

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

19 July 2018

**Bacanora Lithium plc ("Bacanora" or the "Company")
Update on Financing Package for Sonora Lithium Project**

Bacanora Lithium plc (AIM: BCN), the London listed lithium exploration and development company, announces that, due to current volatility in global commodities markets, the Company has elected not to proceed with its proposed placing to raise gross proceeds of US\$100m (the "Placing"). As announced on 16 July 2018, the Placing was intended to form part of a funding package for the development of an initial 17,500 tonnes per annum ("tpa") lithium carbonate ("Li₂CO₃") operation at the Sonora Lithium Project in Mexico ("Sonora" or the "Project").

To date, the Company has announced equity and debt funding commitments totalling US\$240m, which represents 52% of the US\$460m required for Stage 1 production of 17,500 tpa of Li₂CO₃ at Sonora (the "Construction Funding"). These include a US\$150m senior debt facility with RK Mine Finance, one of the leading specialist mining lenders, and conditional strategic investments from the State General Reserve Fund of Oman (SGRF), the sovereign wealth fund of the Sultanate of Oman, and from Bacanora's off-take partner, Hanwa, for a combined total of US\$90m. The Company will now focus on completing the Front End Engineering Design and remains in discussions with several additional parties with regards to securing the remainder of the Construction Funding, so that it can be in a position to begin construction of the Project once financing is secured.

As announced on 13 December 2017, a Feasibility Study ("FS") confirmed the positive economics and favourable operating costs of a 35,000 tpa battery grade Li₂CO₃ operation at Sonora. Using revenues based on a flat US\$11,000/t for battery grade Li₂CO₃ over Life of Mine ("LOM"), which is significantly below the current Li₂CO₃ price range of US\$16,000 - 20,000/t*, the FS estimated a pre-tax project Net Present Value of US\$1.253 Billion, an Internal Rate of Return of 26.2%, and LOM operating costs of US\$3,910/t Li₂CO₃. At US\$3,910/t, Sonora would rank among the lowest cost producers of Li₂CO₃ in the world. The Bacanora Board of Directors believe Sonora is ideally placed to become a major supplier of battery grade Li₂CO₃ to fast growing industries, such as electric vehicles and energy storage. In line with this, detailed engineering design work is underway at the Project and further updates will be provided to the market in due course.

Bacanora CEO Peter Secker said:"Challenging market conditions have led us to take the decision not to proceed with the Placing at this stage. From the perspective of a lithium developer such as ourselves, being a low-cost producer is key to successfully navigating price volatility. Thanks to expected LOM operating costs of US\$3,910/t of Li₂CO₃, once fully operational, Sonora will be among the lower cost producers of battery grade lithium carbonate in the world. Whilst recent fluctuations in lithium pricing forecasts continue, the development of the Sonora project remains our priority. Thanks to the combination of a large lithium resource, conventional processing techniques, and having all relevant approvals in place, Sonora is a highly valuable strategic asset. We continue to focus on fully realising this value for the benefit of our shareholders and I look forward to providing further updates on our progress."

This Announcement contains inside information as defined in Article 7 of the Market Abuse Regulation No. 596/2014 ("MAR"). Upon the publication of this Announcement, this inside information is now considered to be in the public domain.

(*seekingalpha.com/article/4183758-lithium-miners-news-month-june-2018)

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