BACANORA MINERALS LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

DATE – October 27, 2015

The following Management's Discussion and Analysis ("**MD&A**") should be read in conjunction with Bacanora Minerals Ltd. ("**Bacanora**" or the "**Company**") audited consolidated financial statements for the year ended June 30, 2015, together with the accompanying notes. The following discussion and analysis provides information that management believes is relevant to the assessment and understanding of the Company's results of operations and financial position. In the opinion of management, all adjustments consisting of normal recurring adjustments, considered necessary for a fair presentation of the Company's financial position, results of operations and funds flow, have been included. This MD&A is presented in Canadian dollars ("**CAD$**"), unless stated otherwise. Additional information relating to Bacanora is available on SEDAR at www.sedar.com.

THE COMPANY

Bacanora Minerals Ltd. is a developer and explorer of industrial minerals in Mexico with a primary focus on lithium and borates. It was incorporated in Alberta, Canada in September 2008 and is listed on the TSX Venture Exchange and the AIM Market of the London Stock Exchange ("**AIM**"), and its common shares trade under the symbol, "BCN" on both exchanges. Please refer to section "Company Structure" on page 7 for further details on the Company's legal and operational structure.

FISCAL 2015 HIGHLIGHTS

Corporate

- On July 25, 2014, the Company's common shares were admitted to the AIM. The new listing provided the Company with increased liquidity of its common shares and additional international exposure.

- Expansion of the Company's executive and operating teams including the appointment of Mr. Peter Secker as the new CEO of the Company in May 2015.

- Subsequent to the fiscal period end, on August 27, 2015, the Company announced that, along with its partner in the operated lithium properties (which properties are collectively hereafter referred to as the "Sonora Lithium Project"), it entered into a conditional long-term lithium hydroxide supply agreement that is material to the Company, the full details of which were set out in the Company's August 27th, 2015 press release, which can be viewed on SEDAR or the Company website at www.bacanoraminerals.com.

Financial

- Concurrent with the admission to the AIM, the Company also completed a brokered financing of 14,393,940 common shares at a price of £0.33 or $0.60 per common share for aggregate gross proceeds of approximately £4,750,000 or $8,600,000.

- The Company completed an additional sale of 20%, for a combined total of 30%, of its interest in the Minera Megalit S.A de C.V. ("**Megalit**") subsidiary for gross proceeds of US$1,500,000, of which US$1,000,000 was received during the fiscal year. These funds are being used for the exploration and development of the concessions held by Megalit.

- During the 2015 fiscal year, warrants and options exercises provided the Company with aggregate gross proceeds of approximately $3,078,000.

Operations

- The Company is continuing to develop the Sonora Lithium Project with the appointment of a number of international consulting groups who have commenced a Pre-Feasibility Study ("**PFS**") Technical Report that will be prepared in accordance with National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("**NI 43-101**"). The PFS is currently scheduled for completion in the first calendar quarter of 2016.

- This ongoing development work and the resulting PFS are expected to be used to design a plant capable of potentially delivering up to 50,000 tonnes per year of lithium carbonate. This highlights Bacanora's strategy to continue the transition from an exploration company into a mine development company.

- In May of 2015, the Company completed a 2,946 metre drilling program at the La Ventana concession. As a result of this drilling, SRK Consulting (UK) Limited ("**SRK**") produced a Mineral Resource Estimate ("**MRE**") in accordance with NI 43 101 comprising 1.14 million tonnes ("**Mt**") of Indicated and 6.3 Mt of Inferred lithium carbonate equivalent ("**LCE**").[(1)]

- In July of 2015, the Company commenced, and subsequently completed, a 4,000 metre drilling program at Fleur and El Sauz concessions. The results of this drilling program will be incorporated into the updated MRE and for part of the PFS Technical Report.

MINERAL PROPERTIES - LITHIUM

The Sonora Lithium Project consists of ten contiguous concessions covering 94,186 hectares. Two of the concessions (La Ventana, La Ventana 1) are owned 100% by Bacanora. The El Sauz, El Sauz 1, El Sauz 2, Fleur and Fleur 1 concessions are owned by Bacanora's subsidiary, Mexilit S.A. de C.V. ("**Mexilit**") (which is owned 70% by Bacanora and 30% by Rare Earth Minerals PLC ("**REM**")). As at June 30, 2015, the Company had transferred the El Sauz concession to Mexilit and transferred the other concessions subsequently. The San Gabriel, Buenavista, and Megalit concessions are to be owned by Bacanora's subsidiary, Megalit (which is owned 70% by Bacanora and 30% by REM). The Company transferred the San Gabriel and Buenavista concessions subsequent to June 30, 2015 and will transfer the Megalit concession in due course. REM has the option to negotiate an increase to its interest of up to 49.9% of Megalit under terms and consideration yet to be agreed upon. This option expires on January 12, 2016.

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 this property.

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

Based on the Company's NI 43-101 MRE, the Sonora Lithium Project concessions have an estimated indicated lithium resource of 1.14 Mt LCE contained in 95 Mt of clay, at lithium ("**Li**") grade of 2,200 ppm, and an estimated inferred lithium resource of 6.3 Mt LCE contained in 500 Mt of clay at a Li grade of 2,300 ppm. For further details on the Company's lithium resource refer to the Mineral Resource Estimate section below.

[1] LCE is the industry standard terminology for, and is equivalent to, Li_2CO_3. 1 ppm Li metal is equivalent to 5.32 ppm LCE / Li_2CO_3.. Use of LCE is to provide data comparable with industry reports and assumes complete conversion of lithium in clays with no recovery or process losses.

Operational update for the period

La Ventana Concession

On May 21, 2015, the Company announced the assay results from a total of 2,946 metres of drilling in 22 holes completed on its wholly-owned La Ventana concession. The lithology from these drill results were included in the updated MRE announced by the Company on May 13, 2015.

Highlights of that drill program and the assay results are as follows:

- Intercepts of the upper clay range from 26.10 to 50.83 metres in length and those for the lower clay range from 12.98 to 23.57 metres on La Ventana.
- Analysis received for 18 of the 22 holes indicate that the lithium content of both upper and lower clays increases to the south on La Ventana, as well as maintaining grade and thickness down dip at depth. In particular:
    - Weighted averages for lithium content in the upper clay unit varies from 955 ppm Li (0.5% LCE) over 41.6 metres to 3,215 ppm Li (1.7% LCE) over 17.48 metres.
    - For the lower clay unit, lithium content varies from 1,143 ppm Li (0.6% LCE) over 19.20 metres to 5,830 ppm Li (3.1% LCE) over 20.42 metres.
    - Individual 1.5 metre long samples of clay range up to 10,000 ppm Li (5.32% LCE).

El Sauz and Fleur concessions

The La Ventana drilling program also included one hole drilled on the Fleur concession.

Highlights of the Fleur hole are:

- The hole drilled on the Fleur concession intersected 7.16 metres of the upper clay unit, which averaged 3,107 ppm Li (1.7% LCE) and 25.30 metres of the lower clay, which averaged 4,242 ppm Li (2.3% LCE).
- The intercepts from this hole represent an additional mineral resource target area, which Bacanora intends to pursue through further drilling.
- The proximity of this new discovery to the current mineral resource on La Ventana may allow it to be included as part of the mine planning and mine design work currently being carried out.

In September of 2015 the Company completed a 16 hole, 4,000 metre drilling program on the Fleur and El Sauz concessions. The program is primarily focused on further increasing the indicated mineral resources within the Sonora Lithium Project, as well as testing whether the high grades and near surface mineralization identified at the La Ventana concession continue into the northern area of the Fleur concession, which immediately adjoins La Ventana to the south.

The Company is in the process of updating the resource model for mine design purposes with an initial focus on the higher grade, open pit resources on the La Ventana and Fleur concessions.

Mineral Resource Estimate

On June 26, 2015, the Company released the MRE report for the Sonora Lithium Project. SRK prepared the MRE for the Company's lithium properties, consisting of its 100 percent owned La Ventana lithium concessions, and 70 percent owned El Sauz, El Sauz 1 and Fleur concessions.

Highlights of the MRE (which has been prepared in accordance with NI 43-101) are:

- Indicated portion of the MRE is 1.14 Mt LCE contained in 96 Mt of clay, at Li grade of 2,200 ppm;
- Inferred portion of the MRE is 6.3 Mt LCE contained in 510 Mt of clay at a Li grade of 2,300 ppm;
- The updated MRE has been developed using a 3D geological model and Kriged grade estimates. The indicated portion of the MRE will be used for initial open pit mine design while the Company further develops the inferred portion of the MRE;
- Conceptual extensions within current pit shell have the potential to add 2.4 to 4.6 Mt LCE contained in 300 to 350 Mt of clay at a Li grade of approximately 1,500 to 2,500 ppm;
- The MRE does not include identified grade and tonnages contained within the Buenavista concession, as further metallurgical testing is required on this deposit; and
- The MRE is in line with Bacanora's strategy to demonstrate the substantial potential of the project, which benefits from high grades and scalability.
- The MRE is based on assay results from drilling and trenching made available to SRK on the 16th of April 2015, including geological information but not assay results from the 9 holes in La Ventana that were announced on 24th of March 2015.

Table 1: Mineral Resource Statement for the Sonora Lithium Project

Classification	**Owner**	**Concession Name**	**Geological Unit**	**Mt Clay**	**Clay Grade (Li ppm)**	**Contained Li (Kt)**	**Contained LCE (Kt)**	**Contained LCE attributable to Bacanora (Kt)**
Indicated	MSB	La Ventana	Upper Clay	35	1,400	50	260	260
	MSB	La Ventana	Lower Clay	35	3,250	110	580	580
	Mexilit	El Sauz and Fleur	Upper Clay	10	2,800	12	60	42
	Mexilit	El Sauz and Fleur	Lower Clay	16	6,600	44	240	182
Total Indicated				**96**	**2,200**	**216**	**1,140**	**1,064**
Inferred	MSB	La Ventana	Upper Clay	90	1,700	150	800	800
	MSB	La Ventana	Lower Clay	30	3,700	100	500	500
	Mexilit	El Sauz, Sauz 1, & Fleur	Upper Clay	190	4,600	260	1,300	910
	Mexilit	El Sauz, Sauz 1, & Fleur	Lower Clay	200	11,000	680	3,700	2,590
Total Inferred				**510**	**2,300**	**1,190**	**6,300**	**4,800**

Notes:

1. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. All figures are rounded to reflect the relative accuracy of the estimate and have been used to derive sub-totals, totals and weighted averages. Such calculations inherently involve a degree of rounding and consequently introduce a margin of error. Where these occur, SRK does not consider them to be material.
2. The reporting standard adopted for the reporting of the MRE uses the terminology, definitions and guidelines given in the CIM Standards on Mineral Resources and Mineral Reserves (May 2014) as required by NI 43-101 and JORC.
3. The MRE is reported on 100 percent basis for all project areas.
4. SRK assumes the Sonora Lithium deposit to be amenable to surface mining methods. Using results from initial metallurgical test work, suitable surface mining and processing costs, and forecast LCE price SRK has reported the Mineral Resource at a cut-off 450 ppm Li (2,400 ppm LCE).
5. SRK completed a site inspection of the deposit by Mr. Martin Pittuck, MSc, C.Eng, MIMMM, an appropriate "independent qualified person" as such term is defined in NI 43-101.

Lithium Plant and Process Design Work

The Company continues to develop the Sonora Lithium Project, with the appointment of a number of international consulting groups to generate a PFS Report in accordance with the requirements of NI 43-101.

SGS Canada Inc. ("**SGS**") has been appointed to carry out lithium carbonate metallurgical testwork, at their Lakefield site, on a number of ore samples from the Sonora Lithium Project concessions. SGS is one of the world's leading inspection, verification, testing and certification companies, with proven expertise in lithium metallurgy. The data from this testwork will be used to produce a detailed lithium carbonate flowsheet.

In addition, the Company will carry out work on the development of a lithium hydroxide ("**LiOH**") flowsheet at its Hermosillo pilot plant and will continue preliminary testwork with a number of international specialist groups with LiOH extraction expertise.

Ausenco Engineering Canada Inc, ("**Ausenco**") has been appointed to carry out the flow sheet review, process engineering design, infrastructure optimization and PFS documentation for a two-stage lithium carbonate processing plant, for the production of battery grade lithium carbonate. Ausenco is internationally recognized as a specialist in the study, engineering, procurement, construction management, program management, commissioning and operation of minerals processing projects. They recently completed an updated Feasibility Study for Talison Lithium's lithium carbonate plant in Australia and will manage Bacanora's PFS out of their office in Hermosillo, Mexico with support from Vancouver, Canada and Perth, Australia.

The Company is currently scheduling to release a PFS Report prepared in accordance with the requirements of NI 43-101 in the first calendar quarter of 2016.

COMPANY OUTLOOK

The Company remains focused on the development of its Sonora Lithium Project. In the immediate term, a number of activities are underway to support this future development.

- Preparation of an updated MRE for the Sonora Lithium Project based on the recently completed drilling.
- Preparation of a PFS in accordance with NI 43-101, during the first calendar quarter of 2016 for the lithium carbonate mining and processing development at the Sonora Lithium Project.
- Commencement of a Bankable Feasibility Study for the Sonora Lithium Project, subject to and subsequent to the successful completion of the PFS.
- Progressing of initial metallurgical testwork for the production of battery grade lithium hydroxide material.
- The Company will require additional financing for lithium engineering designs, project work and metallurgical testwork during 2016.

INDUSTRY LITHIUM OUTLOOK

During 2015 there have been a number of corporate consolidations within the lithium industry. In addition, lithium pricing continues to remain strong. As evidence of these trends, the Company notes the following:

- In January 2015, Albemarle Corp. finalized their transaction to acquire Rockwood Holdings Inc., the world's largest producer of lithium products, for $6.2 billion in cash and stock.

- On September 4, 2015, Western Lithium USA Corporation and Lithium Americas Corp. announced that they have completed a plan of arrangement pursuant to which Western Lithium acquired all of the issued and outstanding common shares of Lithium Americas Corp.

- On October 1, 2015, FMC Corporation announced that it will increase prices for its lithium products, including lithium carbonate and lithium hydroxide, by 15% in all global regions, as contracts permit.

MINERAL PROPERTIES - BORATES

Magdalena Borate

The Magdalena Borate Project consists of seven concessions, with a total area of 16,503 hectares. The Magdalena Borates Project is road accessible and located immediately east of the town of Magdalena de Kino and has excellent access from that centre, either by rail or truck, to local markets or to overseas markets from the port at Guaymas. 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.

Three main borate zones have been located on the Magdalena Borates Project: the Cajon Borate Deposit ("**Cajon**"); Bellota and Pozo Nuevo. Other targets include the Represo prospect, which is a new colemanite discovery that was made by Bacanora during a drilling campaign in 2014.

Cajon is the most advanced of the main borate zones on which the Company 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. Drilling by Bacanora (48 holes) and a US Borax subsidiary (11 holes) has identified three separate colemanite horizons (units: A, B and C) within the gently south-dipping sediments that underlie the area of Cajon. The drilling has resulted in an indicated borate resource of 11 Mt of ore averaging 10.6% B_2O_3 being estimated for El Cajon under the Canadian Institute of Mining, Metallurgy and Petroleum resource-reserve criteria, equivalent to a NI 43-101 compliant Indicated Resource of 1.17 Mt of B2O3. The estimate includes indicated resources, using a cut off of 8% B_2O_3, for unit A of 7.5 Mt averaging 10.8% B_2O_3, 0.8 Mt averaging 9.0% B_2O_3 for unit B and 2.7 Mt averaging 10.5% B_2O_3 for unit C. The average thickness for each bed making up the three units ranges from 4.2 to 9.8 metres.

Initial metallurgical test work has indicated that a colemanite concentrate grading 38% - 42% B_2O_3 can be produced from an average feed of 10.5% B_2O_3 from El Cajon using a combination of scrubbing, de-sliming and flotation. The Company has constructed a pilot plant in order to conduct detailed metallurgy and improve the borate content of the colemanite concentrate, as well as finalize a full scale production flow sheet and produce colemanite concentrates for test marketing. In addition, the Company has added a boric acid line to the pilot plant.

Potential buyers of colemanite concentrates have expressed an interest in purchasing colemanite from Bacanora should it be able to produce concentrates that meet these consumers' specifications. Alternatively, colemanite can be used as a feedstock in the production of boric acid, a more widely used boron compound.

Recent metallurgical and process tests indicate that lower grade borate resources at and near surface are more amenable to processing to produce boric acid. Consequently, a change in the proposed development strategy to focus on the feasibility of boric acid production is being examined.

Tubutama Borate

The Tubutama Borate project consists of six mining concessions with a total area of 1,661 hectares. The project is borate focused, although there is potential for development of gypsum resources on the concessions. Bacanora has no near term plans for further work on this concession, and wrote off the value of this asset during the year ended June 30, 2014.

Operational update and outlook for the period

Drilling results from the 2014 Magdalena drilling program have been utilized in a preliminary mine plan for Unit B, in conjunction with the previous mine plan for Unit A. Additional metallurgical testwork programs are being developed for the production of boric acid from howlite mineralization.

The following activities are proposed to be undertaken over the next 12 months:

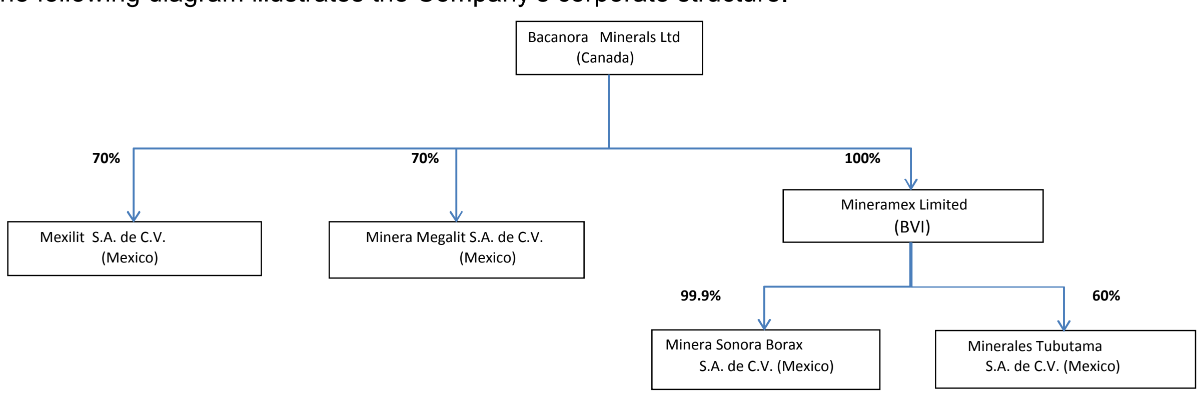
- Bulk sampling results for drilling and metallurgical tests of Unit B results;
- Commencement of a Pre-Feasibility Study report with:
    - Detailed full scale boric acid plant design and costing
    - Revised mine plan; and
    - Environmental baseline studies and mine permitting activities

COMPANY STRUCTURE

The Company is a public company engaged in the exploration and development of mineral deposits in Mexico. The Company is in various stages of exploration on all of its properties. On April 9, 2010, the Company completed its qualifying transaction by way of a reverse takeover of Mineramex Limited ("**Mineramex**"), a British Virgin Islands company whose sole assets consist of 99.9% of the issued and outstanding shares of Minera Sonora Borax, S.A. de C.V. ("**MSB**"), and 60% of the issued and outstanding shares of Minerales Industriales Tubutama, S.A. de C.V. ("**MIT**"). The Company is dually 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.

In 2013, the Company established the subsidiary Mexilit to hold the El Sauz, El Sauz 1, El Sauz 2, Fleur and Fleur 1 concessions, which are related to its agreement with REM. In 2014, the Company established the subsidiary Megalit to hold the San Gabriel, Buenavista and Megalit concessions which are also under a second agreement with REM. Presently, REM owns 30% of the shares of Mexilit and Megalit. REM has the option to negotiate an interest of up to 49.9% of Megalit under terms and consideration yet to be agreed upon. This option expires on January 12, 2016.

The following diagram illustrates the Company's corporate structure.



The Company's main lithium and borates concessions are held in these Mexican companies:

- MSB holds the Magdalena borates and La Ventana lithium concessions;
- MIT holds the Carlos, Carlos I, Carlos II and Carlos III borates concessions.
- Mexilit the El Sauz, El Sauz 1, El Sauz 2, Fleur, and Fleur 1 lithium concessions. REM owns 30% of this company.
- Megalit holds the Buenavista, and San Gabriel lithium concessions, and will also hold the Megalit concession. REM owns 30% of this company and has the option to negotiate an increase in ownership to 49.9% under terms and conditions yet to be agreed upon by Bacanora. This option expires on January 12, 2016.

EVALUATION AND EXPLORATION EXPENDITURES

The Company capitalizes all exploration costs subsequent to obtaining the right to explore related to the projects in Mexico to Exploration and Evaluation assets. Below is a summary of expenditures capitalized during the year ended June 30, 3015, and June 30, 2014.

During this fiscal year, the Company has started reporting its expenditures on the Mexilit and Megalit lithium concessions separately from the Sonora Lithium grouping as it has done in the past.

	Tubutama Borate	Magdalena Borate	La Ventana Lithium	Mexilit Lithium	Megalit Lithium	Total
Balance, June 30, 2013	**$1,201,583**	**$4,729,885**	**$ 227,430**	**$ 690,251**	**$ -**	**$ 6,849,149**
Additions:						
Concession tax	$ 13,674	$ 121,446	$ 61,080	$ 54,787	-	$ 196,200
Exploration	-	440,258	-	2,284	-	442,542
Drilling	-	155,663	(158,715)	865,004	-	1,179,329
Analysis and assays	-	31,081	-	176,000	-	207,081
Technical services	-	81,772	416,786	238,880	-	499,164
Travel	-	97,079	26,807	22,671	-	123,886
Office and miscellaneous	5,569	522,407	37,273	1,645	-	565,249
Impairment	(1,220,826)	-	-	-	-	(1,220,826)
Total additions	$(1,201,583)	$1,449,705	$ 383,231	$ 1,361,271	-	$ 1,992,625
Balance, June 30, 2014	**$ -**	**$6,179,591**	**$ 610,661**	**$ 2,051,522**	**$ -**	**$ 8,841,774**
Additions:						
Concession tax	-	97,074	43,194	7,033	-	147,301
Exploration	-	164,538	150,096	-	5,647	320,281
Drilling	-	53,029	579,306	-	262,671	895,006
Analysis and assays	-	11,523	61,630	4,371	32,627	110,151
Technical services	-	60,802	154,842	21,380	71,435	308,459
Travel	-	9,372	27,369	1,103	836	38,680
Office and miscellaneous	-	670,229	304,739	6,118	264,689	1,245,775
Total additions	-	$ 1,066,567	$ 1,321,176	$ 40,005	$ 637,905	$ 3,065,653
Balance, June 30, 2015	**-**	**$7,246,158**	**$ 1,931,837**	**$2,091,527**	**$ 637,905**	**$ 11,907,427**

RESULTS OF OPERATIONS

Selected annual information

The Company is in the exploration stage and is entering into the development stage, though it does not have any mining operations and has not earned any revenue, except for interest income. While the information set out in the tables below is mandated by *National Instrument 51-102,* it is management's view that the variations in financial results that occur from year to year and quarter to quarter are not particularly helpful in analyzing the Company's performance. It is in the nature of the business of junior exploration companies that unless they sell a mineral interest for a sum greater than the costs incurred in acquiring such interest, they have no significant net sales or total revenue. Because the majority of their expenditures consist of exploration and evaluation costs that are capitalized, exploration companies' annual and quarterly losses usually result from costs that are of a general and administrative nature.

Significant variances in the Company's reported loss from year to year and quarter to quarter most commonly arise from several factors that are difficult to anticipate in advance or to predict from past results. These factors include: (i) decisions to write off deferred exploration costs when management concludes there has been an impairment in the carrying value of a mineral property, or the property is abandoned, (ii) the vesting of incentive stock options, which results in the recording of amounts for stock based compensation expense that can be quite large in relation to other general and administrative expenses incurred in any given period, and (iii) fluctuations in foreign exchange rates.

During the year ended June 30, 2015, the Company recorded a total comprehensive loss of $1,315,929 (2014 - $2,411,234), used $1,637,382 (2014 – $1,038,332) of cash in operations, incurred $3,065,653 (2014 – $3,213,451) on exploration expenditures as well as $2,753,173 (2014 - $1,068,668) on general and administrative expenses.

($, except shares amounts)	For the year ended June 30, 2015	For the year ended June 30, 2014	For the year ended June 30, 2013
Interest income	108,403	10,710	10,917
Total expenses (includes foreign exchange loss/gain)	2,849,567	2,665,669	891,828
Comprehensive loss	1,315,929	2,411,234	634,206
Comprehensive loss per share – basic and diluted	(0.03)	(0.04)	(0.01)
Funds provided (used) in operations	(1,637,382)	(1,128,057)	(527,487)
Total assets	24,728,583	13,458,386	12,382,206
Total liabilities	1,083,763	1,014,229	1,055,406
Exploration and evaluation costs	3,065,653	3,213,451	2,137,726
General and administrative costs	2,753,173	1,068,668	745,542

During the year ended June 30, 2015, the Company's general and administrative expenses increased by $1,684,505. Higher G&A expenses were due to the increase in corporate administrative costs associated with the admission of the Company's common shares to the AIM, as well the addition of corporate administrative costs associated with the office in London, addition of new corporate consultants, and higher legal fees.

General and administrative expenses for the years ended June 30, 2015 and 2014 were as follows:

	Twelve months ended	
$	**June 30, 2015**	June 30, 2014
Management fees	**$ 705,084**	$ 311,271
Legal and accounting fees	**1,041,619**	507,381
Investor relations	**427,862**	105,112
Office expenses	**177,495**	112,751
Miscellaneous	**401,113**	32,153
Total	**$ 2,753,173**	$ 1,068,668

Summary of quarterly results

Three months ended June 30, 2015 compared to three months ended June 30, 2014.

During the fourth quarter of 2015, the Company realized a comprehensive loss of $129,148 (2014 – $2,097,762), operating activities used $1,477,077 (2014 – $1,159,137), incurred $1,624,788 (2014 – $249,198) on exploration expenditures, as well as $1,151,472 (2014 - $698,634) on general and administrative expenses.

	Three months ended	
$	**June 30, 2015**	June 30, 2014
Comprehensive loss	**129,148**	2,097,762
Comprehensive loss per basic and diluted share	**0.01**	0.03
Funds used in operations	**1,477,077**	1,159,137
E&E expenditures	**1,624,788**	249,198
G&A expenses	**1,151,472**	698,634

The higher comprehensive loss is due largely to the higher G&A expenses incurred during the period, and the large drop in the exchange rate between the Mexican Peso and the US Dollar. The following table itemizes the individual G&A expense categories:

	Three months ended	
$	**June 30, 2015**	June 30, 2014
Management fees	**$ 302,811**	$ 203,945
Legal and accounting fees	**574,726**	349,262
Investor relations	**106,946**	59,812
Office expenses	**15,052**	57,829
Miscellaneous	**151,937**	27,786
Total	**$ 1,154,472**	$ 698,634

Higher G&A expenses incurred during the current quarter were due to the increase in corporate administrative costs associated with the office in London, addition of new corporate consultants, as well as higher legal fees.

The following is a summary of the eight most recently completed quarters:

$	Three months ended Jun. 30, 2015	Three months ended Mar. 31, 2015	Three months ended Dec. 31, 2014	Three months ended Sept. 30, 2014
Comprehensive income/(loss)	(129,148)	102,879	(767,946)	(521,714)
Comprehensive loss per basic and diluted share	(0.01)	(0.00)	(0.01)	(0.01)
Funds provided (used) in operations	(1,447,077)	698,975	(533,824)	(325,456)
E&E expenditures	1,624,788	341,835	823,251	275,779
G&A expenses	1,151,472	567,526	637,236	396,939

$	Three months ended Jun. 30, 2014	Three months ended Mar. 31, 2014	Three months ended Dec. 31, 2013	Three months ended Sept 30, 2013
Comprehensive income/(loss)	(2,097,762)	312,402	(10,135)	(615,739)
Comprehensive income/(loss) per basic and diluted share	(0.03)	(0.00)	(0.00)	(0.01)
Funds provided (used) in operations	(1,159,137)	339,245	17,814	(325,979)
E&E expenditures	249,198	1,342,685	947,666	673,902
G&A expenses	698,634	122,957	128,372	118,705

LIQUIDITY AND CAPITAL MANAGEMENT

Working Capital

The Company is not in commercial production on any of its resource properties and accordingly, it does not generate cash from operations. The Company finances its activities by raising capital through equity issuances. As at June 30, 2015, the Company had a working capital surplus of $9,451,590 (2014 – $2,187,986). The current working capital is dedicated towards the completion of exploration programs, obligations and operations under the Company’s principal supply agreement, pre-feasibility studies on the lithium and borate projects along with continued work at the pilot plant. At June 30, 2015, the Company did not have any bank debt and does not plan on securing any long-term debt. The Company intends on meeting its financial commitments through further equity financings, as and when required.

Capital structure

The Company's objectives in managing capital are to safeguard its ability to operate as a going concern while pursuing exploration and development and opportunities for growth through identifying and evaluating potential acquisitions or businesses. The Company defines capital as the Company's shareholders equity excluding contributed surplus, of $23,667,847 at June 30, 2015 (2014 - $12,211,554), The Company sets the amount of capital in proportion to risk and corporate growth objectives. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company is not subject to any externally imposed capital requirements other than those disclosed in Note 1 of the Company’s annual consolidated financial statements. The Company does not expect to enter into any debt financing at this time. The Board of Directors does not establish a quantitative return on capital criteria for management; but rather promotes year over year exploration and development growth. The Company will be meeting its objective of managing capital through its detailed review and preparation of both short-term and long-term cash flow analysis and monthly review of financial results.

Equity instruments

On July 25, 2014, the Company's common shares were admitted to the AIM. Concurrent with the admission, the Company also completed a brokered financing of 14,393,940 common shares at a price of £0.33 per share for aggregate gross proceeds of £4,750,000. Using a foreign exchange rate of £1.00 to CAD$1.834, the offering price per common share was approximately CAD$0.605 and the aggregate gross proceeds were approximately CAD$8,708,000. In addition to the foregoing, a 'vendor placing' (*i.e.*: sale of shares by an existing holder of the Company shares to subscribers under the offering) of 2,000,000 shares was completed at the same offering price. The vendor of these shares is a director of the Company. Upon completion of this offering, the Company paid cash commissions to its broker, in the amount of £200,500 (approximately CAD$367,717) and issued 90,909 common shares at a price of £0.33 per share and 390,874 Broker Warrants. In addition, the Company paid its Nominated Advisor, a corporate finance fee in the amount of £80,000 (CAD$146,720) and issued 390,874 Broker Warrants. Each Broker Warrant entitled the holder to purchase one common share at a price of £0.33 (CAD$0.605) until expiry on the date that is five years from the date of issuance, being July 25, 2019. All of the foregoing Broker Warrants were exercised during the fiscal year ended June 30, 2015.

The following tables summarize the outstanding securities issued by the Company as at June 30, 2015, and as of the date of this MD&A.

	October 27, 2015	June 30, 2015
Common shares	85,147,409	84,947,409
Stock options	2,275,000	2,475,000
Warrants	833,333	833,333
Total equity instruments outstanding	88,255,742	88,255,742

The following table summarizes the outstanding options as at June 30, 2015.

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

SEGMENTED INFORMATION

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

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

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. Financial instruments that potentially subject the Company to concentrations of credit risk consist of accounts receivables and related party receivables. Any changes in management's estimate of the recoverability of the amount due will be recognized in the period of determination and any adjustment may be significant. The carrying amount of accounts and related party receivables represents the maximum credit exposure.

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

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

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its obligations when due, under both normal and stressed conditions, without incurring unacceptable losses.

c) Market risk

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

The Company conducts exploration projects in Mexico. As a result, a portion of the Company's expenditures, accounts receivables, and accounts payables and accrued liabilities are denominated in US dollars and Mexican pesos and are therefore subject to fluctuation in exchange rates.

d) Fair values

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

RELATED PARTY TRANSACTIONS

a) Related party expenses

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

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

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

During the year ended June 30, 2015, the Company paid $978,946 (2014 - $918,389) to Grupo Ornelas Vidal S.A. de C.V., a consulting firm of which Martin Vidal, director and president of Bacanora, is a partner. These services were incurred in the normal course of operations for geological exploration and pilot plant operation services, as such, the entire amount has been capitalized. As of June 30, 2015, $80,080 (2014 - $74,205) remains in accounts payable and accrued liabilities.

b) Key management personnel and related party compensation

The following table details the related party expenses by category as well as by each individual, for the year ended June 20, 2015, and 2014.

For the year ended,	**June 30, 2015**	June 30, 2014
Director's fees:		
Colin Orr-Ewing	**$ 60,000**	$ 30,000
James Leahy	**20,000**	8,833
Guy Walker	**19,389**	8,833
Shane Shircliff	**17,500**	-
Derek Batorowski	**17,500**	-
Kiran Morzaria	**12,072**	-
David Lenigas	**-**	-
Total director's fees:	**$ 146,461**	$ 47,666
Management and consulting fees:		
Paul Conroy(1)	**$ 50,000**	$ 117,956
Peter Secker	**76,442**	-
Martin Vidal	**222,706**	196,000
Shane Shircliff	**77,000**	73,384
Derek Batorowski	**132,475**	124,284
Total management and consulting fees	**$ 558,623**	$ 511,624
Employee's salaries:		
Cordelia Orr-Ewing	**$ 67,723**	$ -
Total employee's salaries	**$ 67,723**	$ -
Total director's, management's, consultant's and employee's salaries and fees	**$ 772,807**	$ 559,290
Operational consulting fees:		
Groupo Ornelas Vidal SA CV	**$ 978,946**	$ 918,389
Stock-based compensation	**$ -**	$ 167,129

(1) Mr. Conroy resigned his positions as Director and VP, Special Projects on June 20, 2014. He remained with the Company as a consultant until October 31, 2014.

At June 30, 2015 the following options were held by the directors of the Company.

Name	Date of grant	Exercise price($)	Number of options
James Leahy	Dec. 8, 2010	0.24	200,000
Shane Shircliff	Jul. 19, 2011	0.50	500,000
	Sep. 11, 2013	0.30	200,000
Martin Vidal	Dec. 8, 2010	0.24	250,000
	Jun. 11, 2011	0.44	250,000
	Sep. 11, 2013	0.30	200,000
Derek Batorowski	Dec. 8, 2010	0.24	100,000
	Sep. 11, 2013	0.30	200,000

COMMITMENTS AND CONTINGENCIES

The Company has commitments for lease payments for field office and camp with no specific expiry dates. The total annual financial commitment resulting from these agreements is $16,500.

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

SUBSEQUENT EVENTS

- Subsequent to June 30, 2015, 200,000 common share options exercisable at $0.30 per share were exercised for gross proceeds of $60,000.
- Subsequent to June 30 2015, the Company announced that, along with its partner in the Sonora Lithium Project, it has entered into a conditional long-term lithium hydroxide supply agreement that is material to the Company, the full details of which were set forth in the Company's August 27th, 2015 press release, which can be viewed on SEDAR or the Company's website at www.bacanoraminerals.com.

RISKS AND UNCERTAINITES

The mineral exploration industry is subject to numerous risks and uncertainties that can affect the Company's ability to explore and develop its mineral deposits and to ultimately generate cash flows from operations. In addition to the risks described in Note 5 of the audited consolidated financial statements for the year ended June 30, 2015, these risks and uncertainties include, but are not limited to, the following:

- **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.

- **Successful development of the Company's lithium and borate assets, and start of mining operations**

  Development of mineral properties involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. The commercial viability of a mineral deposit is dependent upon a number of factors which are beyond the Company's control, including but not limited to the following,

  - a reduction in the market price of lithium and or borates;
  - 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 availability of infrastructure capacity;
  - increases in extraction costs including plant, material and labour costs;
  - lack of availability of mining equipment and other exploration services;
  - catastrophic events such as fires, storms or explosions;
  - the breakdown or failure of equipment or processes;
  - construction, procurement and/or performance of the processing plant and ancillary operations falling below expected levels of output or efficiency;
  - violation of permit requirements;
  - the lack of progress with respect to the development of appropriate extraction technologies;
  - the political stability of Mexico; and
  - taxes and imposed royalties.

  There are numerous activities that need to be completed in order to successfully commence production at the Sonora Lithium Project and Magdalena Borate project, including, without limitation: completing a feasibility study, acquiring of land and access rights, optimizing the mine plan, recruiting and training personnel, negotiating contracts for transportation and for the sale of products, updating, renewing and obtaining, as required, all necessary permits, including, without limitation, environmental permits; and handling any other infrastructure issues. There is no certainty that the Company will be able to recruit and train personnel, have available funds to finance construction and development activities, avoid potential increases in costs, negotiate transportation or product sales agreements on terms that would be acceptable to the Company, or that the Company will be able to update, renew and obtain all necessary permits to start or to continue to operate the projects. Most of these activities require significant lead times, and the Company will be required to manage and advance these activities concurrently in order to begin production. A failure or delay in the completion of any one of these activities may delay production, possibly indefinitely, and would have a material adverse effect on the Company's business, prospects, financial position, results of operations and cash flows.

  As such, there can be no assurance that Bacanora will be able to complete the development of the Sonora Lithium Project and/or Magdalena Borate project at all, or in accordance with any timelines or budgets that may be established due to the factors described above.

- **Financing risk**

  Additional funding will be required in order to complete the proposed future exploration and development plans on the projects. There is no assurance that any such funds will be available.

Failure to obtain additional financing, on a timely basis, could cause the Company to reduce or delay its proposed operations. The majority of sources of funds currently available to the Company for its projects are in large portion derived from the issuance of equity. While the Company has been successful in the past in obtaining equity financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

- **Dependence on key personnel**

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

- **History of losses and no immediate foreseeable earnings**

  The Company has a history of losses and there can be no assurance that it will be profitable. The Company expects to continue to incur losses until such time as it develops and commences profitable mining operations on its projects. The development of the properties will require the commitment of substantial financial resources. The amount and timing of expenditures will depend on a number of factors, some of which are beyond the Company's control, including the progress of ongoing exploration, studies and development, the results of consultant analysis and recommendations, the rate at which operating losses are incurred and the execution of any joint venture agreements with any strategic partners. There can be no assurance that the Company will achieve profitability.

- **Government Legislation and regulatory risk**

  The mining industry in Mexico is subject to extensive controls and regulations imposed by various levels of government. All current legislation is a matter of public record, but the Company is unable to predict what additional legislation or amendments may be enacted. Amendments to current laws, regulations and permits governing operations and activities of mining companies, including tax and environmental laws and regulations which are evolving in Mexico, or more stringent implementation thereof, could have a material adverse impact on the Company.

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

  While 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 one or more of the concessions to which the defect relates and its exploration, appraisal and development programmes and prospects may accordingly be adversely affected.

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

All of the concessions in which 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 Ministry in respect to the Megalit concession in the Sonora Lithium Project. Application has been made for this area which has been “Approved for Title” by the Mexican Federal Mining Ministry. 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.

- **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 concessions may be revoked.

- **Exploration uncertainty**

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

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

- **Negative conclusions from further economic assessments**

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

- **Internal controls**

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

- **Environmental compliance**

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

- **Environmental approvals**

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

- **Further licences and permits required**

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

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

- **Unknown environmental hazard**

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

- **Exploration, development and operating risks**

  It is impossible to ensure that the development programmes planned by the Company will result in a profitable commercial operation. Whether the Company's lithium and borate projects will be commercially viable depends on a number of factors, some of which are: (i) the particular attributes of the material excavated from the Company's concessions; (ii) the performance of the full-scale commercial production operations; (iii) the end prices that can be achieved by the Company for products offered to customers, which may be volatile; and (iv) government regulations, including regulations relating to prices, taxes, royalties, land use, importing and exporting of minerals and environmental protection. While the directors of the Company 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.

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

- **Commodity prices**

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

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

- **Infrastructure**

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

- **Canadian corporate income taxes**

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

- **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.

- **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 n Mexico and the Company's operations and profitability may be adversely affected by movements in foreign currency exchange rates, particularly by movements in the US Dollar relative to Sterling, the Canadian Dollar and the Mexican Peso, through both transaction and conversion risks.

- **Supply Agreement**

  The Company has entered into a material long-term lithium hydroxide supply agreement, which is subject to a number of conditions. There is no guarantee that the Company will be able to satisfy the key conditions to that agreement. Details of the supply agreement are set out in the Company's press release dated August 27th, 2015.

While many of these risks are beyond the Company's control and it is impossible to ensure that the Company's exploration and development initiatives will result in commercial operations, Bacanora strives to minimize the aforementioned risks by:

- Employing management and technical staff and consultants with extensive industry and/or area experience;
- Maintaining an appropriate working capital position to cover the Company's capital and overhead requirements;
- Maintaining a low cost structure and a tight cost control system; and
- Maintaining insurance in accordance with industry standards to address the risk of liability for property damage, personal injury, and other hazards.

ADVISORY REGARDING FORWARD LOOKING STATEMENTS

This discussion includes certain statements that may be deemed "forward-looking statements". All statements in this discussion other than statements of historical facts, that address future acquisitions and events or developments that the Company expects are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements are summarized herein under the section entitled "Risks and Uncertainties" and include among other things, risks relating to the successful development of the Company's projects and the start of mining operations, market prices, continued availability of capital and financing, government and regulatory risks and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements. Except as required by applicable securities laws, the Company does not undertake any obligation to publicly update or revise any forward looking statements.