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This document has been drawn up in accordance with the AIM Rules for Companies and has been issued in connection with the application for the admission of the entire issued share capital of Bacanora Lithium plc, a company incorporated in the UK, with registered number 10246575 ("Bacanora UK" or the "Company") on the AIM market of the London Stock Exchange ("AIM") ("Admission"). This document is not an approved prospectus for the purposes of section 85 of FSMA and the Prospectus Rules of the Financial Services Authority. This document does not constitute an offer or invitation to purchase any securities.

The Company and the Company's directors (details of whom appear on page 18 of this document) accept responsibility, both individually and collectively, for the information contained in this Document and compliance with the AIM Rules. To the best 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.

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 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.



## **BACANORA LITHIUM PLC**

(Incorporated and registered in England and Wales registered number 10246575)

### **APPENDIX TO AIM SCHEDULE ONE ANNOUNCEMENT**

#### **FURTHER INFORMATION IN CONNECTION WITH PROPOSED ADMISSION TO AIM**

##### *Nominated Adviser*

##### **Cairn Financial Advisers LLP**

It is expected that Admission will become effective and dealings for normal settlement in the Company's Shares will commence on 17 August 2016.

This document should be read in its entirety. An investment in the Company involves a significant degree of risk, may result in the loss of the entire investment and may not be suitable for all recipients of this document. Investors should consider carefully the risk factors which are set out in Part II of this document. All statements regarding the Company's business should be viewed in light of these risk factors.

This Appendix has been prepared in accordance with Schedule One and the Supplement to Schedule One of the AIM Rules published by the London Stock Exchange. It includes, inter alia, equivalent information that would otherwise have had to be included in an AIM admission document and which is not currently public, that is which is not available at an address in the UK or Canada or at a website address accessible to users in the UK or Canada (collectively, the "Public Record"). The Public Record can be accessed freely at [www.londonstockexchange.com](http://www.londonstockexchange.com), [www.sedar.com](http://www.sedar.com) and on the website of Bacanora Minerals Ltd ("Bacanora Canada") at [www.bacanoraminerals.com](http://www.bacanoraminerals.com) where this Appendix, which is dated 15 July 2016, will be available (and which will be available following Admission at [www.bacanoralithium.com](http://www.bacanoralithium.com)). This Appendix should be read in conjunction with the AIM Rules Schedule One pre-admission announcement (together with any update thereto) to be made at least 20 business days prior to Admission (the "Announcement Form") and the Public Record. This Appendix and the Announcement Form together constitute the Announcement.

Cairn Financial Advisers LLP, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority and is a member of the London Stock Exchange, is acting exclusively for Bacanora Canada and, following Admission, the Company, and no one else in connection with the proposed Admission. Cairn Financial Advisers LLP will not regard any other person as its customer or be responsible to any other person for providing the protections afforded to customers of Cairn Financial Advisers LLP nor for providing advice in relation to the transactions or arrangements detailed in this document. The responsibilities of Cairn Financial Advisers LLP as the nominated adviser to Bacanora Canada or the Company, as appropriate, for the purposes of the AIM Rules are owed solely to the London Stock Exchange and are not owed to Bacanora Canada, the Company, any Company director or any Bacanora Canada director or to any other person. Cairn Financial Advisers LLP is not making any representation or warranty, express or implied, as to the contents of this Document or for the omission of any material from this document, for which it is not responsible.

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.bacanoralithium.com](http://www.bacanoralithium.com).

To the extent information has been sourced from a third party, this information has been accurately reproduced and, as far as the Company's Directors are aware, no facts have been omitted which may render the reproduced information inaccurate or misleading.

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**THIS DOCUMENT DOES NOT CONSTITUTE AN INVITATION OR OFFER TO SELL OR EXCHANGE OR THE SOLICITATION OF AN INVITATION OR OFFER TO BUY OR EXCHANGE ANY SECURITY OR TO BECOME A MEMBER OF BACANORA UK. NONE OF THE SECURITIES REFERRED TO IN THIS DOCUMENT SHALL BE SOLD, ISSUED, EXCHANGED OR TRANSFERRED IN ANY JURISDICTION IN CONTRAVENTION OF APPLICABLE LAW.**

#### **OVERSEAS SHAREHOLDERS**

This Document does not constitute an offer to sell, or a solicitation to buy, the Company's 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, Australia, the Republic of South Africa, Japan or the Republic of Ireland. The Company's 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 Company's Shares may not, subject to certain exceptions, be offered or sold directly or indirectly in or into the United States of America, Australia, the Republic of South Africa, Japan, the Republic of Ireland or to any national, citizen or resident of the United States of America, 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 that would permit a public offer of the Company's 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 the Company's 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.

#### **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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## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors</b>	Colin Orr-Ewing ( <i>Non-executive Chairman</i> ) Martin Fernando Vidal Torres ( <i>President &amp; Director</i> ) Derek Batorowski ( <i>CFO &amp; Director</i> ) Mark Hohnen ( <i>Non-executive Director</i> ) James Leahy ( <i>Non-executive Director</i> ) Kiran Morzaria ( <i>Non-executive Director</i> )
<b>Corporate Secretary</b>	Cherif Rifaat
<b>Registered Office</b>	4 <sup>th</sup> Floor, 97 Jermyn Street, London, SW1Y 6JE
<b>Website</b>	<a href="http://www.bacanoralithium.com">www.bacanoralithium.com</a>
<b>Nominated Adviser</b>	Cairn Financial Advisers LLP 61 Cheapside London EC2V 6AX United Kingdom
<b>Broker</b>	Stifel Nicolaus Europe Ltd 150 Cheapside London EC2V 6ET United Kingdom
<b>English Solicitors to the Company</b>	Gowling WLG (UK) LLP 4 More London Riverside London SE1 2AU United Kingdom
<b>Canadian Solicitors to the Company</b>	Gowling WLG (Canada) LLP 1600, 421 7 <sup>th</sup> Avenue SW Calgary, Alberta T2P 4K9 Canada
<b>Mexican Solicitors to the Company</b>	Melicoff & Asociados S.C. Dr. Paliza No. 59 Col. Centenario Hermosillo, Sonora C.P. 83100 Mexico
<b>Reporting Accountant to the Company</b>	Crowe Clark Whitehill LLP St Bride's House 10 Salisbury Square London EC4Y 8EH United Kingdom
<b>Auditor to the Company</b>	BDO Canada LLP 620, 903 – 8 <sup>th</sup> Avenue SW Calgary, Alberta T2P 0P7 Canada

<b>Canadian and UK tax adviser</b>	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH United Kingdom
<b>Competent Persons</b>	Ausenco Engineering Canada Inc. 855 Homer Street Vancouver, British Columbia V6B 2W2 Canada  and  Amerlin Exploration Services Ltd 2150 - 1851 Savage Road Richmond, British Columbia V6V 1R1 Canada  and  SRK Consulting (UK) Ltd Churchill House 17 Churchill Way Cardiff CF10 2HH United Kingdom  and  Independent Mining Consultants, Inc. 3560 E. Gas Road Tucson, Arizona 85714 USA
<b>Registrars</b>	Capita Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU United Kingdom
<b>Financial PR</b>	St Brides Partners 3 St Michael's Alley London, EC3V 9DS United Kingdom

## ADMISSION STATISTICS

Number of Bacanora UK Shares in issue on Admission	107,874,353
Number of Bacanora UK Shares under option or warrant on Admission	8,733,333
Number of Bacanora UK Shares on a fully diluted basis on Admission <sup>(1)</sup>	116,607,686
AIM symbol	BCN
International Securities Identification Number ("ISIN")	GB00BD20C246

<sup>(1)</sup> This is calculated on the basis that all of the Options and Warrants are exercised

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	2016
Publication of this Document	15 July 2016
Latest date for receipt of Forms of Proxy	11 August 2016
Time and date of Shareholder Meeting to approve Plan of Arrangement	10:00 (Calgary time) on 15 August 2016
Court hearing for approval of the Plan of Arrangement	15 August 2016
Last day of trading of Bacanora Canada Shares on TSX-V and AIM	16 August 2016
Effective Date of the Plan of Arrangement	16 August 2016
Admission and commencement of dealings of Bacanora UK Shares on AIM	08:00 on 17 August 2016
CREST accounts expected to be credited by	17 August 2016
Despatch of definitive share certificates by	31 August 2016

*Note:*

*The times and dates may be subject to change.*

## 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);
“Acquire Co”	1976844 Alberta Ltd. A limited company with registration number 2019768445, whose registered office address is at 1600, 421 7 Ave SW, Calgary, Alberta T2P 4K9
“Admission”	admission of the Bacanora UK Shares to trading on AIM and such admission becoming effective in accordance with the AIM Rules for Companies;
“Admission Agreement”	the conditional agreement dated 15 July 2016 between the Company and Cairn, relating to the Admission, details of which are set out at paragraph 10 of Part III of this Document;
“Arrangement Agreement”	the arrangement agreement between Bacanora Canada and Bacanora UK dated 23 June 2016, as amended and restated as of 11 July 2016;
“AIM”	the AIM Market operated by the London Stock Exchange;
“AIM Rules”	the London Stock Exchange's rules and guidance notes contained in its AIM Rules for Companies and the AIM Rules for Nominated Advisers, as amended from time to time;
“Amerlin”	Amerlin Exploration Services Ltd;
“Announcement”	the pre-Admission announcement pursuant to Rule 2 and Schedule One of the AIM Rules to be made by the Company on or about the date of this Appendix, together with this Appendix;
“Appendix” or “Document”	this document;
“Arrangement” or “Plan of Arrangement”	the plan of arrangement implementing the Re-domicile Proposal as described in the Plan Circular and any amendments or variations thereto;
“Articles”	the articles of incorporation of the Company for the time being, a summary of which is set out in paragraph 4 of Part III of this Document;
“Audit Committee”	the audit committee of the Board comprising James Leahy and Kiran Morzaria;

"Ausenco"	Ausenco Engineering Canada Inc, located at 855 Homer Street, Vancouver, BC V6B 2W2, Canada;
"Bacanora Canada"	Bacanora Minerals Ltd, a public limited company with registration number 2014289082, whose registered office address is at 2204 6 Ave NW, Calgary, Alberta T2N OW3;
"Bacanora Canada Board"	the board of directors of Bacanora Canada;
"Bacanora Canada Group"	means Bacanora Canada and its subsidiaries and subsidiary undertakings;
"Bacanora Canada Shares"	common shares of no par value in the capital of Bacanora Canada;
"Bacanora Canada Shareholders"	holders of Bacanora Canada Shares;
"Bacanora UK Shares"	ordinary shares of £0.10 each in the capital of the Company;
"BCA" or "Business Corporations Act"	the Business Corporations Act (Alberta) and the regulations promulgated thereunder as each may be amended from time to time;
"Blackrock"	BlackRock Investment Management (UK) Limited
"Board" or "Directors"	the board of directors of Bacanora UK whose names are set out on page 4 of this Document;
"Business Day"	any day (other than a Saturday, Sunday or a United Kingdom public holiday) on which banks are generally open in the City of London for the transaction of normal banking business;
"BVI"	British Virgin Islands;
"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 relevant company 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;
"Companies Act"	the Companies Act 2006, as amended;
"Company" or "Bacanora UK"	Bacanora Lithium plc, a public limited company with registration number 10246575, whose

	registered office address is at 4th Floor, 97 Jermyn Street, London, SW1Y 6JE;
“Court”	The Court of Queen’s Bench (Alberta);
“Competent Persons”	Ausenco, SRK, IMC and Amerlin, the competent persons responsible for the information contained in the CPRs;
“Competent Person’s Reports” or “CPRs”	the reports prepared by the Competent Persons, as referred to in paragraph 13 of Part I of this Document;
“CREST”	the computerised settlement system to facilitate the transfer of title of shares 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;
“Deferred Income Plans”	collectively, trusts governed by “registered retirement savings plans”, “registered retirement income funds”, “deferred profit sharing plans”, “registered disability savings plans”, “registered education savings plans” and “tax-free savings accounts”, all as defined in the Tax Act;
“Depository”	Capita IRG Trustees Limited;
“DIs” or “Depository Interests”	uncertificated depository interests issued by the Depository and representing Bacanora Canada Shares;
“Disclosure and Transparency Rules” or “DTRs”	the Disclosure Guidance 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;
“Effective Date”	the date shown on the certificate issued by the Registrar in accordance with section 267 of the BCA in respect of the Arrangement;
“EU”	the European Union;

“Euroclear”	Euroclear UK & Ireland Limited, a company incorporated in England and Wales with registration number 2878738;
“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” or “Bacanora Group”	the Company and its subsidiaries and subsidiary undertakings as at the date of Admission;
“HMRC”	Her Majesty’s Revenue & Customs;
“IMC”	Independent Mining Consultants, Inc.;
“IFRS”	the International Financial Reporting Standards as adopted by the International Accounting Standards Board;
“ISIN”	International Securities Identification Number;
“Letter of Transmittal”	the letter of transmittal for use by the Bacanora Canada Shareholders in the form accompanying the Plan Circular;
“London Stock Exchange”	London Stock Exchange plc;
“Magdalena Borate Project”	the Company’s eight borate concession areas located near the town of Magdalena de Kino in Sonora State, Mexico comprising the San Francisco concessions and the El Represo concessions;
“MAR”	Market Abuse Regulation 596/2014;
“Megalit”	Minera Megalit S.A. de C.V, a company incorporated in Mexico with the registered number 42244*7, currently 70% owned by Bacanora Canada and 30% owned by REM;
“Mexilit”	Mexilit S.A. de C.V, a company incorporated in Mexico with the registered number 41753*7, currently 70% owned by Bacanora Canada and 30% owned by REM;
“Mineramex”	Mineramex Limited, a BVI incorporated company, with registered number 687069, being a wholly owned subsidiary of Bacanora Canada;
“MIT”	Minerales Industriales Tubutama S.A de C.V., a company incorporated in Mexico, with the registered number 34289*7, being indirectly 60% owned by Bacanora Canada;

“MSB”	Minera Sonora Borax S.A. de C.V., a company incorporated in Mexico with registered number 36668*7, being indirectly 99.9% owned by Bacanora Canada;
“NI 43-101”	National Instrument 43-101 – <i>Standards of Disclosure for Mineral Projects</i> of the Canadian Securities Administrators;
“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 Bacanora Canada Shares, details of which are set out in paragraph 9 of Part I of this Document;
“Pilot Plant”	the pilot processing plant of the Company in Hermosillo, Sonora, Mexico;
“Plan Circular” or “Circular”	The circular sent by Bacanora Canada to Bacanora Canada Shareholders’ dated 15 July 2016;
“QCA Guidelines”	the corporate governance guidelines for small quoted companies published by the Quoted Companies Alliance;
“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 Ltd;
“Re-domicile Proposal”	means the proposal to re-domicile the Bacanora Canada by way of a plan of arrangement under which Bacanora Canada Shares will be exchanged for Bacanora UK Shares;
“Remuneration Committee”	the remuneration committee of the Board comprising James Leahy and Derek Batorowski;
“Registrar”	Capita Asset Services;
“SEDAR”	System for Electronic Document Analysis and Retrieval
“Share Dealing Policy”	The Company’s policy on dealing and confidentiality of inside information, in accordance with the AIM Rules and MAR;
“Shareholders”	the persons who are registered as holders of the Bacanora UK 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 ;
“SRK”	SRK Consulting (UK) Ltd.;
“Sterling” or “£”	the legal currency of the UK;
“Stock Option Plan”	collectively, the stock option plan of Bacanora Canada approved by the board of directors at Bacanora Canada on 6 May 2015 and the stock option plan approved by Bacanora Canada Shareholders on 12 June 2015;
“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;
“Tax Act”	the Income Tax Act (Canada) and the regulations promulgated thereunder, as amended from time to time;
“Tax Proposals”	specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof;
“TSX-V”	the TSX Venture Exchange, on which the Bacanora Canada Shares are currently listed for trading;
“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 6 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”, “USD”, “US\$” or “\$”	the legal currency of the United States;
“VAT”	value added tax, charged at a rate of 20 per cent. in the United Kingdom;
“Warrants”	the warrants to subscribe for Bacanora Canada Shares, details of which are set out in paragraph 9 of Part I of this document ; and

“C\$”

Canadian dollars, the lawful currency of Canada from time to time.

## 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.

“B <sub>2</sub> O <sub>3</sub> ”	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 <sub>3</sub> BO <sub>3</sub> 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;
“Colemanite”	a boron mineral with the formula Ca <sub>2</sub> B <sub>6</sub> O <sub>11</sub> ·5H <sub>2</sub> O which is formed by diagenesis and the alteration of other borate minerals;
“DFS”	Definitive Feasibility Study;
“Howlite”	a boron compound with the formula Ca <sub>2</sub> B <sub>5</sub> SiO <sub>9</sub> (OH) <sub>5</sub> which is formed by the alteration of colemanite;
“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;

“Mineral Reserve”	A Mineral Reserve is the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at Pre-Feasibility or Feasibility level as appropriate that include application of modifying factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified.
“NI 43-101”	National Instrument 43-101 a national instrument for the Standards of Disclosure for Mineral Projects a codified set of rules and guidelines for reporting and displaying information related to mineral properties owned by, or explored by, companies which report these results on stock exchanges within Canada;
“Mt”	millions of tonnes;
“PEA”	Preliminary Economic Assessment”
“PFS”	Preliminary Feasibility Study;
“ppm”	parts per million;
“t/y”	tonnes per year;
“Unit A”, “Unit B” and “Unit C”	Borate mineralised beds at the Cajon deposit in the Magdalena basin; and

### Explanation of Lithium Classification

- Lithium grades are usually presented in percentage, parts per million (ppm), lithium oxide (Li<sub>2</sub>O) 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<sub>2</sub>CO<sub>3</sub>.
- 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  $12 \times 1.5$  per cent. = 180,000 tonnes Li. To convert to LCE:  $180,000 \text{ Li} \times 5.324 = 958,320$  tonnes of LCE.

To Convert	To Li	To LiOH	To LiOH-H <sub>2</sub> O	To Li <sub>2</sub> O	To Li <sub>2</sub> CO <sub>3</sub>	To LiAlSi <sub>2</sub> O <sub>6</sub>
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 <sub>2</sub> O	0.165	0.571	1.000	0.356	0.880	4.435
Li <sub>2</sub> O	0.465	1.603	2.809	1.000	2.476	12.500
Li <sub>2</sub> CO <sub>3</sub>	0.188	0.648	1.136	0.404	1.000	5.025
LiAlSi <sub>2</sub> O <sub>6</sub>	0.038	0.129	0.225	0.080	0.199	1.000

# PART I

## INFORMATION ON THE GROUP

### 1 Introduction

The Company was incorporated in England and Wales under the Companies Act on 22 June 2016. Under the Arrangement it is proposed that the Company will become the new holding company of the Bacanora Canada Group.

Bacanora Canada was incorporated in Alberta, Canada in September 2008 and in May 2009 was listed as a Capital Pool Company, as defined in Policy 2.4 of the TSX-V. In April 2010, concurrent with the completion of the acquisition of Mineramex, Bacanora Canada was listed on the TSX-V as a Tier 2 issuer and trading of Bacanora Canada Shares began under the ticker (symbol) BCN. The Bacanora Canada Shares were admitted to trading on AIM on 25 July 2014.

Bacanora Canada explores and develops industrial mineral projects, with a primary focus on borates and lithium. Its operations are based in Hermosillo in northern Mexico and it currently has two significant projects under development in the State of Sonora, being:

- The Sonora Lithium Project, which consists of ten mining concession areas in the northeast of Sonora State. Bacanora Canada, through drilling and exploration work to date, has established an Indicated Mineral Resource (in accordance with National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("**NI 43-101**") of 4.46 Mt LCE contained in 259 Mt of clay at a Li grade of 3,200 ppm and an Inferred Mineral Resource of 2.74 Mt LCE contained in 160 Mt of clay at a Li grade of 3,200 ppm.
- The Magdalena Borate Project, which consists of eight mining concession areas in Sonora state, Mexico, where the main borate zone, El Cajon, has an Indicated Resource (in accordance with NI 43-101) of 1.17 Mt of B<sub>2</sub>O<sub>3</sub>, at an eight per cent. cut-off grade. Bacanora Canada has completed a number of measures to determine the geological and commercial potential of the project and is undertaking a prefeasibility 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.

### 2 Background to and Reason for the Arrangement

On 23 June 2016, Bacanora Canada announced a proposed re-domicile of Bacanora Canada under which shares in Bacanora Canada will be exchanged for shares in Bacanora UK. Bacanora Canada has now entered into the Arrangement Agreement which sets out certain arrangements agreed between Bacanora Canada Acquire Co and Bacanora UK in relation to the Re-domicile Proposal.

The Board of Directors believes that the re-domicile of Bacanora Canada in accordance with the terms of the Arrangement and the admission of the Bacanora UK Shares to trading on AIM will be in the best interests of Bacanora Canada and Bacanora Canada Shareholders for a number of reasons.

Given the geographic spread of Bacanora Canada's production, development and exploration licences with a core focus on Mexico, the Board of Directors believes that:

- It would now be more appropriate for Bacanora Canada to be based in Europe, where the majority of the Bacanora Canada Shareholders and most of management reside.
- Bacanora Canada has been successful in raising funding from the United Kingdom capital market, with its market value quadrupling in size since its announcement to list on AIM in April 2014; with the proposed Re-Domicile, Bacanora Canada anticipates greater access to the UK capital and debt markets, as AIM market investors are generally more familiar with UK incorporated and tax resident listed companies. Bacanora Canada has in the last 8 months added two major UK based institutional investors, who now own almost 17% of issued and outstanding Bacanora Canada Shares.
- Bacanora Canada currently incurs high costs associated with having a dual listing in the AIM and on TSX-V, yet Canadian shareholdings are estimated at less than 10% of Bacanora Canada's shareholder base.
- Bacanora Canada believes that the Canadian shareholder base may continue to decrease and as a result having a single listing on AIM would allow Bacanora Canada to be more cost efficient without material downside.
- Bacanora Canada Shares currently have less liquidity on the TSX-V compared to the AIM. The liquidity of Bacanora Canada Shares have increased significantly since Bacanora Canada dual listed for trading on AIM.

The Re-domicile Proposal is proposed to be implemented by way of an Alberta plan of arrangement. A plan of arrangement is an arrangement between a company and its shareholders which is voted on by those shareholders. If the required majority of shareholders vote in favour of the plan and if it is then approved by the Court, the plan is binding on the company and all of its shareholders.

If the Re-domicile Proposal is approved by Bacanora Canada Shareholders and the Court, then:

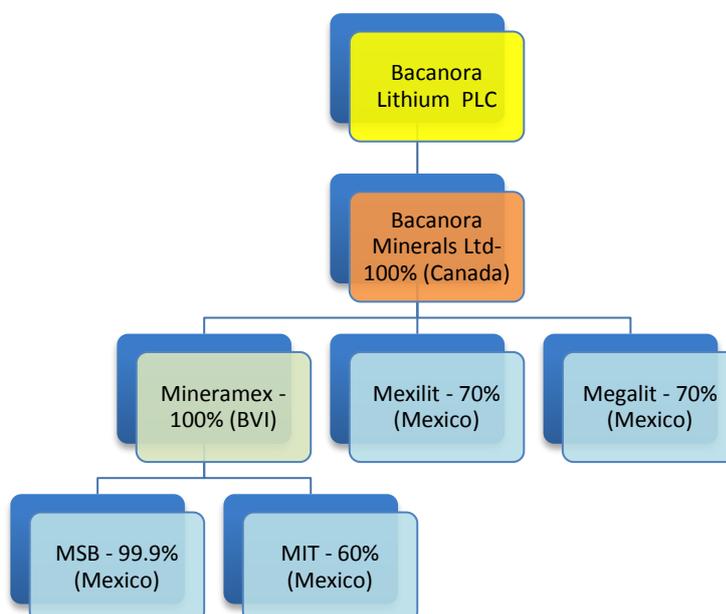
- The Company will issue Bacanora UK Shares to Bacanora Canada Shareholders in exchange for their Bacanora Canada Shares being tendered to Acquire Co and upon subsequent amalgamation of Acquire Co and Bacanora Canada, the new amalgamated Bacanora Canada will become a wholly-owned ongoing subsidiary of the Company;
- The Company will be admitted to trading on AIM, and Bacanora Canada will be delisted from TSX-V and trading in its shares (represented by Depositary Interests) on AIM will be cancelled so that effectively Bacanora UK will replace Bacanora Canada as the quoted entity.

Following implementation of the Arrangement, the Company will become the holding company of the Bacanora Canada Group, and the Bacanora Group's principal activities will continue to be the exploration and development of industrial mineral projects, with a primary focus on borates and lithium.

Details of the Plan of Arrangement are set out in the Plan Circular which has been sent to Bacanora Canada Shareholders and is available on Bacanora Canada's website at [www.bacanoraminerals.com](http://www.bacanoraminerals.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

### 3 Group Structure

The following is a diagram of the Group structure following completion of the Plan of Arrangement:



### 4 Directors and Senior Management

#### 4.1 Directors

If the Re-domicile Proposal is implemented, Shane Shircliff, non-executive director of Bacanora Canada, will step down from the Bacanora Canada Board and will not join the Company's Board. Apart from Mr Shircliff, all the current Bacanora Canada directors will become directors of the Company. The Company's Board will therefore be as follows:

#### *Colin Orr-Ewing, aged 73, 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 various companies in the North Sea, Libya, Nigeria and Algeria. Mr. Orr-Ewing is a geography graduate of Oxford University.

#### *Martin Fernando Vidal Torres, aged 51, President and Director*

Mr. Vidal Torres has served as the President of Bacanora Canada since May 2013. Prior to that, he served as Vice President, Exploration – Mexico for Bacanora Canada from January 2011 to May 2013. He also currently serves as a director of Bacanora Canada'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 Canada is now developing. His experience includes almost 20 years of working with Rio Tinto in the exploration of industrial minerals in several countries in the Americas, 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).

*Derek Batorowski, aged 47, Chief Financial Officer and Director*

Chief Financial Officer, Bacanora Minerals Ltd.; Chief Financial Officer, Blacksteel Energy Inc. Prior thereto, Chief Financial Officer, Westcore Energy Ltd. from March 2009 to June 2014 and Chief Financial Officer of Regal Energy Ltd. from July 2008 to March 2009. Prior thereto, Chief Financial Officer of G2 Resources Inc. from March 2008 to July 2008. Prior thereto, Chief Financial Officer of Aztek Energy Ltd. from July 2006 to March 2008. Since 1993, he has been an independent consultant to the oil and gas industry, having held various financial 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 Chartered Professional Accountants (CGA) of Alberta since 21 June 2000.

*Mark Hohnen, aged 66, Non-Executive Director*

Mr. Hohnen has experience in the Japanese, Chinese and Korean markets, all of which play a significant role in the production of lithium ion batteries and the development of electric vehicle technology. Mr. Hohnen has been involved in the mineral resource sector since the late 1970s. He has had extensive international business experience in a wide range of industries including mining and exploration, property, investment, software and agriculture. He has held a number of directorships in both public and private companies and was founding Chairman of Cape Mentelle and Cloudy Bay wines, as well as the oil and coal company Anglo Pacific Resources Plc. Mr. Hohnen was also a director of Kalahari Minerals and Extract Resources, having successfully negotiated the sale of both companies to Taurus (CGN). He remains on the board of Swakop Uranium, which is developing the world's second largest uranium mine and the largest mine development in southern Africa. He is also a director of ASX listed, Salt Lake Potash Limited.

*James Leahy, aged 55, 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 international projects 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 more than 30 flotations and a large number of primary and secondary placings, developing junior companies through to production and beyond. He is currently a director of Geiger Counter Ltd.

*Kiran Morzaria, aged 42, Non-Executive Director*

Mr. Morzaria holds a Bachelor of Engineering (Industrial Geology) from the Camborne School of Mines and an MBA (Finance) from CASS Business School. He has eighteen years of experience in the mineral resource industry working in both operational and management roles. Mr. Morzaria spent the first four years of his career in exploration, mining and civil engineering. He then obtained his MBA and became the Finance Director of Vatukoula Gold Mines and was part of the team that acquired and re-commissioned operations. He has served as a director of a number of public companies in both an executive and non-executive capacity, he is the chief executive officer of Rare Earth Minerals plc and a non-executive director of European Metals Holdings Ltd.

## **4.2 Senior Management**

*Peter Secker, aged 57, Chief Executive Officer*

Mr. Secker is a mining engineer with over 30 years' experience in the resources industry. During his career he has built and operated a number of mines and metallurgical processing facilities in Africa, Australia, China and Canada. His operating and project experience spans a number of commodities, including titanium, copper, iron ore, gold and lithium. For the past ten years Peter has been Chief Executive of a number of publicly listed companies, most

recently as CEO of Canada Lithium Corporation whilst successfully developing the Quebec Lithium project.

*Cherif Rifaat, aged 45, Company Secretary*

Mr Rifaat is a UK Chartered Accountant who qualified with KPMG and has more than 20 years' experience in a number of Industries, including Mining, IT, Real estate and Telecommunications. He has been involved with Bacanora Canada since April 2014 assisting the Company in the UK with its admission to AIM, the Company's recent Pre-Feasibility Study and the Group's long term tax and financial structuring.

## 5 Business Operations

Bacanora Canada has a portfolio of lithium and borate assets located in the North of Mexico. In particular, it has a defined development path to production for its lithium concessions. In particular, it is currently undertaking a Definitive Feasibility Study in order to develop a path to production for its Sonora lithium assets. In addition, it has a fully commissioned Pilot Plant in Hermosillo which includes a laboratory together with equipment and facilities to process and test samples sourced from the borate and lithium concessions.

### 5.1 Sonora Lithium Project

The Sonora Lithium Project consists of ten contiguous concessions areas covering 97,387 hectares. Two of the concessions (La Ventana, La Ventana 1) are owned 100 per cent. by Bacanora Canada's subsidiary MSB. The El Sauz, El Sauz 1, El Sauz 2, Fleur and Fleur 1 concessions are owned by Bacanora Canada's subsidiary, Mexilit (which is owned 70 per cent. by Bacanora Canada and 30 per cent. by Rare Earth Minerals). The San Gabriel, Buenavista, and Megalit concessions are owned by Bacanora Canada's subsidiary, Megalit (which is owned 70 per cent. by Bacanora Canada and 30 per cent. by Rare Earth Minerals).

**Table 1: Sonora Concessions**

Concession Name	Title #	Record Date	Expiry Date	Area (Ha)
100 % interest owned by Bacanora Canada				
La Ventana	235611	01/22/2010	01/21/2060	875
La Ventana 1	243127	07/10/2014	07/07/2064	945
70% interest owned by Bacanora Canada				
El Sauz	235614	01/22/2010	01/21/2060	1,025
Fleur	243132	07/10/2014	07/07/2064	2,334
El Sauz 1	244345	08/11/2015	08/10/2065	200
El Sauz 2	243029	05/30/2014	05/29/2064	1,144
Fleur 1	243133	07/10/2014	07/07/2064	1,630
Buenavista	235613	01/22/2010	01/21/2060	649
Megalit <sup>(1)</sup>	Approved for Title	11/07/2013	n/a	87,085
San Gabriel	235816	03/12/2010	03/11/2060	1,500

<sup>(1)</sup> Bacanora Canada currently holds the Megalit concession in MSB, but intends to transfer it to the Megalit subsidiary once the licence is received from the Mexican Federal Mining Ministry.

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

concessions within the Sonora Lithium Project pursuant to a royalty agreement dated 20 August 2010. This royalty was granted to Colin Orr-Ewing by the prior owner of the Sonora Lithium Project and accordingly the project was subject to this encumbrance when it was acquired by Bacanora Canada.

The Sonora Lithium Project is located approximately 190 kilometres northeast of the city of Hermosillo, in Sonora State, Mexico. It is roughly 200 kilometres south of the border with Arizona, USA. Access to the site is by road from either Hermosillo or the US border town of Agua Prieta. The project has access to significant support infrastructure including paved roads, process water and high voltage power.

On 15 April 2016, Bacanora Canada announced the filing of an NI 43-101 Mineral Resource Estimate (MRE) Technical Report on the Sonora Lithium Project (excluding the San Gabriel, Buenavista, and Megalit concessions) providing detail in relation to the Mineral Resource statement produced by SRK for the Sonora Lithium Project. The amended Mineral Resource statement was reported using a cut-off grade of 1,000 ppm lithium and was contained within a pit shell based on reasonable optimisation parameters and lithium selling price agreed between an independent expert and Bacanora Canada. The updated Mineral Resource statement for the Sonora Lithium Project (excluding the San Gabriel, Buenavista, and Megalit concessions) comprises an Indicated Mineral Resource estimated at 259 Mt, averaging 3,200 ppm Li for 4.5 Mt of LCE (3.6 Mt of LCE attributable to Bacanora Canada), in addition to an Inferred Mineral Resource estimated at 160 Mt averaging 3,200 ppm Li for 2.7 Mt of LCE (2.4 Mt of LCE attributable to Bacanora Canada).

The amended Mineral Resource is inclusive of the Probable Reserves, which form the basis of the attractive economics highlighted in the NI 43-101 pre-feasibility study (“PFS”) Technical Report published in April 2016. The Probable Mineral Reserves remain unchanged since the announcement by the Bacanora Canada on 3 March 2016 and are summarized in Table 2:

**Table 2: Probable Mineral Reserves:** (Cut-off grade of 1,200 ppm)

<b>Classification</b>	<b>Tonne Ore (Mt)</b>	<b>Li (ppm)</b>	<b>K (%)</b>	<b>LCE (000t)</b>	<b>LCE attributable to BCN (000t)</b>
Probable	129.7	3,015	1.28	2,083	1,813

The Mineral Reserve estimate and mine plan set forth in the PFS were prepared by IMC. The PFS can be viewed on Bacanora Canada's website at [www.bacanoraminerals.com](http://www.bacanoraminerals.com).

The PFS Technical Report is based on a two phase open-pit mine and lithium carbonate processing facility with a life of over 20 years, with the following production profile:

- Phase 1: Initial production of 17,500 tonnes per year of battery-grade  $\text{Li}_2\text{CO}_3$ , for the first two years of operations;
- Phase 2: Expansion to 35,000 tonnes  $\text{Li}_2\text{CO}_3$  per year in or around the 3rd year of operations; and
- Designed to produce up to 50,000 tonnes per year of potassium sulphate (Sulfate of Potash,  $\text{K}_2\text{SO}_4$ ) subsequent to the third year, for sale to the fertiliser industry.

As shown in Table 3, the PFS demonstrates the financial viability of the Sonora Lithium Project:

**Table 3: Key Results of PFS**

<b>Pre-Feasibility Study Key Indicators</b>	<b>Value</b>
Pre-tax Net Present Value	\$776M
Pre-tax IRR (%)	29%
Simple Payback (years)	5
Initial Construction Capital Cost	\$240M
Stage 2 Construction Capital Cost	\$177M
Av. LOM operating costs (\$/t Li <sub>2</sub> CO <sub>3</sub> )	\$2,698
Av. operating costs (\$/t Li <sub>2</sub> CO <sub>3</sub> net of K <sub>2</sub> SO <sub>4</sub> credits)	\$2,100
Post-tax NPV (at 8% discount)	\$542M
Post-tax IRR (%)	25%
Av. annual EBITDA with co-products (US\$)	\$134M
Av. Annual Li <sub>2</sub> CO <sub>3</sub> production capacity (Years 1 and 2)	17,500 t
Av. Annual Li <sub>2</sub> CO <sub>3</sub> production capacity (Years 3 to 20)	35,000 t
Av. Annual K <sub>2</sub> SO <sub>4</sub> production (Years 3 to 20)	50,000 t

(\* All costs are in US dollars)

## 5.2 Magdalena Borate Project

Bacanora Canada borate claims in the Magdalena Basin consist of eight individual concessions held by Bacanora Canada's Mexican subsidiary, MSB. 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. Within the concessions, three main borate zones have been identified to date, namely: El Cajon, Bellota and Pozo Nuevo. Bacanora Canada owns 100 per cent. of the Magdalena Borate Project.

**Table 4: Magdalena Concessions**

<b>Concession Name</b>	<b>Title #</b>	<b>Record Date</b>	<b>Expiry Date</b>	<b>Area (Ha)</b>
San Francisco No. 1	243913	08/13/2002	08/12/2052	552
San Francisco No. 2	243956	09/18/2002	09/17/2052	370
San Francisco No. 3	243955	09/18/2002	09/17/2052	108
San Francisco Fraction 1	226247	05/17/2005	05/16/205	2,344
San Francisco Fraction 2	243888	05/17/2052	05/16/2052	860
El Represo	243919	04/12/2007	04/11/2057	1,200
El Represo 1	238106	07/13/2011	07/19/2061	382
El Represo 2	240129	04/13/2012	04/12/2062	1,288

The property is subject to a 3% gross overriding royalty payable to an arm's length party, and a 3% gross overriding royalty payable to Colin Orr-Ewing, the Chairman of the Board of Directors of the Company, on sales of mineral products produced from these properties.

Cajon is the most advanced of the main borate zones on which Bacanora Canada has estimated drill-indicated boron resources in accordance with NI 43-101. Cajon covers approximately 500 hectares on the southern part of one of the concession blocks. 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 averaging 10.6 per cent. B<sub>2</sub>O<sub>3</sub> equating to 1.17 mt of B<sub>2</sub>O<sub>3</sub> 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 B<sub>2</sub>O<sub>3</sub>, for Unit A of 7.49 Mt averaging 10.81 per cent. B<sub>2</sub>O<sub>3</sub>, 0.8 Mt averaging 9.0 per cent. B<sub>2</sub>O<sub>3</sub> for Unit B and 2.76 Mt averaging 10.5 per cent. B<sub>2</sub>O<sub>3</sub> for Unit C. The average thickness for each bed making up the three units ranges from 4.2 to 9.8 metres.

On 15 April 2016, Bacanora Canada announced the filing of an amended NI 43-101 Preliminary Economic Assessment (PEA) produced by Amerlin on the Cajon deposit. Highlights of the amended PEA (shown in Table 2) for a potential colemanite mine and production facility with a mining rate of 231,100 tonnes averaging 10.5% B<sub>2</sub>O<sub>3</sub> per annum to yield 50,000 tonnes of 40-42% colemanite concentrate per year over a 25 year mine life suggest annual revenue of US\$25 million for an IRR of 24.8% with a 4 year pay back. Capital costs are estimated at US\$7.25 million and average operating costs at US\$170/tonne. NPV of the project, discounted at 8%, is US\$113 million, assuming an average colemanite concentrate price of US\$500/tonne. 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. Readers are further cautioned that mineral resources that are not mineral reserves do not have demonstrated economic viability.

**Table 5: Preliminary Financial Highlights**

Open Pit Mine Production per annum	231,100	tonnes @ 10.5% B <sub>2</sub> O <sub>3</sub>
Colemanite concentrate production per annum	50,000	tonnes @ 42% B <sub>2</sub> O <sub>3</sub>
Revenue (US\$500/tonne of colemanite concentrate) per annum	\$25	million
NPV (8% Discount)	US\$113	million
Internal rate of return (IRR)	24.8%	
Average Operating costs	US\$170	per tonne
Total Initial Capital Costs	US\$7.25	million
Expected Mine Life	25	years
Pay Back of Capital Costs	4	year

### 5.3 Pilot Plant

Bacanora Canada has constructed its own dedicated Pilot Plant in Hermosillo. 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.

The Pilot Plant has enabled Bacanora Canada to undertake its own testing and analysis of samples from its concessions and enabled it to develop and refine the extraction processes required to beneficiate and upgrade the materials excavated from its borate and lithium concessions. Funds from the recent private placement are being utilized to expand and upgrade the Pilot Plant. The expanded plant is currently being used to optimize the metallurgical flow sheet that has been developed during the PFS process as well as to produce battery grade lithium carbonate marketing samples for distribution to potential off-take partners in Europe and Asia in Q3, 2016.

## **6 Financial Information**

Bacanora Canada's audited annual report and accounts for the three financial years ended 30 June 2015 and the unaudited interim accounts for the nine months ended 31 March 2016 can be viewed on Bacanora Canada's website at [www.bacanoraminerals.com](http://www.bacanoraminerals.com).

## **7 Current Trading and Prospects**

Following the publication of the PFS on the Sonora Lithium Project prepared in accordance with National Instrument 43-101, the Company has commenced a DFS for a two stage mine and processing facility to produce up to 35,000 tpa of lithium carbonate at its Sonora Project in northern Mexico. As part of this study the Company has initiated an infill drilling program, appointed international engineering and technical consultants to undertake the geological resource modelling, metallurgical test work, mine designs and process engineering, as well as recruiting additional technical personnel with lithium development and operating expertise. The Company is currently scheduling to have the DFS completed in Q1 2017.

On 28 August 2015, Bacanora Canada announced that it had entered into a conditional long-term lithium hydroxide supply agreement. The Company will continue to develop a number of other strategic relationships with international lithium trading companies and mining companies for the sale of its lithium products, in addition to the conditional supply agreement previously announced.

The Company will continue to review the feasibility of producing boric acid or colemanite from its Magdalena Borate Project. It has also been developing a preliminary mine plan and carrying out additional metallurgical test work programmes for the production of boric acid from howlite mineralisation. The Company intends to commence a PFS on its borate assets, including a detailed full scale boric acid plant design and costing, revised mine plan and environmental baseline studies and mine permitting activities.

On 16 November 2015, Bacanora Canada announced that it had raised approximately £8.8 million via the placing of 11,476,944 new Bacanora Canada Shares at a price of 77 pence per share. The funds raised are being used to advance the Sonora Lithium Project and to expand and upgrade the Pilot Plant. The expanded plant will be used to produce battery grade lithium carbonate marketing samples for distribution to potential off-take partners in Europe and Asia. The management team has already completed a number of detailed site and plant visits with potential off-take partners to facilitate and expedite lithium sample optimisation. Negotiations in respect to offtake agreements with these potential partners are ongoing and will continue in tandem with the preparation of the DFS.

On 20 May 2016, Bacanora Canada announced that it had raised approximately £7.7 million via the placing of 9,750,000 units (the "Placing Units") at a price of £0.79 per Placing Unit with certain funds and accounts managed by BlackRock. Each Placing Unit is comprised of one

Bacanora Canada Share and 0.3 of one Bacanora Canada Share purchase warrant, with each whole warrant being exercisable into one Bacanora Canada Share at a price of £0.79 at any time subsequent to 25 July 2016, but on or before 30 September 2016. Accordingly, an aggregate of 9,750,000 Bacanora Canada Shares and 2,925,000 warrants were issued under this placing.

## **8 The Arrangement, Admission and Settlement**

A full explanation of the Arrangement is contained in the Plan Circular, which was sent to Bacanora Shareholders on 15 July 2016 and can be viewed on Bacanora Canada's website at [www.bacanoraminerals.com](http://www.bacanoraminerals.com) (and after Admission at [www.bacanoralithium.com](http://www.bacanoralithium.com) and on SEDAR at [www.sedar.com](http://www.sedar.com)). You are invited to read the Plan Circular for a full explanation of the terms of the Arrangement as what follows here is only a brief summary.

If the Arrangement is approved and comes into effect, the Company will become the ultimate parent company of the Bacanora Canada Group.

### **8.1 The Arrangement**

For the Arrangement to be approved by Bacanora Canada Shareholders, Bacanora Canada Shareholders holding not less than two-thirds of the voting rights of Bacanora Canada, and who are present and voting either in person or by proxy, must vote in favour of the Arrangement at a general and special meeting. This approval will also fulfil TSX-V requirements to obtain the approval of a simple majority of Bacanora Canada Shareholders. The sanction of the Court is also required for the Arrangement to become effective.

For more information regarding the Arrangement please refer to the Plan Circular setting out details of the Arrangement, the Bacanora Canada Shareholders meeting and the Court approval.

If the Arrangement is approved, Bacanora Canada's Shareholders will receive one Bacanora UK Share for each Bacanora Canada Share that they hold.

Bacanora UK Shares will be issued to Bacanora Canada Shareholders on the Effective Date.

Accordingly, immediately upon the Arrangement becoming effective, a Bacanora Canada Shareholder will have the same proportionate interest in the profits, net assets and dividends of the Company as they have in Bacanora Canada immediately prior to the Effective Date. The Bacanora Canada Group will have the same business and operations immediately after the Effective Date as it had immediately before the Effective Date. The assets and liabilities of the Bacanora Group immediately after the Effective Date will not differ materially from the assets and liabilities the Bacanora Canada Group had before the Effective Date, save that the Company will hold all of the common shares then in issue in Bacanora Canada.

### **8.2 Admission**

Application will be made to the London Stock Exchange for the Bacanora UK Shares to be admitted to trading on AIM and dealings in Bacanora UK Shares are expected to commence on 17 August 2016. The ISIN of the Bacanora UK Shares will be GB00BD20C246.

The cancellation of trading on AIM and on TSX-V of the Bacanora Canada Shares is expected to take place on the day after the Effective Date. The last day of dealings in Bacanora Canada Shares is expected to be on 16 August 2016. The last day for registration of transfers of Bacanora Canada Shares is expected to be on 16 August 2016.

### 8.3 Settlement

#### **Bacanora Canada Shareholders who hold their shares in certificated form or through the Canadian Depository for Securities Limited**

Enclosed with the Plan Circular is a Letter of Transmittal which is being delivered to all registered holders of Bacanora Canada Shares. The Letter of Transmittal, when validly completed and duly executed and returned with the certificate or certificates representing the holder's Bacanora Canada Shares and any other required documents, will enable the holder to receive one Bacanora UK Share for each Bacanora Canada Share held.

Bacanora UK Shares will be issued as soon as practicable after the Effective Date and, if in certificated form, will be forwarded to the Bacanora Canada Shareholder at the address specified by the Bacanora Canada Shareholder in the Letter of Transmittal by prepaid postage, first class mail, or be made available for pick-up at the office of the depository where the Bacanora Canada Shares were deposited by the Bacanora Canada Shareholder, if so requested in the Letter of Transmittal.

#### **Non-registered holders of Bacanora Canada Shares**

Non-registered holders of Bacanora Canada Shares should contact the intermediary (e.g. bank, trust company, securities dealer or broker and a trustee or administrator of a self-administered registered savings plan, registered retirement income fund, registered education savings plan or similar plans or other registered holder) who holds their Bacanora Canada Shares on their behalf to arrange for the exchange of their Bacanora Canada Shares.

Bacanora Canada will issue a news release following the Bacanora Canada Shareholder meeting to confirm whether the Bacanora Canada Shareholders have approved the Arrangement. Bacanora Canada Shareholders will not receive the Bacanora UK Shares to which they are entitled under the Arrangement unless they deposit with the depository a validly completed and duly executed Letter of Transmittal prior to the required deadline set out in the Letter of Transmittal together with the certificates representing their Bacanora Canada Shares and such other documents as may be required. In the event that the Arrangement is not approved by Bacanora Canada Shareholders at the Bacanora Canada Shareholder meeting, all Bacanora Canada Shares previously deposited with the depository will be returned to Bacanora Canada Shareholders.

Definitive share certificates for the new Bacanora UK Shares of Bacanora Canada Shareholders who held their Bacanora Canada Shares in certificated form are expected to be despatched within 14 days of the Effective Date or within 14 days of the receipt of the Letter of Transmittal plus accompanying Bacanora Canada Share certificates (whichever the later). In the case of joint holders, certificates will be despatched to the joint holder whose name appears first in the register of members. All certificates will be sent by pre-paid first class post at the risk of the person entitled thereto.

#### **Bacanora Canada Shareholders who hold their shares in CREST**

Depository Interests representing Bacanora Canada Shares held in uncertificated form in CREST will be disabled in CREST on the day after the Effective Date. Bacanora Canada Shareholders who hold their shares in CREST are not required to complete and return the Letter of Transmittal.

For Bacanora Canada Shareholders who hold their Depository Interests representing Bacanora Canada Shares in a CREST account, Bacanora UK Shares are expected to be credited to the relevant CREST accounts on 17 August 2016. CREST is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and

transferred otherwise than by written instrument. The Articles permit the holding of Bacanora UK Shares under the CREST system. The Directors will apply for the Bacanora UK Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in Bacanora UK Shares following Admission may take place within the CREST system. CREST is a voluntary system and holders of Bacanora UK Shares who wish to receive and retain share certificates will be able to do so.

### General

The Company reserves the right to issue Bacanora UK Shares to all shareholders in certificated form if, for any reason, it wishes to do so.

All the Bacanora UK Shares will be in registered form and no temporary documents of title will be issued.

All mandates in force on the Effective Date relating to payment of dividends on Bacanora Canada Shares and all instructions then in force relating to notices and other communications will, unless and until varied or revoked, be deemed from the Effective Date to be valid and effective mandates or instructions to the Company in relation to the corresponding holding of Bacanora UK Shares.

## 9 Options and Warrants

Bacanora Canada has established a share option scheme for directors, senior management and employees. If the Arrangement becomes effective, current option holders who have been granted options over Bacanora Canada Shares will be able to exercise such options to subscribe for the same number of Bacanora UK Shares as they would have been entitled to subscribe for Bacanora Canada Shares at the same exercise price. In addition, the Company intends to put in place a new share option scheme after Admission for directors, senior management and employees which will have the same terms as the Stock Option Plan. The Board does not expect Bacanora UK Shares under option to exceed 10 per cent of the Company's issued share capital.

At the date of this document, there are 4,975,000 existing options over Bacanora Canada Shares in issue as summarised below:

No of Options	Exercise Price	Expiry Date
50,000	Can \$0.25	28 September 2017
725,000	Can \$0.30	11 September 2018
1,200,000	Can \$1.58	2 December 2020
1,000,000	£0.77	22 January 2018
2,000,000	£0.9625	24 months after vesting

In addition, Bacanora Canada has Warrants in issue which entitle the holders to subscribe for 833,333 Bacanora Canada Shares at an exercise price of CAN\$0.45 per Bacanora Canada Share and 2,925,000 Bacanora Canada Shares at an exercise price of £0.79 per Bacanora Canada Share (each Warrant being exercisable into one Bacanora Canada Share). If the Arrangement becomes effective, the holders of the Warrants will be entitled under the Warrant terms to subscribe for the same number of Bacanora UK Shares as they would have been entitled to subscribe for Bacanora Canada Shares at the same exercise price. Further details of the Warrants are set out in paragraph 9 of Part III of this Document.

## 10 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.

## **11 Corporate Governance**

### **11.1 General**

The Directors recognise the importance of sound corporate governance and, following completion of the Arrangement, the Bacanora Group will comply with the provisions of the Corporate Governance Code for Small and Mid-Size Quoted Companies 2013 ("QCA Code"), as published by the Quoted Companies Alliance, to the extent they consider appropriate in light of the Bacanora Group's size, stage of development and resources.

The Company will hold board meetings periodically as issues arise which require the attention of the Directors. The Directors will be responsible for the management of the business of the Company, setting the strategic direction of the Company and establishing the policies of the Company. It will be the Directors' responsibility to oversee and monitor the financial position, the business and affairs of Company on behalf of the Shareholders, to whom the Directors are accountable. The primary duty of the Directors will be to act in the best interests of the Company at all times. The Directors will also address issues relating to internal control and the Company's approach to risk management.

### **11.2 Board Structure**

On Admission, the Board will consist of two executive directors and four non-executive directors, of whom James Leahy is 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.

### **11.3 Audit Committee**

The Company has adopted a terms of reference 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 two members (Kiran Morzaria and James Leahy with James Leahy 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.

### **11.4 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 two members of which one is a non-executive Director (James Leahy and Derek Batorowski, with James Leahy as Committee 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.

#### **11.5 Nomination Committee**

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.

#### **11.6 Share Dealing Policy**

The Company has adopted, with effect from Admission, a revised policy on trading and confidentiality of inside information for persons discharging managerial responsibilities and persons closely associated with them, 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 MAR) and the Company will take all reasonable steps to ensure compliance by the persons governed by such policy.

#### **11.7 Investor Relations**

Where possible the Company will meet 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 will maintain a corporate website at [www.bacanoralithium.com](http://www.bacanoralithium.com), which will contain a wide range of information about the Company and its business. The website will be 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.

### **12 Takeover Code**

The Takeover Code is issued and administered by the Takeover Panel. The Takeover Code applies to all takeover and merger transactions, however effected, where the offeree company is, *inter alia*, a company with its registered office in the United Kingdom, Channel Islands or Isle of Man, if any of its securities are admitted to trading on a multilateral trading facility in the United Kingdom, which includes AIM. The Company is such a company and, following completion of the Arrangement, the Company will be subject to the Takeover Code and Shareholders will be entitled to the protection afforded by the Takeover Code.

### **13 Competent Persons' Reports**

A Competent Person's Report on the amended PEA produced by Amerlin prepared in accordance with NI 43-101 dated April 2016 in relation to the Magdalena Borate Project was filed on 15 April 2016 and is available on Bacanora Canada's website at [www.bacanoraminerals.com](http://www.bacanoraminerals.com). Amerlin have confirmed that there is no significant change to the information set out in the Competent Person's Report in relation to the Magdalena Borate Project since 15 April 2016.

A Competent Person's Report on the PFS for the Sonora Lithium Project (excluding the San Gabriel, Buenavista, and Megalit concessions) produced by Ausenco, SRK and IMC prepared in accordance with NI 43-101 and dated April 2016 was filed on 15 April 2016 and is available on Bacanora Canada's website at [www.bacanoraminerals.com](http://www.bacanoraminerals.com). Ausenco, SRK and IMC have confirmed that there is no significant change to the information set out in the PFS report on the Sonora Lithium Project since 15 April 2016.

## **14 Taxation**

Details of certain taxation implications of the change in domicile from Canada to the UK which may be relevant to holding or dealing in Bacanora UK Shares are set out in paragraphs 12 and 13 of Part III of this document. These details are intended as a general guide to the differences in the current tax between UK and Canadian taxation law. If you are in any doubt of your tax position you should consult your own tax adviser.

## **15 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 Bacanora UK Shares and Part III of this document which contains additional information on the Company.

## 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 Company's 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 Company's 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 Company's 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*

The Company 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. Nothing in this Document should be construed as being a profit forecast.

#### *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, generate cash flow from its borate and lithium projects. There can be no guarantee that the Company can or will be able to, 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 potentially developed excavation, processing and production facilities have successfully commenced and 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 debt or equity finance for 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;
- lower than budgeted ore grade and recovery rates;
- higher than budgeted capital and/or operating costs
- catastrophic events such as fires, storms or explosions;
- the breakdown or failure of equipment or processes;
- construction, procurement and/or performance falling below expected levels of output or efficiency;
- failure to meet conditions or breach of off-take contracts and/or supply agreements;
- violation of permit requirements;
- variation in quality of mineral products such that the material does not meet market or customer specifications;
- the lack of progress with respect to the development of appropriate extraction technologies;
- 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 enters into employment arrangements with its key personnel to secure their services, 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 the Company 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 a concession 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 the Company 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, the Company 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 the Megalit concession currently owned by MSB that forms part of the Sonora Lithium Project. Application has been made for this area 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 this application, there is no guarantee that title will be granted in respect of this concession area.

#### *Failure to transfer mining concessions to relevant entities*

Certain concessions are currently in the process of being transferred between Group companies. The Buena Vista and San Gabriel concessions are in the course of being transferred from MSB to Megalit, and the Fleur, Fleur 1, Sauz 1 and Sauz 2 concessions are being transferred from MSB to Mexilit. While the Directors believe that there is minimal risk of such transfers not being approved, there is no guarantee that they will be.

#### *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 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 licences may be revoked.

#### *Exploration uncertainty*

The Company is in the process of exploring some of its concessions and has not yet finally determined whether these 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 judgement 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, no formal access rights to the concessions of the Company have been obtained by the Company 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*

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, 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 Bacanora UK 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 continue trading activities 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 Company's borate and lithium projects 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 Bacanora UK 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 licences 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 Group'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 Group, 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 Group, 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 Group 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 licence 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 end prices that can be achieved by the Company for products offered to customers, which may be volatile; (iii) 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 involve 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.

#### *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. 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 "Taxation – the Company" and "Taxation - Shareholders" in paragraphs 12 and 13 of Part III of this document for a summary of the possible tax consequences of owning Bacanora UK 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 the British pound sterling, the Canadian dollar and the Mexican Peso, through both transaction and conversion risks.

### **General risks relating to an investment in the Bacanora UK Shares**

#### *Market for the Bacanora UK Shares*

The Company cannot predict the extent to which investor interest in the Bacanora UK 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 Bacanora UK 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 Bacanora UK 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 the Bacanora UK 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 Bacanora UK Shares can go down as well as up. Furthermore, there is no guarantee that the market price of a Bacanora UK Share will accurately reflect its underlying value.

#### *Volatility of share price*

The trading price of the Bacanora UK 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 Bacanora UK Shares, liquidity (or absence of liquidity) in the Bacanora UK Shares, currency fluctuations, legislative or regulatory changes and general economic conditions. These fluctuations may adversely affect the trading price of the Bacanora UK Shares, regardless of the Company's performance.

*Future sales of Bacanora UK Shares could adversely affect the price of the Bacanora UK Shares*

Shareholders may sell their Bacanora UK Shares in the public or private market and the Company may undertake a public or private offering of Bacanora UK Shares. The Company cannot predict what effect, if any, future sales of Bacanora UK Shares will have on the market price of the Bacanora UK Shares. If the Company's existing shareholders were to sell, or the Company was to issue a substantial number of Bacanora UK Shares in the public market, the market price of the Bacanora UK 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.

**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

### Additional Information

#### 1 Background Information on Bacanora Canada

- 1.1 Bacanora Canada 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.
- 1.2 The registered office address of Bacanora Canada is 2204 6 Ave NW, Calgary, Alberta T2N OW9.
- 1.3 Bacanora Canada has made publicly available documents and announcements over the last 2 years on [www.sedar.com](http://www.sedar.com) and the Company's website, [www.bacanoraminerals.com](http://www.bacanoraminerals.com) which includes all information required under AIM Rule 26.

#### 2 Background Information on the Company

- 2.1 Bacanora Lithium plc was incorporated in England and Wales on 22 June 2016 with registered number 10246575 as a public company limited by shares under the Act. The Company is domiciled in England and Wales. The Company has an indefinite life.
- 2.2 The Company's head corporate office and registered office is 4th Floor, 97 Jermyn Street, London, SW1Y 6JE.
- 2.3 The Company's principal place of business operations is at Calle Uno 312, Esq. Av. Doce, Col. Bugambillas, C.P 83140, Hermosillo, Sonora, Mexico.
- 2.4 The Company's website address at which information required by rule 26 is available from Admission is: [www.bacanoralithium.com](http://www.bacanoralithium.com).
- 2.5 The principal legislation under which the Company operates is the Act.
- 2.6 The Company has two employees (30/6/15: none, 30/6/14: none, 30/6/13: none).
- 2.7 The Company's accounting reference date is 30 June.
- 2.8 From Admission and completion of the Arrangement, the Company will be the holding company of the Bacanora Group and will have the following subsidiaries and subsidiary undertakings:

<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>
Bacanora Canada	Canada (2014289082)	107,874,353 Bacanora Canada Shares	100%	Intermediate holding company
1976844 Alberta Ltd.	Canada (2019768445)	1 share of CAN\$1	100%	Intermediate holding company

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)	142,861 shares of 10 MXN each	70%	Mining operations

\*Martin Vidal Torres holds three shares in MSB and one share in each of the other Mexican subsidiaries on trust in order to comply with Mexican corporate law.

\*\*Mineramex holds 100% of the shares of MIT. However it only has a beneficial interest in 60% of the issued shares in MIT with the remaining 40% being held on trust for the beneficial owners.

2.9 Except as disclosed in this paragraph 2, the Company does not have, nor has it taken any action to acquire, any significant investments.

### 3 Share Capital

3.1 The issued nominal share capital of the Company as at the date of this Document and immediately following Admission is and will be as follows:

	<i>Ordinary Shares</i>	
	<i>Aggregate Nominal value</i>	<i>Number of Bacanora UK Shares</i>
(i) As at the date of this document	£1	1
(ii) Immediately following Admission	£10,787,435.30	107,874,353

3.2 All of the issued share capital of the Company has been fully paid up.

3.3 No changes have taken place in the issued share capital of the Company since incorporation and up to the date of this Document.

3.4 By ordinary and special resolutions passed on 30 June 2016:

- (a) the Directors were generally and unconditionally authorised in accordance with Section 551 of the Act to exercise all of the powers of the Company to allot Bacanora UK Shares pursuant to the Arrangement and to satisfy an exercise of rights under the Stock Option Plan or Warrants;
- (b) the Directors were generally empowered (pursuant to Section 570 of the Act) to allot the Bacanora UK Shares pursuant to the Arrangement pursuant to the authority referred to in paragraph 3.5(a) above as if Section 561 of the Act did not apply to any such allotment;

- (c) the Directors were generally and unconditionally authorised in accordance with Section 551 of the Act to exercise all of the powers of the Company to allot ordinary shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company up to an aggregate nominal amount of £7,191,624 in relation to a rights issue, or otherwise £3,595,812, such authority to expire on the earlier of the date falling 18 months from the date of the resolution or at the conclusion of the first annual general meeting of the Company, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require such allotment or grant in pursuance of such an offer or agreement as if such authority had not expired;
- (d) the Directors were generally empowered (pursuant to Section 570 of the Act) to allot equity securities pursuant to the authority referred to in paragraph 3.5(c) above as if Section 561 of the Act did not apply to any such allotment, provided that such power shall be limited to: (i) the allotment of equity securities under pre-emptive offers, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and (ii) the allotment (otherwise than pursuant to (i)) of equity securities up to an aggregate nominal amount of £2,696,859, such power to expire on the earlier of the date falling 18 months from the date of the resolution or at the conclusion of the first annual general meeting of the Company, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if such power had not expired; and
- (e) the Company was authorised in accordance with Section 701 of the Act to make market purchases (within the meaning of Section 693(4) of the Act) of Ordinary Shares provided that the maximum number of Ordinary Shares authorised to be purchased is 16,181,153 Ordinary Shares. The minimum price which may be paid for an Ordinary Share is £0.10. The maximum price which may be paid for an Ordinary Share must not be more than the higher of (i) five per cent. above the average of the mid-market value of the Ordinary Shares for the five Business Days before the purchase is made or (ii) the higher of the last independent trade and the highest current independent bid for Ordinary Shares. Such authority will expire on the earlier of the conclusion of the first annual general meeting of the Company and the date which falls 18 months after the date of the resolution, save that the Company may contract to purchase Ordinary Shares under the authority thereby conferred prior to the expiry of such authority, which contract will or may be executed wholly or partly after the expiry of such authority and may purchase Ordinary Shares in pursuance of such contract.

#### **4 The Company's Memorandum and Articles of Association**

The Company's Articles contain provisions, inter alia, to the following effect:

##### **4.1 *Objects/purposes***

The Articles do not provide for any objects of the Company and accordingly the Company's objects are unrestricted.

#### 4.2 *Voting rights*

- (a) Subject to the provisions of the Act, to any special terms as to voting on which any shares may have been issued or may from time-to-time be held and to any suspension or abrogation of voting rights pursuant to the Articles, at any general meeting, every member holding Ordinary Shares who is present in person (or, being a corporation, by representative) or by proxy shall, on a show of hands, have one vote and every member holding Ordinary Shares present in person (or, being a corporation, by representative) or by proxy shall, on a poll, have one vote for each share of which he is a holder. A shareholder entitled to more than one vote need not, if he votes, use all his votes or vest all the votes he uses the same way. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders.
- (b) Unless the Board otherwise determines, no member shall be entitled to receive any dividends or be present and vote at a general meeting or a separate general meeting of the holders of any class of shares, either in person or (save as proxy for another member) by proxy, or be reckoned in a quorum, or to exercise any other right or privilege as a member in respect of a share held by him, unless and until he shall have paid all calls for the time being due and payable by him in respect of that share, whether alone or jointly with any other person, together with interest and expenses (if any) payable by him to the Company or if he, or any other person whom the Company reasonably believes to be interested in such shares, has been issued with a notice pursuant to the Act requiring such person to provide information about his interests in the Company's shares and has failed in relation to any such shares to give the Company the required information within 14 days.

#### 4.3 *Dividends*

- (a) Subject to the provisions of the Act and of the Articles, the Company may by ordinary resolution declare dividends to be paid to members according to their respective rights and interests in the profits of the Company. However, no dividend shall exceed the amount recommended by the Board.
- (b) Subject to the provisions of the Act, the Board may declare and pay such interim dividends (including any dividend payable at a fixed rate) as appears to the Board to be justified by the profits of the Company available for distribution. If at any time the share capital of the Company is divided into different classes, the Board may pay such interim dividends on shares which rank after shares conferring preferential rights with regard to dividends as well as on shares conferring preferential rights, unless at the time of payment any preferential dividend is in arrears. Provided that the Board acts in good faith, it shall not incur any liability to the holders of shares conferring preferential rights for any loss that they may suffer by the lawful payment of any interim dividend on any shares ranking after those preferential rights.
- (c) All dividends, interest or other sums payable and unclaimed for a period of twelve months after having become payable may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends unclaimed for a period of twelve years after having become payable shall, if the Board so resolves, be forfeited and shall cease to remain owing by, and shall become the property of, the Company.
- (d) The Board may, with the authority of an ordinary resolution of the Company, direct that payment of any dividend declared may be satisfied wholly or partly by the distribution of assets, and in particular of paid up shares or debentures of any other company, or in any one or more of such ways.

- (e) The Board may also, with the prior authority of an ordinary resolution of the Company and subject to the Articles and such terms and conditions as the Board may determine, offer to holders of shares the right to elect to receive shares of the same class, credited as fully paid, instead of the whole (or some part, to be determined by the Board) of any dividend specified by the ordinary resolution.
- (f) Unless the Board otherwise determines, the payment of any dividend or other money that would otherwise be payable in respect of shares will be withheld by the Company if such shares represent at least 0.25 per cent. in nominal value of their class and the holder, or any other person whom the Company reasonably believes to be interested in those shares, has been duly served with a notice pursuant to the Act requiring such person to provide information about his interests in the Company's shares and has failed to supply the required information within 14 days. Furthermore such a holder shall not be entitled to elect to receive shares instead of a dividend.

#### 4.4 *Winding up*

If the Company is wound up the liquidator may, with the sanction of a special resolution and any other sanction required by law and subject to the Act, divide among the Shareholders in specie the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, with the like sanction, vest the whole or any part of the assets in trustees upon such trusts for the benefit of the Shareholders as he may with the like sanction determine, but no Shareholder shall be compelled to accept any shares or other securities upon which there is a liability.

#### 4.5 *Transfer of shares*

- (a) Subject to such of the restrictions in the Articles as may be applicable, each member may transfer all or any of his shares which are in certificated form by instrument of transfer in writing in any usual form or in any form approved by the Board. Such instrument shall be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the register of members.
- (b) The Board may, in its absolute discretion, refuse to register any transfer of a share in certificated form (or renunciation of a renounceable letter of allotment) unless:
  - (i) it is in respect of a share which is fully paid up;
  - (ii) it is in respect of only one class of shares;
  - (iii) it is in favour of a single transferee or not more than four joint transferees;
  - (iv) it is duly stamped (if so required); and

- (v) it is delivered for registration to the registered office for the time being of the Company or such other place as the Board may from time-to-time determine, accompanied (except in the case of (a) a transfer by a recognised person where a certificate has not been issued (b) a transfer of an uncertificated share or (c) a renunciation) by the certificate for the share to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor or person renouncing and the due execution of the transfer or renunciation by him or, if the transfer or renunciation is executed by some other person on his behalf, the authority of that person to do so, provided that the Board shall not refuse to register a transfer or renunciation of a partly paid share in certificated form on the grounds that it is partly paid in circumstances where such refusal would prevent dealings in such share from taking place on an open and proper basis on the market on which such share is admitted to trading. The Board may refuse to register a transfer of an uncertificated share in such other circumstances as may be permitted or required by the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) and the relevant electronic system.
- (c) Unless the Board otherwise determines, a transfer of shares will not be registered if the transferor or any other person whom the Company reasonably believes to be interested in the transferor's shares has been duly served with a notice pursuant to the Act requiring such person to provide information about his interests in the Company's shares, has failed to supply the required information within 14 days and the shares in respect of which such notice has been served represent at least 0.25 per cent. in nominal value of their class, unless the member is not himself in default as regards supplying the information required and proves to the satisfaction of the Board that no person in default as regards supplying such information is interested in any of the shares the subject of the transfer, or unless such transfer is by way of acceptance of a takeover offer, in consequence of a sale on a recognised investment exchange or any other stock exchange outside the United Kingdom on which the Company's shares are normally traded or is in consequence of a bona fide sale to an unconnected party.
- (d) If the Board refuses to register a transfer of a share, it shall send the transferee notice of its refusal, together with its reasons for refusal, as soon as practicable and in any event within two months after the date on which the transfer was lodged with the Company.
- (e) No fee shall be charged for the registration of any instrument of transfer or any other document relating to or affecting the title to any shares.

#### 4.6 *Variation of rights*

- (a) If at any time the share capital of the Company is divided into shares of different classes, any of the rights for the time being attached to any shares (whether or not the Company may be or is about to be wound up) may from time-to-time be varied or abrogated in such manner (if any) as may be provided in the Articles by such rights or, in the absence of any such provision, either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of the relevant class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of the class duly convened and held in accordance with the Act.
- (b) The quorum at every such meeting shall be not less than two persons present (in person or by proxy) holding at least one-third of the nominal amount paid up on the issued shares of the relevant class (excluding any shares of that class held as treasury shares) and at an adjourned meeting not less than one person holding shares of the relevant class or his proxy.

#### 4.7 *Alteration of share capital*

The Company may, from time to time, by ordinary resolution:

- (a) authorise the Directors to increase its share capital by allotting new shares;
- (b) consolidate and divide all or any of its share capital into shares of larger nominal amount than its existing shares;
- (c) subject to the provisions of the Act, sub-divide its shares or any of them, into shares of smaller nominal amount and may by such resolution determine that, as between the shares resulting from such a sub-division, one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights or be subject to any such restrictions, as the Company has power to attach to new shares; and
- (d) redenominate its share capital by converting shares from having a fixed nominal value in one currency to having a fixed nominal value in another currency.

#### 4.8 General meetings

- (a) The Board may convene a general meeting (which is not an annual general meeting) whenever it thinks fit.
- (b) A general meeting shall be convened by such notice as may be required by law from time to time.
- (c) The notice of any general meeting shall include such statements as are required by the Act and shall in any event specify:
  - (i) whether the meeting is convened as an annual general meeting or any other general meeting;
  - (ii) the place, the day, and the time of the meeting;
  - (iii) the general nature of the business to be transacted at the meeting;
  - (iv) if the meeting is convened to consider a special resolution, the text of the resolution and the intention to propose the resolution as such; and
  - (v) with reasonable prominence, that a member entitled to attend and vote is entitled to appoint one or (provided each proxy is appointed to exercise the rights attached to a different share held by the member) more proxies to attend and to speak and vote instead of the member and that a proxy need not also be a member.
- (d) The notice shall be given to the members (other than any who, under the provisions of the Articles or of any restrictions imposed on any shares, are not entitled to receive notice from the Company), to the Directors and the auditors and to any other person who may be entitled to receive it. The accidental omission to give or send notice of any meeting, or, in cases where it is intended that it be given or sent out with the notice, any other document relating to the meeting including an appointment of proxy to, or the non-receipt of either by, any person entitled to receive the same, shall not invalidate the proceedings at that meeting.
- (e) The right of a member to participate in the business of any general meeting shall include without limitation the right to speak, vote, be represented by a proxy or proxies and have access to all documents which are required by the Act or the Articles to be made available at the meeting.
- (f) (A Director shall, notwithstanding that he is not a member, be entitled to attend and speak at any general meeting and at any separate meeting of the holders of any class of shares of the Company. The Chairman of any general meeting may also invite any person to attend and speak at that meeting if he considers that this will assist in the deliberations of the meeting.

- (g) No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business. Subject to the Articles, two persons entitled to attend and to vote on the business to be transacted, each being a member so entitled or a proxy for a member so entitled or a duly authorised representative of a corporation which is a member so entitled, shall be a quorum. If, at any time, there is only one person entitled to attend and to vote on the business to be transacted, such person being the sole member so entitled or a proxy for such sole member so entitled or a duly authorised representative of a corporation which is such sole member so entitled, shall be a quorum. The Chairman of the meeting may, with the consent of the meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn the meeting from time-to-time (or indefinitely) and from place to place as the meeting shall determine. Where a meeting is adjourned indefinitely, the Board shall fix a time and place for the adjourned meeting. Whenever a meeting is adjourned for 30 days or more or indefinitely, seven clear days' notice at the least, specifying the place, the day and time of the adjourned meeting and the general nature of the business to be transacted, must be given in the same manner as in the case of the original meeting.
- (h) A resolution put to a vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result on a show of hands) a poll is duly demanded. Subject to the provisions of the Act, a poll may be demanded by:
- (i) the chairman of the meeting;
  - (ii) at least five members having the right to vote on the resolution;
  - (iii) a member or members representing not less than five per cent. of the total voting rights of all the members having the right to vote on the resolution (excluding any voting rights attached to shares held as treasury shares); or
  - (iv) member or members holding shares conferring the right to vote on the resolution, being shares on which an aggregate sum has been paid up equal to not less than ten per cent. of the total sum paid up on all the shares conferring that right (excluding any voting rights attached to shares in the Company conferring a right to vote on the resolution held as treasury shares).

#### 4.9 *Borrowing powers*

Subject to the provisions of the Act, the Directors may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property and assets (present and future) and uncalled capital or any part or parts thereof and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

#### 4.10 *Issue of shares*

- (a) Subject to the provisions of the Act, and to any relevant authority of the Company required by the Act, the Board may allot, grant options over, offer or otherwise deal with or dispose of any new shares or rights to subscribe for or convert any security into shares, at such times and generally on such terms and conditions as the Board may decide.

- (b) Subject to the provisions of the Act and to any rights for the time being attached to any existing shares, any shares may be allotted or issued with or have attached to them such preferred, deferred or other rights or restrictions, whether in regard to dividend, voting, transfer, return of capital or otherwise, as the Company may from time-to-time by ordinary resolution determine or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the Board may determine and any share may be issued which is, or at the option of the Company or the holder of such share is liable to be, redeemed in accordance with the Articles or as the Directors may determine.
- (c) The business of the Company shall be managed by the Directors who, subject to the provisions of the Act, the Articles and to any directions given by special resolution to take, or refrain from taking, specified action, may exercise all the powers of the Company, whether relating to the management of the business or not. Any Director may appoint any other Director, or any other person approved by resolution of the Directors and willing to act and permitted by law to do so, to be an alternate Director.

#### 4.11 *Directors' fees*

- (a) The Directors (other than alternate Directors) shall be entitled to receive by way of fees for their services as Directors such sum as the Board may from time-to-time determine (not exceeding in aggregate £250,000 per annum or such other sum as the Company in general meeting shall from time-to-time determine). Any such fees payable shall be distinct from any salary, remuneration or other amounts payable to a Director pursuant to any other provision of the Articles or otherwise and shall accrue from day-to-day.
- (b) The Directors are entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by them in or about the performance of their duties as Directors.

#### 4.12 *Directors' interests*

- (a) The Board may authorise any matter proposed to it in accordance with the Articles which would, if not so authorised, involve a breach by a Director of his duty to avoid conflicts of interest under the Act, including any matter which relates to a situation in which a Director has or can have an interest which conflicts, or possibly may conflict, with the interest of the Company (including the exploitation of any property, information or opportunity, whether or not the Company could take advantage of it but excluding any situation which cannot reasonably be regarded as likely to give rise to a conflict of interest). This does not apply to a conflict of interest arising in relation to a transaction or arrangement with the Company. Any authorisation will only be effective if any quorum requirement at any meeting at which the matter was considered is met without counting the Director in question or any other interested Director and the matter was agreed to without their voting or would have been agreed to if their votes had not been counted. The Board may impose limits or conditions on any such authorisation or may vary or terminate it at any time.

- (b) Subject to having, where required, obtained authorisation of the conflict from the Board, a Director shall be under no duty to the Company with respect to any information which he obtains or has obtained otherwise than as a Director of the Company and in respect of which he has a duty of confidentiality to another person. In particular, a Director shall not be in breach of the general duties he owes to the Company under the Act because he fails to disclose any such information to the Board or to use or apply any such information in performing his duties as a Director, or because he absents himself from meetings of the Board at which any matter relating to a conflict of interest, or possible conflict, of interest is discussed and/or makes arrangements not to receive documents or information relating to any matter which gives rise to a conflict of interest or possible conflict of interest and/or makes arrangements for such documents and information to be received and read by a professional adviser.
- (c) Provided that his interest is disclosed at a meeting of the Board, or in the case of a transaction or arrangement with the Company, in the manner set out in the Act, a Director, notwithstanding his office:
  - (i) may be a party to or otherwise be interested in any transaction or arrangement with the Company or in which the Company is otherwise interested;
  - (ii) may hold any other office or place of profit under the Company (except that of auditor of the Company or any of its subsidiaries);
  - (iii) may act by himself or through his firm in a professional capacity for the Company, and in any such case on such terms as to remuneration and otherwise as the Board may arrange;
  - (iv) may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any company promoted by the Company or in which the Company is otherwise interested or as regards which the Company has any powers of appointment; and
  - (v) shall not be liable to account to the Company for any profit, remuneration or other benefit realised by any office or employment or from any transaction or arrangement or from any interest in any body corporate. No such transaction or arrangement shall be liable to be avoided on the grounds of any such interest or benefit nor shall the receipt of any such profit, remuneration or any other benefit constitute a breach of his duty not to accept benefits from third parties.
- (d) A Director need not declare an interest in the case of a transaction or arrangement with the Company if the other Directors are already aware, or ought reasonably to be aware, of the interest or it concerns the terms of his service contract that have been or are to be considered at a meeting of the Directors or if the interest consists of him being a director, officer or employee of a company in which the Company is interested.

#### 4.13 *Restrictions on Directors voting*

- (a) A Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board or of a committee of the Board concerning any transaction or arrangement in which he has an interest which is to his knowledge a material interest and, if he purports to do so, his vote shall not be counted, but this prohibition shall not apply in respect of any resolution concerning any one or more of the following matters:
  - (i) any transaction or arrangement in which he is interested by means of an interest in shares, debentures or other securities or otherwise in or through the Company;

- (ii) the giving of any guarantee, security or indemnity in respect of money lent to, or obligations incurred by him or any other person at the request of or for the benefit of, the Company or any of its subsidiary undertakings;
  - (iii) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
  - (iv) the giving of any other indemnity where all other Directors are also being offered indemnities on substantially the same terms;
  - (v) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
  - (vi) any proposal concerning any other body corporate in which he does not to his knowledge have an interest (as the term is used in Part 22 of the Act) in one per cent. or more of the issued equity share capital of any class of such body corporate (calculated exclusively of any shares of that class in that company held as treasury shares) nor to his knowledge holds one per cent. or more of the voting rights which he holds as shareholder or through his direct or indirect holding of financial instruments (within the meaning of the Disclosure and Transparency Rules) in such body corporate;
  - (vii) any proposal relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates;
  - (viii) any proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons who include Directors;
  - (ix) any proposal concerning the funding of expenditure by one or more Directors on defending proceedings against him or them, or doing anything to enable such Director or Directors to avoid incurring such expenditure; or
  - (x) any transaction or arrangement in respect of which his interest, or the interest of Directors generally has been authorised by ordinary resolution.
- (b) A Director shall not vote or be counted in the quorum on any resolution of the Board or committee of the Board concerning his own appointment (including fixing or varying the terms of his appointment or its termination) as the holder of any office or place of profit with the Company or any company in which the Company is interested.

#### 4.14 *Number of Directors*

Unless and until otherwise determined by an ordinary resolution of the Company, the number of Directors (other than alternate Directors) shall be not less than two and the number is not subject to a maximum.

#### 4.15 *Directors' appointment and retirement*

- (a) Directors may be appointed by the Company by ordinary resolution or by the Board. If appointed by the Board, a Director shall hold office only until the next annual general meeting and shall not be taken into account in determining the number of Directors who are to retire by rotation.

- (b) At each annual general meeting of the Company, any Directors appointed by the Board since the last annual general meeting shall retire. In addition one-third of the remaining Directors or, if their number is not three or a multiple of three, the number nearest to but not exceeding one-third, shall retire from office by rotation. If there are fewer than three such Directors, one Director shall retire from office.
- (c) At each annual general meeting, any Director who was last elected or last re-elected at or before the annual general meeting held in the third calendar year before the current year shall retire by rotation. If the number of Directors so retiring is less than the minimum number of Directors who are required to retire by rotation, additional Directors up to that number shall retire (namely, those Directors who are subject to rotation but who wish to retire and not offer themselves for re-election and those Directors who have been Directors longest since their appointment or last reappointment (and, as between those who have been in office an equal length of time, those to retire shall, unless they otherwise agree, be determined by lot)).
- (d) Any Director who would not otherwise be required to retire shall also retire if he has been with the Company for a continuous period of nine years or more at the date of the meeting and shall not be taken into account when deciding which and how many Directors should retire by rotation at the annual general meeting.

#### 4.16 *Notice requiring disclosure of interest in shares*

- (a) The Company may, by notice in writing, require a person whom the Company knows to be, or has reasonable cause to believe is interested in any shares or at any time during the three years immediately preceding the date on which the notice is issued to have been interested in any shares, to confirm that fact or (as the case may be) to indicate whether or not this is the case and to give such further information as may be required by the Directors. Such information may include, without limitation, particulars of the person's identity, particulars of the person's own past or present interest in any shares and to disclose the identity of any other person who has a present interest in the shares held by him, where the interest is a present interest and any other interest, in any shares, which subsisted during that three year period at any time when his own interest subsisted to give (so far as is within his knowledge) such particulars with respect to that other interest as may be required and where a person's interest is a past interest to give (so far as is within his knowledge) like particulars for the person who held that interest immediately upon his ceasing to hold it.
- (b) If any Shareholder is in default in supplying to the Company the information required by the Company within the prescribed period (which is 14 days after service of the notice), or such other reasonable period as the Directors may determine, the Directors in their absolute discretion may serve a direction notice on the Shareholder. The direction notice may direct that in respect of the shares in respect of which the default has occurred (the "default shares") the Shareholder shall not be entitled to vote in general meetings or class meetings where the default shares represent at least 0.25 per cent. In nominal value of the class of shares concerned, the direction notice may additionally direct that dividends on such shares will be retained by the Company (without interest) and that no transfer of the default shares (other than a transfer authorised under the Articles) shall be registered until the default is rectified.

#### 4.17 *Untraced shareholders*

Subject to the Articles, the Company may sell any shares registered in the name of a member remaining untraced for twelve years who fails to communicate with the Company following advertisement of an intention to make such a disposal. Until the Company can account to the member, the net proceeds of sale will be available for use in the business of the Company or for investment, in either case at the discretion of the Board. The proceeds will not carry interest.

#### 4.18 *Indemnity of officers*

Subject to the provisions of the Act, but without prejudice to any indemnity to which he may otherwise be entitled, every past or present Director (including an alternate Director) or officer of the Company or a director or officer of an associated company (except the auditors or the auditors of an associated company) may at the discretion of the Board be indemnified out of the assets of the Company against all costs, charges, losses, damages and liabilities incurred by him for negligence, default, breach of duty, breach of trust or otherwise in relation to the affairs of the Company or of an associated company, or in connection with the activities of the Company, or of an associated company, or as a trustee of an occupational pension scheme (as defined in Section 235(6) of the Act). In addition the Board may purchase and maintain insurance at the expense of the Company for the benefit of any such person indemnifying him against any liability or expenditure incurred by him for acts or omissions as a Director or officer of the Company (or of an associated company).

## **5 Differences between Canadian and UK company law and UK and Canadian regulatory requirements and the implications of the Company being a UK incorporated company**

5.1 The Company is a public limited company incorporated in England and Wales. Bacanora Canada is a public limited company incorporated in Alberta. There are a number of differences between the Act and the BCA, and also between the UK and Canadian regulatory regimes governing public companies. These differences may impact upon the rights of Bacanora Canada shareholders when they become shareholders in the Company. The principal differences are set out below.

### **5.2 Takeovers**

(a) Canadian laws relating to (i) early warning disclosure requirements (when any person (an “offeror”) acquires, except pursuant to a formal takeover 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), and; (ii) to takeover bids made to security holders in various jurisdictions in Canada (i.e. 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) will not apply.

(b) The Company will be subject to takeover regulation in the UK and the City Code will apply to the Company. The City Code governs, *inter alia*, transactions which may result in a change of control of a public company to which the City Code applies. Any person who acquires an interest in the Ordinary Shares which, when taken together with Ordinary Shares already held by him or persons acting in concert with him, carry 30 per cent. or more of the voting rights in the Company, or a person who, together with persons acting in concert with him, is interested in not less than 30 per cent. and not more than 50 per cent. of the voting rights in the Company acquires additional interests in Ordinary Shares which increase the percentage of Ordinary Shares carrying voting rights in which that person is interested, the acquirer and, depending on the circumstances, its concert parties, will be required (except with the consent of the Panel on Takeovers and Mergers) to make a mandatory cash offer for the outstanding Ordinary Shares at a price not less than the highest price paid for any interests in the Ordinary Shares by the acquirer or its concert parties during the previous twelve months. Under Sections 974 – 991 of the Act, if an offeror

acquires or contracts to acquire (pursuant to a takeover offer) not less than 90 per cent. of the shares (in value and by voting rights) to which such offer relates it may then compulsorily acquire the outstanding shares not assented to the offer.

### 5.3 Authority to allot and issue shares

Under the BCA, the directors of a Canadian company have unlimited authority to issue shares and no shareholder consent is required pursuant to a public or private offering of securities by a company (except in certain circumstances where a change of control or a new control person holding greater than 20% of the voting shares would arise). However, under section 551 of the Act, directors of the Company must not exercise any power to allot shares unless they are authorised to do so by ordinary resolution in a general meeting and therefore they are not afforded unlimited authority to allot and issue shares. Under the Articles, subject to any relevant authority required by the Act, the board may allow, grant options over, offer or otherwise deal with or dispose of any new shares or rights to subscribe for or convert any security into shares, at such times and generally on such terms and conditions as the Board may decide. The Company, acting in accordance with this provision, has obtained an express authority by way of a resolution from its members granting the directors authority to allot Ordinary Shares as set out in paragraph 3 above and intends to update this shareholder authority on an annual basis at its Annual General Meeting.

### 5.4 Pre-emption Rights

Canadian law does not confer statutory pre-emption rights on shareholders relating to new share issues. It is not a requirement under Canadian law to offer new common shares to existing shareholders on a pre-emptive basis. Under section 561 of the Act, statutory pre-emption rights apply to the allotment of equity securities for cash unless expressly disappplied, or in certain other exempt circumstances such as the issue of shares in connection with employee share schemes or the issue of bonus shares. Accordingly, the issue of further Ordinary Shares is subject to pre-emption rights in favour of existing shareholders, which may be disappplied by shareholders by way of special resolution, which requires approval by not less than 75% of shareholders voting in person or by proxy. The Company, acting in accordance with the Act, has obtained an express authority by way of a special resolution from its members granting the directors authority to disapply pre-emption rights to the allotment of Ordinary Shares as set out in paragraph 3.4 and intends to update this shareholder authority on an annual basis at its Annual General Meeting.

### 5.5 Disclosure requirements

- (a) Under Canadian laws, the only material provisions regarding disclosure of interests in shares by shareholders is under the early warning disclosure requirements noted in Takeovers above. Some Canadian shareholders can also categorise themselves as objecting shareholders, such that any percentage holding up to 10% must not be disclosed. Pursuant to the UK Disclosure and Transparency Rules, directors of a public company incorporated in the United Kingdom whose shares are admitted to a trading on a prescribed market, which includes AIM, must disclose the identity of any person who holds over 3% of the voting rights as shareholder in the company. The Company is required also, if it acquires or disposes of its own shares, either itself or through a person acting in its own name but on the Company's behalf, to make public the percentage of voting rights attributable to those shares it

holds as a result of the transaction as a whole, as soon as possible but no later than 4 trading days following such acquisition or disposal where the percentages reaches, exceeds or falls below the thresholds of 5% or 10% of the voting rights. Furthermore, 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). This is in keeping with the Company's constitution which was changed to conform to Rule 17.

- (b) (b) After completion of the Arrangement, it is expected that Bacanora UK will be a "designated foreign issuer" within the meaning of National Instrument 71-102 — Continuous Disclosure and Other Exemptions Relating to Foreign Issuers of the Canadian Securities Administrators. Bacanora UK will rely on that instrument, and Bacanora Canada will be applying for relief to the effect that Bacanora UK and Bacanora Canada will be exempt from most of the continuous disclosure requirements of Canadian securities legislation, as well as certain other requirements, including insider reporting and early warning reporting, provided Bacanora UK complies with the continuous disclosure requirements of the United Kingdom. Bacanora Canada and Bacanora UK also intends to apply to the applicable securities regulators in Canada for relief from NI 43-101.

#### 5.6 Restrictions on transfer of securities

Under Canadian legal requirements there is a trading restriction on the onward sale of shares to residents of Canada for four months and one day following the admission of shares to trading. In the UK no such trading restrictions apply to existing shares or in respect of transfers occurring through CREST.

#### 5.7 Cancellation of admission of the Ordinary Shares to trading on AIM

Under the BCA it is possible that a takeover, amalgamation or plan of arrangement, which might lead to a cancellation of trading could be completed with the consent of 66 2/3 per cent. of votes cast by shareholders at a duly called meeting. However, under Rule 41 of the AIM Rules, should the Company wish to cancel the admission of its Ordinary 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).

#### 5.8 Financial assistance

A Canadian company is permitted to provide financial assistance in connection with the acquisition of its own shares. A public company incorporated in England and Wales is not permitted to provide financial assistance for the purpose of the acquisition of its own shares (section 678 of the Act).

#### 5.9 Notice of meetings

Subject to the provisions of the BCA, under Canadian securities laws a meeting of shareholders must be convened by not less than 21 and not more than 50 clear days' notice in writing. Any general meeting of the Company may be

convened on 14 clear days' notice or 21 clear days for an annual general meeting.

#### 5.10 Number of directors

Under the BCA, a company incorporated in Alberta is required to have at least two resident Canadian directors. The Company must have a minimum of two directors and there is no restriction on their residency.

### 6 Directors' Interests

6.1 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 Bacanora Canada at the date of this Document and in the share capital of the Company immediately following Admission, all of which are beneficial, are:

<i>Name</i>	<i>Bacanora Canada Shares</i>	<i>Percentage of Bacanora Canada share capital</i>	<i>Bacanora UK Shares on Admission</i>	<i>Percentage of Bacanora UK share capital on Admission</i>
Colin Orr-Ewing	10,818,793*	10.03%	10,818,793*	10.03%
Martin Vidal Torres	1,000,000	0.93%	1,000,000	0.93%
Derek Batorowski	423,400	0.39%	423,400	0.39%
James Leahy	916,346	0.85%	916,346	0.85%
Mark Hohnen	606,666	0.56%	606,666	0.56%

\*The shares are held in various capacities by Mr Orr-Ewing, in his personal name, through registered accounts, trusts and private corporations with which Mr Orr-Ewing is associated and/or exerts control or direction.

6.2 Additionally, the Directors hold the following Options over Bacanora Canada Shares pursuant to the Stock Option Plan which will be exercisable into the same number of Bacanora UK Shares following Admission:

<i>Director</i>	<i>Aggregate no. of Options granted</i>	<i>Exercise Price</i>	<i>Lapse Date</i>
Martin Vidal Torres	200,000	C\$0.30	11 September 2018

	175,000	C\$1.58	2 December 2020
	<u>375,000</u>		
Derek Batorowski	200,000	C\$0.30	11 September 2018
	175,000	C\$1.58	2 December 2020
	<u>375,000</u>		
Mark Hohnen	1,000,000	£0.77	22 January 2018
	1,000,000	£0.9625	24 Months post vesting
	1,000,000	£0.9625	24 Months post vesting
	<u>3,000,000</u>		
<b>Total</b>	<b>3,750,000</b>		

6.3 Except as disclosed in paragraphs 6.1 and 6.2 above, neither the Directors nor any member of a Director's family has an interest in a related financial product (as defined by AIM Rules) referenced to the Bacanora UK Shares.

## 7 Additional Information on the Directors

7.1 In addition to their directorships in the Company, the Directors have held the following directorships and/or been a partner in the following partnerships within the period of five years prior to the date of this document:

Name			Current directorships/ partnerships	Past directorships/ partnerships
Colin Ian Orr-Ewing			Bacanora Minerals Ltd	Cambria Africa PLC Cordillera Resources PLC Madagascar Oil Ltd Tubutama Ltd Vatukoula Gold Mines PLC
Martin Torres	Fernando Vidal		Bacanora Minerals Ltd Minerales Industriales Tubutama SA de CV Minera Sonora Borax SA de CV Mexilit SA de CV Minera Megalit SA de CV Grupo Ornelas Vidal S.A. de C.V.	
Derek Batorowski			Bacanora Minerals Ltd Blacksteel Energy Inc	Westcore Energy Ltd Tembo Gold Corp. (formerly Lakota Resources Inc.)

Mark Ainsworth Hohnen	Bacanora Minerals Ltd Boss Resources Ltd Australian Insurance Exchange Ltd Cedarvale Investments Pty Ltd Craton Diamonds (Propriety) Limited Fernan Pty Ltd Gnarabup Beach Pty Ltd Halsbrook Holdings Pty Ltd Harley (WA) Pty Ltd Salt Lake Potash Ltd Peak Coal Pty Ltd The Vines (WA) Pty Ltd Vynben Custodian Pty Ltd Vynben Custodian No. 2 Pty Ltd Kumla Pty Ltd	Pretorian Resources Ltd Hohnen Investments Pty Ltd Coronet Resources Pty Ltd Oakhampton Pty Ltd North River Resources Mawson West Limited Mtemi Resources Kalahari Minerals PLC Extract Resources Swakop Uranium Pty
James Gerald Leahy	Bacanora Minerals Ltd Geiger Counter Ltd Fine and Dandy Musicals Ltd	Forte Energy NL Mineral Commodities Ltd Bellzone Mining PLC Continental Coal Ltd OPI International Alberta Coal Ltd African Power Corp Ltd Skinners' Almhouse Charity Mirabaud Securities Anglo-South African Company Ltd Light Shearwater LLP
Kiran Caldas Morzaria	Bacanora Minerals Ltd Rare Earth Minerals Plc European Metals Holdings Ltd UK Oil & Gas Investments PLC Built Intelligence Ltd Academy Minerals Ltd	Lonrho Ltd Vatukoula Gold Mines Plc API Technology (UK) Ltd Immersion Technology Property Ltd Travelwelcome Ltd Horse Hill Developments Ltd Solo Oil PLC River Diamonds UK Ltd Panguma Diamonds Ltd Viso Gero International Inc. Vatukoula Finance Pty Ltd Vatukoula Gold Pty Ltd Vatukoula Australia Pty Ltd Vatukoula Gold Mines Ltd Solo Oil (Argentina) Ltd Tubutama Borax PLC Tubutama Ltd

7.2 Save as disclosed in paragraphs 7.3 to 7.5 below, no Director:

- (a) has any unspent convictions in relation to indictable offences; or

- (b) has been bankrupt or the subject of an individual voluntary arrangement, or has had a receiver appointed to any asset of such director; or
  - (c) has been a director of any company which, while he or she was a director or within twelve months after he or she ceased to be a director, had a receiver appointed or went into compulsory liquidation, creditors' voluntary liquidation, administration or company voluntary arrangement, or made any composition or arrangement with its creditors generally or with any class of its creditors; or
  - (d) has been a partner of any partnership which, while he or she was a partner or within twelve months after he or she ceased to be a partner, went into compulsory liquidation, administration or partnership voluntary arrangement, or had a receiver appointed to any partnership asset; or
  - (e) has had any public criticism by statutory or regulatory authorities (including recognised professional bodies); or
  - (f) has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- 7.3 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.
- 7.4 On 28 October 2009, Mr. Batorowski was appointed a director of Lakota Resources Inc. ("Lokota"), 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. Lakota has now filed all outstanding financial statements and all cease trade orders in respect thereof have been revoked. Mr. Batorowski consequently resigned his position with Lakota effective 15 July 2011.
- 7.5 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.
- 7.6 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.
- 7.7 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, other than a situational conflict of interest of Kiran Morzaria as a director of Rare Earths Minerals plc, a significant shareholder in the Company, which has been authorised by the Board, 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.
- 7.8 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.
- 7.9 For each of the Directors, the date of expiration of the current term of office (if applicable) and the period from 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, from</i>
Colin Orr-Ewing	Non-executive Chairman	30 June 2019	30 June 2016
Martin Vidal Torres	President	30 June 2019	30 June 2016
Derek Batorowski	Chief Financial Officer	30 June 2019	30 June 2016
James Leahy	Non-executive	22 June 2019	22 June 2016
Mark Hohnen	Non-executive	30 June 2019	30 June 2016
Kiran Morzaria	Non-executive	22 June 2019	22 June 2016

## 8 Significant Shareholders

- 8.1 Other than as set out below, the Company is not aware of any person or persons who either alone or, if connected, jointly, will have an interest of 3 per cent. or more of the Company's issued share capital::

<i>Name</i>	<i>Bacanora UK Shares on Admission</i>	<i>Percentage of share capital on Admission</i>
Rare Earth Minerals Plc	16,682,915	15.47%
Igneous Capital Limited <sup>1</sup>	15,000,000	13.91%
Colin Orr-Ewing	10,818,793	10.03%
BlackRock	9,750,000	9.04%
M&G Investment Funds	8,399,642	7.79%
D&A Income Fund	5,303,030	4.92%
Saorse Limited <sup>2</sup>	3,510,046	3.25%

<sup>1</sup> Graham Edwards is the ultimate beneficial owner of Igneous. Mr Edwards is also one of the potential beneficiaries of a trust that owns D & A Income Limited, which will own 5,303,030 Bacanora UK Shares on Admission representing 4.92% of the issued share capital of the Company.

<sup>2</sup> Saorse Limited is a company controlled by Paul Conroy, a former officer and director of Bacanora Canada. Saorse Limited acquired its shareholding pursuant to a share transfer from Colin Orr-Ewing which was made in satisfaction of obligations arising from a grub-staking agreement between Paul Conroy and Colin Orr-Ewing referred to in paragraph 16.1 (b) below.

- 8.2 No major holder of Bacanora UK Shares, either as listed above, or as set out in paragraph 6 of this Part III, has voting rights different from other holders of Bacanora UK Shares.

## 9 Share Warrants

Bacanora Canada has granted the following Warrants:

#### 9.1 Worldover Fund Ltd

A warrant Instrument dated 2 March 2013 pursuant to which the Worldover Fund Ltd was granted warrants over 833,333 Bacanora Canada Shares. The Warrants are exercisable at a price of CAN\$0.45 until March 26 2018 and following Admission will be exercisable into Bacanora UK Shares instead of common shares in Bacanora Canada.

#### 9.2 BlackRock

In connection with a placing of 9,750,000 placing units to certain funds and accounts managed by BlackRock, in which each placing unit comprised one Bacanora Canada Share and 0.3 of one warrant to purchase a Bacanora Canada Share at an exercise price of 79 pence at any time subsequent to July 25, 2016 but on or before September 30 2016, Bacanora Canada granted 2,925,000 warrants as follows:

- (a) by a warrant instrument dated 03 May 2016, 2,337,269 warrants were granted to Nutraco Nominees Limited.
- (b) by a warrant instrument dated 02 May 2016, 373,681 warrants were granted to Nutraco Nominees Limited.
- (c) by a warrant instrument dated 01 May 2016, 168,077 warrants were granted to BNY Mellon Nominees Limited.
- (d) by a warrant instrument dated 05 May 2016, 33,981 warrants were granted to Securities Services Nominees Limited.
- (e) by a warrant instrument dated 04 May 2016, 11,992 warrants were granted to SNC Nominees Limited.

Following Admission the above Warrants will be exercisable into Bacanora UK Shares instead of common shares in Bacanora Canada.

## 10 Material Contracts

10.1 The following are all of the contracts which have not been publicly disclosed, and which (i) are not contracts entered into in the ordinary course of business but which have been entered into by the Bacanora Group in the two years immediately preceding the date of this Document or are, or may be, material or contain any provision under which the Company has any obligation or entitlement which is or may be material to it as at the date of this Document, or (ii) are material subsisting agreements which are included within, or which relate to, the assets and liabilities of the Bacanora Group (notwithstanding whether such agreements are within the ordinary course or were entered into outside of the two years immediately preceding the publication of the admission document):

- (a) On 23 June 2016, the Company, Bacanora Canada and 1976844 Alberta Ltd. entered into an Arrangement Agreement pursuant to which the Arrangement will be carried out and which sets out the terms and conditions upon which the parties will co-operate with and assist each other to implement the Arrangement.

- (b) On 15 July 2016, the Company, Bacanora Canada and Cairn entered into an Admission Agreement pursuant to which the Company has appointed Cairn as its Nominated Adviser to make the AIM application on behalf of the Company and use all reasonable endeavours to procure Admission. The agreement is conditional, *inter alia*, on Admission and the Company has given certain warranties as to the accuracy of the information contained in this document and other matters relating to the Bacanora Group and its business as well as certain indemnities to Cairn. The agreement provides that a corporate finance fee is payable to Cairn by the Company.
- (c) On 15 July 2016, the Company, Directors and Cairn entered into a nominated adviser agreement pursuant to which the Company appointed Cairn as its Nominated Adviser. Under this agreement, Cairn will receive an annual retainer of £27,500 payable quarterly in advance (and pro-rated insofar as fees have already been paid to Cairn under its nominated adviser agreement with Bacanora Canada which is to terminate on Admission). 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 to carry out its obligations to the Company or the London Stock Exchange as nominated adviser.
- (d) Pursuant to an agreement dated 15 July 2016 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 arising from the Company's breach of the agreement. The agreement is terminable on three months' notice on either side if the parties do not reach an agreement regarding any increase in 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. The agreement is for an initial term of one year, after which it will automatically renew for successive periods of 6 months, unless terminated. The Registrar's liability is limited to the lesser of £500,000 or an amount equal to five times the annual fee payable to the Registrar under the agreement.

## 11 Directors' and Senior Management Contracts

Certain details of the Director's and Senior Management's service agreements and letters of appointment and the terms of their appointment with the Company are set out below:

(a) Colin Orr-Ewing (Non-Executive Director)

A consulting agreement dated 31 December 2013 between Bacanora Canada and Colin Orr-Ewing pursuant to which Mr Orr-Ewing agreed to provide, by way of consultancy services, *inter alia* general corporate financial advisory services. The consultancy agreement shall continue on a month by month basis unless terminated (i) on 2 weeks written notice or (ii) immediately for cause. Mr Orr-Ewing is entitled to a fee of \$5,000 per month paid annually. Mr Orr-Ewing may at his option take his consulting fee in shares in Bacanora Canada.

By way of a deed of novation dated 15 July 2016 the rights and obligations of Bacanora Canada under Mr Orr-Ewing's existing consultancy agreement with Bacanora Canada were novated to the Company with effect from Admission.

An appointment letter dated 15 July 2016 pursuant to which Mr Orr-Ewing is appointed as non-executive chairman of the Company for an initial term of 3 years (but terminable on one month's written notice at any time), subject to the articles of the Company. The appointment letter contains the usual confidentiality provisions and post termination restrictions. The Company agrees to indemnify Mr Orr-Ewing against certain liabilities that may be incurred as a result of his appointment to the extent permitted by section 234 of the Act.

An agreement dated 17 March 2015 between Mr Orr-Ewing and Bacanora Canada pursuant to which Mr Orr-Ewing was appointed as Chairman of Bacanora Canada will be terminated with effect from Admission.

(b) Mark Hohnen (Non-Executive Director)

A consultancy agreement dated 15 December 2015 between Bacanora Canada, Fernan Pty Limited (a company in which Mr Hohnen is interested) ("**Fernan**") and Mr Hohnen pursuant to which Fernan agreed to provide the services of Mr Hohnen to liaise and build relationships with potential buyers of lithium products and to introduce such potential buyers to Bacanora Canada. Bacanora Canada has agreed to pay a quarterly fee of £57,000 exclusive of VAT in consideration for the provision of the services of Mr Hohnen, unless he is unable to provide the services due to illness or injury. The consultancy agreement contains the usual provisions for the protection of Bacanora Canada's intellectual property, confidentiality and post termination restrictions.

By way of a deed of novation dated 15 July 2016 the rights and obligations of Bacanora Canada under the consultancy agreement were novated to the Company with effect from Admission.

An appointment letter dated 15 July 2016 pursuant to which Mr Hohnen is appointed as a non-executive director of the Company for an initial term of 3 years (but terminable on one month's written notice at any time), subject to the articles of the Company. The appointment letter contains the usual confidentiality provisions and post termination restrictions. The Company agrees to indemnify Mr Hohnen against certain liabilities that may be incurred as a result of his appointment to the extent permitted by section 234 of the Act.

An agreement dated 27 April 2016 between Mr Hohnen and Bacanora Canada pursuant to which Mr Hohnen was appointed as a director of Bacanora Canada will be terminated with effect from Admission.

(c) James Leahy (Non-Executive Director)

An appointment letter dated 15 July 2016 pursuant to which Mr Leahy is appointed as a non-executive director of the Company for an initial term of 3 years (but terminable on one month's written notice at any time), subject to the articles of the Company. Under the terms of the appointment letter Mr Leahy is paid an annual fee of £30,000. The appointment letter contains the usual confidentiality provisions and post termination restrictions. The Company agrees to indemnify Mr Leahy against certain liabilities that may be incurred as a result of his appointment to the extent permitted by section 234 of the Act.

An agreement dated 17 March 2015 between Mr Leahy and Bacanora Canada pursuant to which Mr Leahy was appointed as a director of Bacanora Canada will be terminated with effect from Admission.

(d) Kiran Morzaria (Non-Executive Director)

An appointment letter dated 15 July 2016 pursuant to which Mr Morzaria is appointed as a non-executive director of the Company for an initial term of 3 years (but terminable on one month's written notice at any time), subject to the articles of the Company. Under the terms of the appointment letter Mr Morzaria is paid an annual fee of CAN\$20,000. The appointment letter contains the usual confidentiality provisions and post termination restrictions. The Company agrees to indemnify Mr Morzaria against certain liabilities that may be incurred as a result of his appointment to the extent permitted by section 234 of the Act.

An agreement dated 17 March 2015 between Mr Morzaria and Bacanora Canada pursuant to which Mr Morzaria was appointed as a director of Bacanora Canada will be terminated with effect from Admission.

(e) Martin Vidal (Executive Director)

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, as detailed at paragraphs 16.2 (b).

An appointment letter dated 15 July 2016 pursuant to which Mr Vidal is appointed as a director of the Company for an initial term of 3 years (but terminable on one month's written notice at any time), subject to the articles of the Company. Under the terms of the appointment letter Mr Vidal is paid an annual fee of CAN\$15,000. The appointment letter contains the usual confidentiality provisions and post termination restrictions. The Company agrees to indemnify Mr Vidal against certain liabilities that may be incurred as a result of his appointment to the extent permitted by section 234 of the Act.

An agreement dated 17 March 2015 between Mr Vidal and Bacanora Canada pursuant to which Mr Vidal was appointed as a director of Bacanora Canada will be terminated with effect from Admission.

(f) Derek Batorowski

An appointment letter dated 15 July 2016 pursuant to which Mr Batorowski is appointed as a director of the Company for an initial term of 3 years (but terminable on one month's written notice at any time), subject to the articles of the Company. Under the terms of the appointment letter Mr Batorowski is paid an annual fee of CAN\$17,500. The appointment letter contains the usual confidentiality provisions and post termination restrictions. The Company agrees to indemnify Mr Batorowski against certain liabilities that may be incurred as a result of his appointment to the extent permitted by section 234 of the Act.

Mr Batorowski has an unwritten consultancy arrangement with the Company whereby he provides consultancy services. His average fees over the last two years under this arrangement were approximately CAN\$128,380.

An agreement dated 17 March 2015 between Mr Batorowski and Bacanora Canada pursuant to which Mr Batorowski was appointed as a director of Bacanora Canada will be terminated with effect from Admission.

(g) Peter Secker

A contract of employment dated 15 May 2015 between Mr Secker and Bacanora Canada pursuant to which Mr Secker is appointed Chief Executive Officer of Bacanora Canada for an initial term of 12 months following which it is terminable on 12 months written notice. Mr Secker receives an annual salary of £250,000 and is eligible for a performance bonus subject to satisfaction of certain milestones. The performance bonus shall not exceed £250,000. In the event of a change in control of Bacanora Canada and Mr Secker's contract of employment is terminated within 30 days of such change of control, he will be entitled to a lump sum termination payment of £250,000. The contract of employment contains the usual confidentiality provisions and post termination restrictions.

By way of a deed of novation dated 15 July 2016 the rights and obligations of Bacanora Canada under the contract of employment were novated to the Company with effect from Admission.

## **12 Taxation — the Company**

### **General**

- 12.1 The following information is intended as a general guide and relates to the UK tax position of the Company. The statements are based on the current legislation, proposals announced in the 16 March 2016 Budget and HM Revenue and Customs (HMRC) practice currently in force in the UK, and do not purport to be comprehensive or to describe all potential relevant considerations. Investors should note that both tax law and interpretation are subject to change, possibly with retrospective effect.
- 12.2 Bacanora UK is resident for taxation purposes in the UK by virtue of being incorporated in the UK and is therefore taxed in the UK on its worldwide income.
- 12.3 Subject to certain exemptions, the corporation tax rate applicable to its taxable profits is currently 20 per cent. From 1 April 2017 the rate will reduce to 19% and 18% after 1 April 2020. It is proposed in 16 March 2016 Budget that the rate of corporation tax after 1 April 2020 will fall to 17 per cent. instead of 18 per cent.

## **13 Taxation — Shareholders**

### **General**

- 13.1 The following information is intended as a general guide and relates to the tax position of Shareholders who are resident in the UK and Canada. The statements may not apply to certain classes of Shareholders such as dealers in securities and other persons who hold the Bacanora UK Ordinary Shares other than as investments. The statements are based on the current legislation, in respect of UK legislation, proposals announced in the 16 March 2016 Budget and practice in the UK and Canada, and do not purport to be comprehensive or to describe all potential relevant considerations. Investors should note that both tax law and interpretation are subject to change, possibly with retrospective effect.
- 13.2 **Any prospective investor who is in any doubt about his tax position, or who is subject to taxation in a jurisdiction other than the UK or Canada should consult his own professional adviser immediately.**

### 13.3 UK taxation — General

The paragraphs set out below summarise the UK tax treatment for Shareholders of holding or disposing of Bacanora UK Shares. They are based on current legislation, proposals announced in the 16 March 2016 Budget and HM Revenue and Customs (HMRC) practice currently in force in the UK. The paragraphs are intended as a general guide and, except where express reference is made to the position of non-UK residents, apply only to Shareholders who are resident and, if individuals, domiciled in the UK for tax purposes. They relate only to such Bacanora UK Shareholders who hold their Bacanora UK Shares directly as an investment and who are absolute beneficial owners of those Bacanora UK Shares. These paragraphs do not deal with certain types of shareholders, such as persons holding or acquiring Bacanora UK Shares in the course of trade or by reason of their, or another's, employment, collective investment schemes and insurance companies.

If you are in any doubt as to your taxation position or if you are resident or otherwise subject to taxation in any jurisdiction other than the UK, you should consult an appropriate professional adviser immediately. Shareholders are referred to the sections headed "UK Shareholders" and "Canadian Shareholders" below for a description of the tax consequences of holding Bacanora UK Shares in such jurisdictions.

### 13.4 UK taxation — Disposal of Bacanora UK Shares — tax on chargeable gains

Liability to UK tax on chargeable gains will depend on the individual circumstances of Shareholders.

### 13.5 Disposal of Ordinary Shares by UK resident Shareholders

A disposal of Bacanora UK Shares by a Bacanora UK Shareholder who is resident in the UK may, depending on individual circumstances (including the availability of exemptions and reliefs), give rise to a chargeable gain or allowable loss for the purposes of the UK taxation of chargeable gains.

#### (a) Individuals

As announced in the 16 March 2016 Budget, it is proposed that gains accruing for an individual Bacanora UK Shareholder after 6 April 2016 the rate of capital gains tax on disposal of Bacanora UK Shares by basic rate taxpayers will reduce from 18% to 10%, and for upper rate and additional rate taxpayers the rate will fall from 28% to 20%. These provisions have yet to receive Royal assent. In the unlikely event they are not enacted the rates will remain unchanged at the pre 6 April 2016 levels.

#### (b) Companies

For Corporate Bacanora UK Shareholders within the charge to UK corporation tax, indexation allowance may reduce any chargeable gain arising on disposal of Bacanora UK Shares but will not create or increase an allowable loss.

Subject to certain exemptions, the corporation tax rate applicable to its chargeable gains is currently 20%. This will fall to 19% after 1 April 2017 and 18% after 1 April 2020). It is proposed in 16 March 2016 Budget that the rate of corporation tax after 1 April 2020 will fall to 17%, instead of 18%.

### 13.6 Disposal of Bacanora UK Shares by non-UK resident Shareholders

Bacanora UK Shareholders who are not resident for tax purposes in the UK may not be liable for UK tax on capital gains realised on a disposal of their Bacanora UK Shares unless such Bacanora UK Shares are acquired for use by or for the purposes of a branch, agency or, in the case of a corporate shareholder, a permanent establishment through which such person is carrying on a trade, profession or vocation in the UK. Such Bacanora UK Shareholders may also be subject to foreign taxation on any gain under local law.

A Bacanora UK Shareholder who is an individual and who is temporarily a non-UK resident at the time of the disposal may, under anti-avoidance legislation, still be liable to UK taxation on any chargeable gain realised (subject to the availability of exemptions or reliefs).

### 13.7 UK taxation — Tax on dividends paid by the Company

Under Current UK legislation, no UK tax is required to be withheld from dividend payments by a UK company.

#### (a) Individuals

An individual who is a Bacanora UK Shareholder and is resident in the UK or carries on a trade in the UK or through a UK branch or agency in connection with which their Bacanora UK Shares are held will generally be subject to UK income tax.

Dividend income received by UK tax resident individuals will have a £5,000 dividend tax allowance. Dividend receipts in excess of £5,000 will be taxed at 7.5% for basic rate taxpayers, 32.5% for higher rate taxpayers, and 38.1% for additional rate taxpayers.

#### (b) Companies

Corporate Bacanora UK Shareholders who are subject to UK corporation tax should generally, and subject to certain anti-avoidance provisions, be able to claim exemption from UK corporation tax in respect of any dividend received.

### 13.8 Anti-Avoidance - Transactions in securities

The attention of Bacanora UK Shareholders (whether corporates or individuals) within the scope of UK taxation is drawn to the provisions set out in, respectively, Part 15 of the Corporation Tax Act 2010 and Chapter 1 of Part 13 of the Income Tax Act 2007, which (in each case) give powers to HM Revenue and Customs to raise tax assessments so as to cancel “tax advantages” derived from certain prescribed “transactions in securities”.

### 13.9 UK taxation — Stamp duty and stamp duty reserve tax (“SDRT”)

No UK stamp duty or SDRT will be payable on the issue of Bacanora UK Shares.

Neither UK stamp duty nor SDRT should arise on transfers of Bacanora UK Shares on AIM (including instruments transferring Shares and agreements to transfer Ordinary Shares) based on the following assumptions:

- (a) the Bacanora UK Shares are admitted to trading on AIM, but are not listed on any market (with the term “listed” being construed in accordance with section 99A of the Finance Act 1986), and this has been certified to Euroclear; and
- (b) AIM continues to be accepted as a “recognised growth market” as construed in accordance with section 99A of the Finance Act 1986).

In the event that either of the above assumptions does not apply, stamp duty or SDRT may apply to transfers of Bacanora UK Shares in certain circumstances.

The above comments are intended as a guide to the general stamp duty and SDRT position and may not relate to persons such as charities, market makers, brokers, dealers, intermediaries and persons connected with depositary arrangements or clearance services to whom special rules apply.

### 13.10 Canadian taxation — General

The following is a summary of the principal Canadian federal income tax considerations generally applicable to Bacanora Canada Shareholders who are individuals (other than trusts, including Deferred Income Plans) or corporations who are not exempt from Canadian federal income tax, who deal at arms' length with Bacanora Canada or Bacanora UK, who are not affiliated with Bacanora Canada or Bacanora UK and who hold their Bacanora Canada Shares and Bacanora UK Shares as capital property. This summary does not apply to a holder of Bacanora Canada Shares with respect to whom Bacanora UK is or will be a "foreign affiliate" within the meaning of the Tax Act. This summary does not apply to certain financial institutions (as defined in the Tax Act) that are subject to the "mark-to-market property" rules contained in the Tax Act. Such holders should consult their own tax advisors.

Bacanora Canada Shares will generally be considered to be capital property to a holder unless held in the course of carrying on a business, as an adventure in the nature of trade, or as "mark-to-market property" for purposes of the Tax Act. Certain Canadian resident holders of Bacanora Canada Shares whose Bacanora Canada Shares might not otherwise qualify as capital property may be entitled to make the irrevocable election provided by subsection 39(4) of the Tax Act to have such shares, and every other "Canadian security" (as defined in the Tax Act) owned by such holders in the taxation year of the election and in all subsequent taxation years, deemed to be capital property.

This summary is based on the Tax Act, the regulations thereunder and the current published administrative practices of the CRA, all in effect as of the date of this Document. This summary also takes into account the Tax Proposals, although no assurances can be given that the Tax Proposals will be enacted in the form presented, or at all. 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 or administrative practices, whether by judicial, governmental or legislative action or decision, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, which may differ from the Canadian federal income tax considerations described in this Document. No advance income tax ruling has been sought or obtained from the CRA to confirm the tax consequences of any of the transactions described in this Document.

**This summary is of a general nature only and is not intended to be, nor should it be considered to be, legal or tax advice to any particular person. Bacanora Canada Shareholders are urged to consult their own tax advisors with respect to their particular circumstances.**

This summary does not address income tax consequences applicable to Bacanora Canada Shareholders who:

- a) are partnerships or trusts;
- b) are directors, officers or other insiders of Bacanora Canada or its affiliates;
- c) hold their Bacanora Canada Shares as inventory or stock in trade (or otherwise not as capital property); or
- d) acquired their Bacanora Canada Shares on the exercise of Bacanora Canada Options.

For the purposes of the Tax Act, all amounts must be expressed in Canadian dollars, including dividends, adjusted cost base and proceeds of disposition; amounts denominated in foreign currencies must be converted into Canadian dollars based on the prevailing exchange rate generally applicable at the time such amounts arise.

### **13.11 Capital Gains and Losses**

One-half of any such capital gain (a "taxable capital gain" as defined in the Tax Act) realized upon, where applicable, a shareholder's disposition of Bacanora Canada Shares or Bacanora UK Shares will be included in his income for the year of disposition, and one-half of any capital loss (an "allowable capital loss" as defined in the Tax Act) so realized, where applicable, may be deducted by such shareholder against its taxable capital gains for the taxation year in which the disposition occurs.

Subject to the detailed rules in the Tax Act, any excess of allowable capital losses over taxable capital gains of the said shareholder for the year of disposition may be carried back up to three taxation years or forward indefinitely and deducted against net taxable capital gains in those other years.

A Bacanora Canada Shareholder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 10 2/3% on its taxable capital gains.

### **13.12 Bacanora Canada Shareholders Resident in Canada**

**The following portion of the summary is applicable to a shareholder who is a Canadian Resident and who will continue to be a Canadian Resident at all times while it holds Bacanora UK Shares, and is not Tax Exempt.**

### **13.13 Exchange of Bacanora Canada Shares for Bacanora UK Shares**

A Bacanora Canada Shareholder who exchanges Bacanora Canada Shares for Bacanora UK Shares will be considered to have disposed of the Bacanora Canada Shares for proceeds of disposition equal to the fair market value of the Bacanora UK Shares acquired by such holder on the exchange and, as a result, such holder will in general realize a capital gain (or a capital loss) to the extent that such proceeds of disposition, net of any reasonable costs of disposition exceed (or are less than) the adjusted cost base to such holder of the Bacanora Canada Shares immediately before the exchange. See "Capital Gains and Losses" above.

The cost of the Bacanora Canada Shareholder's Bacanora UK Shares acquired on the exchange of Bacanora Canada Shares will be equal to the fair market value of the Bacanora Canada Shares disposed upon the exchange and will be averaged with the adjusted cost base to such holder of all other Bacanora UK Shares held by such holder as capital property for the purposes of determining the holder's adjusted cost base of such Bacanora UK Shares.

### **13.14 Dividends**

Dividends received on Bacanora UK Shares must be included in the recipient's income for the purposes of the Tax Act. Such dividends received by a holder of Bacanora UK Shares who is an individual will not be subject to the gross-up and dividend tax credit rules in the Tax Act. A holder of Bacanora UK Shares that is a corporation will generally not be entitled to deduct the amount of such dividends in computing its taxable income. A holder of Bacanora UK Shares that is a Canadian-controlled private corporation may be liable to pay an additional refundable tax of 10 2/3% on such dividends.

### **13.15 Disposition of Bacanora UK Shares**

A disposition or deemed disposition of Bacanora UK Shares by a holder will generally result in a capital gain (or capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the holder of such shares immediately before the disposition. See "Capital Gains and Losses" above.

### 13.16 Foreign Property Information Reporting

In general, a "specified Canadian entity", as defined in the Tax Act, whose total cost amount of "specified foreign property", as defined in the Tax Act, at any time in the taxation year or fiscal period exceeds \$100,000, is required to file an information return for the year or period disclosing prescribed information, including the cost amount, any dividends received in the year, and any gains or losses realized in the year, in respect of such property. With some exceptions, a taxpayer resident in Canada in the year will be a specified Canadian entity. Bacanora UK Shares will be specified foreign property to a Canadian Resident holder. Accordingly, holders of Bacanora UK Shares should consult their own advisers regarding compliance with these rules.

### 13.17 Bacanora Canada Shareholders Not Resident in Canada

Bacanora Canada Shareholders who, for purposes of the Tax Act, have not been and will not be resident or deemed to be resident in Canada at any time while they have held Bacanora Canada Shares will be subject to Canadian tax on any capital gains realised on the disposition of the Bacanora Canada Shares (when exchanged for Bacanora UK Shares) if the Bacanora Canada Shares are considered "taxable Canadian property" (as defined in the Tax Act). Special rules which are not discussed in this summary may also apply to a Bacanora Canada Shareholder that is an insurer that carries on business in Canada and elsewhere.

Generally, Bacanora Canada Shares will not be taxable Canadian property provided that such shares are listed on a designated stock exchange (which currently includes the TSX-V), unless at any time during the 60-month period immediately preceding the disposition the following two conditions are met concurrently: i) the holder, persons with whom such holder does not deal at arm's length, or the holder together with such non-arm's length persons owned 25% or more of the issued shares of any class or series of the capital stock of Bacanora Canada and ii) more than 50% of the fair market value of the capital stock of Bacanora Canada was derived directly or indirectly from any combination of real or immovable property situated in Canada.

### 13.18 Eligibility For Investment

Provided the Bacanora UK Shares are listed on a designated stock exchange (which currently includes the AIM), the Bacanora UK Shares will be qualified investments under the Tax Act for Deferred Income Plans.

#### **Other Shareholders**

Other Shareholders will need to take specific professional advice about their individual tax position.

**Any person who is in any doubt as to his/her tax position or requires more detailed information than the general outline above should consult his/her professional advisers.**

## 14 Comparison between UK and Canadian tax law

### 14.1 UK tax resident Shareholders

Set out below is a comparison between UK and Canadian tax law with respect to a UK tax resident Shareholder owning Bacanora UK Shares and Bacanora Canada Shares:

	<b><u>Bacanora UK Shares</u></b>	<b><u>Bacanora Canada Shares</u></b>

Disposal of Ordinary Shares by an individual	Post 6 April 2016, capital gains taxed at 10% for upper rate taxpayers and at 20% for additional rate taxpayers (assuming Royal ascent of the 16 March 2016 Budget).	No change
Disposal of Ordinary Shares by a company	Chargeable gains taxed at 20% for disposals made pre 1 April 2017, 19% for disposals made between 1 April 2017 and 1 April 2020 and 17% for disposals made post 1 April 2020 (assuming Royal ascent of the 16 March 2016 Budget)	No change
Dividends received by individuals	Dividends in excess of £5,000 taxed at 7.5% for basic rate taxpayers, 32.5% for higher rate taxpayers and 38.1% for additional rate taxpayers.	Subject to 15% Canadian withholding tax provided the recipient is entitled to the benefits of the Canada-UK tax treaty.
Dividends received by companies	Subject to anti-avoidance regulations, dividends received will be exempt from UK corporation tax.	Subject to 15% Canadian withholding tax, which may be reduced to 5% in certain circumstances, provided the recipient is entitled to the benefits of the Canada-UK tax treaty.
SDRT on the issue of shares	No SDRT payable on the issue of Bacanora UK Shares	No SDRT payable on the issue of Bacanora Canada Shares
SDRT on the transfer shares	No SDRT payable on the transfer of Bacanora UK Shares (subject to certain conditions)	No SDRT payable on the issue of Bacanora Canada Shares

No UK withholding tax is payable on a dividend paid by a UK resident company to a UK resident shareholder. Generally, no Canadian withholding tax is payable on a dividend paid by a UK resident company to a UK resident shareholder.

#### 14.2 Canadian tax resident Shareholders

Set out below is a comparison between UK and Canadian tax law with respect to a Canadian tax resident Shareholder owning Bacanora UK Shares and Bacanora Canada Shares:

	<b><u>Bacanora UK Shares</u></b>	<b><u>Bacanora Canada Shares</u></b>
Disposal of Ordinary Shares by an individual	No change.	No change.
Disposal of Ordinary Shares by a company	No change.	No change.

Dividends received by individuals	Taxed as ordinary income at full marginal rates. Combined (federal and provincial/territorial) top marginal tax rates on ordinary income in Canada are currently 44.5% to 58.75%.	Taxed preferred and subject to gross-up and dividend tax credit rules in the Tax Act. Combined (federal and provincial/territorial) top marginal tax rates on such dividends in Canada are currently 28.33% to 43.79%.
Dividends received by companies	In certain circumstances, may not be taxable or subject to reduced taxes to account for foreign taxes paid. In other circumstances, generally taxable at the same rates as dividends received from a Canadian corporation, but the recipient may be entitled to claim foreign tax credits for foreign taxes paid.	In certain circumstances, may not be taxable. In other circumstances, generally taxable at the same rates as dividends received from a non-resident corporation.

## 15 Working Capital

The Directors have no reason to believe that the working capital available to the Bacanora Group will be insufficient for its present requirements and for at least 12 months from the date of Admission.

## 16 Litigation

No member of the Bacanora Group is involved nor has it 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 Bacanora Group's financial position or profitability and, so far as the Directors are aware, there are no such proceedings pending or threatened against any member of the Bacanora Group.

## 17 Related Party Transactions

Save as described below, there are no material 'related party transactions' (within the meaning of the AIM Rules) required to be disclosed under the accounting standards applicable to Bacanora Canada, to which Bacanora Canada was a party during the period of the historical financial information and up to the date of this Document.

### 17.1 Colin Orr-Ewing.

#### (a) Royalty agreements

Mr. Orr-Ewing has a 3 per cent. royalty on production of products pursuant to:

- a) a Binding Letter Agreement dated 17 July 2009 made between Bacanora Canada and Mineramex, Tubutama Borax and Tubutama Limited in respect of certain concessions then held by MIT;
- b) a Sale and Purchase Agreement dated 30 April 2008 entered into between MSM, MSB and Tubutama Borax, in respect of certain concessions within the Magdalena Borate Project; and

- c) a Letter Agreement dated 21 July 2010 made between the Company and Martin Vidal referred to in paragraph 16.2(a) below, and a subsequent lithium royalty agreement entered into between Bacanora Canada, MSB and Colin Orr-Ewing dated 20 August 2010, in respect of certain concessions within the Sonora Lithium Project.

Mr. Orr-Ewing was not an officer or director of Bacanora Canada when these transactions took place.

No revenues are attributable to these royalties as they are not yet payable.

These agreements are governed by Alberta law.

*(b) Transfer of Bacanora Canada Shares to Paul Conroy – Colin Orr-Ewing*

The original transaction in 2010 by which Bacanora Canada acquired Mineramex Limited (which indirectly held certain borate assets) involved the issuance of 21,739,130 Bacanora Canada Shares to Tubutama Limited, a UK based company of which Mr. Colin Orr-Ewing was a shareholder. Tubutama Limited was subsequently dissolved and its assets, including the shares of Bacanora Canada were distributed to its shareholders. Although Colin Orr-Ewing was not a director or shareholder of Bacanora Canada at the time of the original transaction with Tubutama Limited, Colin Orr-Ewing was party to a grub-staking agreement with Paul Conroy, the President and a director of Bacanora Canada in 2010. This grub-staking agreement entitled Paul Conroy to share in certain gains enjoyed by Colin Orr-Ewing as a result of their joint efforts and, in satisfaction of entitlements arising from the grub-staking agreement, in 2014 Colin Orr-Ewing transferred beneficial ownership of Saorse Limited, which held 3,510,046 Bacanora Canada Shares, to Paul Conroy. Consequently, Paul Conroy was an interested party in the acquisition of Mineramex Limited. Mr. Conroy is no longer an officer or director of Bacanora Canada although remains a significant shareholder through Saorse Limited.

Following disclosure to the Bacanora Canada Board of the grub-staking agreement between Paul Conroy and Colin Orr-Ewing, the Bacanora Canada Board established an independent committee to review various historic transactions and confirm that appropriate disclosure had been made. The independent committee with the assistance of professional advisers conducted a review of the original borate transaction, the subsequent lithium transaction and the transfer of the beneficial ownership of Saorse Limited. After completing this review, the independent committee made certain recommendations to the Bacanora Canada Board. One of its recommendations was to resolve certain inconsistencies between the Letter Agreement dated 21 July 2010 as set out in paragraph 16.2 (a) below and the subsequent lithium royalty agreement dated 20 August 2010 referred to in 16(a) c) above, including clarification of whether the royalty should cover all mineral products or lithium products only, and whether it relates to a surrounding area of mutual interest. Once it had concluded its review the independent special committee was disbanded on June 30, 2016.

*17.2 Martin Vidal.*

Bacanora Canada purchased the La Ventana, San Gabriel, El Sauz and Buenavista lithium concessions from Martin Vidal in 2010 (who was not a director of Bacanora Canada at that time):

*(a) Purchase of Lithium assets – Martin Vidal*

Pursuant to a letter agreement dated 21 July 2010 between Bacanora Canada and Martin Vidal, Bacanora Canada 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”). The concessions were subject to a 3% royalty of sales of lithium products in favour of Colin Orr-Ewing (who was not a director of Bacanora Canada at that time). In consideration for transferring the Lithium Assets to Bacanora Canada, Bacanora Canada 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). Bacanora Canada 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.

*(b) Grupo Ornelay Vidal SA de CV Martin Vidal*

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 37 as at the date of this Document) are employed by ORVI, which contracts their services to MSB and Mexilit. ORVI charges the Group a 10 per cent. margin on the payroll and taxes paid and is a related party of Mr. Vidal.

## **18 Significant Changes**

### *18.1 Bacanora Canada*

Save as disclosed in paragraph 7 of Part I of this Document, there has been no material change in the trading or financial position of Bacanora Canada since 31 March 2016, being the date to which historic financial information has been published.

### *18.2 The Company*

There has been no significant change in the financial or trading position of the Company since 22 June 2016, being the date of its incorporation.

## **19 General**

19.1 The costs, charges and expenses payable by the Company in connection with or incidental to the Arrangement and Admission, including registration and stock exchange fees, legal and accounting fees and expenses, are estimated to amount to £500,000, excluding any VAT applicable thereon.

19.2 Save as disclosed in this Document, or as otherwise published by the Company, no person (other than the Bacanora Group’s professional advisers otherwise disclosed in this Document and trade suppliers) has received, directly or indirectly, from the Bacanora Group within the twelve months preceding the date of this Document, or entered into contractual arrangements (not otherwise disclosed in this Document or previously published) to receive, directly or indirectly, from the Bacanora Group on or after Admission, any of the following:

- (a) fees totalling £10,000 or more;
- (b) securities in the Bacanora Group with a value of £10,000 or more;
- (c) any other benefit with a value of £10,000 or more at the date of this Document.

- 19.3 The Directors are not aware of any exceptional factors that have influenced the Group's activities.
- 19.4 Save as disclosed in this Document or as otherwise published by the Company, there are no investments in progress and there are no future investments on which the Directors have already made firm commitments which are significant to the Bacanora Group.
- 19.5 On 11 September 2015, Bacanora Canada announced that Mr. Colin Orr-Ewing, Non-Executive Chairman of the Company, had informed Bacanora Canada that he had an interest over 10,968,793 Bacanora Canada Shares, representing approximately 12.9 per cent. of Bacanora Canada's then issued share capital, as his previously disclosed interest as set out in Bacanora Canada's admission document dated 21 July 2014 was erroneously stated as being 9,958,683 Bacanora Canada Shares (then representing approximately 11.7 per cent of its issued share capital). The error was due to an administrative oversight whereby the administrator of a discretionary trust (over which Mr. Orr-Ewing had no control or direction) failed to inform Mr. Orr-Ewing of the additional holding. Except as disclosed in this paragraph, the Directors confirm that, after due and careful enquiry, Bacanora Canada has adhered to all legal and regulatory requirements involved in having its securities traded on AIM.
- 19.6 Cairn has given and not withdrawn its written consent to the issue of this document with references to their name in the form and context in which they appear.
- 19.7 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 reports and letters 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.
- 19.8 The Competent Persons have given and not withdrawn their written consents to the issue of this Document with the inclusion in it of references to them in the form and context in which they appear.
- 19.9 The Competent Persons have confirmed to the Company and Cairn that (i) they have reviewed the information in the Document which relates to information contained in their reports on the Company and (ii) such information contained this Document is accurate, balanced and not inconsistent with such reports.
- 19.10 The Competent Persons have no material interests in the Company.
- 19.11 The Competent Persons have confirmed that there has been no material change of circumstances or available information in relation the Borate or the Lithium assets since the CPRs were published which would require any of the information on the Borate or the Lithium assets as set out in the CPR or in this Document to be amended or updated.
- 19.12 The auditors of the Company for the period covered by the last three years historical financial information were BDO Canada LLP, a member of the Canadian Institute of Chartered Accountants, whose address is set out on page 4 of this Document.
- 19.13 The Bacanora UK Shares will be issued and allotted under the laws of the United Kingdom and their currency will be Sterling.

## **20 Availability of the Document**

Copies of this Document will be available on the Company's website at [www.bacanoralithium.com](http://www.bacanoralithium.com), and free of charge from the Company's registered office (Saturdays, Sundays and public holidays excepted) for at least one month after Admission.

15 July 2016