

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 has published an annual QCA statement since 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.

The Company’s most recent audited financial statements for the six months ended 31 December 2019 were published on 2nd March 2020 and the Company includes certain of the disclosures required by the QCA Code. The Company considers it more appropriate to include some of the recommended disclosures in these annual QCA statements instead of in the annual reports.

Mark Hohnen
Chairman

Last updated: September 2020

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 global Resource (measured, indicated and inferred) of almost 9 million tonnes lithium carbonate equivalent ("LCE"). This will be initially achieved by developing phase 1 of the mine and processing plant. The Company aims to produce battery-grade lithium product for sale to downstream cathode and battery manufacturers through existing shareholders and offtake partners Ganfeng and Hanwa. 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 approximately US\$4,000 per tonne. Bacanora has 10 licenses covering almost 100,000 hectares in Sonora, Mexico, of which 7 licenses form part of the SFS. The Company has invested over US\$31 million on the development of Sonora including 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 ("DL"), 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%. On 28 September 2020, Bacanora announced its intention to spin out its stake in DL by way of a Reverse Takeover of the AIM listed company Erris Resources Plc. Erris' existing management will continue to run DL and further develop the project. Bacanora will have circa x% of Erris after the RTO and 2 Board seats.

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

- 1) A world class lithium resource containing approximately 9 million tonnes of lithium carbonate
- 2) Experienced Board and operational leadership team.
- 3) Over 4 years of pilot plant operations in Mexico.
- 4) Access to strong technical skills either from our in-house team or network of advisers.
- 5) Emphasis on building strong local organisations and skill sets.
- 6) Commitment to best practice in all our Sustainability/ESG and Corporate Governance actions.
- 7) Long-term lithium offtake agreements with key shareholders Ganfeng and Hanwa.
- 8) 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 several 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 8.8 million tonnes 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 the SFS on a small part of the concessions in Sonora 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 ZFS 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 Sonora. GRES is reviewing the process guarantee proposals as part of their FEED and EPC work. Furthermore, Ganfeng will complete a review of the engineering design and capital costs of Stage 1 with a view to reducing costs and accelerating the timetable to construction.
 - DL will continue to progress the detailed design work and will be funded by Erris..
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 several years to provide regular samples of its Lithium carbonate to prospective offtakers, predominantly in Japan and China. This has resulted in 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 October 2019, the Company completed its offtake agreement with Ganfeng, the world’s largest lithium metals producer by production capacity and the world’s third largest lithium compounds producer, 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 Zinnwald and these will continue under Erris.
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.
 - Erris will now be responsible for securing funding for the Zinnwald project, but Bacanora will continue to assist as it remains the largest shareholder in the company.
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. The Company currently envisages Engineering, Procurement and Construction (“EPC”) style contracts for the construction of the processing plant.
 - DL intends to commence the detailed design engineering phase of the Zinnwald Project, 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.
 - As at 31 December 2019, the Group had over 30 employees and contractors. Bacanora is led by CEO Peter Secker who has built and operated 5 greenfield mining projects over the past 35 years.
8. Identify suitable partners and dedicated management teams to develop its projects outside of Sonora
 - In September 2020, Bacanora announced its intention to spin out its stake in Deutsche Lithium to Erris Resources Plc. Bacanora will become its largest shareholder with [x%0 and have 2 Board seats.

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 as determined by completion of the FEED.
2. Maintenance
 - At Sonora, Bacanora’s existing staff maintain the Pilot Plant and have had no material issues. They continue to produce regular samples of lithium carbonate, lithium hydroxide, lithium sulphate and roasted concentrate. It is envisaged that the construction of the three main portions of the processing plant will be done under EPC contracts, 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 final lithium products will be sold on an Free On Board basis to its offtake partners and will be transported by road from the processing plant to the port of Guaymas at which point ownership will pass to Hanwa and Ganfeng, who will then ship the product by sea to their end customers.
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
 - At Sonora, the main suppliers of its raw materials, such as soda ash and liquified natural gas (“LNG”), will be local Mexican and US suppliers and the Group is in discussions to secure long-term supply agreements. 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 SFS.
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 31 December 2019, the Group employed 19 people in Mexico, including contractors. 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

Since January 2018, 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. The business also secured one of the world’s biggest lithium producers in Ganfeng as a cornerstone equity investor and M&G further increased their investment in November 2019. Offtake agreements with Ganfeng and Hanwa have been secured, subject to conditions and full project financing for Sonora. 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 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 battery-grade lithium products from the Sonora Lithium Project will be from open pit mining operations feeding a three-part chemical processing plants using the conventional sulphate route. The Company has operated a lithium 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 long-term 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.

In response to the attractive demand side fundamentals of the lithium market, lithium producers have responded with new production volumes coming online leading to oversupply in the market. Oversupply has had a downward pressure on prices in 2019. The lower prices have caused existing suppliers to roll back production and postpone expansion plans. The delicate balance of the supply and demand fundamentals currently, and over the next 5 years, creates pricing uncertainty..

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 2018-2020 AGMs;
- 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 ordinarily invited to attend. In 2020, due to the Covid-19 pandemic, the AGM was closed to third party shareholders. The Company provided a written "Q&A" on its website to address any relevant questions that shareholders may have wished to raise at the AGM. Bacanora includes in its AGM documents a "Deemed consent" letter to allow 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 past two years, 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, Tavistock, to facilitate engagement with its shareholders.

The Company conducts periodic shareholder conference call by the CEO, whereby shareholders are encouraged to submit questions in advance to Tavistock. 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.

The company has expanded the brief of the Corporate Governance Committee to include Sustainability and develop, implement and monitor the Company’s sustainable development in all its internal policies and operations around the three pillars of a Sustainability framework – Environment, Social and Governance (“ESG”). These are based on the United Nations’ set of 17 Sustainable Development Goals (SDGs), of which for mining companies, the key takeaways are to extract responsibly, waste less, use safer processes, incorporate new sustainable technologies, promote the improved wellbeing of local communities, curb emissions, and improve environmental stewardship

Bacanora’s ESG / Sustainability Strategy

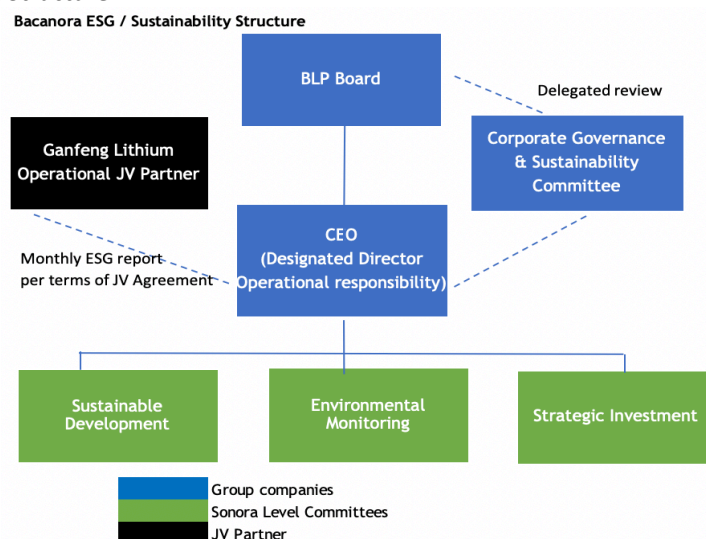
Bacanora views sustainability as a guiding principle of its development strategy and is dedicated to delivering on the commitments to its shareholders, clients, employees, partners and other stakeholders with this in mind. We believe that transparency and ethical behaviour are central to any successful company and undertake all development with respect to the environment and neighbouring communities. We seek to do this by:

- Promote responsibility for the environment within the organisation and communicate and implement this policy at all levels within the workforce
- integrate positively with local communities
- Reduce the use of energy, water and other resources
- Minimise waste by reduction, re-use and recycling methods
- Comply with all relevant environmental legislation/regulation
- Ensure that our policies and services are developed in a way that is complimentary to this policy
- Do not prioritise funding needs ahead of sustainability requirements
- Encourage all stakeholders to commit to the sustainable development philosophy
- Identify and provide appropriate training, advice and information for staff and encourage them to develop new ideas and initiatives
- Provide appropriate resources to meet the commitments of this policy
- Promote and encourage involvement in local environmental initiatives/schemes

Bacanora’s ESG / Sustainability Reporting Structure

This chart shows the reporting structure within the Group from an operational level, up through the CEO and into the Board and its designated committee.

Peter Secker, as CEO, is operationally the director responsible for sustainability.



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. 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 company has created a updated risk management process in 2020, under the direction of the Audit Committee, on behalf of the Board. A risk committee has been set up as part of the process, which functions to provide the company with ongoing development and co-ordination of the system of risk management, consolidation, challenge and reporting of all risk management information, and to provide support and guidance on the application of risk management to the business. The Risk committee comprises Eric Carter (Project Director), David Clifford (Group Financial Controller) and Juan Carlos Moreno (HSEQ Manager).

As part of the new risk management process, the company's risk register has been redeveloped distilling the risks into 11 principal risks, fitting into risk categories; Operational, Strategic and External. Fitting into these themes are a further 44 risks which have been recognised. The risks have been analysed and controls have been identified. They have been scored for inherent and residual risk, post controls, on a risk matrix. Furthermore, each risk has been allocated an executive owner who is responsible for the risk and a business owner who is accountable for the management of that risk. The risk register is updated regularly as the risk and mitigation strategies evolve.

Principal Risks and Uncertainties

The principal risks and uncertainties facing the Group, as well as mitigating actions, are set out in the Company's December 2019 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 2020, the Board comprised one Executive Director, an Executive Chairman and six 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, Andres Antonius and Graeme Purdy. None of these directors have been employees, have a significant business relationship or close family ties with related parties or represent significant shareholders. Three of them currently hold options to acquire ordinary shares in the Company, which date back to when the Company was Canadian domicile. The company has now made the decision that Non-Executive Directors will no longer participate in the company's incentive plans. The pre-existing Options will all expire by May 2021.

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.

The Board has adopted a Charter that sets out the role and responsibility of the Board and the manner in which it will exercise and discharge these duties. The role of the Board is to determine the strategic direction of the Company, regularly review the appropriateness of it and oversee its implementation. It is not the role of the Board to manage the Company itself but rather to monitor the management and performance of the business. It does this in the following areas:

- Board Composition and Organisation
- Strategy, Financial and Operational Matters
- Financial expenditure
- Shareholder engagement and communications
- Governance and general Sustainability (ESG) matters
- Designated positions of responsibility. The roles of Management are covered in relation to their interaction with the Board rather than their day to day operational tasks.

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, site visits as and when appropriate, 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 quarterly 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.

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 attendance at Board meetings in the six months to 31 December 2019 is set out below:

	24 July	12 September	12 October	19 October	12 December
Mark Hohnen	✓	✓	✓	✓	✓
Peter Secker	✓	✓	✓	✓	✓
Jamie Strauss	✓	✓	✓	✓	✓
Eileen Carr	✓	✓	✓	✓	✓
Andres Antonius	✓	✓	✓	X	✓
Junichi Tomono	✓	✓	✓	✓	✓
Wang Xiaoshen	n/a	n/a	n/a	✓	X
Derek Batorowski	✓	n/a	n/a	n/a	n/a

Board Committees

The Board has delegated specific responsibilities to the Audit, Remuneration and Corporate Governance and Sustainability 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 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.

The Terms of Reference for each committee, as well as the Board Charter, which includes a list of specific matters reserved for the Board, are all on the Company's website.

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 Committee shall be responsible for overseeing for the Company, major subsidiaries and the Group as a whole, the following matters:

- Financial reporting;
- Internal control and risk management systems;
- Internal audit function;
- External audit and the relationship with the external auditors; and
- Whistleblower and Fraud programme

The Audit Committee will meet at least four times per annum and will comprise of independent non-executive directors only, with the CFO in attendance and not a member. The external auditors may attend all meetings. The Audit Committee comprises Eileen Carr (Chairman), Andres Antonius and Graeme Purdy, who replaced Jamie Strauss in June 2020. The Audit Committee Report is included in the Company's annual report.

Remuneration Committee

The Remuneration Committee assumes general responsibility for assisting the Board in respect of remuneration policies and strategies for the Company and ensuring they are designed to support strategy and promote long-term sustainable success. It ensures that the Company offers competitive remuneration that is aligned to company purpose and values, and clearly linked to the successful delivery of the Group's long-term strategy, whilst remaining financially responsible. It also ensures formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration. The Committee shall be responsible for overseeing for the Company, major subsidiaries and the Group as a whole, the following matters:

- Remuneration policies, including long- and short-term incentives;
- Review of Executive Management performance and recommendations for incentive awards;
- Annual Reporting of the Company's remuneration activities;
- Administration of Incentive plans;
- Company policies regarding pension and other benefits; and
- The engagement and independence of external remuneration advisers

The Remuneration Committee will meet as and when necessary. The Remuneration Committee is comprised exclusively of independent non-executive Directors, and comprises Jamie Strauss (Chairman), Andres Antonius and Eileen Carr. No director is permitted to participate in discussions or decisions concerning his/her own remuneration. The Remuneration Committee Report is in the Company's annual report.

At the end of 2019, the Remco commissioned a formal review of the Company's remuneration structure from an independent external source, Pearl Meyer. Further, the Company will voluntarily put its remuneration report to shareholders at the 2021 AGM to ensure that shareholders have an opportunity to endorse both remuneration and also assessment of independence.

Corporate Governance and Sustainability Committee

The purpose of the Corporate Governance and Sustainability Committee is to provide for the Board's effectiveness and continuing development in meeting the QCA's ten principles of good corporate governance. The Committee is also responsible for overseeing, on behalf of the Board, the development, implementation and monitoring of the Company's sustainable development in all its internal policies and operations around the three pillars of a Sustainability framework – Environment, Social and Governance ("ESG"). These are based on the United Nations' set of 17 Sustainable Development Goals (SDGs), of which for mining companies, the key takeaways are to extract responsibly, waste less, use safer processes, incorporate new sustainable technologies, promote the improved wellbeing of local communities, curb emissions, and improve environmental stewardship.

The Committee shall be responsible for overseeing for the Company, major subsidiaries and the Group as a whole, the following matters:

- Corporate Governance matters highlighted by the QCA Code
- Sustainability matters and policies across the 3 main pillars of Environmental, Social and Governance
- Undertake and report on an annual basis an ESG Materiality assessment to identify key issues as the company moves through its evolution from Exploration to Construction and into Production
- Reporting of all ESG and Corporate Governance matters in company publications.

The Committee shall meet at least four times per annum. The Committee is comprised of a majority of independent non-executive Directors, and comprises Jamie Strauss (Chairman), Mark Hohnen and Eileen Carr.

Disclosure Committee

The Board disbanded this committee after its redomicile 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. New Directors receive a formal induction to the Company including a briefing memo on the Company from the Company Secretary.

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.

During the six months to 31 December 2019, Mr. Wang Xiaoshen, the Deputy Chairman of Ganfeng Lithium was appointed to the Board on 18 October 2019. Derek Batorowski resigned as Director on 12 September 2019. In April 2020, Mr Graeme Purdy was appointed to the Board.

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 Rare Earths Plc, the ASX and LSE listed rare earth metals explorer. He also served as Non-Executive Chairman of BOSS Resources Ltd and director of Salt Lake Potash Limited.

Peter Secker, Chief Executive Officer and Director

Mr. Secker is a mining engineer with over 35 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. He is Founder and Director of Digbee Ltd, a data, research and ESG Reporting platform specifically focused on 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 and serves on the Advisory Panel for Mines & Money.

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. 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

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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 also held the role of coordinator for strategy of then President Elect Peña Nieto's transition team in 2012. 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.

Mr Graeme Purdy, Non-Executive Director

Mr. Graeme Purdy has over 25 years' experience in the resources and battery industries and is Chief Executive Officer of Aim-listed Ilika Plc, a solid-state lithium battery technology developer. Since joining Ilika in 2004, Graeme has led two successful rounds of venture funding before floating the company on AIM in 2010. Earlier in his career, Graeme worked with Shell, the global energy group, focusing on the design, construction and commissioning of large process engineering projects in remote locations, including Latin America. Graeme holds a Master's degree in Chemical Engineering from Cambridge and an MBA from INSEAD business school in France. Graeme is a Chartered Engineer and a Sainsbury Management Fellow

Board Advice during the year

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

See Section 3 for more detail

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 six non-executive directors, of whom James Strauss, Dr Andres Antonius, Eileen Carr and Graeme Purdy 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 and Sustainability 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 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 31 December 2019 and its next one will be included in the annual report to 31 December 2020, to be published in March 2021. 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 31 December 2019 and its next one will be included in the annual report to 31 December 2020, to be published in March 2021. 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.