres above sea level and the area is surrounded by local peaks with elevations ranging up to 1,440 metres above sea level.

The state of Sonora, because of its rainfall pattern, hosts plants from the agave, palm, cactus and legume family, as well as many others. The Directors believe that climatic factors could enable mining operations to continue all year round. The average ambient temperature is 21°C, with minimum and maximum temperatures of -5°C and 50°C, respectively, on the concessions. Extreme high temperatures occur in summer, while winters, although short, are cool compared to other parts of Mexico. The accumulated annual rainfall for the area is 450 millimetres.

Bacadehuachi is a small farming and ranching community with basic services capable of supporting early stage exploration projects. The closest electric power line is about 10 km north of the concessions, passing very close to Bacadehuachi. All water for exploration and mining activities must be pumped from the local river or from wells. Ranch owners have been supportive to date in supplying sufficient water for drilling programmes. Availability of water for advanced exploration or mining has not been assessed. There is sufficient area on the property for potential tailing storage areas, waste disposal areas and processing plant sites, subject to obtaining the necessary consents.

La Ventana Concession – Historic Exploration Activities and Developments

As set out in section 1.4 of the CPR in Part III of this Document, based on drilling conducted by Bacanora Minerals on the La Ventana concession in 2010, 2011 and 2013, an Indicated Resource of lithium was estimated for the clay units situated on that concession using cut-offs of 1,000, 2,000 and 3,000 ppm lithium. With the base case 2,000 ppm lithium cut-off the estimate of Indicated Resources for the Upper Clay unit is 21,470,000 tonnes averaging 2,256 ppm lithium (1.20 per cent. LCE). For the Lower Clay

unit the Indicated Resource is estimated at 53,850,000 tonnes averaging 3,540 ppm lithium (1.88 per cent. LCE). The Indicated Resource for both the Upper and Lower Clay units is estimated to total 73,320,000 tonnes averaging 3,174 ppm lithium (1.69 per cent. LCE) or 1,273,000 tonnes LCE. Investors are cautioned that the resource estimate does not mean or imply that an economic lithium deposit exists on the Sonora Lithium Project concessions. Further testing will need to be undertaken to confirm economic feasibility.

As set out in section 1.4 of the CPR in Part III of this Document, on La Ventana the best grades of lithium coincide with elevated levels of potassium and cesium and are found in the central and southern part of the deposit. The thickness of the clay units varies from 6.4 to 69.8 metres, averaging 33.38 metres for the Upper Clay unit and from 3.41 to 44.35 metres, averaging 24.63 metres for the Lower Clay unit. Mineralised intervals within the clay units vary for the Upper Clay unit from 25 per cent. to 79 per cent. of the overall thickness and from 42 per cent. to 100 per cent. for the Lower Clay unit, depending on the cut-off used.

Lithium Indicated Resource, La Ventana Lithium Concession

<i>Cut off grades (ppm)</i>	<i>Average Tonnes</i>	<i>Grade Li ppm*</i>	<i>LCE %</i>	<i>LCE tonnes</i>
Upper Clay				
1,000	30,690,000	1,824	0.97	298,000
2,000	21,470,000	2,256	1.20	258,000
3,000	10,030,000	3,186	1.70	170,000
Lower Clay				
1,000	61,050,000	3,247	1.73	1,055,000
2,000	53,850,000	3,540	1.88	1,015,000
3,000	38,180,000	4,510	2.40	917,000
Total for Upper & Lower Clay				
1,000	91,740,000	2,771	1.48	1,353,000
2,000	75,320,000	3,174	1.69	1,273,000
3,000	48,210,000	4,235	2.25	1,087,000

Table 4: Lithium Indicated Resource, La Ventana Concession. Source: CPR – Table 3

Metallurgical test work on drill core samples and 1 tonne bulk samples undertaken by the Company at its Pilot Plant has indicated that lithium can be put into a solution. The lithium-bearing solutions can then be concentrated and a lithium carbonate precipitate can be produced from the concentrated solutions that meet battery grade specifications (considered greater than 99.5 per cent. lithium carbonate).

Based on previously disclosed Inferred Resources and preliminary metallurgical test work, the Directors commissioned a preliminary economic assessment for the La Ventana lithium deposit. The results of this assessment were preliminary in nature and contained a number of important, forward looking assumptions, including, but not limited to, lithium prices, cash flow forecasts, project capital and operating costs, commodity recoveries, mine life and production rates. It highlighted that further testing would be needed to be undertaken to confirm economic feasibility of the resources within the La Ventana concession. Highlights of the results of the preliminary economic assessment are set out in section 22.2 of the CPR in Part III of this Document and were based on a potential lithium mining and production operation with an output of 35,000 tonnes battery grade lithium carbonate per annum over a 20 year open pit mine life. It suggested annual revenues of up to US\$210 million and an IRR of 138 per cent. with a 1.9 year pay back depending on product prices. Capital costs were estimated at US\$114 million and average operating costs at US\$1,958 per tonne. The net present value derived from the analysis (at a discount rate of 8 per cent.), was US\$848 million, assuming an average lithium carbonate price of US\$6,000/tonne. The preliminary economic assessment is preliminary in nature as it includes mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorised as mineral reserves, and there is no certainty that the preliminary assessment will be realised. Readers are cautioned that actual results, should they be realised, may vary from those presented. Further testing will need to be undertaken to confirm economic feasibility of the Sonora Lithium Project.

It should be noted that the above referenced preliminary economic assessment was completed on 24 January 2013 and is subject to certain assumptions concerning lithium prices, cash flow forecasts, project capital and operating costs, commodity recoveries, mine life and production rates that were considered reasonable by the author thereof at that time. The preliminary economic assessment has not been updated and some of the assumptions, if made today, may change. It should also be noted that the preliminary economic assessment is based upon estimates of Inferred Resources as at 24 January 2013. Since that time, estimated resources for the La Ventana, El Sauz, El Sauz 1, El Sauz 2, Fleur and Fleur 1 concessions have increased by 37 per cent. and have been upgraded from “Inferred” to “Indicated” Resource categories.

The work completed by the Company is described in more detail in section 10.3 of the CPR set out in Part III of this Document.

Agreements with REM

In May 2013, the Company entered into the REM Agreement 1 (subsequently amended by an addendum thereto dated June 2014), that allowed REM (via REM Mexico) to earn an equity interest in Mexilit, a subsidiary undertaking of Bacanora Minerals, which holds, or will hold, the El Sauz, El Sauz 1, El Sauz 2, Fleur and Fleur 1 concessions. These concession areas are adjacent to the La Ventana concession and, through drilling and geological mapping, have shown to host strike extensions of the clay units from the La Ventana concession.

A summary of the terms of the REM Agreement 1 is as follows:

- REM Mexico was entitled to acquire an initial 10 per cent. interest in Mexilit, by paying Bacanora Minerals an initial cash consideration of US\$250,000 and a further US\$500,000 in two instalments no later than four weeks after drilling commenced at the concessions, to be applied to exploration and drilling on Mexilit’s concessions over a six month period;
- Provided that the conditions enabling REM Mexico to acquire 10 per cent. of Mexilit were satisfied, REM Mexico had a further option to increase its interest to 30 per cent. of Mexilit by paying Bacanora Minerals another US\$500,000, by providing written notice of the exercise of its option, and delivering to Bacanora Minerals a further US\$1,000,000 within six months of exercise of this option, to be applied to exploration and drilling on the concessions subject to the REM Agreement 1; and
- In addition, once REM Mexico has acquired an interest of 30 per cent. in Mexilit, REM thereafter has an exclusive option to negotiate terms to increase its interest further to a maximum of 49.9 per cent. This option will expire on 30 September 2014.

Having met the conditions enabling REM (via REM Mexico) to acquire 30 per cent. of Mexilit, Mexilit is currently 70 per cent. owned by Bacanora Minerals, with the remaining 30 per cent. owned by REM Mexico (see Figure 2).

In March 2014, the Company entered into the REM Agreement 2 allowing REM (via REM Mexico) to earn an equity interest in Megalit, a subsidiary undertaking of Bacanora Minerals, which will hold the San Gabriel, Buenavista and Megalit concessions. In particular, the Megalit concession concerns an area that surrounds the Company’s existing concessions.

A summary of the terms of REM Agreement 2 is as follows:

- REM Mexico was entitled to acquire an initial 10 per cent. interest in Megalit, by paying Bacanora Minerals an initial cash consideration of US\$250,000 and a further US\$500,000 in two instalments within two months of the date of the agreement, to be applied to exploration and drilling on Megalit’s concessions over a six month period;
- Provided that the conditions enabling REM Mexico to acquire 10 per cent. of Megalit are satisfied, REM Mexico has a further option to increase its interest to 30 per cent. of Megalit by providing written notice of exercise, paying Bacanora Minerals another US\$500,000 on or before 31 May 2014 and delivering to Bacanora Minerals a further US\$1,000,000 within six months of exercise of this option, to be applied to exploration and drilling on the concessions subject to the REM Agreement 2; and

- In addition, once REM Mexico has acquired an interest of 30 per cent. in Megalit, REM Mexico will thereafter have an exclusive option to negotiate terms and have the first right of refusal to increase its interest in Megalit to a maximum of 49.9 per cent. (exercisable until the date that is twenty-two months from the date of the REM Agreement 2).

Having met the conditions enabling REM Mexico to acquire 10 per cent. of Megalit, Megalit is 90 per cent. owned by Bacanora Minerals with the remaining 10 per cent. owned by REM Mexico (see Figure 2). As part of the terms of REM Agreement 2, REM has exercised its option to increase its holding to 30 per cent. ownership of Megalit and has delivered a payment in the amount of US\$500,000. REM Mexico now has up to 23 November 2014 (six months from exercise) to deposit US\$1,000,000 with Bacanora Minerals, to be applied to exploration and drilling within the San Gabriel, Buenavista and Megalit concessions. Upon delivery by REM to Bacanora Minerals of such additional funds, REM will thereafter be entitled to an additional 20 per cent. interest in Megalit bringing its interest to 30 per cent. of Megalit.

Further details of the REM Agreement 1 and REM Agreement 2 are set out in paragraph 14.3 of Part V of this Document.

El Sauz and Fleur concessions – Historic Exploration Activities and Developments

In 2013, Bacanora Minerals conducted a Stage 1 diamond drill programme consisting of 1,470 metres of drilling in ten holes on the El Sauz and Fleur concession areas adjoining the south side of La Ventana concession. The program was successful in confirming the continuation of lithium-bearing clay units found on Bacanora Minerals' adjacent La Ventana concession into the El Sauz and Fleur concessions and demonstrating that significant lithium values occur in the two clay units identified by the drilling along the 4.2 kilometres of strike length tested.

As set out in section 1.4 of the CPR in Part III of this Document, the drilling results have been used to estimate Indicated Resources in the two clay units for lithium. At a cut-off of 2,000 ppm Li, the estimate of Indicated Resources for the Upper Clay unit is 47,360,000 tonnes averaging 2,222 ppm Li (1.18 per cent. LCE); for the Lower Clay unit the Indicated Resource is estimated at 73,630,000 tonnes averaging 3,698 ppm Li (1.97 per cent. LCE). The Indicated Resource for both the Upper and Lower clay units is estimated to total 120,990,000 tonnes averaging 3,120 ppm Li (1.66 per cent. LCE) or 2,010,000 tonnes LCE. Both the Upper and Lower Clay units are open down-dip.

As set out in section 1.4 of the CPR in Part III of this Document, on El Sauz and Fleur concessions, the best grades of lithium also coincide with elevated levels of potassium and cesium and are found to extend from the central part of El Sauz to the north through Fleur, where they essentially join up with similar values in the clay units on the adjoining La Ventana concessions. The thickness of the clay units varies from 6.4 to 69.8 metres, averaging 33.38 metres for the Upper Clay and from 3.41 to 44.35 metres, averaging 24.63 metres for the Lower Clay. Mineralised intervals within the clay units vary for the upper clay from 25 per cent. to 79 per cent. of the overall thickness and from 42 per cent. to 100 per cent. for the Lower Clay unit, depending on cut-off used.

Further testing will need to be undertaken to confirm economic feasibility.

Lithium Indicated Resources El Sauz – Fleur Lithium Concessions

Cut-off (ppm)	Tonnes	Tonnes		LCE%	Tonnes LCE	
		Attributable to Bacanora Minerals	Average Grade Li ppm		Attributable to Bacanora LCE	Minerals
Upper Clay Unit						
1000	97,080,000	67,956,000	1,657	0.88	856,000	599,200
2000	47,360,000	33,152,000	2,222	1.18	560,000	392,000
3000	18,390,000	12,873,000	3,773	2.01	369,000	258,000
Lower Clay Unit						
1000	98,250,000	68,775,000	3,028	1.61	1,584,000	1,108,000
2000	73,630,000	51,541,000	3,698	1.97	1,450,000	1,015,000
3000	58,910,000	41,237,000	4,140	2.20	1,298,000	909,000
Upper & Lower Clay Units Combined						
1000	195,330,000	136,731,000	2,347	1.25	2,440,000	1,708,000
2000	120,990,000	84,693,000	3,120	1.66	2,010,000	1,407,000
3000	77,330,000	54,110,000	4,053	2.15	1,667,000	1,167,000

Table 5: Lithium Indicated Resources, El Sauz and Fleur Concessions. Source: CPR – Table 5

As stated in section 1.5 of the CPR, based on the drill results, the Competent Person concludes that a significant lithium resource exists on the concessions of the Sonora Lithium Project. Testing at the Pilot Plant has demonstrated that the clay units are amenable to the recovery of lithium and the production of a commercial grade lithium carbonate.

The Directors believe, however, that additional exploration and development is required at the Sonora Lithium Project, in order to better understand the potential for the deposit and to confirm economic feasibility. In particular, further work will be necessary on preliminary engineering design work for a mining complex and commercial scale lithium carbonate production facility.

Recent Developments

In April 2014, the Company announced the results of bench scale metallurgical and mineral process testing conducted by Inspectorate, an independent third party laboratory, on clay composite samples from the Company's La Ventana and El Sauz concessions.

The Company has been developing a roast-leach process at the Pilot Plant to take lithium into a solution from clay sourced from its concessions. The resulting solution has then been reduced in volume by evaporation in order to concentrate the lithium. After duplicating this process in its independent laboratory, Inspectorate, it was concluded that a lithium carbonate product with over 99 per cent. purity had been achieved from condensed leach solutions in laboratory scale test work. XRD performed on products from two test samples confirmed over 99.5 per cent. lithium carbonate purity as mineral zabuyelite. These test results have been confirmed on duplicate samples tested under similar process parameters at the Company's Pilot Plant.

The Company continues to run bulk samples through the Pilot Plant in order to produce lithium carbonate samples for prospective buyers.

Strategic Plans

Along with the surface work that is ongoing on the Sonora Lithium Project, the Company has made contact with firms that could assist in evaluating the potential and costs for the design and construction of a lithium carbonate plant capable of producing between 35,000 and 50,000 tonnes per year of lithium carbonate.

Further to the lithium carbonate testing, the Company submitted clay samples to Grinding Solutions Limited ("Grinding Solutions"), a metallurgical and mineral processing consultancy and laboratory services company based in the United Kingdom. Grinding Solutions has performed initial test work on certain of the clays from the Sonora Lithium Project (within the La Ventana, El Sauz and Fleur

concessions) in order to determine whether the mineral characteristics of the clays have properties that would allow commercial drilling mud to be produced. Based on such testing, Grinding Solutions concluded that a commercial drilling mud product could be produced from the clays, subject to the formulation of a specific process to produce such mud. Grinding Solutions has recommended that further tests be carried out in order to formulate a process for the production of a marketable drilling mud product.

8 Background on the Lithium Market

Background on the Market

Lithium is the thirty-third most frequently occurring element in minerals. However, concentrations in minerals are often low, which makes extraction from most minerals too difficult and costly to be economically viable. Lithium has historically most commonly been produced from two sources: brine and hard rock mining.

- Brine is pumped from subsurface reservoirs to surface ponds. The power of the sun evaporates excess water and concentrates the lithium content of the brine. Once the lithium content reaches six per cent., the liquor is removed and processed into lithium chemicals.
- Hard rock mining is the more traditional extraction process. Spodumene, a lithium mineral, is mined and crushed to form a concentrate. This mineral concentrate is then sold to chemical companies which use the feedstock to produce lithium chemicals, or to glass and ceramics producers for use as an additive.

A third potential source of lithium are hectorite clays could be mined as an alternative and potentially cheaper source to the above methods, with a number of advantages over the other methods of lithium extraction.

The traditional hard-rock mining of pegmatites, containing the lithium-bearing silicate spodumene is time, energy and cost intensive. As a result, the lithium extraction industry transitioned from hard rock to brine-based mining.

Most hard rock mining has ceased due to the more favourable economics of brine extraction. However, brine production comes with certain challenges, most of which are due to unpredictable weather systems, the demand for water in the process in typically arid parts of the world where brine production is concentrated. In addition, due to global climate change, previously predictable weather systems that have encouraged cost-effective lithium production from brines are changing, and harsh winters and wet periods can interrupt the lithium production process.

Given the nature of the materials within the Sonora Lithium Project, the Directors expect that mining will be by open pit methods. It is anticipated that clays recovered from mining will be processed to recover lithium using a pyrometallurgical (roasting) method.

Uses of Lithium

Lithium is used in a variety of industrial applications, the most relevant of which is energy storage (via lithium batteries). This is also the fastest growing sector for lithium due to rising demand in both the automotive industry and the portable consumer electronics industry. Currently, the largest global market for lithium is for use in batteries. A chart of the main uses for lithium is found below:

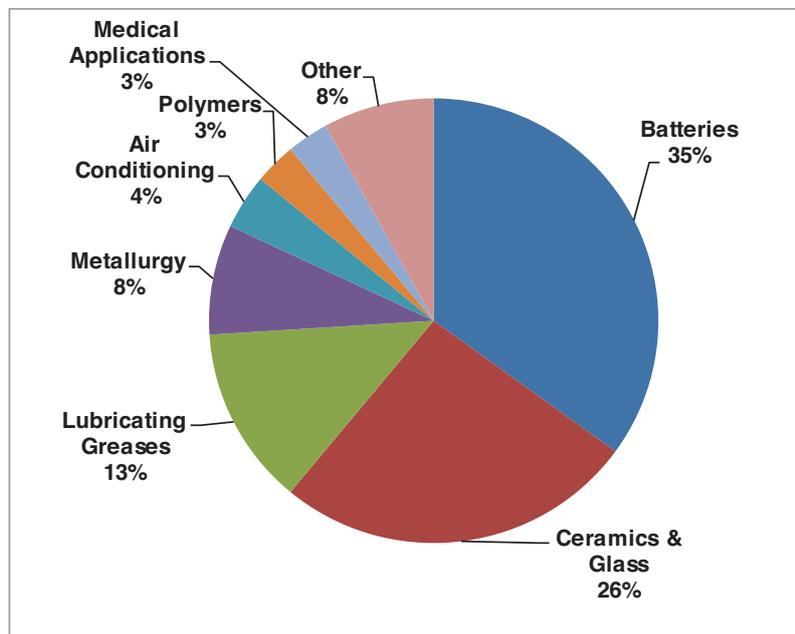


Figure 9: Chart on Uses of Lithium. Source: USGS 2012 Minerals Yearbook

- One of the most valuable uses of lithium is as a component of high energy-density rechargeable lithium-ion batteries. Lithium-ion batteries represent the fastest growing industrial demand for lithium. The use of lithium-ion batteries in electric powered forms of transport is expected to have a major influence on the lithium market. Because of concerns over carbon dioxide footprint and increasing hydrocarbon fuel cost, lithium is expected to become even more important in large batteries for powering all-electric and hybrid vehicles. Lithium batteries already enjoy a sizeable market, powering laptop computers, cordless heavy-duty power tools and hand-held electronic devices.
- Lithium is used commonly in the ceramics and glass industries, especially in insulation glass in buildings as well as other smaller applications such as oven doors, in heat resistant glass (such as pyrex dishes and oven doors).
- In the ceramics industry, lithium is used to create a glaze on ceramics which provides heat resistance.
- Lubricants and greases accounted for 13 per cent. of global demand in 2012. Lithium is used as a thickener in grease ensuring lubrication properties are maintained over a broad range of temperatures.
- Other uses for lithium include the following industrial applications:
 - Metallurgy: the use of lithium in welding prevents the oxidation of metals by forming impurities. This is important for the production of glass, ceramics and glazes. In aluminium smelting, the addition of lithium during the smelting process reduces power consumption, increases the electrical conductivity and reduces fluorine emissions.
 - Air conditioning: lithium is used as an absorption medium for industrial refrigeration systems and for humidity control and drying systems.

Lithium Market Trends

Key market indicators for lithium and expectations are:

- World lithium consumption was likely to increase to approximately 190,000 tonnes per annum of LCE by 2015, and to 280,000 tonnes per annum of LCE by 2020;
- From 2012 to 2017, average annual growth in world lithium consumption was expected to be approximately 11 per cent.;
- New lithium producers were expected to supply approximately 25 per cent. of the lithium required by 2020;
- Annual growth in lithium consumed globally for batteries averaged 21 per cent. per year between 2000 and 2012;
- Demand for rechargeable lithium-ion batteries continues to have the greatest potential for growth; and
- The lithium-ion battery market was expected to increase by 200 per cent. by 2017, the equivalent of an additional 90,000 tonnes of LCE.

The global market for lithium-ion batteries is forecast to reach US\$9 billion by 2015, with potential to exceed US\$50 billion by 2020. Other lithium end uses were projected to increase also, but at lower rates than batteries. Lithium supply security has become a top priority for Asian technology companies. Strategic alliances and joint ventures have been, and continue to be, established with lithium exploration companies worldwide to ensure a reliable, diversified supply of lithium for Asia's battery and vehicle manufacturers. With lithium carbonate being one of the lowest cost components of a lithium-ion battery, the issue to be addressed was not cost difference or production efficiency, but supply security.

China and India are driving demand in emerging economies where the middle classes are expanding and demanding goods such as electronics and electronic vehicles, both of which contain lithium. Due to the Chinese government support, the country has become a particularly attractive investment environment for automakers, who are partnering with Chinese manufacturers. The lithium battery production market in China increased from a value of US\$2.1 billion in 2007 to US\$5.4 billion in 2011. This further demonstrates the globalisation of the lithium market. The consumers are no longer dominated by the western world, but an increasing demand in the emerging industrialising economies is fuelling the demand for lithium.

This increased demand is evidenced by Tesla Motors Inc. ("Tesla") which has recently announced plans to build a 'Gigafactory' with the potential to produce up to 500,000 batteries by 2020. Tesla has suggested that the proposed Gigafactory will require between 15,000-25,000 tonnes of lithium carbonate per annum when it reaches full capacity, accounting for some 17 per cent. of the current global lithium supply. Tesla has in addition recently offered initiatives aimed at promoting the growth of electric cars for other automobile manufacturers via the use of its technology.

Worldwide lithium production increased slightly in 2013. Industry analysts and the major lithium producers expected worldwide consumption of lithium in 2013 to be approximately 30,000 tonnes, an increase of six per cent. from that of 2012. Lithium prices, on average, remained flat owing to the balanced increase in worldwide lithium consumption and supply. Many companies continued exploring for lithium, with numerous claims in Nevada, as well as in Argentina, Australia, Bolivia, and Canada, having been leased or staked.

Country	Mine Production (tonnes)		Reserves (tonnes)
	2012	2013	
Argentina	2,700	3,000	850,000
Australia	12,800	13,000	1,000,000
Brazil	150	150	46,000
Chile	13,200	13,500	7,500,000
China	4,500	4,000	3,500,000
Portugal	560	570	60,000
USA	W	W	38,000
Zimbabwe	1,060	1,100	23,000
World Total	34,970	35,320	13,017,000

Table 6: Lithium Production and Global Reserves. Source: US Geological Survey, Mineral Summaries, Feb 2014

(Note: US Mine Production figures are withheld therefore total excludes the US. In addition, the above figures refer to the production of lithium metal. Conversion of the quantities of lithium metal to LCE requires the lithium metal figure to be multiplied by 5.324, as explained in the Glossary of this Document)

Owing to growing lithium demand from China in the past several years, mineral-sourced lithium regained market share and was estimated to account for one-half of the world's lithium supply in 2013. Two brine operations in Chile and a spodumene operation in Australia dominated world production. Argentina produced lithium carbonate and lithium chloride from brines. China produced lithium carbonate, lithium chloride, and lithium hydroxide from domestic brines and domestic and imported spodumene. In the USA, the brine operation in Nevada doubled production capacity in 2013. New brine and spodumene operations in Argentina and Canada, respectively, are expected to be commissioned in 2014.

Owing to China's growing demand for lithium compounds, its chemical producers were importing high-quality spodumene to use at its lithium chemical facilities. Australia's leading lithium hard-rock miner doubled its production capacity in 2012 to 110,000 tonnes per year of lithium carbonate equivalent, and in 2013, a Chinese lithium chemical producer acquired the mine. A new Australian lithium chemical producer opened a plant in China to convert Australian lithium concentrate to battery-grade lithium carbonate.

Rechargeable batteries represent the largest potential growth market for lithium compounds. Demand for rechargeable lithium batteries exceeds that of other rechargeable batteries for use in cellular telephones, cordless tools, MP3 players, and portable computers and tablets. Major automobile companies are developing lithium batteries for electric and hybrid electric vehicles. Non-rechargeable lithium batteries are used in calculators, cameras, computers, electronic games, watches, and other devices.

Producers of Lithium

The lithium market is dominated by a number of large market participants, including:

- Sociedad Quimica y Minera de Chile S.A. ("SQM"), the largest producer of lithium in the world. Operating in Chile, with its mining in the Atacama Desert, lithium accounted for some 10 per cent. of the company's total sales of US\$2.2 billion in 2013. SQM also is the world's largest producer of potassium, as well as producing a number of other minerals.
- Talison Lithium Pty Ltd ("Talison"), 49 per cent. of which was acquired by Rockwood Lithium through a JV with Sichuan Tianqi Lithium Industries Inc. for US\$475 million, operates lithium sites in Western Australia and Chile. Its Greenbushes lithium operations in Western Australia produce lithium concentrates. Talison has an additional lithium brine project in the Atacama region in Chile. Talison currently exports over 350,000 tonnes of lithium products per annum. Talison are currently considering the construction of a lithium chemicals plant which would enable the conversion of lithium concentrate into lithium carbonate. The proposed plant, if built, would be in Kwinana, 200km northwest of the Greenbushes site.

- Rockwood Lithium, a division of Rockwood Holdings Inc. (“Rockwood”) has production sites in Chile, the USA, India, Taiwan and Germany and has a 49 per cent. interest in Talison’s Spodumene mine. It operates two lithium hydroxide processing sites, which produces technical grade lithium hydroxide in North Carolina and Germany. Their lithium carbonate is produced at Silver Peak and the Salar de Atacama operation. The brine deposit at Silver Peak (US) has an estimated 0.3 Mt of contained lithium resources. The Salar de Atacama operation is one of the largest in the world and Rockwood has a claim of 13,700 Ha, with SQM claiming 81,920 Ha. Rockwood’s total lithium carbonate production capacity was estimated at 33,000 tonnes per annum in 2011 whilst actual production was in the region of 29,000-30,000 tonnes of lithium and its derivatives.
- FMC Corporation is a US firm, founded in 1883. Some 23 per cent. of its revenue is from its lithium activities within its chemicals sector, a sector that accounts for 27 per cent. of its total revenues. It has manufacturing operations in Argentina, India, England, the USA and China. Salar del Hombre Muerto in Argentina is its primary reserve, which is estimated to last for over 75 years. The lithium reserves are between 0.4 and 0.8 Mt of lithium. In 2010 it began a 30 per cent. expansion of its production capacity in Argentina in order to increase its market share as demand grows.

Operating Costs of Production

The following chart indicates the operating costs of production for a number of lithium producers:

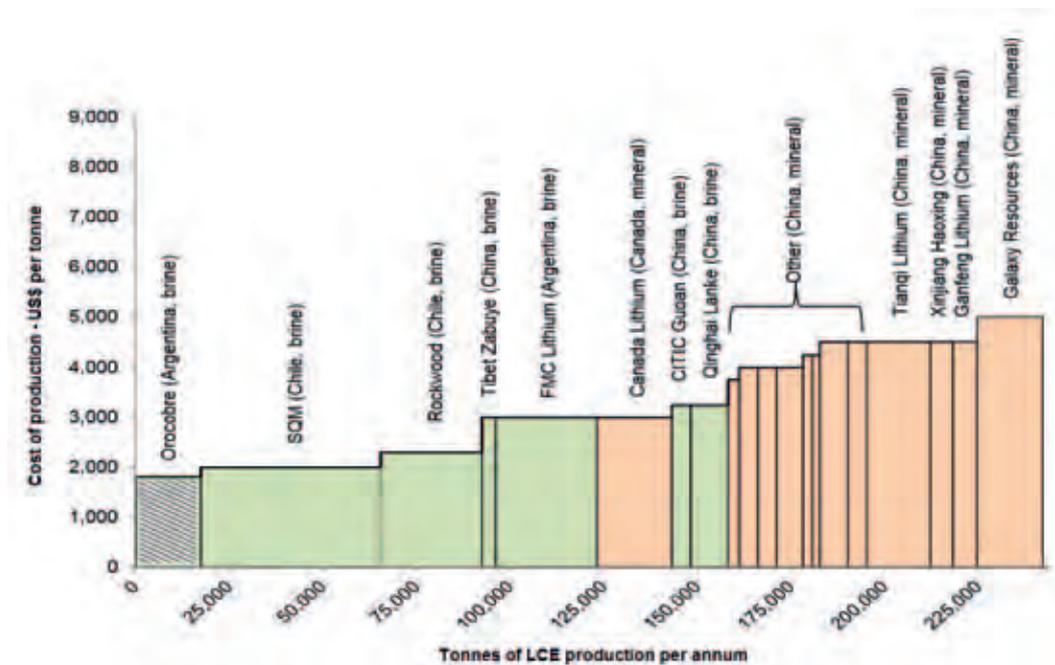


Figure 10: Diagram of a number of Lithium Production Companies. Source: Roskill Estimates, 2013

9 The Bacanora Minerals Pilot Plant

Over the past two years, the Company has planned, constructed and commissioned the Pilot Plant. The Pilot Plant includes a laboratory together with equipment and facilities to process and test assays from samples sourced from the borate and lithium concessions. Importantly, the Directors believe that the Pilot Plant has enabled a cost effective method of in-house analysis and has provided the basis upon which the technical knowledge and expertise of its staff has increased.



Figure 11: The Pilot Plant in Hermosillo. Source: Bacanora Minerals

The Pilot Plant has enabled the Company to undertake its own testing and analysis of samples from its concessions. Importantly, it has enabled the Company itself to develop and refine the extraction processes required to beneficiate and upgrade the materials excavated from its borate and lithium concessions. Over time, the processes required to upgrade the borate-bearing clays have been refined by the Company, and significant grade enhancements have been achieved.



Figure 12: Machinery at the Pilot Plant. Source: Bacanora Minerals

In addition to the small scale processing, refining and upgrading that has been in operation at the Pilot Plant, Bacanora Minerals has been able to develop a testing and analysis operation within its facilities. This testing facility, together with the development of the expertise of the local staff, has enabled a system of timely analysis of the material produced from the Company's upgrading processes. This has given the Company the capability to vary and improve the process methods for upgrading and refining the minerals extracted from its concessions.



Figure 13: Laboratory Testing at the Pilot Plant. Source: Bacanora Minerals

10 Mexican Factors and Country Summary

Background on the Economy in Mexico

Mexico has seen significant developments in recent years regarding the status of its economy, as well as attracting foreign investment, not only to the mining sector but other industries such as manufacturing. With the second largest GDP in Latin America, at US\$1.1 trillion (2012) (Brazil's GDP is US\$2.2 trillion), it is a fast growing economy, attracting large amounts of foreign investment as demonstrated in the graph below.

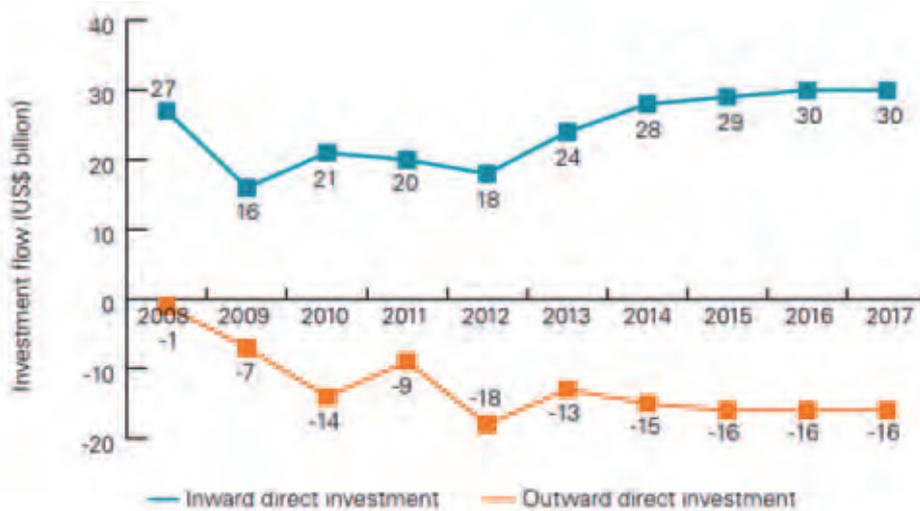


Figure 14: Trend for inward and outward direct investment in Mexico, source: KPMG Mexico Mining Guide 2013

Mexico has a free market economy, with a mix of services, industry and agriculture, primarily dominated by the private sector. The per-capita income of Mexico is nearly one-third of that of the US; however, the distribution of wealth is highly uneven. Its population is some 109 million people (world's 11th largest).

In the decade preceding the financial crisis of 2008, Mexico's GDP increased at an average annual rate of 3-4 per cent. Although the financial crisis depressed Mexico's economy, it has rebounded. In 2011, the economy grew by 3.9 per cent., and growth averaged 4.2 per cent. year on year during the first three quarters of 2012. Growth is expected to average 3.7 per cent. per annum from 2013-17.

Mexico transformed from a closed to an open economy when it joined the World Trade Organisation in 1985. The transformation continued when Mexico became a party to the North American Free Trade Agreement in 1994. Foreign investment in Mexico, specifically within the mining industry has been encouraged recently, which has totalled over US\$23 billion over the last ten years. With economic and GDP growth comes stability of both a political and economic nature. Mexico is politically stable, with inflation at roughly 4 per cent., and 69 per cent. of GDP coming from listed companies (125 companies with an aggregate value of more than US\$805 billion). Mexico is the world's largest silver producer, producing 19.0 per cent. of the world's production in 2010.

Local Information on Hermosillo

Hermosillo's economy has been increasingly orientated toward trade with the USA since the 1980s, owing in large part to an automobile assembly plant built by the Ford Motor Company and the growth of other light-industry export orientated assembly plants producing clothing, automobile parts, electronics, and processed foods. In addition to its industrial and administrative functions, Hermosillo is a market and service centre for nearby copper mines and farmlands where cattle are raised and irrigated agricultural crops are grown.

Hermosillo is the capital of Sonora State. It is situated in the western central part of the state at an elevation of about 700 feet (210 metres) near the confluence of the Sonora and San Miguel rivers. The city had a population of some 715,000 in 2010, and its rapid population growth has accompanied the city's industrial development.

Major highways and railroads link Hermosillo with the border cities of Mexicali and Nogales (on the border with the US states of California and Arizona respectively) to the north and with distant Guadalajara and Mexico City to the southeast. Hermosillo has an international airport serving a number of key international and domestic locations.

Mining concessions in Mexico

Mining concessions give the concession holder the right to explore, exploit and process concessionable substances located within the mining lot covered. Fifty year mining concessions have been issued since 2006, renewable for another fifty years.

Current relevant Mexican mining legislation comprises the following: Mining Law and Regulations thereto, the Manual For Mining Services to the Public and the Instructions for Mining Agents, as well as the forms for the procedures required to be carried out at Mexico's Department of Economy.

Foreign Investment

In Mexico, the legal framework that regulates investment by non-Mexican individuals or entities is the Foreign Investment Law ("FIL"), whose purpose is to establish and regulate the activities in which those individuals or entities are allowed to participate; it assigns percentages, limits, restrictions or conditions for percentages of participation.

In the particular case of the mining industry, from 2001, companies engaged in the exploration or exploitation of mineral deposits are allowed 100 per cent. foreign ownership without the need to secure any kind of permit or regulatory consent from the Mexican authorities.

The FIL specifies activities reserved exclusively for the Mexican State, those reserved for Mexican entities and individuals and those in which foreign investment is unrestricted or is limited to certain percentages.

According to the FIL, Mexican companies must stipulate that foreign partners will be treated as qualifying as Mexican regarding the shares, partnership interests or rights acquired thereunder, as well as goods, rights, obligations, concessions or interests of the shareholders, and therefore agree not to appeal for the protection of the Mexican government. Otherwise, Mexican companies must add an exclusion clause clearly stating that the company will not allow foreign investment in its capital stock.

Environmental procedures

The exploration, exploitation and processing of ore and substances in accordance with the Mining Law are subject to evaluation of the environmental impact and the procedure for changing land use.

When the mining project is in the exploitation phase (with or without the installation of ore processing), an environmental impact assessment may be required, which, depending on the nature of the project, may also require a risk study.

Land-use rights

A mining concession confers no rights to the surface of the land, but only to the mineral resources in the subsoil. Therefore, in order to conduct exploration and exploitation work, the concession holder must establish a private agreement with the owner of the land surface, or, when applicable, request and receive a temporary occupation resolution from Mexico's Department of Economy, pertaining to the land surface required for its operations.

Mexican mining taxes

Amendments to the relevant Mexican mining taxes were approved by the Mexican government in October 2013. As a result of these changes, a summary of the mining duties on owners of mining concessions and assignments is as follows:

- Mining royalty: A special mining right royalty of 7.5 per cent. will apply to net profits derived by a concession holder from the sale or transfer of minerals produced from extraction activities. Profits for purposes of the royalty will be determined in a manner similar to the calculation of general taxable income, with some exceptions (e.g. interest and the annual inflation adjustments are not included in income and deductions are not available for investments in fixed assets, etc.). The mining royalty must be paid annually by the last business day of March of the year following the tax year.

- Additional mining duty: If a concession holder does not carry out exploration and exploitation activities for two continuous years within the first 11 years of its concession title, it will be required to pay an additional charge equal to 50 per cent. of the maximum fee. The fee will be increased to 100 per cent. for continued inactivity after the 12th year. Payment of the additional mining duty will be due 30 days after the end of the two year period.
- Extraordinary mining duty: Owners of mining concessions will also be required to pay an additional 0.5 per cent. tax on gross income derived from the sale of gold, silver and platinum. The mining duty will be due annually by the last business day of March of the year following the tax year.

11 Directors and Company Secretary

11.1 Directors

Martin Vidal, aged 50, President and Director

Mr. Vidal has served as the President of Bacanora Minerals since May 2013. Prior to that, he served as Vice President, Exploration – Mexico for Bacanora Minerals from January 2011 to May 2013. He also currently serves as the sole director of the Company's Mexican subsidiaries. Mr. Vidal started his career as a geologist with the U.S. Borax exploration team and has over 20 years' experience working in Northern Mexico, particularly in the project areas that Bacanora Minerals is now developing. His experience includes almost 20 years of working with Rio Tinto in the exploration of industrial minerals in several countries in America, occupying different technical and managerial positions. Mr. Vidal has a BSc. in Geology and studies in Non-Ferrous extractive Metallurgy from the University of Sonora (1987).

Colin Orr-Ewing, aged 72, Non-Executive Chairman

Mr. Orr-Ewing began his career as an investment manager for the Shell Pension Fund in London after qualifying as a Certified Accountant. He has over 35 years' experience spanning both the oil and mining industries and has been a director of UK and Canadian oil companies and Irish and Canadian mining companies. Mr. Orr-Ewing has also acted as a consultant to a fund management company on its natural resources portfolios for the last 20 years, and, until 2013, was Executive Chairman of Vatukoula Gold Mines Plc. He was actively involved in the oil industry from 1971 to 1987, working with numerous companies in the North Sea, Libya, Nigeria and Algeria. Mr. Orr-Ewing is a geography graduate of Oxford University.

Shane Shircliff, aged 42, Chief Executive Officer and Director

Mr. Shircliff has worked for over 15 years in the mining and resources industry in various senior executive roles including CEO and President, COO and director for companies working on a range of projects including uranium, gold, silver, coal, industrial minerals, diamonds as well as oil and gas. Mr. Shircliff is the founder of several public and private companies including Clinworth Management Corp, which provides management, financial and corporate development services to the resource and first nations industries.

Derek Batorowski, aged 46, Chief Financial Officer and Director

Mr. Batorowski is a senior executive with over twenty years of financial experience. He is an independent consultant to the resource and mining industries, having held various officer and director positions with junior private and public companies. Mr. Batorowski received his Business Administration Diploma from Mount Royal University in 1989. He has been a member of the Certified General Accountants Association of Alberta since June 2000.

James Leahy, aged 53, Independent Non-Executive Director

Having begun his career at the London Metal Exchange, Mr. Leahy spent some 29 years in the mining industry as a specialist corporate broker, including mining finance, origination and equity sales. Mr. Leahy has worked on a wide range of projects, worldwide, ranging from industrial minerals, precious metals, copper, diamonds, coal, uranium and iron ore. Having worked at James Capel, Credit Lyonnais, Nedbank, Canaccord and Mirabaud, he has substantial experience with international institutional fund managers, hedge funds and sector specialists. Over the years

Mr. Leahy has been involved in many flotations and a large number of primary and secondary placings, developing junior companies through to production and beyond. He is currently a director of Mineral Commodities Ltd and Forte Energy NL.

Guy Walker, aged 45, Independent Non-Executive Director

Mr. Walker is a senior investment management executive with over 20 years of financial markets experience. Mr. Walker currently sits on the boards of several mining companies including exploration, development and production companies. Mr. Walker has extensive experience in capital raising through both traditional banks and alternative lenders.

11.2 **Company Secretary**

Paul Bolger, aged 43

Mr. Bolger is a partner with Tingle Merrett LLP, a Calgary-based corporate and securities law boutique firm, with a practice focused on corporate securities, corporate finance and commercial transactions involving emerging, growth and mid-capitalisation companies. Mr. Bolger has extensive experience acting for public and private companies in a range of different transaction types including listing, acquisitions and disposals.

12 **Financial Information**

Set out in Part IV of this Document is a range of financial information on the Group:

- | | |
|-------------|---|
| Part IV – A | Historical audited consolidated financial information on the Group for the three years ended 30 June 2011, 2012 and 2013; |
| Part IV – B | Unaudited historic financial information on the Group for the nine month period ended 31 March 2014; and |
| Part IV – C | Unaudited pro-forma statement of consolidated net assets of the Group as at 31 March 2014 and on Admission. |

As required by the TSX-V Rules and applicable Canadian securities laws and regulatory policies, the Company announces its results quarterly.

13 **Current Trading, Future Prospects and Significant Trends**

The Directors are advancing the development of its borate and lithium concessions as described above. In particular for the borate concessions, the Company is seeking to prepare a pre-feasibility study on its Magdalena Borate Project as an important next stage of the development of its projects.

The proceeds of the Placing will be used to advance these studies that will enable the Directors to understand the most appropriate strategy for developing its assets. Included in this analysis will be an assessment of the future capital required to develop its projects further as well as an assessment of the potential future economic benefits to the Company in doing so.

14 **Reasons for Admission**

The Directors believe that the Admission to AIM will benefit the Company by:

- Providing an opportunity to increase the liquidity of the Common Shares by:
 - Facilitating access for investors who may wish to trade in the Common Shares when they are admitted to trading on AIM and who are unable or unwilling to invest in Common Shares traded on the TSX-V;
 - Allowing existing Europe-based Shareholders, who hold a significant proportion of the Common Shares, access to a trading platform in the Common Shares in London. The Directors believe this could have the potential to be more attractive and less costly for such Shareholders to trade the Company's Common Shares;

- Providing the Company an opportunity to raise its profile and conduct marketing programmes with trade and financial press with the aim of generating further interest in the Company from the investment community; and
- Providing access to London-based institutional investors who may be able to provide capital to the Company to fund its growth potential at a more attractive cost of capital.

15 Placing and Vendor Placing

The Company is seeking to raise Gross Proceeds of £4,750,000 by the issue of the Placing Shares at the Placing Price. At the same time, the Company has arranged for a Vendor Placing in order to place 2,000,000 Common Shares on behalf of the Vendors.

HD Capital has conditionally agreed, pursuant to the Placing Agreement and as agent for the Company and the Vendors, to use its reasonable endeavours to procure subscribers for the Placing Shares and the Vendor Placing Shares at the Placing Price. The Placing Shares and the Vendor Placing Shares are being placed with institutional and other investors. The Placing Shares and the Vendor Placing Shares will represent 18.39 per cent. and 2.56 per cent. respectively of the Enlarged Share Capital at Admission. The Placing has not been underwritten and is conditional, *inter alia*, on Admission occurring by 31 July 2014 and in any event no later than 31 August 2014 and on the Placing Agreement not being terminated. Further details of the Placing Agreement are set out in paragraph 14.4(c) of Part V of this Document. The Placing Agreement contains certain warranties from the Company and the Directors in favour of Cairn and HD Capital in relation, *inter alia*, to the accuracy of the information contained in this Document and certain matters relating to the Company.

16 Use of Proceeds

The Net Proceeds from the Placing of approximately £4,038,000 will be applied to general working capital purposes and in particular, to fund the preparation of a pre-feasibility study on the Magdalena Borate Project and for the continuation of the work programme to establish the economic potential of the Sonora Lithium Project.

17 Admission, Settlement and Dealings in Common Shares

The Common Shares are listed and traded on the TSX-V. Application has been made to the London Stock Exchange for the Company's entire issued and to be issued share capital to be admitted to trading on AIM. It is expected that Admission will be effective and that dealings in the Common Shares on AIM will commence on 25 July 2014.

CREST is a computerised paperless share transfer and settlement system which allows securities to be transferred by electronic means, without the need for a written instrument of transfer. Securities issued by non-UK companies cannot be held or traded in the CREST system. To enable investors to settle such securities through the CREST system, a depositary or custodian can hold the relevant foreign securities and issues dematerialised depositary interests representing the underlying securities.

With effect from Admission, it will be possible for CREST members to hold and transfer interests in Common Shares of the Company within CREST pursuant to a depositary interest arrangement established by the Company with the Depositary. CREST is a voluntary system and holders of Common Shares who wish to remain outside CREST may do so and will have their details recorded on the Company's share register in accordance with applicable laws.

The Depositary will issue Depositary Interests in respect of the underlying Common Shares pursuant to the terms of the Deed Poll. Under the terms of the Deed Poll, the Depositary will hold as bare trustee all of the rights pertaining to the relevant underlying securities for the benefit of, and on behalf of, the Depositary Interest holder. Any rights or entitlements to cash distributions, to information to make choices and elections, and to attend and vote at general meetings shall be passed to the Depositary Interest holder by the Depositary. Under the Deed Poll, a Depositary Interest holder can cancel or transfer its Depositary Interests by giving instructions to the Depositary.

The Depositary Interests will be independent securities constituted under English law and will be held on a register maintained by the Depositary. Depositary Interests will have the same ISIN as the underlying Common Shares and do not require a separate admission to AIM.

Each Depositary Interest will be treated as one Common Share for the purposes of, for example, determining eligibility for dividend payments. Any payments received by the Depositary, as holder of the Common Shares, will be passed on to each Depositary Interest holder noted on the Depositary Interest register as the beneficial owner of the relevant Common Shares.

All Common Shares will remain admitted to trading on the TSX-V. Shareholders wishing to migrate their holdings of Common Shares between the TSX-V and AIM and vice versa can do so by contacting the Depositary.

Application has been made by the Depositary for Depositary Interests, which represent the underlying Common Shares, to be admitted to CREST on Admission. Further details are set out in paragraph 19 of Part V of this Document.

The issuance of the Placing Shares will be completed in reliance upon exemptions from the prospectus requirements of the securities legislation of the provinces and territories of Canada. Accordingly, certificates representing the Placing Shares will include legends in accordance with applicable Canadian securities laws and regulatory policies, in addition to the TSX-V Rules, which shall state that unless permitted under securities legislation, the holder of such securities shall not trade them until the date that is four months and one day after the date of distribution thereof. Notwithstanding the imposition of such legends, such trading restrictions in relation to the Placing Shares will not restrict the trading of Depositary Interests through CREST provided that certain conditions are satisfied in order for the Company to rely upon exemptions from the prospectus and registration requirements under the laws of the Province of Alberta. In particular, each of the following conditions must be satisfied:

- (a) HD Capital agrees in the Placing Agreement that it will: (i) not offer or sell any Placing Shares to any resident of the Province of Alberta, Canada; (ii) on Admission, provide a certificate confirming that it has not, to its knowledge, offered or sold any Placing Shares to any residents of Alberta, Canada; and (iii) ensure that confirmation slips provided to the Placees confirming the sale of the Placing Shares contain a statement that it is HD Capital's understanding that the Placee is not a resident of the Province of Alberta, Canada;
- (b) the Placing Shares are not sold to a purchaser resident in Alberta;
- (c) the Placee certifies in a placing letter to be provided by HD Capital in connection with the Placing that the Placee is not resident in Alberta and the Company does not believe, and has no reasonable grounds to believe, that the certification is false;
- (d) the Placee acknowledges and confirms in a placing letter to be provided by HD Capital in connection with the Placing that it is not a resident of the Province of Alberta, Canada and is not acquiring the Placing Shares with a view to reselling the Placing Shares, for a period of four months and one day from Admission to a resident of the Province of Alberta, Canada.

HD Capital has agreed, pursuant to the Placing Agreement and conditional, inter alia, on admission, to use its reasonable endeavours to place the Placing Shares, with institutional and other investors that are resident outside of the Province of Alberta, Canada.

18 Lock-in and Orderly Market Agreements

Each of the Directors have undertaken to the Company, Cairn and HD Capital that, other than in certain limited circumstances, they will not dispose of any interest they hold in Common Shares for a period of 12 months following Admission and that for a further period of 12 months following the expiry of the initial 12 month period, they shall only dispose of an interest in Common Shares provided such disposal is effected through HD Capital and in such manner as HD Capital may reasonably require with a view to

the maintenance of an orderly market in the Common Shares. Each Director has similarly undertaken to use all reasonable endeavours to ensure that associated parties of the Directors (including controlled companies and family members) also comply with these restrictions.

In addition, pursuant to the AIM Rules for Companies, the following parties have undertaken to the Company, Cairn and HD Capital that, other than in certain limited circumstances, they will not dispose of any interest they hold in Common Shares for a period of 12 months following Admission:

<i>Name of Shareholder</i>	<i>Common Shares on Admission</i>	<i>% of Enlarged Share Capital</i>
Igneous Capital Limited	10,000,000	12.78

19 Options, Existing Warrants and Adviser Warrants

The Company has issued or has committed to issue:

- 5,833,334 Existing Warrants;
- 3,500,000 Options; and
- 781,748 Adviser Warrants.

Further details of the Existing Warrants, Options and Adviser Warrants are set out at paragraphs 5.6, 5.7, 11.2 and 14.4(e) of Part V of this Document.

20 Dividend policy

The Board does not anticipate declaring any dividends in the foreseeable future; payment of any future dividends will be at the discretion of the Board based upon the Company's financial position after taking into account many factors, including the Company's operating results, financial condition and current and future cash needs.

21 Corporate Governance

21.1 General

The Company is subject, among other laws and regulations, to instruments published by relevant Canadian securities regulators. One such instrument, NI 58-101, prescribes certain disclosure by the Company of its corporate governance practices and NP 58-201, provides non-prescriptive guidelines on corporate governance practices for reporting issuers such as the Company. This section sets out the Company's approach to corporate governance and addresses the Company's compliance with NI 58-101 and NP 58-201.

As a result of its listing on the TSX-V and being a reporting issuer in the Canadian provinces of Alberta, British Columbia and Saskatchewan, the Company has already established corporate governance practices and procedures appropriate for a publicly listed company of its size and stage. The Company complies with relevant Canadian corporate governance standards to the extent that the Directors reasonably consider appropriate for a company of Bacanora Minerals's size and type. In particular, the Company has established and properly constituted an Audit Committee and a Remuneration Committee and it is the intention of the Directors to, as far as practicable, establish an AIM Rules Compliance Committee following Admission with formally delegated duties and responsibilities. Pursuant to the BCA and the Company's current By-Laws, not less than 25 per cent. of the members of each of these committees must be Canadian residents.

21.2 Board Structure

On Admission, the Board will consist of three executive directors and three non-executive directors of whom two (James Leahy and Guy Walker) are considered by the Board to be independent. The Chairman is responsible for leadership of the Board and for the efficient conduct of the Board's function. The Chairman is expected to encourage the effective contribution of all directors and promote constructive and respectful relations between Directors and senior management.

The Directors believe that they have sufficient experience in implementing accounting systems and controls which will provide a reasonable basis for them to make proper judgements as to the financial position and prospects of the Company.

21.3 *Audit Committee*

The Company has adopted a charter for the Audit Committee which establishes the Audit Committee's purpose and responsibilities, establishment and composition, authority, duties and responsibilities. The Audit Committee is comprised of three members (Guy Walker, James Leahy and Shane Shircliff and with Guy Walker as Chairman). The Audit Committee's overall goal is to ensure that the Company adopts and follows a policy of proper and timely disclosure of material financial information and reviews all material matters affecting the risks and financial position of the Company. The Audit Committee, *inter alia*, meets with the Company's external auditor and its senior financial management to review the annual and interim financial statements of the Company, oversees the Company's accounting and financial reporting processes, the Company's internal accounting controls and the resolution of issues identified by the Company's auditors.

21.4 *Remuneration Committee*

The Company has adopted terms of reference for its Remuneration Committee which establishes the Remuneration Committee purpose and responsibilities, establishment, composition, authority and duties. The Remuneration Committee is comprised of three members (James Leahy, Derek Batorowski and Guy Walker with James Leahy as Chairman).

The Remuneration Committee assumes general responsibility for assisting the Board in respect of remuneration policies for the Company and to review and recommend remuneration strategies for the Company and proposals relating to compensation for the Company's officers, directors and consultants and to assess the performance of the officers of the Company in fulfilling their responsibilities and meeting corporate objectives. It has the responsibility for, *inter alia*, administering share and cash incentive plans and programmes for Directors and employees and for approving (or making recommendations to the Board on) share and cash awards for Directors and employees.

The Company considers that, at this stage in its development, it is not necessary to establish a formal nominations committee. This decision will be kept under review by the Directors on an on-going basis.

21.5 *AIM Rules Compliance Committee*

It is the intention of the Directors to establish an AIM Rules Compliance Committee that will, following Admission, ensure that procedures, resources and controls are in place to ensure AIM Rules compliance by the Company is operating effectively at all times and that the executive directors are communicating as necessary with the Company's Nominated Adviser regarding ongoing compliance with the AIM Rules and in relation to all announcements and notifications and proposed or potential transactions.

21.6 *Insider Trading Policy*

The Company currently operates an insider trading and confidential information policy in respect of its listing on the TSX-V which applies to the Directors, officers and certain employees of the Company. The Company has adopted, with effect from Admission, a revised policy on trading and confidentiality of insider information for the Directors, officers and certain employees which contains provisions appropriate for a company whose shares are admitted to trading on AIM (particularly relating to dealing during close periods in accordance with Rule 21 of the AIM Rules) and the Company will take all reasonable steps to ensure compliance by the Directors and any relevant employees with such policy.

21.7 *Investor Relations*

Where possible the Company meets with and makes presentations to Shareholders. The annual general meeting is normally attended by senior management and Directors, and Shareholders are invited to ask questions during the meeting and to meet with senior management and the Directors

after the formal proceedings have ended. The Company maintains a corporate website at www.bacanoraminerals.com, which contains a wide range of information about the Company and its business. The website is updated with all formal communications to the investment community following their release through a regulatory news service. It is intended that with effect from Admission, the website will comply with the requirements of Rule 26 of the AIM Rules.

21.8 *Share Issues*

Whilst the Company is not required under Canadian law to offer new Common Shares to existing Shareholders on a pre-emptive basis, as is required of companies incorporated under the Act, the Company and the Directors have undertaken to Cairn (and will undertake in similar terms to the nominated adviser to the Company from time to time) that for as long as the Company's Common Shares are admitted to AIM, the Company will not issue new Common Shares accounting for more than 25 per cent. in aggregate of the enlarged ordinary share capital of the Company on a non pre-emptive basis in any one year without the approval of Shareholders at a duly called meeting thereof.

22 **Canadian Takeover Law**

It is emphasised that, although the Common Shares will be admitted to trading on AIM, the Company will not be subject to takeover regulation in the UK and the City Code will not apply to the Company. However, Canadian laws applicable to the Company provide for early warning disclosure requirements and for takeover bid rules for bids made to security holders in various jurisdictions in Canada, a summary of which is set out below.

In Canada, securities laws are a matter of provincial/territorial jurisdiction and, as a result, bids are governed by applicable corporate and securities legislation in each province or territory in addition to policy and instruments implemented by Canadian Securities Administrators.

Under the laws of the Provinces of Alberta, British Columbia, and Saskatchewan, the jurisdictions in Canada in which the Company is a reporting issuer (as defined under provincial securities law), when any person (an "offeror") acquires, except pursuant to a formal take-over bid, beneficial ownership of, or the power to exercise control or direction over, or securities convertible into, voting or equity securities of any class of a reporting issuer that, together with such offeror's securities of that class, would constitute 10 per cent. or more of the outstanding securities of that class, the offeror must immediately issue and file a press release announcing the acquisition and file a report of such acquisition with the applicable securities regulatory authorities within two business days of the acquisition. Once an offeror has filed such report, the offeror is required to issue further press releases and file further reports each time that the offeror, or any person acting jointly or in concert with the offeror, acquires beneficial ownership of, or the power to exercise control or direction over, or securities convertible into, an additional two per cent. or more of the outstanding securities of the applicable class or if there is a change in any other material fact set out in previous reports. Certain institutional investors may elect an alternative monthly reporting system.

In Alberta, British Columbia, Saskatchewan and other Canadian jurisdictions, a take-over bid is generally defined as an offer to acquire outstanding voting or equity securities of a class made to any holder in the jurisdiction of securities subject to the offer to acquire, if the securities subject to the offer to acquire, together with securities held by the offeror and any person acting jointly or in concert with the offeror, constitute in aggregate 20 per cent., or more of the outstanding securities of that class of securities at the date of the offer to acquire. Subject to limited exemptions, a take-over bid must generally be made to all holders of securities of the class that is subject to the bid who are in the jurisdiction and must allow such security holders 35 days to accept the bid. Unless exemptions are available, the offeror must deliver to the security holders a takeover bid circular which describes the terms of the take-over bid and the directors of the reporting issuer must deliver a directors' circular not later than 15 days after the date of the bid, either making or declining to make a recommendation to security holders to accept or reject the bid and the reasons for their making or not making a recommendation. Whilst provincial securities laws in Canada only regulate offers to residents of the particular province, the Canadian Securities Administrators have adopted a policy whereby they may issue a cease trade order against a company if a takeover bid is not made to all Canadian security holders. It should be noted that one exemption from the aforementioned

provisions is in the case of a “foreign take-over bid”. Such an exemption may be available where (among other criteria): (a) security holders whose last address as shown on the books of the offeree issuer is in Canada hold less than 10 per cent. of the outstanding securities of the class subject to the bid at the commencement of the bid; (b) the offeror reasonably believes that security holders in Canada beneficially own less than 10 per cent. of the outstanding securities of the class subject to the bid at the commencement of the bid; (c) the published market on which the greatest volume of trading in securities of that class occurred during the 12 months immediately preceding the commencement of the bid was not in Canada; (d) security holders in the local jurisdiction are entitled to participate in the bid on terms at least as favourable as the terms that apply to the general body of security holders of the same class; (e) at the same time as material relating to the bid is sent by or on behalf of the offeror to security holders of the class that is subject to the bid, the material is filed and sent to security holders whose last address as shown on the books of the offeree issuer is in the local jurisdiction. For a complete description of the foreign take-over bid exemption, readers are referenced to Multilateral Instrument 62-104 – *Take-over Bids and Issuer Bids*, issued by the Canadian Securities Administrators.

23 Rule 17 of the AIM Rules

When acquiring shares in the Company, shareholders are entitled under Canadian securities laws to categorise themselves as “objecting” (“Obos”) or “non-objecting” (“Nobos”). By registering as such, which they usually do through the entity through which they acquired their shares, Obos are noting that they object to their interest and their details being disclosed to the Company, in respect of interests up to 10 per cent. of the issued share capital of the Company after which level Canadian securities law makes disclosure mandatory. Nobos on the other hand are noting the fact that they do not object to their shareholdings and their details being disclosed to the Company.

Rule 17 of the AIM Rules requires, *inter alia*, that an AIM listed company must notify the market of any changes of which it is aware to its shareholders’ interests in three per cent. or more of the Common Shares and changes thereto (of any movements through a percentage point upwards or downwards). The Directors have approved a resolution to change the Company’s constitution to require that Shareholders holding interests in three per cent. or more of the Company’s Common Shares inform the Company thereof and to inform the Company of relevant subsequent changes thereto. Whilst these changes to the Company’s constitution are currently effective, these amendments will be placed before the Company’s Shareholders for ratification at the next general meeting (anticipated to be held on or before 14 June 2015 (being the date that is 15 months from the last meeting of Shareholders)). Accordingly, Shareholders are requested to notify the Company to enable it to comply with the AIM Rules.

24 Taxation

Details of certain UK and Canadian taxation implications which may be relevant to holding or dealing in Common Shares are set out in paragraphs 8 and 9 of Part V of this Document. These details are intended as a general guide to the current tax position under UK and Canadian taxation law. If you are in any doubt of your tax position you should consult your own tax adviser.

25 Additional Information

Prospective investors should read the whole of this Document, which provides additional information on the Company and should not rely on summaries or individual parts only. In particular, the attention of prospective investors is drawn to Part II of this Document which contains certain risk factors relating to any investment in the Common Shares and Part III of this Document which contains a copy of the CPR.

PART II

RISK FACTORS

This Document contains forward-looking statements, which have been made after due and careful enquiry and are based on the Board's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. These forward-looking statements are subject to, *inter alia*, the risk factors described in this Part II of the Document. The Directors believe that the expectations reflected in these statements are reasonable, but may be affected by a number of variables which could cause actual results or trends to differ materially. Each forward-looking statement speaks only as of the date of the particular statement.

Factors that might cause a difference include, but are not limited to, those discussed in this Part II of this Document. Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward-looking statements. The Company disclaims any obligation to update any such forward-looking statements in this Document to reflect future events or developments.

There are significant risks associated with the Company. Prior to making an investment decision in respect of the Common Shares, prospective investors and Shareholders (as appropriate) should consider carefully all of the information within this Document, including the following risk factors. The Board believes the following risks to be the most significant for potential investors. However, the risks listed do not necessarily comprise all those associated with an investment in the Company. In particular, the Company's performance may be affected by changes in market or economic conditions and in legal, regulatory and/or tax requirements. The risks listed are not set out in any particular order of priority. Additionally, there may be risks not mentioned in this Document of which the Board is not aware or believes to be immaterial but which may, in the future, adversely affect the Company's business and the market price of the Common Shares.

If any of the following risks were to materialise, the Company's business, financial condition, results or future operations could be materially and adversely affected. In such cases, the market price of the Common Shares could decline and an investor may lose part or all of his investment. Additional risks and uncertainties not presently known to the Board, or which the Board currently deems immaterial, may also have an adverse effect upon the Company and the information set out below does not purport to be an exhaustive summary of the risks affecting the Company.

Before making a final investment decision, prospective investors should consider carefully whether an investment in the Company is suitable for them and, if they are in any doubt should consult with an independent financial adviser authorised under FSMA which specialises in advising on the acquisition of shares and other securities.

Specific risks in relation to the Company

Limited operating history

Bacanora Minerals is at an early stage of development with operating losses expected to be incurred for the foreseeable future. It currently has no producing assets and no positive cash flow and its ultimate success will depend on its ability to raise capital for the Company's borate and lithium projects and general cash flow in the future. The Company has not yet earned income or profit to date and there is no assurance that it will do so in the future or that it will be successful in achieving a return on Shareholders' investment.

Early stage of operations

The Company's operations are at an early stage of development and success will depend on the Directors' ability to implement their strategy and generate cash flow from its borate and lithium projects. There can be no guarantee that the Company can or will be able, or that it will be commercially advantageous for the Company, to develop its borate and lithium projects. Whilst the Directors are optimistic about the Company's prospects, there is no certainty that anticipated outcomes and sustainable revenue streams

will be achieved. The Company will not generate any material income until its excavation, processing and production facilities have been developed and have successfully commenced operating. In the meantime the Company will continue to expend its cash reserves.

The development of the Company's assets or the commencement of production and commercial sales of borates and lithium from the concessions could be delayed or experience interruptions or increased costs or may not be completed at all due to a number of factors, including, without limitation:

- a reduction in the market price of borates and/or lithium;
- delays in obtaining or an inability to obtain, or conditions imposed by, regulatory approvals;
- non-performance by third party contractors;
- inability to attract sufficient numbers of qualified workers;
- change in environmental compliance requirements;
- unfavourable weather conditions;
- contractor or operator errors;
- lack of the availability of finance for further development of the assets;
- lack of availability of infrastructure capacity;
- increases in extraction costs including plant, material and labour costs;
- lack of availability of mining equipment and other exploration services;
- catastrophic events such as fires, storms or explosions;
- the breakdown or failure of equipment or processes;
- construction, procurement and/or performance of the processing plant and ancillary operations falling below expected levels of output or efficiency;
- violation of permit requirements;
- the lack of progress with respect to the development of appropriate extraction technologies;
- the political stability of Mexico; and
- taxes and imposed royalties.

Some of risks associated with these factors are set out below.

There can be no assurance that the Company will complete the various stages of development necessary in order for it to achieve its strategy on schedule or at all. If the Company is unable to implement its business plan on schedule, materially changes its strategy or if costs exceed original budgets, any of these factors may have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

Dependence on key personnel

The success of the Company, in common with other businesses of a similar size, will be highly dependent on the expertise and experience of its Directors and senior management. The loss of any key personnel could harm the business or cause delay in the plans of the Company whilst management time is directed at finding suitable replacements. The future success of the Company is in part dependent upon its ability to identify, attract, motivate and retain staff with the requisite expertise and experience. Although the Company has entered into consulting arrangements with its key personnel to secure their services, the agreements are not subject to any minimum notice periods and the Company cannot guarantee the retention of such key personnel. Should key personnel leave, the Company's business, prospects, financial condition or results of operations may be materially adversely affected.

The concessions may be impacted by undetected defects, litigation, revocation, non-renewal or alteration by regulatory authorities

Whilst the Company has diligently investigated its title to, and rights and interests in, the concessions granted to Bacanora Minerals and, to the best of its knowledge, such title, rights and interests are in good standing, this should not be construed as a guarantee of the same. The concessions may be subject to undetected defects. If a defect does exist, it is possible that the Company may lose all or part of its interest in one or more of the concessions to which the defect relates and its exploration, appraisal and development programmes and prospects may accordingly be adversely affected.

While the Directors have no reason to believe that the existence and extent of any of the concessions are in doubt, title to mineral properties is subject to potential litigation by third parties claiming an interest in them. The failure to comply with all applicable laws and regulations, including failure to pay taxes, meet minimum expenditure requirements or carry out and report assessment work may invalidate title to or rights under all or portions of the concessions.

All of the concessions in which Bacanora Minerals has or may earn an interest will be subject to applications for renewal or grant (as the case may be). The renewal or grant of the terms of each concession is usually at the discretion of the relevant Mexican government authority. If a concession is not renewed or granted, the Company may suffer significant damage through loss of the opportunity to develop and discover any mineral resources on that concession area.

Contractual agreements to which the Company is, or may in the future become party, may become subject to payment and other obligations. In particular, for certain concessions, Bacanora Minerals is required to expend the funds necessary to meet the minimum work commitments attaching to such concessions. Failure to meet these work commitments will render the concession liable to be revoked. Further, if any contractual obligations are not complied with when due, in addition to any other remedies which may be available to other parties, this could result in dilution or forfeiture of interests held by the Company.

Expropriation of private assets by Mexican authorities

As regulated by the Mexican Law of Expropriation, the Mexican government has the right to expropriate privately owned land when deemed necessary in certain limited circumstances, for example if needed for the purposes of defence, conservation or development. In the event of an expropriation, the government will compensate the landowner at market value for the land expropriated. Therefore, it remains a risk that the Mexican authorities could expropriate the Company's mining concessions although compensation would be payable in such event.

Applications

Title has not yet been granted by Mexican Federal Mining Registry in respect of five concession areas in the Sonora Lithium Project, being La Ventana 1, El Sauz 1, El Sauz 2, Fleur 1 and Megalit. Applications have been made for these areas which have been "Approved for Title" by the local mining registry. While the Directors believe that there is minimal risk of title not being granted in respect of these applications, there is no guarantee that title will be granted in respect of any or all of these concession areas.

Failure to transfer mining concessions to relevant entities

The Company is obligated to transfer certain of its mining concessions to Mexilit and Megalit in accordance with REM Agreement 1 and REM Agreement 2. To date (save for El Sauz), these concessions have not been transferred. This is a result of certain pending applications at the Mexican registries which include (as noted above) final registration of the concessions as well as completion of registration of Megalit at the Federal Mining Registry (which needs to be completed before it can hold concessions). The Directors intend to transfer the relevant concessions to Mexilit and Megalit as appropriate once these applications have been completed.

Maintenance of the Company's concessions

The Company's concessions in Mexico are subject to spending requirements in order to maintain the title of the concessions. The capital spending requirement for 2014 for its concessions is some US\$312,000. The concessions are also subject to semi-annual payments to the Mexican government for concession taxes. Should the Company not, or not be able, to pay the spending requirements there is a material risk that the Company's ownership of its concessions may be revoked.

Exploration uncertainty

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

The application of the Company's accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that costs incurred will be recovered through successful exploration and development or sale of the asset under review when assessing impairment. Furthermore, the assessment as to whether economically recoverable reserves exist is itself an estimation process. Estimates and assumptions made may change if new information becomes available and may therefore impact the Company's financial estimations and reported results.

Land access to the concessions of the Magdalena Borate and Sonora Lithium Projects

Whilst a concession holder is granted certain access rights by the Mexican authorities, as referred to in Part I of this Document, no formal access rights to the concessions of the Company have been obtained by Bacanora Minerals with local landowners to date. At present, the Company has informal arrangements allowing the exploration, drilling and sampling to take place. Should the land access not be allowed for whatever reason, there is a risk that the Company's operations could be materially adversely impacted.

Negative conclusions from further economic assessments

The Net Proceeds will be used, *inter alia*, for general working capital purposes and in particular, to fund the preparation of a pre-feasibility study on the Magdalena Borate Project and for the continuation of the work programme to establish the economic potential of the Sonora Lithium Project. Until such time as any further economic assessments are concluded, uncertainty will exist as to the economic viability of the Company's borate and lithium projects. In the event that any further economic assessments have negative conclusions, investors may lose some or all of their investment.

Internal controls

The Company has established a system of internal controls for financial reporting. Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company has procedures in place in order to help ensure the reliability of its financial reports, including those imposed on it under Canadian securities laws, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its independent auditor discovers a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's financial statements and adversely affect the market price of the Common Shares.

Future financing

Whilst the Directors are of the opinion that the working capital available to the Company will be sufficient for its present requirements, Shareholders should be aware that in order for the Company to commence production from the Magdalena Borate Project and Sonora Lithium Project it will be required to raise additional funds. The timing and the quantum of any future fundraising will only become apparent when the economic viability of the Magdalena Borate Project and Sonora Lithium Project has been assessed. No assurance can be given that any such additional financing will be available or that, if available, it will be available on terms favourable to the Company or to the Shareholders. Further equity financing will be dilutive to Shareholders, may be at a price lower than initial fundraising and may result in an issuance

of securities whose rights, preferences and privileges are senior to the holders of Common Shares. The Directors may seek debt finance to fund all or part of the Company's future funding requirements. There can be no assurance that the Company will be able to raise those debt funds or to the terms of such debt. Debt financing may require the Company to enter into covenants restricting its future operational and financial activities.

Environmental compliance

All phases of the Company's operations in Mexico are subject to environmental regulation in that jurisdiction. Environmental legislation is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. Compliance with environmental laws requires on-going expenditure and considerable capital commitments from the Company. Non-compliance may subject the Company to significant penalties, including the suspension or revocation of its rights in respect of its concessions or assets. There is no assurance that existing or future environmental regulation will not materially adversely affect the Company's business, financial condition and results of operations.

Environmental approvals

Environmental approvals and permits are currently, and may also in future be, required in connection with the Company's operations. Failure to comply with applicable environmental laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities against the Company, causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations, including the Company, may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil, administrative or criminal fines or penalties imposed for violations of applicable environmental laws or regulations.

Further licences and permits required

The Company's concessions for its borate and lithium projects will need to obtain further licences and permits prior to commencing commercial operations. The Company will also be required to obtain further environmental and technical permits for the construction and development of its commercial operations. There is a risk that these further permits, concessions and licences may not be granted which would have a significant material adverse effect on the Company.

In addition, the granting of such approvals and consents may be withheld for lengthy periods, or granted subject to satisfaction of certain conditions which the Company cannot or may consider impractical or uneconomic to meet. As a result of any such delays or inability to exploit such discoveries, the Company may incur additional costs or losses.

Unknown environmental hazard

Environmental hazards may also exist on the properties in which the Company holds interests, that are unknown to the Company at present and that have been caused by previous or existing concession holders or operators.

Exploration, development and operating risks

It is impossible to ensure that the development programmes planned by the Company will result in a profitable commercial operation. Whether the Company's borate and lithium projects will be commercially viable depends on a number of factors, some of which are: (i) the particular attributes of the material excavated from the Company's concessions; (ii) the performance of the full-scale commercial production operations; (iii) the end prices that can be achieved by the Company for products offered to customers, which may be volatile; and (iv) government regulations, including regulations relating to prices, taxes, royalties, land use, importing and exporting of minerals and environmental protection. Whilst the Directors believe that the results of the small scale mineral extraction processes that have been achieved at the Pilot Plant are encouraging, the performance, yields, operating costs and capital costs of the full scale mineral production plant may differ materially from expectations, and the economic returns from processing the extracted ore into commercially saleable lithium or borate may be lower than anticipated. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the

Company not receiving an adequate return on invested capital.

Resource estimates

The Company's reported mineral resources are only estimates at this stage. Mineral resource estimates are uncertain and may not be representative. There are numerous uncertainties inherent in estimating mineral resources, including factors beyond the control of the Company. The estimation of mineral resources is a subjective process and the accuracy of any such estimate is a function of the quality of available data and of engineering and geological interpretation and judgement. Results of drilling, metallurgical testing, production, and exploration activities subsequent to the date of any estimate may justify revision (up or down) of such estimates. The Company and the Directors cannot give any assurance that the estimated mineral resources will be recovered if the Company proceeds to production or that they will be recovered at the volume, grade and rates estimated.

Reliance on third parties

The Company will be reliant on third party service providers and suppliers to provide equipment, infrastructure and raw materials required for the Company's business and operations and there can be no assurance that such parties will be able to provide such services in the time scale and at the cost anticipated by the Company.

Operations

The Company's borate and lithium projects involves a number of risks and hazards, including industrial accidents, labour disputes, unusual or unexpected geological conditions, equipment failure, changes in the regulatory environment, environmental hazards and weather and other natural phenomena such as earthquakes and floods. The Company may experience a plant shutdown or periods of reduced production as a result of any of the above factors. Such occurrences could result in material damage to, or the destruction of, production facilities, human exposure to pollution, personal injury or death, environmental and natural resource damage, monetary losses and possible legal liability, any of which could materially adversely affect the Company's results of operations.

Commodity prices

The profitability of the Company's operations will be dependent upon the market price of the products able to be sold by the Company. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of the Company. General economic factors as well as the world supply of mineral commodities, the stability of exchange rates and political developments can all cause significant fluctuations in prices. The price of mineral commodities has fluctuated widely in recent years and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on the Company's business, financial condition and results of operations.

Furthermore, reserve estimates and feasibility studies using different commodity prices than the prevailing market price could result in material write-downs of the Company's investment in its assets, increased amortisation, reclamation and closure charges or even a reassessment of the feasibility of the Company's borate and lithium projects.

Infrastructure

The Company's borate and lithium projects depend to a significant degree on adequate infrastructure. In the course of developing its operations the Company may need to construct and support the construction of infrastructure, which includes permanent water supplies, power, transport and logistics services which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure or any failure or unavailability in such infrastructure could materially adversely affect the Company's operations, financial condition and results of operations.

Canadian corporate income taxes

The Company has filed, and will file, all required income tax returns. However, such returns are subject to reassessment by the applicable taxation authority. In the event of a successful reassessment of the Company whether by re-characterisation of exploration and development expenditures or otherwise, such reassessment may have an impact on current and future taxes payable.

Dividends

The dividend policy of the Company is dependent upon its financial condition, cash requirements, future prospects, profits available for distribution and other factors deemed to be relevant at the time and on the continued health of the markets in which it operates. The Directors have no present intention to declare a dividend and there can be no guarantee that the Company will pay dividends in the foreseeable future.

Tax considerations

Changes in tax laws in the countries that are applicable to the Company, in particular Mexico, Canada, BVI or the UK or any other subordinate legislation or the practice of any relevant taxation authority could have a material adverse effect on the Company. An investment in the Company may involve complex tax considerations which may differ for each investor and each investor is advised to consult their own tax advisers. Any tax legislation and its interpretation and the legal and regulatory regimes which apply in relation to an investment in the Company may change at any time.

Investors should refer to the paragraphs entitled “UK Taxation” and “Canadian Taxation” in paragraphs 8 and 9 of Part V of this Document for a summary of the possible tax consequences of owning Common Shares.

Uninsured hazards

The Company may be subject to substantial liability claims due to the inherently hazardous nature of its business or for acts and omissions of contractors, sub-contractors or operators. Any indemnities the Company may receive from such parties may be limited or may be difficult to enforce if such contractors, sub-contractors or operators lack adequate resources.

The Company can give no assurance that the proceeds of insurance applicable to covered risks will be adequate to cover expenses relating to losses or liabilities. Accordingly, the Company may suffer material losses from uninsurable or uninsured risks or insufficient insurance coverage. The Company is also subject to the risk of unavailability, increased premiums or deductibles, reduced cover and additional or expanded exclusions in connection with its insurance policies and those of operators of assets it does not itself operate.

Exposure to economic cycle

Market conditions may affect the value of the Company’s share price regardless of operating performance. The Company could be affected by unforeseen events outside its control including economic and political events and trends, inflation and deflation, terrorist attacks or currency exchange fluctuation. The combined effect of these factors is difficult to predict and an investment in the Company could be affected adversely by changes in economic, political, administrative, taxation or other regulatory factors in any jurisdiction in which the Company may operate.

Health and safety

The Company’s activities will be subject to health and safety standards and regulations. Failure to comply with such requirements may result in fines and or penalties being assessed against the Company.

Geopolitical climate

The political climate in Mexico is currently stable and generally held to offer a favourable outlook for foreign investments. There is no guarantee that it will remain so in the future. Changes in government, regulatory and legislative regimes cannot be ruled out.

Foreign currency exchange rates

The Company’s revenues will be derived outside the UK and the Company’s operations and profitability may be adversely affected by movements in foreign currency exchange rates, particularly by movements in the US Dollar relative to Sterling, the Canadian Dollar and the Mexican Peso, through both transaction and conversion risks.

General risks relating to an investment in the Common Shares

Market for the Common Shares

The Company cannot predict the extent to which investor interest in the Common Shares will lead to the development of a trading market on AIM or how liquid such a market might become following Admission. Investors may experience greater price volatility and less efficient execution of buy and sell orders than expected.

Trading and performance of Common Shares

The AIM Rules are less demanding than those of the Official List and an investment in a company whose shares are traded on AIM is likely to carry a higher risk than an investment in a company whose shares are quoted on the Official List. It may be more difficult for investors to realise their investment in a company whose shares are traded on AIM than to realise an investment in a company whose shares are quoted on the Official List. The share price of publicly traded, early stage exploration companies can be highly volatile. The price at which the Common Shares will be traded and the price at which investors may realise these investments will be influenced by a large number of factors, some specific to the Company and its operations and some which may affect junior mining and exploration companies or quoted companies generally. The market perception of junior mining and exploration companies may impact upon the value of investors' holdings and on the ability of the Company to raise funds by the issue of further securities. The value of Common Shares will be dependent upon the success of the operational activities undertaken by the Company, as well as further resource analysis, and prospective investors should be aware that the value of the Common Shares can go down as well as up. Furthermore, there is no guarantee that the market price of a Common Share will accurately reflect its underlying value.

Volatility of share price

The trading price of the Common Shares may be subject to wide fluctuations in response to a number of events and factors, such as variations in operating results, announcements of innovations or new services by the Company or its competitors, changes in financial estimates and recommendations by securities analysts, the share price performance of other companies that investors may deem comparable to the Company, news reports relating to trends in the Company's markets, large purchases or sales of Common Shares, liquidity (or absence of liquidity) in the Common Shares, currency fluctuations, legislative or regulatory changes and general economic conditions. These fluctuations may adversely affect the trading price of the Common Shares, regardless of the Company's performance.

Future sales of Common Shares could adversely affect the price of the Common Shares

Certain existing shareholders have given a lock-in undertaking that, save in certain circumstances, they will not, until the first anniversary of Admission, dispose of the legal or beneficial ownership of, or any other interest in, Common Shares held by them at Admission. There can be no assurance that such parties will not effect transactions upon the expiry of the lock-in or any earlier waiver of the provisions of the lock-in. The sale of a significant number of Common Shares in the public market, or the perception that such sales may occur, could materially adversely affect the market price of the Common Shares.

Shareholders not subject to the lock-in arrangements and, following the first anniversary of Admission (or earlier in the event of a waiver of the provisions of the lock-in), Shareholders who are otherwise subject to the lock-in arrangements, may sell their Common Shares in the public or private market and the Company may undertake a public or private offering of Common Shares. The Company cannot predict what effect, if any, future sales of Common Shares will have on the market price of the Common Shares. If the Company's existing shareholders were to sell, or the Company was to issue a substantial number of Common Shares in the public market, the market price of the Common Shares could be materially adversely affected. Sales by the Company's existing Shareholders could also make it more difficult for the Company to sell equity securities in the future at a time and price that it deems appropriate.

Non-applicability of the City Code

The Company is not subject to the provisions of the City Code and it is emphasised that, although the Common Shares will be admitted to trading on AIM, the Company will not be subject to takeover regulation in the UK. However, Canadian laws applicable to the Company provide for early warning disclosure requirements and for takeover bid rules for bids made to security holders in various jurisdictions in Canada, a summary of which is set out in paragraph 22 of Part I of this Document.

The specific and general risk factors detailed above do not include those risks associated with the Company which are unknown to the Directors. The risks listed above do not necessarily comprise all those faced by the Company.

Although the Directors will seek to minimise the impact of the Risk Factors, investment in the Company should only be made by investors able to sustain a total loss of their investment. Investors are strongly recommended to consult an investment adviser authorised under FSMA who specialises in investments of this nature before making any decision to invest.

PART III
COMPETENT PERSON'S REPORT

**Competent Persons' Report on the
Mexican Mineral Properties of
Bacanora Minerals Ltd.
Comprising the
Magdalena Basin and Tubutama Basin Projects and the
Sonora Lithium Project, Sonora, Mexico**

For

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This report has been prepared in compliance with AIM Rules for Companies

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Dated: 43'Ln{ 2014.

Statement of Independence

Amerlin Exploration Services Limited (“Amerlin”) will receive a fee for the preparation of this report in accordance with normal professional consulting practice. This fee is not contingent on the outcome of the Admission and Amerlin will receive no other benefit for the preparation of this report. Neither Amerlin, the Competent Person, nor any directors of Amerlin have at the date of this report, nor have had within the previous two years, any shareholding in the Company, the assets or advisers of the Company. Consequently, Amerlin, the Competent Person and the directors of Amerlin consider themselves to be independent of the Company.

Statement of Material Change

There has been no material change in the mineral assets of Bacanora Minerals Ltd. as of the effective date of this report.

43 July 2014

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1.0 Executive Summary

1.1 Introduction

The purpose of this report is to provide summary disclosure of Bacanora Mineral Ltd.'s ("Bacanora" or the "Company") mineral assets with the intent that the report will be used by Bacanora in accordance with admission requirements of the AIM Market of the London Stock Exchange. The report has been prepared in consideration of AIM, *Note for Mining, Oil and Gas Companies* and follows the format specified under the Canadian Securities Administrators National Instrument 43-101.

Bacanora has interests in three projects in the northern Mexican state of Sonora: the Magdalena Basin and Tubutama Basin Projects, both of which are borate assets, and the Sonora Lithium Project consisting of lithium assets (Table 1 & Figure 1). In addition, Bacanora also owns physical assets consisting of an office building and pilot plant complex in Hermosillo, Sonora.

Table 1. Summary of Bacanora's Mexican Assets.

Asset	Holder	Interest (%)	Status	Expiry Date	Area (ha)	Comments
Magdalena Basin Project	MSB ¹	100	Development	May 16, 2052 and later	16,503	Estimated drill indicated resources; recovery process design underway
Tubutama Basin Project	MSB	100	Exploration	Sept 29, 2043 and later	1,661	Low grade borate & potential gypsum
Sonora Lithium Project						
La Ventana Lithium Deposit	MSB	100	Development	Jan 21, 2060 and later	1,820	Estimated drill indicated resources; recovery process design underway
REM Agreement 1	Mexilit ²	70	Development	Jan 21, 2060 and later	6,334	Estimated drill indicated resources; recovery process design underway
REM Agreement 2	Megalit ³	90 ⁴	Exploration	Jan 21, 2060 and later	89,235	Initial drill testing

¹ MSB is Minera Sonora Borax S.A. de C.V., a wholly owned Mexican subsidiary of Bacanora.

² Mexilit is Mexilit S.A. de C.V., a Mexican company presently 70% owned by Bacanora and 30% by Rare Earth Minerals PLC.

³ Megalit is Minera Megalit S.A. de C.V. a Mexican company presently owned 90% by Bacanora and 10% by Rare Earth Minerals PLC

⁴ As of May 26, 2014 REM announced its intension to exercise the second stage option in respect of Joint Venture #2, confirming its desire to increase its ownership in Megalit from 10% to 30%, whereby Bacanora's interest in Megalit would be reduced from 90% to 70%. REM has 6 months to consummate this exercise.



Figure 1. Location Map of Bacanora's Mineral Assets.

1.2 Magdalena Basin Project

The Magdalena Basin Project consists of two concession blocks covering a total of 16,503 hectares. The concessions are 100% owned by Bacanora's Mexican subsidiary: Minera Sonora Borax S.A. de C.V. ("MSB"), subject to a 3% royalty to a Rio Tinto subsidiary and a 3% gross over-riding royalty to Colin Orr-Ewing. Situated within the Magdalena Basin Project lies the Cajon Borate Deposit ("Cajon", "El Cajon") which the Company has estimated NI 43-101 complaint drill indicated boron resources (Table 2). El Cajon covers approximately 500 hectares on the southern part of one of the concession blocks. Magdalena Basin Project is road accessible and located immediately east of the town of Magdalena de Kino and has excellent access from that center, either by rail or truck, to local markets for borate or to overseas markets from the port at Guaymas.

Three main borate zones have been located on the Magdalena Basin Project: Cajon; Bellota and Pozo Nuevo. Other targets include the recently discovered Represo colemanite prospect and the Escuadra occurrence. All of these zones were discovered by previous operators who conducted drilling programs at these sites in the 1970's and 1980's. US Borax was the main sponsor of the work. However, none of the discoveries was put into production, in part because of the take-over of US Borax by Rio Tinto Zinc. The Represo prospect is a new colemanite discovery that was recently made by Bacanora during a drilling campaign.

El Cajon is the most advanced of the main borate zones. Drilling by Bacanora (48 holes) and a US Borax subsidiary (11 holes) has identified three separate colemanite horizons (units: A, B and C) within the gently southwest-dipping sediments that underlie the area of El Cajon. The drilling has allowed an indicated⁵ borate resource of 11 million tonnes averaging 10.6% B₂O₃ to be estimated for El Cajon under CIM resource-reserve criteria. Table 2 shows that estimate includes indicated resources, using a cut off of 8% B₂O₃, for unit A of 7.5 million tonnes averaging 10.8% B₂O₃, 0.8 million tonnes averaging 9.0% B₂O₃ for unit B and 2.7 million tonnes averaging 10.5% B₂O₃ for unit C. The average thickness for each bed making up the three units ranges from 4.2 to 9.8 metres.

Table 2. El Cajon Borate Deposit Resources.

Unit	Cut off B ₂ O ₃ %	Tonnage (millions)	Grade B ₂ O ₃ %	Tonnes B ₂ O ₃
A	6	23.89	8.0	1,910,000
	8	7.49	10.8	808,000
	10	3.45	13.2	455,000
B	6	5.36	7.0	375,000
	8	0.81	9.0	72,000
	10	0.10	10.8	11,000
C	6	7.02	8.2	581,000
	8	2.76	10.5	290,000
	10	1.41	12.1	171,000
Total: A, B & C	8	11.06	10.6	1,170,000

Initial laboratory scale metallurgical test work on material from the El Cajon deposit has demonstrated that a colemanite concentrate grading 38% - 42% B₂O₃ can be produced from an average feed of 10.5% B₂O₃ from El Cajon using a combination of scrubbing, de-sliming and flotation.

The Company has constructed a pilot plant in order to conduct detailed metallurgy and improve the borate content of the colemanite concentrate, as well as finalize a full scale production flow sheet and produce colemanite concentrates for test marketing. However it was realized that boric acid production would be a more effective use of lower grade borate mineralization at surface. The Company added a boric acid line to the pilot plant. Recent metallurgical and process tests of the near surface material from El Cajon put through the pilot plant demonstrate that lower grade borate resources at and near surface are more amenable to

⁵ As per CIM Definition Standards for Mineral Resources and Mineral Reserves (2010)

processing to produce boric acid. Consequently, a change in the proposed development strategy to focus on the feasibility of boric acid production is recommended.

A preliminary economic assessment, based on colemanite production scenarios for El Cajon, was undertaken in 2011 (Verley et al., 2011). While that study indicated positive economics for colemanite production, with the change of focus to boric acid production, a preliminary feasibility study is recommended to include: (i) preliminary design, capital and operating cost estimates for a boric acid plant capable of producing 25,000 tonnes of boric acid per annum from Cajon deposit; (ii) continued processing of bulk sample material in the pilot plant to produce boric acid samples for prospective buyers in order to assess the market for boric acid, and (ii) final mine planning, optimization of mining methods and possible in-fill diamond drilling of Unit A.

The estimated cost of the recommended program is \$US1.25 million.

1.3 Tubutama Basin Project

The Tubutama Basin Project consists of six concessions covering 1,661 hectares, 65 kilometres northwest of Magdalena de Kino, Sonora. The concessions are 100% owned by Bacanora's Mexican subsidiary: Minerales Industriales Tubutama S.A. de C.V. ("MIT"), subject to a 3% royalty to Colin Orr-Ewing. The project is borate focused, although there is potential for development of gypsum resources on the ground. Work on the concessions has located low grade borate mineralization (5.1% to 8.7% B₂O₃) from drilling. The low grade borates represent a potential future resource for boric acid. Currently, Bacanora has no plans for further work on this concession and it is not considered to be a material asset to the Company.

1.4 Sonora Lithium Project

The Sonora Lithium Project consists of ten contiguous mineral concessions. Bacanora through its wholly-owned Mexican subsidiary, MSB, has a 100% interest in two of these concessions: La Ventana and La Ventana 1, covering 1,820 hectares. Of the remaining concessions, five will be owned 100% by Mexilit S.A. de C.V. ("Mexilit"). The Mexilit concessions consist of: El Sauz, El Sauz 1, El Sauz 2, Fleur and Fleur 1 and cover, in total 6,333 hectares. Mexilit is owned, on a 70:30 basis, by Bacanora and Rare Earth Minerals PLC ("REM") respectively under the terms of REM Agreement 1. The remaining three concessions: Buenavista, Megalit and San Gabriel cover 89,235 hectares and will be owned 100% by Minera Megalit S.A. de C.V. ("Megalit"). Under the terms of REM Agreement 2 between Bacanora, MSB and REM, REM has earned a 10% interest in Megalit and will earn a further 20% in Megalit by providing funding of \$US1 million on or before November 23, 2014. Under the terms of REM Agreement 1 and REM Agreement 2, REM has the conditional right to negotiate to acquire up to 49.9% of Mexilit and Megalit. There is a 3% royalty in favor of Colin Orr-Ewing on all of the concessions.

These concessions are located approximately 190 kilometres northeast of the city of Hermosillo, in Sonora State, Mexico. They are about 200 kilometres south of the border with Arizona, USA.

The Sonora Lithium Project is underlain by Oligocene to Miocene rhyolitic tuffs, ignimbrites and breccias of the upper volcanic complex of the Sierra Madre Occidental. This succession was subjected to Basin and Range extensional normal faulting during Miocene times

that resulted in the development of a series of half-grabens. The half-grabens are locally filled with fluvial-lacustrine sediments and intercalated tuffs. Alkaline volcanism around this time is thought to have contributed lithium and other alkali metals into these basins. Quaternary basalt flows cover the basinal sediment-volcaniclastic succession, except where later faulting and uplift have exposed the basin infill. Mineralization on the concessions consists of lithium-bearing clays localized in lacustrine basins.

Based on drilling conducted by Bacanora on the La Ventana concession in 2010, 2011 and 2013, Table 3 summarizes indicated⁶ lithium resources estimated for the clay units situated on that concession using cut-offs of 1,000, 2,000 and 3,000 ppm Li. The base case for the estimate, using a 2,000 ppm Li cut-off, is an indicated resource for the Upper Clay unit of 21,470,000 tonnes averaging 2,256 ppm Li (1.20% lithium carbonate equivalent⁷ or “LCE”). For the Lower Clay unit the indicated resource is estimated at 53,850,000 tonnes averaging 3,540 ppm Li (1.88% LCE). The indicated resource for both the Upper and Lower clay units is estimated to total 75,320,000 tonnes averaging 3,174 ppm Li (1.69% LCE) or 1,273,000 tonnes LCE.

On La Ventana the best grades of lithium coincide with elevated levels of potassium and cesium and are found in the southern part of the deposit. Magnesium appears to be irregularly distributed and does not follow lithium or the other alkalis. The thickness of the clay units varies from 6.4 to 69.8 metres, averaging 33.38 metres for the Upper Clay and from 3.41 to 44.35 metres, averaging 24.63 metres for the Lower Clay. Mineralized intervals within the clay units vary for the Upper Clay from 25% to 79% of the overall thickness and from 42% to 100% for the Lower Clay unit, depending on cut-off used.

Table 3. Indicated Lithium Resource Estimate Summary – La Ventana Concession.

Cut-off ppm Li	Tonnes	Li ppm (average)	LCE % (Average)	Tonnes of LCE
Upper Clay				
1,000	30,690,000	1,824	0.97	298,000
2,000	21,470,000	2,256	1.20	258,000
3,000	10,030,000	3,186	1.70	170,000
Lower Clay				
1,000	61,050,000	3,247	1.73	1,055,000
2,000	53,850,000	3,540	1.88	1,015,000
3,000	38,180,000	4,510	2.40	917,000
Total for Upper and Lower Clay Units				
1,000	91,740,000	2,771	1.48	1,353,000
2,000	75,320,000	3,174	1.69	1,273,000
3,000	48,210,000	4,235	2.25	1,087,000

⁶ As per CIM Definition Standards for Mineral Resources and Mineral Reserves (2010)

⁷ Lithium carbonate equivalent assumes that all lithium can be converted to lithium carbonate with no recovery or processing losses.

Investors are cautioned that the resource estimate does not mean or imply that an economic lithium deposit exists at the La Ventana concession. Further testing will need to be undertaken to confirm economic feasibility.

Metallurgical test work on drill core samples and one tonne bulk samples has indicated that lithium can be put into a solution. The lithium-bearing solutions can then be concentrated to produce a lithium carbonate precipitate that meets battery grade specifications (i.e. 99.5% or greater lithium carbonate).

Based on previously disclosed inferred resources and preliminary metallurgical test work; a positive, preliminary economic assessment (“PEA”) for the La Ventana lithium deposit was concluded (Verley and Vidal, 2013). The PEA is preliminary in nature as it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the preliminary assessment will be realized. In order to make the preliminary economic assessment forward looking information was used including, but not limited to, assumptions concerning lithium commodity prices, cash flow forecasts, project capital and operating costs, commodity recoveries, mine life and production rates. Readers are cautioned that actual results, should they be realized, may vary from those presented. Further testing will be needed to be undertaken to confirm economic feasibility of the La Ventana Lithium Deposit. There have been no prior pre-feasibility or feasibility studies undertaken for this deposit.

Table 4 shows highlights of a preliminary economic analysis of a potential lithium mining and production operation with an output of 35,000 tonnes battery grade lithium carbonate per annum over a 20 year open pit mine life, suggest annual revenue of \$US210 million for an IRR of 138% with a 1.9 year pay back. Capital costs are estimated at \$US114 million and average operating costs at \$US1,958/tonne. Net present value (NPV) of the Project, discounted at 8%, is \$US848 million, assuming an average lithium carbonate price of \$US6,000/tonne.

Table 4. Preliminary Financial Highlights – La Ventana Lithium Deposit.

Open Pit Mine Production per annum	2,735,000	tonnes @ 0.3% Li
Lithium carbonate production per annum	35,000	tonnes
Revenue (\$US6,000/tonne of lithium carbonate) per annum	\$US210	million
NPV (8% Discount)	\$US848	million
Internal rate of return (IRR)	138%	
Average Operating costs	\$US1,958	per tonne
Total Initial Capital Costs	\$US114	million
Expected Mine Life	20	years
Pay Back of Capital Costs	1.9	years

In 2013, Bacanora initiated a diamond drill program on the El Sauz and Fleur concessions that was concluded in early 2014 with the completion of 4,998 metres in 41 holes. The program was successful in confirming the continuation of lithium-bearing clay units found on Bacanora’s adjacent La Ventana concession onto the El Sauz and Fleur concessions. It

demonstrated that significant lithium values occur in the two clay units identified by the drilling along the 4.2 kilometres of strike length tested.

The drilling results have been used to estimate indicated resources in the two clay units for lithium. The total resource is summarized in Table 5; Bacanora's share is 70% of that total. At a base case cutoff of 2,000 ppm Li, the estimate of indicated resources for the Upper Clay unit is 47,360,000 tonnes averaging 2,222 ppm Li (1.18% LCE); for the Lower Clay unit the indicated resource is estimated at 73,630,000 tonnes averaging 3,698 ppm Li (1.97% LCE). The indicated resource for both the Upper and Lower Clay units is estimated to total 120,990,000 tonnes averaging 3,120 ppm Li (1.66% LCE) or 2,010,000 tonnes LCE. Both the Upper and Lower Clay units are open down-dip.

On El Sauz and Fleur concessions the best grades of lithium also coincide with elevated levels of potassium and cesium and are found to extend from the central part of El Sauz to the north through Fleur where they essentially join up with similar values in the clay units on the adjoining La Ventana concessions. Magnesium appears to be irregularly distributed and does not follow lithium or the other alkalis. The length of the clay intercepts varies from 4.63 to 47.70 metres, averaging 25.01 metres for the Upper Clay and from 2.74 to 44.80 metres, averaging 24.07 metres for the Lower Clay. Mineralized intervals within the clay units vary for the Upper Clay from 25% to 79% of the overall thickness and from 42% to 100% for the Lower Clay unit, depending on cut-off used.

Investors are cautioned that the resource estimate does not mean or imply that an economic lithium deposit exists on the Property. Further testing will need to be undertaken to confirm economic feasibility.

Table 5. Estimate of Total Indicated Lithium Resources for 100% of El Sauz – Fleur Concessions.

Cut-off (ppm)	Tonnage	Average Grade		Tonnes LCE
		Li ppm	LCE%	
Upper Clay Unit				
1000	97,080,000	1,657	0.88	856,000
2000	47,360,000	2,222	1.18	560,000
3000	18,390,000	3,773	2.01	369,000
Lower Clay Unit				
1000	98,250,000	3,028	1.61	1,584,000
2000	73,630,000	3,698	1.97	1,450,000
3000	58,910,000	4,140	2.20	1,298,000
Upper & Lower Clay Units Combined				
1000	195,330,000	2,347	1.25	2,440,000
2000	120,990,000	3,120	1.66	2,010,000
3000	77,300,000	4,053	2.15	1,667,000

Based on the drill results, the Competent Persons conclude that a significant lithium resource exists on the concessions of the Sonora Lithium Project. Pilot plant testing has demonstrated that the clay units are amenable to the recovery of lithium and the production of a

commercial grade lithium carbonate. Further work is recommended to undertake preliminary engineering design work for a mining complex and commercial scale lithium carbonate production facility.

The estimated cost of this work is \$US750,000.

2.0 Introduction

This report was prepared at the request of the Board of Directors of Bacanora Minerals Ltd.

The purpose of the report is to provide a summary of the mineral assets of Bacanora that can be in accordance with AIM listing requirements.

All maps in this report, with the exception of Figure 1, are located with reference to metric geographic coordinates of the North American Datum of 1927, zone 12 (NAD 27, zone 12). Figure 1 is located with reference to latitude and longitude coordinates in degrees.

2.1 Sources of Information

Information contained in this report was sourced from Bacanora Minerals Ltd. survey data, drill logs, assay and analytical reports, Government of Mexico mineral titles data base and topographic maps. General information concerning regional geology and deposits types was sourced from references cited herein and listed at the end of this report.

The Competent Persons responsible for this report are: Mr. Carl G. Verley, P.Geo, and Dr. Colin I. Godwin, PhD, P.Eng, P.Geo.

Mr. Verley has inspected the Magdalena Basin Project during the period December 5 to 9, 2010, on June 8, 2012 and again from November 28 to December 6, 2012. During this time he examined and verified the location of some of the diamond drill holes on the Cajon deposit, examined the geology of the Cajon deposit in the field, examined the diamond drill core from Bacanora's drilling of the Cajon deposit as well as reviewed all analytical data generated from exploration on the project including quality control and quality assurance protocols at the offices of Bacanora's Mexican subsidiary, Minera Sonora Borax S.A. de C.V., in Hermosillo, Mexico. In addition, Mr. Verley has visited the Sonora Lithium Project during the period March 16 to 18, 2013, April 26, 2013, June 4, 2013, November 29 to December 2, 2013 and again from February 23 to March 1, 2014 during which time he examined the geology of the Sonora lithium Project, examined the diamond drill core from Bacanora's drilling of the La Ventana and El Sauz – Fleur concessions, in addition to collecting duplicate core samples for QA/QC purposes.

Dr. Colin I. Godwin, Ph.D., P.Eng., P.Geo., accompanied by Mr. Verley, and a geologist and mining engineer from Bacanora: (i) visited the Bacanora Pilot Plant in Hermosillo on April 23, 2014, where he was shown the processes and procedures used to treat borate mineralization, produce boric acid, treat lithium mineralization and produce lithium carbonate, (ii) reviewed the Magdalena Basin Project in the field on April 24, 2014, where he visited the El Cajon concession and the test pit there that was excavated for bulk samples of borate mineralization, and (iii) examined the Sonora Lithium Project in the field and at core facilities at Bacadehuachi on April 25 and 26, 2014. Maps and reports were viewed and discussions were had with Bacanora principals on April 24 and 27, 2014. In addition, Dr. Godwin also examined core storage facilities and field offices of Bacanora, located in the town of Magdalena de Kino on April 23, 2014 and in the town of Bacadehuachi on April 26, 2014.

2.2 Summary of Resources

The following Tables (6 to 8) summarize resources that have been estimated for Bacanora's various projects in Mexico. The resources are classified in accordance with CIM Definition Standards for Mineral Resources and Mineral Reserves. Further details of these resources are found under Item 14.0.

2.2.1 Magdalena Basin Project

Table 6. Indicated Borate Resources El Cajon Deposit.

Unit	Cut off B ₂ O ₃ %	Tonnage (millions)	Grade B ₂ O ₃ %	Tonnes B ₂ O ₃
A	6	23.89	8.0	1,910,000
	8	7.49	10.8	808,000
	10	3.45	13.2	455,000
B	6	5.36	7.0	375,000
	8	0.81	9.0	72,000
	10	0.10	10.8	11,000
C	6	7.02	8.2	581,000
	8	2.76	10.5	290,000
	10	1.41	12.1	171,000
Total: A, B & C	8	11.06	10.6	1,170,000

2.2.2 Sonora Lithium Project

Table 7. Indicated Lithium Resources La Ventana Deposit.

La Ventana Lithium Deposit – 100% Bacanora				
Unit	Tonnes	Average Grade Li ppm	LCE %	LCE tonnes
Upper Clay				
1,000	30,690,000	1,824	0.97	298,000
2,000	21,470,000	2,256	1.20	258,000
3,000	10,030,000	3,186	1.70	170,000
Lower Clay				
1,000	61,050,000	3,247	1.73	1,055,000
2,000	53,850,000	3,540	1.88	1,015,000
3,000	38,180,000	4,510	2.40	917,000
Total for Upper & Lower Clay				
1,000	91,740,000	2,771	1.48	1,353,000
2,000	75,320,000	3,174	1.69	1,273,000
3,000	48,210,000	4,235	2.25	1,087,000

Table 8. Indicated Lithium Resources El Sauz and Fleur Concessions.

El Sauz – Fleur Lithium Concessions: 100% Mexilit S.A. de C.V. (Bacanora 70% - REM 30%)						
Cut-off (ppm)	Tonnes	Tonnes Attributable to Bacanora at 70%	Average Grade Li ppm	LCE%	Tonnes LCE	Tonnes LCE Attributable to Bacanora at 70%
Upper Clay Unit						
1000	97,080,000	67,956,000	1,657	0.88	856,000	599,200
2000	47,360,000	33,152,000	2,222	1.18	560,000	392,000
3000	18,390,000	12,873,000	3,773	2.01	369,000	258,000
Lower Clay Unit						
1000	98,250,000	68,775,000	3,028	1.61	1,584,000	1,108,000
2000	73,630,000	51,541,000	3,698	1.97	1,450,000	1,015,000
3000	58,910,000	41,237,000	4,140	2.20	1,298,000	909,000
Upper & Lower Clay Units Combined						
1000	195,330,000	136,731,000	2,347	1.25	2,440,000	1,708,000
2000	120,990,000	84,693,000	3,120	1.66	2,010,000	1,407,000
3000	77,300,000	54,110,000	4,053	2.15	1,667,000	1,167,000

3.0 Reliance on Other Experts

In the preparation of this report the Competent Persons have relied upon the following sources of information disclosed under Item 4.0, Property Description and Location:

- Luis Alonso Melicoff Durazo: Mexican Legal Opinion on Concession Status, dated 21 July, 2014

Concerning mineral processing and metallurgical testing of the El Cajon, La Ventana and El Sauz and Fleur concessions the Competent Persons have relied on the following reports as they apply to information disclosed under Item 13.0, Mineral Processing and Metallurgical Testing:

- Geoff Allard, P.E.: Executive Summary – Progress Reports 1 - 8 for Magdalena Colemanite Project dated May 24, 2012.
- John Fox, P.Eng.: Preliminary Lithium Testwork, Technical Note #BCO-1101 dated November 14, 2012.
- John Fox, P.Eng.: Lithium test work preliminary interim report, Technical Note #BCO-1301 dated January 8, 2013.
- John Fox, P.Eng.: Summary of Lithium Test work Status, Technical Note #BCN 13084 dated August 28, 2013.
- Michael Redfearn, P.Eng. and Boja Grcic B.Sc.: Preliminary Metallurgical Testing for Lithium Recovery on Samples from the Bacanora Minerals, La Ventana Deposit, Sonora Lithium Project dated October 28, 2013.
- Michael Redfearn, P.Eng. and Boja Grcic B.Sc.: Metallurgical Testing for Lithium Recovery on Samples from The Bacanora Minerals Ventana and Sauz Zones – Part 2 dated April 14, 2014.

- Grinding Solutions Ltd: 14-1076: Investigation of Clays in Bacanora Mineral Deposits, report dated April 2, 2014 for Bacanora Minerals Ltd.

Concerning resource estimates for the El Cajon borate deposit the Competent Persons have relied on the following report as it applies to information disclosed under Item 14.0 Mineral Resource Estimates:

- Rodrigo Calles Montijo,: Magdalena Basin Borate Project, Sonora, Mexico, “El Cajon: Target, Borate Resource Estimation, Servicios Geologicos IMEX S.C., Report prepared for Bacanora Minerals Ltd. dated January 2011.
- Ing. Gildardo Vejar: Preliminary Resources Model and Mine Plan on the El Cajon Project, Magdalena De Kino area, Sonora State, Mexico dated March 11, 2013.

4.0 Property Description and Location

4.1 Magdalena Basin Project

The Magdalena Basin Project consists of seven individual concessions in two separate parcels held by Bacanora's Mexican subsidiary: Minera Sonora Borax S.A. de C.V. ("MSB"). The property totals 16,503 hectares in area (Figure 2, Table 9). The concessions are located approximately 180 kilometres north of the city of Hermosillo, in Sonora State, Mexico, and are about 80 kilometres south of the border with Arizona, USA. The Cajon deposit is located inside the San Francisco 2 and San Francisco Fraction 2 concessions with a possible extension to the south into the San Francisco 1 concession and into a concession that belongs to Unimin in the northern edge. Table 9 lists the individual concessions.

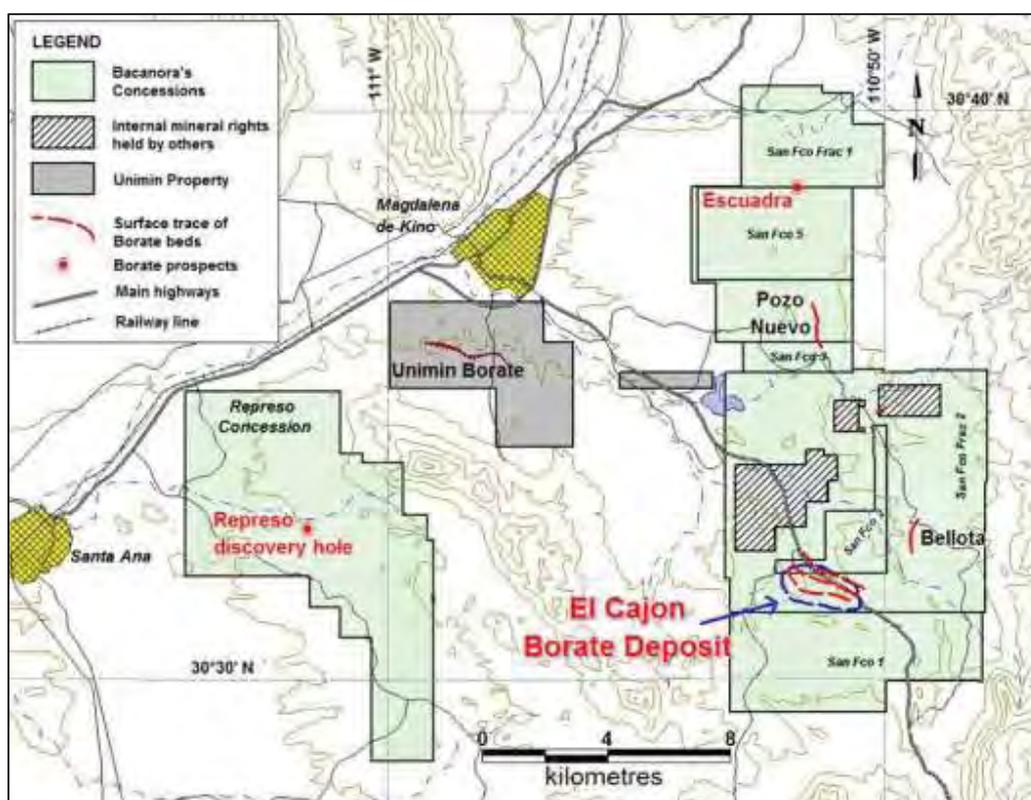


Figure 2. Location of the Magdalena Basin Project

Surface rights to the area underlain by the El Cajon Deposit are held by one cattle rancher. Access and land use agreements have been negotiated with the rancher giving Bacanora rights of access to the El Cajon deposit and rights to land use for the purpose of mining El Cajon. Bacanora cannot guarantee to have continuous and unencumbered right of access to the Property.

The Magdalena Basin Project concessions are 100% owned by Bacanora subject to a 3% royalty to a Rio Tinto subsidiary and a 3% gross overriding royalty ("GOR") to Colin Orr-Ewing.

The Magdalena Basin Project concessions are not subject to any environmental liabilities, as far as the CPs' have been able to ascertain.

Table 9. Concessions Held by Minera Sonora Borax, Magdalena Basin Project

Concession Name	Title #	Record Date	Expiry Date	Area (hectares)
San Francisco No. 1	226,246	Aug. 13, 2002	Aug 12, 2052	2,302.83
San Francisco No. 2	217,948	Sept. 18, 2002	Sept. 17, 2052	582.9098
San Francisco No. 3	226,249	Sept. 18, 2002	Sept. 17, 2052	350.7713
San Francisco No. 5	220,721	Sept. 30, 2003	Sept. 29, 2053	1,500
San Francisco Fraction 1	226,247	May 17, 2002	May 16, 2052	2,343.83
San Francisco Fraction 2	226,248	May 17, 2002	May 16, 2052	4,980.13
El Represo	229,363	Apr. 12, 2007	Apr. 11, 2057	4,442.28
TOTAL	7			16,502.7511

4.2 Tubutama Basin Project

The Tubutama Basin Project consists of 6 contiguous mineral concessions (Figure 3), Table 10). Bacanora through a wholly-owned Mexican subsidiary, Minerales Industriales Tubutama S.A de C.V. (“MIT”) has a 100% interest in these concessions, which cover 1,661 ha.

Table 10. Concessions Held by Minerales Industriales Tubutama, Tubutama Basin Project

Concession Name	Title #	Record Date	Expiry Date	Area (hectares)
Carlos	218,228	Oct. 17, 2002	Oct 16, 2052	130
Carlos I	198,049	Sept. 30, 1993	Sept. 29, 2043	30
Carlos II	222,951	Sept. 28, 2004	Sept. 27, 2054	345
Carlos III	224,161	Apr. 19, 2005	Apr. 18, 2055	261
Carlos IV	226,695	Feb. 17, 2006	Feb. 2056	475
Carlos V	229,281	Mar. 29, 2007	Mar. 28, 2057	420
TOTAL	6			1,661

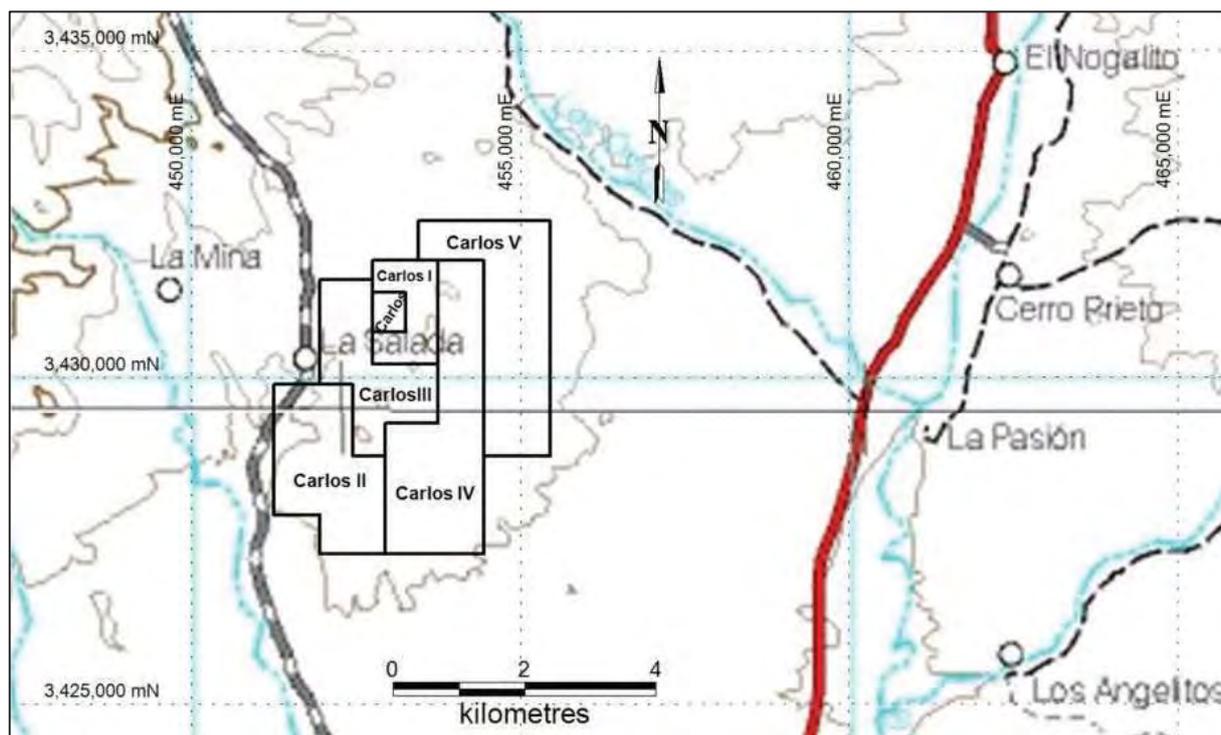


Figure 3. Tubutama Concession Map

4.3 Sonora Lithium Project

The Sonora Lithium Project consists of 10 individual mineral concessions. Bacanora through its wholly-owned Mexican subsidiary, MSB, has a 100% interest in two of these concessions: La Ventana and La Ventana 1, which cover 1,820 ha.

The concessions are located approximately 190 kilometres northeast of the city of Hermosillo, in Sonora State, Mexico, and are about 200 kilometres south of the border with Arizona, USA. Table 11 lists the individual concessions. A map with the locations of the ten contiguous concessions is illustrated in Figure 4 and a detailed map of the core concessions in Figure 5.

The boundaries of each concession are located with reference to a concession monument (Punto de Partida) and the distances and directions from the monument are specified in the title document as issued by the Mexican Mining Authorities once the approval for a claim application has been granted. Concessions applied for in 2013 have had their surveys approved but final title documents and title numbers have not yet been issued by the Mexican mining authorities. On the basis of survey approval, the Competent Persons are of the belief that there is little or no risk concerning the validity of these titles.

Mexilit S.A. de C.V. will have a 100% interest in five concessions (El Sauz, El Sauz 1, El Sauz 2, Fleur and Fleur 1) covering 6,333.36 ha. Mexilit is owned 70% by Bacanora and 30% by REM's subsidiary, REM Mexico Ltd, under terms of REM Agreement 1. In addition, REM Mexico Ltd has the first right, until September 30, 2014, to negotiate with Bacanora to increase its interest from 30% by a further 19.9% to 49.9%.

Megalit S.A. de C.V. (Megalit) will have a 100% interest in the Buenavista, San Gabriel and Megalit concessions which cover a total of 89,234.78 ha. Bacanora owns 90% of Megalit with remaining 10% owned by REM as prescribed under terms of REM Agreement 2. REM can increase its ownership in Megalit to 30% by paying \$1.5 million to Bacanora. To date REM has made cash payments of \$500,000 to Bacanora in respect of the 30% earn-in under REM Agreement 2. REM has until November 23, 2014 to pay Bacanora the remaining \$1 million in order to earn the 30% interest in Megalit. Under the terms of REM Agreement 2, REM has conditional rights to negotiate to acquire up to 49.9% of Megalit.

Table 11: Concession Status, Sonora Lithium Project

Concession Name	Title #	Record Date	Expiry Date	Area (hectares)
Bacanora 100% owned concessions				
La Ventana	235,611	Jan. 22, 2010	Jan. 21, 2060	875
La Ventana 1	Approved for Title	Apr 2, 2013	n/a	945
Mexilit S.A. de C.V. (Bacanora 70% - REM 30%)				
El Sauz	235,614	Jan. 22, 2010	Jan. 21, 2060	1,025
Fleur	Approved for Title	Apr. 2, 2013	n/a	2,334.50
El Sauz 1	Approved for Title	Apr 2, 2013	n/a	199.55
El Sauz 2	Approved for Title	Aug. 29, 2013	n/a	1,144.31
Fleur 1	Approved for Title	Dec. 7, 2012	n/a	1,630
Megalit S.A. de C.V. (Bacanora 90% - REM 10%)				
Buenavista	235,613	Jan. 22, 2010	Jan. 21, 2060	649
Megalit	Approved for Title	Nov 7, 2013	n/a	87,085.78
San Gabriel	235,816	Mar. 12, 2010	Mar 11, 2060	1,500

In 2010, Bacanora, through MSB, acquired the La Ventana, El Sauz, Buenavista and San Gabriel concessions from their previous owner (Martin Vidal) by paying an aggregate of 600,000 shares in Bacanora and \$US40,000 to Mr. Vidal for a 100% interest in the Project. In 2013, Mexilit acquired its concessions from MSB, by issuing to MSB an aggregate of 100,000 shares in Mexilit at a deemed value of \$US1.00 per share.

The ten contiguous concessions lie within seven municipalities: Bacadehuachi, Divisaderos, Granados, Huasabas, Nacori Chico, Sahuaripa and Tepache. The core concessions fall in the municipality of Bacadehuachi, from whom permission to work must be received. In addition, permission to work must be received from individual landowners who have surface rights in the concessions area. These are held by the following ranches: El Rancho Seco, Las Chivas, San Gabriel de los Castores, El Palmar, La Joya, El Sauz, El Cubachi, Zauz de Valencia, Los Americanos, La Ventana, Las Perdices, Moinadehuachi. Bacanora, on behalf of Mexilit and

Megalit and for its wholly-owned concessions, has received permission from the Municipality of Bacadehuachi and the ranch owners to conduct exploration work on the concessions.

The concessions making up the Sonora Lithium Project are subject to a 3% gross overriding royalty (“GOR”) to Colin Orr-Ewing. There are no other royalties payable or back-in rights, payments or other agreements or encumbrances to which the concessions are subject - with the exception of the previously mentioned first rights of refusal.

There are no known mineralized zones, mineral resources, mineral reserves and mine workings, existing tailings ponds or waste deposits on the concession areas. Land use, by nature of the environment, is restricted to cattle grazing. There are no environmental liabilities to which the concessions are subject.

In order to retain the mineral rights to mineral concessions in Mexico, Bacanora must comply with Mexican government regulations concerning semi-annual payment of property taxes that are based on the number of hectares held and the age of the concessions. In addition, on an annual basis, Bacanora must make government prescribed minimum investments in exploration and development expenditures on each concession. The amounts required for minimum investments are provided in annual fee schedules released by the Mines Office. Title to mineral concessions has inherent risks sometimes due to the difficulties of determining the validity of a title, and at other times, due to potential problems stemming from ambiguous conveyance history of some mineral properties. Bacanora has investigated title to all of its mineral concessions and maintains them in compliance with Mexican Mining Law.

In order to conduct exploration and mine development activities on the concessions Bacanora must file an Environmental Impact report with the Mexican authorities. In addition, Bacanora must apply for Land Use permits with the Mexican authorities and the local land owners. To date Bacanora has all the permits on hand that it requires to conduct the proposed work program on the concessions. Reclamation of drill sites is required and was undertaken at the completion of each drill hole.

There are no other significant factors or risks that the CPs have been able to determine that may affect access, title, or the right or ability to perform work on the concessions. Access can be an issue for the Sonora Lithium Project during the July to September rainy season when flash flooding of some creeks and rivers may temporarily block access routes to the concessions, thus affecting the ability to perform work there for short periods of time until access has been upgraded to all weather status.

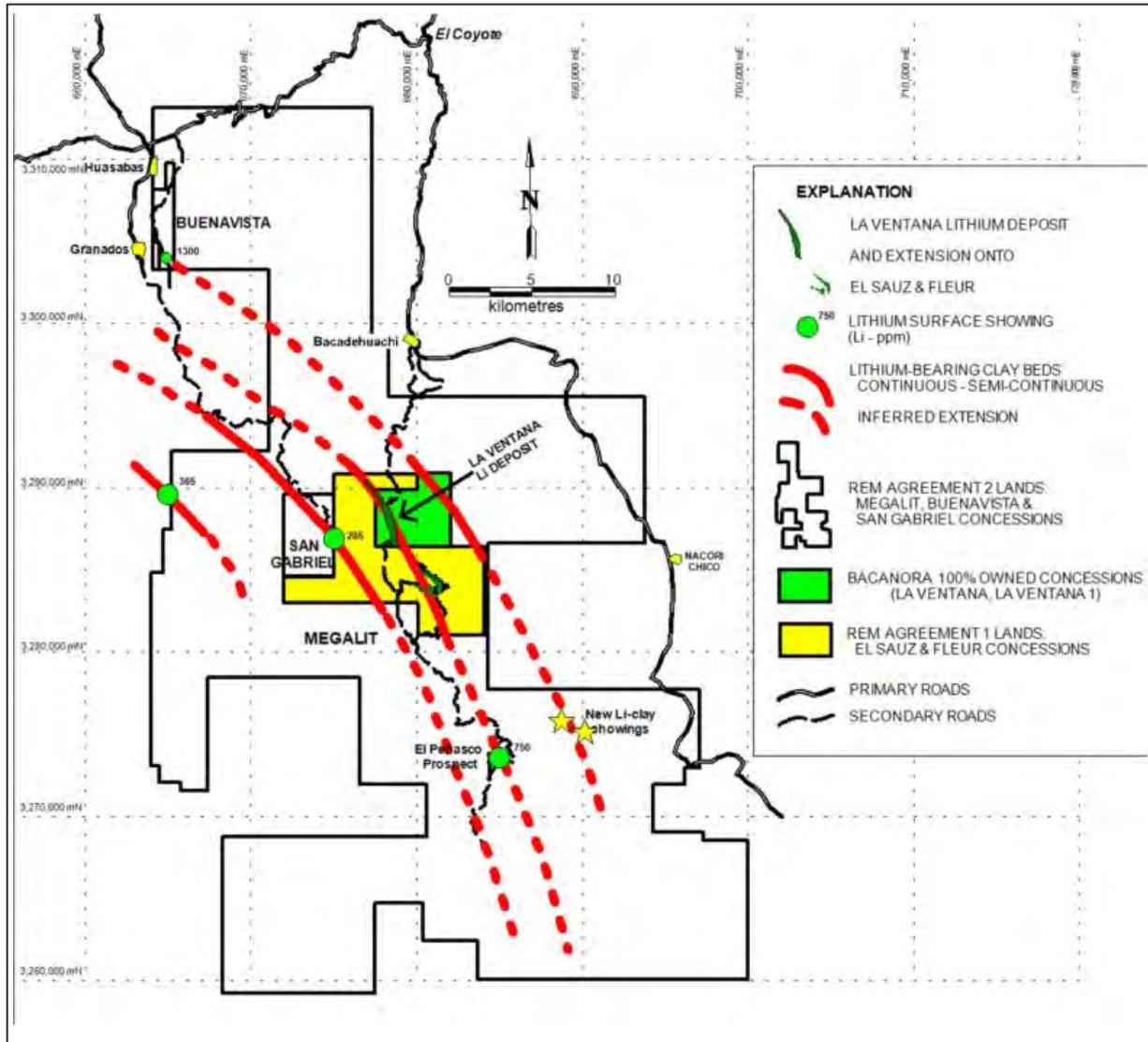


Figure 4. Contiguous Concessions comprising the Sonora Lithium Project

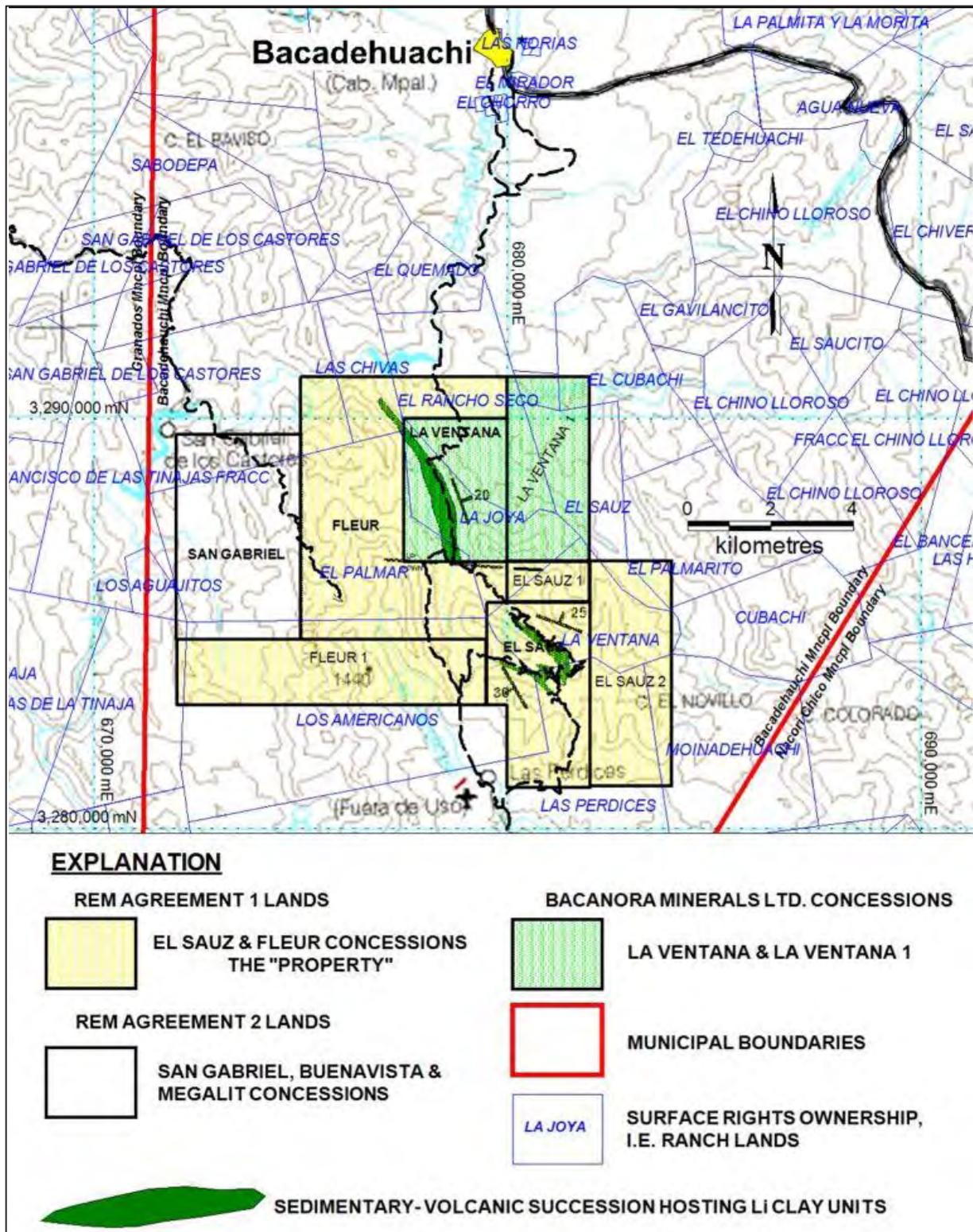


Figure 5. Map of Eight Core Concessions comprising the Sonora Lithium Project

5.0 Accessibility, Climate, Local Resources, Infrastructure and Physiography

5.1 Accessibility

Sonora State has well developed infrastructure. An extensive network of roads, including a four-lane highway (Highway 15) that crosses the state from south to north, joins Sonora with the rest of Mexico and with the United States of America.

Access to the Magdalena Basin Project is from the town of Magdalena de Kino exiting Highway 15 onto Highway 54 for a distance of 18 kilometres to the southeast. The Tubutama Basin Project is also accessed from Magdalena de Kino by following a local road to the northwest for 65 kilometres.

Access to the Sonora Lithium Project is by way of Federal Highway 14, a two-lane highway from Hermosillo, for 225 kilometres east (passing through the towns of Ures, Mazocahui, Moctezuma and Huasabas), to the intersection known as “El Coyote”, then south from the intersection for 20 kilometres on a recently paved, two-lane highway to the town of Bacadehuachi. Bacanora has set up its base of operations for work on the Project in this town. Access to the concessions from Bacadehuachi is via secondary, unimproved, dry-weather roads, approximately 11 kilometres to the south, crossing various privately owned ranches. Land owners have granted permission for access to the concessions.

The region is well known for cattle ranching, and ranches and fenced zones cross the area. The ranchers have created a network of secondary dirt roads to access other areas, and these roads provide excellent access to the concessions.

5.2 Climate and Physiography

The average ambient temperature is 21°C, with minimum and maximum temperatures of -5°C and 50°C, respectively in the project areas. Extreme high temperatures, upwards of 49°C occur in summer while winters, although short, are cool compared to most of Mexico. The accumulated annual rainfall for the area is approximately 450 millimetres. The wet season or desert “monsoon” season occurs between the months of July and September, and heavy rainfall can hamper exploration at times. The Sonoran Desert, because of its seasonal rainfall pattern, hosts plants from the agave, palm, cactus and legume family, as well as many others. Saguaro cactus, a protected species, is present in the concession area, but not near the Cajon deposit. The length of the operating season is 365 days a year.

The Magdalena Basin Project is situated in a desert climatic zone known as the Sonoran or “Gila” Desert (after the Gila River). The concessions lie between the Sierra La Ventana (west and southwest) and the Sierra La Madera (south and east) mountain ranges. These mountains vary in elevation, from 1,360 metres to 2,045 metres. The elevation in the valleys between the ranges varies from 730 metres to 1,000 metres. The Cajon deposit is located at the southeastern most portion of the Magdalena Basin Project area where topographic relief is in the order of 100 metres.

The Sonora Lithium Project is situated within the Sonoran Desert in the western portion of the “Sierra Madre Occidental” (SMO) physiographic province, within the Basin and Range subprovince. It lies between “Mesa de Enmedio”, “Rincon del Sauz” and “El Capulin” mountain ranges. Average elevation at the Project area is 900 metres above sea level. The concessions are surrounded by mountain peaks with elevations ranging up to 1,440 metres above sea level.

5.3 Local Resources and Infrastructure

5.3.1 Magdalena Basin Project

The main Ferro-Carril Pacifico Railway passes through the town of Magdalena de Kino to the state capital city of Hermosillo. It continues south to the Port of Guaymas.

Two high voltage power lines traverse the northern part of the concession area. A natural gas pipeline, constructed in 1986, runs parallel to the electric lines.

Water is supplied to ranchers for irrigation and farming from the El Yeso River, which transects the region. A small block dam impounds water in the Magdalena Project area and creates a small lake, 75 ha in area, six kilometres to the northwest of El Cajon. No other source of surface water is available. All water for exploration and mining activities must be pumped from wells. Ranch owners have been supportive in supplying sufficient water for drilling programs.

Availability of water for advanced exploration or mining has not been fully assessed. An assessment of the sufficiency of water supply will need to be part of a pre-feasibility study. Other mining activity in the area, including gold, silver and gypsum mining, has resulted in an influx of workers to the region, which has resulted in a skilled labour pool.

The Company has agreements with owners of surface rights. These agreements provide the Company with sufficient surface rights for mining operations, including potential tailings storage and potential waste disposal areas, and potential processing plant sites.

5.3.2 Sonora Lithium Project

Bacadehuachi is a small farming and ranching community with a population of approximately 2007. Basic services capable of supporting early stage exploration projects are available in the town. Surface rights sufficient for mining operations are obtainable from local landowners, should such activities develop on the concessions.

The closest electric power line is about 10 kilometres north of the concessions, passing very close to Bacadehuachi. The power line then heads toward Nacori Chico, the next village southeast from Bacadehuachi.

All water for exploration and mining activities must be pumped from the local river or from wells. Ranch owners have been supportive in supplying sufficient water for drilling programs. Availability of water for advanced exploration or mining has not been fully assessed. An assessment of the sufficiency of water supply will need to be part of a pre-feasibility study. There is sufficient area on the concessions for potential tailing storage, potential waste disposal and potential processing plant sites.

Mexico has a skilled and mobile exploration and mining labor pool capable of meeting the needs of advanced projects or mining operations.

6.0 History

6.1 Magdalena Basin Project

In 1964, US Borax, a subsidiary of the Rio Tinto Group, began exploration in Mexico and successfully discovered borate mineralization near the town of Magdalena de Kino in Sonora State. Following the initial discovery, US Borax, through Mexican subsidiaries and Joint Ventures, explored the surrounding area, known as the Magdalena Basin (Table 12).

Exploration efforts, including the drilling of nine core holes into what is now referred to as the El Cajon deposit (Figure 6), continued until 2000. This work was successful in identifying several borate targets in the Magdalena Basin, including the TDO deposit (also known as the Unimin deposit) for which they completed several pilot plant metallurgy studies. All of the exploration to date on and in the vicinity of the Magdalena Project area was done by US Borax (“USB”), its subsidiary or through Joint Venture agreements, thereby allowing the geological knowledge to be passed along without loss and the geological model to evolve from program to program. Minera Santa Margarita S.A. de C.V. (“MSM”), a Mexican registered subsidiary of US Borax – Rio Tinto, carried on the exploration campaigns begun by the Joint Venture partners, and in 2002 staked the San Francisco properties that now comprise Bacanora’s Magdalena Concessions. These claims were acquired in April 30, 2008 by a royalty contract between Bacanora’s Mexican subsidiary Minera Sonora Borax S.A. de C.V. and MSM.

Table 12. Chronology of exploration in the Magdalena Project area

Year	Event
1969	First exploration for borates in Mexico by USB.
1972	Howlite found in Magdalena.
1976	Establishment of Materias Primas Magdalena (“MPM”) as JV between USB and Vitro.
1977	MPM starts drilling in the Magdalena basin and discovers the Tinaja Del Oso Colemanite deposit (“TDO”).
1979-1985	Drilling continued in different parts of the basin
1980	Construction of the Magdalena Shaft at the TDO deposit for metallurgical samples.
1980	Installation of a Pilot Plant in Hermosillo by Vitro.
1982-1986	Different tests and processes where conducted for the beneficiation of colemanite.
1987-1990	Intense drilling, reserve calculation studies, construction of a second shaft (Kino Shaft) in the TDO deposit area.
1990	Completion of geologic, geotechnical studies in the TDO deposit area.
1991	Creation of Minera Santa Margarita (MSM) by Rio Tinto in order to explore for industrial minerals in Mexico.
1992	Dissolution of the USB-Vitro JV. Vitro paid \$US6 million to US Borax to obtain the TDO deposit.
2002	Rio Tinto staked the San Francisco claims in the Magdalena Basin in order to evaluate the borate potential.
2003	First drilling campaign in Magdalena by MSM at Cajon and Bellota targets. Mapping and sampling.

Table 12 continued. Chronology of exploration in the Magdalena Project area

Year	Event
2004	More drilling by MSM at Pozo Nuevo and Tigre targets. First gravity survey. Ground magnetometer survey in the central portion of the basin.
2005	Drilling by MSM at Pozo Nuevo and Escuadra targets. Complete gravity survey (610 stations).
2006	Reduction of land from 23,000 hectares to 12,600 hectares.
2007	Completion of geologic reports and economic exercises by MSM for TDO, Cajon and Pozo Nuevo targets.
2008	Contract between MSM and Minera Sonora Borax (MSB - Bacanora Minerals) to acquire the San Francisco claims.
2009	Completion of, and submittal of, a NI-43-101 Technical Report and Bacanora is listed on the TSX Venture Exchange with Tier 1 status.
2010	In-fill drilling at the Cajon Target by Minera Sonora Borax.

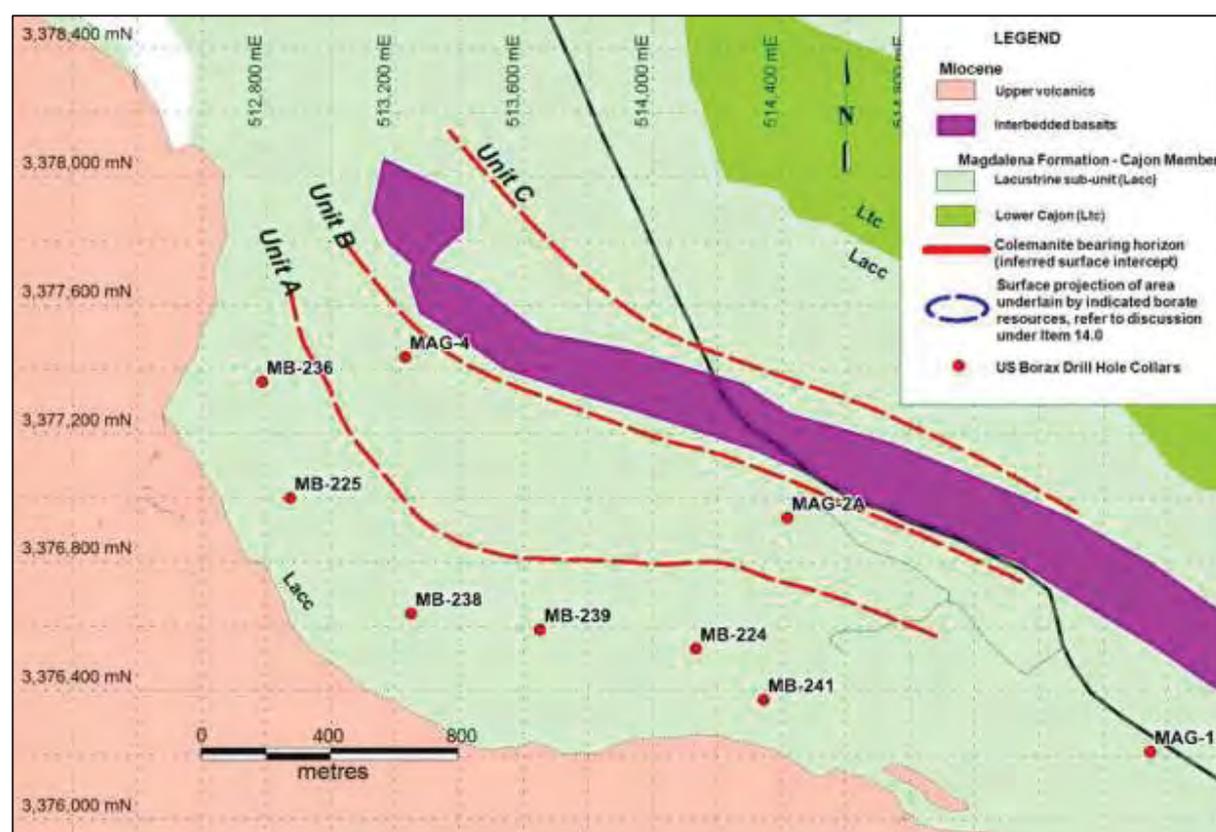


Figure 6. Locations of US Borax drill holes on the El Cajon deposit

Beds dip 20° southwest

There are no historical mineral resource or mineral reserve estimates in the area of the concessions.

There has been no mineral production, aside from bulk sampling, from any of the concessions.

6.2 Tubutama Basin Project

In 1978 the Mexican government declared the western portion of the Tubutama Basin as a National Reserve in order to evaluate its borate potential. An agency of the Mexican government, the Council of Mineral Resources (“CMR”) commenced an exploration program on the ground in 1980 drilled over 12,000 metres in 64 holes. Results of the drilling were used to estimate borate resources of 16 million tonnes averaging 8% B₂O₃. Readers are advised that this resource estimate does not comply with NI 43-101 standards or CIM resource definitions and the CPs’ have not been able to verify the estimate, consequently caution must be used in considering this resource as it may not be reliable.

In 1992 the Mexican government released the Tubutama area from its National Reserve.

In 2005 the newly incorporated Minera Industriales Tubutama S.A. de C.V. (“MIT”) acquired the Carlos concessions that cover the Tubutama area. A program of diamond drilling was conducted by MIT on the Carlos concessions in 2007 (details are in Item 10.2).

6.3 Sonora Lithium Project

There are no records of mineral exploration or mineral occurrences in the project area prior to 1992, when an American group initiated regional exploration work in the search for industrial minerals. In 1996, the American group conducted detailed field work in the area, which consisted of geological mapping and rock sampling. The mapping resulted in the discovery of sequences of calcareous, fine-grained sandstones to mudstones intercalated with tuffaceous bands that are locally gypsiferous. Rock sampling across representative sections of the sequence at intervals along the strike extensions of these units returned weakly anomalous boron values. Consequently, the American group abandoned exploration in the area.

In 2010 Bacanora initiated a program of limited rock sampling on the La Ventana concession this work led to the discovery of lithium-bearing clays. Follow-up work in 2011 on the El Sauz concession led to the discovery of the lithium-bearing clays there. These programs are described in detail under Item 9.3.

There are no historical estimates of mineral resources or mineral reserves in the project area.

There has been no mineral production from any of the concessions.

7.0 Geological Setting and Mineralization

7.1 Regional Geology – Magdalena Basin Project

Geology of the Magdalena basin (Figure 7) is complex due to its syn-kinematic origin and later geologic events. In general, the basin is a topographic depression floored and surrounded by a basement of metamorphic and volcanic rocks. This basement, recognized as part of the Magdalena-Madera metamorphic core complex (MCC), is characterized by an upper and lower plate separated by a major, low-angle detachment fault (Vidal, 1990, 2003 and 2007a).

The lower plate is characterized by: (i) metamorphic rocks, composed of mylonites, gneisses and leucogranites and (ii) latite volcanic flows.

The upper plate is composed of three stacked gradational sedimentary sequences named from bottom to top: Bellota, Cajon and TDO. Every sequence hosts borate mineralization located in fine-grained fluvial-lacustrine successions. For the purpose of this report, only the Cajon sequence is described in detail (Figure 8).

Several basalt flows are interbedded within the sedimentary sequences with ages ranging from 22.6 to 21.4 My. Volcanics (Fresnos Basalt and Tigre Andesite, Figure 8) dated at 20.6 and 19.6 My cover the basinal sediments and mark the end of basin development.

In general, fluvial-lacustrine sediments of the Magdalena basin were deformed by extensional tectonism. It is common to observe mudflows, turbidites, slump breccias and “olistoliths” (big boulders composed of pre-basin rocks) cutting the sedimentary bedding. In addition, a series of anticlines and synclines, as well as listric faults delimiting structural blocks, are common along the basin. The associated borate mineralization is a product of diagenetic processes. All these features indicate that the Magdalena basin was syn-extensionally developed above and on a metamorphic core complex. The development of the basin occurred during the period of 26.9 to 20.6 My (Eocene to Miocene, Miranda-Gasca et al., 1998).

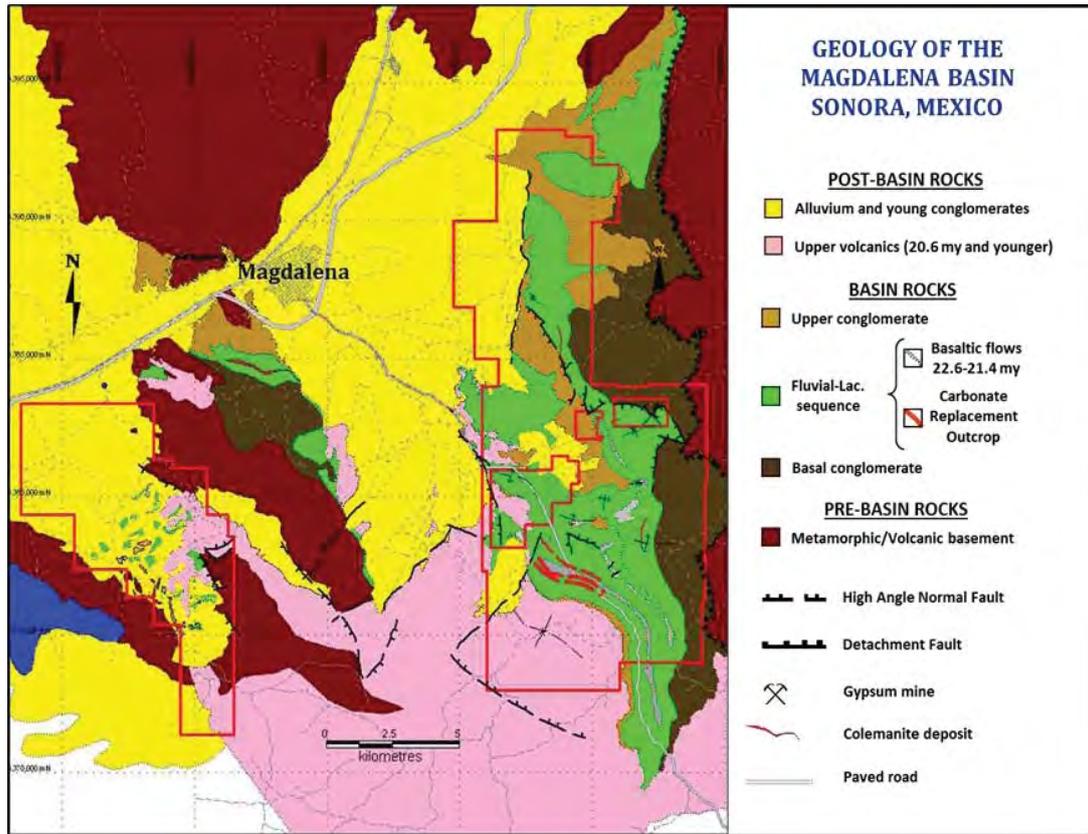


Figure 7. Geology of the Magdalena Basin and Project area

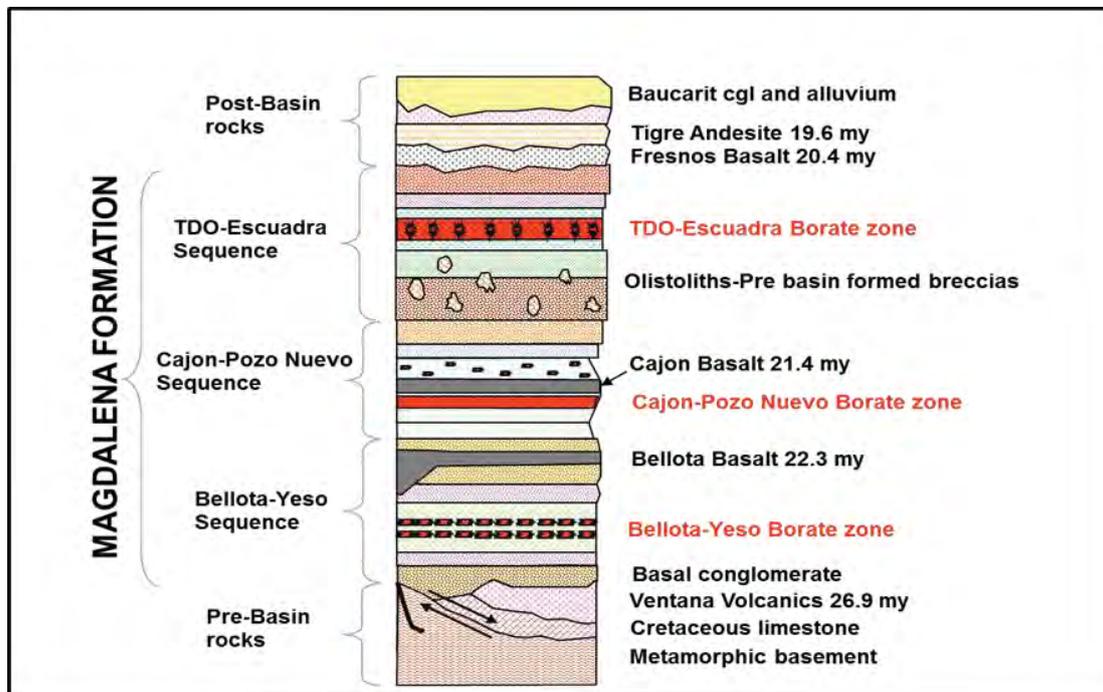


Figure 8. Stratigraphy of the Magdalena Basin

7.2 Property Geology – Magdalena Basin Project, El Cajon Deposit

The Cajon borate deposit is stratigraphically within the Cajon-Pozo Nuevo sequence that is an intermediate sedimentary sequence in the Magdalena Formation (Figure 8). It conformably overlies the Bellota-Yeso sequence. The total thickness of the Cajon-Pozo Nuevo sequence varies from 550 to 1050 metres. Structurally, the Cajon-Pozo Nuevo sequence has been folded into a series of open westward-plunging anticlines and synclines. The sequence has been divided into the four units (Figures 7 to 9), as described below.

Lower Cajon unit (Ltc)

The Lower Cajon unit forms the base of the Cajon deposit and crops out immediately to the north of the deposit. It is composed of thin to medium bedded, tan and greenish, tuffaceous sandstone and siltstone with associated tuffs. A yellowish lithic tuff, observed in contact with the upper Bellota conglomerate, changes laterally into tuffaceous sandstone. In the central area, it is in structural contact with the upper conglomerate from the Bellota sequence across a high angle normal fault. To the north, is in contact with the Bellota basalt. Thickness varies from 170 to 250 metres, being thicker in the central portion.

Fluvial-Lacustrine unit (Lacc)

The Fluvial-Lacustrine unit hosts the three colemanite-bearing zones that make up the Cajon borate deposit. It crops out across the central and western portions of the deposit area in transitional contact with the Lower Cajon unit. It is composed of thin to medium bedded, greenish, pink and light gray tuffaceous and calcareous mudstone with scarce siltstone and sandy horizons. Thickness varies from 200 to 600 metres, being thicker in the south and central portions of the Cajon deposit area.

At surface this unit contains the carbonate replacement of colemanite zones (“CRZ”) similar to those found at the TDO colemanite deposit (Vidal, 1988 and 2007b) and the Bellota sequence (Unit C, Figure 8). Thickness of the CRZ’s range from between 8 and 12 metres. The CRZ horizons contain abundant calcite in masses and nodules with radial structures (psuedomorphs after colemanite), making them visually distinct at surface. Surface occurrences of CRZ contain scarce gypsum in veinlets; howlite and colemanite have also been reported. Geochemical anomalous boron and pathfinder elements are associated with the CRZ horizons.

The fluvial-lacustrine unit also contains an interbedded basaltic flow or sill called the “Cajon” basalt. It is composed of greenish-gray basalt with a characteristic diabasic texture. It is highly oxidized, locally vesicular with calcite filling cavities and fractures. Thickness roughly ranges from 40 up to 80 metres, pinching out toward the southwestern portion and lensing out at the northwestern-most portion of the target area.

No geochemical analyses from this flow have been reported. This flow has been dated at 21.4 ± 1.0 My and 21.8 ± 0.5 My by the K-Ar method (Dobbs, 1987).

Upper transition unit (Utc)

This Upper transition unit lies in the western and northwestern portions of the deposit area, in the vicinities of the “Yeso” water reservoir. It is composed of tan, highly calcareous, thin to medium bedded tuffaceous sandstone and siltstone with conglomeratic beds at the top. Thickness is approximately 150 metres.

Upper conglomerate unit (Ucgc)

The Upper conglomerate unit crops out in the southern and western portions of the deposit area and unconformity overlies the Upper Transition unit. It is composed of a tuff matrix conglomerate containing abundant volcanic clasts, including fragments of “Cajon basalt” and occasional granitic rocks. The unit unconformity overlies the Cajon fluvial-lacustrine unit in the south. It is unclear whether it really corresponds to the Magdalena Formation or is part of the post-basin units. Thickness varies from 30 to 50 metres.

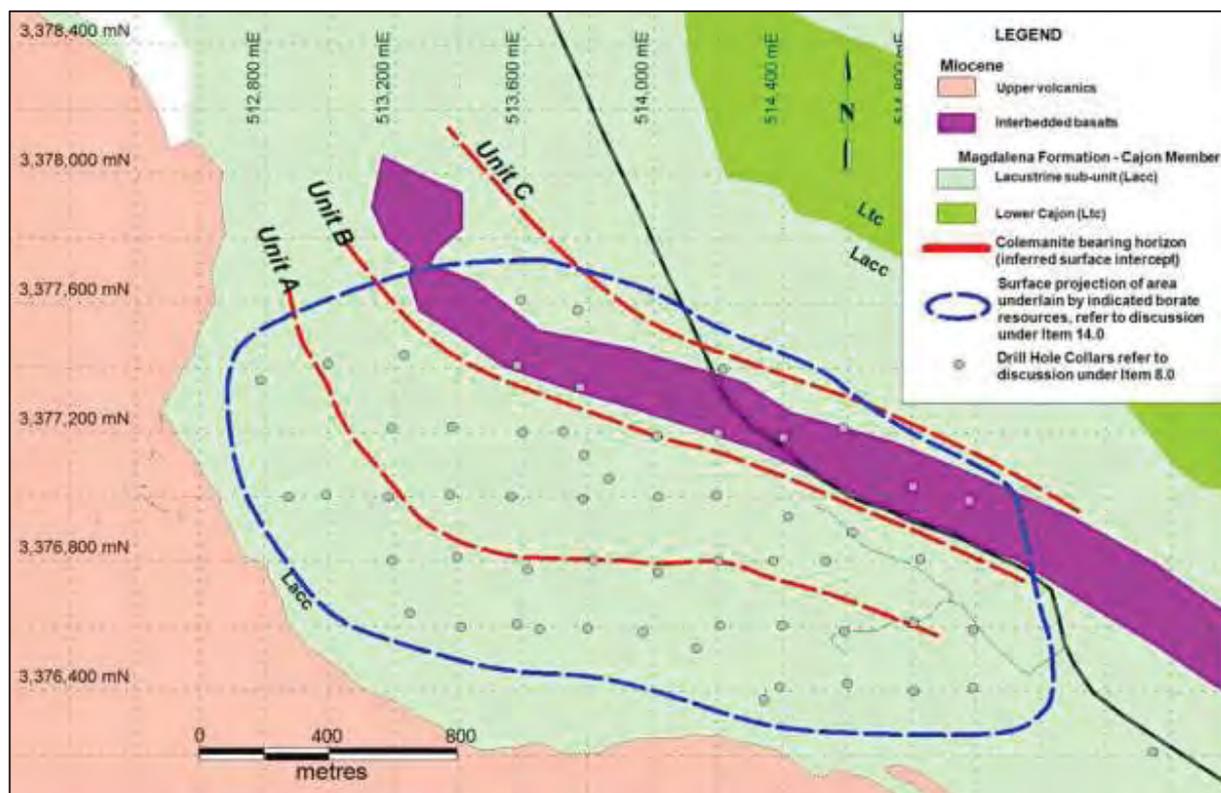


Figure 9. Surface Geology of Cajon Deposit.

Units A, B and C are surface projections from drilling; beds dip 20° southwest.

7.3 Mineralization – Magdalena Basin Project, El Cajon Deposit

The Magdalena basin has principally been explored for borates, which occur there as the minerals colemanite ($\text{CaB}_3\text{O}_4(\text{OH})_3 \cdot \text{H}_2\text{O}$) and howlite ($\text{Ca}_2\text{B}_5\text{SiO}_9(\text{OH})_5$) in bed-parallel, discontinuous, lenticular millimetre- to metre-scale layers interbedded within a gently to moderately-dipping carbonaceous fluvial-lacustrine sedimentary sequence.

The enriched borate mineralization is primarily due to diagenetic processes. The ultimate grade of the mineralization is affected by remobilization and reprecipitation of boron from the borates. Boron is stable in alkaline environments, but is highly soluble in acidic conditions, such as occur at surface. Leaching of boron and replacement by calcite and other carbonates can result in distinctive carbonate replacement zones that reflects and is a surface expression of underlying borate mineralization.

Due to the high solubility of boron, colemanite is usually altered to howlite, by adding silica; or to calcite by replacing boron with calcium. In most borate deposits there is a geologic affinity among boron, lithium, strontium, arsenic and magnesium. These elements are consequently used as pathfinders during early stage boron exploration.

The aim of exploration programs is to identify bulk-tonnage borate deposits. These generally must grade of 8% B₂O₃ or better.

Borates in Magdalena

At least three pulses of borate mineralization are recognized in the Magdalena Project area. The first one occurred during a period of relative tectonic stability that allowed the deposition of the “Bellota” fluvial-lacustrine sequence and the first borate pulse (Figure 8). Another period of tectonism is recorded by the upper “Bellota” conglomerate and the “Bellota” basalt, dated at 22.3 ± 0.3 My (Ar/Ar-whole rock). Therefore, the lowermost borate mineralization occurred after the deposition of the Basal conglomerate and prior to the extrusion of the “Bellota” basalt between 24 to 22.3 My (Vidal, 1990).

The second borate pulse is associated with a period of local stability, but one marked by abundant volcanic activity. The “Cajon” basalt is interbedded within the fluvial-lacustrine sequence and borates occur both beneath and above the basaltic flow. The “Cajon” basalt has been dated in 21.4 ± 1.0 My (K-Ar).

After another period of tectonic instability, marked by the presence of boulders of pre-basin breccias and conglomerates, the youngest and more important borate mineralization occurred in the basin with the deposition of the Tinaja Del Oso in the west and Escuadra sequences in the northeast. No volcanic activity has been recorded during that period, but it can be bracketed between 21.4 ± 1.0 My and 20.6 ± 0.1 My, which is the period between the deposition of the “Cajon” basalt and the reported age of the “Fresnos” basalt, the first post-basin unit that records the end of the Magdalena basin.

El Cajon Deposit

Borate mineralization at the El Cajon deposit consists primarily of colemanite and howlite. These minerals occur in three horizons: Units A, B and C. The units are situated within the Fluvial-Lacustrine member of the Cajon-Pozo Nuevo sequence (Table 13, Figure 8).

The mineralized units dip gently to moderately to the southwest. The thickness of units, estimated from drill intercepts, ranges for unit A from 2.1 to 4.6 metres within an average of 3.6 metres; for unit B from 3.0 to 7.6 metres within an average of 4.8 metres and for unit C from 2.4 to 10.6 metres, with an average of 7.7 metres (Table 14). The units have been drill tested along a strike length of 2,200 metres, but are open on strike in both directions. The down dip extent of the mineralization, tested by drilling, is 900 metres and remains open at depth.

Petrographic analysis from nine drill core samples from units B and C of the Cajon deposit was conducted by Martin Vidal. The analysis indicated that for unit B colemanite occurs in individual semi-euhedral crystals (less than 1 millimetre in diameter) that are broken and partially replaced by calcite. Very small amounts of howlite were also noted. In Unit C colemanite occurs as howlite nodules. The howlite nodules exhibit partial replacement by calcite.

Table 13. Fluvial-Lacustrine member of the Cajon-Pozo Nuevo sequence

Unit	Domain	Lithology	Description
US	USU		Brown claystone with minor siltstone and sandstone. Bedded to massive. Partly brecciated, with manganese oxides.
	USM		Slump breccia of mudstone and sandstone: gray with reddish spots (oxidation); abundant calcite in masses after borate alteration(?), low recovery zone.
	USL		Rhythmic sequence composed of mudstone/sandstone/siltstone with manganese oxides. Bedded to massive. Minor gypsum at base. Calcareous. Rare howlite/calcite. Fractured.
A	A1		Mudstone breccia: colemanite (10%) in masses, partly altered to howlite; abundant calcite in masses.
	A2		Mudstone breccia: rare howlite nodules, abundant calcite in masses. Low grade zone.
	A3		Slump breccia: disseminated colemanite in masses and blebs; howlite in nodules.
RS	RS1		Grayish-brown rhythmic sequence composed of mudstone/siltstone/sandstone, bedded to massive, locally brecciated, some borate mineralization.
	RS2		Brown mudstone breccia: moderate gypsum with rare borate mineralization.
	RS3		Brown mudstone-siltstone-sandstone: rare gypsum and borate mineralization, partly bedded and brecciated at the bottom.
B	B1		Brown mudstone breccia: moderate gypsum, recrystallized colemanite and minor howlite
	B2		Green mudstone breccia: abundant gypsum, minor colemanite and rare howlite nodules.
SAB	MS		Brownish-green mudstone: grading to sandstone at the bottom.
	SS		Sandstone; massive, poorly bedded.
BAS	BAS		Cajon Basalt.
LBS	LBS		Brown clays with iron oxides.
C	C1		High grade colemanite in the upper layer.
	C2		Low grade colemanite in the middle layer.
	C3		High grade colemanite in the lower layer.
D	D		Lower Cajon: no borate mineralization.
E	E1		Sandstone: fine-grained, chocolate coloured.
	E2		Coarse sandstone.

Table 14. Thickness and grade characteristics of the El Cajon Borate Deposit

Unit	Thickness in metres		Average Thickness
	Minimum	Maximum	
A	2.13	4.6	3.58
B	3.0	7.6	4.8
C	2.36	10.56	7.74
Unit	Grade B ₂ O ₃ %		Average Grade
	Minimum	Maximum	
A	8.1	11.03	10.25
B	8.1	13.05	9.91
C	5.76	13.78	8.08

7.4 Regional Geology – Tubutama Basin Project

The Tubutama Basin consists of isolated small northwest-trending ranges separated by wide structural basins. The area is underlain by the upper plate of the Tubutama Metamorphic Core Complex (TMCC) (Miranda-Gasca et al., 1998). The lower plate consists of mylonitized granites and leucogranites. The Upper plate is above the Lower plate along the Tubutama Detachment Fault. The Tubutama Formation rests unconformably on rhyolitic volcanic rocks that overly the detachment fault.

The area has undergone three episodes of tectonic extension resulting in intense normal faulting (Ferreira, 2007). The displacement along these faults is up to 400 metres, dividing the region into three blocks referred to as Tubutama I, Tubutama II, and Tubutama III (Ferreira, 2007). The Tubutama Formation sediments are host to the regional borate mineralization with variations in mineralization between blocks due to facies variations in the sediments.

The Red Conglomerate Formation, consisting of limestone, basalt, andesite, rhyolite and mylonite, unconformably overlies the Tubutama Formation sediments (Miranda-Gasca et al., 1998). The Baucarit Formation overlies the Red Conglomerate on an angular unconformity (Miranda-Gasca et al., 1998.)

7.5 Property Geology – Tubutama Basin Project

The Tubutama Formation consists of lacustrine sediments interbedded with basaltic flows. At the base of the sediments are reddish coloured, thin bedded and fine grained sandstones (Ferreira, 2007). The unit is approximately 70 metres thick. Overlying these sandstones is the sub-aqueous, high-potassium, 15 metres thick andesitic basalt flow with locally developed pillow structures (Ferreira, 2007).

Overlying the basalt is approximately 350 metres of interbedded shale and sandstone. Each bed is 2 to 30 centimetres thick. A 100 metre interbedded zone of gypsum, colemanite and clastic sediment is observed within this unit. The colemanite lenses are locally one metre thick with frequent colemanite veinlets.

In the Tubutama I block, the colemanite layers are bound by beds of limestone and there is a strong association with gypsum. In the Tubutama II block the colemanite lenses do not contain gypsum.

The unit overlying the Tubutama Formation and marking the upper extent of the borate mineralization consists of a 200 metre thick coarse-grained sandstone with 10 centimetre to 50 centimetre thick beds. Limestone beds with conglomerate lenses are also found locally.

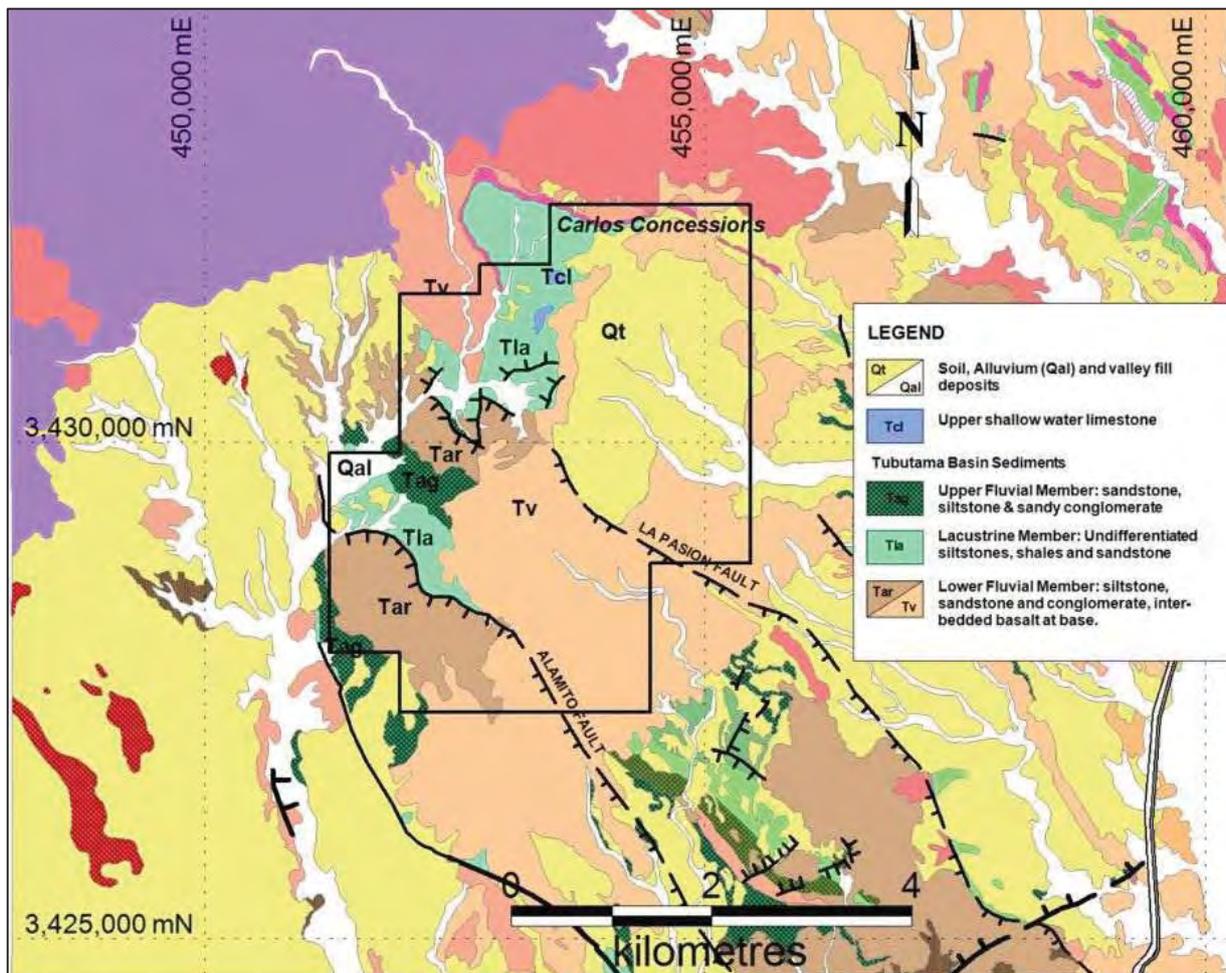


Figure 10. Tubutama Concessions Geology

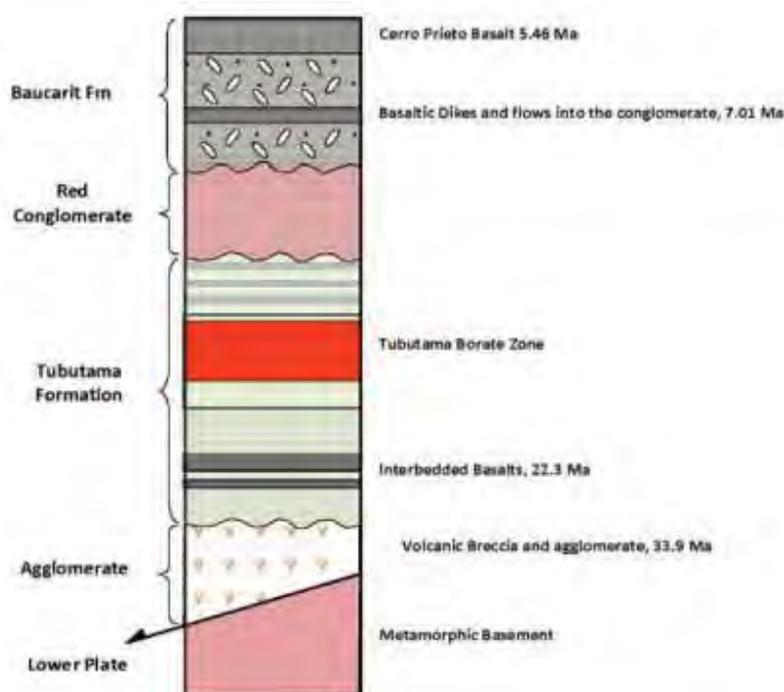


Figure 11. Tubutama Concession Stratigraphy

7.6 Mineralization – Tubutama Basin Project

The Tubutama borate zones have been interpreted to reach thicknesses of 9 metres containing 8% B₂O₃ and to extend up to one kilometre within northeast-striking, southeast dipping sinuous sedimentary beds. The sediment package reaches thickness of up to 100 metres (Caballero 1983) and can be traced along the eastern edge of the Tubutama Basin for over four kilometres with various concentrations of borates within.

Caballero (1983), identified two mineralized zones during the CMR drilling campaign, consistent with earlier interpretations that there were at least two evaporate sequences within the Magdalena-Tubutama Basins. However, locally intense folding and intense regional faults are the principal factors making correlation of mineralization difficult.

The mineralogy of the borate deposits is variable, including, but not limited to, the boron bearing minerals of colemanite, howlite, mcallisterite, ulexite and wardsmithite (Caballero, 1983). The predominant borate mineral is colemanite, which occurs as thin beds, lenses, veinlets and disseminated masses. The mineral occurs as granular masses, anhedral and subhedral grains with vitreous lustre, clear to white colour and are transparent to translucent. Howlite appears as veinlets and nodules that are bright creamy white in colour.

7.7 Regional Geology - Sonora Lithium Project

The Sonora Lithium Project is underlain by Oligocene to Miocene age rhyolitic tuffs, ignimbrites and breccias of the upper volcanic complex of the Sierra Madre Occidental (INEGI, 1982). This succession was subjected to Basin and Range extensional events during Miocene times that resulted in the development of a series of half-grabens. The half-grabens are locally filled with fluvial-lacustrine sediments and intercalated tuffs that contain lithium-bearing clays,

as at the Buenavista concession of Bacanora. However, the clay-bearing sequence on the concessions may be derived from pyroclastic debris formed during a slightly earlier stage of alkaline volcanism that was entrained in a caldera formed during the waning stages of volcanic activity. Quaternary basalt flows cover the basinal sediments and alkaline volcanoclastic succession (Figure 12).

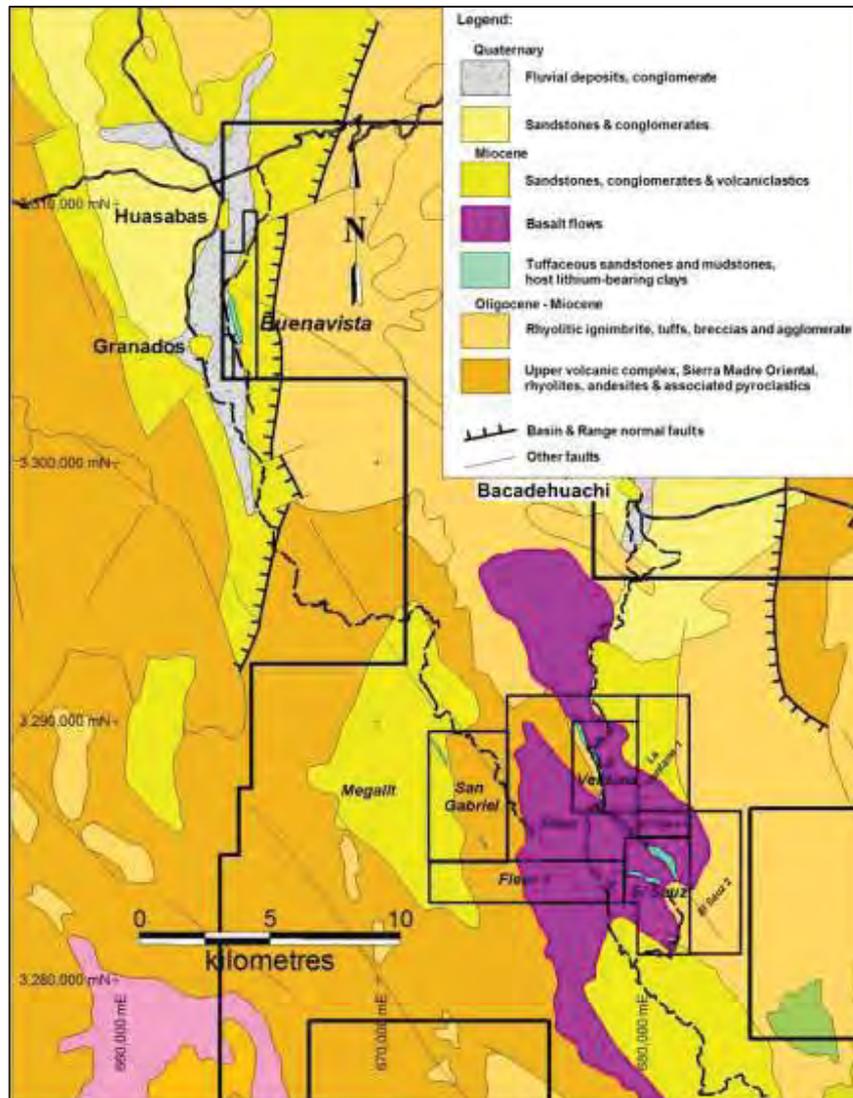


Figure 12. Regional Geology of the Sonora Lithium Project Area

7.8 Property Geology – Sonora Lithium Project

Preliminary geological mapping of the project core area, which covers Bacanora’s La Ventana concession and the Joint Venture #1 lands (El Sauz and Fleur), was conducted by Daniel Calles, a geologist under contract to Bacanora (Figure 13).

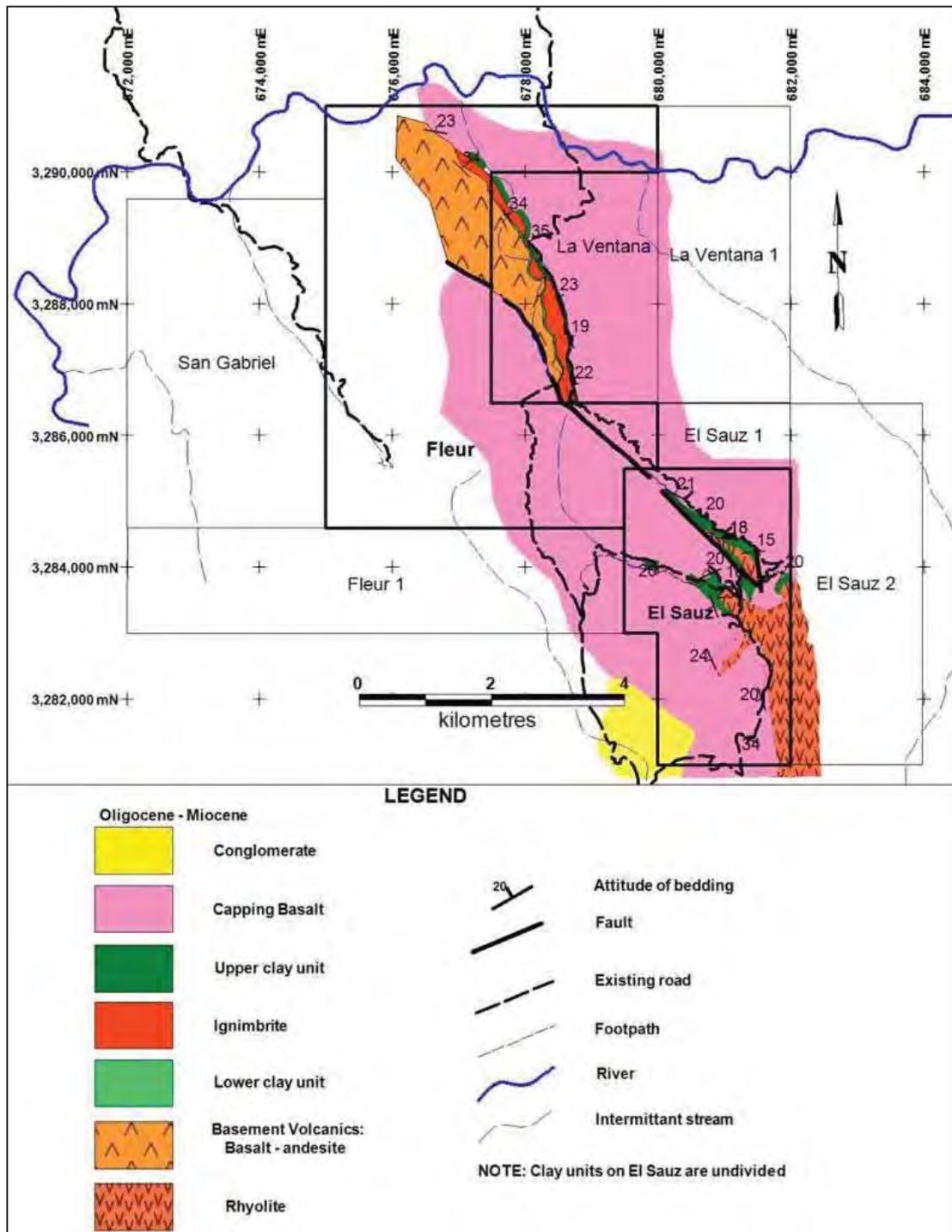


Figure 13. Sonora Lithium Project Core Geology

The stratigraphic succession hosting the lithium-bearing clay units (Table 15) consists of the following sequences, as determined from Mr. Calles' mapping and recent drilling:

1. A basal sequence consisting of basalt, andesitic basalt pyroclastics and rhyolite tuff.
2. Lower clay unit, consisting of several subunits of a basal red siltstone-sandstone-conglomerate unit, tuffaceous sediments, thin lapilli tuff layers and reworked tuff layers interbedded with lithium-rich clay layers. The lower clay unit ranges from 21.6 to 42.1 metres in true thickness and averaging 27.8 metres thick.
3. Ignimbrite layer, consisting of an orange, welded, lapilli tuff ranging from 1.3 to 11.9 metres in true thickness and averaging 5.6 metres.
4. Upper clay unit, also consisting of several subunits of thin, rhythmically laminated clay and silica layers, coarse-grained, poorly sorted brown sandstone beds with a clayey and calcareous matrix; yellowish green clay beds with silica nodules; dark grey clay bands with distinct slump features and local calcite masses; light grey claystone layers interbedded with reddish sandstone beds; reddish medium to coarse-grained sandstone with calcite veinlets. The upper clay unit ranges from 14.1 to 40.4 metres in thickness, averaging 28.2 metres thick.
5. Capping basalt, consisting of vesicular olivine basalt flows and intercalated flow-top breccias.

Table 15. Stratigraphic Succession of the Core Area, Sonora Lithium Project.

Unit	True ⁸ Thickness (m)	Unit/Subunit Description
Capping basalt	Not determined	Basalt. Contains greenish olivine crystals. Veinlets of kaolinite/alunite (white/greenish, powdery).
Upper clay unit	28.0 (14.10 – 40.39)	Reddish, medium-coarse grained sandstone with calcite veinlets.
		Pale gray tuffaceous claystone intercalated with reddish, sandy layers. Scarce FeOx layers (black).
		Dark gray slumping breccias. Dark, clayey groundmass with tuffaceous fragments. Calcite in masses.
		Green-yellowish silica nodules in a clayey waxy, tuffaceous matrix.
		Brown sandstone. Poorly bedded. Highly calcareous. Reddish tuffaceous coarse grained sandstone. Clay matrix. Soft.
		Pale green-pinkish, fine grained sequence of clays and silica nodules. Waxy in zones. Calcite in masses
Ignimbrite	5.58 (1.29 – 11.89)	Ignimbrite: orange colored, welded lapilli tuff. Locally brecciated.
Lower clay unit	27.78 (21.57 – 42.11)	Pale gray reworked tuff with abundant lithium-bearing clay zones.
		Pale green tuffaceous sediments. K-feldspar groundmass with quartz and biotite. Indurated. Contains lapilli tuff.
Basement Volcanics	Not determined	Dark green basalt, andesitic basalt and rhyolite tuff.

⁸ Average true thickness; range of true thickness from minimum to maximum in parentheses.

The lithium-bearing sedimentary sequences are distinct and easily distinguished in the field from the surrounding volcanics by their pale colour and thin to medium bedding, as illustrated in the southeast view across the La Ventana concession (Figure 14) and the northeast view of gently, northeasterly dipping, lithium-bearing sediments near the center of the El Sauz concession (Figure 15).



Figure 14. Looking southeast across the volcano-sedimentary sequence on La Ventana.



Figure 15. Looking east, stratigraphic succession – northeast from center of El Sauz.

On the La Ventana concession, lithium-bearing clay units are exposed from the northwest corner of the concession to the southeast of the concession, a distance of 3.6 kilometres. The sediments dip approximately 20° to the northeast. A northwesterly striking oblique slip fault has down dropped the clay units to the south of La Ventana under basalt cover. Drilling has confirmed the continuity of the clay units under the basalt cover for a distance of 2.0 kilometres

to the southeast were they are exposed on the El Sauz concession for a distance of 2.0 kilometres to the southeast. This makes for a 7.6 kilometre strike length of the clay unit from the north end of La Ventana to the southern part of El Sauz.

The more southerly exposures of the clay units on El Sauz dip gently westerly probably as a result of offsets and rotation on faults. In addition, exposures of the basement volcanics consist of rhyolite tuff on the southern part of El Sauz versus andesitic basalt on La Ventana.

7.9 Mineralization – Sonora Lithium Project

Mineralization on the concessions consists of a series of lithium-bearing clays that occur within two bedded sequences, the Upper and the Lower Clay units, which are separated by an ignimbrite sheet.

Preliminary analysis of the clays by the James Hutton Institute in Aberdeen, Scotland, indicated that the fine fraction of the clays consist of 2:1 dioctahedral clays classified as illites or smectites, possibly of bentonite or montmorillonite species (Grinding Solutions, 2014). The clay units are believed to have formed from alteration, by supergene processes or diagenesis, of volcanic ash. The clay layers also contain relict quartz and feldspar crystal shards, lithic fragments and silica bands, and traces of other minerals. The layers are locally interbedded with reddish terrigenous beds composed of sand and silt-sized material.

The Lower Clay unit is underlain by basaltic flows, breccias and tuffaceous rocks and is overlain by an ignimbrite sheet. The average true thickness of the Lower Clay unit is 27.8 metres and it ranges from 21.6 to 42.1 metres in true thickness. Based on the results from a recent drill program on the concessions (refer to Item 10.3), lithium values in the Lower Clay range from 38 to greater than 10,000 ppm Li.

The Upper Clay unit is underlain by the ignimbrite sheet that overlies the Lower Clay unit and the Upper Clay is overlain by a sequence of basalt flows and intercalated flow top breccias. The Upper Clay unit ranges from 14.1 to 40.4 metres in true thickness and averages 28.20 metres. Lithium values in the Upper Clay range from 41 to 6,200 ppm Li, based on results from the analyses of drill core from the recent drill program.

Re-analyses of the drill core sample pulps were undertaken in order to determine values for some of the alkalis that previous analyses reported as being above detection limits. Ranges for selected alkalis are tabulated below.

Table 16. Ranges of analyses for selected alkalis on the Concessions.

	Li ppm	K %	Rb ppm	Cs ppm	Mg %	Sr ppm
Upper Clay	41 - 6,200	0.12 - 1.75	23 - 480	34 - 1,805	0.13 - 5.21	128 - 8,380
Lower Clay	38 - >10,000	0.12 - 4.45	14 - 880	68 - 3,000	0.16 - 5.52	31 - 6,820

Limited petrographic work indicates that the mineral ramanite ((Cs, Rb)[B₅O₆(OH)₄]·2H₂O) may be the predominate carrier of cesium and rubidium in the clays (M. Vidal, 2013 personal communication). Further mineralogical studies are recommended in order to determine what minerals host the various alkali's in the clay units. Results of such studies could have an impact on beneficiation of these minerals and recovery of the alkali's.

Controls for the lithium and alkali mineralization follow the shape of a lake in which the clays became entrained. Faults underlying the lake that may have served as channel ways for lithium-rich solutions to percolate into the lake basin and possibly alter and enrich the existing clays in lithium. Alternatively, the lithium may have been sourced from rhyolites (Hofstra et al., 2013). However, rhyolites with lithium-rich melt inclusions have not yet been identified in the succession on or near the concessions.

Based on the surface mapping and drill results, the clay units extend continuously along strike in a southeasterly direction for 4.2 kilometres from the south boundary of the La Ventana concession to the middle of the El Sauz concession, with main exposures in the central part of the El Sauz concession. North from El Sauz, the clay units are covered by basalt, but drilling has demonstrated that they continue to the north in the Fleur concession (Figure 13). The down dip extent to the northeast, southwest and south is not known at present and remains to be tested by further drilling.

There is a high grade lithium core in the area covered by the La Ventana, El Sauz and Fleur concessions. This high grade zone extends from the middle of La Ventana southward across Fleur and approximately a third of the distance south into El Sauz. There lithium grades are generally above 3,000 ppm Li. The best grades of lithium are associated with elevated levels of calcium, cesium, magnesium, potassium, rubidium and strontium. However, the correlation (especially for magnesium) is not one-to-one.

8.0 Deposit Types

8.1 Borate Deposits

Borate deposits can be divided into five main types (Barker and Lefond, 1984):

- 1) Precipitation from brines in a permanent or semi-permanent shallow lake or deep lake, known as lacustrine deposits. For this type of deposit to be formed the region must be arid, as borates have a high solubility. In addition, there must be an interior drainage system to concentrate the boron and minimize the dilution of boron from excess water, ions or sediment. Examples of this type of deposits include: Death Valley California and Bigadic, Turkey. This type of deposit produces most of the world's borates and is the most studied.
- 2) Crusts or crystals in mud of playas within near-surface sedimentary layers. These deposits are formed by repeated evaporation of incoming boron-bearing water by evaporation of groundwater. Repeated solution-crystallization cycles result in bedded borate strata. These types of deposits are found in Peru, Turkey and USA.
- 3) Direct precipitation near springs or fumaroles as a result of precipitation upon cooling of boron-bearing water and gases. This type of deposit is found in Italy, India and South America.
- 4) Crystallization at or near granitic contacts or veins. Residual fluids associated with siliceous intrusions contain boron that is mobilized into the country rock through fluids. Boron may also be leached. No known deposits.

All borate deposits require that certain geological and environmental conditions were present. A borate deposit must have a source of water that contains anomalous amounts of dissolved borate. As well, a borate deposit must have a mechanism that transported the water to the site of deposition and prevented it from escaping to the sea. Finally, a borate deposit requires a geological process that was capable of concentrating the brine solutions to the point of borate crystallization. As the evaporation of seawater progresses, the deposition of borates from ulexite, colemanite and/or howlite will occur. The specific mineralogy of the borates deposited will depend on the ratio of boron to calcium and sodium in the water, as well as on other elements (contaminants) present at the times of borate mineral precipitation.

Borate mineralization at both the Magdalena and Tubutama Basin Projects is considered to be lacustrine in origin (Type 1). Thus it is analogous to borates found at Death Valley and in the Bigadic deposits.

8.2 Lithium Deposits

Lithium occurs in commercial concentrations in three types of mineral deposits:

1. Pegmatites,
2. Brines, caliche, and
3. Clays.

8.2.1 Pegmatites

Pegmatites were traditionally the primary source of lithium from contained minerals: spodumene ($\text{LiAlSi}_2\text{O}_6$), lepidolite ($\text{K}(\text{Li}, \text{Al})_3(\text{Si}, \text{Al})_4\text{O}_{10}(\text{F}, \text{OH})_2$) and petalite ($\text{LiAlSi}_4\text{O}_{10}$) (Cerny, 1991). Examples of productive lithium pegmatites are the Kings Mountain – Bessemer

City tin-spodumene belt in North Carolina (Broadhurst, 1956), and the Quebec Lithium Property of RB Energy Corp (formerly Canadian Lithium Corp.; Shannon et al., 2011).

8.2.2 Brines and caliche

Brines are the main source for lithium today. In brines, lithium occurs as lithium chlorides (LiCl) that are pumped from the evaporite lakes or salt pans (salars) into a processing facility to produce lithium carbonate (Li_2CO_3). Examples of productive brine fields are found in South America at the Salar de Atacama, Chile as well as at Searles Lake in Clayton Valley, Nevada. In Chile, caliche deposits that are mined for nitrates in the Atacama Desert can also produce lithium as a byproduct.

8.2.3 Clays

Clays such as jadarite ($\text{LiNaB}_3\text{SiO}_7(\text{OH})$), hectorite ($\text{Na}_{0.3}(\text{Mg}, \text{Li})_3\text{Si}_4\text{O}_{19}(\text{OH})_2$) and polyolithionite ($\text{KLi}_2\text{AlSi}_4\text{O}_{10}\text{F}_2$) are some of the lithium bearing clay minerals that are potential sources for lithium. The lithium-bearing clays are the result of degradation of felsic volcanoclastic rocks through either weathering processes or hydrothermal alteration. Subsequent impoundment of the resulting clay minerals is into local catchment basin lakes. It is also thought that hot-spring activity related to volcanism may also supply some of the lithium into the lake environment by way of faults coming into the lake basins. An example of a potentially economic lithium deposit in clay is the Kings Valley Project in Nevada, USA, of Western Lithium Corp. (Ajie et al., 2009). Lithium clays have two major end uses, as sources for: (i) lithium compounds such as lithium carbonate, as well as (ii) high temperature - high pressure tolerant drilling muds for the petroleum industry.

Demand for lithium compounds is strong because of lithium's unique electrochemical properties that make it the element of choice for batteries having high energy storage capacity and other energy applications as well as a host of other industrial and health applications. Deep and horizontal drilling techniques employed in the petroleum industry place a strong demand on lithium-bearing clays used in drilling muds.

Lithium mineralization at the Sonora Lithium Project is of the clay type.

Concepts from the geological model for lithium-bearing clay deposits that are applied to exploration of these deposits include:

1. recognition of young sedimentary basins containing or having the potential to contain clays derived from felsic volcanic rocks, and
2. litho-geochemical sampling of clay units exposed in young sedimentary basins by means of surface sampling or drilling.

9.0 Exploration

9.1 Magdalena Basin Project

Bacanora conducted a diamond drilling campaign at El Cajon deposit in 2010. A total of 18 holes were drilled to provide in-fill data between holes previously drilled by Rio Tinto and the US Borax – Vitro Joint Venture. In 2011 a further 30 core holes were drilled into the deposit and in 2012, 14 holes were completed. A bulk sample was excavated from El Cajon in 2013 in order to obtain samples for metallurgical and mineral process tests. Bacanora has conducted no other exploration on the concessions.

Drill results from the 2010 and 2011 drill programs that Bacanora undertook, as well as the drill results from the US Borax drilling on the El Cajon deposit were used to estimate borate resources, as described in Item 14.0 of this report.

Details and results of Bacanora's drilling are found in Item 10.1.

9.2 Tubutama Basin Project

Upon acquisition of the Carlos concessions, Bacanora's subsidiary, MIT, initiated a surface sampling and trenching program. MIT excavated new trenches with a truck-mounted shovel parallel to some of the best CMR trenches to ensure fresh samples were collected. By using the excavator to dig the trenches, MIT was able to collect fresher and deeper samples. The sampling and trenching program identified an elongated northeast trending zone of borate mineralization within which was situated a higher-grade zone (6% B₂O₃). A drill program was undertaken in 2007 with the objective of delineating the borate zone at depth. Results of the drilling are discussed under Item 10.2 of this report.

9.3 Sonora Lithium Project

Bacanora's initial exploration efforts were focused on testing the clay exposures located on the La Ventana concession. In 2010 a series of six continuous chip samples were taken perpendicular to the strike of upper clay unit at intervals between 1 and 1.5 metres in length at the south end of the concession.

Each sample was placed in a numbered, fiber-weave sack. The samples were then taken to ALS Chemex facility in Hermosillo for lithium analysis and a multi-element scan using ICP-MS techniques.

The results of this work confirmed the high lithium concentrations in the clay unit. Values for the six samples ranged from 1,710 to 4,680 ppm Li (0.91 to 2.49% LCE).

Bacanora then conducted a diamond drilling campaign at La Ventana in 2010. A total of four holes were drilled as an initial test of the lithium-bearing clay units. Details and significant results of Bacanora's drilling on La Ventana are found in Item 10.3.

9.3.1 Exploration in 2011

A geological reconnaissance and rock-sampling program was conducted on the El Sauz concession by Adrian Edgardo Perez on behalf of MSB during the period September 28 to November 11, 2011. A total of 116 rock samples were collected from exposures of a pale colored, clay-bearing sequence of sediments and intercalated tuffaceous rocks. The sampled

exposures occur in the northern half of El Sauz and dip to the east, in the case of the northeastern most outcrops, and west in the case of the more southerly exposures. These opposing dips appear to indicate an anticlinal structure.

The samples were collected across outcrops as continuous chip samples ranging in width from 0.9 to 2.2 metres and averaging 2.0 metres perpendicular to the strike direction of the sediments. Sample spacing was dependent on exposure; consequently, it was difficult to ascertain how representative the samples were of the overall clay-bearing units on El Sauz.

Results of analyses performed on the samples by ALS Chemex ranged from 49 to 7,220 ppm Li, with 39 samples greater than 1,000 ppm Li (Figure 16). The results indicated that significant lithium-bearing clay units occur on El Sauz.

A further eight core holes were drilled into the clay units in 2011. Details and significant results of Bacanora's drilling on La Ventana are found in Item 10.3.1.

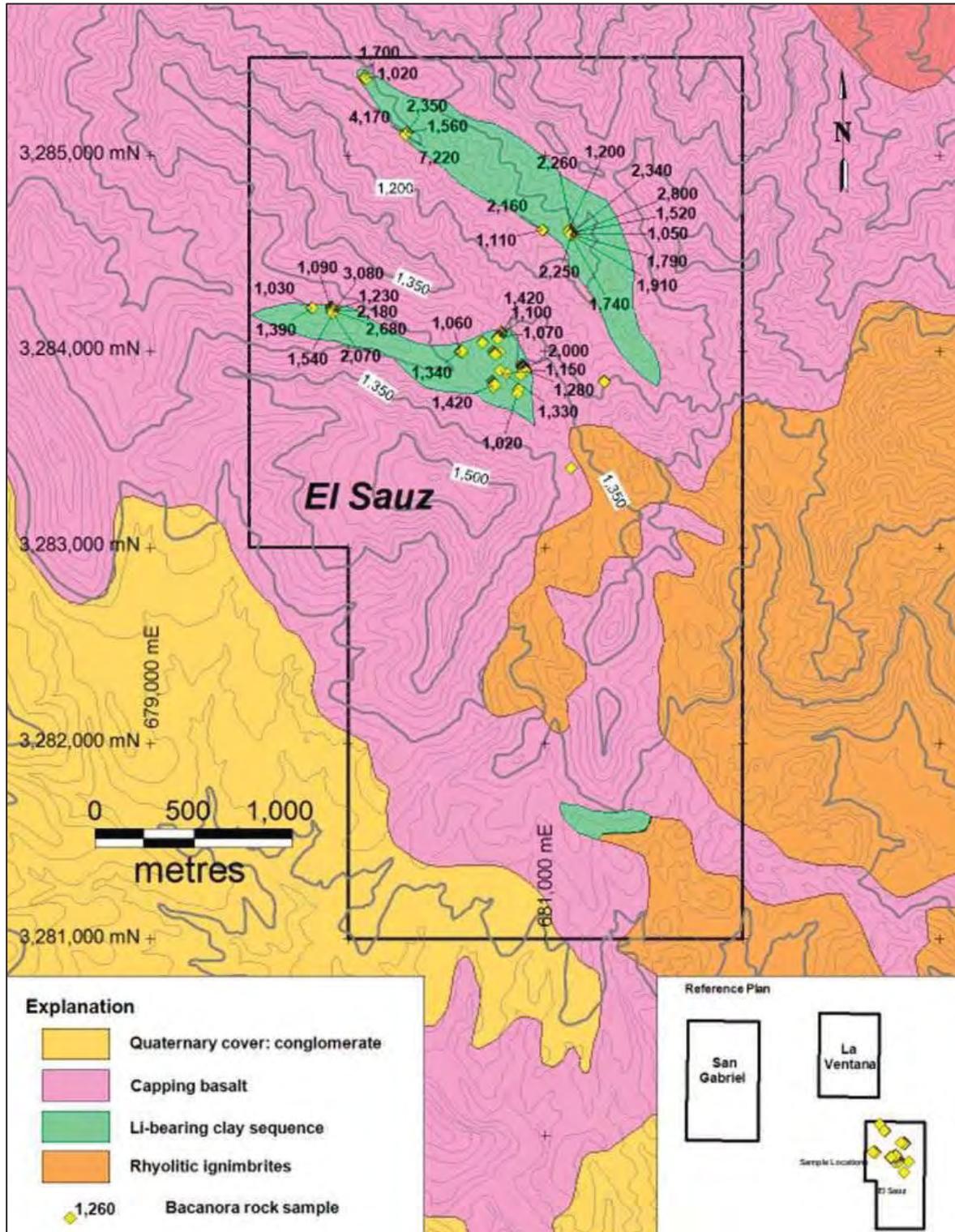


Figure 16. Bacanora 2011 Rock Samples - El Sauz Concession

Only samples with greater than 1000 ppm Li are shown.

9.3.2 Exploration in 2013

From February to April, 2013, Daniel Calles undertook a mapping and rock sampling campaign on the Bacanora – REM Joint Venture #1 lands, i.e., on the Fleur and El Sauz concessions.

A total of 94 rock samples averaging 1.7 kilograms were taken from outcrops of the clay units exposed on El Sauz (Figure 17). The samples were collected across outcrops as continuous chip samples perpendicular to the strike direction of the sediments. Sample spacing was dependent on exposure; consequently it is difficult to ascertain how representative the samples are of the overall clay-bearing units on El Sauz.

Results of analyses performed on the samples by ALS Chemex ranged from 10 to 2,130 ppm Li, with 15 samples greater than 1,000 ppm Li. The results confirmed that significant lithium-bearing clay units occur on El Sauz and warranted further work in order to more accurately assess the extent of the units and the concentration of lithium within them. The clay units also had elevated levels of other alkali metals and alkali earths, most notably: cesium and strontium (Table 17).

Table 17. Rock Samples Basic Statistics for Alkali Metals and Earths

n = 94	Li ppm	Ca %	K %	Mg %	Na %	Cs ppm	Rb ppm	Sr ppm
Maximum	2,130	21.8	1.37	4.2	2.2	1,215	572	7,160
Minimum	10	0.11	0.04	0.11	0.02	11	7	30
Mean	418	5.52	0.47	1.04	0.21	248	169	2,057
Median	158	3.14	0.42	0.77	0.09	199	133	1,763
75th Percentile	650	7.44	0.62	1.25	0.17	305	232	2,935
90th Percentile	1,110	14.48	0.89	2.43	0.58	532	327	5,027
95th Percentile	1,605	18.18	1.09	3.07	1.06	721	414	6,429

In conjunction with the rock sampling, Mr. Calles mapped the geology of the area around the clay units on El Sauz. In addition, two stages of diamond drilling were undertaken. The geological mapping, combined with the results of the Stage 1 drill program, allowed a comparison to be made between the strata intersected in drill holes and that exposed at surface on the Joint Venture #1 lands and those clay units found on the adjoining La Ventana concession. From this comparison it is concluded that the lithium-bearing clay units on the Joint Venture #1 lands correlate with those on La Ventana, and therefore, represent a southern extension of the sedimentary basin from La Ventana to the Fleur and El Sauz concessions.

Structurally the clay units on El Sauz and Fleur dip to the northeast at approximately 20°. However, the clay units are covered by basalt on Fleur. In addition, in the central part of El Sauz the clay units crop out in an arcuate form with the more easterly arm of the arc dipping to the northeast and the westerly arm of the arc dipping westerly.

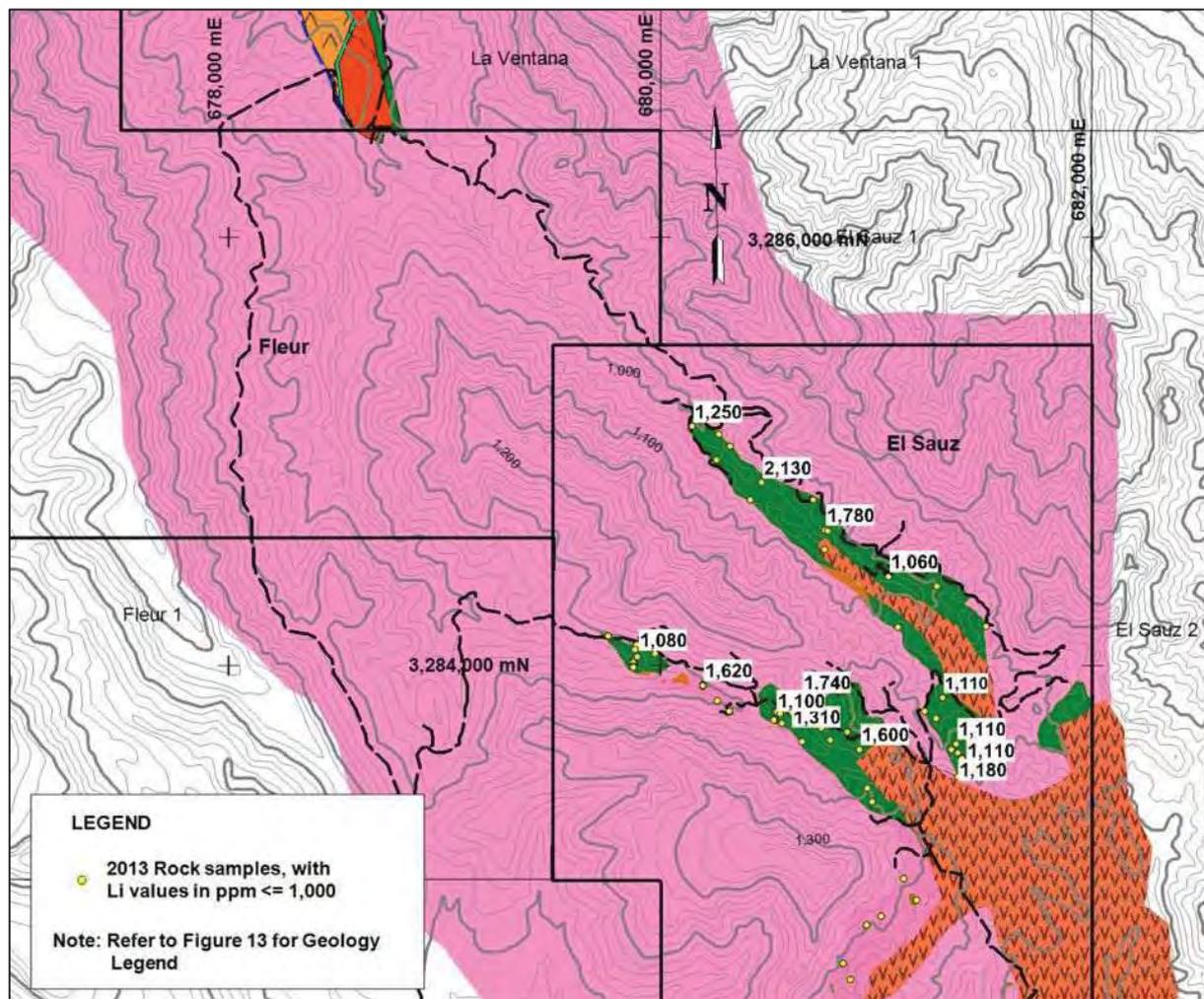


Figure 17. Bacanora 2013 Rock Samples - El Sauz Concession
 (Only sample sites with values greater than 1000 ppm Li are shown)

An additional six holes were drilled on the La Ventana concession in late 2013 in order to further test the lower clay unit. Details and significant results of Bacanora’s drilling on La Ventana are found in Item 10.3.1.

9.3.3 Exploration in 2014

In early 2014, a series of six trenches was excavated across exposures of the lower clay unit on La Ventana in order to provide additional grade control. Continuous chip samples were taken at intervals averaging 1.5 m in length. Results of the trench samples are listed in Table 18 and illustrated in Figure 18. A Stage 3 diamond drill program, consisting of 1096.48 metres in 11 holes was completed in early 2014.

Table 18. Weighted Average Li Content of Trench Samples

Trench No	Surface length in metres	Weighted Average Li ppm
1	12	1,975
2	18	2,055
3	19	2,843
<i>including</i>	5.7	5,828
4	27	4,776
5	22.5	4,771
6	33.6	5,721

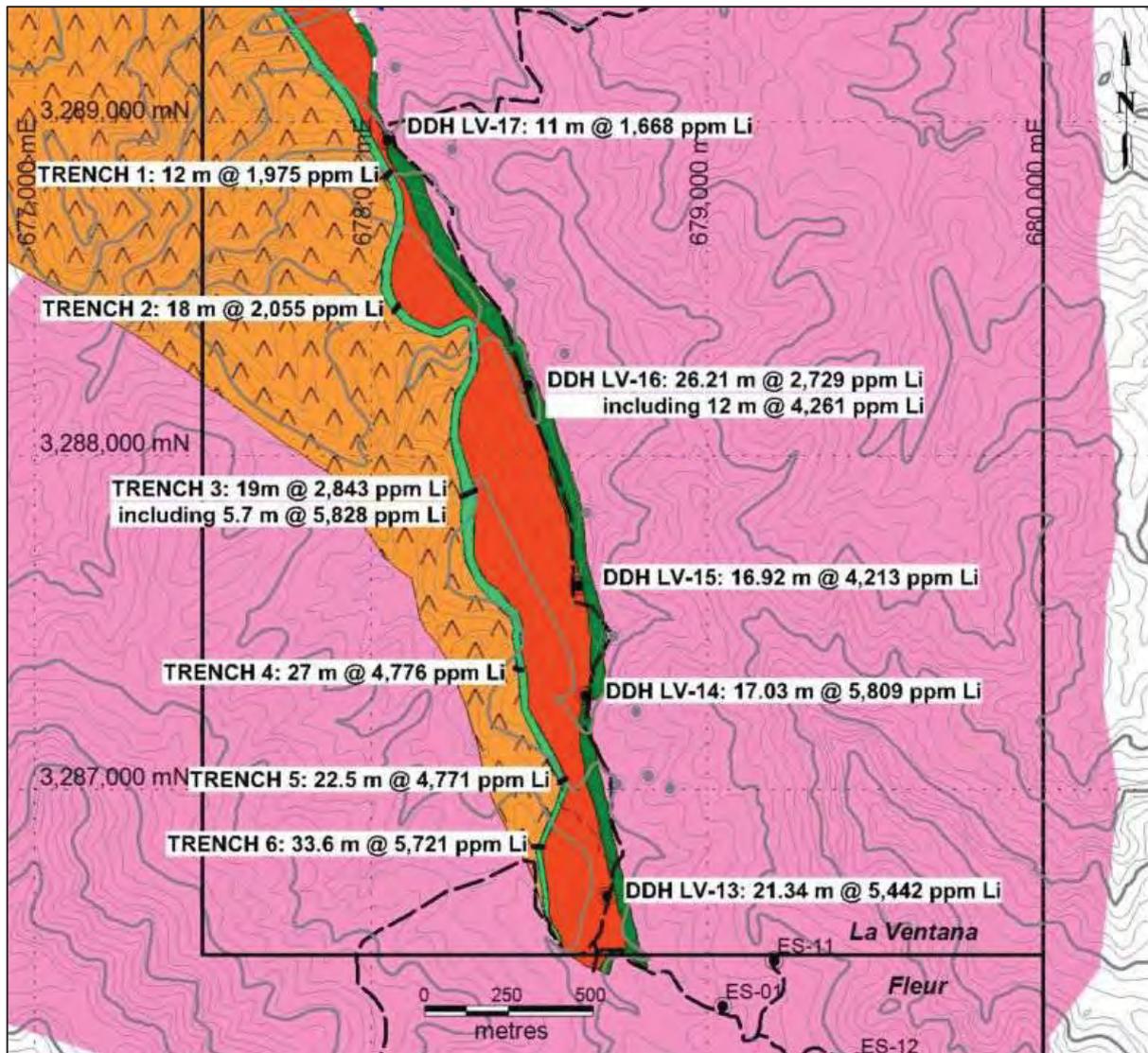


Figure 18. Trench Location Plan – La Ventana

10.0 Drilling

10.1 Magdalena Basin Project

All of the drilling conducted to date on the El Cajon deposit has been undertaken by Perforaciones Godbe de Mexico SA de CV, a Mexican subsidiary of Godbe Drilling LLC, based in Montrose, Colorado.

For each phase of drilling, drill core was moved from the drill sites by Bacanora personnel to a secure compound in Magdalena de Kino where it was logged, split and stored. In addition to logging of geological parameters in drill core, core recovery, recovery-of-broken intervals and rock quality designations were measured and recorded. Drill-hole collar locations were surveyed with an error of +/- 0.008 metre using a total station GPS, double-frequency Trimble R6 instrument operated by Surveyor Hugo Maldonado of Topografía, Ingeniería y Dibujo SC.

The objective of the diamond drilling was to intersect the down dip expression of three outcropping carbonate replacement horizons with similar characteristics to the surface expression of the borate mineralization at the TDO colemanite deposit located in the western portion of the basin and the Pozo Nuevo prospect, which is another Bacanora borate target within the basin.

The relationship between sample length and the true thickness of the mineralization varies from 93% to 96% of sample length being equivalent to true thickness depending on the area of the deposit and the dip for the colemanite horizons at a particular intercept.

Drill core recovery was very close to 100% for the 2010, 2011 and 2012 drill programs. There are no sampling or recovery factors that could materially impact the accuracy of the results.

10.1.1 Drilling in 2010:

Bacanora's first drilling campaign at the El Cajon deposit was conducted from May to September 2010.

A total of 1,984.6 metres using a NQ-core recovery diamond drilling technique were drilled in eighteen holes. Drill sites were laid out on a 200 metre grid (Figure 19).

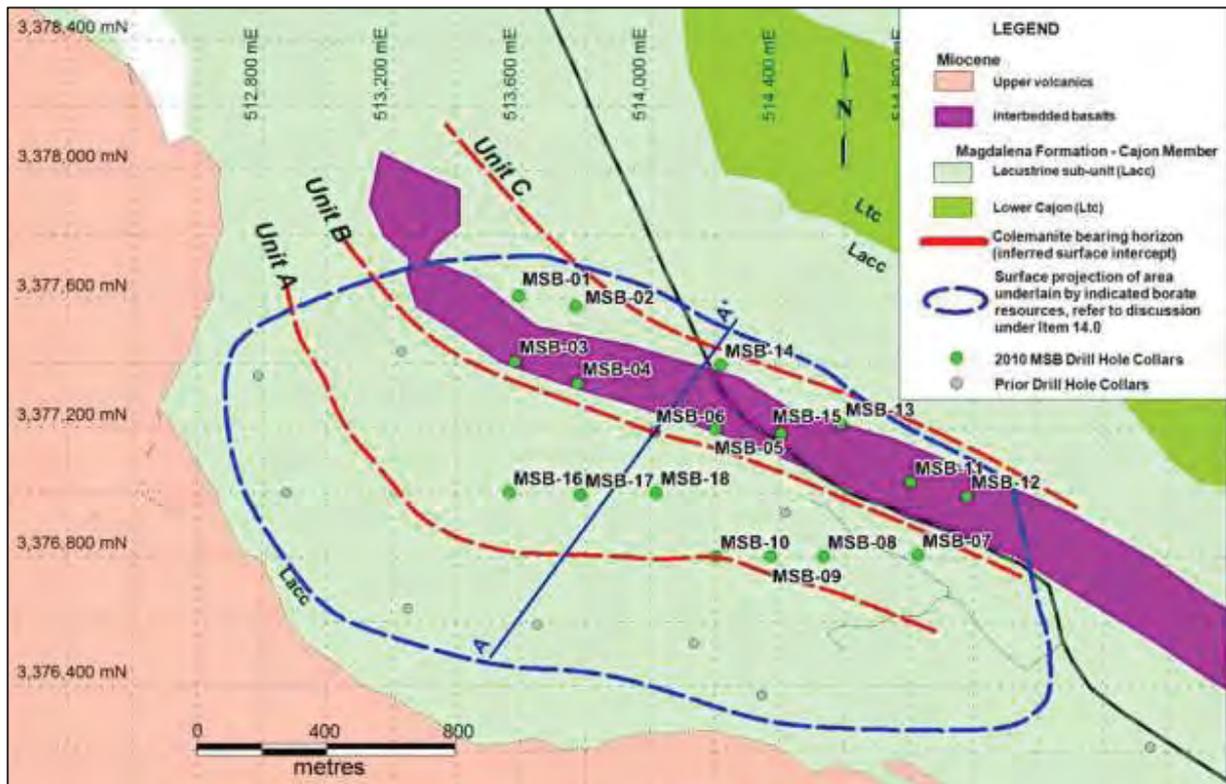


Figure 19. Drill hole location plan, 2010 and earlier holes, El Cajon Deposit

Beds dip 20° southwest.

The drilling program successfully intersected predicted colemanite horizons. The interpretation of the colemanite-bearing horizons intersected by the drilling is that of three units dipping gently to the southwest (Figure 20). Significant borate assays (greater than 5% B₂O₃) in the drill holes illustrated in Figure 20 are listed in Table 19.

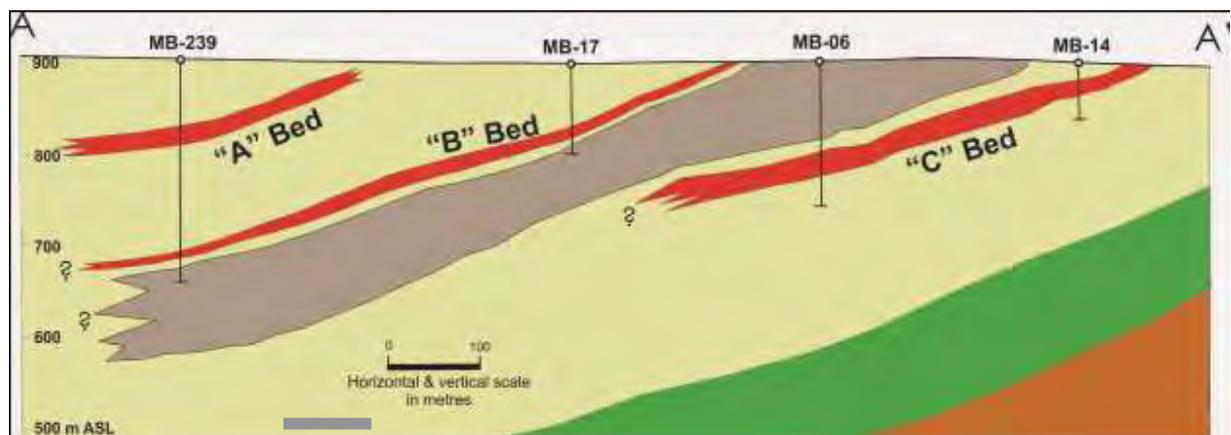


Figure 20. Geological Cross Section through the El Cajon Borate Deposit

Table 19. Significant Borate Drill Intercepts 2010 & MSM Programs, El Cajon Deposit.

Hole No.	From (m)	To (m)	Interval (m)	B ₂ O ₃ %	Unit
MB-239	73.76	78.33	4.57	11.03	A
MSB-06	97.69	108.25	10.56	7.97	C
MSB-14	22.86	25.0	2.14	9.0	C
MSB-17	75.29	78.33	3.04	9.5	B

10.1.2 Drilling in 2011

In 2011, Bacanora completed 4,038 metres of drilling in 30 NQ sized core holes at the El Cajon deposit (Figure 21). Drilling was carried out on the 200 metre square grid pattern initiated for the 2010 drill program.

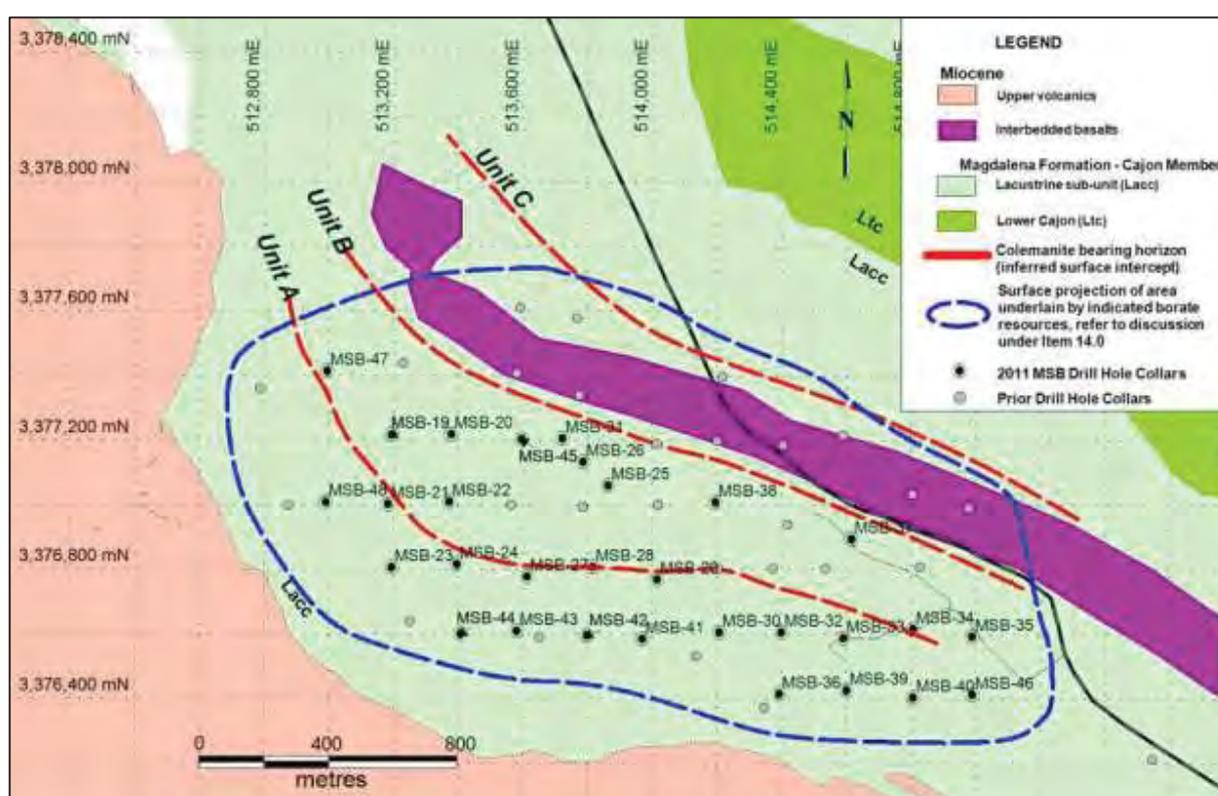


Figure 21. Drill hole location plan, 2011 and earlier holes, El Cajon Deposit.

Beds dip 20° southwest

10.1.3 Drilling in 2012

Bacanora completed 1,147 metres of drilling in 14 NQ sized core holes at the El Cajon deposit (Figure 22) in 2012. The objective of the 2012 drilling was to delineate near surface carbonate alteration of the borate zone in an effort to locate a suitable site for bulk sampling.

The drilling consisted of a series of in-fill holes placed between existing drill holes. The holes tested unit A.

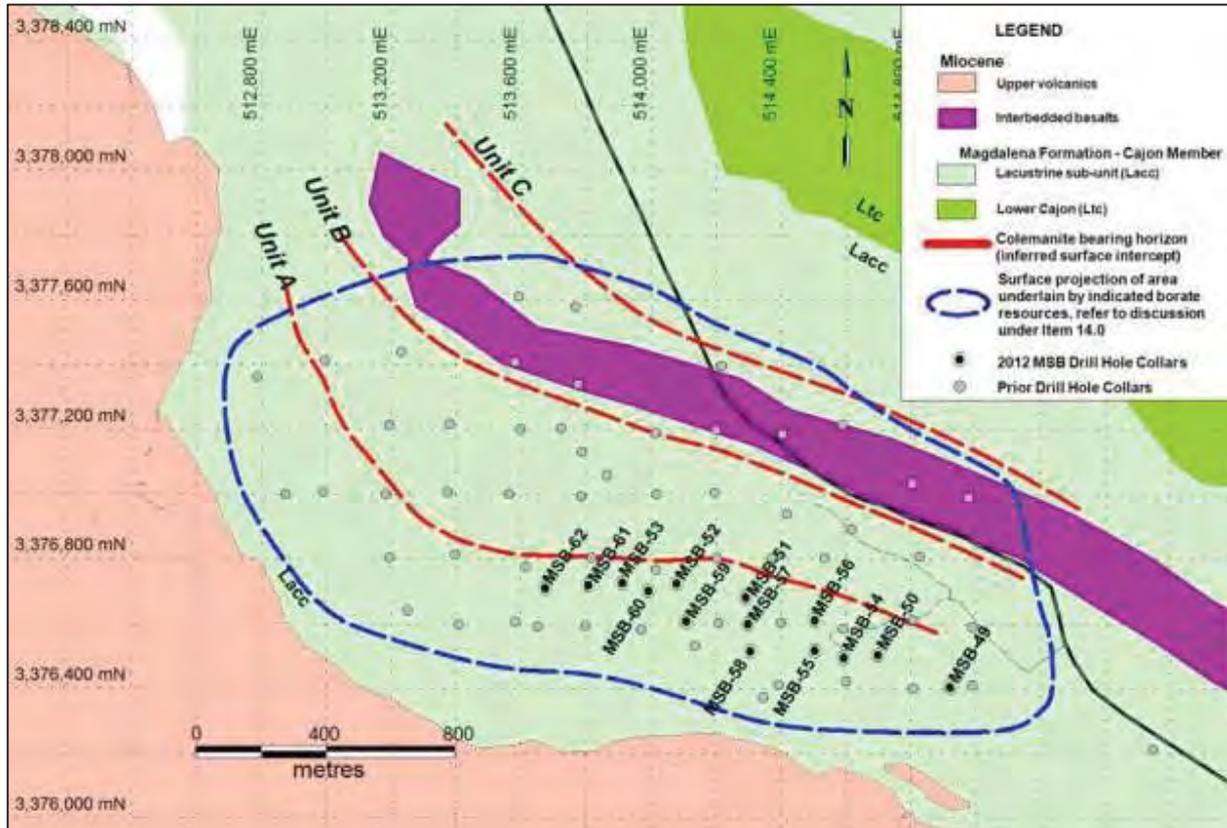


Figure 22. Drill hole location plan, 2012 and earlier holes, El Cajon Deposit.

Beds dip 20° southwest

10.2 Tubutama Basin Project

In 2007, MIT drilled 1,882 metres in eight holes (Figure 23). Mineralized borate zones were intersected in all holes. Intercept analyses ranged from 5.1% to 8.7% B₂O₃ and intercept length ranged from 1.5 to 10.6 metres.

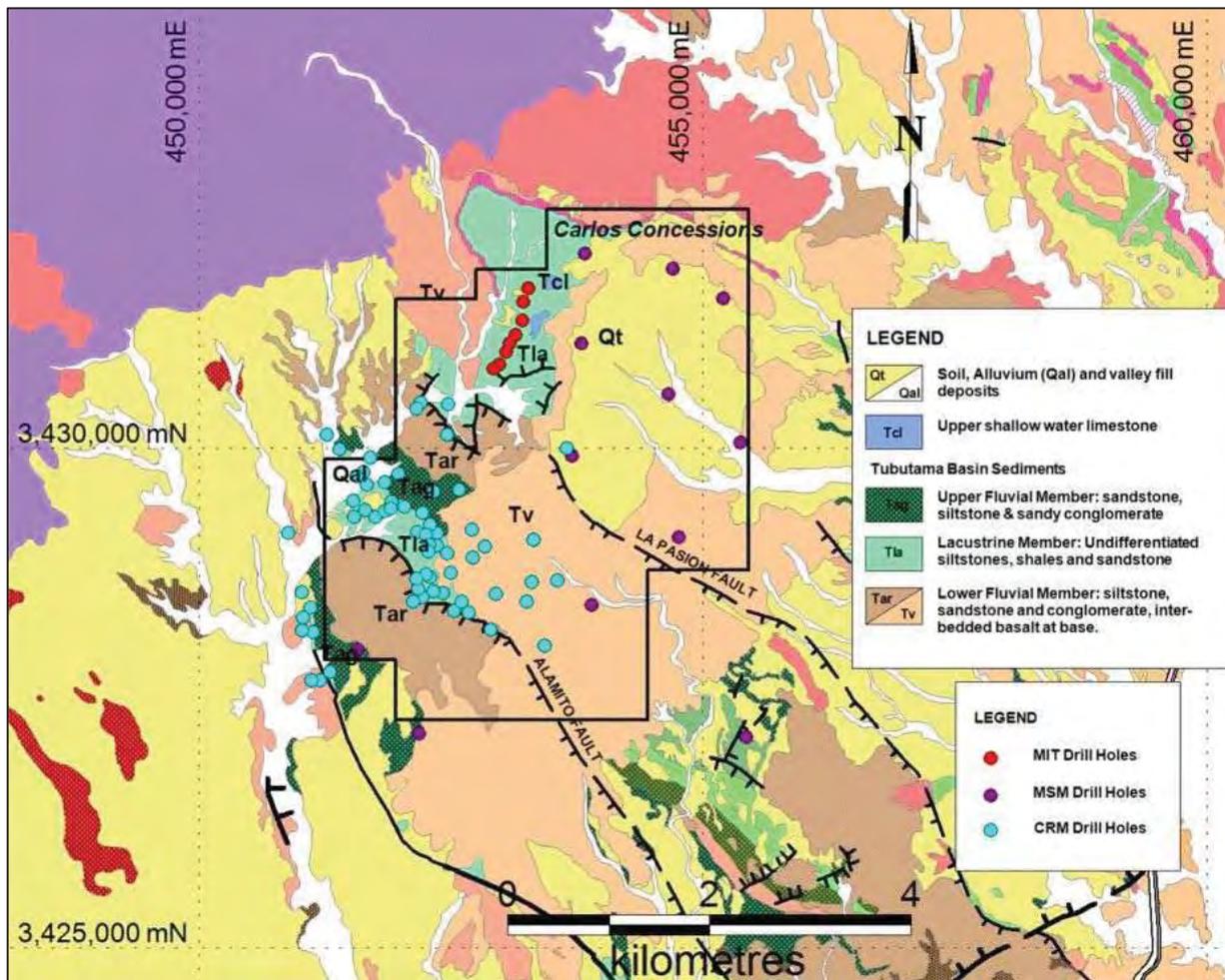


Figure 23. Drill Hole Location Plan Tubutama Basin Project.

10.3 Sonora Lithium Project

To date, seven stages of drilling have been undertaken on the concessions making up the Sonora Lithium Project. Of these three were conducted on the La Ventana Concession, three on the El Sauz and Fleur concessions, and a more recent campaign was initiated on the Buenavista, San Gabriel and Megalit concessions. All of the drilling conducted to date on the concessions was undertaken by Perforaciones Godbe de Mexico S.A. de C.V., a Mexican subsidiary of Godbe Drilling LLC, based in Montrose, Colorado.

Drill core was moved from the drill sites by Bacanora personnel to a secure compound in Bacadehuachi where it was logged, split and sampled. Core was then moved to Bacanora's secured facility in Magdalena de Kino for storage. In addition to logging of geological parameters in drill core, core recovery was measured and recorded. Drill-hole collar locations were located by hand-held GPS instrument.

The objective of the diamond drilling program was to intersect the down-dip extensions of the exposed lithium-bearing clay horizons. Each drill hole in the program succeeded in meeting this objective.

The relationship between sample length and the true thickness of the mineralization is approximately 94% of sample length, being equivalent to true thickness based on the observed average dip of 20° for the clay units.

Drill-core recovery was very close to 100% for the drill program. There are no sampling or recovery factors that could materially impact the accuracy of the results.

10.3.1 Drilling on La Ventana Concession

Bacanora's first drilling campaign at La Ventana concession was conducted from May to September 2010. A total of 458.4 metres, using an NQ-core recovery diamond drilling technique, were drilled in four holes. Drill sites were laid out to optimally test a section of the lithium-bearing clays exposed at the south end of the property with a fence of holes.

During a second campaign in 2011, a total of 1,453.6 metres, using NQ-core recovery diamond drilling techniques, were drilled in eight holes. Drill sites were laid out so as to test the strike length of the clay horizons on the property.

In late 2013 a further 208.8 metres were drilled in five holes (Figure 24).

Lithium-bearing intercepts in the holes drilled into La Ventana range from 150 to 5,809 ppm Li. A cross-section through hole LV-05 and trench TR-4 is illustrated in Figure 25. Lithium analyses averaged over intervals for LV-05 and TR-4 found in Table 20.

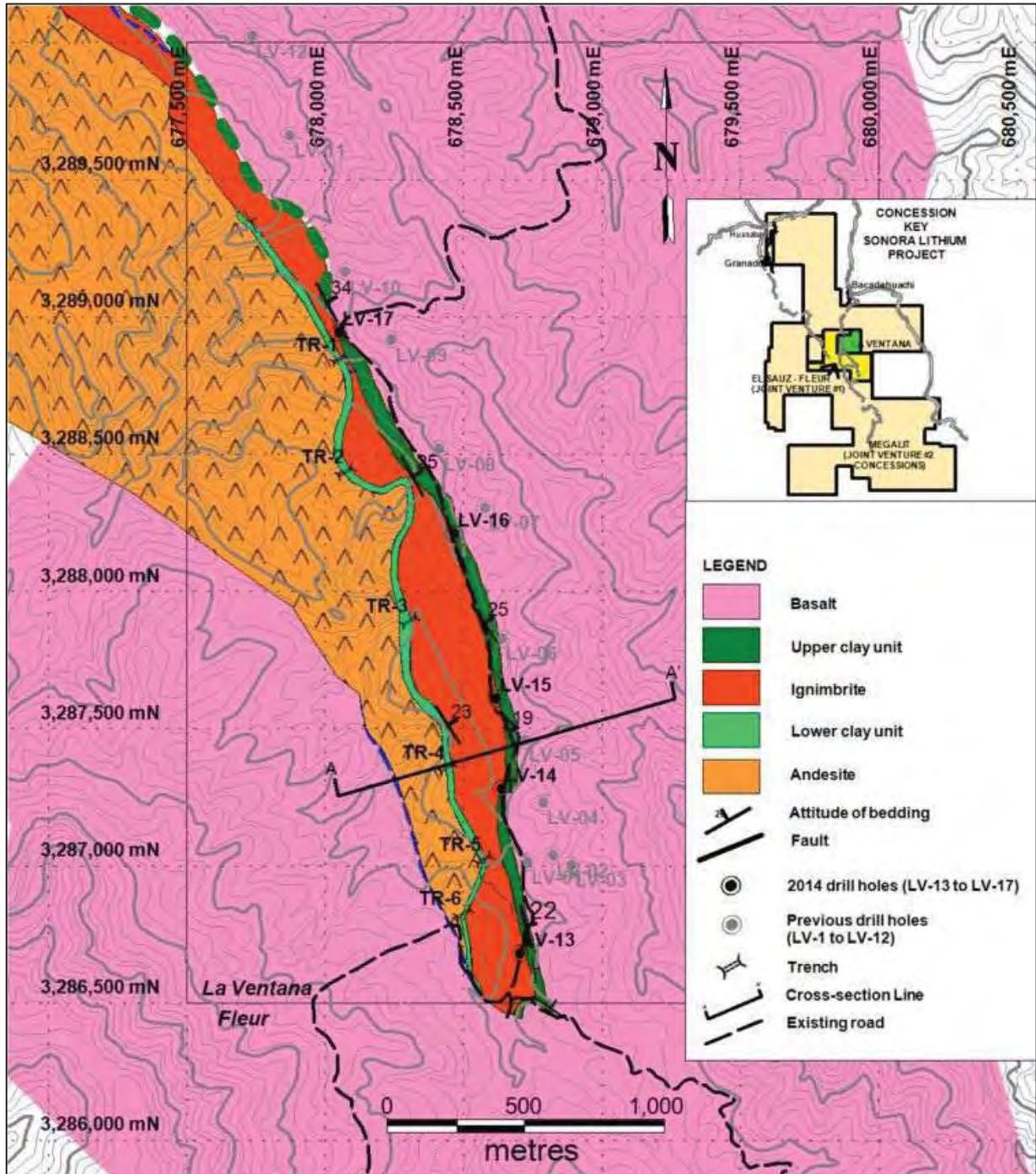


Figure 24. Drill Hole Location Plan La Ventana Concession.

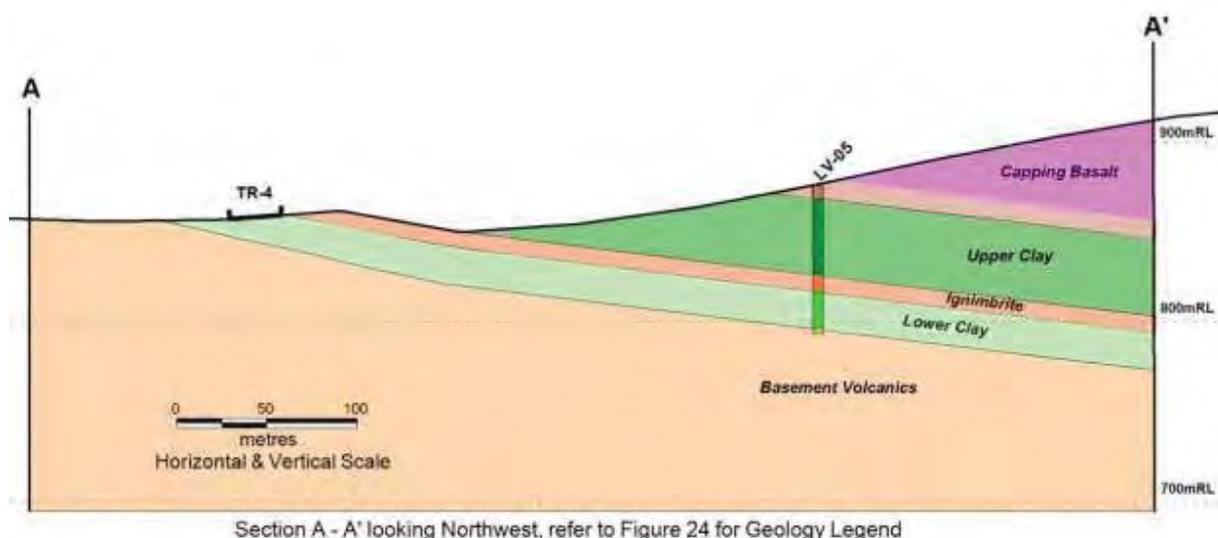


Figure 25. Cross Section through Drill Hole LV-05 and Trench TR-4

Table 20. Lithium-bearing intercepts La Ventana Concession.

Hole No	From (m)	To (m)	Interval (m)	Li ppm	LCE %	Unit
LV-05	20.42	32	11.56	2,517	1.34	Upper Clay
LV-05	36.58	46.63	10.05	3,418	1.82	Upper Clay
LV-05	60.35	80.47	20.08	4,527	2.41	Lower Clay
TR-4	-	-	27.00	4,776	2.54	Lower Clay

10.3.2 Drilling on Fleur and El Sauz Concessions

To date, three stages of drilling have been completed on the Fleur and El Sauz concessions. Drill hole locations are illustrated on Figure 26 and significant lithium analyses are listed in Table 21.

The first, or Stage 1, drilling campaign on the Fleur and El Sauz concessions was conducted from May to September 2013.

A total of 1,470 metres, using an NQ-core recovery diamond drilling technique, were drilled in 10 holes for Stage 1. Drill sites were laid out in such a manner as to test the strike length of the lithium-bearing clays exposed on the concessions. A long section through drill holes (A-A', Figure 27) illustrates the gently dipping, apparent attitude of the clay units to the north, where they plunge under the capping basalt on the Fleur concession. Cross sections B-B' and C-C' (Figures 28 & 29) illustrate the true dip of the clay units to the northeast and a fault that results in an apparent thinning of the upper clay unit in this hole. A third cross-section (D-D', Figure 30) through holes ES-06, ES-08 and ES-09 shows apparent dips of the clay units to the northeast as in the case of ES-06 and to the southwest as in the case of ES-08 and ES-09. The nature of the structure between ES-06 and ES-08 has not been confirmed; it could be the result of faulting and rotation of fault blocks, or a gentle fold.

The Stage 2 drill program (holes ES-11 to ES-30) on the Fleur and El Sauz concessions commenced in October and was completed in February 2014. A total of 2,436 metres of NQ drilling was completed in 20 holes.

The more recently completed Stage 3 drill program on the Fleur and El Sauz concessions consisted of 1,096 metres in 11 drill holes.

An example of an intersection of the Lower Clay unit is illustrated in Figure 31, where sample intervals are marked by red heavy lines and footage blocks are labeled in feet. Lithium values from samples that were subsequently split from the core are found in Table 22. Note the slightly darker grey laminations in the interval 729 to 736 that are silica-rich layers; also the slight blue-green cast to intervals of clay in 736 to 741, which appears to be characteristic of lithium-rich clay (4,390 ppm Li in this case).

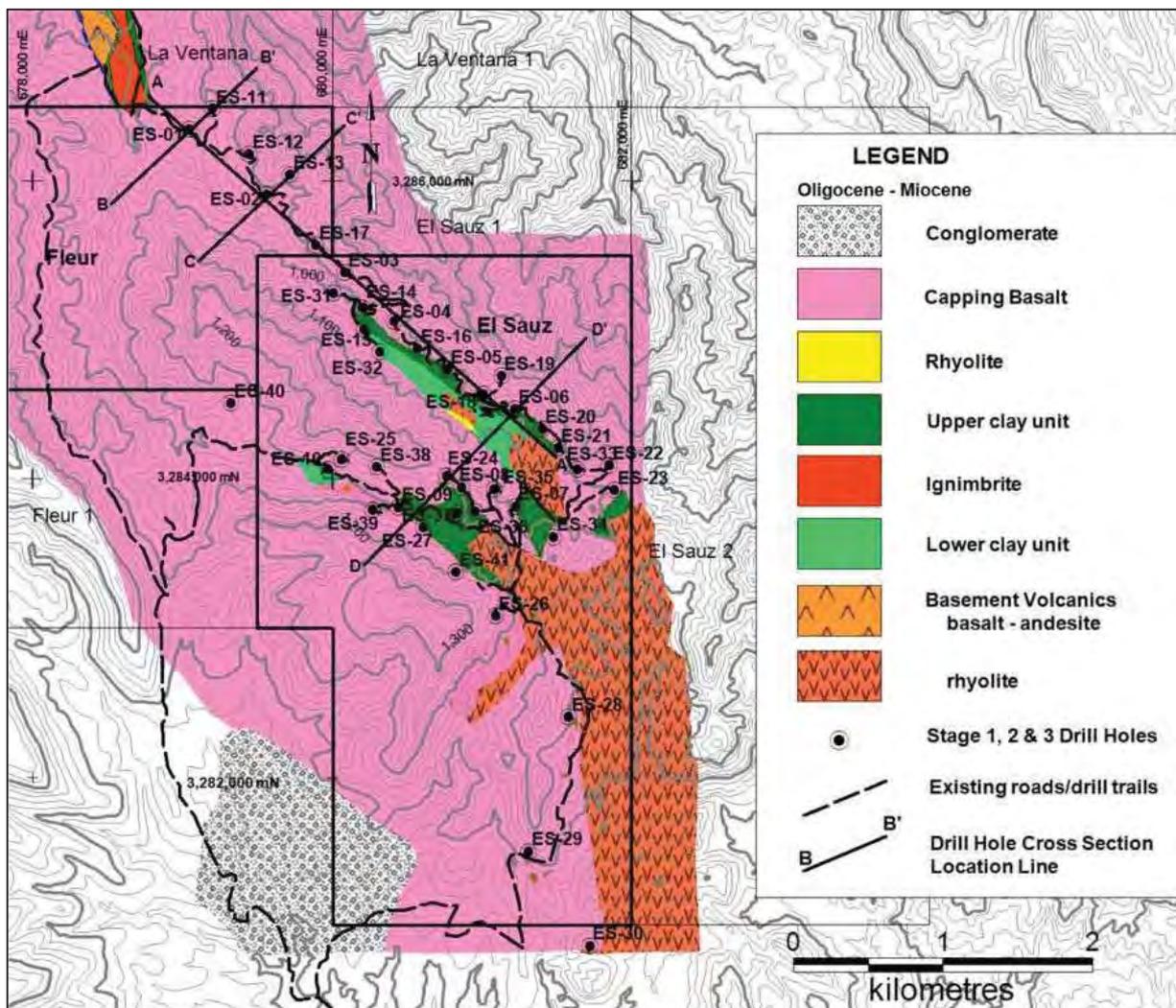


Figure 26. Location Plan of Stage 1, 2 & 3 Drill Holes El Sauz & Fleur Concessions.

Table 21. Significant Lithium Intercepts El Sauz & Fleur Concessions.

Hole No.	From (m)	To (m)	Intercept Length (m)	Li ppm	Unit
ES-01	115.52	143.56	27.97	1,848	Upper Clay
<i>including</i>	124.66	143.56	18.85	2,396	Upper Clay
<i>including</i>	135.33	143.56	8.23	4,019	Upper Clay
ES-01	156.00	179.83	23.83	4,422	Lower Clay
ES-02	190.50	197.21	6.69	1,822	Upper Clay
<i>including</i>	193.55	197.21	3.66	3,116	Upper Clay
ES-02	203.50	235.31	31.73	3,821	Lower Clay
ES-03	160.02	199.85	39.83	1,669	Upper Clay
<i>including</i>	176.78	199.85	23.07	2,211	Upper Clay
<i>including</i>	186.39	199.85	13.46	3,073	Upper Clay
ES-03	210.31	239.65	29.34	3,877	Lower Clay
ES-04	96.39	132.74	36.35	1,207	Upper Clay
<i>including</i>	120.70	131.37	10.67	2,547	Upper Clay
ES-04	140.39	171.75	31.37	3,594	Lower Clay
ES-05	26.21	32.31	6.10	1,125	Upper Clay
ES-05	38.40	54.56	16.16	1,195	Upper Clay
<i>including</i>	47.55	54.56	7.01	2,107	Upper Clay
ES-05	59.82	95.10	35.28	2,853	Lower Clay
<i>including</i>	65.84	92.05	26.21	3,399	Lower Clay
ES-06	20.12	27.74	7.62	1,059	Upper Clay
ES-06	33.48	78.94	45.46	1,472	Lower Clay
<i>including</i>	39.62	45.72	6.1	2,140	Lower Clay
<i>including</i>	53.95	75.90	21.95	2,032	Lower Clay
ES-08	32.92	43.59	10.67	1,007	Upper Clay
ES-08	50.90	75.59	24.69	1,594	Lower Clay
<i>including</i>	50.90	58.52	7.62	2,242	Lower Clay
<i>including</i>	64.62	69.19	4.57	2,029	Lower Clay
ES-09	24.08	27.13	3.05	1,115	Upper Clay
ES-09	38.10	41.15	3.05	1,144	Upper Clay
ES-09	55.78	75.59	19.81	1,648	Lower Clay
<i>including</i>	55.78	64.62	9.1	2,000	Lower Clay

Table 21 continued. Significant Lithium Intercepts El Sauz & Fleur Concessions.

Hole No.	From (m)	To (m)	Intercept Length (m)	Li ppm	Unit
ES-11	183.74	218.69	34.95	1,923	Upper Clay
<i>including</i>	186.84	218.69	31.85	2,080	Upper Clay
<i>including</i>	207.47	218.69	11.22	3,377	Upper Clay
ES-11	231.34	257.25	25.91	5,208	Lower Clay
ES-12	188.06	221.74	33.68	1,966	Upper Clay
<i>including</i>	191.11	221.74	30.63	2,138	Upper Clay
<i>including</i>	211.76	221.74	9.98	4,325	Upper Clay
ES-12	233.63	240.49	6.86	4,050	Lower Clay
ES-13	278.74	315.32	36.58	2,011	Upper Clay
<i>including</i>	305.10	315.32	10.22	4,533	Upper Clay
ES-13	322.48	349.61	27.13	4,078	Lower Clay
ES-14	13.72	59.74	46.02	1,342	Upper Clay
<i>including</i>	41.15	56.69	15.54	2,548	Upper Clay
<i>including</i>	45.72	55.17	9.45	3,052	Upper Clay
ES-14	65.53	95.40	29.87	4,715	Lower Clay
ES-16	38.71	44.81	6.10	1,278	Upper Clay
ES-16	52.65	62.18	9.53	1,199	Upper Clay
<i>including</i>	60.05	62.18	2.13	2,106	Upper Clay
ES-16	69.34	98.45	29.11	3,176	Lower Clay
ES-17	141.63	181.36	39.73	1,683	Upper Clay
<i>including</i>	150.88	179.53	28.65	2,005	Upper Clay
<i>including</i>	166.88	179.53	12.65	3,585	Upper Clay
ES-17	190.04	222.50	32.46	4,596	Lower Clay
ES-18	13.41	38.71	25.30	1,063	Upper Clay
<i>including</i>	31.70	38.71	7.01	2,175	Upper Clay
ES-18	43.03	74.68	31.65	1,664	Lower Clay
<i>including</i>	57.61	73.15	15.54	2,052	Lower Clay
<i>including</i>	65.23	69.80	4.57	3,040	Lower Clay

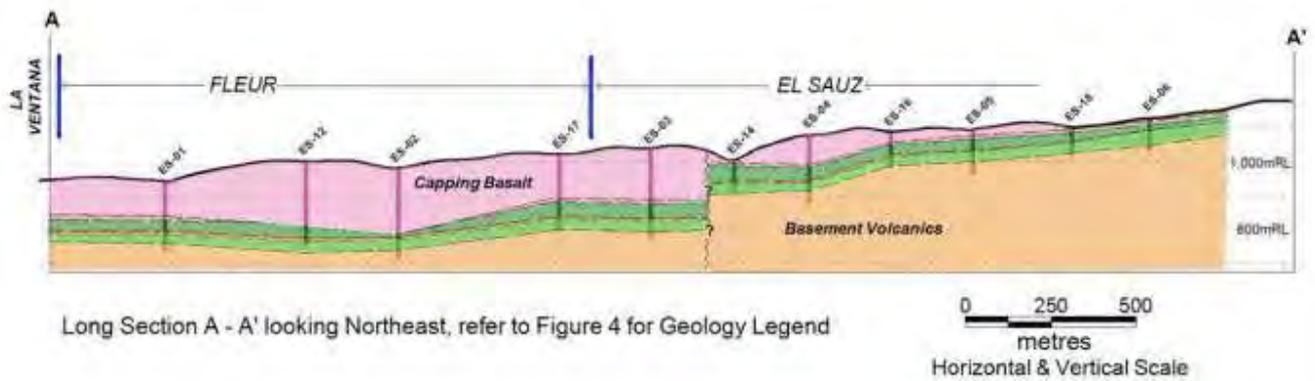


Figure 27. Long Section through Drill holes ES-01 to ES-06.

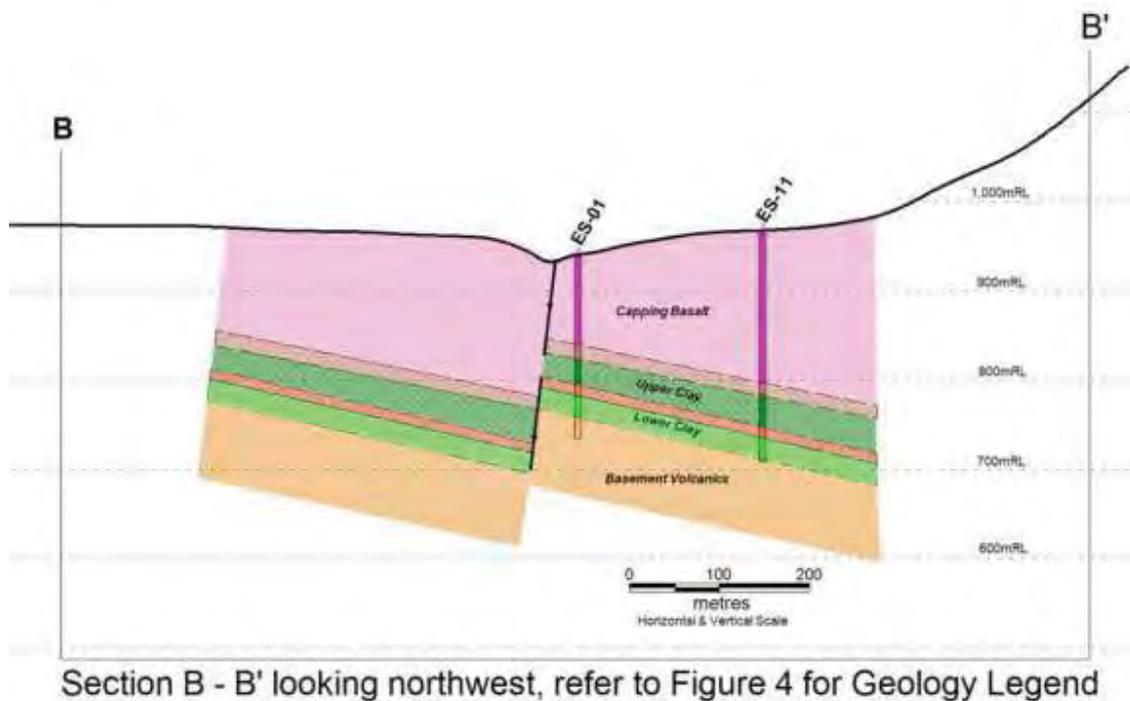
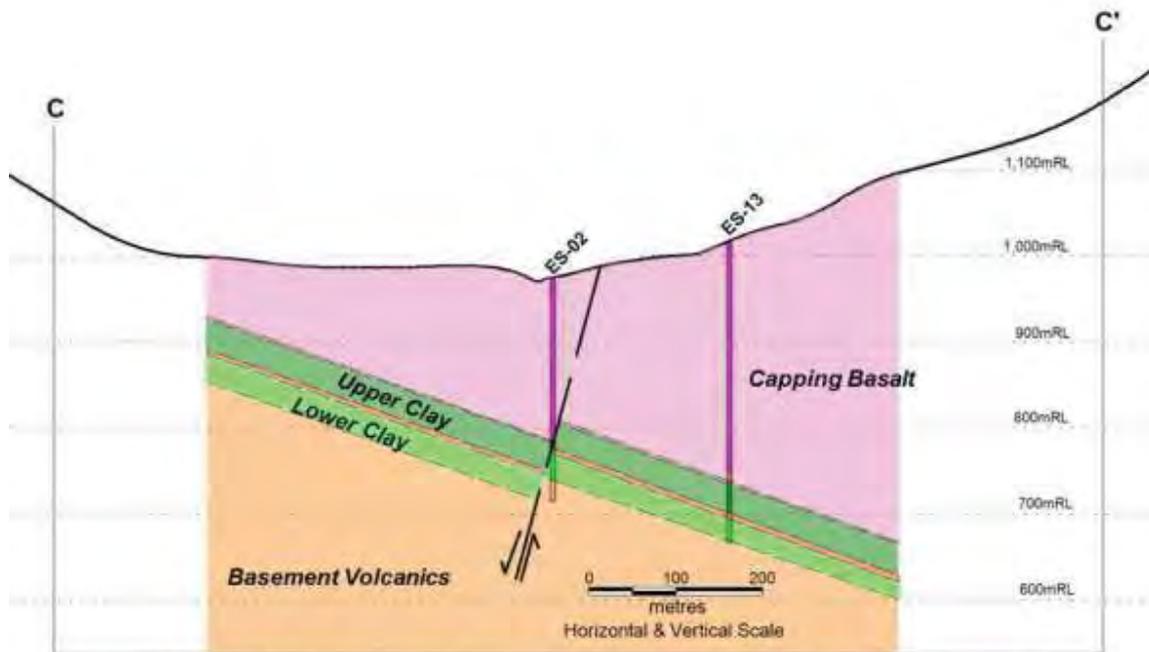
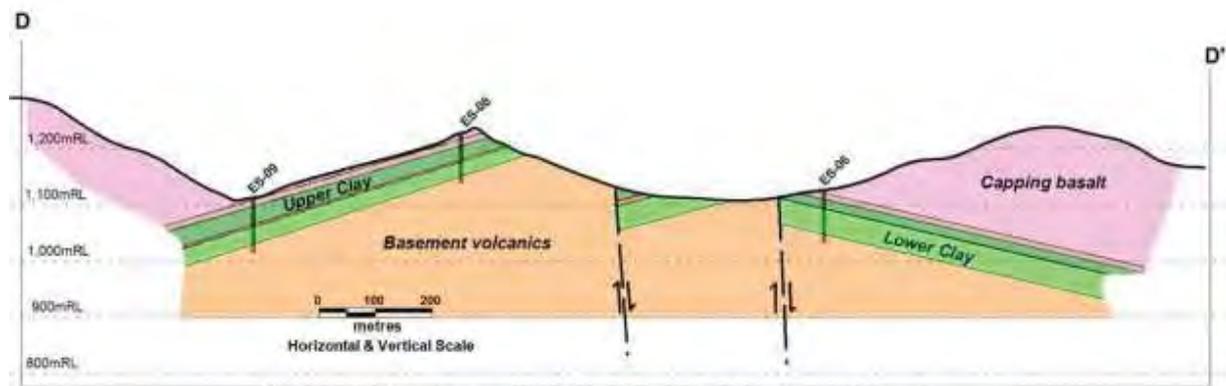


Figure 28. Cross Section through Drill Holes ES-01 & ES-11.



Section C - C' looking northwest, refer to Figure 4 for Geology Legend

Figure 29. Cross Section through Drill Holes ES-02 & ES-13.



Section D - D' looking northwest, refer to Figure 4 for Geology Legend

Figure 30. Cross Section through Drill Holes ES-06, ES-08 & ES-09.



Figure 31. Hole ES-02 Lower Clay unit intercept from 722 to 752 feet.

Table 22. Li values, Hole ES-02, 724 to 746 feet.

Sample No	From (ft)	To (ft)	Li ppm	K%	Rb ppm	Cs ppm	Mg%	Sr ppm
BM-60316	724	729	2580	0.74	152	370	3.64	842
BM-60317	729	736	2800	0.80	158	310	4.30	895
BM-60318	736	741	4390	2.16	362	747	3.48	724
BM-60319	741	746	2960	1.33	213	472	2.48	939

11.0 Sample Preparation, Analyses and Security

11.1 Magdalena Basin Project

A total of 1,569 samples were obtained by splitting the core in half with a manual core splitter for drill core from the 2010 and 2011 programs. One half was sent for assays and the remaining half was retained for future reference and analysis. The samples have a standard length of 1.52 metres (5 feet), except on the geologic contacts where the length is adjusted to the contact. For the El Cajon drilling campaign, an average length of 1.52 metre per sample was obtained from a total of 2,386 metres of core.

The samples were bagged and labeled with a sequential unique sample identification number. Mr. Martin Vidal, Vice-President of Exploration at that time for Bacanora Minerals Ltd., supervised the core sampling.

Split drill core samples from the 2010 program were shipped to an SGS Laboratories sample preparation facility in Durango, Mexico for preparation. Prepared sample pulps were then shipped to SGS Minerals Research Limited in Lakefield, Canada, for assay and analysis. SGS Lakefield research is an ISO 14001-2004 certified laboratory in Canada and its preparation facility in Mexico also has received ISO 17025 certification.

Sample preparation was conducted according to the regular SGS commonly used rock, drill core and chip sample procedures. This consists of crushing the sample to minus 5.0 millimetre sized material, splitting off 250 grams of that and pulverizing the split to better than 85% passing through a 75 micron aperture screen.

All samples were analysed by full ICP-OES method in a suite of 32 elements (Ag, Al, As, B, Ba, Be, Bi, Ca, Cd, Co, Cr, Cu, Fe, K, Li, Mg, Mn, Mo, Na, Ni, P, Pb, Sb, Se, Sn, Sr, Tl, Ti, U, V, Y, Zn; present in ppm). In addition, a borate assay was determined by colourimetric titration methods on an aqua regia digested sample solution. The value determined from titration was converted into percent borate using the formula: $B_2O_3 = (B \times 3.22)$.

For the 2011 program drill core samples were shipped to ALS Chemex in Vancouver for analysis by ICP-OES method. Pulps from samples with boron values greater than 10,000 ppm were sent to SGS for boron assay by titration. ALS Chemex is a part of the ALS Group which is a wholly owned subsidiary of Campbell Brothers Limited, a publicly listed Australian Company. The ALS Group has ISO 9001:2008 registration and ISO 17025 accredited methods in North America.

In addition, assaying for boron by titration methods by Laboratorio Técnico Metalurgico S.A. de C.V. ("LTM") of Hermosillo, Mexico was conducted on some of the 2011 and 2012 samples as a part of the quality control and quality assurance for samples being used in metallurgical test work. LTM does not have ISO registration or ISO accreditations. LTM was founded and is operated under the guidance of Hector Diaz, PhD, who previously taught metallurgy at the University of Sonora. The CPs' are of the opinion that the work of LTM is reliable for the purposes of this report.

The chart below (Figure 32) illustrates the general work flow for the handling, treatment and analysis for which the Bacanora core samples were tested.

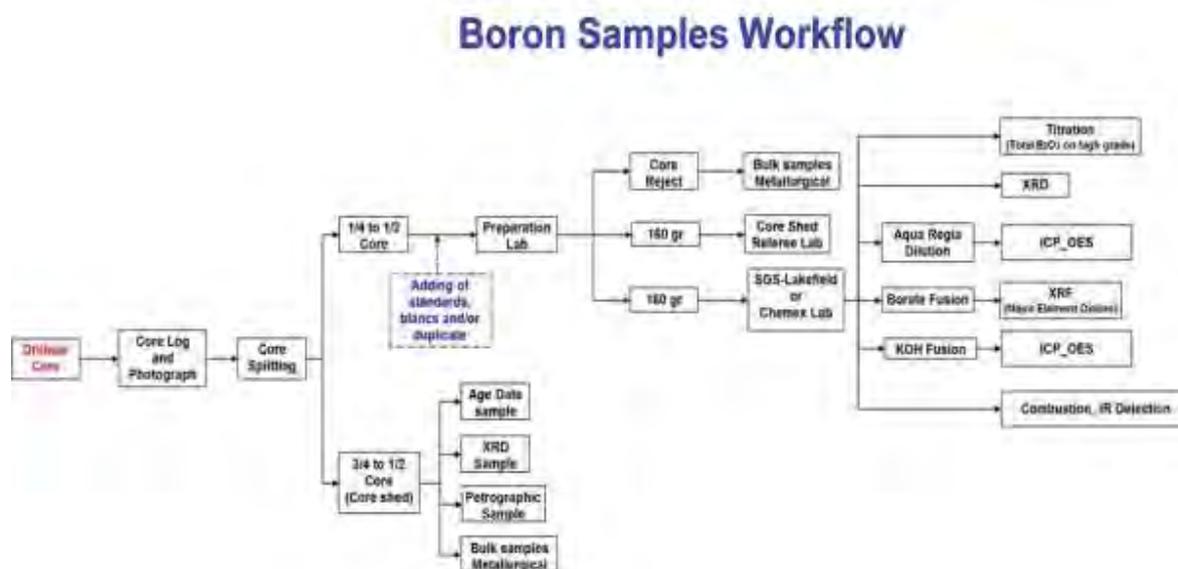


Figure 32. Flow chart of core sample handling.

As part of an internal Quality Assurance/Quality Control protocol, two in-house standards were prepared and inserted on average every 20th sample. In addition, 58 duplicate analyses were performed by the laboratory as their own internal quality control.

The in-house standards consisted of a boron deficient sample (Standard TT) and a high boron sample (Standard MYTT). Standard TT was collected from a boron deficient, tuffaceous clay horizon that has been used as a marker bed in the borate-bearing Tubutama Basin in Sonora, Mexico. Standard MYTT is composed of a mixture of boron bearing clay from the Magdalena Basin (Yeso mine) and non-boron bearing tuff (marker bed) from the Tubutama Basin, Sonora, Mexico. Basic statistics for analyses of the standards are found in Table 23, graphs of repeat analyses of the standards are illustrated in Figures 33 and 34.

The in-house standards were prepared at LTM facilities in Hermosillo. Approximately 50 kilograms of each sample was bulk milled to less than 100 microns and homogenized in a single batch in a drum mixer for 24 hours. Approximately 100 gram sub-samples were then split from the standard and sealed in plastic bags ready for insertion into sample batches.

Analytical ranges were determined from three laboratories (SGS-Lakefield, ALS-Chemex and LTM) with additional analytical data collected in other projects where the same standards were used to refine the precision of the standards. For this work minimum and maximum accepted values from the mean are plus or minus one standard deviation from the mean.

Table 23. Analyses of Bacanora Boron standards.

Standard	Values	B ppm	As ppm	Ca ppm	Li ppm	Mg %	Sr ppm
TT (low B)	Mean	23	19	3.0	235	0.9	10,585
	Maximum	79	22	3.3	260	1.0	11,000
	Minimum	4	16	2.7	220	0.9	9,400
	StdDev	17.9	2.4	0.131	10.29	0.04	548.2
MYTT (high B)	Mean	8,663	189	12.42	172.7	0.63	3,790
	Maximum	10,000	215	13.6	217	0.68	4,480
	Minimum	7,520	161	11.0	130	0.55	3,320
	StdDev	430.54	9.4	0.485	18.19	0.025	248.9

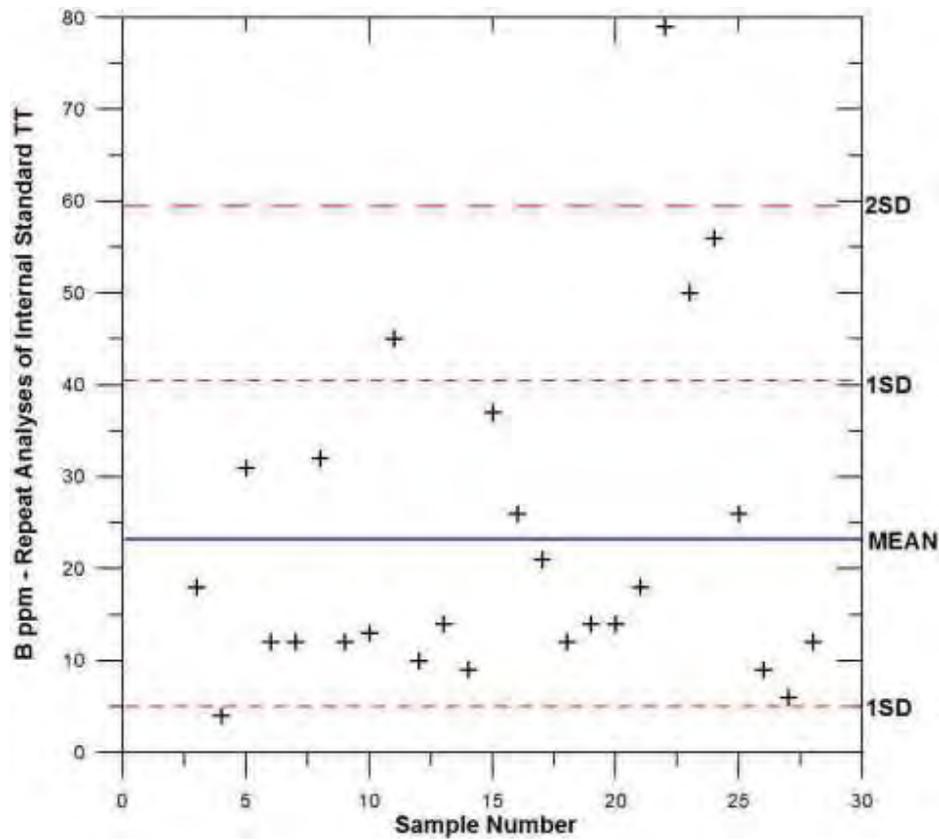


Figure 33. Repeat Boron Analyses of Internal Standard TT.

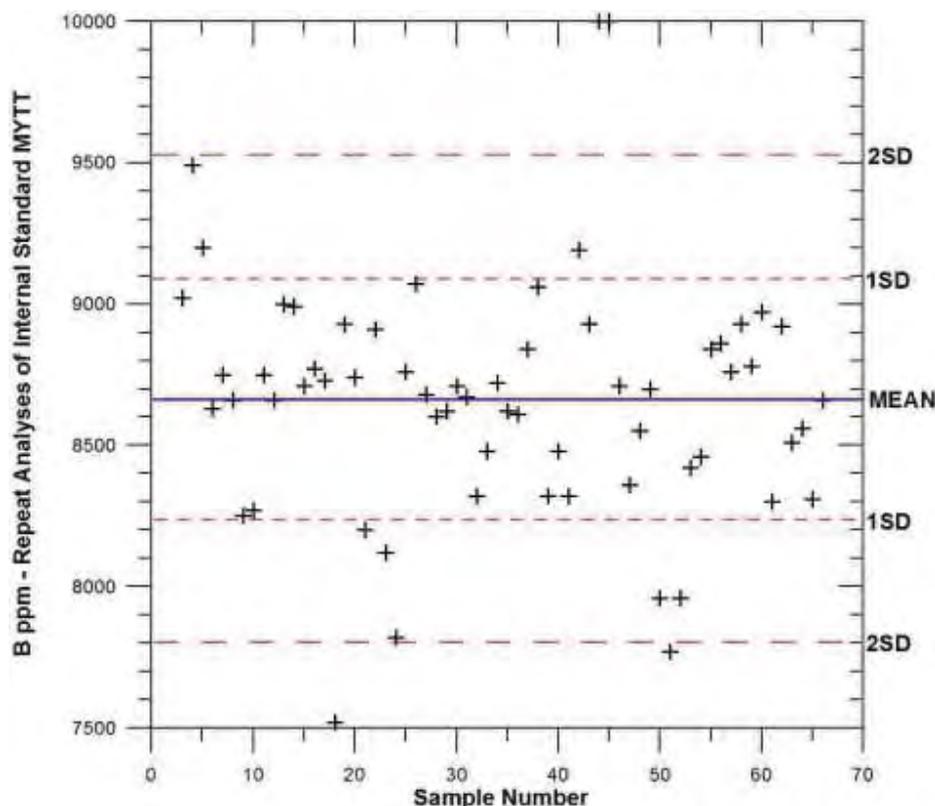


Figure 34. Repeat Boron Analyses of Internal Standard MYTT.

From the QA/QC analysis it was determined that most elements correlate well with the standards. Only randomly picked samples seem to be out of range without any marked tendency.

In the first holes, a case of possible systematic error in boron analyses occurred with three consecutive samples. The problem was fixed with the re-assaying of several samples. This might be an effect of the known high solubility of boron, especially at low concentration levels. Strontium is over-estimated for Standard TT, since most samples are above the value set for the standard. However, this also might be due the fact that there is a maximum detection limit of 11,000 ppm for Sr.

In the CPs' opinion sample preparation, security and analytical procedures were adequate for this stage of exploration and comply with industry best practices.

11.2 Sonora Lithium Project

A total of 1,938 samples were obtained from drill core from all stages of drilling on the Sonora Lithium Project. The samples were collected by splitting the core in half with a manual core splitter. One half was sent for assay and the remaining half was retained for future reference and analysis. The samples have a standard length of 1.52 metres (5 feet), except on the geologic contacts where the length is adjusted to the contact. The average length of core sample was 1.51 metres per sample and was obtained from a total of 2,894 metres of core.

The samples were bagged and labeled with a sequential, unique sample identification number. Mr. Martin Vidal supervised drilling of the first 12 holes on La Ventana; Daniel Calles, geologist under contract to Bacanora, supervised the core sampling during the later campaigns.

Factors that could materially impact the reliability and accuracy of results are: core recovery, sample size, and nature of the mineralization. Core recovery for the sampled intervals was estimated to be 100%, based on core measurements. Therefore core recovery is not believed to be a significant factor affecting the reliability of the results. Sample size (split NQ drill-core) is a factor if the mineralization is subject to nugget effects. The lithium-bearing clays are believed to be uniformly distributed throughout the sampled intervals and laterally from hole-to-hole. Consequently, sample size is not considered a factor that would affect the reliability of the results.

The relatively undeformed and layered nature of the sedimentary rock succession that hosts the lithium mineralization, and the distinct clay-rich units that vary between 4 and 80 metres within the sediments, were the determining factors in establishing sample intervals.

Split drill-core samples were shipped to an ALS Chemex Laboratories sample preparation facility in Hermosillo, Mexico, for preparation. Prepared sample pulps were then shipped to ALS Chemex Laboratory in North Vancouver, Canada, for assay and analysis. ALS Chemex is an ISO 14001-2004 certified laboratory in Canada and its preparation facility in Mexico has received ISO 17025 certification.

Sample preparation was conducted according to the regular ALS Chemex commonly used rock, drill-core and chip-sampling procedures (PREP-31). This consisted of crushing the sample to minus 5.0 millimetre sized material, splitting off 250 grams of that and pulverizing the split sample so that better than 85% passed through a 75 micron aperture screen.

All core samples were analysed by inductively coupled plasma – mass spectrographic (ICP-MS: ME-MS41) method to provide data for a suite of 51 elements (Ag, Al, As, Au, B, Ba, Be, Bi, Ca, Cd, Ce, Co, Cr, Cs, Cu, Fe, Ga, Ge, Hf, Hg, In, K, La, Li, Mg, Mn, Mo, Na, Nb, Ni, P, Pb, Rb, Re, S, Sb, Sc, Se, Sn, Sr, Ta, Te, Th, Ti, Tl, U, V, W, Y, Zn, Zr).

As part of an internal Quality Assurance/Quality Control protocol, two in-house prepared standards was inserted on average every 20th sample for samples from all of the holes. These standards, TT and MYTT, were the same as those used in the sampling of the Magdalena Basin Project. Internal standard TT was used during the first 10 drill holes and MYTT for holes ES-11 to ES-30.

Results of repeat analyses of samples of the internal standard inserted into the sample runs are in general within one standard deviation of the median for all the results (Figure 35 and 36). A total of five samples are outside the 1.0 standard deviation from the mean, but are within 3.0 standard deviations.

In addition, duplicate analyses were performed by the laboratory as their own internal quality control.

From the QA/QC analysis it was determined that there were no issues with the analytical and assay data. It is therefore considered to be reliable.

The use of additional standards for low grade (1,000 to 2,000 ppm Li) and high grade (8,000 to 10,000 ppm Li) mineralization is strongly recommended for further drilling campaigns, and sample repeats in other laboratories must be included in order to maintain quality control.

In the CPs' opinion, sample preparation, security and analytical procedures were adequate for this stage of exploration and comply with industry best practices.

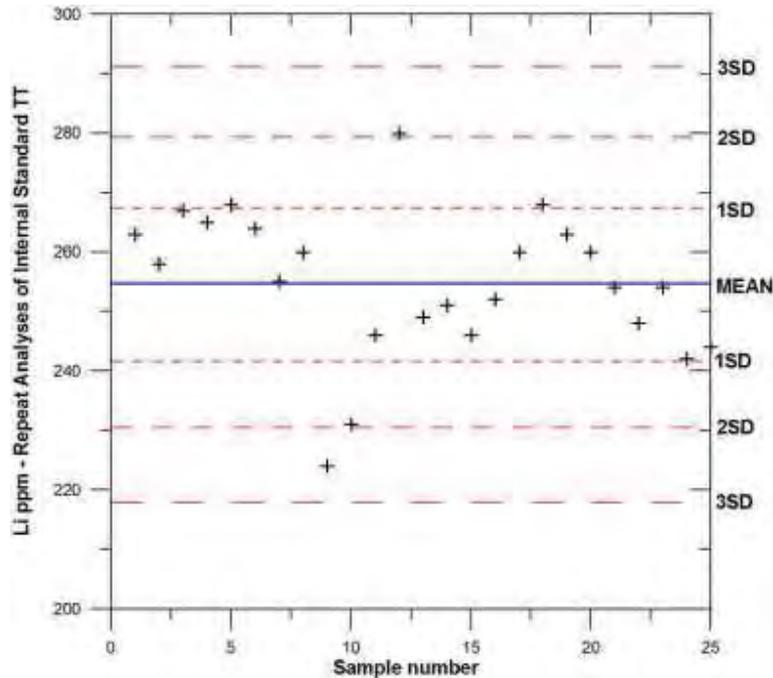


Figure 35. Repeat Lithium Analyses of Internal Standard TT.

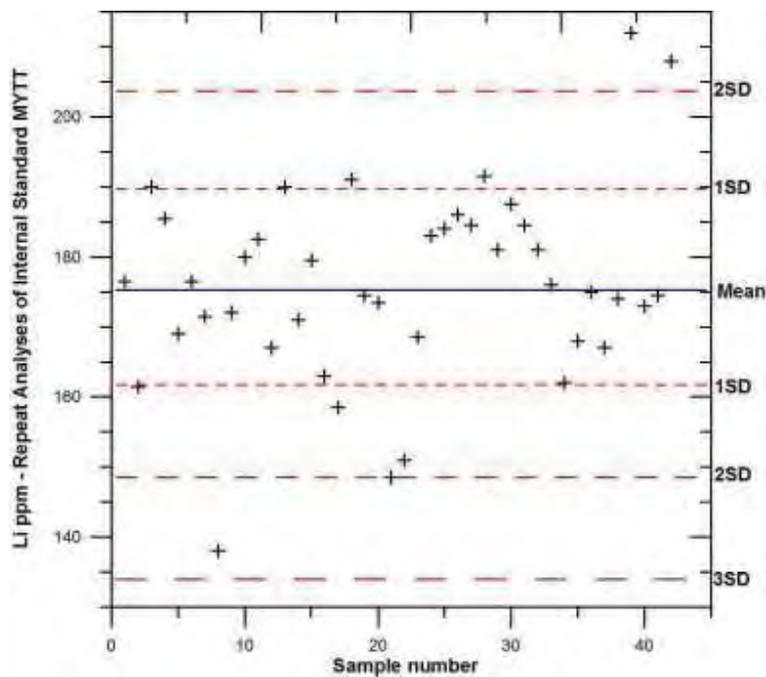


Figure 36. Repeat Lithium Analyses of Internal Standard MYTT.

12.0 Data Verification

12.1 Magdalena Basin Project

As part of the data verification process Competent Person, Carl Verley, P.Geo. has:

1. examined drill sites on the El Cajon project site, and found the sample of holes examined to be as represented in terms of location;
2. examined drill core from the project, including intersection of colemanite-bearing sediments and found this to be as represented in drill log descriptions;
3. examined the drill in operation drilling the El Cajon deposit, and found this to be operated in a safe and effective manner with excellent core recovery;
4. examined the drill core storage facilities and core stored therein at Magdalena de Kino and found these to be secure and well maintained;
5. examined assay certificates from SGS and ALS Chemex in order to ascertain the veracity of drill assay and analytical data and found these to be in order;
6. examined drill logs and drill sections and found these to be in order and to fairly and accurately represent the material drilled and logged, and
7. written and co-authored four SEDAR filed NI 43-101 technical reports for Bacanora Minerals (Verley et al., 2011; Verley et al., 2012; Verley and Vidal, 2013; Verley, 2013).

Dr. Colin I. Godwin, Ph.D., P.Eng., P.Geo., accompanied by Mr. Verley, and a geologist and mining engineer from Bacanora: (i) visited the Bacanora Pilot Plant in Hermosillo on April 23, 2014, where he was shown the processes and procedures used to treat borate mineralization, (ii) reviewed the Magdalena Basin Project in the field on April 24, 2014, where he visited the El Cajon concession and the open pit there that was excavated for bulk samples of borate mineralization, and (iii) examined core storage facilities and field offices of Bacanora, located in the town of Magdalena de Kino on April 23, 2014.

The Competent Persons are satisfied that data used and generated by Bacanora during the course of its work on the project described herein are adequate for the purposes used in this report.

12.2 Tubutama Basin Project

The CPs' have neither made a site visit to the Carlos concessions nor have they examined in detail the data from exploration programs conducted on those concessions. Primarily, because the Tubutama Basin Project is not a priority project for Bacanora.

12.3 Sonora Lithium Project

The CPs reviewed on April 25 and 26, 2014, the rock and drill-core sample data collected by Bacanora, checked the digital assay and analytical certificates of ALS Chemex, and checked, in the field, locations of the lithium-bearing clay sequences on the La Ventana, Fleur and El Sauz concessions. As well, drill-hole locations and the location of Principal Points (i.e. location monuments) of the concessions were checked and found to be in order. In addition, an examination of Bacanora's pilot plant in Hermosillo was undertaken and an explanation of the procedures and processes used to recover lithium from the clays and convert it into lithium carbonate was provided by Bacanora personnel.

During the course of Mr. Verley's on-site examination in 2012 several exposures of the clay units were sampled (Figure 37 and 38). Clay samples were found to range from 28 ppm to 7,236 ppm Li (0.41% to 3.85% LCE), and a 4.5 metre interval averaged 5,537 ppm Li (2.95% LCE, Table 24).

In 2013, Mr. Verley collected a further four rock samples from surface exposures of clay-bearing units at various locations on the concessions (Figure 37). The results yielded values ranging from 955 to 1,257 ppm Li for the samples, confirming the presence of lithium-rich clays on the concessions.

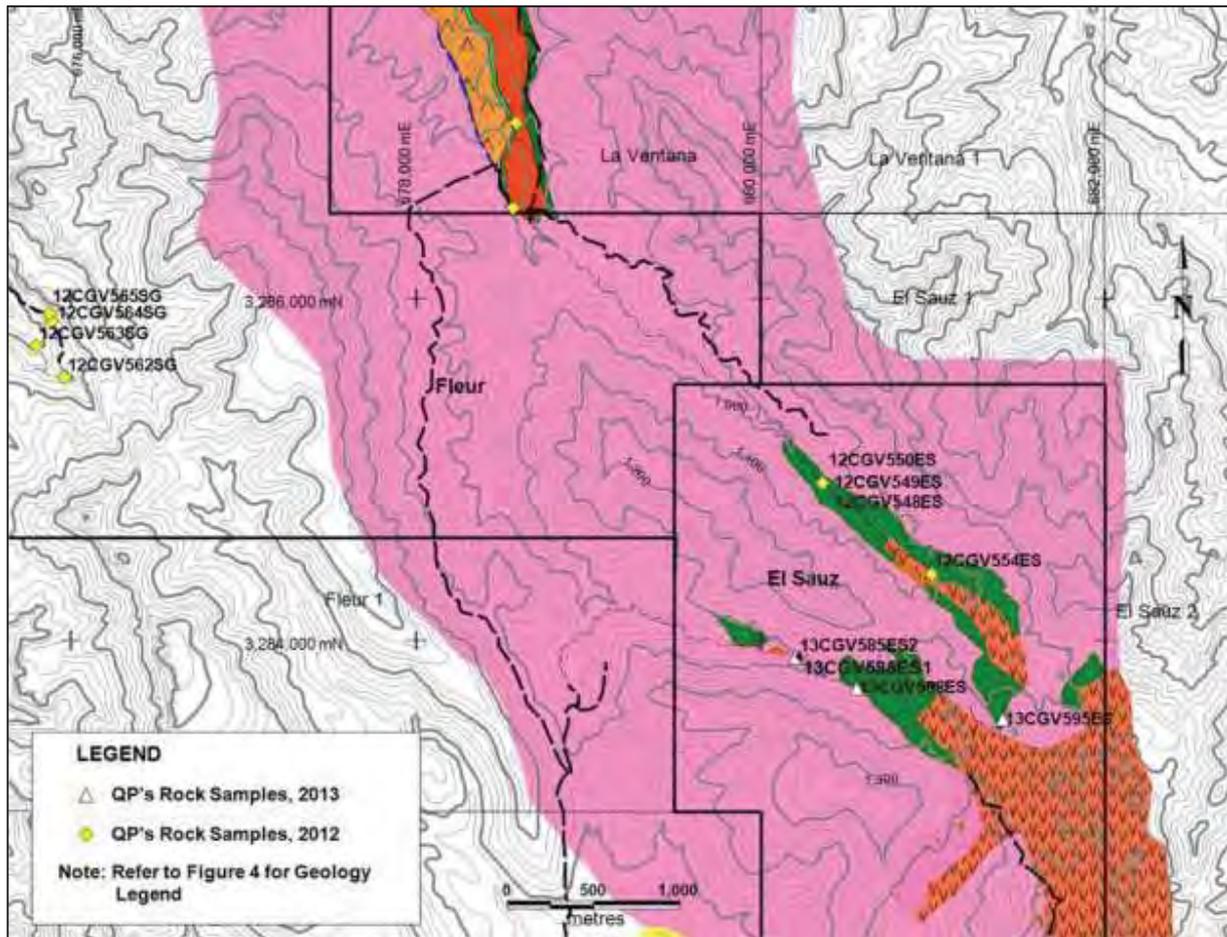


Figure 37. Location Map of CP's 2012 and 2013 Rock Samples.



Figure 38. El Sauz concession Li-bearing clay unit.

All sampled intervals shown in Figure 38 are 1.50 metres long

Table 24. CP's Samples from the Sonora Lithium Project.

Concession	Sample No	Length	Li	LCE	K	Rb	Sr
		m	ppm	%	%	ppm	ppm
2012 Samples							
El Sauz	12CGV548ES	1.50	7,236	3.85	1.50	307.2	439
El Sauz	12CGV549ES	1.50	4,372	2.33	1.92	379.9	499
El Sauz	12CGV550ES	1.50	5,003	2.66	1.76	303.5	498
El Sauz	12CGV554ES	1.50	766	0.41	1.34	199.9	145
Fleur	12CGV562SG	1.00	86	0.05	0.55	34.8	1,685
Fleur	12CGV563SG	1.00	28	0.01	2.36	92.8	2,539
Fleur	12CGV564SG	1.50	269	0.14	0.65	44.9	1,178
Fleur	12CGV565SG	1.50	58	0.03	2.21	133.5	25

Table 24 continued. CP's samples from the Sonora Lithium Project.

Concession	Sample No	Length	Li	LCE	Li ₂ O	K	Rb	Sr
		m	ppm	%		%	ppm	ppm
2013 Samples								
El Sauz	13CGV585ES1	1.10	1,254	0.67	0.27	1.10	76.7	2,067
El Sauz	13CGV585ES2	1.40	1,257	0.67	0.27	1.36	224.7	1,284
El Sauz	13CGV588ES	1.00	955	0.51	0.21	2.15	327.8	422
El Sauz	13CGV595ES	1.00	1,119	0.60	0.24	0.31	23.3	1,909

In addition, Mr. Verley collected duplicate samples of drill core split from previous split core. A total of 64 samples were collected from Upper and Lower Clay units and from intervals in each hole, as well as from intervals with varying lithium contents, based on original analytical data.

The sample duplicates were shipped to Acme Analytical Laboratories certified preparation facility in Caborca, Sonora. From there the prepared sample pulps were shipped to Acme's certified laboratory in Vancouver, Canada for analysis by ICP-MS methods using Acme's 7TX procedure.

Figure 39 shows that there is close correlation and satisfactory agreement between analyses of the duplicates by an independent third party (Acme Analytical Laboratories Inc. – now a member of the Bureau Veritas Group) when compared to the original sample values determined by ALS Chemex. However, the ALS analytical method has an upper limit of 10,000 ppm Li which does not allow for an accurate determination of lithium in samples containing greater than 10,000 ppm Li. Future work by Bacanora must include analytical procedures that are capable of accurately reporting lithium values in samples with greater than 10,000 ppm Li.

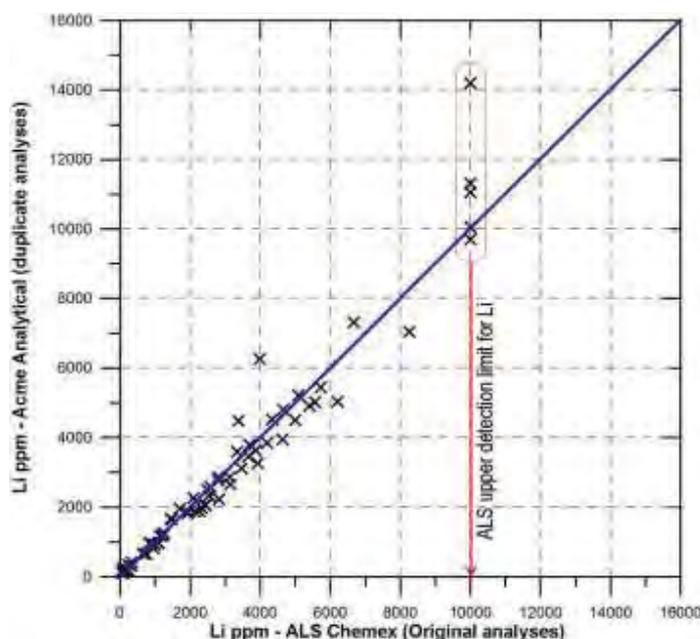


Figure 39. Duplicate core samples lithium values.

For the other alkali metals there is reasonable agreement between the duplicate analyses for Mg and Sr, but for K and Rb there is not good agreement. Duplicate analyses for drill core samples by Acme using a four acid digestion do not yield K values above 1.5% or Rb values above 300 ppm. The discrepancy in analyses for these two elements is most likely due to the digestion method. Acme's four acid digestion is thought to result in the formation of insoluble salts of K and Rb that reduce the amount of K and Rb in the solution available for ICP analysis, thus resulting in lower K and Rb values. The ALS aqua regia digestion appears not to have this problem; consequently, their K and Rb values are higher and more representative of the levels of those elements in the drill core samples. Clearly, further orientation work is required to determine the best analytical methods for accurate determinations of the levels of alkali's in the clay units should concentrations of these elements become an economic consideration.

In the CPs' opinion, considering the nature of the samples, quarter core, the duplicate analyses are acceptable for Li, Mg and Sr when compared to the original values. However, further testing is required to provide assurance that the K and Rb data is reliable.

13.0 Mineral Processing and Metallurgical Testing

13.1 Magdalena Basin Project

The laboratory or bench-scale test-work has been performed by Minera Sonora Borax staff at LTM in Hermosillo under the direction of Geoff Allard, P.E., from December 1, 2011 to mid-2012 (Allard, 2012). To date these tests have consisted of 36 separate investigations into scrubbing/de-sliming, flotation and calcining. Over 1,952 assays were performed in conjunction with these tests.

A pilot plant was constructed on land purchased by Bacanora in Hermosillo in order to conduct further tests on material from El Cajon. A bulk sampling program was undertaken in 2013 in order to collect large samples representative of mineralization that could be run through the pilot plant in order to demonstrate the viability of the colemanite process and to obtain colemanite samples for distribution to prospective buyers. This approach to the recovery of borates from El Cajon was halted when it was realized that the near surface material was slightly altered, by supergene processes, to a mixture of howlite and colemanite that was more suitable for processing directly into boric acid, a higher value product.

13.1.1 Boric Acid tests

Processing of the near surface material excavated from the El Cajon deposit demonstrated that nodular intergrowths of colemanite and howlite could be effectively recovered through a trommel-washing set-up to produce a material of sufficiently upgraded borate content for boric acid production. Material that had gone through the trommel was crushed to a finer size, and then washed again in attrition mills before proceeding to tanks for mixing with hot sulphuric acid. The sulphuric acid mixture was then filtered to remove solids and the resulting liquor was then cooled to allow for the crystallization of boric acid that was then filtered out of solution. These tests have demonstrated that a 99% pure boric acid can be produced from the material sampled at El Cajon. Boric acid composition and purity was independently verified by x-ray diffraction analyses performed under the supervision of Boja Grcic of the Metallurgical Division of Inspectorate Exploration and Mining Services Ltd. (Grcic, 2014).

Preliminary feasibility studies are recommended to be undertaken in order to determine the economics of a plant capable of producing 25,000 tonnes per year of boric acid.

13.1.2 Colemanite Tests:

Laboratory testing has identified a suitable process consisting of a combination of scrubbing, de-sliming and flotation to obtain a colemanite concentrate in the range of 38% to 42% B₂O₃ in batch flotation tests from a nominal feed of 10.5% B₂O₃. Overall recovery of 80% to 90% of contained B₂O₃ in the feed has been demonstrated. Details of the tests performed and test results can be found in Verley et al. (2011).

13.2 Sonora Lithium Project

Preliminary bench-scale laboratory metallurgical test work was undertaken by Inspectorate Exploration & Mining Services Ltd. (“Inspectorate”) under the supervision of John Fox, P.Eng. on drill core composite samples from holes drilled on La Ventana as well as El Sauz and Fleur (J. Fox, 2012, 2013a and 2013b). This work also is summarized in Verley and Vidal (2013).

Later bench scale tests by Inspectorate that focused on recovery of lithium in solution using a roast–leach process was undertaken in late 2013. These tests were successful in demonstrating that up to 89.3% of the lithium in the clays could be put into solution (Redfearn and Grcic, 2013). Further tests on the resulting solution by Inspectorate demonstrated that at battery grade (in excess of 99.5% Li_2CO_3) lithium carbonate could be precipitated from concentrated solutions (Redfearn and Grcic, 2014). These tests were also duplicated on material from La Ventana and El Sauz in the pilot plant of Bacanora in Hermosillo.

Further work is recommended to optimize the lithium roast-leach process as well as the process to recovery lithium carbonate from solution.

In addition to the test work undertaken for lithium recovery and lithium carbonate production, preliminary studies of the nature of the clays was conducted by Grinding Solutions Ltd. of Cornwall, England. Their work utilized standard plant-scale clay mineral processing techniques, including wet processing using blunging, screening, single decantation settlement and centrifuging. The tests indicate that a fine clay fraction was recoverable, but further testing was recommended to determine an optimum process to recover the greatest proportion of fine clay, including dry processing techniques (Grinding Solutions, 2014).

In conjunction with clay tests, analysis by the James Hutton Institute in Aberdeen, Scotland, indicated that the fine fraction of the clays consist of 2:1 dioctahedral clays classified as illites or smectites. Further work is recommended by Grinding Solutions to determine: (i) the exact mineralogy of the clays, (ii) what proportion consist of bentonites, and (iii) if these clays have swelling properties and cation exchange potentials that would make them suitable for drilling fluid applications.

14.0 Mineral Resource Estimates

14.1 Magdalena Basin Project

A NI 43-101 compliant resource estimate was undertaken in 2011 by Rodrigo Calles Montijo (2011). The inferred borate resource was estimated for the El Cajon deposit based on the results from nine holes drilled by US Borax and 14 holes drilled by Bacanora in 2010. The estimate was updated, by Gildardo Vejar (2013) based on an additional 30 holes drilled by Bacanora in 2011. The resource was reclassified as an Indicated Mineral Resource as per CIM resource-reserve classification system and based on the spacing of the available data and the level of confidence on the geological continuity of the mineralization, the confidence on the sampling techniques and assaying procedures. QA/QC analysis of the assays results and mineral density estimations were performed in order to increase the confidence and to support the resource category. Readers are cautioned that the resource estimate does not mean or imply that an economic borate deposit exists at the El Cajon deposit. Further testing will need to be undertaken to confirm economic feasibility of the El Cajon deposit. Mineral resources are not mineral reserves as they do not have demonstrated economic viability.

For the resource estimate of Vejar, two different estimation passes were used. Inverse Distance Cubed (ID3) was the primary estimation method from which the final resource calculation was generated. An Ordinary Krig estimation was also performed using the variogram parameters from omnidirectional variograms. In the report, data from the estimation is used for mining plans and pit design.

The Cajon target is composed of three mineralized beds, hosted in mid-Tertiary clastic sediments. The lower unit (Unit C) is overlain by a basalt flow, which has been used as marker bed and is locally known as El Cajon Basalt. Unit C crops out, but it is fully replaced by carbonate (CRZ) at surface. The other two zones, Units A (top) and B (middle) overlay the Cajon basalt.

Based on that information, resources were estimated using 6.0, 8.0 and 10.0% B₂O₃ cut-offs. The results of the resource estimation are summarized and categorized in Table 25.

Table 25. Indicated B₂O₃ Resource Estimate Summary.

Unit	Cut off B ₂ O ₃ %	Tonnage (millions)	Grade B ₂ O ₃ %	Tonnes B ₂ O ₃
A	6.0	23.89	8.0	1,910,000
	8.0	7.49	10.8	808,000
	10.0	3.45	13.2	455,000
B	6.0	5.36	7.0	375,000
	8.0	0.81	9.0	72,000
	10.0	0.10	10.8	11,000
C	6.0	7.02	8.2	581,000
	8.0	2.76	10.5	290,000
	10.0	1.41	12.1	171,000
Total: A,B & C	8.0	11.06	10.6	1,170,000

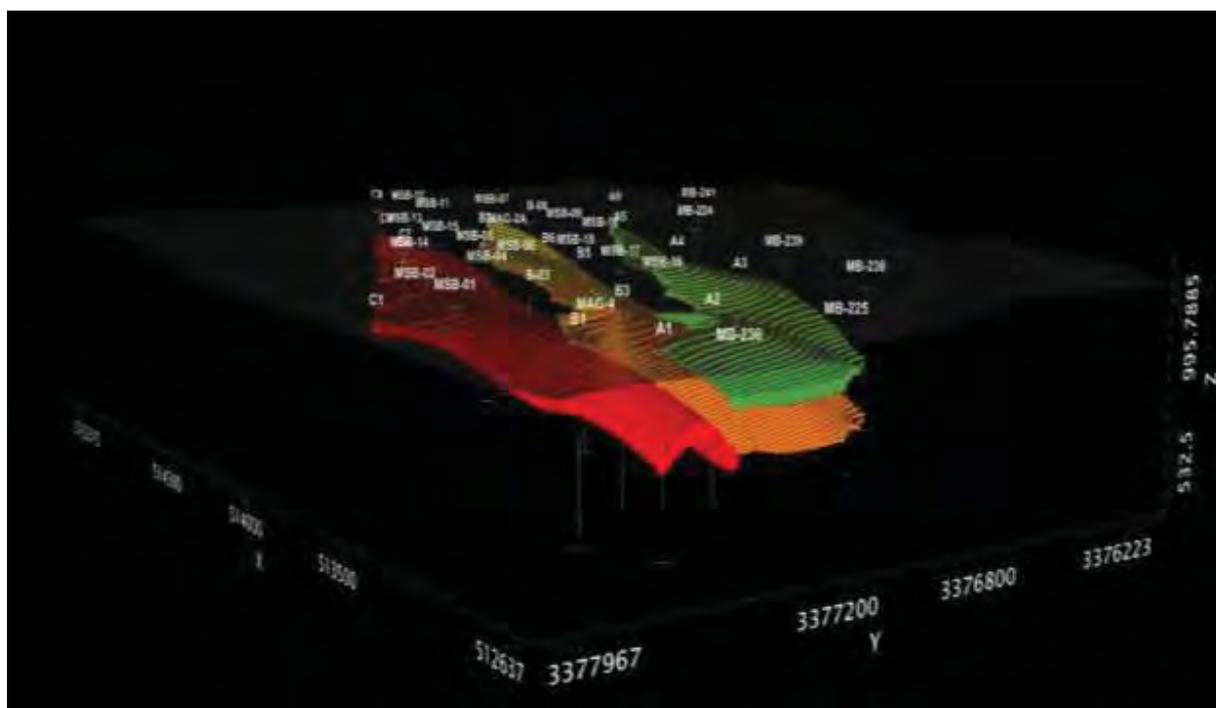
14.1.1 Methodology

The methodology consisted in the establishment of the necessary parameters to produce solid volumes in order to produce a block model with an assigned grade and tonnage. The analysis follows:

14.1.2 Lithology boundaries

Three lithological units were modeled for mineralization at the El Cajon project, known simply as Units A, B and C in reverse-stratigraphic order (top to bottom, Figure 40). These units represent the borate-bearing colemanite horizons of interest. The attitude of the horizons is approximately 100° azimuth for strike with a dip of 20° to the south. The average thickness of each horizon ranges from 20 to 25 metres at the drill intercepts.

The lithologic units were modeled in Leapfrog software, based upon surface grids provided by Bacanora Minerals. The units were remodeled to ensure sufficient coverage of the model area as well as to maintain integrity with the drill-holes. Leapfrog is a software modeling package which utilizes the drilling data to make surfaces which exactly honor the drilling data while interpolating areas between holes.



14.1.4 Block Model Construction

A. Drillhole Database

The drill-hole database consists of 57 drill-holes, all of which intercept one or more of the mineralized colemanite seams. The total area drilled is approximately three square kilometers. The average drill-hole spacing is roughly 200 metres, though in certain locations (such as between holes MB-241 and MSB-36) the spacing gets as close as 50 metres. A total of 8,280 metres of drilling is available, comprising 2,321 total samples analyzed by ICP-ES methods for borate. Sample lengths ranged from 0.61 metres to 6.1 metres and averaged 1.5 metres. Of the 2,321 total samples, 1,183 are situated inside the colemanite horizons and were used for the resource estimation.

B. Composite Database

The drilling data was composited on 3m run lengths differentiated by colemanite unit. Composite size of 3 metres was selected based on the anticipated block model size (3 metre vertical blocks being the mineable interval) as well as a reasonable length based on the sample length distribution. This resulted in 644 total composites inside the colemanite horizons.

The samples were also composited at 3.0 metres in an effort to bring down the variance for the variography study – the range of variance in the raw drilling is too high for meaningful variograms. Unfortunately, the variance was still too high with the 3.0 metres composites to be able to obtain reasonable experimental variograms. Typically the variance should be less than 2.0 for variography to work well.

An additional study was performed wherein each hole was composited with a single sample per colemanite unit. The variances became 4.12, 1.71, and 1.29 respectively for Units A, B, and C, but the number of samples expectedly reduced dramatically (23, 38, and 14 samples), which also would cause difficulty in obtaining reasonable variogram results.

C. Variography

In spite of the aforementioned concerns with the high variance in the dataset, Omnidirectional Variography was performed both to attempt to identify a reasonable search radius for the block model estimation as well as to interpret whether a more representative drill spacing should be used to increase confidence in the resource and to bring down the variance for future variography studies. An Omnidirectional Variogram was made for each colemanite unit using 25 metre lag sizes with no lag tolerance.

D. Block Construction

The block model was built as a regular unrotated model using 9.0 by 9.0 by 3.0 metre uniform blocks. Blocks were not allowed to be built above topography to avoid estimation of “air blocks”. A uniform density of 2.4 was applied globally.

E. Block Estimation

Two different estimation passes were used. Inverse Distance Cubed (ID3) was the primary estimation method from which the final resource calculation was generated. An Ordinary Krig estimation was also calculated using the variogram parameters from the omnidirectional variograms. The Ordinary Krig estimation was done to compare the results with

the ID3 estimation as well as to get krig variance values in each block to identify where low and high variance areas exist.

Search radii for the estimation could not be determined from the variograms, so the equation used for the minimum search radius for the block estimations was: average data spacing = $((\text{area sampled})/n)^{1/2}$, where “n” is the number of samples. The total XY area of the block model (allowing for sufficient distance from the perimeter drill holes) was 5,320,000 metres squared, and the number of samples was 402. Thus, following the equation above, the minimum search ellipse should be 115 metres. Given that value along with the average drill-hole spacing of 200 metres, a search range of 200 metres was used for the major and semi-major axes of the search ellipse. A range of 30 metres was allotted to the minor direction based on the average thickness of the horizons, but with additional tolerance to account for the irregularity of the horizon trends. The search ellipse was oriented at a strike of 100° azimuth and a dip of 20° to the south to emulate the trend of the lithologic units.

Only blocks inside the colemanite wireframe solids were estimated. Their location relative to the colemanite boundary was based on the centroid of the block, if the centroid was inside the horizon, then the block was estimated.

14.2 Sonora Lithium Project

Resources have been previously estimated for the lithium-bearing clays on the Company’s wholly owned La Ventana concession (Verley, 2012) and the adjoining Fleur and El Sauz concessions (Verley, 2012). Resource estimates reported herein are updates of those previous resource estimates based on additional drilling in 2013 and 2014.

14.2.1 La Ventana Lithium Resources

Resource estimation, using a polygonal method, was undertaken for the area drilled on La Ventana. Grade and thickness continuity were assumed in an area of influence around each drill such that: (i) in the north-south direction the influence area is half of the distance between holes, and (ii) in the east-west direction a distance from outcrop and extending down dip for 150 metres was used. Specific gravity measurements (data provided by Bacanora, May 2014) used to estimate tonnage were taken from drill core for the various units encountered. For the Upper Clay unit an average specific gravity of 2.38 tonnes per cubic metre was determined from 212 measurements; for the Lower Clay unit the average specific gravity was 2.35 based on 75 measurements. Cut-offs of 1,000, 2,000 and 3,000 ppm Li, were also used, with the 2,000 ppm Li cut-off highlighted as the base case or preferred scenario. True thickness of drill intercept lengths was assumed to be 94%, based on average dip of 20° of the units.

The lithium-bearing clays occur in two discreet units separated by an ignimbrite sheet. These units are called the Upper Clay unit, and the Lower Clay unit.

An updated resource for each of the lithium-bearing units is found in Table 26. It is reclassified as an indicated mineral resource, based on diamond drilling and trenching. The resource estimate was made in accordance with CIM Definition Standards for Mineral Resources and Mineral Reserves (2010). Readers are cautioned that the use of lithium carbonate equivalent (LCE) in reporting resources assumes that all lithium can be recovered from the clays and converted to lithium carbonate with no recovery or processing losses. The base case indicated resource, using a cut-off of 2,000 ppm lithium, for the Upper Clay unit is estimated to be 21,470,000 tonnes averaging 2,256 ppm Li (1.20% LCE), and for the Lower Clay unit the

indicated resource is 53,850,000 tonnes averaging 3,540 ppm Li (1.88% LCE), giving total indicated resources of 75,320,000 tonnes averaging 3,174 ppm Li (1.69% LCE) or 1,273,000 tonnes of LCE. Plans illustrating the areas of the polygons used in the estimate are found in Figure 41 and 42.

Readers are cautioned that mineral resources are not mineral reserves as they do not have demonstrated economic viability.

Table 26. Indicated Resource Estimate - La Ventana Concession.

Cut-off (ppm Li)	Tonnes	Li ppm	LCE %	LCE tonnes
Upper Clay				
1,000	30,690,000	1,824	0.97	298,000
2,000	21,470,000	2,256	1.20	258,000
3,000	10,030,000	3,186	1.70	170,000
Lower Clay				
1,000	61,050,000	3,247	1.73	1,055,000
2,000	53,850,000	3,540	1.88	1,015,000
3,000	38,180,000	4,510	2.40	917,000
Total for Upper & Lower Clay				
1,000	91,740,000	2,771	1.48	1,353,000
2,000	75,320,000	3,174	1.69	1,273,000
3,000	48,210,000	4,235	2.25	1,087,000

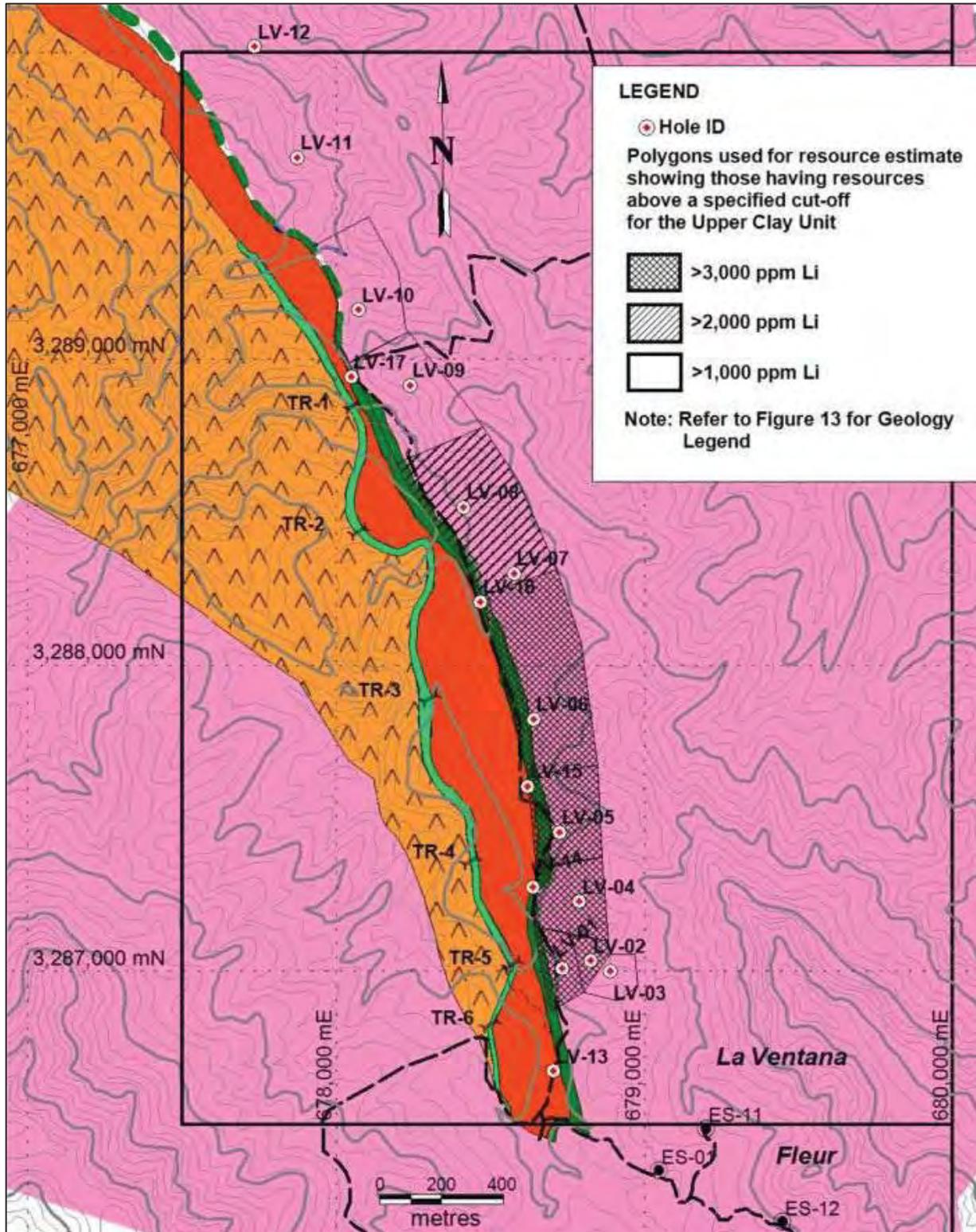


Figure 41. Map illustrating Polygons used in Indicated Resource Estimate for Upper Clay Unit, La Ventana.

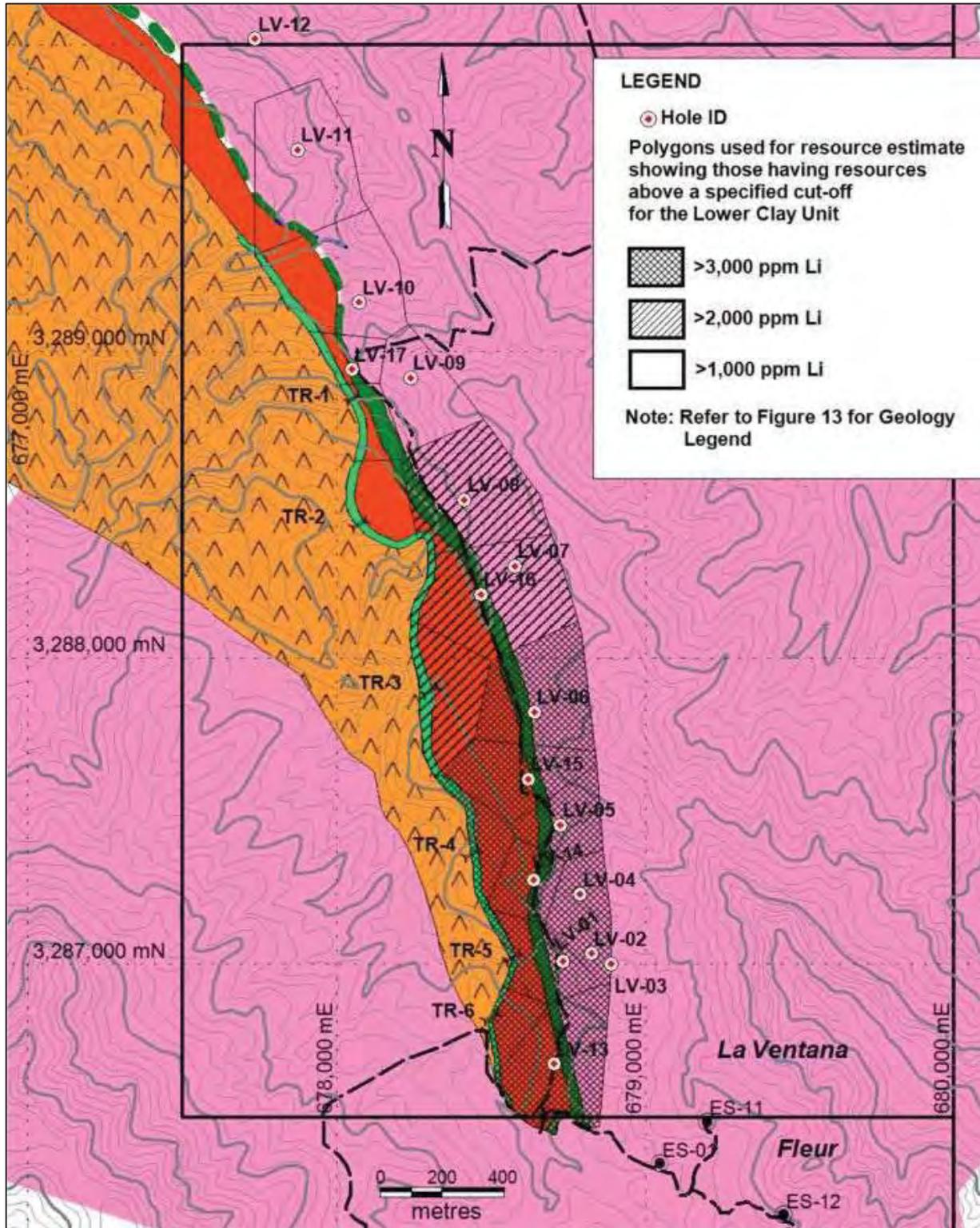


Figure 42. Map illustrating Polygons used in Indicated Resource Estimate for Lower Clay Unit, La Ventana.

14.2.2 Fleur and El Sauz Concessions Lithium Resources

A resource estimate, using a polygonal method, was undertaken for the area drilled on the Joint Venture #1 lands. Grade and thickness continuity were assumed in an area of influence around each drill such that: (i) in the north-south direction the influence area is half of the distance between holes, and (ii) in the east-west direction a distance from outcrop and extending down dip for 150 metres was used. Specific gravity of 2.38 and 2.35 tonnes per cubic metre was assumed for the estimate for the Upper and Lower Clay units respectively. Cut-offs of 1,000, 2,000 and 3,000 ppm Li, were used, with a cut-off of 2,000 ppm Li used as a base case scenario.

The lithium-bearing clays occur in two discreet units: an upper clay unit, and a lower clay unit. These units are separated by a thin ignimbrite sheet. These stratigraphic units represent a continuation of the same stratigraphic succession as found on the La Ventana concession.

A total indicated resource, based on CIM Definition Standards for Mineral Resources and Reserves (2010), was estimated for each of the lithium-bearing units and is defined in Table 27. At a cut-off of 2,000 ppm Li, the base case indicated resource for the Upper Clay unit is estimated to be 47,360,000 tonnes averaging 2,222 ppm Li (1.18% LCE), and for the Lower Clay unit the indicated resource is 73,630,000 tonnes averaging 3,698 ppm Li (1.97% LCE), giving total inferred resources of 120,990,000 tonnes averaging 3,120 ppm Li (1.66% LCE) or 2,010,000 tonnes LCE. Plan views illustrating the areas of the polygons used in the estimate for the Upper and Lower Clay units are found in Figures 43 and 44. A distinct zone of higher lithium grades occurs in the northern part of El Sauz and continues through Fleur onto the southern half of La Ventana.

Investors are cautioned that the resource estimate is preliminary in nature and does not mean or imply that an economic lithium deposit exists in the concession area. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Further testing will need to be undertaken to confirm economic feasibility.

Table 27. Inferred Resource Estimate – El Sauz and Fleur Concessions.

Cut-off (ppm)	Tonnes	Li ppm	LCE%	Tonnes LCE
Upper Clay Unit				
1000	97,080,000	1,657	0.88	856,000
2000	47,360,000	2,222	1.18	560,000
3000	18,390,000	3,773	2.01	369,000
Lower Clay Unit				
1000	98,250,000	3,028	1.61	1,584,000
2000	73,630,000	3,698	1.97	1,450,000
3000	58,910,000	4,140	2.20	1,298,000
Upper & Lower Clay Units Combined				
1000	195,330,000	2,347	1.25	2,440,000
2000	120,990,000	3,120	1.66	2,010,000
3000	77,300,000	4,053	2.15	1,667,000

At the present time there are no known environmental, permitting, legal, title or socio-economic factors that would adversely impact future development of these resources. A proposed royalty on pre-tax earnings from mining operations of 7.5%, to be imposed by the Government of Mexico, could have an impact on the viability of these resources. At this time it is not known if such a royalty will be imposed or what the actual rate will be. Economic assessments of these resources will need to look at the possible effects of royalties on a commercial operation.

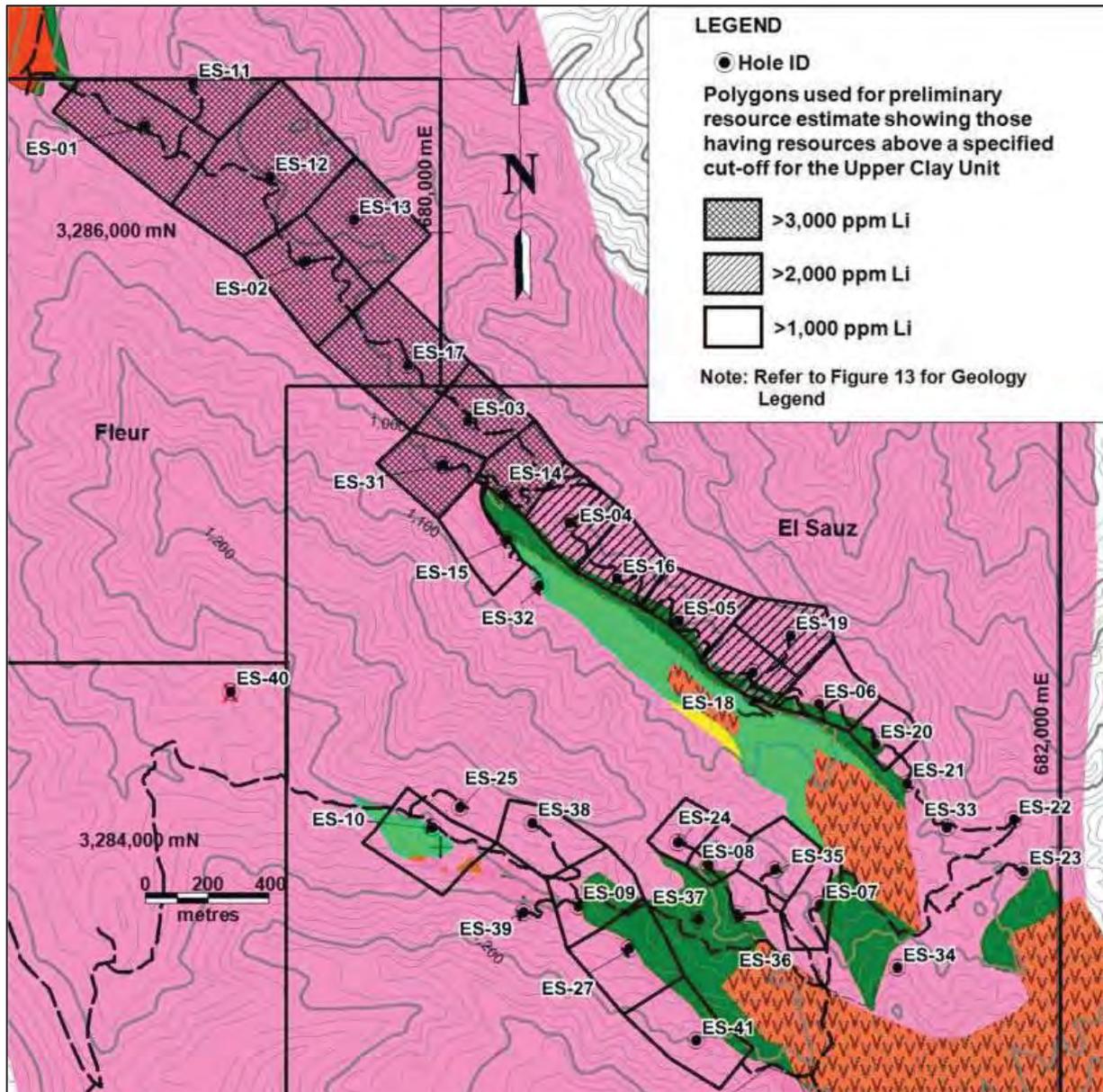


Figure 43. Plan of Polygons used in the Inferred Resource Estimate for the Upper Clay.

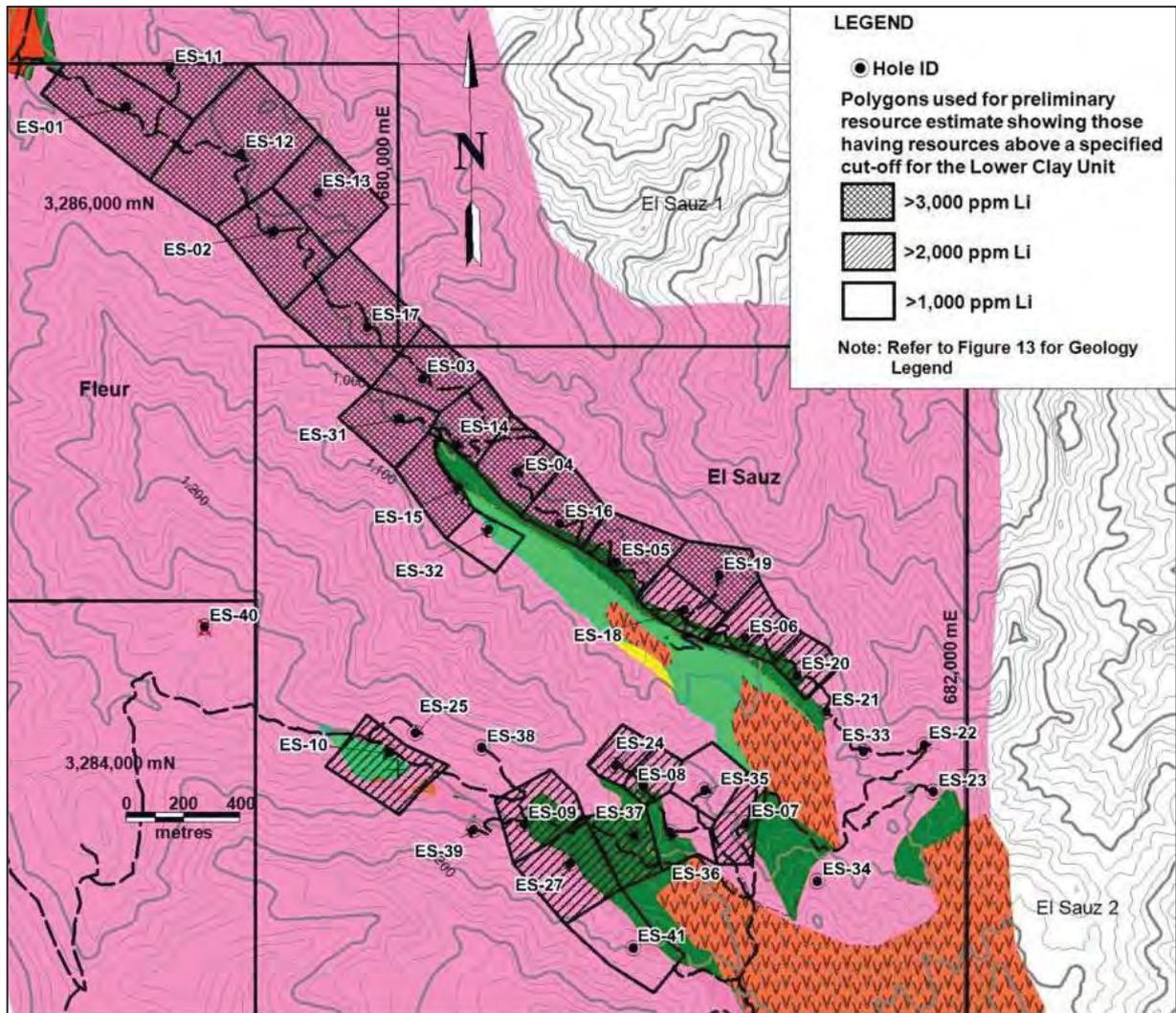


Figure 44. Plan of Polygons used in the Inferred Resource Estimate for the Lower Clay.

15.0 Mineral Reserve Estimates

There are no mineral reserve estimates for either the Magdalena Basin Project or the Sonora Lithium Project.

16.0 Mining Methods

16.1 Magdalena Basin Project – El Cajon Borate Deposit

The proposed mining method for the Cajon Deposit is open pit since the attitude of the borate layers facilitates this mining method. Due to the nature of the mineralization, the borate crystals are associated with semi-consolidated to consolidated clays, consequently the mining operation contemplates the usage of explosives, although less consolidated, near surface material may be stripped and mined as an earth-moving operation. The mineralized units in this study generally strike northwest and dip 20 degrees to the southwest.

The mine site is located in gentle topography with elevations ranging from 885 to 925 metres above sea level. The major drainage trends to the north and northwest. Processing plant and the tailing ponds have been planned to be installed at the northeastern most portion of the area and the waste material in the westernmost portion of the property (Figure 45).

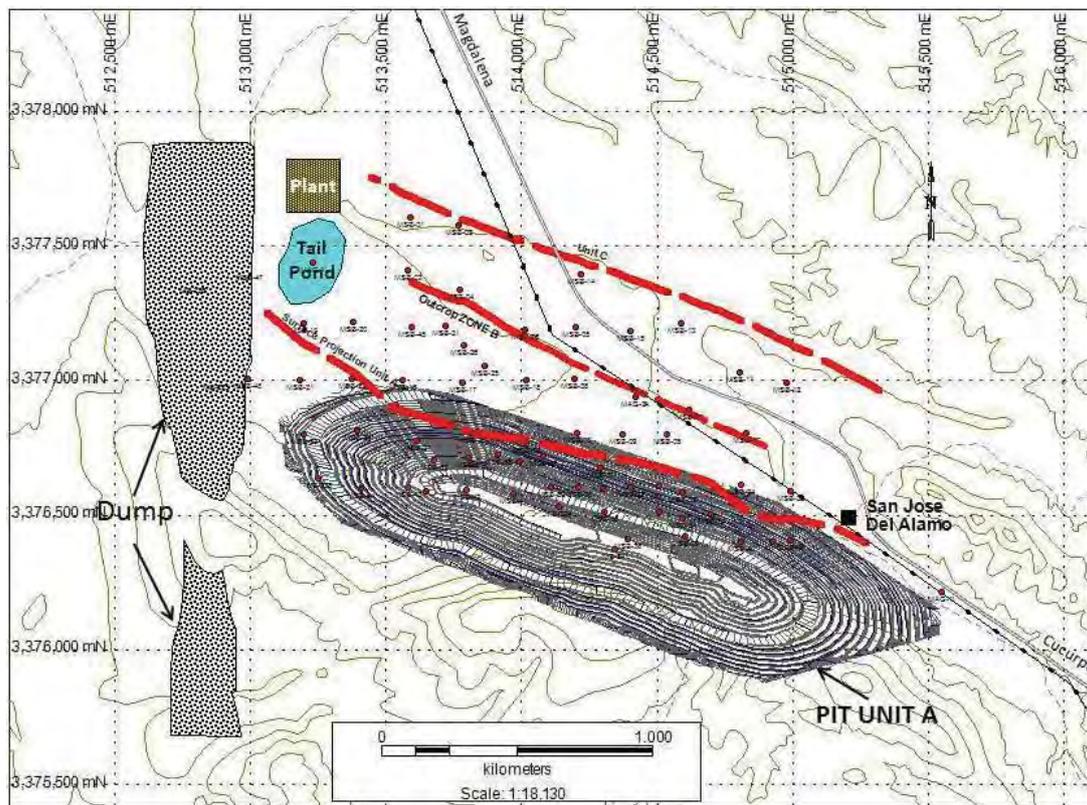


Figure 45. Plan of Proposed Mine Pit, Plant, Dumps and Tailings.

The project was planned in two stages of production. First, is the production of 50,000 tonnes of colemanite concentrates at 40 to 42% B₂O₃ per year. Second is the production of boric

acid using low-grade ore. Currently however, planning is for production of boric acid first with an option to produce colemanite (depending on market demand for that product) once low grade surface material has been mined. A mine life of 25 years is expected, given mining all of the mineralized units to a maximum depth of approximately 120 metres in 3.0 metre high benches. The area covered by the entire project is about 2,000 by 1,000 metres (200 hectares). Mine dilution factor is 15% with the stripping ratio increasing by 0.5 per year.

The mining operation will begin with the mining of Unit A with an open pit that will be pushed-back in order to mine Unit B and subsequently Unit C. For the mine plan, a pit optimization was performed using Mine-Sight software with parameters obtained from the resource estimation. The outcome of this analysis, for differing cut-off grades, defined potential in situ-colemanite-bearing material and waste proposed to be mined as listed in Table 28.

Table 28. Potential Mineral-Waste ratio and grade (B₂O₃).

Cut-Off (B ₂ O ₃ %)	In situ Mineral ⁹ (Tonnes)	Waste Total (Tonnes)	In situ Grades (B ₂ O ₃ %)	Waste to in situ mineral ratio
6%	16,642,149	21,757,727	8.01	1.3
8%	5,414,759	32,985,116	10.45	6.1
10%	2,325,627	36,088,458	12.75	12.0

Equipment anticipated to be used in mining will consist of the items listed in Table 29. Mining equipment is standard operating gear for small mining operations and does not requiring special orders from manufacturers.

Table 29. Anticipated Mining Equipment

Quantity	Item
2	Caterpillar D9 bulldozers
2	Caterpillar 938 H loaders
4	60 tonne haul trucks (77G)
1	Caterpillar 450E Excavator
1	Track-mounted blast hole drill, Cat MD 50-50
1	Caterpillar 140M grader
1	Water tank truck

16.2 Sonora Lithium Project - La Ventana Concession

The proposed mining method for the La Ventana lithium deposit is by open pit methods, for near surface gently dipping clay units. Down dip extensions of the clay units may be developed by underground bulk mining methods in the later years of a proposed mining scenario. Life of mine for open pit operations is estimated at 20 years at an average mining rate of 11.3

⁹ Mineral = colemanite-bearing beds

million tonnes per year for run-of-mine material (“ROM”) and waste. Mining all of the clay units will proceed to a maximum depth of approximately 120 metres in 3.0 metre high benches. The area covered by the entire project is about 2,300 by 400 metres (92 hectares). Mine dilution factor is 15% with the stripping ratio increasing by 0.3 per year for open pit operations. This preliminary economic assessment is based only on the open pit mining scenario.

Mining is envisaged to be conducted by contractors using conventional open pit mining methods utilizing standard mining equipment. Lithium bearing clay units will be mined in blocks exposed during mining along benches designed for that purpose. Mine blocks in the benches will be blasted with explosives to break up the lithium-bearing clay units such that the ROM can be easily excavated and loaded into trucks for transport to an on-site concentration facility consisting of a trommel and screening plant designed to remove lithic fragments from ROM. Resulting clay concentrate will then be trucked to a processing plant for extraction of lithium from the clays and recovery of marketable lithium compounds.

The mining operation is proposed to begin with the mining of the Lower Clay unit then shift to the Upper Clay unit.

Equipment anticipated to be used in mining of the clays will consist of the items listed in Table 30. Mining equipment is standard operating gear for medium size mining operations and does not requiring special orders from manufacturers.

Table 30. Anticipated Mining Equipment

Quantity	Item
3	Caterpillar D9 bulldozers
2	Caterpillar 938 H loaders
6	60 tonne haul trucks (77G)
2	Caterpillar 450E Excavators
1	Track-mounted blast hole drill, Cat MD 50-50
1	Caterpillar 140M grader
2	Water tank trucks

17.0 Recovery Methods

17.1 Magdalena Basin Project – El Cajon Borate Deposit

As discussed in Item 13.0, laboratory testing has identified a suitable process for the recovery of a borate concentrate consisting of a combination of scrubbing, de-sliming and flotation with a recovery range of 77-88% B₂O₃. Further test work has demonstrated that boric acid production utilizing lower grade, near surface borate mineralization will be more effective and produce a higher value product.

17.1.1 Boric acid

The production of boric acid is contemplated to be the initial processing route for material from the El Cajon deposit. The advantage of going to boric acid production is that lower grade colemanite zones can be used, effectively increasing the available resource base and mine life. In addition, the in situ leaching of deep colemanite horizons, as found at the Represo occurrence, utilizing the well-established “Duval process” (Atwood et al., 1984) could be feasible. Furthermore, boric acid commands a higher price than colemanite concentrates. The capital costs of a boric acid production line are more expensive than a colemanite-only plant, consequently it is recommended that studies be undertaken to determine the feasibility of a boric acid line in order to determine if production should specifically consist of a boric acid only, or a combination of boric acid and colemanite concentrates. Laboratory and pilot plant experience shows that it might be possible to use low grade material and upgrade it by screening and washing to produce a howlite-colemanite concentrate to be used as ore-feed for boric acid.

A flow sheet for boric acid production process is illustrated in Figure 46. The pilot plant is currently operating to produce boric acid samples for potential customers and to provide data for the economic analysis of boric acid production from El Cajon colemanite.

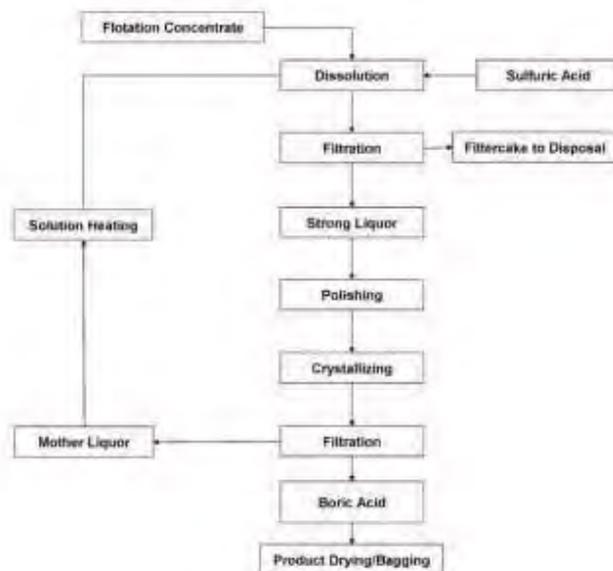


Figure 46. Boric Acid Process Flow Diagram.

17.1.2 Colemanite

The proposed colemanite recovery flow sheet for the El Cajon Project is based on a combination of conventional metallurgical unit operations. No novel or untried technology is envisioned for the process. These unit operations are duplicated as far as possible in the pilot plant design to allow detailed testing and to obtain engineering data for scale-up. A block diagram of the proposed process is included as Figure 47.

The flow sheet consists of the following major steps:

1. primary scrubbing,
2. de-sliming,
3. crushing,
4. secondary scrubbing/de-sliming,
5. grinding,
6. rougher flotation,
7. attrition scrubbing of flotation concentrates, and
8. two stages of cleaner flotation of attritioned concentrates.

Process development is on-going and additional unit operations may be required in a production facility. Any additional unit operations will be included only if they provide significant technical or economic benefit.

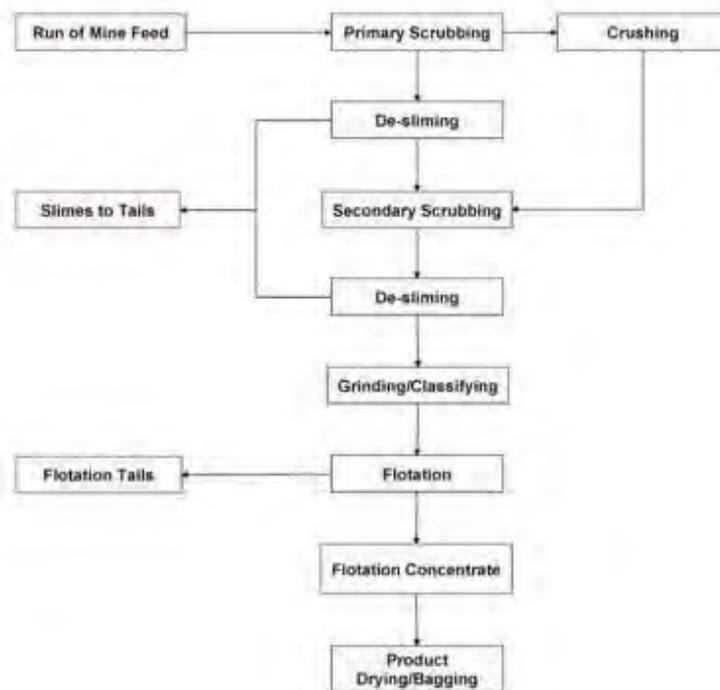


Figure 47. Conceptual Colemanite Process Flow Diagram.

Projected energy requirements to produce a tonne of colemanite concentrate are 100 kw-hours of electricity, 50 cubic metres of natural gas and 2.86 tonnes of diesel fuel. Water requirements are one tonne of water for each tonne of colemanite concentrate produced. Flotation reagents are estimated to cost approximately \$12 per tonne of colemanite concentrate produced.

17.2 Sonora Lithium Project – La Ventana Lithium Deposit

Clay concentrate from the mine concentrator will be processed such that lithium will be put into solution. The lithium-bearing solution will then be treated to precipitate lithium carbonate or other lithium compounds.

The clay-to-lithium solution process will involve a roast-leach methodology. The roasting method has been well studied and documented by the US Bureau of Mines (Crocker et. al., 1988). Further work to optimize the process for treating material from the Sonora Lithium Project is required.

Test work so far has successfully demonstrated that lithium can be put into solution by the roast – leach method. Furthermore, additional tests have demonstrated that battery grade lithium carbonate (99.5% or better) can be recovered from these solutions.

From the preliminary test work it is estimated that processing costs for either the roasting or pugging will range from approximately \$US1,000 to \$2,000 per tonne of lithium carbonate produced. For the preliminary economic assessment an evaluation of the pugging method was used. However, test work has indicated that a roast – leach method is a more favorable process route to take for putting lithium into solution from the clays.

18.0 Project Infrastructure

18.1 Magdalena Basin Project – El Cajon Borate Deposit

The infrastructure in the region consists of the following:

1. a north-south natural gas pipeline crosses along the town of Magdalena de Kino,
2. a high tension power-line crosses within one kilometre of the northern portion of the Cajon deposit,
3. railroad sidings are situated approximately 10 kilometres from the deposit. The rail line goes from Nogales, providing a point of entry to the United States, through Magdalena de Kino and on to the port of Guaymas, located about 300 kilometres southwest of the deposit. Guaymas provides a point of departure for potential shipments to international markets, and
4. paved all season highway (Magdalena de Kino – Cucurpe) passes through the concessions and close to the deposit.

Process water is available from either local wells or from a 75 hectares lake formed behind a dam across the El Yeso River. The lake is located six kilometres northwest of the proposed mine-site. Ranch owners have been supportive in supplying sufficient water for drilling programs. Negotiations are underway with the ranch owners and the local municipality to secure sufficient water for mine and process operations.

There is a skilled labour pool in the area that can support new mining projects.

The proposed mine plan envisages waste dumps to be located immediately to the northwest of the open pit. There is adequate level ground in this area to safely store mine waste. The processing plant will be located immediately to the northeast of the open pit beside the Magdalena de Kino – Cucurpe road with the tailing pond established immediately to the north across the road. There is adequate level ground in this area to safely impound process tailings.

Mining, plant construction, labour, material, power, transportation and water procurement contracts are currently under negotiation.

18.2 Sonora Lithium Deposit – La Ventana Lithium Deposit

The infrastructure in the region consists of the following:

1. a high tension power-line crosses within one kilometre of the northern portion of the Project,
2. a paved all season highway is located 10 kilometres north of the deposit, passing through the town of Bacadehauchi,
3. rail sidings are located at the town of Nacozari 100 kilometres to the northwest of the Project, and
4. a natural gas pipeline goes through the town of Nacozari and may provide a possible location for a processing plant,

Process water is available from the Bavispe River. Alternatively, wells could be drilled onsite for process water.

There is an adequate labour pool in the area that can support new mining projects.

The proposed mine plan envisages waste dumps to be located immediately to the west of the open pit. There is adequate level ground in this area to safely store mine waste. The concentrating plant will also be located immediately to the west of the open pit. There is adequate level ground in this area to safely impound process tailings.

Contracts for mining, plant construction, labour, material, power, transportation and water procurement have not been negotiated.

19.0 Market Studies and Contract

19.1 Magdalena Basin Project – El Cajon Borate Deposit

Boric acid is the primary feed stock for sources of boron to the chemical industry. Boric acid prices range from \$US600 to \$US900/tonne depending on purity. Prices FOB ports in Chile are reported at \$US1,250/tonne (Industrial Minerals website: www.indmin.com).

Colemanite, as an industrial mineral commodity is used as raw material for a number of end products such as fiber glass, glass and ceramics. Bacanora has contacted colemanite consumers and ascertained that there is a definite interest from North American fiberglass and tile manufactures for new colemanite supply. Inquiries have also been received by Bacanora from a number of potential end users and brokers on a confidential basis. As a result of these inquiries it is concluded that there exists potential market demand in excess of 100,000 tonnes per annum for new supplies of colemanite concentrates.

The Company does not have marketing contracts for the sale of boron compounds at present. Prior to entering into any contracts end-users will require product samples to test in their manufacturing lines. Bacanora will satisfy this requirement with samples produced from its pilot plant in Hermosillo.

Colemanite is not an exchange traded commodity; consequently there is no spot price for colemanite concentrates. Concentrate prices are negotiated on a supply-demand basis, generally with end-users. Current colemanite prices range from between \$US630 to \$US730 per tonne for concentrates averaging between 40-42% B₂O₃ based on industrial minerals price reports (Industrial Minerals Magazine, September 2011).

The CPs have reviewed the available information that the Company has concerning potential markets and pricing and is of the opinion that these support the assumptions in this report and warrant further detailed studies to confirm the feasibility of the proposed project.

Bacanora has not entered into any material commercial agreements with suppliers or purchasers of colemanite concentrates or boric acid.

19.2 Sonora Lithium Project – La Ventana Lithium Deposit

According to studies by Roskill Information Services (Roskill, 2009), the production of lithium-ion batteries has grown by 20% per year from 2000 to 2009, overtaking nickel cadmium type batteries in the market. Demand for lithium compounds, such as lithium carbonate or lithium hydroxide, from the lithium-ion battery industry is forecasted to grow at a rate of 30% per year between 2010 and 2020 driven by electric vehicles, electric bicycles and grid storage increasing to 42,000 tonnes in 2020 (Roskill, 2009). In addition, the market for lithium compounds from all applications is expected to grow to in excess of 100,000 tonnes by 2020 (Roskill, 2009). The price of battery grade lithium compounds in 2010 and 2011 ranged from US \$5,500 - \$8,000/tonne. During 2012, the price increased to US \$8,500/tonne and Roskill has projected prices to increase to US \$7,250/tonne by 2020. Currently prices have stabilized in the US \$5,000 to \$6,000/tonne range.

The CPs have reviewed the available information that the Company has concerning potential markets and pricing and are of the opinion that these support the assumptions in this report and warrant further detailed studies to confirm the feasibility of the proposed project.

Bacanora has not entered into any material commercial agreements with suppliers or purchasers of lithium products.

20.0 Environmental Studies, Permitting and Social or Community Impact

20.1 Magdalena Basin Project – El Cajon Borate Deposit

Permit applications requesting the change of land over an area of 20 hectares has been filed at the Secretary of Ecology. Authorization is in progress.

A survey of flora and fauna over an area of 160 hectares has been conducted by the method of transects in order to assess the density and diversity of species. There are no protected species or species that might be in danger of extinction with the development of the project.

Bacanora proposes to maintain a constant monitoring of the areas in and around El Cajon that might generate and/or develop any environmental risk. A mine closure plan (remediation and reclamation) is being developed for implementation during the last two years of the projected mine life. The estimated cost of mine closure is \$US1 million. Mine closure will essentially consist of slope stabilization, re-contouring and seeding waste piles, stabilizing and monitoring tailings disposal sites, as well as removal of mine and plant buildings and infrastructure.

In order to maintain good community relationships, most of the labour contracted will be local. Health, safety environmental and community training programs will be implemented before and during project development, as well as during exploitation and mine closure.

20.2 Sonora Lithium Project – La Ventana Lithium Deposit

Bacanora has not conducted any environmental studies or contracted such work to be undertaken on the Project area as of the effective date of this report. There are no known environmental liabilities or issues in the Project area that could materially impact Bacanora's ability to further develop the mineral resources identified to date. The Project area does not lie within any known protected area. All permissions and applications required in accordance with the exploration process are being performed in accordance with the applicable Mexican Official Standards (Normas Oficiales Mexicanas). No other permits are required at this stage of exploration.

If the Project advances to the development stage the Company will require several Federal and State permits including:

1. the Preventative Notice (Informe Preventivo);
2. the Environmental Impact Assessment (Manifestación de Impacto Ambiental);
3. the Risk Study (Estudio de Riesgo);
4. the Permit for Change of Land Use in Forested Area issued by the State Delegations of Secretary of the Environment, Natural Resources and Fisheries (SEMARNAT);
5. a PPA (Accident Prevention Program);
6. an Explosive use permit (Secretaría de la Defensa Nacional);
7. a water use permit (Comisión Nacional del Agua);
8. an archaeological land "liberation", based on authorization by the Instituto Nacional de Antropología e Historia; and
9. a notice to the state and municipal authorities (i.e., local construction permits, land use change, etc.).

Detailed plans for waste and tailings disposal, site monitoring and water management during both operations and post mine closure have not been defined by Bacanora at the present time.

Bacanora proposes to maintain a constant monitoring of the areas in and around the Project site that might generate and/or develop any environmental risk. A mine closure plan (remediation and reclamation) is being developed for implementation during the last two years of the projected mine life. The estimated cost of mine closure is \$US5 million. Mine closure will essentially consist of slope stabilization, re-contouring and seeding waste piles, stabilizing and monitoring tailings disposal sites, as well as removal of mine and plant buildings and infrastructure.

In order to maintain good community relationships, most of the labour contracted will be local. Health, safety, environmental and community training programs will be implemented before and during project development, as well as during exploitation and mine closure.

21.0 Capital and Operating Costs

21.1 Magdalena Basin Project – El Cajon Borate Deposit

Key assumptions used to estimate operating and capital costs for a colemanite production facility are tabulated below. It is anticipated that operating cost for a boric acid production facility will be slightly lower than those for colemanite production. However, capital cost for a boric acid plant will be higher than that for a colemanite plant. Analysis of operating and capital costs for a boric acid plant is therefore strongly recommended.

Table 31. Key Operating Cost Assumptions

ITEM	ASSUMPTION	Unit	Cost US\$	Cost/ton of Col.
Electricity	100 kwh are need to produce 1 ton of col ¹⁰	kwh	0.15	18.20
Natural gas	50 m3 are need to produce 1 ton of col	m3	25.60	11.90
Water	50k tons of water to produce 50k tons of col	tonne	0.44	0.44
Fuel	143 tons of diesel to produce 50k tons of col	tonne	880.00	2.52
Labor	53 employees (several levels)			20.88
Storage/Shipping	FOB Port of Guaymas	tonne		15.00
Reagents/Calcining	Flotation reagents and drying/calcining	tonne		12.00
Total				\$ 80.94

Mining cost is estimated at US\$ 2.50 per tonne of material (colemanite-bearing material and waste) with an average of material mined per year of 1,675,475 tonnes. Surface rights and other permits add US\$ 5.00 per tonne of product. Processing costs are estimated at US\$ 170 per tonne of product. Table 32 summarizes the operating costs for mining and processing:

¹⁰ col = colemanite

Table 32. Estimated Annual Mining and Processing Costs

Operating Costs/year		
Plant	US\$/tonne	US\$/year
Water	0.44	22,000
Electricity	18.20	910,200
Natural gas	11.90	595,200
Storage/Shipping	15.00	750,000
Other reagents	12.00	600,000
Fuel	2.52	125,840
Labour	8.40	420,000
Total	60.06	3,003,240
Mine		
Mineral ¹ @ US\$2.50/tonne		577,750
Waste@ US\$2.50/tonne		3,611,000
Surface right/year		250,000
Labour		420,000
Total	88.78	4,438,750
Administration		
Salary & wages		210,000
Total	\$US169.72	\$US8,485,990

¹ Mineral = colemanite-bearing material

Capital requirements to build the mine and processing plant as well as supply sustaining capital and funding for mine closure are estimated at US\$7.25 M (Table 33). Of this amount US\$ 2.0 million is required to build the mine, US\$ 2.75 million to build the processing plant, US\$ 0.5 million for feasibility studies, US\$ 1.0 million for sustaining capital and US\$ 1.0 million for closing.

Table 33. Development Capital Requirements

Capital cost Magdalena - Cajon	
Mine	US\$
Equipment/Contracted	1,500,000
Infrastructure	400,000
Support	100,000
Processing plant	
Flotation Plant/calcining	2,000,000
Infrastructure	500,000
Support	250,000
Pre-Feasibility study	500,000
Sustaining capital	1,000,000
Closing	1,000,000
Total	\$US7,250,000

21.2 Sonora Lithium Project – La Ventana Lithium Deposit

Key assumptions used to estimate operating and capital costs are tabulated below (Table 34). These are designed around a mine and a processing plant with capabilities to deliver 35,000 tonnes of lithium carbonate per year. In this analysis the processing method used is acid pugging of the clays followed by a washing to recover lithium in solution from which lithium carbonate is then precipitated. It is now believed that this method is high cost process method in comparison to a roast-leach process. Investigations are ongoing into roast-leach methods and their costs. Plant efficiency for processing to recover Li from clays and convert it into Li_2CO_3 is estimated at 90%. Mining assumes a waste to ore strip ratio of 0.3 that increases by 0.3 each year. ROM will be concentrated in Bacadehuachi; the concentrate will then be trucked to a processing plant in Hermosillo for processing and conversion into lithium carbonate.

Table 34. Key Operating Cost Assumptions

ITEM	ASSUMPTION	\$US Cost/tonne of Li_2CO_3
Electricity	1,000 kwh are need to produce 1 tonne of Li_2CO_3 at a base cost of \$US0.12/kwh	148.58
Natural gas	250 m ³ are needed to produce 1 ton of Li_2CO_3	59.52
Water	35,000 tons of water to produce 35, 000 tons of Li_2CO_3	0.96
Fuel	1,000 tons of diesel to produce 35,000 tons of Li_2CO_3	22.86
Labor	85 employees (including management)	54.56
Mining @ \$US2.50/tn	ROM at 2,735,000 tonnes/year	807.80
Shipping/storage	FOB Port of Guaymas	125.03
Sulphuric acid	For pugging	678.57
Other reagents	pH controllers	57.14
Surface rights	Access and holding taxes	2.86
Transportation	to Hermosillo	125.03
Total		\$US1,957.88

Capital requirements to build the mine and processing plant as well as supplying sustaining capital and funding for mine closure are estimated at US\$114 million (Table 35). Of this amount US\$46 million is required to build and support the mine, US\$57 million to build and support the processing plant, US\$ 1 million for feasibility studies, US\$5 million for working capital, and US\$5 million for closing.

Table 35. Development Capital Requirements

Capital Costs - La Ventana Li Deposit	
Mine	US\$
Equipment/Contracted	35,000,000
Infrastructure	10,000,000
Support	1,000,000
Processing plant	
Washing/Roasting Plant	50,000,000
Infrastructure	5,000,000
Support	2,000,000
Feasibility study	1,000,000
Working capital	5,000,000
Closing	5,000,000
Total	\$US114,000,000

Mining cost is estimated at US\$2.50 per tonne of material (lithium-bearing clays and waste) with an average of 14.7 million tonnes of material mined per year. Processing costs are estimated at US\$1,139 per tonne of product. Table 36 summarizes the operating costs for mining and processing.

Table 36. Estimated Average Annual Mining and Processing Costs

Operating Costs/year		
Plant	US\$/tonne Li ₂ CO ₃	US\$/year
Water	0.96	33,600
Electricity	148.58	5,200,440
Natural gas	59.52	2,083,200
Storage/Shipping	125.03	4,376,000
Other reagents	57.14	2,000,000
Sulphuric acid	678.57	23,750,000
Fuel	22.86	800,000
Labour		1,145,664
Subtotal	1,139	39,388,904
Mine		
ROM@ US\$2.50/tonne		6,837,500
Waste@ US\$2.50/tonne		21,435,562
Labour		572,832
Subtotal	824	28,845,894
Administration		
Salary & wages		190,944
Surface rights	2.86	100,000
Subtotal	8	290,944
TOTAL	\$US1,958	\$US68,525,742

22.0 Economic Analysis

22.1 Magdalena Basin Project – El Cajon Borate Deposit

Preliminary economic analysis of the project was initially based on an annual production rate of 50,000 tonnes of colemanite concentrate (40-42% B₂O₃), with a mine life of 25 years and run-of-mine feed to the processing plant averaging 10% to 12% B₂O₃. The project is subjected to an annual royalty of 6% of net profits and a government taxation rate of 34%.

Potential project cash flows, net present values at various discount rates and internal rate of return are listed in Table 37 for the life of the project and based on colemanite concentrate prices of \$US400, \$US500 and \$US600 per tonne FOB Port of Guaymas. The net cash flow ranges from \$US175 million to \$US328 million; net present values ranges from \$US80 million to \$US146 million at an 8% discount rate. The internal rate of return for the project ranges from 18.1% to 31.9%. Project pay-back time is estimated at less than four years.

The preliminary economic assessment includes forward looking information including, but not limited to, assumptions concerning colemanite prices, cash flow forecasts, project capital and operating costs, commodity recoveries, mine life and production rates. Readers are cautioned that actual results may vary from those presented. Further testing will need to be undertaken to confirm economic feasibility of the El Cajon deposit. Mineral resources used in this preliminary economic analysis are not mineral reserves as they do not have demonstrated economic viability.

Table 37. El Cajon: Cash Flow and Net Present Value Analysis Projected Over Life of Mine

Colemanite Concentrate Price Senario		\$US400/tonne	\$US500/tonne	\$US600/tonne
Cashflow Summary		US\$ million	US\$ million	US\$ million
Revenue		480	600	720
Operating Costs		198	198	198
Royalty		15.4	22.2	28.9
Capital Costs		7.25	7.25	7.25
Taxation		82	119	156
Net Cash Flow		175	252	328
Net Present Value	Discount rate	NPV US\$ Million	NPV US\$ Million	NPV US\$ Million
	10%	68	96	124
	9%	74	104	135
	8%	80	113	146
	7%	87	123	159
Internal Rate of Return		18.1%	24.8%	31.5%

22.2 Sonora Lithium Project – La Ventana Lithium Deposit

Based on the disclosed inferred resources and the initial metallurgical test work a preliminary economic assessment has been undertaken for the Project. The preliminary assessment is preliminary in nature as it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the preliminary

assessment will be realized. In order to make the preliminary economic assessment the Competent Persons have used forward looking information including, but not limited to, assumptions concerning lithium commodity prices, cash flow forecasts, project capital and operating costs, commodity recoveries, mine life and production rates. Readers are cautioned that actual results, should they be realized, may vary from those presented. Further testing will be needed to be undertaken to confirm economic feasibility of the La Ventana Lithium Deposit. There have been no prior pre-feasibility or feasibility studies undertaken for the Project.

Preliminary economic analysis of the project is based on an annual production rate of 35,000 tonnes of lithium carbonate, with a mine life of 20 years and run-of-mine feed to the processing plant averaging 0.3% Li. The project is subjected to an annual royalty of 3% of net profits and a government taxation rate of 34%.

Potential project cash flows, net present values at various discount rates and internal rate of return are listed in Table 38 for the life of the project and are based on lithium carbonate prices of \$US5,000, \$US6,000 and \$US7,000 per tonne. The net cash flow ranges from \$US1,309 million to \$US2,190 million; net present values ranges from \$US631 million to \$US1,064 million at an 8% discount rate; internal rate of return for the project ranges from 106% to 170%. Project pay-back time is estimated at 1.9 to 3.6 years depending on product prices.

Table 38. La Ventana: Cash Flow and Net Present Value Analysis Projected Over Life of Mine

Lithium Carbonate Price Scenario		\$US5,000/tn	\$US6,000/tn	\$US7,000/tn
Cashflow Summary		US\$ million	US\$ million	US\$ million
Revenue		3,500	4,200	4,900
Operating Costs		1,370	1,371	1,371
Royalty		105	126	147
Capital Costs		114	114	114
Taxation		601	839	1,077
Net Cash flow		1,309	1,750	2,190
Net Present Value	Discount rate	NPV US\$ Million	NPV US\$ Million	NPV US\$ Million
	10%	542	730	917
	9%	584	785	987
	8%	631	848	1,064
	7%	684	917	1,150
Internal Rate of Return		106%	138%	170%

23.0 Adjacent Properties

23.1 Magdalena Basin Project

The Magdalena Basin is host to several industrial minerals deposits, including the Unimin borate deposit and the Yeso Gypsum Mine (Figure 48).

23.1.1 Unimin Borate Deposit

The Unimin or Tinaja Del Oso (“TDO”) deposit is located in a concession that was originally part of the US Borax – Vitro joint venture lands. The deposit was discovered in 1977 and has unpublished, internal US Borax resource estimates.

The TDO deposit consists primarily of colemanite and howlite mineralization. It outcrops for approximately 3,000 metres and is 30 metres to 47 metres thick (Vidal, 2007b). The lowest zone contains 2.3 metres of howlite and colemanite hosted in black shales. The unit is unconformably overlain by a barren sedimentary breccia which in turn is overlain by a turbiditic breccia containing gypsum crystals. Above this unit a clay unit with marl containing colemanite rosettes represents the central portion of the deposit. The thickest zone of the deposit is approximately 12 metres and is comprised of sedimentary mudstone breccia. The colemanite is found in the breccia as veinlets and disseminations (Vidal, 2007b).

Exploration by the joint venture on the TDO deposit included two shafts and a total of 128 drill holes. All holes were vertically drilled on a 50 metres by 50 metres grid pattern. There was sufficient drilling to determine a US Borax internal reserve estimate (non-NI 43-101 compliant) on the central and eastern portion of the deposit. Insufficient drilling in the western portion of the deposit inhibited the development of a reserve across the entire deposit. The internal calculations used a cutoff grade of 10% B₂O₃ and an estimated greater than 3.0 million tons of pure colemanite (or 3.03 million tons of boric acid equivalent). The assumptions surrounding this estimate are unknown.

Internal metallurgy tests, processing plans, recovery tests and economic models were also conducted on this deposit. When US Borax and Vitro dissolved the joint venture, Vitro purchased the TDO deposit concession and subsequently entered into a joint venture agreement with Unimin. Vitro currently holds the title to the concession.

23.1.2 Yeso Gypsum Mine

There is no published information on the Yeso mine. The following information was provided as personal communication from Vidal (2009) based on field visits between 1995 and 2008.

The Yeso Gypsum Mine is located in the eastern portion of the Magdalena basin. The deposit is a northwest-southeast trending syncline with the mine pit located in the middle of the syncline. Both margins (northeast and southwest) are small anticlines.

The deposit is a gypsiferous lenticular body composed of four major units. The lowest unit is composed of approximately 80% of gypsum with black, carbonaceous shales with arsenic (realgar and orpiment) in the matrix. This unit contains less than 1% disseminated borates. The second unit, a one metre thick black carbonaceous shale, conformably overlies the gypsum unit and is barren. The third unit is composed of about 85% gypsum and 1% borates (no visible colemanite - the borate is howlite altered to calcite) in a pale gray to black carbonaceous shaly

matrix. It conformably overlies the lower two units. The uppermost level is composed of pale gray shale with 55% gypsum and up to 3% of disseminated and nodular borates variably altered to calcite. The nodules are 1.0 to 5.0 centimetres in diameter.

The current mine production of gypsum is 10,000 tonnes per month. The gypsum is being purchased by two cement plants located nearby Hermosillo.

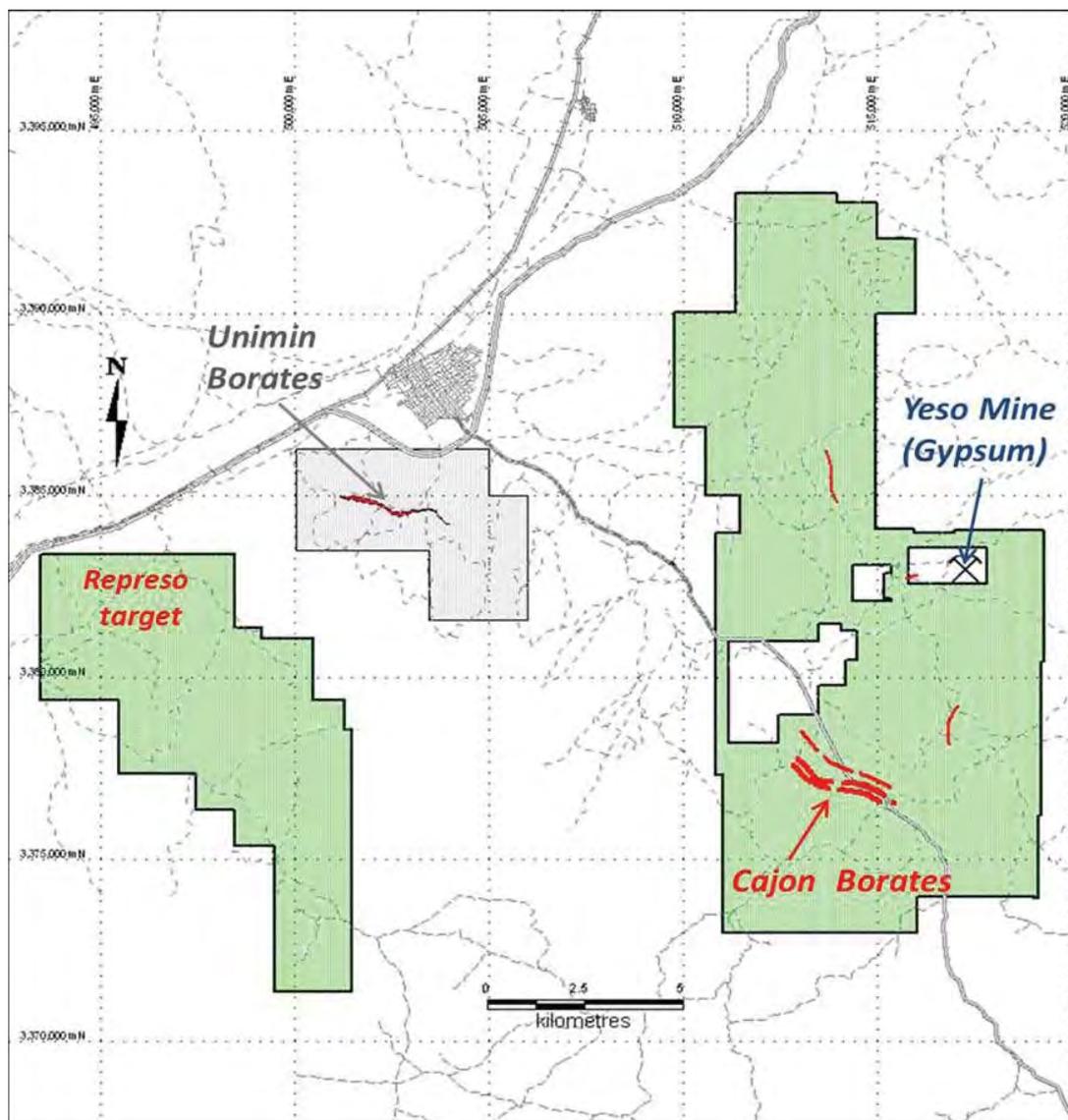


Figure 48. Map of Adjacent properties.

23.2 Sonora Lithium Project

There are no known lithium deposits adjacent to and close to the Company's holding.

24.0 Other Relevant Data and Information

There is no other relevant data or information concerning the Magdalena Basin Project, Tubutama Basin Project or the Sonora Lithium Project.

25.0 Interpretations and Conclusions

25.1 Magdalena Basin Project – El Cajon Borate Deposit

Exploration by Bacanora Minerals Ltd. on the El Cajon borate deposit has produced an indicated borate resource estimate for the deposit.

A total of 48 diamond drill holes tested El Cajon in 2010 and 2011. The results of these holes confirmed the interpretation that borate mineralization consisting of colemanite and howlite occurs in three separate horizons (Units A, B and C). The configuration of the deposit is that of a gently dipping southwesterly plunging synclinal structure, with minor anticlinal warps.

The data density while wide spaced, is adequate for this stage of exploration and resource estimation. Based on the CPs' examination of the data it is their opinion that it is reliable and meets industry standards for such data.

The estimated resources for Units A, B and C can be classified as Indicated Mineral Resources, based on the spacing of the available data and the level of confidence on the geological continuity of the mineralization, the confidence on the sampling techniques and assaying procedures. Quality assurance and control analysis of the assay results and mineral density estimations were performed in order to increase the confidence and help to support the resource categories. There were no quality assurance or control problems found by this analysis.

A preliminary resource of 11 million tonnes in the indicated category with an average grade of 10.6 % B₂O₃, using a cut-off of 8% B₂O₃ and 3.0 metres as minimum thickness is estimated for El Cajon.

Based on the results of work conducted on the Cajon deposit in the Magdalena project area, further work is warranted on the deposit in order to upgrade and expand the resource and to advance the project through preliminary feasibility for boric acid production.

In the CPs' opinion, the work conducted by Bacanora Minerals Ltd on the El Cajon deposit met the original objective of estimating a borate resource and providing data and information for a preliminary economic assessment for a boric acid and colemanite production facility. Further work should be directed toward a pre-feasibility study of boric acid production.

25.2 Sonora Lithium Project

The La Ventana Lithium Deposit and the El Sauz – Fleur concessions contain significant lithium resources. These two areas of lithium-bearing clays are part of one continuous, bedded deposit.

25.2.1 La Ventana Lithium Deposit

Drill results from La Ventana were used to estimate indicated resources, at a cut-off of 2,000 ppm Li, for the Upper Clay unit of 21,470,000 tonnes averaging 2,256 ppm Li (1.20% LCE or 258,000 tonnes LCE), and 53,850,000 tonnes averaging 3,540 ppm Li (1.88 % LCE or 1,015,000 tonnes LCE) for the Lower Clay unit, for a total of 75,320,000 tonnes averaging 3,174 ppm Li (1.69% LCE or 1,273,000 tonnes LCE) for the combined Upper Clay and Lower Clay units. Readers are cautioned that mineral resources are not mineral reserves as they do not have demonstrated economic viability.

Based on the disclosed indicated resources and the initial metallurgical test work it is concluded that the preliminary economic assessment for the project is positive. The preliminary assessment is preliminary in nature as it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that the preliminary assessment will be realized. In order to make the preliminary economic assessment forward looking information was used including, but not limited to, assumptions concerning lithium commodity prices, cash flow forecasts, project capital and operating costs, commodity recoveries, mine life and production rates. Readers are cautioned that actual results, should they be realized, may vary from those presented. Further testing will be needed to be undertaken to confirm preliminary feasibility of lithium carbonate production from the clays found on the Sonora Lithium Project. There have been no prior pre-feasibility or feasibility studies undertaken for the project.

The preliminary economic analysis indicates that La Ventana Lithium Deposit could have a favorable internal rate of return in the order of 106% to 170% based on a producing operation with an output of 35,000 tonnes battery grade lithium carbonate per annum over a 20 year open pit mine life.

Results of the exploration and preliminary economic analysis are sufficiently encouraging to warrant advancing the project through pre-feasibility/feasibility work.

On the La Ventana concession, the clays are situated in two units that dip gently to the east and crop out over a strike length of 3.5 kilometres.

A total of 17 diamond drill holes and 6 trenches tested La Ventana in 2010, 2011 and 2013. Significant drill-intercept results from these holes ranged from 1,744 ppm Li across 42.31 metres in the Upper Clay unit (hole LV-05), to 5,442 ppm Li across 21.34 metres in the Lower Clay unit (hole LV-13).

The estimated resources for the Upper and Lower Clay units on La Ventana are classified as Indicated, based on the spacing of the available data and the level of confidence in the geological continuity of the mineralization, the confidence on the sampling techniques and assaying procedures.

25.2.2 El Sauz and Fleur Concessions

Drill results from 41 holes that tested the continuation of the lithium-bearing clay units from La Ventana to the south, across the Fleur concession and onto the El Sauz concession were used to estimate an indicated lithium resource for the clay units underlying those concessions. At a cut-off of 2,000 ppm Li, indicated resource for the Upper Clay unit is estimated to be 47,360,000 tonnes averaging 2,222 ppm Li (1.18% LCE or 560,000 tonnes LCE). The Lower Clay unit is estimated to have 73,630,000 tonnes averaging 3,698 ppm Li (1.97% LCE or 1,450,000 tonnes LCE). The combined total is 120,990,000 tonnes averaging 3,120 ppm Li (1.66% LCE or 2,010,000 tonnes LCE) for both clay units. Readers are cautioned that mineral resources are not mineral reserves as they do not have demonstrated economic viability.

The data density for both La Ventana and El Sauz - Fleur, while widely spaced, is adequate for this stage of exploration. Based on the CPs' examination of the data, it is their opinion that it is reliable and meets industry standards for such data.

In the CPs' opinion, the work conducted by Bacanora on the Sonora Lithium Project meets the original objective of estimating an indicated lithium resource for both the La Ventana and El Sauz - Fleur concessions and providing data and information sufficient for a preliminary economic analysis on the La Ventana lithium deposit.

26.0 Recommendations

26.1 Magdalena Basin Project – El Cajon Borate Deposit

Due to the nature of the borate market, and in order to provide assurance that a marketable borate product can be produced from the El Cajon deposit it is recommended that:

1. boric acid samples be distributed to prospective buyers in order to ascertain their interest, as well as pricing information, and
2. a scoping study be undertaken to provide a preliminary estimate of cost, process parameters for and economics of a boric acid plant capable of producing 25,000 tonnes of boric acid per year.

The object and outcome of these recommendations are to provide a pre-feasibility study that will support continued development of the El Cajon borate deposit.

The estimated cost of the recommended program is in the order of \$US1,250,000.

26.2 Sonora Lithium Project

26.2.1 La Ventana Lithium Deposit

Further work on the Project should consist of:

1. acquiring high quality topographic control, preferably through LIDAR survey of the concession areas,
2. detailed geological mapping to define the extents of the favorable lithium-bearing clay units on all of the concessions,
3. acquisition of large surface samples of both the Upper Clay and Lower Clay units from La Ventana for comprehensive mineral processing and metallurgical test work, and
4. additional drill testing of La Ventana in order to expand and upgrade the Li resources.
5. Scoping study to provide preliminary cost and economic data for building and operating a plant capable of producing between 35,000 to 50,000 tonnes per year of lithium carbonate.

26.2.2 El Sauz and Fleur

Further work should consist of:

1. continued detailed geological mapping to define the extents of the favorable lithium-bearing clay units on the concessions as well as on the new concessions (Buenavista, San Gabriel and Megalit),
2. continuous channel samples across select exposures of the Upper and Lower Clay units,
3. acquiring high quality topographic control, preferably through airborne LIDAR survey of the concession areas, in order to assist with the resource estimation and provide more accurate surface details to aid in development planning, and
4. acquire additional specific gravity measurements for all lithologies and subunits.

The estimated cost of the recommended programs for the Sonora Lithium Project is in the order of \$US750,000.

Contingent upon the success of the recommended programs, additional work will be required to further evaluate the projects. At this juncture, it would be premature to propose a second phase program or budget prior to an assessment of the results of the above recommended programs.

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APPENDIX A – Abbreviations used in this report

ASL	Above Sea Level
B	Chemical symbol for element boron
BCN	Bacanora Minerals Ltd.
B₂O₃	Chemical symbol for borate, a boron compound
B(OH)₃	Boric acid
°C	Degrees Celsius
Col	Colemanite: CaB ₃ O ₄ (OH) ₃ ·H ₂ O
CIM	Canadian Institute of Mining & Metallurgy
CP	Competent Person as defined under AIM rules
CMR	Council of Mineral Resources, agency of the Mexican Government
CRZ	Carbonate replacement of colemanite zones
Cum.	Cumulative
Fm	Geological formation
FOB	Free on board
gm	gram
ICP-OES	Inductively coupled plasma – optical emission spectrometry – an analytical technique
INEGI	Mexico’s agency that collects census information and keeps geographic information
ISO	International Standards Organization
JV	Joint venture
LCE	Lithium Carbonate Equivalent, assumes all lithium can be converted to lithium carbonate without processing or recovery losses
Li	Chemical symbol for the element lithium
LTM	Labratorio Technico Metallurgica
Ma/My	Millions of years before present
mm	Millimetre/millimetres
M	Mega or million
MCC	Magdalena-Madera Metamorphic Core Complex
MIT	Minera Industriales Tubutama S.A. de C.V.
MPM	A company called Materias Primas Magdalena
MSB	Minera Sonora Borax S.A. de C.V.
MSM	Minera Santa Margarita S.A. de C.V.
MYTT	Bacanora internal high boron sample standard
NAD	North American map Datum
NQ	A size of drill core 47.6 mm in diameter

Abbreviations used in this report, continued.

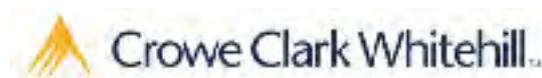
OB	Overburden
ppm	Parts per million
QA/QC	Quality assurance/quality control
QP	Qualified Person as defined by NI 43-101
REM	Rare Earth Minerals PLC
ROM	Run of Mine material
SMO	Sierra Madre Occidental
S.A. de C.V.	Mexican legal term: Sociedad Anónima de Capital Variable or variable capital corporation, the common form for a corporate entity in Mexico
TDO	Tinaja Del Oso borate deposit, also known as the Unimin deposit
TT	Bacanora internal low boron sample standard
USB	US Borax
UTM NAD 27	Universal topographic metric grid location method using North American datum of 1927
Vitro	A company previously having a joint venture with USB for development of the TDO deposit

PART IV
FINANCIAL INFORMATION ON BACANORA MINERALS

PART IV (A)

HISTORICAL AUDITED CONSOLIDATED FINANCIAL INFORMATION ON THE GROUP FOR EACH OF THE THREE YEARS ENDED 30 JUNE 2013

21 July 2014



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Dear Sirs

Introduction

We report on the financial information of Bacanora Minerals Ltd. (the “Company”) and its subsidiaries (together the “Group”). This historical audited consolidated financial information has been prepared for inclusion in Part IV(A) of the Company’s AIM Admission Document dated 21 July 2014 (the “Admission Document”), on the basis of the accounting policies set out in note 2 to the financial information. This report is required by paragraph (a) of Schedule Two to the AIM Rules for Companies (the “AIM Rules”) and is given for the purposes of complying with the AIM Rules and for no other purpose.

Responsibilities

The directors of the Company (the “Directors”) are responsible for preparing the financial information on the basis of preparation set out in note 1 below and in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”).

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document and to report our opinion to you.

Save for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any person other than the addressees of this letter for any loss suffered by any such person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph (a) of Schedule Two of the AIM Rules, consenting to its inclusion in the Admission Document.

Basis of opinion

We conducted our work in accordance with Standards of Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the underlying financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Group as at the date stated and of the results, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in note 1 to the financial information and has been prepared in accordance with IFRS and has been prepared in a form that is consistent with the accounting policies adopted by the Company.

Declaration

For the purposes of paragraph (a) of Schedule Two of the AIM Rules, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with paragraph (a) of Schedule Two of the AIM Rules.

Yours faithfully

Crowe Clark Whitehill LLP

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The consolidated statements of comprehensive income of the Group for each of the three years ended 30 June 2011, 2012 and 2013 are set out below in Canadian Dollars:

	<i>Note</i>	<i>Year ended 30 June 2011 C\$'000</i>	<i>Year ended 30 June 2012 C\$'000</i>	<i>Year ended 30 June 2013 C\$'000</i>
Revenue				
Interest income		5	27	11
Expenses				
General and administrative	12	547	586	746
Amortisation		2	23	58
Stock-based compensation expense	10(g)	312	272	22
		<u>861</u>	<u>881</u>	<u>826</u>
Loss before other items		(856)	(854)	(815)
Other comprehensive income to be recycled in profit and loss account:				
– Foreign exchange gain (loss)		17	(94)	66
		<u>(839)</u>	<u>(948)</u>	<u>(749)</u>
Loss before tax		(839)	(948)	(749)
Deferred income tax	11	(84)	(116)	(67)
		<u>(923)</u>	<u>(1,064)</u>	<u>(816)</u>
Loss		(923)	(1,064)	(816)
Foreign currency translation adjustment		(248)	225	182
		<u>(1,171)</u>	<u>(839)</u>	<u>(634)</u>
Total comprehensive loss				
Loss attributable to shareholders of Bacanora Minerals Ltd.				
		(958)	(991)	(847)
Loss attributable to non-controlling interest				
		35	(73)	31
		<u>(923)</u>	<u>(1,064)</u>	<u>(816)</u>
Total comprehensive loss attributable to non-controlling interest				
		(1,206)	(766)	(665)
Total comprehensive loss attributable to non-controlling interest				
		35	(73)	31
		<u>(1,171)</u>	<u>(839)</u>	<u>(634)</u>
Net loss per share (basic and diluted)		<u>C\$(0.03)</u>	<u>C\$(0.02)</u>	<u>C\$(0.01)</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The consolidated statements of financial position of the Group as at 30 June 2011, 2012 and 2013, are set out below in Canadian Dollars:

	<i>Note</i>	<i>As at 30 June 2011 C\$'000</i>	<i>As at 30 June 2012 C\$'000</i>	<i>As at 30 June 2013 C\$'000</i>
Current assets				
Cash and cash equivalents		6,412	3,758	3,050
Cash held in trust	8(c)	—	—	500
Trade and other receivables		202	350	460
Prepayments		—	13	3
Total current assets		<u>6,614</u>	<u>4,121</u>	<u>4,013</u>
Non-current assets				
Related party receivable	14	108	7	8
Property, plant and equipment	7	47	211	1,512
Exploration and evaluation expenditure	8	2,743	4,684	6,849
Total non-current assets		<u>2,898</u>	<u>4,902</u>	<u>8,369</u>
Total assets		<u>9,512</u>	<u>9,023</u>	<u>12,382</u>
Current liabilities				
Accounts payable and accrued liabilities	14	174	190	197
Due to related parties	14	100	45	64
Mineral property deposit	8(c)	—	—	500
Total current liabilities		<u>274</u>	<u>235</u>	<u>761</u>
Non-current liabilities				
Provision for rehabilitation	9	—	—	27
Deferred tax liability	11	84	200	267
Total non-current liabilities		<u>84</u>	<u>200</u>	<u>294</u>
Total liabilities		<u>358</u>	<u>435</u>	<u>1,055</u>
Equity				
Share capital	10	10,173	10,173	13,525
Contributed surplus	10(f)	471	743	765
Foreign currency translation reserve		(249)	(23)	157
Accumulated deficit		(1,131)	(2,122)	(2,968)
Attributed to shareholders of the Company		<u>9,264</u>	<u>8,771</u>	<u>11,479</u>
Non-controlling interest		<u>(110)</u>	<u>(183)</u>	<u>(152)</u>
Total shareholders' equity		<u>9,154</u>	<u>8,588</u>	<u>11,327</u>
Total liabilities and shareholders' equity		<u>9,512</u>	<u>9,023</u>	<u>12,382</u>

CONSOLIDATED STATEMENTS OF CASH FLOW

The consolidated statements of cash flow statements of the Group for each of the three years ended 30 June 2011, 2012 and 2013 are set out below in Canadian Dollars:

	<i>Note</i>	<i>Year ended 30 June 2011 C\$'000</i>	<i>Year ended 30 June 2012 C\$'000</i>	<i>Year ended 30 June 2013 C\$'000</i>
Cash flows from operating activities				
Net loss from operations		(923)	(1,064)	(816)
Amortisation		2	23	58
Unrealised foreign exchange loss (gain)		(248)	226	133
Stock based compensation expense	10(g)	312	272	22
Shares issued for services		—	—	48
Deferred income tax	11	84	116	67
		<u>(773)</u>	<u>(427)</u>	<u>(488)</u>
Changes in non-cash working capital		(170)	(144)	(40)
Net cash used in operating activities		<u>(943)</u>	<u>(571)</u>	<u>(528)</u>
Cash flows from investing activities				
Purchase of property, plant and equipment	7	(12)	(187)	(1,359)
Payment for exploration & evaluation assets	8	(1,124)	(1,941)	(2,138)
Related party advances	14	(108)	(55)	—
Net cash used in investing activities		<u>(1,244)</u>	<u>(2,183)</u>	<u>(3,497)</u>
Cash flows from financing activities				
Proceeds from issue of shares		6,968	—	3,304
Related party advances	14	100	100	13
Changes in non-cash working capital		39	—	—
Net cash from financing activities		<u>7,107</u>	<u>100</u>	<u>3,317</u>
Net (decrease)/increase in cash and cash equivalents		4,920	(2,654)	(708)
Cash and cash equivalents at beginning of the year		<u>1,492</u>	<u>6,412</u>	<u>3,758</u>
Cash and cash equivalents at end of the year		<u>6,412</u>	<u>3,758</u>	<u>3,050</u>

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

The consolidated statements of changes in shareholders' equity of the Group for each of the three years ended 30 June 2011, 2012 and 2013 are set out below in Canadian Dollars:

	<i>Note</i>	<i>Share capital C\$'000</i>	<i>Accumulated deficit C\$'000</i>	<i>Foreign exchange translation reserve C\$'000</i>	<i>Contributed surplus C\$'000</i>	<i>Non- controlling interest C\$'000</i>	<i>Total C\$'000</i>
As at 1 July 2010		3,175	(173)	—	40	(145)	2,897
Mineral property purchase		150	—	—	—	—	150
Issues of shares and warrants for cash		7,457	—	—	—	—	7,457
Compensation warrants issued		(127)	—	—	127	—	—
Share issue costs		(518)	—	—	—	—	(518)
Share based compensation	10(g)	—	—	—	312	—	312
Shares issued on exercise of options		36	—	—	(8)	—	28
Foreign currency translation adjustment		—	—	(249)	—	—	(249)
Loss for the year		—	(958)	—	—	35	(923)
As at 30 June 2011		<u>10,173</u>	<u>(1,131)</u>	<u>(249)</u>	<u>471</u>	<u>(110)</u>	<u>9,154</u>
Share based compensation	10(g)	—	—	—	272	—	272
Foreign currency translation adjustment		—	—	226	—	—	226
Loss for the year		—	(991)	—	—	(73)	(1,064)
As at 30 June 2012		<u>10,173</u>	<u>(2,122)</u>	<u>(23)</u>	<u>743</u>	<u>(183)</u>	<u>8,588</u>
Shares issued for services	10	48	—	—	—	—	48
Private placement		3,500	—	—	—	—	3,500
Share issue costs		(196)	—	—	—	—	(196)
Stock-based compensation	10(g)	—	—	—	22	—	22
Foreign currency translation		—	—	181	—	—	181
Loss for the year		—	(846)	—	—	30	(816)
As at 30 June 2013		<u><u>13,525</u></u>	<u><u>(2,968)</u></u>	<u><u>158</u></u>	<u><u>765</u></u>	<u><u>(153)</u></u>	<u><u>11,327</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. Corporate Information

The Company was incorporated under the Business Corporations Act of Alberta on 29 September 2008. The Company completed its initial public offering and was listed as a Capital Pool Company, as defined in Policy 2.4 of the TSX Venture Exchange (the “Exchange”), on 7 May 2009. On 9 April 2010, the Company completed its Qualifying Transaction through a reserve takeover transaction with Mineramex Limited (“Mineramex”) and Tubutama Limited (“Tubutama”). The Company was listed on the Exchange as a Tier 2 issuer and the trading of the Company’s shares under the revised symbol, “BCN”, commenced on 19 April 2010. The address of the Company is suite 1800, 510 – 5th Street SW, Calgary, AB T2P 3S2.

The Company is a development stage mining company engaged in the identification, acquisition, exploration and development of mineral properties located in Mexico. The Company has not yet determined whether its mineral properties contain economically recoverable reserves. The recoverability of amounts capitalised is dependent upon the discovery of economically recoverable reserves, securing and maintaining title in the properties and obtaining the necessary financing to complete the exploration and development of these projects and upon attainment of future profitable production. The amounts capitalised as mineral properties represent costs incurred to date, and do not necessarily represent present or future values.

The Company had generated accumulated consolidated losses of C\$2,968,000 at 30 June 2013 (2012 – C\$2,122,000, 2011 – C\$1,131,000) and the shareholders’ equity of its subsidiaries incorporated in Mexico have decreased to an amount less than one third of their share capital which, according to Mexican laws, may be a cause for dissolving a company at the request of any interested third party. If the Company is not able to generate income producing transactions through the identification and exploration of ores, and continue to raise sufficient capital to continue exploration activities, there is a risk that the rights to the mining concessions could be challenged.

2. General

Basis of Preparation

a) *Statement of Compliance*

This consolidated financial information has been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

b) *Basis of Measurement*

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

This consolidated financial information is presented in Canadian Dollars, rounded to the nearest thousand. The functional currency of the Company is Canadian Dollars and for its subsidiaries is the US Dollar.

c) *Going Concern*

The Directors have a reasonable expectation that the Company and the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial information.

3. Significant Accounting Policies

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

a) *Basis of consolidation*

The consolidated financial information comprises the financial statements of the Company, and its wholly-owned subsidiary, Mineramex, 99.9 per cent. of Minera Sonora Borax, S.A. de C.V. ("MSB"), and 60 per cent. of Minerale Industriales Tubutama, S.A. de C.V. ("MIT"). Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intercompany balances and transactions are eliminated in full. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

b) *Foreign currency*

i) *Functional currency:*

This consolidated financial information is presented in Canadian Dollars, which is the Company's presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The Company has a Canadian Dollar functional currency and its subsidiaries have a US Dollar functional currency.

ii) *Transactions and balances:*

Transactions in foreign currencies are initially recorded in the functional currency at the rate in effect at the date of the transaction. Monetary assets and liabilities denominated in the foreign currencies are retranslated at the functional currency spot rate of exchange in effect at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. All exchange differences are recorded in net loss for the period.

iii) *Translation to presentational currency:*

The results and statement of financial position of the subsidiaries are translated to the presentation currency as follows:

Assets and liabilities for each statement of financial position item presented are translated at the closing rate at the date of that balance;

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

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

c) ***Cash***

Cash is comprised of cash held on deposit and other short-term, highly liquid investments with original maturities of three months or less with a Canadian chartered bank and a Mexican bank. These deposits and investments are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

d) ***Exploration and evaluation assets***

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

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

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

Once the work completed to date on an area of interest is sufficient such that the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development. Exploration and evaluation assets are tested for impairment before the assets are transferred to development property, capitalised expenditure is transferred to mine development assets or capital work in progress.

e) ***Property and equipment***

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

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

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

f) ***Rehabilitation provision***

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

g) **Provisions**

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

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

h) **Interest income**

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

i) **Financial instruments**

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

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

Financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- loans and receivables;
- financial assets at fair value through profit or loss;
- held-to-maturity investments; and
- available-for-sale financial assets.

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

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

Loans and receivables

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

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

Financial liabilities

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

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

j) ***Impairment of assets***

i) *Financial assets*

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

ii) *Non-financial assets*

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

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

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

An impairment loss recognised in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amount of the other assets in the cash-generating unit on a *pro-rata* basis.

With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognised in profit or loss.

k) ***Income taxes***

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

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

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

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

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

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

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

l) ***Earnings (loss) per share***

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

m) ***Stock-based payments***

i) ***Stock-based payment transactions***

The Company grants stock options to acquire common shares to directors, officers and employees (“equity-settled transactions”). The Board of Directors determines the specific grant terms within the limits set by the Company’s stock option plan. The Company’s stock-based compensation plan does not feature any options for a cash settlement.

ii) ***Equity-settled transactions***

The costs of equity-settled transactions are measured by reference to the fair value at the grant date and are recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant persons become fully entitled to the award (the “vesting date”). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the Company’s best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and the corresponding amount is represented in share option reserve. No expense is recognised for awards that do not ultimately vest.

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

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

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

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

n) ***Related party transactions***

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

o) ***Segment reporting***

A segment is a component of the Company that is distinguishable by economic activity (business segment), or by its geographical location (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company operates in one business segment, mineral exploration, and two geographical segments, Canada and Mexico.

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

The International Accounting Standards Board (“IASB”) and IFRIC have issued the following amendments, none of which have been applied in the consolidated financial information on the basis that their effective dates fall in subsequent periods.

<i>Title</i>	<i>Issued</i>	<i>Effective date</i>	<i>Date</i>
IAS 19 Amendment – Employee Benefits	June 2011	Accounting periods beginning on or after	01/01/2013
IFRS 7 and IAS 32 Offsetting financial assets and financial liabilities	Dec 2011	Accounting periods beginning on or after	01/01/2013
IAS 27 Separate Financial Statements	May 2011	Accounting periods beginning on or after	01/01/2013
IAS 28 Investments in Associates and Joint Ventures	May 2011	Accounting periods beginning on or after	01/01/2013
IFRS 10 Consolidated Financial Statements	May 2011	Accounting periods beginning on or after	01/01/2013
IFRS 11 Joint Arrangements	May 2011	Accounting periods beginning on or after	01/01/2013
IFRS 12 Disclosure of Interests in Other Entities	May 2011	Accounting periods beginning on or after	01/01/2013
IFRS 13 Fair Value Measurement	May 2011	Accounting periods beginning on or after	01/01/2013
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	Oct 2011	Accounting periods beginning on or after	01/01/2013
IFRS 1 Amendments – Government Loans	Mar 2012	Accounting periods beginning on or after	01/01/2013
Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)	Jun 2012	Accounting periods beginning on or after	01/01/2013

<i>Title</i>	<i>Issued</i>	<i>Effective date</i>	<i>Date</i>
Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)	June 2013	Accounting periods beginning on or after	01/01/2014
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	Oct 2012	Accounting periods beginning on or after	01/01/2014
IAS 36 Amendments Recoverable Amount Disclosures for non-Financial Assets	May 2013	Accounting periods beginning on or after	01/01/2014
IFRIC 21: Levies	May 2013	Accounting periods beginning on or after	01/01/2014

The Directors do not anticipate that the adoption of the above standards and interpretations will have a material impact on the consolidated financial information in the year of initial application.

4. Critical accounting estimates, judgements and assumptions

The preparation of the Company's consolidated financial information in accordance with IFRS requires management to make certain judgments, estimates, and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from these estimates. Information about the significant judgments, estimates, and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

a) *Exploration and evaluation assets*

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

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

b) *Title to mineral property interests*

Although the Company has taken steps to verify the title to the exploration and evaluation assets in which it has an interest, in accordance with industry practices for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects, that if arose could impair the carrying value of the assets as detailed in Note 8.

c) *Contingencies*

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

d) *Share-based payments*

The Company utilises the Black-Scholes Option Pricing Model to estimate the fair value of stock options granted to directors, officers and employees. The use of the Black-Scholes Option Pricing Model requires management to make various estimates and assumptions that impact the value assigned to the stock options including the forecast future volatility of the stock price, the risk-free interest rate, dividend yield and the expected life of the stock options. Any changes in these assumptions could have a material impact on the share-based payment calculation value.

The same estimates are required for transactions with non-employees where the fair value of the goods or services received cannot be reliability determined.

e) ***Income taxes***

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognises liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

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

f) ***Environmental protection practices***

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and also on properties in which it has previously had an interest.

The Company believes it conducts its mineral exploration activities in compliance with applicable environment protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in a material liability for the Company.

In the Directors' opinion, none of the above accounting estimates, judgements and assumptions have a significant risk of resulting in a material error in the next twelve months.

5. Financial instruments and risk management

This note presents information about the Company's exposure to credit, liquidity and market risks arising from its use of financial instruments and the Company's objectives, policies and processes for measuring and managing such risks.

a) ***Credit risk***

Credit risk arises from the potential that a counter party will fail to perform its obligations. Financial instruments that potentially subject the Company to concentrations of credit risk consist of accounts and related party receivables. The Company believes that the amount due from the related party is collectible, however as the amount has not been collected subsequent to year end its recoverability is uncertain. Any changes in management's estimate of the recoverability of the amount due will be recognised in the period of determination and any adjustment may be significant. The carrying amount of accounts and related party receivables represents the maximum credit exposure.

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

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

b) **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses.

c) **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices, and interest rates will affect the value of the Company's financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximising long-term returns.

The Group conducts exploration projects in Mexico. As a result, a portion of the Group's expenditures, accounts receivable, accounts payables and accrued liabilities are denominated in US Dollars and Mexican pesos and are therefore subject to fluctuation in exchange rates. As at 30 June 2013, a 1 per cent. change in the exchange rate between the Canadian Dollar, Mexican peso and US Dollar would have an approximate C\$7,000 (2012 – C\$13,000, 2011 – C\$54,000) change to the Group's total comprehensive income.

d) **Fair values**

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

6. Capital management

The Company's objectives in managing capital are to safeguard its ability to operate as a going concern while pursuing exploration and development and opportunities for growth through identifying and evaluating potential acquisitions or businesses. The Company defines capital as the Company's shareholders equity excluding contributed surplus and non-controlling interest, of C\$10,714,000 at 30 June 2013 (2012 – C\$8,028,000 and 2011 – C\$8,793,000). The Company sets the amount of capital in proportion to risk and corporate growth objectives. The Director's manage its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics or the underlying assets. The Company is not subject to any externally imposed capital requirements other than those disclosed in Note 1. The Company does not expect to enter into any debt financing at this time. The Board of Directors does not establish a quantitative return on capital criteria for management; but rather promotes year over year exploration and development growth. The Company will be meeting its objectives of managing capital through its detailed review and preparation of both short-term and long-term cash flow analysis and monthly review of financial results.

7. Property, plant and equipment

	<i>Building and equipment C\$'000</i>	<i>Office furniture and equipment C\$'000</i>	<i>Computer equipment C\$'000</i>	<i>Transportation equipment C\$'000</i>	<i>Total C\$'000</i>
Cost					
At 1 July 2010	—	4	5	43	52
Additions	—	—	—	12	12
Disposals	—	—	(1)	—	(1)
At 30 June 2011	—	4	4	55	63
Additions	131	9	2	45	187
Disposals	—	—	—	—	—
At 30 June 2012	131	13	6	100	250
Additions	1,359	(9)	1	9	1,359
At 30 June 2013	1,490	4	7	109	1,610

	<i>Building and equipment C\$'000</i>	<i>Office furniture and equipment C\$'000</i>	<i>Computer equipment C\$'000</i>	<i>Transportation equipment C\$'000</i>	<i>Total C\$'000</i>
Depreciation					
At 1 July 2010	—	2	3	9	14
Charge for the year	—	—	(1)	3	2
At 30 June 2011	—	2	2	12	16
Charge for the year	—	—	1	22	23
At 30 June 2012	—	2	3	34	39
Charge for the year	27	—	2	30	59
At 30 June 2013	27	2	5	64	98
Carrying value					
At 30 June 2011	—	2	2	43	47
At 30 June 2012	131	11	3	66	211
At 30 June 2013	1,463	2	2	45	1,512

8. Exploration and evaluation assets

The Group's mining claims consist of mining concessions located in the State of Sonora, Mexico. The specific descriptions of such properties are as follows:

a) *Tubutama Borate property*

Originally referred to as the Carlos Project, Tubutama Borate project consists of six mining concessions with a total area of 1,661 Ha. The concessions are located 15 kilometres from the town of Tubutama, and are 100 per cent. owned by MIT. The Tubutama property is subject to a 3 per cent. gross overriding royalty payable to a director of the Company on sales of borate produced from this property.

b) *Magdalena Borate property*

Originally referred to as San Francisco and El Represo projects, Magdalena Borate project consists of seven concessions, with a total area of 16,503 Ha. The concessions are located 15 kilometres from the cities of Magdalena and Santa Ana, and are 100 per cent. owned by MSB. The Magdalena property is subject to a 3 per cent. gross overriding royalty payable to a director of the Company on sales of borate produced from this property.

c) *Sonora Lithium property*

During the year ended 30 June 2011, the Company, through its subsidiary MSB, acquired all rights, title and interests in certain lithium claims from a related party who is an officer of the Company. As consideration for the assets, the Company issued 600,000 common shares at C\$0.25 per share. In addition, the Company paid cash payments of US\$40,000 to reimburse the vendors for acquisition and preliminary assessment costs. The property consists of four exploration licenses, covering approximately 4,050 Ha in the Sonora State of Mexico. The Lithium property is subject to a 3 per cent. gross overriding royalty payable to a director of the Company on sales of products produced from this property.

During the year ended 30 June 2013, the Company entered into a formal agreement with Rare Earth Minerals Plc ("REM"), a London Stock Exchange listed company (AIM:REM), pursuant to which it has granted REM certain rights to participate in drilling and project evaluation of the El Sauz and Fleur Lithium concessions (the "Concessions"). The Concessions are adjacent to and along strike from the Company's La Ventana concession. The Company will transfer its title in the concessions to a new subsidiary. Under the first stage REM can earn 10 per cent. of the shares of the new subsidiary after payment of US\$750,000, under the second stage an additional 20 per cent. of the shares after payment of US\$1,500,000, and under the third stage additional shares to bring REM's shareholdings up to 49.9 per cent. at a price to be agreed by the parties at that time. During

the year the Company received US\$500,000 under the first stage which is held in trust at 30 June 2013. Subsequent to the year end the Company received in trust the remaining amount under the first stage and all of the second stage amounts giving REM 30 per cent. ownership in the new subsidiary.

The balance of investment in mining claims as of 30 June 2013 and 30 June 2012 corresponds to concession payments to the federal government, deferred costs of exploration and paid salaries, and consists of the following:

	<i>Tubutama Borate C\$'000</i>	<i>Magdalena Borate C\$'000</i>	<i>Sonora Lithium C\$'000</i>	<i>Total C\$'000</i>
Balance 1 July 2010	<u>1,145</u>	<u>324</u>	<u>—</u>	<u>1,469</u>
Additions:				
Concession tax	—	127	5	132
Acquisition	—	4	166	170
Exploration	—	206	31	237
Drilling	—	435	70	505
Analysis and assays	—	12	5	17
Technical services	—	100	—	100
Travel	—	51	9	60
Office and miscellaneous	(60)	65	48	53
Total additions	<u>(60)</u>	<u>1,000</u>	<u>334</u>	<u>1,274</u>
Balance 1 July 2011	<u>1,085</u>	<u>1,324</u>	<u>334</u>	<u>2,743</u>
Additions:				
Concession tax	11	207	4	222
Acquisition	—	—	1	1
Exploration	31	342	3	376
Drilling	13	626	197	836
Analysis and assays	2	136	24	162
Technical services	5	45	10	60
Travel	1	63	4	68
Office and miscellaneous	6	140	70	216
Total additions	<u>69</u>	<u>1,559</u>	<u>313</u>	<u>1,941</u>
Balance 30 June 2012	<u>1,154</u>	<u>2,883</u>	<u>647</u>	<u>4,684</u>
Additions:				
Concession tax	5	330	13	348
Acquisition				
Exploration	—	713	6	719
Drilling	—	161	37	198
Analysis and assays	—	78	2	80
Technical services	—	165	151	316
Travel	43	42	28	113
Office and miscellaneous	—	357	34	391
Total additions	<u>48</u>	<u>1,846</u>	<u>271</u>	<u>2,165</u>
Balance 30 June 2013	<u>1,202</u>	<u>4,729</u>	<u>918</u>	<u>6,849</u>

9. Rehabilitation provision

The Group records a liability for the estimated site rehabilitation costs, discounted to net present value. The net present value is determined using the liability-specific risk-free interest rate. The site rehabilitation costs consist of slope stabilization, re-contouring and seeding waste piles, and stabilizing and monitoring tailings disposal sites. The present value of the obligation was estimated at approximately C\$27,000 (2012 – C\$nil, 2011 – C\$nil).

	<i>\$'000</i>
Balance 1 July 2010	—
Balance 30 June 2011	—
Balance 30 June 2012	—
Addition in rehabilitation provision	27
Balance 30 June 2013	<u>27</u>

10. Share Capital

a) *Authorised*

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

b) *Common Shares Issued*

	<i>Shares '000</i>	<i>Amount C\$'000</i>
Balance 1 July 2010	34,578	3,174
Issued pursuant to mineral property purchase ⁽ⁱ⁾	600	150
Private placement issued for cash ⁽ⁱⁱ⁾	2,000	400
Private placement issued for cash ⁽ⁱⁱⁱ⁾	14,114	7,057
Compensation warrants issued	—	(127)
Share issue costs	—	(517)
Issued on exercise of options	140	36
Balance 30 June 2011	<u>51,432</u>	<u>10,173</u>
Balance 30 June 2012	<u>51,432</u>	<u>10,173</u>
Shares issued to a director for services rendered	192	48
Private placement issued for cash ^(iv)	11,667	3,500
Share issue costs	—	(196)
Balance 30 June 2013	<u>63,291</u>	<u>13,525</u>

- (i) On 23 August, 2010, the Company issued 600,000 common shares and cash considerations of US\$40,000 to an officer of the Company in exchange for Lithium exploration licenses (Note 8(c)).
- (ii) On 23 December 2010, the Company completed a private placement of 2,000,000 common shares at a price of C\$0.20 per share for aggregate gross proceeds of C\$400,000. The Company paid a total of C\$7,000 in legal fees related to this offering.
- (iii) On 18 May 2011, the Company completed a private placement of 14,113,760 units of the Company at a price of C\$0.50 per unit for aggregate gross proceeds of C\$7,057,000. Each unit consists of one common share and one-half of one common share purchase warrant, with each whole warrant being exercisable into one common share at a price C\$0.80 for a period of 18 months. The Company paid a total of C\$510,000 in legal and commission fees, of which C\$19,000 were paid to a director of the Company, and issued 705,688 compensation warrants. Each compensation warrant is exercisable into one common share at a price of C\$0.80 for period of 24 months. The fair value of the compensation warrants was calculated at C\$127,000 using the Black-Scholes pricing model and using volatility rate of 90 per cent., a risk free rate of 1.37 per cent., and an annual rate of quarterly dividends of 0.0 per cent. A director of the Company subscribed to 1,300,000 shares in this offering.
- (iv) On 26 March 2013, the Company completed a private placement of 11,666,667 units of the Company at a price of C\$0.30 per unit for aggregate gross proceeds of C\$3,500,000. Each unit consists of one common share and one-half of one common share purchase warrant, with each whole warrant being exercisable into one common share at a price of C\$0.45 for a period of five (5) years. The Company paid a total of C\$196,000 in legal and commission fees. The fair value of the warrants was calculated at C\$1,104,000 using the Black-Scholes pricing model and using a volatility rate of 90 per cent., a risk free rate of 1.37 per cent., and an annual rate of quarterly dividends of 0.0 per cent.

c) **Escrowed Shares**

On 30 June 2013, there were Nil (2012 – C\$5,056,000, 2011 – C\$10,151,000) shares in escrow to be released under the terms of the Escrow Agreements in accordance with the policies of the TSX Venture Exchange.

d) **Stock options**

The following tables summarise the activities and status of the Company's stock option plan as at and during the years ended 30 June 2011, 30 June 2012 and 30 June 2013.

	<i>Number of options '000</i>	<i>Weighted average exercise price C\$</i>
Balance 1 July 2010	546	0.20
Issued	1,500	0.32
Exercised	(140)	0.20
Expired	(6)	0.20
Balance 30 June 2011	1,900	0.29
Issued	1,000	0.50
Balance 30 June 2012	2,900	0.36
Issued	150	0.25
Expired	(100)	0.50
Balance 30 June 2013⁽¹⁾	<u>2,950</u>	<u>0.35</u>

(1) All options outstanding at 30 June 2013 were exercisable.

<i>Grant date</i>	<i>Number outstanding at 30 June 2013 C\$ '000</i>	<i>Exercise price C\$</i>	<i>Weighted average remaining contractual life (Years)</i>	<i>Expiry date</i>	<i>Total C\$ '000</i>
1 May 2009	400	0.20	0.9	May 1, 2014	400
8 December 2010	1,050	0.24	2.5	Dec 8, 2015	1,050
25 March 2011	100	0.50	2.8	Mar 25, 2016	100
19 June 2011	350	0.44	3.1	Jun 19, 2016	350
19 July 2011	900	0.50	3.1	July 19, 2016	900
28 September 2012	150	0.25	4.3	Sept 28, 2017	150
	<u>2,950</u>				<u>2,950</u>

e) **Warrants**

The following tables summarise the activities and status of the Company's warrants as at and during the year ended 30 June 2011, 30 June 2012 and 30 June 2013.

	<i>Exercise price C\$</i>	<i>Financing warrants C\$ '000</i>	<i>Compensation warrants C\$ '000</i>	<i>Total</i>
Balance 30 June 2010		—	—	—
Issued	0.80	7,057	—	7,057
Balance 30 June 2011		7,057	—	7,057
Issued	0.80	—	706	706
Balance 30 June 2012		7,057	706	7,763
Issued	0.80	5,833	—	5,833
Expired	0.45	—	(706)	(706)
Balance 30 June 2013		<u>12,890</u>	<u>—</u>	<u>12,890</u>

<i>Grant date</i>	<i>Number outstanding at 30 June 2013</i>	<i>Exercise Price C\$</i>	<i>Weighted average remaining contractual life (Years)</i>	<i>Expiry date</i>	<i>Financing warrants</i>
18 May 2011 ⁽ⁱ⁾	7,057	0.80	0.4	Nov. 18, 2013	7,057
26 March 2013	5,833	0.45	4.8	Mar. 26, 2018	5,833
	<u>12,890</u>				

(i) During the year the Group extended the expiry date from 18 November 2012 to 18 November 2013.

f) **Contributed surplus**

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

	<i>Year ended 30 June 2011 C\$'000</i>	<i>Year ended 30 June 2012 C\$'000</i>	<i>Year ended 30 June 2013 C\$'000</i>
Balance, beginning of the financial year	40	471	743
Fair value of compensation warrants issued	127	—	—
Stock-based compensation expense	312	272	22
Exercise of stock options	(8)	—	—
Balance, end of the financial year	<u>471</u>	<u>743</u>	<u>765</u>

g) **Stock-based compensation expense**

During the year ended 30 June 2013, the Group recognised C\$22,000 (2012 – C\$272,000, 2011 – C\$312,000) of the stock based compensation expense for options granted under the Company's stock option plan. The fair value of stock options granted during the year was estimated on the dates of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	<i>As at 30 June 2011</i>	<i>As at 30 June 2012</i>	<i>As at 30 June 2013</i>
Risk-free interest rate	1.37%	1.37%	1.37%
Expected volatility	90%	90%	90%
Expected life	5 years	5 years	5 years
Fair value per option	C\$0.20	C\$0.29	C\$0.15

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

h) **Per share amounts**

Basic loss per share is calculated using the weighted average number of shares of 54,567,970 for the year ended 30 June 2013 (2012 – 51,432,145, 2011 – 38,945,241). Options and warrants were excluded from the dilution calculation as they were anti-dilutive.

11. Income Taxes

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

	<i>As at</i> <i>30 June</i> <i>2011</i> <i>C\$'000</i>	<i>As at</i> <i>30 June</i> <i>2012</i> <i>C\$'000</i>	<i>As at</i> <i>30 June</i> <i>2013</i> <i>C\$'000</i>
Loss before tax	(839)	(948)	(749)
Expected income tax recovery at 25% (2012 – 27.73%, 2011 – 29.91%)	(250)	(263)	(187)
Share issuance costs	(129)	—	—
Stock-based compensation	93	74	6
Difference from foreign operations	(124)	257	23
Rate change	—	—	49
Change in deferred tax asset not recognised	494	48	176
Change in valuation allowance	—	—	—
Total	<u>84</u>	<u>116</u>	<u>67</u>

The components of net future income tax liability are as follows:

	<i>As at</i> <i>30 June</i> <i>2011</i> <i>C\$'000</i>	<i>As at</i> <i>30 June</i> <i>2012</i> <i>C\$'000</i>	<i>As at</i> <i>30 June</i> <i>2013</i> <i>C\$'000</i>
Canada			
Share issuance costs	183	131	114
Unrealised foreign exchange	—	—	23
Non-capital losses available for future periods	286	473	642
Unrecognised deferred tax assets	(469)	(604)	(779)
Canada net deferred income tax asset	<u>—</u>	<u>—</u>	<u>—</u>
Mexico			
Property and equipment	(148)	(517)	(27)
Exploration and evaluation assets	—	—	(583)
Unrealised foreign exchange	(51)	45	(40)
Non-capital losses available for future periods	203	272	383
Unrecognised deferred tax assets	(88)	—	—
Valuation allowance	—	—	—
Mexico net deferred income tax asset	<u>(84)</u>	<u>(200)</u>	<u>(267)</u>
Total net deferred tax liability	<u>(84)</u>	<u>(200)</u>	<u>(267)</u>

As at 30 June 2013, the Group has, for tax purposes, non- capital losses available to carry forward to future years as follows: Canada C\$2,568,000 (2012 – C\$1,748,000, 2011 – C\$901,000) expiring from 2027 to 2033 and Mexico C\$1,278,000 (2012 – C\$971,000, 2011 – C\$121,000) expiring from 2020 to 2023.

12. General and administrative expenses

General and administrative expenses include the following:

	<i>For the year ended 30 June 2011 C\$'000</i>	<i>For the year ended 30 June 2012 C\$'000</i>	<i>For the year ended 30 June 2013 C\$'000</i>
Management fees	113	145	130
Legal and accounting fees	209	237	280
Engineering fees	48	—	10
Investor relations	88	149	204
Office expenses	81	37	71
Miscellaneous	8	18	51
Total	<u>547</u>	<u>586</u>	<u>746</u>

13. Segmented information

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

	<i>Mexico</i>			<i>Canada</i>			<i>Consolidated</i>		
	<i>30 June 2011 C\$'000</i>	<i>30 June 2012 C\$'000</i>	<i>30 June 2013 C\$'000</i>	<i>30 June 2011 C\$'000</i>	<i>30 June 2012 C\$'000</i>	<i>30 June 2013 C\$'000</i>	<i>30 June 2011 C\$'000</i>	<i>30 June 2012 C\$'000</i>	<i>30 June 2013 C\$'000</i>
Property and equipment	47	211	1,512	—	—	—	47	211	1,512
Exploration and evaluation assets	<u>2,743</u>	<u>4,684</u>	<u>6,849</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,743</u>	<u>4,684</u>	<u>6,849</u>

14. Related party transactions

a. *Related party expenses*

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

During the year ended 30 June 2013, management fees in the amount of C\$468,000 (2012 – C\$333,000, 2011 – C\$280,000) were paid to directors and officers of the Company. Of this amount, C\$167,000 (2012 – C\$84,000, 2011 – C\$120,000) was capitalised to exploration and evaluation assets, and C\$301,000 (2012 – C\$249,000, 2011 – C\$127,000) was expensed as general and administrative costs. Of the total amount paid as management fees and expenses, C\$76,000 (2012 – C\$69,000, 2011 – C\$21,000) remains in accounts payables and accrued liabilities and C\$48,000 (2012 – Nil, 2011 – Nil) remains in due to related parties.

A company with common directors and shareholders made payments on behalf of the Company with respect of an office sublease and other general and administrative expenses in the amount of C\$32,000 (2012 – C\$45,000, 2011 – C\$100,000). These are in due to related parties as of year-end and are non-interest bearing, unsecured, with no specific terms of repayment.

The Company was repaid advances of C\$13,000 (2012 – C\$100,000, 2011 made payments of – C\$108,000) to a company with common directors and officers. The advances are non-interest bearing, unsecured, with no specific terms of repayment.

A company with common management incurred C\$572,000 (2012 – C\$247,000, 2011 – C\$102,000) charged to exploration and evaluation assets during the year of which C\$69,000 (2012 – C\$29,000, 2011 – C\$16,000) remains in accounts payable and accrued liabilities at year end.

b. **Key management personnel compensation**

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

	<i>For the year ended 30 June 2011 C\$'000</i>	<i>For the year ended 30 June 2012 C\$'000</i>	<i>For the year ended 30 June 2013 C\$'000</i>
Short-term benefits ⁽¹⁾	280	333	468
Stock-based compensation	312	272	22
Total remuneration	592	605	490

(i) Short-term benefits include consulting fees.

Details of directors' remuneration earned in respect of each financial year by each director of the Company during that year is set out below:

	<i>For the year ended 30 June 2011 C\$'000</i>	<i>For the year ended 30 June 2012 C\$'000</i>	<i>For the year ended 30 June 2013 C\$'000</i>
Colin Orr-Ewing	Nil	Nil	Nil
James Leahy	Nil	Nil	48
Guy Walker	Nil	Nil	Nil
Paul Conroy*	113	128	122
Martin Vidal	100	100	100
Derek Batorowski	69	72	72
Raymond Hodgkinson	10	Nil	38
Total remuneration	292	300	380

* Paul Conroy resigned on 19 June 2014.

15. Commitments and Contingencies

The Group has commitments for lease payments for field office and camp with no specific expiry dates. The total annual financial commitment resulting from these agreements is C\$17,000.

The properties in Mexico are subject to spending requirements in order to maintain title of the concessions. The capital spending requirement for 2014 is C\$312,000. The properties are also subject to semi-annual payments to the Mexican governments for concession taxes.

16. Subsequent events

On 11 September 2013, the Company announced that a total of 950,000 stock options to purchase Common Shares of the Company have been granted to directors, officers and consultants. The options are immediately exercisable at a price of C\$0.30 and expire on 21 September 2018.

Subsequent to 30 June 2013, the Company has received additional payments of C\$1,750,000 pursuant to the agreement with REM (Note 8c), and is in the process of issuing 30.0 per cent. of equity in its Mexican subsidiary holding the El Sauz and Fleur concessions to REM. On 1 May 2014, 400,000 of the Company's common stock option were exercised by the Company's directors and officers.

On 1 May 2014, 90,000 Common Shares at a price of C\$0.40 per share were issued to a director of the Company as payment for services rendered.

On 23 May 2014, the Company received a payment of US\$500,000 from REM in respect of REM's written notice to increase its ownership in the Company's subsidiary holding the San Gabriel, Buenavista and Megalit concessions from 10 per cent. to 30 per cent.

On 23 May 2014, the Company announced that it has initiated the process of seeking an admission of its common shares to trading on the AIM Market of the London Stock Exchange (“AIM”).

17. Nature of the financial information

The financial information on the Group in this report does not constitute statutory accounts.

PART IV(B)

**UNAUDITED HISTORICAL INTERIM FINANCIAL INFORMATION ON THE
GROUP FOR THE NINE-MONTH PERIOD ENDED 31 MARCH 2014**

Consolidated Statements of Financial Position

	<i>Unaudited</i> 31 March 2014 C\$'000	<i>Audited</i> 30 June 2013 C\$'000
Assets		
Current		
Cash	2,347	3,050
Cash held in a trust (Note 7(c))	829	500
Accounts receivable	483	460
Prepaid expenses	—	3
Total current assets	3,659	4,013
Non-current assets		
Related party receivable	—	8
Property and equipment (Note 6)	1,611	1,512
Exploration and evaluation assets (Note 7)	9,813	6,849
Total non-current assets	11,424	8,369
Total assets	15,084	12,382
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	194	197
Due to related parties	109	64
Mineral property deposit	—	500
Total current liabilities	303	761
Non-current liabilities		
Rehabilitation provision	27	27
Deferred tax liability	267	267
Total non-current liabilities	294	294
Total liabilities	598	1,055
Shareholders' Equity		
Share capital (Note 8(b))	13,525	13,525
Contributed surplus (Note 8(e))	1,046	765
Foreign currency translation reserve	679	158
Deficit	(624)	(2,968)
Attributed to Shareholders of the Company	14,625	11,479
Non-controlling interest	(140)	(153)
Total shareholders' equity	14,486	11,327
Total liabilities and shareholders' Equity	15,084	12,382

Consolidated Statements of Comprehensive Income

	<i>Unaudited</i> 9 months ended 31 March 2014 C\$'000	<i>Unaudited</i> 9 months ended 31 March 2013 C\$'000
Revenue		
Interest income	10	5
Expenses		
Management fees	107	88
Legal and accounting fees	158	235
Investor relations expenses	45	185
Office expenses	55	54
General and administrative	4	29
Amortisation	108	43
Share based compensation (Note 7(c)(f))	281	22
	<u>759</u>	<u>657</u>
Loss before other items	(749)	(651)
Foreign exchange (loss)/gain	(85)	559
Net loss	(834)	(92)
Foreign currency translation adjustment	520	20
Total comprehensive loss	<u>(313)</u>	<u>(73)</u>
Net loss attributable to shareholders of the Company	(831)	(158)
Net (loss)/income attributable to non-controlling interests	(3)	66
Net loss	<u>(834)</u>	<u>(92)</u>
Total comprehensive loss attributable to shareholders of the Company	(310)	(138)
Total comprehensive (loss)/income attributable to non-controlling interests	(3)	66
Total comprehensive loss	<u>(313)</u>	<u>(73)</u>
Net (loss) per share (basic and diluted)	<u>C\$ (0.01)</u>	<u>C\$ 0.00</u>

Consolidated Statement of Changes in Shareholder's Equity

	<i>Share Capital</i>		<i>Contributed Surplus</i>	<i>Accumulated other comprehensive income</i>	<i>Deficit</i>	<i>Non-controlling interest</i>	<i>Total</i>
	<i>Number of Shares</i>	<i>Amount C\$'000</i>					
As at 30 June 2012	51,432	10,173	743	(23)	(2,122)	(184)	8,588
Shares issued for services	192	48	—	—	—	—	48
Shares issued for cash, net of expenses	11,667	3,328	—	—	—	—	3,328
Stock-based compensation	—	—	22	—	—	—	22
Foreign currency translation adjustment	—	—	—	79	—	—	79
Loss for the period	—	—	—	—	(158)	46	(112)
As at 31 March 2013	63,291	13,548	765	56	(2,280)	(137)	11,952
Share issue costs	—	(24)	—	—	—	—	(24)
Foreign currency translation adjustment	—	—	—	102	—	—	102
Loss for the period	—	—	—	—	(689)	(15)	(704)
As at 30 June 2013	63,291	13,525	765	158	(2,968)	(153)	11,327
Stock-based compensation	—	—	281	—	—	—	281
Foreign currency translation adjustment	—	—	—	520	—	—	520
Disposition of interest in subsidiary	—	—	—	—	3,175	—	3,175
Loss for the period	—	—	—	—	(831)	13	(818)
As at 31 March 2014	63,291	13,525	1,046	679	(624)	(140)	14,486

Consolidated Statements of Cash Flows

	<i>Unaudited</i> <i>9 months</i> <i>ended</i> <i>31 March 2014</i> <i>C\$'000</i>	<i>Unaudited</i> <i>9 months</i> <i>ended</i> <i>31 March 2013</i> <i>C\$'000s</i>
Cash provided by (used in)		
Operating activities:		
Net loss for the period	(834)	(92)
Amortisation	108	43
Unrealised foreign exchange loss	498	119
Stock-based compensation expense	281	22
	<u>53</u>	<u>91</u>
Changes in non-cash working capital	(22)	(174)
	<u>31</u>	<u>(83)</u>
Cash flows from financing activities		
Related party advances	54	7
Disposition of interest in subsidiary	2,385	—
Issue of shares, net of expenses	—	3,328
	<u>2,438</u>	<u>3,335</u>
Cash flows from investing activities		
Additions to exploration and evaluation assets (Note 7)	(2,964)	(2)
Additions to property and equipment (Note 6)	(208)	(1,300)
	<u>(3,172)</u>	<u>(2,880)</u>
Total (decrease)/increase in cash during the period	(703)	373
Cash, beginning of the period	<u>3,050</u>	<u>3,758</u>
Cash, end of the period	<u><u>2,347</u></u>	<u><u>4,130</u></u>

1. Corporate Information

The Company was incorporated under the *Business Corporations Act* of Alberta on 29 September 2008. The Company completed its initial public offering and was listed as a Capital Pool Company, as defined in Policy 2.4 of the TSX Venture Exchange (the “Exchange”), on 7 May 2009. On 9 April 2010, the Company completed its Qualifying Transaction through a reverse takeover transaction with Mineramex and Tubutama Limited (“Tubutama”). The Company was listed on the Exchange as a Tier 2 issuer and the trading of the Company’s shares under the revised symbol, “BCN”, commenced on 19 April 2010. The address of the Company is Suite 1800, 510 – 5th Street SW, Calgary, AB T2P 3S2.

The Company is a development stage mining company engaged in the identification, acquisition, exploration and development of mineral properties located in Mexico. The Company has not yet determined whether its mineral properties contain economically recoverable reserves. The recoverability of amounts capitalised is dependent upon the discovery of economically recoverable reserves, securing and maintaining title in the properties and obtaining the necessary financing to complete the exploration and development of these projects and upon attainment of future profitable production. The amounts capitalised as mineral properties represent costs incurred to date, and do not necessarily represent present or future values.

The Company has generated accumulated consolidated unaudited losses of C\$624,000 at 31 March 2014 and the shareholders’ equity of its subsidiaries incorporated in Mexico have decreased to an amount less than one third of their share capital which, according to Mexican laws, may be a cause for dissolving a company at the request of any interested third party. If the Company is not able to generate income producing transactions through the identification and exploitation of ores, and continue to raise sufficient capital to continue exploration activities, there is a risk that the rights to the mining concessions could be challenged.

2. Basis of Preparation

a) *Statement of compliance*

This unaudited consolidated interim financial information has been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial information, including IAS 34, Interim Financial Reporting. The unaudited consolidated interim financial information should be read in conjunction with the annual audited consolidated financial statements for the year ended 30 June 2013, which have been prepared in accordance with IFRS as issued by the IASB.

The Company has used the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended 30 June 2013.

The unaudited consolidated interim financial information was authorised for issue by the Board of Directors on 30 May 2014.

b) *Basis of measurement*

The unaudited consolidated financial information has been prepared on an historical cost basis, except for certain financial instruments that have been measured at fair value.

The unaudited consolidated interim financial information is presented in Canadian Dollars and rounded to the nearest thousand, unless stated otherwise. The functional currency of the Company is Canadian Dollars and US Dollars for its subsidiaries.

c) *New standards and interpretations not yet adopted*

A number of new IFRS standards, and amendments to standards and interpretations, are not yet effective for the period ended 31 March 2014, and have not been applied in preparing this unaudited consolidated interim financial information. None of these standards are expected to have a significant effect on the unaudited consolidated interim financial information of the Company.

3. Significant Accounting Policies

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

a) *Basis of consolidation*

The unaudited consolidated interim financial information comprises the financial information of the Company and 70 per cent. of its subsidiary, Mexilit, and through its wholly-owned subsidiary, Mineramex, 99.9 per cent. of MSB, and 60 per cent. of MIT. Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. The financial information of each subsidiary is prepared for the same reporting period as the parent company, using consistent accounting policies. All intercompany balances and transactions are eliminated in full. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

4. Financial Instruments and Risk Management

This note presents information about the Company's exposure to credit, liquidity and market risks arising from its use of financial instruments and the Company's objectives, policies and processes for measuring and managing such risks.

a) *Credit risk*

Credit risk arises from the potential that a counter party will fail to perform its obligations. Financial instruments that potentially subject the Company to concentrations of credit risk consist of accounts receivables and related party receivables. The Company believes that the amount due from the related party is collectible, however as the amount has not been collected subsequent to year end its recoverability is uncertain as it is dependent on the outcome of future events which are inherently uncertain. Any changes in management's estimate of the recoverability of the amount due will be recognised in the period of determination and any adjustment may be significant. The carrying amount of accounts and related party receivables represents the maximum credit exposure.

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

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

b) *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its obligations when due, under both normal and stressed conditions, without incurring unacceptable losses.

c) *Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices, and interest rates will affect the value of the Company's financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximising long-term returns.

The Company conducts exploration projects in Mexico. As a result, a portion of the Company's expenditures, accounts receivables, and accounts payables and accrued liabilities are denominated in US Dollars and Mexican pesos and are therefore subject to fluctuation in exchange rates.

d) ***Fair values***

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

5. Capital Management

The Company's objectives in managing capital are to safeguard its ability to operate as a going concern while pursuing exploration and development and opportunities for growth through identifying and evaluating potential acquisitions or businesses. The Company defines capital as the Company's shareholders equity excluding contributed surplus, of C\$13,440,000 at 31 March 2014 (2013 – C\$11,188,000). The Company sets the amount of capital in proportion to risk and corporate growth objectives. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company is not subject to any externally imposed capital requirements other than those disclosed in Note 1. The Company does not expect to enter into any debt financing at this time. The Board does not establish a quantitative return on capital criteria for management, but rather promotes year-over-year exploration and development growth. The Company will be meeting its objective of managing capital through its detailed review and preparation of both short-term and long-term cash flow analysis and monthly review of financial results.

6. Property and Equipment

<i>Cost</i>	<i>Plant C\$'000</i>	<i>Office furniture and equipment C\$'000</i>	<i>Computer equipment C\$'000</i>	<i>Transportation equipment C\$'000</i>	<i>Total C\$'000</i>
As at 30 June 2012	131	13	6,109	100	250
Additions	1,359	(9)	1,427	9	1,360
As at 30 June 2013	1,490	3	7,536	109	1,609
Additions	202	—	719	4	208
As at 31 March 2014	1,692	3	8,249	113	1,817
Accumulated amortisation					
As at 30 June 2012	—	2	3,536	34	39
Additions	27	—	1,516	30	58
as at 30 June 2013	27	2	5,052	64	98
Additions	94	1	1,524	12	108
As at 31 March 2014	121	3	6,576	76	206
Carrying amounts					
As at 30 June 2013	1,463	1	2,484	45	1,512
As at 31 March 2014	1,571	—	1,673	37	1,611

7. Exploration and Evaluation Assets

The Company's mining claims consist of mining concessions located in the State of Sonora, Mexico. The specific descriptions of such properties are as follows:

a) ***Tubutama Borate property***

Originally referred to as the Carlos Project, Tubutama Borate project consists of six mining concessions with a total area of 1,661 hectares. The concessions are located 15 kilometers from the town of Tubutama, and are 100 per cent. owned by MIT. The Tubutama property is subject to a 3 per cent. gross overriding royalty payable to a director of the Company on sales of borate produced from this property.

b) **Magdalena Borate property**

Originally referred to as San Francisco and El Represo projects, the Magdalena Borate project consists of seven concessions, with a total area of 16,503 Ha. The concessions are located 15 kilometres from the cities of Magdalena and Santa Ana, and are 100 per cent. owned by MSB. The Magdalena property is subject to a 3 per cent. gross overriding royalty payable to Minera Santa Margarita S.A. de C.V., a subsidiary of Rio Tinto PLC, and a 3 per cent. gross overriding royalty payable to a director of the Company on sales of borate produced from this property.

c) **Sonora Lithium property**

During the year ended 30 June 2011, the Company, through its subsidiary MSB, acquired all rights, title and interests in certain lithium claims from a related party who is an officer of the Company. As consideration for the assets, the Company issued 600,000 common shares at C\$0.25 per share. In addition, the Company paid cash payments of US\$40,000 to reimburse the vendors for acquisition and preliminary assessment costs. The property consists of four exploration licenses, covering approximately 4,050 Ha in the Sonora State of Mexico. The Sonora Lithium property is subject to a 3 per cent. gross overriding royalty payable to a director of the Company on sales of products produced from this property.

During the year ended 30 June 2013, the Company entered into a formal agreement with REM, a London Stock Exchange listed company (AIM:REM), pursuant to which it has granted REM certain rights to participate in drilling and project evaluation of the El Sauz and Fleur Lithium concessions (the “**Concessions**”). The Concessions are adjacent to and along strike from the Company’s La Ventana concession. The Company transferred its title in the concessions to its subsidiary Mexilit. As per the formal agreement, REM has made cash contributions of US\$2,250,000 and has earned 30 per cent. of the shares of Mexilit. REM has the option to earn up to 49.9 per cent. of Mexilit under terms and consideration yet to be agreed upon.

During the period ended 31 March 2014, the Company entered into a second formal agreement with REM pursuant to which it has granted REM certain rights to participate in drilling and project evaluation of the San Gabriel, Buenavista and Megalit concessions. REM has made cash contributions of C\$829,000 and will earn 10 per cent. of the share of Megalit.

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

	<i>Tubutama Borate C\$'000</i>	<i>Magdalena Borate C\$'000</i>	<i>Sonora Lithium C\$'000</i>	<i>Total C\$'000</i>
As at 30 June 2012	1,153	2,884	647	4,684
Acquisition costs	5	330	13	348
Exploration costs	44	1,516	258	1,817
As at 30 June 2013	1,202	4,730	918	6,849
Acquisition costs	13	127	64	205
Exploration costs	45	1,362	1,353	2,760
As at 31 March 2014	1,260	6,220	2,334	9,813

8. Share Capital

a) **Authorised**

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

b) **Common Shares Issued**

As at 31 March 2014 and 30 June 2013, the Company had 63,290,812 common shares issued and outstanding with a value of C\$13,525,000.

c) **Stock options**

The following tables summarise the activities and status of the Company's stock option plan as at 31 March 2014.

	<i>Number of options</i>	<i>Weighted average exercise price</i>
As at 30 June 2012	2,900,000	C\$ 0.36
Expired	(100,000)	0.50
Issued	150,000	0.25
As at 30 June 2013	2,950,000	C\$ 0.35
Issued	950,000	0.30
As at 31 March 2014⁽¹⁾	<u>3,900,000</u>	<u>C\$ 0.34</u>

(1) All options outstanding at December 31, 2013 were exercisable.

<i>Grant date</i>	<i>Number outstanding as at 31 March 2014</i>	<i>Exercise price</i>	<i>Weighted average remaining contractual life (Years)</i>	<i>Expiry date</i>	<i>Number exercisable as at 31 March 2014</i>
1 May 2009	400,000	C\$ 0.20	0.5	1 May 2014	400,000
8 December 2010	1,050,000	C\$ 0.24	2.1	8 December 2015	1,050,000
25 March 2011	100,000	C\$ 0.50	2.4	25 March 2016	100,000
19 June 2011	350,000	C\$ 0.44	2.7	19 June 2016	350,000
19 July 2011	900,000	C\$ 0.50	2.7	19 July 2016	900,000
28 September 2012	150,000	C\$ 0.25	3.9	28 September 2017	150,000
11 September 2013	950,000	C\$ 0.30	4.6	11 September 2018	950,000
	<u>3,900,000</u>				<u>3,900,000</u>

d) **Warrants**

The following table summarises the activities and status of the Company's warrants.

	<i>Number of warrants</i>	<i>Remaining contractual life (Years)</i>	<i>Expiry date</i>	<i>Weighted Average Exercise price</i>
As at 30 June 2013	12,890,214	—	—	C\$ 0.64
Expired	(7,056,880)	—	—	C\$ 0.80
As at 31 March 2014	<u>5,833,334</u>	<u>4.6</u>	<u>26 March 2018</u>	<u>C\$ 0.45</u>

e) **Contributed surplus**

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

	<i>Unaudited 31 March 2014 C\$ '000</i>	<i>Audited 30 June 2013 C\$ '000</i>
As at beginning of the period	765	743
Stock-based compensation expense	281	22
As at end of the period	<u>1,046</u>	<u>765</u>

f) **Stock-based compensation expense**

During the nine-month period ended 31 March 2014, the Company recognised C\$281,000 (2012 – C\$22,000) of stock-based compensation expense for options granted under the Company's stock option plan. The fair value of stock options granted during the period was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	<i>Unaudited</i> 31 March 2014	<i>Audited</i> 30 June 2013
Risk-free interest rate	1.37%	1.37%
Expected volatility	90%	90%
Expected life	5 years	5 years
Fair value per option	C\$0.30	C\$0.15

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

g) **Per share amounts**

Basic loss per share is calculated using the weighted average number of shares of 63,290,812 for the period ended 31 March 2014 (2012 – 51,645,040). Options and warrants were excluded from the dilution calculation as they were anti-dilutive.

9. Segmented Information

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

	<i>Mexico</i>		<i>Canada</i>		<i>Consolidated</i>	
	<i>Unaudited</i> 31 March 2014 C\$'000	<i>Audited</i> 30 June 2013 C\$'000	<i>Unaudited</i> 31 March 2014 C\$'000	<i>Audited</i> 30 June 2013 C\$'000	<i>Unaudited</i> 31 March 2014 C\$'000	<i>Audited</i> 30 June 2013 C\$'000
Property and equipment	1,611	1,512	—	—	1,611	1,512
Exploration and evaluation assets	9,813	6,849	—	—	9,813	6,849

10. Related Party Transactions

a. **Related party expenses**

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

During the nine-month period ended 31 March 2014, management fees in the amount of C\$325,000 (2013 – C\$330,000) were paid to directors and officers of the Company. Of this amount, C\$122,000 (2013 – C\$61,000) was capitalised to exploration and evaluation assets, and C\$203,000 (2013 – C\$269,000) was expensed as general and administrative costs. Of the total amount paid as management fees and expenses, C\$36,000 (2012 – C\$36,000) remains in Due to Related Parties.

A company with common directors and shareholders made payments on behalf of the Company with respect of an office sublease and other general and administrative expenses in the amount of C\$10,000 (2013 – C\$43,000). The advances are in Due to Related Parties as at 31 March 2014 and are non-interest bearing, unsecured, with no specific terms of repayment.

b. **Key management personnel compensation**

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

	<i>Unaudited 9 months ended 31 March 2014 C\$'000</i>	<i>Unaudited 9 months ended 31 March 2013 C\$'000</i>
Short-term benefits ⁽¹⁾	325	330
Stock-based compensation	281	22
Total compensation	<u>606</u>	<u>352</u>

(1) Short-term benefits include consulting fees.

11. Commitments and Contingencies

The Company has commitments for lease payments for field office and camp with no specific expiry dates. The total annual financial commitment resulting from these agreements is C\$17,000.

The properties in Mexico are subject to spending requirements in order to maintain title of the concessions. The capital spending requirement for 2014 is C\$312,000. The properties are also subject to semi-annual payments to the Mexican government for concession taxes.

12. Subsequent Events

On 1 May 2014, 400,000 of the Company's common stock option were exercised by the Company's directors and officers.

On 1 May 2014, 90,000 common shares at a price of C\$0.40 per share were issued to a director of the Company as payment for services rendered.

On 23 May 2014, the Company received a payment of US\$500,000 from REM in respect of REM's written notice to increase its ownership in the Company's subsidiary holding the San Gabriel, Buenavista and Megalit concessions from 10 per cent. to 30 per cent.

On 23 May 2014, the Company announced that it has initiated the process of seeking an admission of its common shares to trading on the AIM Market of the London Stock Exchange ("AIM").

13. Nature of the Financial Information

The unaudited consolidated interim financial information on the Group does not constitute statutory accounts.

PART IV(C)

UNAUDITED PRO-FORMA STATEMENT OF CONSOLIDATED NET ASSETS

Set out below is an unaudited pro-forma statement of consolidated net assets of the Company as at 31 March 2014 (the “Pro-Forma Financial Information”). The Pro-Forma Financial Information has been prepared on the basis set out in the notes below to illustrate the effect of the Placing and Admission on the consolidated net assets of the Company had the Placing and Admission occurred on 31 March 2014. It has been prepared for illustrative purposes only. Because of its nature, the Pro-Forma Financial Information addresses a hypothetical situation and, therefore, does not represent the Company’s actual financial position. It is based on the schedules used in preparing the unaudited consolidated balance sheet of the Company as at 31 March 2014, which is reproduced in Part IV (b) “*Unaudited interim consolidated financial information of the Company*” of the Admission Document.

Users should read the whole of the Admission Document and not rely solely on the summarised financial information contained in this Part IV(c) “*Unaudited pro-forma statement of consolidated net assets*”.

Unaudited pro-forma statement of consolidated net assets

	<i>The Company C\$ '000 (Note 1)</i>	<i>Placing adjustments C\$ '000 (Note 2)</i>	<i>Unaudited pro-forma consolidated net assets of the Company C\$ '000</i>
<i>Non-current assets</i>			
Property and equipment	1,611	—	1,611
Exploration and evaluation assets	9,813	—	9,813
	11,424	—	11,424
<i>Current assets</i>			
Accounts receivable	483	—	483
Cash held in trust	829	—	829
Cash and bank balances	2,347	7,443	9,790
	3,659	7,443	11,102
<i>Non-current liabilities</i>			
Rehabilitation provision	(27)	—	(27)
Deferred tax liability	(267)	—	(267)
	(294)	—	(294)
<i>Current liabilities</i>			
Accounts payable and accrued liabilities	(194)	—	(194)
Due to related parties	(109)	—	(109)
	(303)	—	(303)
<i>Net assets</i>	14,486	7,443	21,929

Notes:

1. The financial information relating to the Company has been extracted without adjustment from the unaudited interim consolidated financial information for the nine-month period ended 31 March 2014 as set out in Part IV (b) “*Unaudited interim consolidated financial information of the Company*” of the Document.
2. The Placing adjustment of C\$7,443,380 represents the net proceeds of the Placing, comprising £4,750,000 from the placing of 14,393,940 new Common Shares of no par value at £0.33 per Common Share, less associated costs of the Placing of £712,000, translated at £1 to C\$1.8433.
3. The Pro-Forma Financial Information does not reflect any changes in the trading position of either the Company or the Group or any other changes arising from other transactions, other than the Placing outlined in note 2 above, since 31 March 2014.

21 July 2014



The Directors
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Alberta
Canada
T2P352

The Partners
Cairn Financial Advisers LLP
61 Cheapside
London EC2V 6AX
UK

The Partners
HD Capital Partners LLP
10-15 Queen Street
London EC4N 1TX
UK

Dear Sirs

Introduction

We report on the unaudited pro-forma statement of consolidated net assets as at 31 March 2014 (the “Pro-Forma Financial Information”) set out in Part IV(c) “*Unaudited pro-forma statement of consolidated net assets*” of Bacanora Minerals Limited’s (the “Company”) AIM Admission Document (the “Admission Document”) dated 21 July 2014, which has been prepared on the basis described, for illustrative purposes only, to provide information about how the Placing and Admission might have affected the net assets presented on the basis of the accounting policies adopted by the Company in preparing the unaudited interim financial information for the nine-month period ended 31 March 2014. This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that scheduled and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company (the “Directors”) to prepare the Pro-Forma Financial Information in accordance with Schedule Two of the AIM Rules.

It is our responsibility to form an opinion, in accordance with Schedule Two of the AIM Rules, as to the proper compilation of the Pro-Forma Financial Information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro-Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with Standards of Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source Documents, considering the evidence supporting the adjustments and discussing the Pro-Forma Financial Information with the Directors.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with reasonable assurance that the Pro-Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- (a) the Pro-Forma Financial Information has been properly compiled on the basis stated; and
- (b) that such basis is consistent with the accounting policies of the Company.

Declaration

For the purpose of paragraph (a) of Schedule Two of the AIM Rules, we are responsible for this report as part of the Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

Crowe Clark Whitehill LLP

Chartered Accountants

PART V

ADDITIONAL INFORMATION

1. Responsibility

The Company and the Directors, whose names and functions are set out in paragraph 2 of this Part V, accept responsibility for all the information contained in this Document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Document is in accordance with the facts and contains no omission likely to affect the import of such information.

2. The Directors

2.1 The Directors and (where applicable) their respective functions are as follows:

Colin Ian Orr-Ewing (*Non-Executive Chairman and Director*)

Martin Fernando Vidal Torres (*President and Director*)

Shane Watson Shircliff (*Chief Executive Officer and Director*)

Derek Batorowski (*Chief Financial Officer and Director*)

Guy Redvers Walker (*Non-Executive Director*)

James Gerald Leahy (*Non-Executive Director*)

2.2 The business address of the Company is 1250, 639 – 5th Avenue S.W., Calgary, Alberta, Canada T2P 0M9.

3. The Company

3.1 The Company was incorporated and registered as “Bacanora Minerals Ltd.” in the Province of Alberta, Canada on 29 September 2008 under the BCA with corporate access number 2014289082 as a limited company.

3.2 The registered office of the Company is 1250, 639 – 5th Avenue S.W., Calgary, Alberta, Canada T2P 0M9.

3.3 The Company’s head corporate office is at 1800, 510 – 5th Street S.W., Calgary, Alberta, Canada T2P 3S2 and its principal place of business operations is at Calle Uno 312, Esq. Av. Doce, Col. Bugambilias C.P. 83140, Hermosillo, Sonora, Mexico.

3.4 The Company’s operations office telephone number is +52 6622 100 767.

3.5 The principal legislation governing the Company is the BCA and the regulations made thereunder. In addition to the BCA, distribution of the securities of the Company is governed by the *Securities Act* (Alberta) and applicable Rules, Instruments and Policies enacted by the Canadian Securities Administrators.

3.6 The business of the Company and its principal activity is that of a holding company of a group of companies that are involved in mining exploration and development operations.

3.7 The Company’s existing Common Shares are listed under the symbol “BCN” on the TSX-V.

4. Subsidiaries and investments

4.1 The Company has the following direct and indirect subsidiaries:

<i>Name</i>	<i>Country of incorporation (registered number)</i>	<i>Issued share capital</i>	<i>Percentage owned or, if different, percentage of voting power held</i>	<i>Activity</i>
Mineramex	British Virgin Islands (687069)	1 share of US\$1 each	100%	Intermediate holding company
MSB	Mexico (36668*7)	50,000 shares of 1 MXN each	99.9%*	Mining operations
MIT	Mexico (34289*7)	50,000 shares of 1 MXN each	60%**	Mining operations
Mexilit	Mexico (41753*7)	142,861 shares of 13 MXN each	70%	Mining operations
Megalit	Mexico (42244*7)	111,111 shares of 13 MXN each	90%***	Mining operations

* Martin Vidal holds one share in each of the Mexican subsidiaries in trust in order to comply with Mexican corporate law.

** Mineramex is the registered holder of 100 per cent. of the shares of MIT; however, it only has beneficial ownership of 60 per cent. of the issued shares in MIT. See paragraph 14.1(d) of this Part V for more details.

*** REM Mexico delivered notice of its intention to exercise its option to acquire new shares representing a further 20 per cent. interest in Megalit; however, it has not yet fulfilled all of the conditions to the exercise of this option. See paragraph 14.3(b) of this Part V for more details.

4.2 Except as disclosed in this paragraph 4, the Company does not have, nor has it taken any action to acquire, any significant investments.

5. Share capital

5.1 The authorised share capital of the Company is made up of an unlimited number of voting common shares without par value.

5.2 The securities of the Company are created pursuant to the BCA. The distribution of the securities of the Company is governed by the *Securities Act* (Alberta) and applicable Rules, Instruments and Policies enacted by the Canadian Securities Administrators.

Under the BCA, no shareholder consent is required to issue shares pursuant to a public or private offering of securities by the Company. However, under the TSX-V Rules, shareholder approval may be required if the Placing results in a change of control (as such term is defined in the TSX-V Rules) or a new control person (being *prima facie*, a holder of greater than 20 per cent. of the voting shares) is created as a result of the Placing.

5.3 The issued share capital of the Company at the date of this Document and immediately following Admission and completion of the Placing is or will be as follows:

	<i>Number of Common Shares</i>
Current	63,780,812
On Admission	78,265,661

5.4 All of the issued share capital of the Company has been fully paid up.

5.5 The following changes have taken place in the authorised and issued share capital of the Company during the three year period to 30 June 2013 and up to the date of this Document:

<i>Date</i>	<i>Purpose of Common Share Issue</i>	<i>No. of Common Shares Issued</i>	<i>Actual or Deemed Price per Common Share</i>
1 May 2014	Payment of services rendered	90,000	C\$0.40
1 May 2014	Exercise of Options	400,000	C\$0.20
26 March 2013	Private placement financing	11,666,667*	C\$0.30
21 February 2013	Payment of services rendered	192,000	C\$0.25
18 May 2011	Private placement financing	14,113,760**	C\$0.50

* Securities issued under this private placement financing were units, each of which was comprised of one Common Share and one-half of one common share purchase warrant, with each whole warrant being exercisable into one Common Share at a price of C\$0.45 on or before March 26, 2018. An aggregate of 5,833,334 warrants were issued in connection with this financing.

** Securities issued under this private placement financing were units, each of which was comprised of one Common Share and one-half of one common share purchase warrant, with each whole warrant being exercisable into one Common Share at a price of C\$0.80 on or before November 18, 2012. An aggregate of 7,056,880 warrants were issued in connection with this financing. All of the foregoing warrants expired without exercise.

5.6 Options over a total of 3,500,000 Common Shares have been granted and are presently held by certain Directors, officers and consultants under the Stock Option Plan, all of which will be outstanding immediately following Admission and the principal terms of which are set out in the table below. Further details of Directors' interests in Options are set out in paragraph 11.2 of this Part V.

<i>Date of grant</i>	<i>Aggregate no. of Options granted</i>	<i>Exercise Price</i>	<i>Lapse Date</i>
11 September 2013	950,000	C\$0.30	11 September 2018
28 September 2012	150,000	C\$0.25	28 September 2017
19 July 2011	900,000	C\$0.50	19 July 2016
29 June 2011	350,000	C\$0.50	29 June 2016
25 March 2011	100,000	C\$0.50	25 March 2016
8 December 2010	1,050,000	C\$0.24	8 December 2015
Total	3,500,000		

5.7 The Existing Warrants over a total of 5,833,334 Common Shares (each Existing Warrant being exercisable into one Common Share) are, as set out below, outstanding. Such Existing Warrants have been granted by the Company to investors pursuant to equity financings carried out by the Company.

<i>No. of Existing Warrants</i>	<i>Exercise Price</i>	<i>Lapse Date</i>
5,833,334	C\$0.45	26 March 2018

5.8 Other than as noted in this paragraph 5 and in paragraph 14.4(e), the Company does not have in issue any securities not representing share capital and there are no outstanding convertible securities issued by the Company.

5.9 On Admission and completion of the Placing, the existing Shareholders will suffer a dilution of 18.39 per cent. in their interests in the Company.

5.10 The Common Shares may be held in either certificated form or, through Depository Interests, under the CREST system.

5.11 Except as disclosed in this paragraph 5 and paragraph 14, during the three year period to 30 June 2013 and up to the date of this Document: (i) there has been no change in the amount of the issued share or loan capital of the Company; and (ii) save for broking commissions or other cash commissions paid in relation to the private placement financings, the closings of which were announced by the Company on 18 May 2011 and 26 March 2013, no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share capital of the Company.

- 5.12 Except as disclosed elsewhere in this Part V, no share of the Company or any subsidiary is under option or has been agreed conditionally or unconditionally to be put under option.
- 5.13 To the best of the Directors' knowledge, there is no person who directly or indirectly, jointly or separately, exercises or could exercise control over the Company following Admission.
- 5.14 During the three year period to 30 June 2013 and up to the date of this Document, not more than 10 per cent. of the share capital of the Company has been paid for with assets other than cash.

6. Articles of Incorporation and By-Laws

The following is a summary of the Company's Articles, which were filed on 29 September 2008 and amended on 19 January 2009, and By-laws, which are the principal governing documents for the Company:

Articles of Incorporation

6.1 *Common Shares*

The Company is authorised to issue an unlimited number of common voting shares with the following rights, privileges, restrictions and conditions:

(a) **Voting**

The holders of Common Shares are entitled to receive notice of, attend at and vote at all meetings of Shareholders of the Company on the basis of one vote for each Common Share held.

(b) **Dividends**

Holders of Common Shares are entitled to receive and participate rateably in any dividends declared by the board of directors of the Company. No dividend can be declared or paid on Common Shares in respect of entitlement to share in the remaining property of the Company in the event of the liquidation, dissolution or winding up of the Company or other distribution of assets or property for the purpose of winding up the affairs of the Company, if such declaration or payment would cause the realisable value of the assets of the Company to be less than the aggregate of: (i) its liabilities; and (ii) the stated capital of all issued and outstanding shares of the Company.

(c) **Liquidation, Dissolution or Winding-up**

In the event of the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its Shareholders for the purpose of winding up its affairs, the holders of Common Shares are entitled to share rateably in the distribution of the remaining assets of the Company.

6.2 *Share Transfers*

The Company has no restrictions on share transfers.

6.3 *Directors*

The Company must have a minimum of one and a maximum of 10 directors at all times.

6.4 *Business*

The Company is not restricted from carrying on any type of business approved by the Directors of the Company.

6.5 *Other Provisions*

The Company has the following other provisions in its Articles:

- (a) The directors of the Company may, between annual general meetings, appoint one or more additional directors of the Company to serve until the next annual general meeting, but the number of additional directors cannot at anytime exceed one-third of the number of directors who held office at the expiration of the last annual general meeting of the Company.

- (b) The Company shall have a lien on the shares registered in the name of a Shareholder or his legal representative for a debt of that Shareholder to the Company.
- (c) The holder of a fractional share of the Company is entitled to exercise any voting rights and to receive any dividend in respect of the fractional share.

By-laws

6.6 Voting rights

Subject to any special rights or restrictions that apply to voting by joint holders, incapacitated holders, or to holders for the time being of a particular class of shares in accordance with the Articles, every Shareholder who is present in person or by proxy shall have one vote for every share of which he is the holder. In the case of an equality of votes, the chairman of the meeting has a second or casting vote.

6.7 Transfer of shares

Transfers of shares may be affected by an instrument of transfer in any usual form or in any other form approved by the board. The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee.

6.8 Directors

(a) Number of directors and quorum

The number of directors shall not be less than one, nor more than ten. Other than filling a vacancy on the board, at least one quarter of the directors present at any meeting are resident Canadians (unless a resident Canadian director provides written or telephone consent to the business transacted at the meeting).

(b) Election and Term

Directors are to be elected each year at the annual meeting of Shareholders. Directors continue in office until such time as they either resign or are replaced following a resolution to such effect by the shareholders.

(c) Action by the Board

The board shall manage the business and affairs of the Company.

(d) Meetings

Meetings may be held in person or via telephone and may take place anywhere in or outside of Alberta. In order to be duly called, 48 hours advance notice must be provided, unless otherwise waived by all directors.

(e) Remuneration and Expenses

The directors shall be paid such remuneration for their services as the board may from time to time determine. The directors shall also be entitled to be reimbursed for travelling and other expenses properly incurred by them in attending meetings of the board or any committee thereof.

(f) Written Resolutions

Resolutions of directors can be approved in writing, provided that they are signed by all directors.

(g) Borrowing powers

The directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets and may delegate this power to a director, a committee of the board or an officer of the Company.

6.9 *Officers*

(a) Officers

The board may appoint a president, one or more vice-presidents (to which title may be added words indicating seniority or function), a secretary, a treasurer and such other officers as the board may determine. The powers and duties of the officers shall be as determined by the board. Officers may be removed from their roles by directors. Unless otherwise removed, officers shall continue to hold office until a successor is appointed or their earlier resignation.

(b) Protection of directors and officers

(i) Limited Liability

No director or officer shall be liable for the acts, receipts, neglects or defaults of any other director, officer or employee, or for joining in any receipt or other act for conformity, or for any loss, damage or expense happening to the Company through the insufficiency or deficiency of title to any property acquired for or on behalf of the Company, or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious acts of any person with whom any of the moneys, securities or effects of the Company shall be deposited, or for any loss occasioned by any error of judgment or oversight on his part, or for any other loss, damage or misfortune which shall happen in the execution of the duties of his office or in relation thereto subject to the BCA and the regulations thereunder.

(ii) Indemnification

Subject to the BCA, the Company shall indemnify a director or officer, a former director or officer, or a person who acts or acted at the Company's request as a director or officer of a body corporate of which the Company is or was a Shareholder or creditor, and his heirs and legal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him in respect of any civil, criminal or administrative action or proceeding to which he is made a party by reason of being or having been a director or officer of the Company or such body corporate, if (a) he acted honestly and in good faith with a view to the best interests of the Company; and (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he had reasonable grounds for believing that his conduct was lawful. The Company shall also indemnify such person in such other circumstances as the BCA or law permits or requires.

6.10 *Shares and Shareholders*

(a) Allotments

The board may allot shares and grant options at its discretion, provided that any issuance of shares shall be fully paid. In addition, under TSX-V Rules, the maximum number of options that the Company may grant under its stock option plan cannot exceed 10 per cent. of the issued and outstanding Common Shares at any time.

(b) Meetings of Shareholders

The Company shall in each year hold an annual meeting of its Shareholders, at which time it shall place its financial statements before the shareholders for consideration and for the purpose of electing directors, appointing auditors and for such other purposes as may be properly brought before the meeting. Such meetings may be held in the municipality of the registered office unless the board otherwise determines, in which case they may be held in or outside of Alberta.

(c) Notice of Meetings of Shareholders

Subject to the provisions of the BCA, TSX-V Rules and applicable securities laws, a meeting of Shareholders shall be convened by not less than 21 and not more than 50 clear days' notice in writing.

(d) Quorum

A quorum for the transaction of business at any meeting of shareholders shall be two persons present in person, each being a shareholder entitled to vote thereat or a duly appointed proxyholder or representative for a shareholder so entitled.

(e) Shareholder reporting

The Company has amended its bylaws to state that, subject to the BCA, the Company shall request that all Shareholders interested in three percent (3 per cent.) or more of the Company's Common Shares notify the Company of their holdings (as such term is defined in the AIM Rules) of Common Shares (including all legal and beneficial interests, direct or indirect, of such Shareholder, including all positions in "financial instruments" (as such term is defined in the AIM Rules)) and of any subsequent relevant changes to their holdings (being each one percent (1 per cent.) increment increase or decrease whilst the Shareholder's holdings (as defined above) are above the three percent (3 per cent.) threshold) so that these disclosures can be properly notified to the AIM market.

7. Effects of Canadian Domicile

The Company is a Canadian company incorporated in the Province of Alberta, Canada under the BCA. There are certain differences between the corporate structure of the Company and that of a public limited company incorporated in the UK under the Act. A description of the principal differences is set out in the sections headed Pre-emption Rights, Takeovers and Disclosure of Interests in Shares below.

7.1 *Pre-Emption Rights*

The Company is not required under Canadian law to offer new Common Shares to existing Shareholders on a pre-emptive basis as is required of companies incorporated under the Act. As such, it may not be possible for existing Shareholders to participate in future share issues, which may dilute an existing Shareholder's interest in the Company. However, pursuant to the nominated adviser agreement, details of which are set out in paragraph 14.4(b) of this Part V, the Company and the Directors have undertaken to Cairn (and will undertake in similar terms to the nominated adviser to the Company from time to time) that for as long as the Company's Common Shares are admitted to AIM, the Company will not issue new Common Shares accounting for more than 25 per cent. in aggregate of the enlarged ordinary share capital of the Company in any one year (the "Maximum Allotment").

In accordance with this undertaking, this restriction does not apply to the issue of shares in connection with employee share schemes or the issue of bonus shares. Additionally, this restriction does not apply to any share issue in excess of the Maximum Allotment where:

- (a) in connection with the issue of shares for a consideration wholly or partly other than cash, the share issue has been approved by a simple majority of votes cast by shareholders in general meeting; or
- (b) in connection with the issue of shares for a consideration wholly in cash, the share issue either (i) has been approved by not less than 75 per cent. of votes cast by shareholders at a duly called meeting thereof, or (ii) proceeds by way of a pre-emptive offer to existing Shareholders.

Pursuant to such undertaking, it is agreed in relation to any such Shareholder approval that:

- (a) it may be given for a particular share allotment or for share allotments generally;
- (b) it may be unconditional or subject to conditions;
- (c) the approval must state the maximum amount of securities that may be allotted under it and the date of expiry of the approval (not being more than 5 years from the date of the Shareholder approval), and is subject to revocation or variation by a subsequent Shareholder approval;

- (d) the Company may allot shares pursuant to such approval notwithstanding its expiry if they are allotted in pursuance of an offer of agreement made before the authority expired and the approval would allow the Company to make an offer or agreement where completion of the share issuance takes place after the approval has expired; and
- (e) breach of the undertaking will not affect the validity of any share allotment.

7.2 *Takeovers*

Although the Common Shares will be admitted to trading on AIM, the Company will not be subject to take-over regulation in the UK. The City Code will not apply to the Company. However, Canadian laws applicable to the Company provide for early warning disclosure requirements and for takeover bid rules for bids made to security holders in various jurisdictions in Canada. A summary of these rules is set out in paragraph 22 of Part 1 of this Document.

(a) *Mandatory Takeover*

See paragraph 22 of Part 1 of this Document for a summary of the circumstances when an acquirer of shares of the Company may be required under applicable Canadian provincial securities laws to make a formal takeover bid for the shares of the Company in that province.

(b) *Squeeze-out*

Under Alberta corporate law, where an offeror has successfully acquired 90 per cent. of the shares of a company (including those previously held by the offeror) within four months of making the offer to acquire shares of that company, the offeror may, within five months after making such offer, send written notice to any shareholder who did not accept the offer compelling that shareholder to sell shares held on the same terms as contained in the original offer, subject to the right of any such shareholder to make application to court, in which case, the court may set the price and terms of payment and make such other consequential orders and give such directions as it deems appropriate.

(c) *Takeover Bids*

No public takeover bids have been made in relation to the Company during its last financial year or its current financial year.

7.3 *The Disclosure of Interests in Shares*

- (a) As a company organised under the laws of the Province of Alberta, the Company is not subject to the provisions of the DTRs and, consequently, shareholders will not be subject to any UK requirement to disclose to the Company the level of their interests in Common Shares.
- (b) It should be noted that under the laws of the Province of Alberta, the provisions of the Articles and By-laws are not legally binding on the shareholders of the Company nor are there otherwise any statutory obligations on shareholders (other than insider and early warning reporting obligations) to disclose to the Company the level of their interests in Common Shares, other than under certain securities legislation in Alberta and other jurisdictions in Canada, which require any shareholder of the Company to make certain disclosures when it acquires ownership or control or direction over voting or equity securities, or any other securities convertible into voting or equity securities, of any class of a public company that constitutes 10 per cent. or more of the outstanding securities of that class and acquisitions of every 2 per cent. thereafter.

When acquiring shares in the Company, shareholders are entitled under Canadian securities laws to categorise themselves as “objecting” (“Obos”) or “non-objecting” (“Nobos”). By registering as such, which they usually do through the entity through which they acquired their shares, Obos are noting that they object to their interest and their details being disclosed to the Company, up to 10 per cent. at which level Canadian securities law makes disclosure mandatory; Nobos on the other hand are noting the fact that they do not object to their shareholdings and their details being disclosed to the Company. Rule 17 of the AIM Rules

requires, *inter alia*, that shareholders notify an AIM listed company once their holding is 3 per cent. or more, and changes thereto (movements through a percentage point upwards or downwards).

- (c) The Board has approved an amendment of the By-laws to include the provisions referred to at paragraph 6.10(e) of this Part V, subject to ratification at the next annual general meeting (anticipated to be held on or before 14 June 2015 (being the date that is 15 months from its last meeting of Shareholders)), thereby requiring shareholders holding 3 per cent. or more of the voting rights in the Company to notify the Company thereof and of subsequent changes thereto which reach, exceed or fall below a 1 per cent. threshold.

7.4 ***Cancellation of the admission of the Common Shares to trading on AIM***

Under Rule 41 of the AIM Rules, should the Company wish to cancel the admission of its Common Shares to trading on AIM it is required to obtain the consent of not less than 75 per cent. of votes cast by Shareholders at a duly called meeting thereof (unless the London Stock Exchange otherwise agrees in certain circumstances). Under the BCA, it is possible that a takeover, amalgamation or plan of arrangement, which might lead to such a cancellation, could be completed with the consent of 66 2/3 per cent. of votes cast by Shareholders at a duly called meeting thereof. Accordingly, the Board have approved an amendment of the By-laws to include a provision requiring that any such proposed cancellation shall be conditional upon the consent of not less than 75 per cent. of votes cast by Shareholders at a duly called meeting thereof. This amendment to the By-laws is in effect and will be presented to Shareholders for confirmation at the next annual meeting of the Company (anticipated to be held on or before 14 June 2015 (being the date that is 15 months from its last meeting of Shareholders)).

8. UK Taxation

The following paragraphs are intended as a general guide only for Shareholders who are resident and domiciled in the United Kingdom for tax purposes. The statements in this summary only apply to Shareholders who are beneficial owners of Common Shares or Depositary Interests and are not applicable to all categories of Shareholders, and in particular, are not addressed to:

- 8.1 Shareholders who do not hold their Common Shares or Depositary Interests as capital assets;
- 8.2 Shareholders who own (directly or indirectly) 10 per cent. or more of the Company's shares or voting power; and
- 8.3 special classes of Shareholders such as dealers in securities or currencies, broker-dealers, insurance or investment companies, or tax-exempt entities.

The statements in this summary do not purport to be comprehensive or to describe all potential relevant considerations. They are based on current legislation and UK HM Revenue & Customs' practice and are not intended to constitute tax or legal advice to any particular Shareholder. Any Shareholder or prospective purchaser of Common Shares or Depositary Interests should consult their professional advisers on the possible tax consequences of acquisition, ownership and disposition under the laws of their particular citizenship, residence and/or domicile and under the UK laws and current HM Revenue & Customs' practice.

Stamp duty and stamp duty reserve tax ("SDRT")

No UK stamp duty or stamp duty reserve tax is payable on the first issue of the Common Shares or the issue of Depositary Interests by the Depositary.

For Common Shares held outside CREST, no UK stamp duty should generally be payable, provided that any instrument of transfer is not executed in the UK and is kept outside the UK and does not relate to any property situated, or to any matter or thing done or to be done in the UK. If this is not the case, the transfer of the Common Shares will generally be subject to UK stamp duty (at the rate of 0.5 per cent. of the amount or value of the consideration given for the transfer, rounded up, where necessary, to the nearest £5). The purchaser usually pays the UK stamp duty.

Provided that any Common Shares held outside CREST are not registered in a register kept in the UK by or on behalf of the Company nor are paired with shares issued by a body corporate incorporated in the UK, no UK SDRT should be generally chargeable in respect of any agreement to transfer Common Shares. If this is not the case, the agreement to transfer the Common Shares will generally be subject to UK SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable for the transfer. UK SDRT is, in general, payable by the purchaser.

No stamp duty or SDRT should arise on the transfer of the Common Shares to the Depository (or one of its subsidiaries), to hold in its capacity as Depository, nor on the subsequent issue by the Depository to that transferor of Depository Interests representing the underlying Common Shares in an uncertificated form (which are eligible for settlement through CREST).

Assuming that transfers of Depository Interests operate without any written instrument or transfer or written assignment to transfer, no stamp duty will be payable by the purchasers of such Depository Interests. Further any agreement to transfer Depository Interests will be exempt from UK SDRT pursuant to the Stamp Duty (UK Depository Interests in Foreign Securities) Regulations 1999.

Taxation of chargeable gains

A subsequent disposal, whether by sale or gift, of the Common Shares or Depository Interests or on a liquidation or dissolution of the Company, by persons resident or ordinarily resident in the United Kingdom in a tax year which gives rise to capital gains may be liable to capital gains tax (where the Shareholders are individuals and trustees) or corporation tax (where the Shareholders are companies). Liability to tax and the rate of tax will depend on the Shareholder's circumstances and the availability of exemptions or allowable losses.

The amount of taxable gain will generally be the difference between the acquisition cost of the Common Shares or Depository Interests and the disposal proceeds. In some circumstances market value may be substituted for actual proceeds. Indexation allowance, which increases the acquisition cost of an asset in line with the rise in the retail price index, is available for UK resident corporate Shareholders during the period of ownership.

For individuals and trustees, entrepreneurs' relief may be available to reduce the amount of capital gains tax payable on the gain, subject to satisfying all of the relevant conditions.

Individuals and certain trusts have an annual exemption from capital gains tax for the first £11,000 of chargeable gains in the tax year to 5 April 2015. Settlements have an equivalent exemption of up to £5,500 in the tax year to 5 April 2015. The annual exempt amount is subject to change.

Generally, losses realised on the disposal of Common Shares or Depository Interests may be set against other gains made during the tax year or carried forward and set against gains in future tax years. Utilisation of losses made on disposals to connected persons is restricted.

Persons who are not resident in the United Kingdom will not normally be liable to tax in the United Kingdom in respect of any gain accruing to them on a disposal of the Common Shares or Depository Interests unless those persons carry on a trade in the UK through a permanent establishment with which their investment in the Company is connected. The terms of a relevant double taxation treaty may apply to persons with dual residence. Special rules may apply to tax gains arising on the disposal of Common Shares or Depository Interests by individual Shareholders at a time when they are temporarily non-resident in the UK. For this purpose temporary non-residence means a period of less than five years.

The above summary applies only to those who hold their Common Shares or Depository Interests as capital assets or investments: different tax treatment applies to persons who trade in securities.

Taxation of dividends

Any Shareholder who is an individual or settlement resident in the UK, or who carries on a trade, profession or vocation in the UK to which the shares are attributable, will generally be subject to UK tax on income in respect of any dividends paid on the Common Shares or Depository Interests. A credit may be available for any Canadian Tax withheld from a dividend in computing any liability to UK taxation arising on that dividend.

Overseas dividends received after 1 July 2009 by a UK resident corporate shareholder may be exempt from UK corporation tax subject to meeting certain conditions.

Individuals who are resident in the United Kingdom should note that section 714 of the Income Tax Act 2007, which contains provisions for preventing the avoidance of income tax through transactions resulting in the transfer of income to persons (including companies) abroad, may render them liable to taxation in respect of any undistributed income and profits of the Company.

Inheritance Tax

Inheritance tax is chargeable on certain death or lifetime transfers. Individuals who are domiciled or deemed domiciled in the UK are chargeable to inheritance tax on their worldwide assets. Individuals who are not so domiciled are chargeable to inheritance tax only on the UK assets. A separate regime covers settlements, and, in some circumstances, transfers by close companies.

If a Shareholder is, or is deemed, domiciled in the UK for inheritance tax purposes, inheritance tax may be payable in respect of the value of Common Shares or Depositary Interests held on the death of the Shareholder, or in respect of the reduction in value of a Shareholder's assets as a result of a transfer of value during the Shareholder's lifetime.

For Shareholders who are not domiciled or deemed to be domiciled in the UK, if the Company were to maintain a register of members of the Company in the UK, the Common Shares or Depositary Interests would constitute UK situs assets. In these circumstances the Common Shares or Depositary Interests would be subject to UK inheritance tax.

These comments are intended only as a general guide to the current tax position in the UK at the date of this Document. The rates and basis of taxation can change and will also be dependent on each Shareholder's personal circumstances.

Neither the Company nor its advisers warrant in any way the tax position outlined above which, in any event, is subject to changes in the relevant legislation and its interpretation and application.

9. Canadian Taxation

The following is a general summary of the principal Canadian federal income tax considerations under the *Income Tax Act* (Canada) ("Canadian Tax Act") generally applicable to a Shareholder who holds Common Shares as capital property and deals at arm's length with, and is not affiliated with, the Company. This summary assumes that, at all relevant times, the Company will be, or will be deemed to be, resident in Canada for purposes of the Canadian Tax Act.

This summary is based upon the current provisions of the Canadian Tax Act, and the Canada-United Kingdom Income Tax Convention (1978) ("Treaty"). This summary also takes into account all specific proposals to amend the Canadian Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof ("Tax Proposals") and the current published administrative and assessing policies and practices of the Canada Revenue Agency ("CRA"). This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Tax Proposals, does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action, or any changes in the administrative and assessing policies and practices of CRA. This summary does not take into account tax legislation of any province, territory or foreign jurisdiction. Provisions of provincial income tax legislation vary from province to province in Canada and may differ from federal income tax legislation. No assurances can be given that the Tax Proposals will be enacted as proposed, if at all.

This summary is of a general nature only and is not intended to be, nor should it be, construed to be, legal or tax advice to any particular Shareholder. Accordingly, Shareholders should consult their own tax advisers for advice with respect to the income tax consequences to them of acquiring, holding and disposing of Common Shares having regard to their own particular circumstances.

9.1 Residents of Canada

The following summary is applicable to a Shareholder who, at all relevant times, is, or is deemed to be, resident in Canada for purposes of the Canadian Tax Act ("Canadian Holder").

Certain Resident Holders whose Common Shares otherwise might not qualify as capital property may be entitled to make an irrevocable election in accordance with subsection 39(4) of the Canadian Tax Act to have those shares, and any other “Canadian security”, as defined in the Canadian Tax Act, owned in the year of the election and any subsequent taxation year, deemed to be capital property.

This summary is not applicable to a Canadian Holder: (i) that is a “financial institution” as defined in the Canadian Tax Act for the purposes of the “mark to market property” rules contained in the Canadian Tax Act; (ii) that is a “specified financial institution” or “restricted financial institution” as defined in the Canadian Tax Act; (iii) an interest in which is, or whose Common Shares are, a “tax shelter investment” as defined in the Canadian Tax Act; (iv) whose “functional currency” for purposes of the Canadian Tax Act is the currency of a country other than Canada; or (v) that has entered (or will enter) into, with respect to the Common Shares, a “derivative forward agreement” as defined in the Canadian Tax Act. Any such Canadian Holder should consult its own tax advisor.

Disposal of Common Shares

A Canadian Holder who disposes, or is deemed to dispose of, Common Shares (except to the Company or in certain tax free reorganizations) will generally realise a capital gain (or a capital loss) equal to the amount, if any, by which the Canadian Holder’s proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the Canadian Holder’s aggregate adjusted cost base of such Common Shares. See “Taxation of capital gains and capital losses” below.

Dividends on Common Shares

Dividends received or deemed to be received on Common Shares held by a Canadian Holder will be included in the Canadian Holder’s income for the purposes of the Canadian Tax Act.

Such dividends received by a Canadian Holder that is an individual (including most trusts) will be subject to the gross-up and dividend tax credit rules in the Canadian Tax Act normally applicable to dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit in respect of dividends designated by the Company as “eligible dividends”. There may be limitations on the ability of the Company to designate dividends as “eligible dividends.”

A Canadian Holder that is a corporation will include such dividends in computing its income and generally will be entitled to deduct the amount of such dividends in computing its taxable income. A Canadian Holder that is a “private corporation” or “subject corporation” (as such terms are defined in the Canadian Tax Act) may be liable under Part IV of the Canadian Tax Act to pay a refundable tax of 33½ per cent. of dividends received or deemed to be received on the Common Shares to the extent such dividends are deductible in computing the Canadian Holder’s taxable income.

Taxation of capital gains and capital losses

A Canadian Holder will be required to include in income for any particular taxation year one-half of the amount of any capital gain (“taxable capital gain”) realised in the year and will generally be required to deduct one-half of the amount of any capital loss (“allowable capital loss”) realised in any particular taxation year against taxable capital gains realised in the year, subject to the limitations contained in the Canadian Tax Act. Allowable capital losses in excess of taxable capital gains realised in a particular year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any following year against taxable capital gains realised in such year, to the extent and under the circumstances described in the Canadian Tax Act.

In general, a capital loss otherwise arising on the disposition of a Common Share by a corporation may be reduced by dividends previously received, or deemed to have been received, thereon. Similar rules may also apply in circumstances where a corporation is a member of a partnership or a beneficiary of a trust that owns Common Shares. Canadian Holders to whom these rules may be relevant should consult their own tax advisers.

A “Canadian-controlled private corporation” as defined in the Canadian Tax Act may be liable to pay, in addition to tax otherwise payable under the Canadian Tax Act, a refundable tax of 6½ per cent. of its “aggregate investment income”. For this purpose, investment income will include capital gains. Capital gains realised by individuals and certain trusts may give rise to alternative minimum tax.

Eligibility for investment

Provided they are listed on a designated stock exchange (which currently includes the TSX-V), the Common Shares will be qualified investments under the Canadian Tax Act for trusts governed by registered retirement savings plans (“RRSP”), registered retirement income funds (“RRIF”), deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts (“TFSA”). Notwithstanding that the Common Shares may be a qualified investment, the annuitant under an RRSP or an RRIF or a holder of a TFSA (an annuitant or holder hereinafter referred to as a “Controlling Individual”) will be subject to penalty taxes to the extent that the Common Shares constitute a prohibited investment in respect of the Controlling Individual. Generally, the Common Shares will only be a prohibited investment where a Controlling Individual does not deal at arm’s length with the Company for purposes of the Canadian Tax Act or if the Controlling Individual has a “significant interest” in the Company within the meaning of the Canadian Tax Act.

9.2 *Non-Residents of Canada*

The following summary is generally applicable to a Shareholder who, at all relevant times, is neither resident, nor deemed to be resident in Canada for purposes of the Canadian Tax Act, and who does not use or hold, and is not deemed to use or hold Common Shares in the course of carrying on a business in Canada (“Non-Resident Holder”). This summary does not apply to a Non-Resident Holder that is an insurer that carries on business in Canada and elsewhere. Non-Resident Holders should consult their own tax advisers for advice with respect to any foreign tax consequences applicable to them from holding and disposing of Common Shares. Non-Resident Holders that are resident or ordinarily resident in the United Kingdom for domestic United Kingdom tax purposes should also refer to the discussion in paragraph 8 above under the heading “UK Taxation”.

Disposal of Common Shares

A Non-Resident Holder will not be subject to tax under the Canadian Tax Act on any capital gain realised on the disposition or deemed disposition of such Common Shares, unless the Common Shares are, or are deemed to be, “taxable Canadian property” (within the meaning of the Canadian Tax Act) and the gain is not otherwise exempt from taxation in Canada under the terms of an applicable income tax convention or treaty. Generally, Common Shares will not be taxable Canadian property to a Non-Resident Holder at a particular time provided that (i) the Common Shares are listed on a designated stock exchange (which currently includes the TSX-V) at that time and at no time during the 60 month period immediately preceding the date of disposition of the Common Shares did the Non-Resident Holder, persons with whom the Non-Resident Holder did not deal at arm’s length, or such holder together with such persons, own 25 per cent. or more of the issued shares of any class or series of the Company, or (ii) at no time during such 60-month period did the Common Shares derive more than 50 per cent. of their value from any combination of: (a) real property situated in Canada, (b) “timber resource property” (as defined in the Canadian Tax Act), (c) “Canadian resource property” (as defined in the Canadian Tax Act), or (d) options in respect of, or interests in, or for civil law, rights in any of the foregoing, whether or not the property exists.

If Common Shares constitute or are deemed to constitute taxable Canadian property to a particular Non-Resident Holder, on the disposal or deemed disposal thereof, such holder will realise a capital gain (or capital loss), generally computed in the manner described above under “Residents of Canada – Taxation of capital gains and capital losses”. Any such capital gain may be exempt from tax under the Canadian Tax Act under the terms of an income tax treaty or convention between Canada and the country in which the Non-Resident Holder resides. Non-Resident Holders whose Common Shares are taxable Canadian property should consult their own tax advisers for advice having regard to their particular circumstances.

Dividends on Common Shares

Dividends on Common Shares paid or credited or deemed to be paid or credited to a Non-Resident Holder will be subject to non-resident withholding tax under the Canadian Tax Act at the rate of 25 per cent. of gross amount of the dividend, subject to reduction under the provisions of an applicable income tax treaty or convention and the Company will be required to deduct such amount

from any such dividends and remit the amount to the appropriate Canadian tax authority on behalf of the Non-Resident Holder. Pursuant to the Treaty, the rate of withholding tax applicable to dividends paid or credited or deemed to be paid or credited to a Non-Resident Holder who is resident in the United Kingdom for purposes of the Treaty will generally be reduced to 15 per cent. of the gross amount of the dividend, or 5 per cent. where the beneficial owner is a company which controls, directly or indirectly, at least 10 per cent. of the voting power in the Company.

10. Substantial Shareholders

10.1 As a company organised under the laws of the Province of Alberta, the disclosure requirements for shareholding thresholds for the Company are different than for a company incorporated in the United Kingdom. Details of the shareholding threshold disclosure requirements applicable to the Company under Canadian law are set out in paragraph 7.3 of this Part V. Subject to those legal requirements, except for the interests of the Directors, which are set out in paragraph 11 of this Part V, and those persons set out in this paragraph, the Directors are not aware of any interest which, as at the date of this Document and immediately following Admission, would amount to 3 per cent. or more of the Company's issued share capital:

<i>Name</i>	<i>Existing Common Shares</i>	<i>Percentage of Existing Common Shares</i>	<i>Common Shares on Admission</i>	<i>Percentage of Enlarged Share Capital</i>
CDS & Co.	41,154,473*	64.52%	<i>unknown</i>	<i>unknown</i>
Igneous Capital Limited	10,000,000**	15.68%	10,000,000	12.78%
Rare Earth Minerals Plc	7,772,000***	12.19%	7,772,000	9.93%
D&A Income Limited	—	—	5,303,030****	6.78%
Saorse Limited	3,510,046	5.50%	3,510,046	4.48%
Worldover Fund Ltd.	2,146,667*****	3.37%	2,146,667	2.74%

* Figure is quoted from the registered list of shareholders of the Company as at 24 June 2014.

** Igneous Capital Limited also holds 5,000,000 Existing Warrants.

*** All of these Common Shares are included with amounts attributed to CDS & Co.

**** Guy Walker, a Director of the Company, is an advisor to D&A Income Limited. He is not a director of D&A Income Limited and does not exert control over its investment decisions.

***** Worldover Fund Ltd. also holds 833,333 Existing Warrants.

10.2 No major holder of Common Shares, either as listed above, or as set out in paragraph 11.1 of this Part V, has voting rights different from other holders of Common Shares.

11. Directors

11.1 The interests of the Directors, their immediate families, civil partners (as defined in the Civil Partnership Act 2004) (if any), and persons connected with them, within the meaning of sections 252 – 254 of the Act, in the share capital of the Company at the date of this Document and immediately following Admission, all of which are beneficial, are:

<i>Name</i>	<i>Existing Common Shares</i>	<i>Percentage of Existing Common Shares</i>	<i>Common Shares on Admission</i>	<i>Percentage of Enlarged Share Capital</i>
Colin Orr-Ewing	11,958,683*	18.75%	9,958,683**	12.72%
Martin Vidal	500,000	0.78%	500,000	0.64%
Shane Shircliff	10,000	0.02%	10,000	0.01%
Derek Batorowski	351,000	0.55%	351,000	0.45%
Guy Walker	None***	—	None	—
James Leahy	716,346	1.12%	716,346	0.92%

* The Common Shares are held in various capacities by Mr. Orr-Ewing, in his personal name, through registered accounts, trusts and private corporations which are associated with him.

** Parties associated with Mr. Orr-Ewing have agreed to sell 2,000,000 Common Shares (in aggregate) in the Vendor Placing.

*** Mr. Walker does not hold any Common Shares in his own name, however he serves as Company Secretary of Igneous Capital Limited, a private corporation that is incorporated under the laws of the British Virgin Islands, whose Common Shares and Existing Warrants interests are set out in paragraph 10.1 of this Part V of the Document.

11.2 Additionally, the Directors hold the following Options over Common Shares pursuant to the Stock Option Plan:

<i>Director</i>	<i>Aggregate no. of Options granted</i>	<i>Exercise Price</i>	<i>Lapse Date</i>
Colin Orr-Ewing	0	—	—
Martin Vidal	200,000	C\$0.30	11 September 2018
	250,000	C\$0.50	29 June 2016
	250,000	C\$0.24	8 December 2015
	<u>700,000</u>		
Shane Shircliff	200,000	C\$0.30	11 September 2018
	500,000*	C\$0.50	19 July 2016
	<u>700,000</u>		
Derek Batorowski	200,000	C\$0.30	11 September 2018
	100,000	C\$0.24	8 December 2015
	<u>300,000</u>		
Guy Walker	200,000	C\$0.30	11 September 2018
James Leahy	200,000	C\$0.24	8 December 2015
Total	<u><u>2,100,000</u></u>		

* Options granted to Clinworth Management Corporation, which is Mr. Shircliff's management company.

11.3 Except as disclosed in paragraphs 11.1 and 11.2 above, the Directors have no interest (including in related financial products referenced to the Common Shares) which would, and the Directors are not aware of any interests (including in related financial products referenced in the Common Shares) of persons connected with them which, if such connected person were a Director, would be required to be notified to the Company pursuant to Chapter 3 of the Disclosure and Transparency Rules as if the Disclosure and Transparency Rules applied to the Company and could be required to be entered in the register of directors' interests pursuant to section 809 of the Act if it applied to the Company.

11.4 There are no outstanding loans granted by any member of the Group to any Director, nor has any guarantee been provided by any member of the Group for their benefit.

11.5 The Company has entered into the following arrangements with its Directors:

- (a) Each of the Directors have entered into letters of appointment with the Company which stipulate that, each of the Directors (other than Colin Orr-Ewing and Martin Vidal) are entitled to an annual payment of C\$15,000 and a C\$2,500 fee per committee (up to a maximum of two committees) and all of the Directors (including Colin Orr-Ewing and Martin Vidal) are entitled to receive Options under the Stock Option Plan in consideration for acting as Directors. The Board is not presently contemplating any major changes to the terms of appointment of the Board, but will review the situation going forward under the newly constituted Remuneration Committee.
- (b) In addition to his services as a director, Mr. Orr-Ewing also provides additional services to the Company pursuant to a consulting agreement dated 31 December 2013 for a fee of C\$5,000 per month. Mr. Orr-Ewing provides general corporate financial advisory services to Bacanora, serves as a link to Bacanora's UK institutional investors and technical team in Mexico and is obliged to monitor and report on developments of technology that exists in

Europe, especially in the treatment of clays. This agreement continues on a monthly basis unless breached by Mr. Orr-Ewing or upon two weeks' written notice of termination by either party.

- (c) In addition to his services as a director, Mr. Shircliff provides services to the Company under an unwritten consultancy arrangement for a monthly fee of C\$7,000 which is paid to Mr. Shircliff's management company, Clinworth Management Corp.
 - (d) In addition to his services as a director, Mr. Vidal provides services to MSB through an arrangement with Grupo Ornelas Vidal SA de CV for a monthly fee of C\$15,000.
 - (e) In addition to his services as a director, Mr. Batorowski provides services to the Company through his management company, CompAcct Consulting Ltd., under an unwritten consultancy arrangement which is compensated on an hourly basis at an average monthly fee of C\$6,000.
- 11.6 The aggregate remuneration paid and benefits in kind granted to the Directors for the period from 30 June 2013 to Admission, under the arrangements in force at the date of this Document, amount to approximately C\$434,000. It is estimated that the aggregate remuneration payable to the Directors from the date of Admission to 30 June 2015 under arrangements that are in force and that will come into effect on Admission will amount to approximately C\$471,000.
- 11.7 Except as disclosed in paragraph 11.5 above, there are no liquidated damages or other compensation payable by the Company upon early termination of the contracts of the Directors. Except as disclosed in paragraph 14.2 none of the Directors has any commission or profit sharing arrangements with the Company.
- 11.8 Except as disclosed in paragraphs 11.5 and 11.6 above, the total emoluments of the Directors will not be varied as a result of Admission.
- 11.9 Except as disclosed in this paragraph 11, there are no existing or proposed service contracts between the Company and any of the Directors which are not terminable on less than 12 months' notice, nor have any of their letters of appointment or service contracts been amended in the six months prior to the date of this Document.
- 11.10 In addition to their directorships of the Company, the Directors are or have been members of the administrative, management or supervisory bodies or partners of the following companies or partnerships within the five years prior to the publication of this Document:

	<i>Current</i>	<i>Past</i>
Colin Orr-Ewing	None	Cambria Africa plc Cordillera Resources plc Madagascar Oil Limited Tubutama Borax plc Tubutama Limited Vatukoula Gold Mines plc
Martin Vidal	Minerales Industriales Tubutama SA de CV Minera Sonora Borax SA de CV Mexilit SA de CV Minera Megalit SA de CV Mineramex Limited	None
Shane Shircliff	Clinworth Management Corp. Kenna Resources Corp.	Ituna Capital Corporation Westcore Energy Ltd

	<i>Current</i>	<i>Past</i>
Derek Batorowski	Blacksteel Energy Inc	Aztek Energy Ltd G2 Resources Inc Milagro Energy Inc Novus Energy Inc Tembo Gold Corp (formerly Lakota Resources Inc) Westcore Energy Ltd
James Leahy	Forte Energy NL Mineral Commodities Limited	Alberta Coal Ltd African Power Corporation Limited Continental Coal Limited Mirabaud Securities LLP OPI International Limited
Guy Walker	Antipodean Mixed Residential Limited Antipodean Properties Limited Antipodean Residential Limited Antipodean Spotlight Limited Antipodean Supermarkets Limited Endurance High Performance Fund Imperative Energy (Pendigo) Limited Mineral Commodities Limited Metals Exploration plc Metals Exploration PTE. Limited Navigator Mining Pty Ltd Navigator Resources Limited Oak Room Energy Limited Talisman Guernsey Management Limited	ENK plc Rusina Mining Pty Navigator (Bronzewing) Pty Ltd

11.11 Save as disclosed, no Director has:

- (a) had any convictions in relation to fraudulent offences or unspent convictions in relation to indictable offences;
- (b) had a bankruptcy order made against him or entered into an individual voluntary arrangement;
- (c) been a director of any company or been a member of the administrative, management or supervisory body of an issuer or a senior manager of an issuer which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation, administration, or company voluntary arrangement or which entered into any composition or arrangement with its creditors generally or any class of its creditors whilst he was acting in that capacity for that company or within the 12 months after he ceased to so act;
- (d) been a partner in any partnership placed into compulsory liquidation, administration or partnership voluntary arrangement where such director was a partner at the time of or within the 12 months preceding such event;
- (e) been subject to receivership in respect of any asset of such Director or of a partnership of which the Director was a partner at the time of or within 12 months preceding such event; or
- (f) been subject to any official public criticisms by any statutory or regulatory authority (including designated professional bodies) nor has such Director been disqualified by a court from acting as a director of a company or from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

- 11.12 Guy Walker is currently a director of Navigator Resources Limited and Navigator Mining Pty Ltd and was previously a director of Navigator (Bronzewing) Pty Ltd, all of which were placed in voluntary administration on 28 March 2013. On 13 May 2013, the creditors of all three companies voted in favour of the companies entering into Deeds of Company Arrangement. The Deeds of Company Arrangement have been amended by the agreement of creditors several times since May 2013. Navigator (Bronzewing) Pty Ltd was sold on 27 June 2014, with the agreement of the creditors under the terms of the Deed of Company Arrangement, and is therefore no longer in voluntary administration. Navigator Resources Limited was issued with an infringement notice by the Australian Securities & Investment Commission relating to an announcement made to the market. Metals Exploration plc, another company of which Guy Walker is a director has been the subject of adverse local press in connection with its mining activities in the Philippines.
- 11.13 Colin Orr-Ewing entered into an individual voluntary arrangement with creditors in 1992 in relation to a tax claim, which was settled in 1997 in accordance with arrangements agreed with HMRC.
- 11.14 On 28 October 2009, Mr. Batorowski was appointed a director of Lakota Resources Inc., a company that previously tendered a proposal under the *Bankruptcy and Insolvency Act* (Canada) and was the subject of a cease trade order issued by the Ontario Securities Commission dated 13 July 2009 (and equivalent orders issued by the Alberta Securities Commission and the British Columbia Securities Commission) for failure to file financial statements. Mr. Batorowski was appointed to this role on behalf of the principal creditor of Lakota for the purposes of reviewing Lakota's operations and financial status and bringing Lakota into compliance with its public company reporting obligations.
- 11.15 Continental Coal Ltd, a company of which James Leahy was a director until August 2013, entered into arrangements with its creditors in January 2014. The Company is currently suspended from trading on both the ASX and AIM markets.
- 11.16 No Director has been interested in any transaction with the Group which was unusual in its nature or conditions or significant to the business of the Group during the current financial year which remains outstanding or unperformed.
- 11.17 In the case of those directors of the Company who have roles as directors of companies which are not a part of the Group, although there are no current conflicts of interest, it is possible that the fiduciary duties owed by those directors to companies of which they are directors from time to time may give rise to conflicts of interest with the duties owed to the Group.
- 11.18 Except for the Directors, there are no other senior managers who are relevant in establishing that the Company has the appropriate expertise and experience for the management of the Company's business.
- 11.19 Save as set out below, the Company has not entered into any related party transactions which are material to the Company in any of the three financial periods ended on 30 June 2013 and up to the date of this Document:

<i>Related party</i>	<i>Transaction</i>
Colin Orr-Ewing	Mr. Orr-Ewing has a 3 per cent. royalty on production from certain concessions as further described in paragraph 14.2(b), 14.2(c) and 14.2(d) of this Part V. No revenues are attributable to these royalties as they are not yet payable.
Martin Vidal	The Company purchased the La Ventana, San Gabriel, El Sauz and Buenavista lithium concessions from Martin Vidal in 2010 (who was not a director of Bacanora Minerals at that time). See paragraph 14.1(c) of this Part V for additional information. MSB has an arrangement with Grupo Ornelas Vidal, SA de CV ("ORVI") pursuant to which individuals involved in the provision of services to MSB and Mexilit are engaged. All such individuals (currently 18 as at the date of this Document) are employed by ORVI, which contracts their services to MSB and Mexilit. ORVI charges the Group a 5 per cent. margin on the payroll and taxes paid and is a related party of Mr. Vidal.

11.20 For each of the Directors, the date of expiration of the current term of office (if applicable) and the period during which the Director has served in that office is as follows:

<i>Director</i>	<i>Office</i>	<i>Date of expiration of current term of office</i>	<i>Period of service in office</i>
Colin Orr-Ewing	Chairman	No fixed expiry date	19 June 2014
Martin Vidal	President	No fixed expiry date	31 May 2013
Shane Shircliff	Chief Executive Officer	No fixed expiry date	31 May 2013
Derek Batorowski	Chief Financial Officer	No fixed expiry date	29 September 2008
Guy Walker	N/A	N/A	N/A
James Leahy	N/A	N/A	N/A

12. Stock Option Plan

12.1 The Company has established a Stock Option Plan, which is annually approved by Shareholders (as per TSX-V Rules), in order to provide an incentive to the directors, officers, employees, consultants and other personnel of the Company to achieve the longer-term objectives of the Company, to give suitable recognition to the ability and industry of such persons who contribute materially to the success of the Company and to attract to and retain in the employ of the Company, persons of experience and ability, by providing them with the opportunity to acquire an increased proprietary interest in the Company. The most recent approval by shareholders of the Stock Option Plan was in March 2014.

12.2 The following is a summary of the material terms of the Stock Option Plan.

- (a) The number of Common Shares to be reserved and authorised for issuance pursuant to Options granted under the Stock Option Plan shall not exceed 10 per cent. of the total number of issued and outstanding shares in the Company.
- (b) Under the Stock Option Plan, the aggregate number of optioned Common Shares granted to any one optionholder in a 12 month period must not exceed 5 per cent. of the Company's issued and outstanding shares. The number of optioned Common Shares granted to any one consultant in a 12 month period must not exceed 2 per cent. of the Company's issued and outstanding shares. The aggregate number of optioned Common Shares granted to an optionee who is employed to provide investor relations' services must not exceed 2 per cent. of the Company's issued and outstanding Common Shares in any 12 month period.
- (c) The exercise price for Options granted under the Stock Option Plan will not be less than the market price of the Common Shares at the time of the grant, less applicable discounts permitted by the policies of the TSX-V.
- (d) Options will be exercisable for a term of up to five years, subject to earlier termination in the event of the optionholder's death or the cessation of the optionholder's services to the Company.
- (e) Options granted under the Stock Option Plan are non-assignable, except by will or by the laws of descent and distribution.

12.3 As at the date of this Document, there are 3,500,000 Options issued and outstanding under the Stock Option Plan. Further details of the Options outstanding under the Stock Option Plan are set out in paragraphs 5.6 and 11.2 of this Part V.

13. Employees

13.1 The Group employed no employees as at 30 June 2011, 30 June 2012 and 30 June 2013 and continues to have no employees as at the date of this Document although it retained consultants from time to time including its senior management team. All regular personnel are retained as independent contractors via consulting agreements.

13.2 The Company receives management advice and services from its senior management team pursuant to various consultancy agreements.

13.3 As set out further in paragraph 11.19 of this Part V, MSB has an arrangement with Grupo Ornelas Vidal, SA de CV pursuant to which individuals involved in the provision of services to MSB and Mexilit are engaged. All such individuals (currently 18 as at the date of this Document) are employed by ORVI, which contracts their services to MSB and Mexilit.

14. Material contracts

The following contracts (i) (not being contracts entered into in the ordinary course of business) having been entered into by the Company or any member of the Group in the two years immediately preceding the date of this Document or which contain any provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this Document, or (ii) are subsisting agreements which are included within, or which relate to, the mining assets and liabilities of the Company or other members of the Group (notwithstanding whether such agreements are within the ordinary course or were entered into outside of the two years immediately preceding the publication of this Document) and are, or may be material:

14.1 *Contracts relating to the acquisition of mining assets*

(a) *Purchase of Magdalena assets*

Pursuant to a sale and purchase agreement dated 30 April 2008 among MSM, MSB and Tubutama Borax, MSB acquired all of MSM's right, title and interest in and to the "Magdalena Concessions" (which were six concessions located in the Magdalena Basin: San Francisco 1, San Francisco 2, San Francisco 3, San Francisco 5, San Francisco Fraccion 1 and San Francisco Fraccion 2) for an aggregate consideration of US\$1, a 3 per cent. production royalty (described in paragraph 14.2(a) below) and the assumption by MSB of all accrued liabilities and obligations in relation to the Magdalena Concessions arising prior to and after completion ("Assumed Liabilities"). MSB acknowledged that it would acquire the assets on an "as is" basis without any representation or warranty. MSB agreed to indemnify MSM as a result of any breach on its part of this agreement and in relation to the Assumed Liabilities.

This agreement is governed by the laws of the State of Utah.

(b) *Purchase of Mineramex*

The Company entered into a binding letter agreement dated 17 July 2009, as amended 18 January 2010, with Mineramex, Tubutama Borax and Tubutama Limited ("Tubutama") regarding the acquisition of Mineramex from Tubutama, whose sole assets consisted of 99.9 per cent. of the issued and outstanding shares of MSB (which at that time held seven concessions: San Francisco 1, San Francisco 2, San Francisco 3, San Francisco 5, San Francisco Fraccion 1, San Francisco Fraccion 2 and El Represo ("MSB Concessions")); and 60 per cent. of the issued and outstanding shares of MIT (which at that time held six concessions: Carlos, Carlos I, Carlos II, Carlos III, Carlos IV and Carlos V ("MIT Concessions")).

Under the terms of the agreement, Bacanora acquired the entire issued share capital of Mineramex, together with outstanding loans of C\$1,245,620 owing by MIT to Tubutama Borax and Colin Orr-Ewing (which were assigned to the Company) for an aggregate purchase price of C\$5,250,000, consisting of a payment to Tubutama Borax of C\$250,000 and the issue of 21,739,130 Common Shares at C\$0.23 per share to Tubutama Borax. The foregoing Common Shares were subsequently distributed to the shareholders of Tubutama Borax upon the winding up thereof. The Company also agreed to grant a royalty to Tubutama Borax as described in paragraph 14.2(a) below. Limited warranties as to title were given by Mineramex and Tubutama Borax to the Company.

This agreement is governed by Alberta law.

(c) *Purchase of Lithium assets*

Pursuant to a letter agreement dated 21 July 2010 between the Company and Martin Vidal, the Company acquired four lithium exploration concessions in the Sonora State of Mexico, covering approximately 4,050 hectares (La Ventana, San Gabriel, El Sauz and Buenavista) and a pending application (Penasco claim) in respect of a further 500 hectares (“Lithium Assets”). In consideration for transferring the Lithium Assets to the Company, the Company issued 500,000 Common Shares to Martin Vidal and 100,000 Common Shares to Octavio Moreno and agreed to pay Mr. Vidal US\$40,000 (in respect of exploration expenses incurred by him). The Company acknowledged that it assumed all environmental liabilities in connection with the Lithium Assets whether occurring before or after completion and that it would acquire the assets on an “as is” basis.

This agreement is governed by Alberta law.

(d) *Purchase of interest in MIT*

Pursuant to an option agreement dated 1 January 2005 as amended on 1 July 2006 between Mineramex, Metamin Enterprises Inc, Dauntless Developments Ltd and Julio Alfonso Lopez (collectively the “Optionors”), Mineramex was granted an option to acquire 60 per cent. of the issued share capital of MIT (which at that time held five Carlos concessions being: Carlos, Carlos I, Carlos II, Carlos III and Carlos IV) subject to incurring expenditure amounting to US\$500,000 on the project and a payment of US\$50,000 to the Optionors (“First Option”).

Mineramex was granted a second option to acquire a further 20 per cent. of the issued share capital of MIT if it incurred additional expenditures, made a further payment to the Optionors and completed a feasibility study of the project (“Second Option”).

The Optionors gave warranties as to title to Mineramex and indemnified Mineramex in the case of losses arising from a breach of such warranties. The Optionors also agreed to indemnify Mineramex for certain losses connected to the project arising prior to 1 January 2005 including injury to persons or property and remediation obligations and Mineramex agreed to indemnify the Optionors for all such losses arising after 1 January 2005.

Mineramex satisfied the conditions of the First Option and was granted a 60 per cent. interest in MIT. The Second Option has since lapsed as the expenditure conditions have not been satisfied.

Mineramex agreed to hold the remaining shares in MIT on trust for the Optionors (pending the expiry of the Second Option).

Mineramex also agreed to pay the Optionors a pre-production royalty of US\$200,000 by way of instalments.

This agreement is governed by the laws of British Columbia.

14.2 *Royalty agreements*

(a) *Magdalena royalty – MSM*

MSB entered into a royalty agreement with MSM and Tubutama Borax dated 30 April 2008 pursuant to which MSB granted MSM a royalty of 3 per cent. on all revenue from the sale of products obtained from the Magdalena Concessions (as defined at paragraph 14.1(a) above) (“Magdalena Products”) payable quarterly for the whole life of the Magdalena Concessions.

MSM may also elect at any time to extend the royalty payments to any further interests acquired by MSB or its affiliates in the Magdalena Basin after which the royalty payment will be reduced to 1.5 per cent. of all revenue from sale of such products after such date.

Under the terms of the royalty agreement, MSB is required to maintain its interest in the Magdalena Concessions and keep them in good standing. MSB is restricted from engaging in hedging transactions or storing any Magdalena Products off-site without MSM's consent. MSB also may only dispose of the Magdalena Products at arms' length for a fair market value or to an affiliate provided that such affiliate must dispose of the Magdalena Products at arms' length for a fair market value.

MSB may only transfer the Magdalena Concessions or encumber them if the proposed transferee has agreed to assume the royalty obligations of MSB.

MSB has indemnified MSM against any liabilities arising from a claim against MSM in respect of any failure of MSB to comply with local laws and regulations including environmental laws.

Tubutama Borax guaranteed the obligations of MSB under this agreement to MSM.

This agreement is governed by the laws of the State of Utah.

(b) *Tubutama royalty – Colin Orr-Ewing*

MIT entered into a royalty agreement with Colin Orr-Ewing and the Company dated 9 April 2010 (in consideration for Mr. Orr-Ewing agreeing to forgive certain loans owed to him by MIT) pursuant to which MIT granted to Mr. Orr-Ewing a royalty of 3 per cent. on all revenue from the sale of products obtained from the MIT Concessions (as defined at paragraph 14.1(b) above) ("Tubutama Products") payable quarterly for the whole life of the MIT Concessions.

Mr. Orr-Ewing may also elect at any time to extend the royalty payments to any further interests acquired by MIT or its affiliates in the Tubutama Basin.

Under the terms of the royalty agreement, MIT is required to maintain its interest in the MIT Concessions and keep them in good standing. MIT is restricted from engaging in hedging transactions or storing any Tubutama Products off-site without Mr. Orr-Ewing's consent. MIT also may only dispose of the Tubutama Products at arms' length for a fair market value or to an affiliate provided that such affiliate must dispose of the Tubutama Products at arms' length for a fair market value.

MIT may only transfer the MIT Concessions or encumber them if the proposed transferee has agreed to assume the royalty obligations of MIT.

MIT has indemnified Mr. Orr-Ewing against any liabilities arising from a claim against Mr. Orr-Ewing in respect of any failure of MIT to comply with local laws and regulations including environmental laws.

The Company guaranteed the obligations of MIT under this agreement to Mr. Orr-Ewing.

This agreement is governed by Alberta law.

(c) *Magdalena royalty – Colin Orr-Ewing*

MSB entered into a royalty agreement with Colin Orr-Ewing and the Company dated 9 April 2010 (in consideration for Mr. Orr-Ewing agreeing to forgive certain loans owed to him by MSB) pursuant to which MSB granted to Mr. Orr-Ewing a royalty of 3 per cent. on all revenue from the sale of products obtained from the "MSB Concessions" (as defined at paragraph 14.1(b) above) ("MSB Products") payable quarterly for the whole life of the MSB Concessions.

Mr. Orr-Ewing may also elect at any time to extend the royalty payments to any further interests acquired by MSB or its affiliates in the Magdalena Basin.

Under the terms of the royalty agreement, MSB is required to maintain its interest in the MSB Concessions and keep them in good standing. MSB is restricted from engaging in hedging transactions or storing any MSB Products off-site without Mr. Orr-Ewing's consent.

MSB also may only dispose of the MSB Products at arms' length for a fair market value or to an affiliate provided that such affiliate must dispose of the MSB Products at arms' length for a fair market value.

MSB may only transfer the MSB Concessions or encumber them if the proposed transferee has agreed to assume the obligations of MSB.

MSB has indemnified Mr. Orr-Ewing against any liabilities arising from a claim against Mr. Orr-Ewing in respect of any failure of MSB to comply with local laws and regulations including environmental laws.

The Company guaranteed the obligations of MSB under this agreement to Mr. Orr-Ewing.

This agreement is governed by Alberta law.

(d) *Lithium concessions royalty – Colin Orr-Ewing*

MSB entered into a royalty agreement with Colin Orr-Ewing and the Company dated 20 August 2010 (in consideration for Mr. Orr-Ewing arranging the initial financing to procure the lithium concessions) pursuant to which MSB granted Mr Orr-Ewing a royalty of 3 per cent. on all revenue from the sale of products obtained from the Lithium Assets (as defined at paragraph 14.1(c) above) (“Lithium Products”) payable quarterly for the whole life of the Lithium Assets.

Mr. Orr-Ewing may also elect at any time to extend the royalty payments to any further interests acquired by MSB or its affiliates in the Magdalena Basin.

Under the terms of the royalty agreement MSB is required to maintain its interest in the Lithium Assets and keep them in good standing. MSB is restricted from engaging in hedging transactions or storing any Lithium Products off-site without Mr. Orr-Ewing's consent. MSB also may only dispose of the Lithium Products at arms' length for a fair market value or to an affiliate provided that such affiliate must dispose of the Lithium Products at arms' length for a fair market value.

MSB may only transfer the Lithium Assets or encumber them if the proposed transferee has agreed to assume the obligations of MSB.

MSB has indemnified Mr. Orr-Ewing against any liabilities arising from a claim against Mr. Orr-Ewing in respect of any failure of MSB to comply with local laws and regulations including environmental laws.

The Company has guaranteed the obligations of MSB under this agreement to Mr. Orr-Ewing.

This agreement is governed by Alberta law.

14.3 *Shareholders participation agreements*

(a) *REM Agreement 1 – Mexilit*

The Company, MSB, Mexilit, REM and REM Mexico entered into a participation and unanimous shareholders' agreement dated 22 May 2013 as amended by addendum thereto dated 24 June 2014 in respect of Mexilit and the El Sauz, El Sauz 1, El Sauz 2, Fleur and Fleur 1 concessions (“REM Agreement 1 Concessions”).

Under the terms of the agreement:

- MSB agreed to transfer the REM Agreement 1 Concessions to Mexilit for US\$100,000;
- REM Mexico was granted an option to acquire an initial 10 per cent. interest in Mexilit by making a payment of US\$250,000 and providing another US\$500,000 to the Company in two instalments, to be used for exploration and drilling on the REM Agreement 1 Concessions and delivered in full no later than 4 weeks after drilling starts at those concessions (“REM Agreement 1 Stage 1 Issuance”);

- REM Mexico was granted an option (provided that the REM Agreement 1 stage 1 Issuance has been duly completed) to increase its interest in Mexilit to 30 per cent. on or prior to 11 August 2013 (which was extended by verbal agreement) by serving an exercise notice and making a payment of US\$500,000 to the Company and within six months of serving the exercise notice making a further payment of US\$1,000,000 to the Company (to be used for exploration and drilling expenses by Mexilit) (“REM Agreement 1 Stage 2 Option”); and
- REM Mexico was granted an exclusive option (exercisable following completion of the REM Agreement 1 Stage 2 Option exercise and up until 30 September 2014 (as extended)) to negotiate terms to increase its interest in Mexilit from 30 per cent. to a maximum of 49.9 per cent. (“REM Agreement 1 Stage 3 Option”).

The Company, MSB and Mexilit gave limited warranties to REM and REM Mexico. REM and REM Mexico are restricted from competing with the REM Agreement 1 Concessions and working in the northern Sonora State, Mexico for a period of 24 months after they cease to be a shareholder of Mexilit.

To date, REM Mexico has satisfied the first two stages, the REM Agreement 1 Stage 1 Issuance and the REM Agreement 1 Stage 2 Option and is the holder of 30 per cent. of Mexilit. REM Mexico have not yet entered into negotiations with the Company in relation to the REM Agreement 1 Stage 3 Option.

The agreement also provides the governing parameters of Mexilit, which include the following provisions:

- Mexilit is to initially have three directors, all of whom shall be nominees of the Company. On completion of the REM Agreement 1 Stage 3 Option, REM Mexico will be entitled to nominate an additional director to the board of Mexilit;
- the board of Mexilit is responsible for the day to day management of Mexilit and the REM JV1 Concessions including management of the exploration and development of the REM JV1 Concessions;
- shareholder approval (from the holders of $\frac{2}{3}$ of the issued shares) is required in certain circumstances including on the issue or grant of rights in shares, borrowing, granting security, sale or disposal of any of the REM JV1 Concessions;
- if Mexilit issues a cash call notice to its shareholders, each shareholder shall be obliged to contribute its proportionate amount, failing which its interest may be diluted;
- shares cannot be transferred or charged except with the approval of the board;
- each party has a right of first refusal in respect of the others’ Mexilit shares; and
- drag-along and tag-along rights apply between the parties in respect of any proposed sale of interests to a third party.

REM Agreement 1 is governed by the laws of the Province of Alberta.

(b) *REM Agreement 2 – Megalit*

The Company, MSB, Megalit, REM and REM Mexico entered into a participation and unanimous shareholders’ agreement dated 12 March 2014 in respect of Megalit and the Buena Vista, San Gabriel and Megalit concessions (“REM Agreement 2 Concessions”).

Under the terms of the agreement:

- MSB agreed to transfer the REM JV2 Concessions to Megalit for US\$100,000;

- REM Mexico was granted an option to acquire an initial 10 per cent. interest in Megalit by making a payment of US\$250,000 and providing another US\$500,000 to the Company in two instalments, to be used for exploration and drilling on the REM Agreement 2 Concessions and delivered in full no later than two months after 12 March 2014 (“REM Agreement 2 Stage 1 Issuance”);
- REM Mexico was granted an option (provided that the REM Agreement 2 Stage 1 Issuance had been duly completed) to increase its interest in Megalit to 30 per cent. by, on or prior to 31 May 2014, serving an exercise notice and making a payment of US\$500,000 to the Company and within six months of serving the exercise notice making a further payment of US\$1,000,000 to the Company (to be used for exploration and drilling expenses on the REM Agreement 2 Concessions) (“REM Agreement 2 Stage 2 Option”);
- REM Mexico was granted an exclusive option (exercisable following completion of the REM Agreement 2 Stage 2 Option exercise until the date that is twenty-two months from the REM Agreement 2) to negotiate terms to increase its interest in Megalit from 30 per cent. to a maximum of 49.9 per cent. (“REM Agreement 2 Stage 3 Option”).

The Company, MSB and Megalit gave limited warranties to REM and REM Mexico. REM and REM Mexico were restricted from competing with the REM Agreement 2 Concessions and working in the northern Sonora State, Mexico for a period of 24 months after they cease to be a shareholder of Megalit.

To date, REM Mexico has satisfied the REM Agreement 2 Stage 1 Issuance and is the holder of 10 per cent. of Megalit. REM Mexico has served an exercise notice in respect of the REM Agreement 2 Stage 2 Option and made a payment of US\$500,000 to the Company. REM Mexico has until 23 November 2014 to provide the additional payment of US\$1,000,000 to the Company in order to complete the REM Agreement 2 Stage 2 Option exercise, at which time its interest in Megalit will increase to 30 per cent. If payment is not received by such time, the Company is required to return the US\$500,000 to REM Mexico. The Company has no obligation to fund exploration and/or drilling expenses on the REM Agreement 2 Concessions until REM Mexico has made the payment of US\$1,000,000 in connection with the REM Agreement 2 Stage 2 Option.

The agreement also provides the governing parameters of Megalit, which include the following provisions:

- Megalit is to initially have three directors, all of whom shall be nominees of the Company. On completion of the REM Agreement 2 Stage 3 Option, REM Mexico will be entitled to nominate an additional director to the board of Megalit;
- the board of Megalit is responsible for the day to day management of Megalit and the REM Agreement 2 Concessions including management of the exploration and development of the REM Agreement 2 Concessions;
- shareholder approval (from the holders of $\frac{2}{3}$ of the issued shares) is required in certain circumstances including on the issue or grant of rights in shares, borrowing, granting security, sale or disposal of any of the REM Agreement 2 Concessions;
- if Megalit issues a cash call notice to its shareholders, each shareholder shall be obliged to contribute its proportionate amount, failing which its interest may be diluted;
- shares cannot be transferred or charged except with the approval of the board;
- each party has a right of first refusal in respect of the others’ Megalit shares; and
- drag-along and tag-along rights apply between the parties parties in respect of any proposed sale of interests to a third party.

The Company, MSB or Megalit have granted REM a right of first refusal in relation to investing in the development of new concessions in areas of mutual interest which are defined as within the land pertaining to the REM Agreement 2 Concessions (excluding the other properties forming the Company's Sonora Lithium project, including La Ventana, La Ventana 1, El Sauz, El Sauz 2, Fleur and Fleur 1).

This agreement is governed by the laws of the Province of Alberta.

14.4 *Agreements relating to Admission and the Placing*

- (a) On 16 April 2014, the Company and HD Capital entered into a broking and financial adviser agreement. In addition to those fees set out in paragraph 14.4(c) of this Part V, following Admission, under this agreement HD Capital will receive an annual retainer of £30,000. The agreement contains standard warranties and indemnities given by the Company to HD Capital.
- (b) On 21 July 2014, the Company, the Directors and Cairn entered into a nominated adviser agreement. In addition to those fees set out in paragraph 14.4(c) of this Part V, following Admission, under this agreement Cairn will receive an annual retainer of £27,500. The agreement contains standard warranties and indemnities given by the Company to Cairn as well as various undertakings given by the Directors to Cairn and the Company. The Company and each of the Directors have agreed to comply with its legal obligations and those of AIM and the London Stock Exchange and to consult and discuss with Cairn all of its announcements and statements and to provide Cairn with any information which Cairn believes is necessary to enable it to carry out its obligations to the Company or the London Stock Exchange as nominated adviser. Additionally, the Company and the Directors have undertaken to Cairn to observe certain restrictions on the issue of Common Shares, as referred to in paragraph 21.8 of Part 1 and paragraph 7.1 of Part V of this Document.
- (c) On 21 July 2014, the Placing Agreement was entered into between the Company, the Directors, Cairn, HD Capital and the Vendors pursuant to which HD Capital agreed to act as the Company's and the Vendors' placing agent and to use its reasonable endeavours to procure subscribers for the Placing Shares and purchasers for the Vendor Placing Shares at the Placing Price, and Cairn agreed to use its reasonable endeavours to procure Admission.

The Placing Agreement provides that, conditional upon Admission and completion of the Placing, on Admission:

- Cairn will be paid a corporate finance fee of £80,000;
- Cairn will be issued 390,874 Adviser Warrants;
- HD Capital will be issued 390,874 Adviser Warrants;
- HD Capital will be paid a financial adviser and broking fee of £30,000 in cash and £30,000 in the equivalent number of Common Shares at the Placing Price. In addition, HD Capital will be paid a commission of 5 per cent. for all Placing Shares placed through its endeavours and 2.5 per cent. for any Placing Shares placed otherwise.

The Company has agreed to pay all other costs and expenses relating to the Placing and the application for Admission.

The Placing Agreement is conditional upon, among other things, Admission having occurred and applications having been received from persons in respect of all the Placing Shares and Vendor Placing Shares on or before 30 July 2014. The Placing Agreement contains certain warranties and indemnities given by the Company and/or the Directors in favour of HD Capital and Cairn. It also contains provisions entitling HD Capital and Cairn to terminate the agreement prior to the completion of the Placing if, among other things, a breach of any of the warranties occurs or on the occurrence of an event fundamentally and adversely affecting the position of the Company.

- (d) Under the lock in and orderly market agreements dated 21 July 2014 each of the Directors have agreed with the Company, Cairn and HD Capital not to dispose of any shares in the capital of the Company for a period of one year from Admission subject to certain limited exceptions (such as disposals pursuant to a court order or takeover). The Directors have also agreed that for a further period of 12 months, any disposal of their Common Shares will be through HD Capital (or the Company's broker from time to time) in such orderly manner as they shall reasonably determine. In addition, under a lock in agreement dated 23 June 2014, Igneous Capital Limited has agreed with the Company, Cairn and HD Capital not to dispose of any shares in the capital of the Company for a period of one year from Admission subject to certain limited exceptions (such as disposals pursuant to a court order or takeover).
- (e) On 21 July 2014, the Company entered into a warrant agreement with Cairn and HD Capital in respect of the Adviser Warrants. The terms of the agreement allow for the purchase and the issue of a Common Share for each warrant at the Placing Price, exercisable for a period of five years from Admission.

14.5 Paul Conroy consulting agreement

The Company agreed in principle to enter into a new consulting arrangement to be effective of 19 June 2014 with Paul Conroy (a former director of the Company, who resigned as director of the Company but will remain a consultant of the Company) in respect of the provision by Mr. Conroy of mining exploration and development consulting services. The arrangement is for an initial term of one year and will automatically renew on a month to month basis thereafter. The arrangement may be terminated by either party upon 30 days' written notice. Compensation payable under this arrangement to Mr. Conroy consists of a monthly fee in the amount of C\$10,000 for services provided, in addition to eligibility for a grant of stock options. This arrangement restates a previous agreement the Company had with Mr. Conroy (whilst he was a director of the Company) in which he was entitled to compensation of C\$10,000 per month and eligible for stock options.

15. Working capital

The Company and the Directors are of the opinion, having made due and careful enquiry, that the Group will have sufficient working capital for its present requirements, that is, for at least 12 months from the date of Admission.

16. Litigation

The Group has not been involved in any governmental, legal or arbitration proceedings in the 12 months preceding the date of this Document which may have, or have had in the recent past, a significant effect on the Group's financial position or profitability nor, so far as the Directors are aware, are any such proceedings pending or threatened by or against the Group.

17. Intellectual property

The Company is not dependent on any patents, intellectual property licences, industrial, commercial or financial contracts or new manufacturing processes which have a material effect on the Company's business or profitability.

18. Property, plant and equipment

18.1 The Company uses office space in Calgary, Alberta, Canada at no cost to the Company as the Company's chief financial officer provides services to the owner of the head lease. The Company has a leasehold interest in a property at Saskatoon, Saskatchewan, Canada pursuant to a lease dated 12 October 2009 (and assigned to the Company) with Spadina Properties Inc. The lease expires on 31 October 2014 and provides for an annual rent of C\$29,850 in addition to the Company's proportionate share of occupancy costs.

- 18.2 The Company also has an informal tenancy arrangement with Patrimoine LLP in a property at 32 Grosvenor Gardens, London which provides for a monthly rent of £2,145.83 and occupancy on a month by month basis.
- 18.3 MSB owns the freehold of an office at Calle Uno 312, Esq. Av. Doce Col. Bugambilias C.P. 83140 Hermosillo, Sonora Mexico and also owns the freehold of the Pilot Plant facility.
- 18.4 Save as disclosed in this Document, the Company is not aware of any material environmental issues or risks affecting the utilisation of the Group's tangible fixed assets or its operations.

19. CREST and Depositary Interests

19.1 *Deed Poll*

On 1 July 2014 the Deed Poll was executed by the Depositary.

The Depositary Interests will be created pursuant to and issued on the terms of the Deed Poll. The Deed Poll is executed by the Depositary, in favour of the holders of the Depositary Interests from time to time. Prospective holders of Depositary Interests should note that they will have no rights against Euroclear or its subsidiaries in respect of the underlying Common Shares or the Depositary Interests representing them. Common Shares will be transferred to an account of the Depositary or its nominated custodian ("Custodian") and the Depositary will issue Depositary Interests to participating members.

Each Depositary Interest will be treated as one Common Share for the purposes of determining, for example, eligibility for any dividends. The Depositary will pass on to holders of Depositary Interests any stock or cash benefits received by it as holder of Common Shares on trust for such Depositary Interest holder. Depositary Interest holders will also be able to receive from the Depositary notices of meetings of holders of Common Shares and other information to make choices and elections issued by the Company to the Shareholders.

In summary, the Deed Poll contains, amongst other things, provisions to the following effect:

- (a) the Depositary will hold (itself or through the Custodian), as bare trustee, the underlying securities issued by the Company and all and any rights and other securities, property and cash attributable to the underlying securities for the time being held by the Depositary or Custodian pertaining to the Depositary Interests for the benefit of the holders of the Depositary Interests. The Depositary will re-allocate securities or distributions allocated to it or the Custodian *pro rata* to the Common Shares held for the respective accounts of the holders of Depositary Interests but will not be required to account for fractional entitlements arising from such re-allocation;
- (b) holders of Depositary Interests warrant, amongst other things, that the securities in the Company transferred or issued to the Depositary or Custodian for the account of the Depositary Interest holder are free and clear of all liens, charges, encumbrances or third party interests and that such transfers or issues are not in contravention of the Company's articles of association or any contractual obligation, or applicable law or regulation binding or affecting such holder;
- (c) the Depositary and any Custodian must pass on to Depositary Interest holders, or exercise on their behalf, all rights and entitlements received by the Depositary or the Custodian in respect of the underlying securities. Rights and entitlements to cash distributions, to information, to make choices and elections and to attend and vote at meetings shall, subject to the Deed Poll, be passed on in the form which they are received, together with amendments and additional documentation necessary to effect such passing-on, or exercised in accordance with the Deed Poll. If arrangements are made which allow a holder to take up rights in the Company's securities requiring further payment, the holder must put the Depositary or its appointed agent in cleared funds before the relevant payment date or other date notified by the Depositary if it wishes the Depositary to exercise such rights;

- (d) the Depositary will be entitled to cancel Depositary Interests and treat the holders as having requested a withdrawal of the underlying securities in certain circumstances including where a Depositary Interest holder fails to furnish to the Depositary such certificates or representations as to material matters of fact, including his identity, as the Depositary deems appropriate;
- (e) the Deed Poll contains provisions excluding and limiting the Depositary's liability to a maximum of £10 million. For example, the Depositary shall not be liable to any Depositary Interest holder or any other person for liabilities in connection with the performance or non-performance of obligations under the Deed Poll or otherwise except as may result from its negligence or wilful default or fraud or that of any person for whom it is vicariously liable, provided that the Depositary shall not be liable for the negligence, wilful default or fraud of any Custodian or agent which is not a member of its group unless it has failed to exercise reasonable care in the appointment and continued use and supervision of such Custodian or agent;
- (f) the Depositary is entitled to charge holders of Depositary Interests fees and expenses for the provision of its services under the Deed Poll;
- (g) the holders of Depositary Interests are required to agree and acknowledge with the Depositary that it is their responsibility to ensure that any transfer of Depositary Interests by them which is identified by the CREST system as exempt from stamp duty reserve tax is so exempt, and to notify the Depositary if this is not the case, and to pay to Euroclear any interest, charges or penalties arising from non-payment of stamp duty reserve tax in respect of such transaction;
- (h) the Depositary is entitled to make deductions from any income or capital arising from the underlying securities, or to sell such underlying securities and make deductions from the sale proceeds therefrom, in order to discharge the indemnification obligations of Depositary Interest holders;
- (i) the Depositary may terminate the Deed Poll by giving 30 days' notice. During such notice period holders are obliged to cancel their Depositary Interests and withdraw their deposited property and, if any Depositary Interests remain outstanding after termination, the Depositary must, among other things, deliver the deposited property in respect of the Depositary Interests to the relevant Depositary Interest holders or, at its discretion, sell all or part of such deposited property. It shall, as soon as reasonably practicable, deliver the net proceeds of any such sale, after deducting any sums due to the Depositary, together with any other cash held by it under the Deed Poll *pro rata* to holders of Depositary Interests in respect of their Depositary Interests; and
- (j) the Depositary or the Custodian may require from any holder information as to the capacity in which Depositary Interests are or were owned and the identity of any other person with or previously having any interest in such Depositary Interests and the nature of such interest and evidence or declarations of nationality or residence of the legal or beneficial owners of Depositary Interests and such information as is required for the transfer of the relevant Common Shares to the holders. Holders agree to provide such information requested and consent to the disclosure of such information by the Depositary or Custodian to the extent necessary or desirable to comply with their legal or regulatory obligations. Furthermore, to the extent that the Company's constitutional Documents require disclosure to the Company of, or limitations in relation to, beneficial or other ownership of the Company's securities, the holders of Depositary Interests are to comply with the Company's instructions with respect thereto.

It should also be noted that holders of Depositary Interests may not have the opportunity to exercise all of the rights and entitlements available to holders of the Common Shares including, for example, the ability to vote on a show of hands. In relation to voting, it will be important for holders of Depositary Interests to give prompt instructions to the Depositary to vote the underlying shares on their behalf.

19.2 *Depository Services Agreement*

The Company has entered into a depository services agreement dated 1 July 2014 between the Company and the Depository (“Depository Agreement”). The Depository Agreement relates to the Depository’s appointment as depository in relation to the Common Shares, including the issue and cancellation of depository interests and maintaining the Depository Interests register. The Company has agreed to indemnify the Depository in relation to losses suffered by the Depository as a result of any claim made by any Depository Interest holder against the Depository.

The Depository’s liability under the agreement is limited to a maximum of £500,000. The Depository Agreement is for an initial term of 12 months after which it is terminable by the Company on 45 days’ notice and at any time by the Depository on 45 days’ notice.

19.3 *Registrar Agreement*

Pursuant to an agreement dated 1 July 2014 between the Company and the Registrar, the Registrar has agreed to provide registry services for the Company. The agreement contains a general indemnity from the Company in favour of the Registrar in relation to losses suffered by the Registrar in connection with the performance of its duties. The agreement is terminable on three months’ notice on either side if the Registrar increases its fees. Either party may terminate on 45 days’ notice to the other in the event of the other party’s persistent material breach or insolvency.

20. **Significant changes**

Except for the transactions and agreements referred to in this Document, there has been no significant change in the financial or trading position of the Group since 30 June 2013 the date to which the most recent audited financial information is available.

21. **General**

- 21.1 No exceptional factors have influenced the Company’s activities.
- 21.2 Except as disclosed in this Document, there have been no significant authorised or contracted capital commitments at the date of publication of this Document.
- 21.3 The expenses of Admission and the Placing are estimated at £712,000 and are payable by the Company.
- 21.4 The Company’s audit committee is comprised of Guy Walker (Chairman), James Leahy and Shane Shircliff. The audit committee is to meet at such time as shall be determined by the audit committee and consider the integrity of the financial statements of the Company, including its annual and interim accounts; the effectiveness of the Company’s internal controls and risk management systems; auditor reports; and terms of appointment and remuneration for the auditor.
- 21.5 The Company’s remuneration committee is comprised of James Leahy (Chairman), Guy Walker and Derek Batorowski. The remuneration committee is to meet at such times as shall be determined by the committee and has as its remit the determination and review of, amongst others, the remuneration of executives on the Board and any benefit plans of the Company.
- 21.6 Except as disclosed in this Document and for the advisers named on pages 4 and 5 of this Document and trade suppliers, no person has received, directly or indirectly, from the Company within the 12 months preceding the date of this Document or has entered into any contractual arrangements to receive, directly or indirectly, from the Company on or after Admission, fees totalling £10,000 or more or securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price or any other benefit with a value of £10,000 or more at the date of Admission.
- 21.7 Cairn has given and not withdrawn its written consent to the issue of this Document with references to its name in the form and context in which it appears.
- 21.8 HD Capital has given and not withdrawn its written consent to the issue of this Document with references to its name in the form and context in which it appears.

- 21.9 The reporting accountants, Crowe Clark Whitehill, have given and not withdrawn their written consent to the issue of this Document with the inclusion in it of their report and letter and references to them and to their name in the form and context in which they respectively appear. Crowe Clark Whitehill is a member firm of the Institute of Chartered Accountants in England and Wales. Crowe Clark Whitehill has no material interests in the Company.
- 21.10 The Competent Person has given and not withdrawn its written consent to the issue of this Document with the inclusion in it of its report and references to it in the form and context in which they appear. The Competent Person is a member of the Association of Professional Engineers and Geoscientists of British Columbia.
- 21.11 The Competent Person has confirmed to the Company, Cairn and HD Capital that (i) they have reviewed the information which relates to information contained in the report on the Company in this Document set out in Part III “Competent Person’s Report”, which is contained in a portion of this Document other than in such report, and (ii) such information contained in a portion of this Document other than such report is accurate, balanced and complete and not inconsistent with such report.
- 21.12 The Competent Person has no material interests in the Company.
- 21.13 Where information contained in this Document has been sourced from a third party, the Company confirms that such information has been accurately reproduced and, so far as the Company is aware and is able to ascertain from the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 21.14 The Company’s accounting reference date is 30 June.
- 21.15 The financial information relating to the Company contained in this Document does not comprise statutory accounts for the purposes of section 434(3) of the Act. The unaudited interim financial information contained in this Document has not been reviewed by Crowe Clark Whitehill, the Company’s reporting accountants.
- 21.16 The Placing Shares will be issued and allotted under the laws of the Province of Alberta. The Placing will be conducted in Sterling. As the Common Shares are of no par value, they have no currency.
- 21.17 The Vendors comprise Mr. Colin Orr-Ewing and persons or accounts associated with Mr. Orr-Ewing and/or over which he exerts control or direction. The nature of any position, office or other material relationship that Mr. Colin Orr-Ewing has had within the past three years with the Company or any of its predecessors or affiliates is set out in this Document.
- 21.18 The auditors for the period covered by the historical financial information set out in Part IV of this Document were BDO Canada LLP, a member of the Canadian Institute of Chartered Accountants, whose address is set out on page 5 of this Document.
- 21.19 C\$907,000 has been paid by the Group to the Mexican government and regulatory authorities with regard to the acquisition of, or maintenance of, its concessions.
- 21.20 It is expected that CREST accounts will be credited as applicable on the date of Admission. Share certificates will be despatched by first-class post within 14 days of the date of Admission.

Dated: 21 July 2014

