

BACANORA MINERALS LTD.
Condensed Consolidated Interim Financial Statements
March 31, 2017

(Unaudited)

Management's Comments on the Unaudited Condensed Consolidated Interim Financial Statements

The accompanying unaudited condensed consolidated interim financial statements of Bacanora Minerals Ltd. as at and for the three and nine months ended March 31, 2017 and 2016 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These statements have not been reviewed by the Company's external auditors.

BACANORA MINERALS LTD.
Condensed Consolidated Statements of Financial Position
Unaudited

Expressed in Canadian Dollars

As at	March 31, 2017	June 30, 2016
Assets		
Current		
Cash	\$ 13,741,332	\$ 28,730,168
Other receivables (Note 4a)	590,004	265,342
Deferred costs	79,121	102,607
Total current assets	14,410,457	29,098,117
Non-current assets		
Investment in jointly controlled entity (Note 6)	9,858,582	-
Long-term derivative asset (Note 6)	2,600,000	-
Property and equipment (Note 7)	2,057,258	2,364,371
Exploration and evaluation assets (Note 8)	25,030,947	17,816,713
Total non-current assets	39,546,787	20,181,084
Total assets	53,957,244	49,279,201
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	378,581	1,041,117
Warrant liability (Note 9(b))	-	897,323
Joint Venture obligation (Note 6)	2,321,964	-
Total current liabilities	2,700,545	1,938,440
Non-current liabilities		
Joint Venture obligation (Note 6)	1,018,991	-
Deferred tax liability	135,000	135,000
Total non-current liabilities	1,153,991	135,000
Total liabilities	3,854,536	2,073,440
Shareholders' Equity		
Share capital (Note 9)	61,535,296	57,058,924
Contributed surplus (Note 9(e))	6,526,622	3,528,990
Foreign currency translation reserve	483,777	574,478
Deficit	(17,295,498)	(13,150,873)
Attributed to Shareholders of Bacanora Minerals Ltd.	51,250,197	48,011,519
Non-controlling interest	(1,147,489)	(805,758)
Total shareholders' equity	50,102,708	47,205,761
Total Liabilities and Shareholders' Equity	\$ 53,957,244	\$ 49,279,201

Commitments and Contingencies (Note 13) Subsequent Events (Note 14)

Approved by the Board of Directors:

(signed) "Jamie Strauss" _____

Jamie Strauss

Director

(signed) "Ray Hodgkinson" _____

Ray Hodgkinson

Director

See accompanying notes to the condensed consolidated financial statements.

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

	Three months ended		Nine months ended	
	Mar. 31, 2017	Mar. 31, 2016	Mar. 31, 2017	Mar. 31, 2016
Revenue				
Interest income	\$ 22,771	\$ 45,242	\$ 85,009	\$ 89,870
Expenses				
General and administrative (Note 10)	914,684	1,068,083	3,420,053	2,500,700
Depreciation (Note 7)	104,772	17,233	147,603	78,612
Stock-based compensation (Note 9(f))	1,658,030	1,347,749	3,039,412	2,723,081
	2,677,486	2,433,065	6,607,068	5,302,393
Loss before other items	(2,654,715)	(2,387,823)	(6,522,059)	(5,212,523)
Foreign exchange gain (loss)	1,804,303	819,573	500,111	(312,160)
Warrant liability valuation	-	-	348,964	-
Joint Venture investment gain (loss)	70,235	-	70,235	-
Loss	(780,177)	(1,568,250)	(5,602,749)	(5,524,683)
Foreign currency translation adjustment	(1,042,288)	(953,850)	(91,701)	(373,358)
Total comprehensive loss	(1,822,465)	(2,522,100)	(5,694,450)	(5,898,041)
Loss attributable to shareholders of Bacanora Minerals Ltd.	(117,642)	(1,496,568)	(4,144,625)	(5,264,707)
Loss attributable to non-controlling interest	(662,536)	(71,682)	(1,458,124)	(259,976)
	(780,178)	(1,568,250)	(5,602,749)	(5,524,683)
Total comprehensive loss attributable to shareholders of Bacanora Minerals Ltd.	(1,159,930)	(2,450,418)	(4,236,326)	(5,638,065)
Total comprehensive loss attributable to non-controlling interest	(662,536)	(71,682)	(1,458,124)	(259,976)
	(1,822,466)	(2,522,100)	(5,694,450)	(5,898,041)
Net loss per share (basic and diluted)	\$ (0.01)	\$ (0.02)	\$ (0.05)	\$ (0.06)

See accompanying notes to the condensed consolidated financial statements.

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

	Share Capital		Contributed Surplus	Accumulated other comprehensive income	Deficit	Non-controlling interest	Total
	Number of Shares	Amount					
Balance, June 30, 2015	84,947,409	\$24,827,911	\$657,254	\$1,695,333	\$(2,855,397)	\$(680,281)	\$23,644,820
Brokered placements	11,476,944	17,461,167	-	-	-	-	17,461,167
Shares issued on exercise of options	850,000	302,840	(86,840)	-	-	-	216,000
Stock-based compensation expense	-	-	2,723,081	-	-	-	2,723,081
Foreign currency translation adjustment	-	-	-	(373,358)	-	-	(373,358)
Loss for the period	-	-	-	-	(5,264,704)	(226,016)	(5,490,723)
Balance, March 31, 2016	97,274,353	\$42,591,918	\$3,293,495	\$1,321,975	\$(8,120,104)	\$(906,297)	\$38,180,987
Brokered placements	9,750,000	13,720,966	-	-	-	-	13,720,966
Shares issued on exercise of options	850,000	746,040	(319,039)	-	-	-	427,001
Stock-based compensation expense	-	-	554,534	-	-	-	554,534
Foreign currency translation adjustment	-	-	-	(747,497)	-	-	(747,497)
Loss for the period	-	-	-	-	(5,030,769)	100,539	(4,930,230)
Balance, June 30, 2016	107,874,353	\$57,058,924	\$3,528,990	\$574,478	\$(13,150,873)	\$(805,758)	\$47,205,761
Shares issued on exercise of warrants	2,925,000	4,486,570	-	-	-	-	4,486,570
Share issue costs	-	(111,978)	-	-	-	-	(111,978)
Shares issued on exercise of options	200,000	101,780	(41,780)	-	-	-	60,000
Stock-based compensation expense	-	-	3,039,412	-	-	-	3,039,412
Foreign currency translation adjustment	-	-	-	(90,701)	-	-	(90,701)
Loss for the period	-	-	-	-	(4,144,625)	(341,731)	(4,486,356)
Balance, March 31, 2017	110,999,353	\$61,535,296	\$6,526,622	\$483,777	\$(17,295,498)	\$(1,147,489)	\$50,102,708

See accompanying notes to the condensed consolidated financial statements.

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

	Three months ended		Nine months ended	
	Mar. 31, 2017	Mar. 31, 2016	Mar. 31, 2017	Mar. 31, 2016
Cash provided by (used in)				
Operating activities				
Net loss	\$ (780,177)	\$ (1,568,250)	\$ (5,602,749)	\$ (5,524,683)
Depreciation	104,772	17,233	147,603	78,612
Warrant liability revaluation	-	-	(348,964)	-
Unrealized foreign exchange adjustment	-	(1,722,929)	-	(1,204,569)
Share based compensation	1,658,030	1,347,749	3,039,412	2,723,081
	982,625	(1,926,197)	(2,764,698)	(3,927,559)
Changes in non-cash working capital				
Other receivables	(135,112)	291,900	(324,662)	(78,898)
Prepaid	68,512	(58,804)	23,486	(122,380)
Accounts payable and accrued liabilities	(1,264,657)	186,070	(1,662,149)	188,466
	(348,632)	(1,507,031)	(4,728,023)	(3,940,371)
Financing activities				
Issue of shares, net of expenses	186,758	-	101,780	17,461,167
Related party (payments)/advances	-	46,863	-	91,969
Options exercise proceeds	-	-	-	216,000
Warrant exercise proceeds, net of expenses	-	-	2,925,616	-
	186,758	46,863	3,027,396	17,769,136
Investing activities				
Investment in jointly controlled entity	(7,104,782)	-	(7,104,779)	-
Additions to mineral properties (Note 8)	(2,430,040)	(1,507,200)	(6,179,438)	(3,674,000)
Additions to property and equipment (Note 7)	(359,325)	112,285	(3,992)	229,128
	(9,894,147)	(1,394,915)	(13,288,209)	(3,444,872)
Increase in cash position	(10,056,021)	(2,855,083)	(14,988,836)	10,383,893
Cash, beginning of the period	23,797,353	23,230,013	28,730,168	9,991,037
Cash, end of the period	\$ 13,741,332	\$ 20,374,930	\$ 13,741,332	\$ 20,374,930

See accompanying notes to the condensed consolidated financial statements.

BACANORA MINERALS LTD.

Notes to the Condensed Consolidated Interim Financial Statements

As at and for the three and nine months ended March 31, 2017 and 2016

Expressed in Canadian Dollars, unless otherwise stated

1. CORPORATE INFORMATION

Bacanora Minerals Ltd. (the "**Company**" or "**Bacanora**") was incorporated under the *Business Corporations Act* of Alberta on September 29, 2008. The Company is dual listed on the TSX Venture Exchange as a Tier 2 issuer and on the AIM Market of the London Stock Exchange, with its common shares trading under the symbol, "BCN" on both exchanges. The address of the Company is 2204 6 Avenue N.W. Calgary, AB T2N 0W9.

The Company is an exploration and development stage mining company engaged in the identification, acquisition, exploration and development of mineral properties located in Mexico. The Company has not yet determined whether its mineral properties contain economically recoverable reserves. The recoverability of amounts capitalized is dependent upon the discovery of economically recoverable reserves, securing and maintaining title in the properties and obtaining the necessary financing to complete the exploration and development of these projects and upon attainment of future profitable production. The amounts capitalized as mineral properties represent costs incurred to date, and do not necessarily represent present or future values.

2. BASIS OF PREPARATION

a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed consolidated interim financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended June 30, 2016, which have been prepared in accordance with IFRS as issued by the IASB.

The Company uses the same accounting policies and methods of computation as in the audited annual consolidated financial statements for the year ended June 30, 2016.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 30, 2017. The Board of Directors has the power and authority to amend these financial statements after they have been issued.

b) Basis of measurement

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

These consolidated financial statements are presented in Canadian dollars. The functional currency of the Company is the British pound sterling ("**GBP**") and US dollar for its subsidiaries. The Company's functional currency previously was the Canadian dollar up until June 30, 2016.

c) New standards and interpretations not yet adopted

A number of new IFRS standards, and amendments to standards and interpretations, are not yet effective for the period ended March 31, 2017, and have not been applied in preparing these condensed consolidated interim financial statements. None of these standards are expected to have a significant effect on the condensed consolidated interim financial statements of the Company.

BACANORA MINERALS LTD.

Notes to the Condensed Consolidated Interim Financial Statements

As at and for the three and nine months ended March 31, 2017 and 2016

Expressed in Canadian Dollars, unless otherwise stated

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Company's condensed consolidated interim financial statements in accordance with IFRS requires management to make certain judgments, estimates, and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from these estimates. Information about the significant judgments, estimates, and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

a) Exploration and evaluation assets

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

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

b) Joint Arrangements

Certain of the Company's activities are conducted through joint venture in which it has joint control.

Joint ventures arise when the Company has rights to the net assets of the arrangement. For these arrangements the Company uses the equity method of accounting and recognizes initial and subsequent investments at cost, adjusting for the Company's share of the joint venture's income or loss, less dividends received thereafter. The transactions between the Company and the joint venture partner are assessed for recognition in accordance with IFRS.

Under the equity method, losses from the joint venture are applied against the carrying amount of the investment and any loans to the associate that are considered part of the net investment. When the Company's share of losses in a jointly controlled entity exceeds the Company's interest, the Company discontinues recognizing its share of future losses. The Corporation does not recognize further losses unless a legal or constructive obligation exists. If the joint venture subsequently reports profits, the entity resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized. Revenue is only recorded when collection is reasonably assured.

Joint ventures are tested for impairment whenever objective evidence indicates that the carrying amount of the investment may not be recoverable under the equity method of accounting. The impairment amount is measured as the difference between the carrying amount of the investment and the higher of its fair value less costs of disposal and its value in use. Impairment losses are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

BACANORA MINERALS LTD.

Notes to the Condensed Consolidated Interim Financial Statements

As at and for the three and nine months ended March 31, 2017 and 2016

Expressed in Canadian Dollars, unless otherwise stated

c) Title to mineral property interests

Although the Company has taken steps to verify the title to the exploration and evaluation assets in which it has an interest, in accordance with industry practices for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

d) Rehabilitation provision

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

e) Functional currency

The Company transacts in multiple currencies. The assessment of the functional currency of each entity within the consolidated group involves the use of judgment in determining the primary economic environment each entity operates in. The Company first considers the currency that mainly influences sales prices for goods and services, and the currency that mainly influences labour, material and other costs of providing goods or services. In determining functional currency the Company also considers the currency from which funds from financing activities are generated, and the currency in which receipts from operating activities are usually retained. When there is a change in functional currency, the Company exercises judgment in determining the date of change.

f) Share-based payments

The Company utilizes the Black-Scholes Option Pricing Model to estimate the fair value of stock options granted to directors, officers and employees. The use of the Black-Scholes Option Pricing Model requires management to make various estimates and assumptions that impact the value assigned to the stock options, including the forecast future volatility of the stock price, the risk-free interest rate, dividend yield and the expected life of the stock options. Any changes in these assumptions could have a material impact on the share-based payment calculation value.

The same estimates are required for transactions with non-employees where the fair value of the goods or services received cannot be reliably determined and for the warrant derivative liability.

g) Income taxes

Income tax expense is recognised in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year. Amounts accrued for income tax expense in one interim period may have to be adjusted in a subsequent interim period of that financial year if the estimate of the annual income tax rate changes.

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

This note presents information about the Company's exposure to credit, liquidity and market risks arising from its use of financial instruments and the Company's objectives, policies and processes for measuring and managing such risks.

BACANORA MINERALS LTD.

Notes to the Condensed Consolidated Interim Financial Statements

As at and for the three and nine months ended March 31, 2017 and 2016

Expressed in Canadian Dollars, unless otherwise stated

a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Company's credit risk relates solely to Input Tax Credits ("ITC") receivables in Canada and Value Added Tax ("VAT") receivables in Mexico. Any changes in management's estimate of the recoverability of the amount due will be recognized in the period of determination and any adjustment may be significant. The carrying amount of other receivables represent the maximum credit exposure.

All of the other receivables represent amounts due from the Canadian and Mexican governments and accordingly the Company believes them to have minimal credit risk. The Company considers all of its other receivables fully collectible, and therefore has not provided an allowance against this balance nor reclassified the balance as a non-current asset.

The Company's cash is held in major Canadian, UK and Mexican banks, and as such the Company is exposed to the risks of those financial institutions. The Board of Directors monitors the exposure to credit risk on an ongoing basis and does not consider such risk significant at this time. The Company considers all of its accounts receivables fully collectible.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses. Liquidity risk arises primarily from accounts payable and accrued liabilities and commitments, all with maturities of one year or less.

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices, and interest rates will affect the value of the Company's financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing long-term returns.

The Company conducts exploration projects in Mexico. As a result, a portion of the Company's expenditures, accounts receivables, accounts payables and accrued liabilities are denominated in US dollars and Mexican pesos and are therefore subject to fluctuation in exchange rates. As at June 30, 2016, a 5% change in the exchange rate between GBP and US dollar would have an approximate \$2,353,000 (2015 - \$545,000) change to the Company's total comprehensive loss.

d) Fair values

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

5. CAPITAL MANAGEMENT

The Company's objectives in managing capital are to safeguard its ability to operate as a going concern while pursuing exploration and development and opportunities for growth through identifying and evaluating potential acquisitions or businesses. The Company defines capital as the Company's shareholders' equity excluding contributed surplus, of \$44,723,575 at March 31, 2017 (June 30, 2016 - \$44,482,529). The Company sets the amount of capital in proportion to risk and corporate growth objectives. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company is not subject to any externally imposed capital requirements.

BACANORA MINERALS LTD.

Notes to the Condensed Consolidated Interim Financial Statements

As at and for the three and nine months ended March 31, 2017 and 2016

Expressed in Canadian Dollars, unless otherwise stated

6. INVESTMENT IN JOINT VENTURE

The Company holds 50% interest in a jointly controlled entity, Deutsche Lithium GmbH, located in southern Saxony, Germany. The Company acquired its interest in February of 2017 for a cash consideration of €5 million (approximately \$7,105,000) from SolarWorld AG (“SolarWorld”) and an undertaking to contribute up to €5 million toward the costs of completion of a Feasibility Study, which is anticipated to take approximately 18-24 months. The Company, alone or together with any reasonably acceptable third party, has an option to acquire the remaining 50% of the jointly controlled entity within a 24 month period for €30 million. In the event that the Company is unable to complete the purchase of the remaining 50%, alone or together with any reasonably acceptable third party, by the end of the 24 month period, then SolarWorld has the right but not the obligation to purchase the Company’s 50% interest for €1.

The Company’s undertaking to contribute up to €5 million toward the costs of completion of a Feasibility Study is being recorded as a liability, reported accordingly with its due dates, between current and non-current portions. At March 31, 2017, the current portion of the obligation was \$2,321,964 and the non-current portion was \$1,018,991. The Company used a discount rate of 20% in its calculations of future values.

The option to purchase the remaining 50% interest is a derivative asset and is recorded at its fair value of \$2,600,000. The fair value of the investment in joint venture was determined based on the fair value of the resources acquired with the residual consideration allocated to the derivative asset. The derivative asset has been classified as long-term due to its realization being in line with the completion of the Feasibility Study.

The statement of financial position of SolarWorld includes accounts receivables and accounts payables which are not significant in value. Current value of SolarWorld is substantially attributed to the exploration and evaluation assets.

7. PROPERTY AND EQUIPMENT

Cost	Building and equipment	Office furniture and equipment	Computer equipment	Transportation equipment	Total
Balance, June 30, 2015	\$ 2,932,054	\$ 3,147	\$ 11,464	\$ 146,396	\$ 3,093,061
Additions	108,777	-	17,840	59,776	186,393
Foreign exchange	(267,264)	-	(18,765)	(17,909)	(303,938)
Balance, June 30, 2016	\$ 2,773,567	\$ 3,147	\$ 10,539	\$ 188,263	\$ 2,975,516
Additions	3,562	-	430	-	3,992
Foreign exchange	(298,961)	-	-	-	(298,961)
Balance, March 31, 2017	\$ 2,478,168	\$ 3,147	\$ 10,969	\$ 188,263	\$ 2,680,547

Accumulated depreciation	Building and equipment	Office furniture and equipment	Computer equipment	Transportation equipment	Total
Balance, June 30, 2015	\$ 412,036	\$ 3,147	\$ 7,843	\$ 99,232	\$ 522,258
Additions	80,591	-	2,696	5,600	88,887
Balance, June 30, 2016	\$ 492,627	\$ 3,147	\$ 10,539	\$ 104,832	\$ 611,145
Additions	11,139	-	-	1,005	12,144
Balance, March 31, 2017	\$ 503,766	\$ 3,147	\$ 10,539	\$ 105,837	\$ 623,289

BACANORA MINERALS LTD.**Notes to the Condensed Consolidated Interim Financial Statements****As at and for the three and nine months ended March 31, 2017 and 2016**

Expressed in Canadian Dollars, unless otherwise stated

Carrying amounts	Building and equipment	Office furniture and equipment	Computer equipment	Transportation equipment	Total
At June 30, 2016	\$ 2,280,940	\$ -	\$ -	\$ 83,431	\$ 2,364,371
At Mar. 31, 2017	\$ 1,974,402	\$ -	\$ 430	\$ 82,426	\$ 2,057,258

8. EXPLORATION AND EVALUATION ASSETS

The Company's mining claims consist of mining concessions located in Mexico and Germany. The specific descriptions of such properties are as follows:

a) Magdalena Borate property

Originally referred to as San Francisco and El Represo projects, Magdalena Borate project consists of eight concessions located in the State of Sonora, Mexico, with a total area of 7,105 hectares. The concessions are 100% owned by MSB. The Magdalena property is subject to a 3% gross overriding royalty payable to Minera Santa Margarita S.A. de C.V., a subsidiary of Rio Tinto PLC, and a 3% gross overriding royalty payable to the estate of the late Chairman of the Company on sales of borate produced from this property.

b) Sonora Lithium property

The Sonora Lithium Project located in the state of Sonora, Mexico consists of ten contiguous mineral concessions. The Company through its wholly-owned Mexican subsidiary, MSB, has a 100% interest in two of these concessions: La Ventana and La Ventana 1, covering 1,820 hectares. Of the remaining concessions, five are owned 100% by Mexilit, El Sauz, El Sauz 1, El Sauz 2, Fleur and Fleur 1 covering 6,334 hectares. Mexilit is owned 70% by Bacanora and 30% by Cadence Minerals PLC ("**Cadence**"), formally known as Rare Earth Minerals.

The remaining three concessions, Buenavista, Megalit and San Gabriel, cover 89,235 hectares, and are subject to a separate agreement between the Company and Cadence. Under the agreement, Megalit is owned 70% by Bacanora and 30% by Cadence. As at March 31, 2017, Buenavista and San Gabriel concessions were transferred from MSB to Megalit, while the Megalit concession was in the process of being transferred to Minera Megalit S.A. de C.V..

The Sonora Lithium property is subject to a 3% gross overriding royalty on production from certain concessions within the Sonora Lithium property payable to the estate of the late Chairman of the Company.

The balance of investment in mining claims as of March 31, 2017 and June 30, 2016 corresponds to concession payments to the federal government, and costs of exploration, and consists of the following:

	Magdalena Borate	La Ventana Lithium	Mexilit Lithium	Megalit Lithium	Total
Balance, June 30, 2015	\$ 7,246,158	\$ 1,931,837	\$ 2,091,527	\$ 637,905	\$ 11,907,427
Additions	1,015,692	4,505,946	1,078,990	125,575	6,726,203
Foreign exchange	(537,109)	(60,295)	(186,935)	(32,578)	(816,917)
Balance, June 30, 2016	\$ 7,724,741	\$ 6,377,488	\$ 2,983,582	\$ 730,902	\$ 17,816,713
Additions	30,189	6,123,842	14,302	11,105	6,179,438
Foreign exchange	293,604	578,608	124,792	37,792	1,034,796
Balance, March 31, 2017	\$ 8,048,534	\$ 13,079,938	\$ 3,122,676	\$ 779,799	\$ 25,030,947

BACANORA MINERALS LTD.
Notes to the Condensed Consolidated Interim Financial Statements
As at and for the three and nine months ended March 31, 2017 and 2016
Expressed in Canadian Dollars, unless otherwise stated

9. SHARE CAPITAL

a) Authorized

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

b) Common Shares Issued	Shares	Amount
Balance, June 30, 2015	84,947,409	\$ 24,827,911
Shares issued on exercise of options	850,000	355,410
Shares issued in private placement for cash ⁽¹⁾	11,476,944	17,871,564
Shares issued on exercise of options	850,000	691,470
Shares issued in private placement for cash ⁽²⁾	9,750,000	14,228,359
Share issue costs	-	(915,790)
Balance, June 30, 2016	107,874,353	\$ 57,058,924
Shares issued on exercise of warrants	2,925,000	4,486,570
Share issue costs	-	(111,978)
Shares issued on exercise of options	200,000	101,780
Balance, March 31, 2017	110,999,353	\$ 61,535,296

(1) On November 13, 2015, the Company completed a private financing of 11,476,944 common shares at a price of \$1.56 (£0.77) per share for aggregate gross proceeds of \$17,871,564 (£8,837,247). The Company paid commission of \$354,280 and other share issue expenses of \$56,117. As part of the financing, 1,973,407 common shares were acquired by REM, a company that is a significant shareholder and has a position in the Company's Board of Directors.

(2) On May 20, 2016, the Company completed a private financing that raised approximately \$14,681,700 (£7,702,500) via the placing of 9,750,000 units (the "Placing Units") at a price of approximately \$1.48 (£0.79) per Placing Unit (the "Placing"). The Company paid commission of \$440,500 and other share issue expenses of \$64,893. Each Placing Unit is comprised of one new common share of the Company (a "Placing Share") and 0.3 of one common share purchase warrant, with each whole warrant (a "Placing Warrant") being exercisable into one common share at a price of approximately \$1.48 (£0.79) at any time subsequent to July 25, 2016, but on or before September 30, 2016. Accordingly, an aggregate of 9,750,000 Placing Shares and 2,925,000 Placing Warrants were issued under this Placing. The Placing Warrants are denominated in a currency different than the functional currency and are recorded as warrant liability of \$453,299, which was measured using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate: 0.39%; expected volatility: 38%; expected life: 4 months; fair value per warrant: \$0.15. The fair value of the warrant liability was re-measured as at June 30, 2016 to be \$897,323 using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate: 0.25%; expected volatility: 44%; expected life: 3 months; fair value per warrant: \$0.31.

c) Stock options

The following tables summarize the activities and status of the Company's stock option plan as at and during the period ended March 31, 2017.

	Number of options	Weighted average exercise price
Balance, June 30, 2015	2,475,000	\$ 0.38
Exercised	(1,700,000)	0.33
Expired	(50,000)	1.58
Issued	4,250,000	1.75
Balance, June 30, 2016	4,975,000	\$ 1.52
Exercised	(200,000)	0.30
Issued	2,912,400	1.39
Balance, March 31, 2017	7,687,400	\$ 1.50

BACANORA MINERALS LTD.**Notes to the Condensed Consolidated Interim Financial Statements****As at and for the three and nine months ended March 31, 2017 and 2016**

Expressed in Canadian Dollars, unless otherwise stated

Grant date	Number outstanding at Mar. 31, 2017	Exercise price	Weighted average remaining contractual life (Years)	Expiry date	Number exercisable at Mar. 31, 2017
September 28, 2012	50,000	0.25	0.8	Sept. 28, 2017	50,000
September 11, 2013	525,000	0.30	1.5	Sept. 11, 2018	525,000
December 2, 2015	1,200,000	1.58	3.7	Dec. 2, 2020	1,200,000
January 22, 2016	1,000,000	1.56 ⁽¹⁾	0.9	Jan. 22, 2018	1,000,000
April 27, 2016	2,000,000	1.94 ⁽²⁾	2.2	May 27, 2019	-
March 1, 2017	400,000	1.39 ⁽³⁾	4.9	March 1, 2022	400,000
March 1, 2017	2,512,400	1.39 ⁽³⁾	2.9	March 1, 2020	829,092
	7,687,400				4,004,092

(1) Exercise price of £0.77 per share

(2) Exercise price of £0.96 per share

(3) Exercise price of £0.85 per share

d) Warrants

The following tables summarize the activities and status of the Company's warrants as at and during the period ended March 31, 2017.

	Number of warrants	Remaining contractual life (Years)	Expiry date	Weighted Average Exercise price
Balance, June 30, 2015	833,333	1.0	March 26, 2018	\$ 0.45
Issued	2,925,000	0.3	September 30, 2016	\$ 1.51
Balance, June 30, 2016	3,758,333	-	-	\$ 1.27
Exercised	(2,925,000)	-	-	1.35
Balance, March 31, 2017	833,333	1.0		\$ 0.45

Grant date	Number outstanding at Mar. 31, 2017	Exercise price	Weighted average remaining contractual life (Years)	Expiry date	Financing warrants
March 26, 2013	833,333	\$ 0.45	1.0	March 26, 2018	833,333
March 31, 2017	833,333	-	-	-	833,333

e) Contributed surplus

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

	March 31, 2017	June 30, 2016
Balance, beginning of the period	\$ 3,528,990	\$ 657,254
Exercise of stock options	(41,780)	(405,879)
Stock-based compensation expense	3,039,412	3,277,615
Balance, end of the period	\$ 6,526,622	\$ 3,528,990

BACANORA MINERALS LTD.**Notes to the Condensed Consolidated Interim Financial Statements****As at and for the three and nine months ended March 31, 2017 and 2016**

Expressed in Canadian Dollars, unless otherwise stated

f) Stock-based compensation expense

During the period ended March 31, 2017, the Company recognized \$3,039,412 (2015 - \$2,723,081) of stock-based compensation expense for options granted under the Company's stock option plan. The fair value of stock options granted during the period ended March 31, 2017 was estimated on the dates of grant using the Black-Scholes option pricing model with the following weighted average assumptions, risk-free interest rate of 0.73%, expected volatility of 138%, and expected life of 3 years. The fair value of each stock option was \$1.08. Expected volatility is based on historical volatility of the Company's stock prices and comparable peers.

g) Per share amounts

Basic loss per share is calculated using the weighted average number of shares of 110,923,797 for the three month period ended March 31, 2017 and 109,858,112 for the nine month period ended March 31, 2017 (2016 – 97,274,353 and 91,201,755 respectively). Options and warrants were excluded from the dilution calculation as they were anti-dilutive.

10. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended		Nine months ended	
	Mar. 31, 2017	Mar. 31, 2016	Mar. 31, 2017	Mar. 31, 2016
Management fees (Note 14)	\$ 344,443	\$ 435,982	\$1,117,806	\$1,161,623
Legal and accounting fees	53,463	410,002	1,054,864	650,777
Investor relations	226,172	95,463	509,802	322,130
Office expenses	15,837	38,181	197,538	177,008
Travel and other expenses	274,769	88,455	540,043	189,162
Total	\$ 914,684	\$ 1,068,083	\$ 3,420,053	\$ 2,500,700

11. SEGMENTED INFORMATION

The Company is pursuing the exploration and development of mineral properties in Mexico and Germany. The Company has an office in Calgary, and London but it does not generate any revenues or hold any non-current assets at these locations. Summary of the identifiable assets are as follows:

	Exploration and Evaluation Activities		Consolidated	
	March 31, 2017	June 30, 2016	March 31, 2017	June 30, 2016
Property and equipment - Mexico	\$ 2,057,258	\$ 2,364,371	\$ 2,057,258	\$ 2,364,371
Exploration and evaluation assets – Mexico	\$ 25,030,947	\$ 17,816,713	\$ 25,030,947	\$ 17,816,713
Investment in jointly controlled entity - Germany	\$ 9,858,582	\$ -	\$ 9,858,582	\$ -

BACANORA MINERALS LTD.**Notes to the Condensed Consolidated Interim Financial Statements****As at and for the three and nine months ended March 31, 2017 and 2016**

Expressed in Canadian Dollars, unless otherwise stated

12. RELATED PARTY TRANSACTIONS**a. Related party expenses**

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

During the three and nine months ended March 31, 2017, directors and management fees in the amount of \$347,989 and \$1,013,096 respectively (2016 - \$344,252 and 857,117 respectively) were paid to directors and officers of the Company. All of these costs were recorded as general and administrative. Of the total amount incurred as directors and management fees, \$68,069 (June 30, 2016 - \$38,075) remains in accounts payables and accrued liabilities on March 31, 2017.

During the three and nine months ended March 31, 2017, the Company paid \$84,879 and \$613,357 respectively (2016 - \$260,533 and \$756,607 respectively) to Grupo Ornelas Vidal S.A. de C.V., a consulting firm of which Martin Vidal, director of the Company and president of MSB, is a partner. These services were incurred in the normal course of geological exploration. As of March 31, 2017, \$30,211 (June 30, 2016 - \$77,416) remains in accounts payable and accrued liabilities.

b. Key management personnel compensation

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

	Three months ended		Nine months ended	
	Mar. 31, 2017	Mar. 31, 2016	Mar. 31, 2017	Mar. 31, 2016
Directors' fees:				
Colin Orr-Ewing	\$ -	\$ 14,732	\$ 10,056	\$ 63,977
James Leahy	12,000	5,000	37,263	15,000
Shane Shircliff	-	4,375	6,462	13,125
Derek Batorowski	-	4,375	-	13,125
Kiran Morzaria	1,223	4,375	9,972	12,419
Jamie Strauss	13,558	-	18,673	-
Ray Hodgkinson	13,558	-	18,095	-
Total directors' fees:	\$ 40,339	\$ 32,857	\$ 100,521	\$ 117,646
Management and consulting fees:				
Mark Hohnen	\$ 81,679	\$ 99,416	\$ 254,137	\$ 133,416
Peter Secker	98,932	122,040	310,585	378,007
Martin Vidal	84,879	62,171	218,733	187,847
Derek Batorowski	82,499	60,625	229,641	157,847
Total management and consulting fees	\$ 347,989	\$ 344,252	\$ 1,013,096	\$ 857,117

BACANORA MINERALS LTD.**Notes to the Condensed Consolidated Interim Financial Statements****As at and for the three and nine months ended March 31, 2017 and 2016**

Expressed in Canadian Dollars, unless otherwise stated

Employee's salary:					
Cordelia Orr-Ewing	\$	-	\$	-	\$ 53,559
Total employee's salary	\$	-	\$	-	\$ 53,559
Total director's, management's, consultant's and employee's salaries and fees	\$	388,328	\$	377,109	\$ 1,113,617
Operational consulting fees:					
Grupo Ornelas Vidal S.A. de C.V.	\$	84,879	\$	260,533	\$ 613,357
Stock-based compensation	\$	806,177	\$	777,536	\$ 2,050,290

13. COMMITMENTS AND CONTINGENCIES

The Company has commitments for lease payments for field offices with no specific expiry dates. The total annual financial commitments resulting from these agreements is \$10,735.

The properties in Mexico are subject to spending requirements in order to maintain title of the concessions. The capital spending requirement for 2017 is \$333,180. The properties are also subject to semi-annual payments to the Mexican government for concession taxes.

As per the terms of the SolarWorld purchase agreement, the Company undertook to pay up to €5.0 million toward the costs of completing of a Feasibility Study, which is anticipated to take approximately 18 to 24 months.

14. SUBSEQUENT EVENTS

On May 2nd, 2017, the Company announced the issuance of 12,333,261 new common shares to Hanwa Co., LTD. The common shares represent 10.0% of the issued and outstanding share capital of the Company and are being issued at a price of £0.83 (approximately \$1.37) per share to raise approximately £10,175,000 (approximately \$16,896,000) for Bacanora pursuant to the Company's offtake agreement for battery grade lithium carbonate at its Sonora lithium project in Mexico.

On May 24th, 2017, the Company announced the issuance of 8,573,925 new shares at price of £0.86 (approximately \$1.51) to Capital Research and Management Company, US based investment company that manages in excess of \$1.4 trillion, for total gross proceeds of approximately £7.4 million (approximately \$13 million).