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Bacanora Lithium plc / Index: AIM / Epic: BCN / Sector: Natural Resources

**Bacanora Lithium Plc ("Bacanora" or the "Company")
Investments by State General Reserve Fund of Oman ("SGRF") and Hanwa**

Bacanora Lithium plc, the London listed lithium company, is pleased to announce it has agreed conditional strategic investments from the State General Reserve Fund of Oman, the sovereign wealth fund of the Sultanate of Oman and from Bacanora's off-take partner, Hanwa Co., LTD ("Hanwa"), for a combined total of US\$90m ('the Investments').

The Investments comprise US\$65m from SGRF and US\$25m from Hanwa and are part of the proposed funding package for the development of an initial 17,500 tpa lithium carbonate ("Li₂CO₃") operation at the Sonora Lithium Project in Mexico ("Sonora" or the "Project") and are conditional on the full US\$460m construction funding required for the Project ("Construction Funding") being in place. These investments follow on from the US\$150m senior debt facility previously secured with RK Mine Finance, one of the leading specialist mining lenders.

Concurrently to this announcement, the Company has launched a placing for US\$100m (the "Placing"), the gross proceeds of which will be used to commence the construction phase of the Project.

Highlights

- SGRF's commitment to conditionally invest US\$65m upon completion will further validate Sonora's potential to become a leading supplier of high value lithium products to fast-growing industries, such as electric vehicles and energy storage, and once completed will significantly strengthen Bacanora's funding platform for the construction of a 17,500tpa Li₂CO₃ operation
- Hanwa's stated intention to conditionally invest US\$25m upon completion will further validate the quality of battery grade (+99.5%) Li₂CO₃ produced at Sonora and upon completion will secure access to the Japanese market
- The Investments follow the US\$150m senior debt facility secured with RK Mine Finance, one of the leading specialist mining lenders - see announcement of 4 July 2018
- Upon completion the Investments will bring the combined equity and debt funding commitments secured to date to US\$240m - 52% of the US\$460m required for Stage 1 production of 17,500 tpa of Li₂CO₃ at Sonora, comprising US\$420m capital costs and US\$40m for working capital
- SGRF's commitment is alongside an off-take agreement which, upon completion of the investment will provide SGRF with the option to buy 10,000 tpa of Li₂CO₃ once capacity at Sonora is expanded to 35,000 tpa of Li₂CO₃ as part of Stage 2 of the Project
- The Conditional Strategic Investments follow the favourable Feasibility Study which assigned a pre-tax US\$1.253 billion NPV8 to a 35,000 tpa battery grade Li₂CO₃ operation at Sonora; a pre-tax Internal Rate of Return of 26.2%; and Life of Mine operating costs of US\$3,910/t of Li₂CO₃

Bacanora CEO Peter Secker said:"The proposed US\$90 million investments from blue chip investors of the calibre of SGRF and our existing strategic partner, global trading company Hanwa, is a clear endorsement of Sonora's credentials to become a low-cost producer of high value lithium carbonate. The US\$150m debt facility already secured from RK along with the proceeds of the Placing will provide us with an excellent platform with which to complete the funding package by early 2019. Importantly, by launching our Placing today we are aiming to be in a position to embark on the construction phase at Sonora in Q3 2018, targeting first production in Q1 2020. Bacanora remains on track to become a significant major supplier of battery grade lithium carbonate and I look forward to providing further updates on our progress."

SGRF strategic investment

SGRF has entered into a Strategic Investment Agreement ("SIA") with the Company whereby it has agreed to make a US\$65m equity investment at the time of, and conditional on the Company securing the Construction Funding. The agreement is also conditional, amongst other things, on the parties agreeing the subscription price, no material adverse change to the Bacanora group, and renewed shareholder authorities if required for the issue of the subscription shares. At the time of its investment, SGRF would be granted certain shareholder rights, including the right to appoint a non-executive director to the Board (subject to the approval of the Company's Nominated Adviser), and certain committees, the right to veto candidates for certain executive positions (subject to the opinion of its Nominated Adviser) and a pre-emptive right in relation to further fundraisings. SGRF has also agreed not to sell any of the shares issued to it on completion in the following year. In addition, the Company has agreed that in the event at any time prior to completion of SGRF's investment there is a takeover of the Company, they will reimburse SGRF all third party costs, charges and expenses incurred in connection with the preparation for and implementation of the arrangements connected to its proposed investment, up to a maximum amount of US\$2 million, less any costs previously paid.

In addition to the SIA, Bacanora and SGRF have also entered into an Off-take Agreement subject to the same conditionality as the SIA. The key terms would be an off-take option to purchase up to 10,000 tpa of lithium carbonate produced (with a reasonable endeavours obligation to increase this by a further 3,000tpa) at the Sonora Project predominantly during Stage 2 for a period of 10 years from the date on which Stage 2 is achieved.

About SGRF

SGRF is a sovereign wealth fund of the Sultanate of Oman. It was established in 1980 by Royal Decree 1/80 with the objective of achieving long term sustainable returns on revenues generated from oil and gas that are surplus to the Sultanate's budgetary requirements. On behalf of the Sultanate of Oman, SGRF manages the reserves placed in its care to achieve the best possible long term returns with acceptable risks, through investing in a diversified portfolio of asset classes in more than 25 countries worldwide.

Hanwa

In accordance with its existing shareholding, Hanwa has stated its intent to make an investment in new ordinary shares in the Company for a total consideration of US\$25m at the time of, and conditional on the Company securing the Construction Funding.

Hanwa is an existing cornerstone investor in Bacanora and has a long-term take or pay lithium off-take agreement with the Company for the Stage 1 lithium carbonate production from Sonora. In addition, Hanwa has agreed to extend the 17,500 tonne Stage 1 take or pay off-take for a further 5 years, to a total term of 10 years.

This announcement contains inside information as stipulated under the market abuse regulation (eu no. 596/2014). upon the publication of this announcement via regulatory information service this inside information is now considered to be in the public domain.

****ENDS****

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Notes to Editors

Bacanora Lithium is a London listed lithium exploration and development company (AIM: BCN). The Company's a primary focus on the Sonora Lithium Project. The Company's operations are based in Hermosillo in northern Mexico. The Company is led by a team with lithium expertise and a track record in mine development and production.

The Sonora Lithium Project^[1], which consists of ten mining concession areas covering approximately 100 thousand hectares in the northeast of Sonora State. The Company, through drilling and exploration work to date, has

established a Measured plus Indicated Mineral Resource estimate of over 5 Mt (comprising 1.9 Mt of Measured Resources and 3.1Mt of Indicated Resources) of LCE2 and an additional Inferred Mineral Resource of 3.7 Mt of LCE. The Company's Feasibility Study (which was announced 12 December 2017) has established Proven Mineral Reserves (in accordance with NI 43-101) of 1.67 Mt and Probable Mineral Reserves of 2.85 Mt LCE and confirmed the economics associated with becoming a 35,000 tpa lithium carbonate and 30,000 tpa SOP producer in Mexico.

[1] The Sonora Lithium Project is comprised of the following lithium properties: La Ventana lithium concession, which is 100 percent owned by Bacanora and El Sauz and Fleur concessions, which are held by Mexilit S.A. de C.V. ('Mexilit') which is owned 70 percent by Bacanora and 30 percent by Cadence Minerals Plc. The Project also includes three other lithium concessions, Buenavista, San Gabriel and Megalit, which do not form part of the Feasibility Study, and are held by Megalit S.A. de C.V, which is owned 70 percent by Bacanora and 30 percent by Cadence Minerals Plc.

2 LCE = lithium carbonate (Li₂CO₃) equivalent; determined by multiplying Li value in percent by 5.324 to get an equivalent Li₂CO₃ value in per cent. Use of LCE is to provide data comparable with industry reports and assumes complete conversion of lithium in clays with no recovery or process losses.

FORWARD LOOKING STATEMENTS:

Except for statements of historical fact, this news release contains certain "forward-looking information" within the meaning of applicable securities law. Forward-looking information is frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may" or "will" occur. In particular, forward-looking information in this press release includes, but is not limited to the holding of an annual and special meeting, the delivery of materials to shareholders in respect of such meeting, the completion of the Transaction and the delisting of the Company's common shares from the TSX Venture Exchange. Although we believe that the expectations reflected in the forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct. We cannot guarantee future results, performance or achievements. Consequently, there is no representation that the actual results achieved will be the same, in whole or in part, as those set out in the forward-looking information.

Forward-looking information is based on the opinions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those anticipated in the forward-looking information. Some of the risks and other factors that could cause the results to differ materially from those expressed in the forward-looking information include, but are not limited to: commodity price volatility; general economic conditions in Canada, the United States, Mexico and globally; industry conditions, governmental regulation, including environmental regulation; unanticipated operating events or performance; failure to obtain industry partner and other third party consents and approvals, if and when required; the availability of capital on acceptable terms; the need to obtain required approvals from regulatory authorities; stock market volatility; competition for, among other things, capital, skilled personnel and supplies; changes in tax laws; and the other risk factors. Readers are cautioned that this list of risk factors should not be construed as exhaustive.

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