

BACANORA LITHIUM PLC

CORPORATE GOVERNANCE STATEMENT

All members of the Board believe strongly in the value and importance of good corporate governance and in its accountability to all of the stakeholders in Bacanora Lithium plc (“Bacanora” or the “Company”) including our shareholders, advisers, regulators and other suppliers. Robust corporate governance improves performance and mitigates risk and therefore is an important factor in achieving the medium to long term success of the Company. In the statement which follows, we explain our approach to governance, and how the Board and its committees operate.

Changes to AIM rules on 30 March 2018 require AIM companies to disclose details of how they comply with their chosen corporate governance code from 28 September 2018. Bacanora has chosen to adhere to the Quoted Company Alliance’s (“QCA”) Corporate Governance Code for Small and Mid-Size Quoted Companies (revised in April 2018) to meet these requirements of AIM Rule 26. The Company published its first QCA statement on 28th September 2018.

The QCA Code is constructed around ten broad principles and a set of disclosures. The QCA has stated what it considers to be appropriate arrangements for growing companies and asks companies to provide an explanation about how they are meeting the principles through the prescribed disclosures. We have considered how we apply each principle to the extent that the Board judges these to be appropriate in the circumstances, and below we provide an explanation of the approach taken in relation to each.

Like all aspects of the QCA Code, addressing the disclosure requirements should not be approached as a compliance exercise; rather it should be approached with the mind-set of explaining and demonstrating the Company’s good governance to external stakeholders.

Other than the adoption of the QCA code and the disbandment of the Disclosure Committee, which did not meet in the period, there have been no significant changes in governance arrangements during the last year.

The Company’s most recent annual report for the financial period ended 30 June 2018 was published on 15th October 2018 and the Company included for the first time the disclosures required by the QCA Code. The Company considered it more appropriate to include some of the recommended disclosures in this statement instead of in the annual report.

The Company will continue to review this statement and update it on a regular basis.

Mark Hohnen
Chairman

Last updated: September 2019

The following paragraphs set out Bacanora's compliance with the 10 principles of the QCA Code.

1 Establish a strategy and business model which promotes long-term value for shareholders

Business model

Bacanora Lithium is an AIM listed company whose business model is to create shareholder value by identifying and investing in undeveloped lithium assets, the Company is achieving this through its investments in two key projects, the Sonora and Zinnwald Lithium Projects in Mexico and Germany respectively.

To capitalise on the fast-growing lithium market, our main focus is to monetise the resources and reserves held in the Sonora Project, which benefits from a large, scalable and high-grade lithium resource with a Measured and Indicated Resource of over 5 million tonnes LCE. This will be initially achieved by developing phase 1 of the mine and processing plant. The Company aims to produce lithium carbonate for sale through offtake partners, with any additional production sold on the open market, in due course. The Company published the Sonora Feasibility Study ("SFS") in January 2018 that showed a pre-tax NPV of US\$1.25 billion, 26% IRR and an operating cost of around US\$4,000 per tonne. Bacanora has 10 licenses covering almost 100,000 hectares in Sonora, Mexico. Of these 10 licenses, 7 licenses were covered by the SFS. The Company has invested over US\$22 million on exploration, studies and development of a Pilot Plant in Hermosillo, which has produced high quality battery-grade (>99.5%) lithium carbonate during ongoing test work conducted over the last 4 years.

The Company also holds a 50% investment in Deutsche Lithium, which owns the Zinnwald Lithium Project (covering 256.5 ha and with a 30 year mining license to 31 December 2047), the Falkenhain license (covering 295.7 ha and with a 5 year exploration license to 31 December 2022) and the Altenburg license (covering 4,225.3 ha and with a 5 year exploration license to 15 February 2024).. The Company published the Zinnwald Feasibility Study ("ZFS") in June 2019, that showed a pre-tax NPV of €428m and IRR of 27%. The Company is currently evaluating its options to complete both the financing of its Option to acquire the remaining 50% of DL and the project as a whole, which may include the spinning-out of the project into a separate company.

Our approach to delivering this core business model will be predicated on the following;

- The business model is supported by the core competencies of the team:
- Experienced and entrepreneurial leadership team.
- Access to strong technical skills either from our in-house team or network of advisers.
- Emphasis on building strong local organisations and skill sets.
- Commitment to excellence in Health, Safety, Environment and Community matters.
- Capital discipline and careful handling of Company resources.

Strategy

Bacanora intends to become an international lithium production company with a portfolio of global projects. The Board's strategy to achieve this goal involves a number of steps:

1. Find world class projects that can address the increasing demand for Lithium for Electric Vehicles and energy storage industries.
 - The Sonora Project has identified its NI 43-101 Measured, Indicated and Inferred Resource of 8.8mt of LCE resources suitable for open-pit mining to ultimately produce battery-grade lithium carbonate.
 - The Zinnwald project has identified its NI 43-101 compliant Measured and Indicated Resource of 124,974 tonnes of contained Lithium, which is expected to supply battery-grade lithium fluoride to local chemical industry requirements.
2. Complete feasibility studies to evaluate and quantify the economic potential of its projects.
 - In January 2018, Bacanora published a feasibility study on a small part of the Sonora Project that showed a pre-tax NPV of \$1.25bn, 26% IRR and an operating cost of around \$4,000 per tonne.
 - In June 2019, Bacanora published the feasibility study for the Zinnwald Project in Germany that showed a pre-tax NPV of €428m and 27.4% IRR over a 30 year mine plan equating to less than 50% of the current identified mineral resources.
3. Complete the detailed design of the mines and processing plants for Sonora and Zinnwald.

- Bacanora is finalising its Front End Engineering Design (“FEED”) for the Sonora Lithium Project. The Company has chosen ICA Fluor to complete this work stream, who have extensive experience in delivering engineering projects of this size and scale. Furthermore, Ganfeng will complete a review, within 6 months, of the engineering design and capital costs of Stage 1 with a view to reducing costs and accelerating the timetable to construction.
 - Bacanora is currently exploring funding options to finance the exercise of its option to purchase the remaining 50% of DL and support the detailed design work for the project.
4. Validate the quality of its end product by securing high quality off-take partners.
 - Bacanora has used its pilot plant, which has been in operation for a number of years to provide regular samples of its Lithium carbonate to prospective offtakers. This initially led to Hanwa, one of Japan’s largest metals trading houses, signing a 10 year offtake agreement for Stage 1 of production and investing in the Company directly. In May 2019, the Company announced that Ganfeng, the world’s largest lithium metals producer by production capacity and the world’s third largest lithium compounds producer, signed a long term offtake agreement for 50% of Stage 1 production and up to 75% of Stage 2 production, as well as investing in the Company at both a Group level and asset level.
 - The Company has already commenced discussions with potential offtake partners in Germany for the outputs from the Zinnwald Lithium Project.
 5. Complete the funding required to construct its projects.
 - Bacanora has secured \$150m of debt funding from RK Mine Finance and has a commitment for an additional \$25m of equity finance from Hanwa. Ganfeng has invested an initial £22m to acquire 29.99% of the Company and 22.5% of the Sonora project at the project level with the option to acquire up to 50% at the project level. The Company intends to raise the remaining funding requirements required to construct the Stage 1 mining and processing operation in Sonora.
 - Bacanora is in discussions with interested strategic third parties in relation to funding the construction of the Zinnwald Lithium Project, which may include a separate listing of Deutsche Lithium.
 6. Construction and commissioning of its Lithium plants.
 - Bacanora is finalizing its FEED work for its Stage 1 17,500 tpa Lithium Carbonate plant. The Company will also work with Ganfeng on further optimization and cost reductions over the next 6 months.
 - DL intends to commence the detailed design engineering phase of the Zinnwald Project in H1 2020, during which a detailed schedule for the project development will be completed.
 7. Hiring of a team with the expertise to deliver the projects into production.
 - The Company continues to build both its Board, its Senior Management Team and its in-country operational teams in Mexico and Germany. The Company had over 30 employees and contractors in Mexico alone, many of whom are being trained in the pilot plant. Bacanora is led by CEO Peter Secker who has built and operated more than 5 greenfield mining projects over the past 35 years.

Operations

Bacanora is currently at the exploration and development stage of its two main projects and will only move into construction on the completion of its fund raising. In terms of how the Company expects its main operations to evolve, this will include inter alia:

1. Property, plant and equipment
 - The Company’s property, plant and equipment comprise primarily the Pilot Plant in Hermosillo, land covering the mining concessions, and office furniture and IT equipment in Mexico and the UK.
 - As both the Sonora and Zinnwald Projects moves into construction and production, they will have the property, plant and equipment detailed in the Technical Reports for each Feasibility Study.
2. Maintenance
 - At Sonora, Bacanora’s existing staff maintain the Pilot Plant and have had no material issues in ongoing functions and continue to produce regular samples of lithium carbonate. The construction of the chemical plant will be done under an Engineering, Procurement and Construction (EPC) contract, which will include all relevant inspections, guaranteed cost to complete and process guarantees. Once construction is complete, the Company will maintain its facilities;
3. Delivery and transportation
 - The Company has only shipped samples to prospective buyers to date by air. Once the project is in production it is envisioned that lithium carbonate will be shipped by road from the chemical plant to the port of Guaymas at which point ownership will pass to the Group’s offtake partners, who will then ship the product by sea to their end customers

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4. Sales and marketing
 - The Company intends to sell the majority (if not all) of its lithium carbonate production to its offtake partners, who will sell the product on to end-users. This is in line with the wider industry requirements for battery-grade lithium carbonate, where users typically require long-term supply contracts. The Group will work in conjunction with its offtake partners to assist them in this process, but does not envisage a dedicated internal sales and marketing function.
5. Suppliers and contractors
 - The main suppliers of its raw materials, such as Soda Ash, will be local Mexican suppliers and the Group is in discussions to secure such supplies, once the construction phase is completed.
 - Energy will primarily come from the consumption of gas, which will be initially supplied by trucked LNG, and then via a gas pipeline as outlined in the Feasibility Study.
6. R&D
 - The Company currently has no patents registered on its production techniques and intends to use a well-established sulphate roast processing route.
7. Employees
 - As at 30 June 2019 the Company employed over 30 people in Mexico, including contractors, who work mainly on the Pilot Plant. There are 12 people at the Company's head office in the UK, including the Board.
8. Environmental, occupational, health and safety
 - The Group monitors its Health, Safety, Environment and Community (HSEC) obligations as a basic KPI (see below). It also has a number of Corporate Social Responsibility Policies, which are published on the Company's website at <http://www.bacanoralithium.com/investor-relations/csr-documents/>. As its projects move into its construction and production phases, the appropriate local level policies will also be put in place.

Key challenges

In the last 18 months, Bacanora Lithium has delivered two bankable feasibility studies with a combined independent NPV of more than \$1.7 billion. The Company has successfully negotiated the US\$150 million debt from RK Mine Finance, secured one of the world's biggest lithium producers in Ganfeng as its cornerstone equity investors and also secured offtake agreements with Ganfeng and Hanwa subject to conditions and full project financing. However, the Sonora Lithium project is dependent upon significant additional funding being available to fund capital expenditure and working capital requirements. There is no assurance that any such funds will be available. Bacanora is working with Ganfeng to optimise the capital costs required for Stage 1 and has plans to re-engage with the equity markets in order to raise the sufficient capital. Similarly, funding will be required to develop the Zinnwald Lithium Project, although the capital requirement is lower.

The production of lithium carbonate from the Sonora Lithium Project is from open pit mining operations feeding processing plants using the conventional sulphate route. The Company has operated a lithium carbonate pilot plant in Sonora for the past 4 years to demonstrate the viability of the project. The project's processing plant will require the supply of both gas and high voltage electricity infrastructure to the site. The current plan is for a third-party service provider to provide energy supply via a cogeneration plant using natural gas as the fuel from a pipeline that they will construct. We are currently in discussion with a number of suppliers for this. Due to the long lead time for construction of a gas pipeline and potential delays in construction and permitting, an early stage alternative approach includes trucking liquefied natural gas to site.

Due to the attractive demand side fundamentals of the lithium market, some commentators are forecasting significant volumes of new production to come online over the next five years. The threat of oversupply had a downward pressure on prices in 2018 and 2019, however contract prices remain above the long-term price of US\$11,000/t of battery-grade lithium carbonate used in the SFS. Any delays in this additional supply coming to market should provide an upside on price for those companies who are able to deliver production.

2 Seek to understand and meet shareholder needs and expectations

Engagement with all shareholders

The Board attaches great importance to providing shareholders with clear and transparent information on the Group's activities, strategy and financial position. General communication with shareholders is co-ordinated by the Chairman, Chief Executive Officer and Chief Financial Officer. In addition the Lead Independent Director provides a further avenue for engagement with investors.

The Company publishes on its website the following information, which the Board believes play an important part in presenting all shareholders with an assessment of the Group's position and prospects:

- Updated investor presentations;
- The Company's most up to date technical reports on each of its projects;
- All Annual, Half-Yearly and Quarterly Financial Statements going back to the Company's original inception as Bacanora Minerals Ltd in 2008;
- All Company press releases issued under the RNS service going back to the Bacanora Minerals's IPO on AIM in 2014;
- Details on the proxy voting results of all resolutions put to a vote at the 2018 AGM;
- Contact details including a dedicated email address info@bacanoralithium.com through which investors can contact the Company.

The Company's Annual General Meeting ("AGM") is held in London following the publication of its annual results and all shareholders are invited to attend. Bacanora included in the 2018 AGM documents a "Deemed consent" letter to move to a default setting that all statutory documents be supplied to shareholders in electronic form and via the website rather than in hard copy. The Company believes that not only is this a more cost efficient and environmentally friendly option, but it also better serves private shareholders who may hold their shares in nominee accounts and hence not be entitled to direct receipt of these documents.

Institutional Investors

In general, the Board maintains a regular dialogue with its major institutional investors, providing them with such information on the Company's progress as is permitted within the guidelines of the AIM rules, MAR and requirements of relevant legislation. The Company typically holds meetings with institutional investors and other large shareholders following the release of interim and financial results.

Over the last 12 months, the Company has had increased contact with both current and prospective institutional shareholders as part of the fund-raise process for the Sonora Project.

Private Investors

The Company acknowledges that the majority of its private investors hold their shares via nominee shareholders and may not be able to fully exploit their shareholder rights effectively. Accordingly, the Company is committed to engaging with all shareholders and not just institutional shareholders.

As the Company is too small to have a dedicated investor relations department, the CEO is responsible for reviewing all communications received from shareholders and determining the most appropriate response. The CEO works in conjunction with the Company's PR Advisers, St Brides Partners, to facilitate engagement with its shareholders.

Following its move to the UK, the Company has instituted a regular shareholder conference call by the CEO, whereby shareholders are encouraged to submit questions in advance to the Company's PR Advisers. The Company also regularly participates at investor shows offering smaller and private investors similar insight into the Company and access to management.

Board review

The Board as a whole is kept informed of the views and concerns of major shareholders by briefings from the CEO, Chairman and the Company's Broker. Any significant investment reports from analysts are also circulated to the Board.

3 Wider stakeholder and social responsibilities and their implications for long-term success

The Board recognises its prime responsibility under UK corporate law is to promote the success of the Company for the benefit of its shareholders as a whole. The Board also recognises that its operations will be heavily focussed over the coming years in building mines and chemical plants in Mexico and Germany and therefore has wider obligations to the local community and other stakeholders in that area. Our Environmental and Social responsibility framework and approach is designed to meet these expectations and thus avoid the issues that can often hinder mining projects.

Our most important stakeholder groups are our shareholders, staff and employees, contractors, offtakers, debt holders, Government tax authorities, those communities that reside in proximity to our mining projects, our regulators and our advisers.

Managing Responsibility at a Corporate Level

Ultimate responsibility for the Company's Corporate Responsibility activities lies with the Board which sets out the Company's strategic approach and development of key internal and external corporate policies. These are then delivered by the Senior Management Team ("SMT"), which is comprised of the Chief Executive Officer, Chief Financial Officer and Project Director. The SMT support the Audit Committee in ensuring compliance with the Code of Conduct, as well as financial compliance and risk management.

The external corporate policies include the following and are all found on the Company's website:

- Anti-Corruption and Bribery Policy; Anti-Facilitation of Tax Evasion Policy; Code of Conduct; Corporate Complaints Policy; Employment and Human Rights Policy; Environmental Performance Policy; Grievance Policy; Occupational Health and Safety Policy; Social Performance Policy and Whistleblower Policy

Managing Responsibility at a Project Level

The Company is developing its project-level Environmental and Social structures to ensure that the policies already in place at corporate level extend down to local communities during the construction phase and onwards into production. The Company has already completed an independent GAP Analysis of its Sonora Project, which is now being developed into an Environmental Social Management System. This system will be a framework to allow the efficient monitoring and reporting of Social and Environmental requirements. It will allow our approved policies to be practicably applied by the people on the ground as well as ensuring we meet applicable standards, either locally or internationally.

At the start of Project Development in Sonora, the Company will have in place a dedicated Social and Environment Committee, under the remit of the CEO, reporting directly to a Board of Trustees comprising an Independent Chairman and local community representatives. This Trust will in turn report to the Board and to the Company's shareholders in the Annual report. As the Zinnwald Project moves into its detailed design stage, it will undertake its own GAP analysis and develop an appropriate Environmental Social Management System.

Environmental Responsibility

The Board also understands that it has a responsibility to take into account the environmental and economic impact of its operations. We maintain a clear internal policy to support environmentally-conscientious activities. Indeed, our end-product itself is a key constituent part of the "green energy" revolution. Our mineral recovery process at the Sonora Project contains various environmentally responsible steps, namely:

- Recycling of reagents in the process
- Replanting of indigenous flora from the project site before works commence
- Rehabilitation of the mining area post mineral removal
- Environmentally non-hazardous waste tailings streams
- Solar drying and Natural Gas to generate power

At Zinnwald, the mineral recovery process is underground and does not require an EIA. The majority of its mined talings are Quartz sands used by local aggregates building companies. The project also uses Natural Gas to generate power and produces a potash fertilizer by-product for sale to local farming industries.

4 Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board is responsible for putting in place and communicating a sound system to manage risk and implement internal control. The Board has considered mechanisms by which the business and the financial risks facing the Group are managed and reported to the Board. The principal business and financial risks have been identified and control procedures implemented. The Board acknowledges its responsibility for reviewing the effectiveness of the systems that are in place to manage risk.

The Board has delegated certain authorities around risk management to the Audit Committee, which has its own formal terms of reference. The Committee meets at least quarterly to coincide with the annual audit and the interim financial statements and to assess the effectiveness of the Group's system of internal controls. The Audit Committee is chaired by Eileen Carr, a qualified accountant, and comprises only independent non-executive Directors.

Financial controls

The Company has an established framework of internal financial controls, the effectiveness of which is regularly reviewed by the Senior Management Team, the Audit Committee and the Board in light of an ongoing assessment of significant risks facing the Company.

- The Board is responsible for reviewing and approving overall Company strategy, approving budgets and plans. Monthly results and variances from plans and forecasts are reported to the Board.
- The Audit Committee assists the Board in discharging its duties regarding the financial statements, accounting policies and the maintenance of proper internal business, and operational and financial controls.
- There are procedures for budgeting and planning, for monitoring and reporting to the Board business performance against those budgets and plans, and for forecasting expected performance over the remainder of the financial period. These cover cash flows, capital expenditure and balance sheets.

Internal Controls

The Board is responsible for ensuring that a sound system of internal control exists to safeguard shareholders' interests and the Group's assets. It is responsible for the regular review of the effectiveness of the systems of internal control. Internal controls are designed to manage rather than eliminate risk as even the most effective system cannot provide assurance that each and every risk, present and future, has been addressed. The key features of the system that operated during the year are described below.

- Regular Board meetings to consider the schedule of matters reserved for Directors' consideration;
- A risk management process;
- An established organisation with clearly defined lines of responsibility and delegation of authority;
- Appointment of staff of the necessary calibre to fulfil their allotted responsibilities;
- Comprehensive budgets, forecasts and business plans, approved by the Board, reviewed on a regular basis, with performance monitored against them and explanations – obtained for material variances;
- An Audit Committee of the Board considers significant financial control matters as appropriate;
- Documented whistle-blowing policies and procedures.

Corporate Risk register

The Group's internal risk identification and management process is undertaken by the Senior Management Team who prepares and reviews the risk register for the Group. The risk register details specific risks to the Group and mitigating actions required to manage these risks and contains a "traffic-light" management system for ongoing review. The risk register is then reported to the Audit Committee and any specific risk items may also be discussed at Board level as appropriate.

Principal Risks and Uncertainties

The principal risks and uncertainties facing the Group, as well as mitigating actions, are set out in the Company's 2018 Annual Report. The 2018 Appendix to the AIM Schedule 1 announcement which is available on the Company's website includes further detail.

5 Maintain the Board as a well-functioning, balanced team led by the chair

Board Composition

As at 30 June 2019, the Board comprised one Executive Director, an Executive Chairman and five other Non-executive Directors. Details of the current Directors are set out in Section 6 below. The Board will continue to review its structure in order to provide what it considers to be an appropriate balance of executive and non-executive experience and skills.

The Board considers the following Non-Executive Directors to be independent – Jamie Strauss, Eileen Carr, and Andres Antonius. None of these directors have been employees, have a significant business relationship or close family ties with related parties or represent significant shareholders, although they all hold options to acquire ordinary shares in the Company.

In reviewing the independence criteria for non-executive directors, the Board believes it important to note that prior to the re-domicile in March of this year, Bacanora was a Canadian registered company listed on the TSX Exchange under whose rules options granted to non-executive directors are not considered to impinge on their independence. Under the QCA Code, non-executive directors should not have a significant interest in a company share option scheme as it is considered that this may compromise their independence. The Board is aware that this issue should be resolved according to UK best practice. To reflect the inherent conflict of interest in NEDs approving their own remuneration, the Company's Remco will seek advice on their remuneration from an independent external source and take soundings from significant shareholders on that matter. Further, the Company will voluntarily put its remuneration report to shareholders at the next AGM to ensure that shareholders have an opportunity to endorse both remuneration and also assessment of independence.

Board Terms of Reference and Powers

The Board sets the Company's strategic aims and ensures that necessary resources are in place in order for the Company to meet its objectives. All members of the Board take collective responsibility for the performance of the Company and all decisions are taken in the interests of the Company.

Whilst the Board has delegated the normal operational management of the Company to the Executive Directors and other senior management, there are detailed specific matters subject to decision by the Board of Directors. These include acquisitions and disposals, joint ventures and investments and projects of a capital nature.

The Non-Executive Directors have a particular responsibility to challenge constructively the strategy proposed by the Chairman and Executive Director; to scrutinise and challenge performance; to ensure appropriate remuneration and that succession planning arrangements are in place in relation to Executive Directors and other senior members of the management team. The Lead Independent Director holds informal meetings with the Non-Executive Directors without the Executives present. The senior executives enjoy open access to the Non-Executive Directors with or without the Chairman being present.

Director Commitments

The two executive Directors, Mark Hohnen and Peter Secker, are employed on full time contracts.

All Non-Executive Directors acknowledge in their letter of appointment that the nature of the role makes it impossible to be specific on maximum time commitment and that at certain times of increased activity, then preparation and attendance at meetings will increase. All Directors are expected to attend all Board meetings (either in person or by phone), the AGM, one annual Board strategy meeting a year, committee meetings, at least one site visit a year, meetings with the non-executive directors, meetings with shareholders, any meetings forming part of the Board evaluation process and updating and training meetings.

Board Meetings

The Board meet in a formal manner on a bi-monthly basis, with additional meetings held as required to review the corporate and operational performance of the Group. Each Board Committee has compiled a schedule of work, to ensure that all areas for which the Board has responsibility are addressed and reviewed during the course of the year.

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The Chairman, aided by the Company Secretary, is responsible for ensuring that the Directors receive accurate and timely information. The Company Secretary compiles the Board and Committee papers which are circulated to Directors well in advance of all meetings. The Company Secretary provides minutes of each meeting and every Director is aware of the right to have any concerns minuted.

A summary of Board meetings attended in the 12 months to 30 June 2019 is set out below:

| | 2018 | | | | | | 2019 | | | | |
|------------------|-------|-------|-------|--------|--------|--------|--------|-------|-------|--------|--------|
| | 2 Jul | 9 Jul | 1 Aug | 29 Aug | 12 Oct | 13 Dec | 17 Jan | 7 Feb | 2 Apr | 16 May | 24 Jun |
| Mark Hohnen | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Peter Secker | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Jamie Strauss | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Eileen Carr | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Derek Batorowski | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | X | ✓ | ✓ | ✓ |
| Andres Antonius | X | X | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Junichi Tomono | X | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | X | X | ✓ | ✓ |
| Ray Hodgkinson | ✓ | ✓ | ✓ | ✓ | ✓ | n/a | n/a | n/a | n/a | n/a | n/a |

Board Committees

The Board has delegated specific responsibilities to the Audit, Remuneration and Corporate Governance Committees, details of which are set out below. Each Committee has written terms of reference setting out its duties, authority and reporting responsibilities. It is intended that these will be kept under continuous review to ensure they remain appropriate and reflect any changes in legislation, regulation or best-practice.

There is currently no internal audit function, given the size of the Group, although the Audit Committee keeps this under annual review.

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

Audit Committee

The Audit Committee's overall goal is to ensure that the Company adopts and follows a policy of proper and timely disclosure of material financial information and reviews all material matters affecting the risks and financial position of the Company. The Audit Committee, inter alia, meets with the Company's external auditor and its senior financial management to review the annual and interim financial statements of the Company, oversees the Company's accounting and financial reporting processes, the Company's internal accounting controls and the resolution of issues identified by the Company's auditors. It also advises the Board on the appointment of the Auditor, reviews their fees and discusses the nature, scope and results of the audit with the Auditor.

The Audit Committee is chaired by Eileen Carr and its other members, who are all considered independent, during the year were Jamie Strauss and Ray Hodgkinson, who stepped down as a Director at the 2018 AGM. Andres Antonius has been appointed to the Committee after the Company's year-end. The Committee has unrestricted access to the Group's Auditor. The CFO attends the Committee meeting by invitation.

Remuneration Committee

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

The Remuneration Committee is chaired by Jamie Strauss and its other members, who are all considered independent, during the year were Andres Antonius and Ray Hodgkinson, who stepped down as a Director at the 2018 AGM. Eileen Carr has been appointed to the Committee after the Company's year-end.

Corporate Governance Committee

The responsibility of the Corporate Governance Committee is to provide for the Board's effectiveness and continuing development. The Corporate Governance Committee will generally assist the Board in developing the Company's approach to its own governance by:

- Overseeing the Company's corporate governance policies, including compliance with the 10 core principles of good Corporate Governance identified in the QCA Guidelines 2018. This includes making policy recommendations aimed at enhancing Board effectiveness and interaction with shareholders;
- Managing and overseeing the terms of reference for the Board, its Committees and key management and ensuring effective communication between all parties, whilst maintaining their independence from each other. This includes ongoing evaluation of directors and the Board as a whole, identifying and recommending potential new directors; and overseeing succession planning for key individuals; and
- Ensuring the Company maintains a robust two-way interaction with its shareholders and adopts disclosures in the Company's Annual Report to shareholders and on the corporate website in line with the requirements set out in the QCA Guidelines.

The Corporate Governance Committee is comprised of three members of whom one is an executive Director, Mark Hohnen, and two are non-executive Directors, Eileen Carr and James Strauss, the latter being Committee Chairman. The Committee meets annually in the period between the year end and the production of the Annual Report and all members attended the meeting.

Disclosure Committee

The Board decided to disband this committee and continue to meet as a Board to review any relevant matters.

6 Ensure that between them the directors have the necessary experience, skills and capabilities

Board as a whole

The experience and knowledge of each of the Directors gives them the ability to constructively challenge strategy and to scrutinise performance. The Board believes it has the requisite blend of experience in financial and operational matters, as well as improving gender balance, at a Board and Senior Management level to deliver on its strategy.

The Board does not believe that any of the Directors have too many directorship roles at other listed companies and hence at risk of "over-boarding" as defined by ISS voting guidelines, but will continue to monitor this on an ongoing basis. The Board is satisfied that the Chairman and each of the non-executive Directors are able to devote sufficient time to the Group's business.

No new Directors joined the Board during the year to 30 June 2019. Ray Hodgkinson did not stand for re-election at the 2018 AGM and ceased to be a Director on 13th December 2018. Derek Batorowski resigned as Director on 12 September 2019. Mr. Wang Xiaoshen, the Deputy Chairman of Ganfeng Lithium was appointed to the Board on 18 October 2019. New Directors receive a formal induction to the Company including a briefing memo on the Company from the Company Secretary.

List of Directors

Mark Hohnen, Executive Chairman and Director

Mr. Hohnen has experience in the Japanese, Chinese and Korean markets, all of which play a significant role in the production of lithium ion batteries and the development of electric vehicle technology. Mr. Hohnen has been involved in the mineral resource sector since the late 1970s. He has had extensive international business experience in a wide range of industries including mining and exploration, property, investment, software and agriculture. He has held a number of directorships in both public and private companies, including Anglo Pacific Resources Plc. Mr. Hohnen was also a director of Kalahari Minerals and Extract Resources, having successfully negotiated the sale of both companies to Taurus (CGN). Mr Hohnen is currently a director of Pensana Metals

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Ltd, the ASX listed rare earth metals explorer and Non-Executive Chairman of BOSS Resources Ltd, the ASX listed Uranium mining company.

Peter Secker, Chief Executive Officer and Director

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

James Strauss, Non-Executive Director

Mr. Strauss has 30 years' experience within the stockbroking and mining finance sector. Currently, he is Founder and Director of Digbee Ltd, an Expert Network and Alternative Research Platform that is transforming due diligence within the mining industry. He is also Director of mining finance boutique, Strauss Partners Ltd, based in London, UK. He was Managing Director at BMO Capital Markets from 2007 to 2009. He has raised in excess of \$1bn for projects spanning the globe in both energy and mineral world on behalf of leading institutions in UK, Europe, North America and Australia. Mr. Strauss is an Independent Director of Altius Minerals and Gold Standard Ventures.

Eileen Carr, Non-Executive Director

Ms Carr has been a key member of teams behind the development of a number of successful mining operations across the world, including the Freda Rebecca gold mine in Zimbabwe, the Ayanfuri gold mine in Ghana, the Kalsaka gold mine in Burkina Faso and the Angovia gold mine in Ivory Coast. She has served as Finance Director/CFO for both private and public companies starting with Cluff Resources in 1993. She has since gone on to hold several executive directorships in the resource sector, including CFO at both AIM traded Monterrico Metals plc and Alexander Mining plc, and Director at European Goldfields Inc. Ms Carr has also held a number of Non-Executive Directorships and currently sits on the Board and the Audit Committee of Sylvania Platinum Limited and Firestone Diamonds plc. Her first non-executive role was for Banro Corp in 1998 and more recently she was a Non-Executive Director for Talvivaara Mining Co, the Finnish nickel company, and Goldstar Resources NL, an ASX listed gold company. Ms Carr is a Fellow of the Chartered Association of Certified Accountants, holds an MSc in Management from London University and is a SLOAN fellow of London Business School.

Dr Andres Antonius, Non-Executive Director

Dr. Antonius is a Mexican national who has held positions in the Government of Mexico as well as in the private sector and academia. Dr. Antonius previously served as Undersecretary for Energy Policy and prior to that was a staff member at the Agriculture Secretariat. Dr. Antonius is currently CEO of Plan B, a provider of strategic advice to a range of clients. Prior to founding Plan B, he was the President of the Consulting Services Group at Kroll, a world leader in risk management, business intelligence, and investigations. Dr. Antonius has also held the position of Director of Strategic Planning at the Instituto Tecnológico Autónomo de México ('ITAM') and has taught economic theory, game theory, and crisis management at both the ITAM and the Universidad Iberoamericana. He received a B.A., Masters and PhD degree in Economics from Harvard University.

Mr. Junichi Tomono, Non-Executive Director

Mr Tomono has over 23 years' experience with Hanwa, during which time he has worked in the metals, chemicals, alloys, scrap metals and mining divisions. Mr. Tomono has a special focus on the battery chemicals sector including lithium. As head of the newly formed Primary Metal department and as a director of two of the companies Hanwa has invested in, Mr. Tomono has played a key role in Hanwa adopting a more global focus in response to the rapid growth in the lithium battery sector.

Mr. Wang Xiaoshen, Non-Executive Director

Wang Xiaoshen is the Vice President of Ganfeng and the vice-chairman of its board of directors. Mr. Wang Xiaoshen is primarily responsible for the marketing, investment and overseas business of Ganfeng and has over 25 years of experience in sales and marketing of lithium products. He is a director of Ganfeng Lithium Limited International, Mariana Lithium, RIM and Lithium Americas. Mr Wang obtained a bachelor's degree in industrial engineering management from North China University of Technology in the People's Republic of China in 1990 and an EMBA from the China Europe International Business School in the People's Republic of China in 2002.

Board Advice during the year

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During the year, the Board did not commission any external advisers to provide specific assistance on any specific Board related matters.

Internal Advisory roles

Lead Independent Director

Whilst Bacanora currently has an Executive Chairman, the Company has decided to have a Lead Independent Director (“LID”) (Jamie Strauss). His primary role is to chair the (annual) meeting of the NEDs, as well as act as a sounding board and intermediary for the chair or other Board members, as necessary. The LID also acts as an alternative route of access for shareholders and other directors who have a concern that cannot be raised through the normal channels of the chair or the executive directors. The LID attends sufficient meetings with major shareholders and analysts to obtain a balanced understanding of the issues and concerns of shareholders.

Company Secretary

The Company secretary (Cherif Rifaat) acts as a trusted adviser to the chair and the Board. He has been heavily involved with the Company since its listing on AIM in 2014 and drove the corporate restructuring that led to the re-domicile in 2018. He has a significant role in relation to the Company’s legal and regulatory compliance, including being the MAR designee and plays a proactive and central role in ensuring good governance. The Company secretary assists the chair in preparing for and running effective Board meetings, including the timely dissemination of appropriate information. The Company secretary also acts as a conduit for all the directors, particularly the NEDs, into the workings of the Company, providing not only an induction programme but information, advice and guidance. The Company secretary often acts as one of the links between the Company and shareholders on matters of governance and investor relations. The Company secretary reports directly to the chair on governance matters.

7 Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

Annual Board appraisal

In accordance with current best practice and the Code, the Board undertakes an annual formal evaluation of its performance and effectiveness and that of each Director and its Committees. This evaluation is conducted by way of a questionnaire from the Chairman, co-ordinated by the Company Secretary and concluded by Chairman interviews where necessary. In addition the Non-Executive Directors met, informally, without the Chairman present and evaluated his performance. The Board currently considers that the use of external consultants to facilitate the Board evaluation process is unlikely to be of significant benefit to the process, although the option of doing so is kept under review.

The Chairman has stated that he values this annual evaluation opportunity and considers that key to his role in creating an effective Board, is the effective assimilation of feedback received, and the development and effective application of germane recommendations. He has reported that the Board was satisfied that the Board was effective and well run

Ongoing Board Development

Executive Directors are subject to the Company’s annual review process through which their performance against predetermined objectives is reviewed and their personal and professional development needs considered.

Non-executive Directors are encouraged to raise any personal development or training needs with the Chairman or through the Board evaluation process.

The Company Secretary ensures that all Directors are kept abreast of changes in relevant legislation and regulations, with the assistance of the Company’s advisers where appropriate.

Succession Planning

The Board has a minuted emergency succession plan for the Senior Management Team. On an ongoing basis, Board members maintain a watching brief to identify relevant internal and external candidates who may be suitable additions to or backup for current Board members.

8 Promote a corporate culture that is based on ethical values and behaviours

At Bacanora, we view sustainability as a guiding principle of our development strategy and are dedicated to delivering on the commitments to our shareholders, clients, employees, partners and other stakeholders with this in mind.

We believe that transparency and ethical behaviour are central to any successful company and undertake all development with respect to the environment and neighbouring communities. We seek to do this by:

- Minimising our environmental impacts,
- Fulfilling legal requirements and other requirements applicable to the Group,
- Identifying new ways to foster positive relationships in the local community,
- Safeguarding our people's health and wellbeing, as well as positive relationships in the work environment,
- Providing sustainability to the business for our shareholders and our partners, and

We continuously review and improve our sustainability policy and productivity systems to ensure we meet these objectives.

The Board believes that the promotion of a corporate culture based on sustainability, sound ethical values and behaviours is essential to maximise shareholder value.

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

9 Maintain governance structures and processes that are fit for purpose and support good decision-making by the board

The Board meets regularly to determine the policy and business strategy of the Group and has adopted a schedule of matters that are reserved as the responsibility of the Board. The Board consists of two executive directors and five non-executive directors, of whom James Strauss, Dr Andres Antonius and Eileen Carr are considered by the Board to be independent, with James Strauss being the Lead Independent Director. The Board considers that there is an appropriate balance between the Executives and Non-executives (both independent and non-independent) and that no individual or small group dominates the Board's decision making.

Chairman

The Chairman is responsible for the leadership of the Board and for the efficient conduct of the Board's function. The Chairman is expected to encourage the effective contribution of all directors and promote constructive and respectful relations between directors and senior management. The Board has also decided that the role of Chairman currently requires a specific skillset and additional time to be dedicated by the Chairman to assist the CEO with certain Executive functions, such as fund-raising, sourcing strategic investors and active liaison with offtake partners. Accordingly, Mark Hohnen has been appointed Executive Chairman and in the event of any conflicts of interest in relation to the functions of a Chairman, the Lead Independent Director shall represent the Board.

Chief Executive Officer

The Chief Executive Officer leads the development of the Company's short and long-term strategies; the Company's feasibility studies and EPC contracts; fund-raising; general liaising with shareholders, customers, suppliers and government entities, and the public; management and evaluation of the SMT; monitoring of the market landscape, expansion opportunities, industry development; and ensuring that the Company maintains high social responsibility.

Board matters

Overall role of the Board including Internal Controls – please refer to Principle 5 for further information.

The Board has delegated certain authorities to committees, each with formal terms of reference:

- Nomination Committee – the whole Board acts as a Nomination Committee
- Audit Committee – please refer to Principle 5 for further information
- Remuneration Committee – please refer to Principle 5 for further information
- Corporate Governance Committee – please refer to Principle 5 for further information

Reserved Matters

The Board has reserved the following matters for sole approval by the Board:

- Review and approval of the Company's strategic plan
- Review and approval of the Annual operating plan and financial budget, including any changes during the year
- Establishment of expenditure limits and approval of exceptions
- Hiring, review and compensation of CEO and CFO
- Director recruitment
- Appointment of Chairman
- Appointment of Committee Chairmen and Committee members

Governance Framework

The Company has a policy on share dealing and confidentiality of inside information for persons discharging managerial responsibilities and persons closely associated with them, which contains provisions appropriate for a company whose shares are admitted to trading on AIM (particularly relating to dealing during close periods in accordance with Rule 21 of the AIM Rules and MAR) and the Company takes all reasonable steps to ensure compliance by the persons governed by such policy.

The Board continues to monitor its governance framework on an ongoing basis.

10 Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders**Work of the Board Committees**

The Corporate Governance committee meet to undertake its customary annual review and focussed on the Company's compliance with the revised QCA Guidelines.

The Disclosure Committee was disbanded by the Board last year and all relevant matters are reviewed by the Board as a whole

The Audit Committee and Remuneration Committee reports are detailed below.

Audit Committee Report

The Audit Committee's last report is included in the Annual report to 30 June 2018 and its next one will be included in the annual report to 30 June 2019, to be published in October 2019. Please refer to principle 5 for the scope of the Audit Committee.

Remuneration Committee report

The Remuneration Committee's last report is included in the Annual report to 30 June 2018 and its next one will be included in the annual report to 30 June 2019, to be published in October 2019. Please refer to principle 5 for the scope of the Remuneration Committee.

Dialogue with Shareholders

Please refer to Principle 2 for further details.

Website Disclosures

Bacanora places a high priority on regular communications with its various stakeholder groups and aims to ensure that all communications concerning the Company's activities are clear, fair and accurate. The Company publishes on its website the following information, which the Board believes play an important part in presenting all shareholders with an assessment of the Group's position and prospects:

- The Company's latest Investor Presentation
- The Company's most up to date technical reports on each of its projects;
- All Annual, Half-Yearly and Quarterly Financial Statements going back to the Company's original inception as Bacanora Minerals Ltd in 2008;
- All Company press releases issued under the RNS service;
- Details on the proxy results of all resolutions put to a vote at the most recent AGM;
- Contact details including a dedicated email address info@bacanoralithium.com through which investors can contact the Company;
- The results of voting on all resolutions in future general meetings will be posted to the Group's website, including any actions to be taken as a result of resolutions for which votes against have been received from at least 20 per cent of independent shareholders.