

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

26 October

**Bacanora Lithium plc ("Bacanora" or the "Company")
Quarterly Project and Corporate Update**

Bacanora Lithium plc (AIM: BCN), the London quoted lithium exploration and development company, is pleased to provide an update on its activities at its two lithium projects in Sonora, Mexico ("Sonora") and at Zinnwald, Germany ("Zinnwald"). This update is in line with the Company's strategy to communicate its progress to shareholders, as it delivers on its objective to build an international lithium production company with a portfolio of projects supplying the fast-growing electric vehicle and renewable energy markets of Asia and Europe.

Sonora, Mexico

Front End Engineering Design ("FEED") for an initial 17,500 tonnes per annum ("tpa") lithium carbonate ("Li₂CO₃") processing facility

- Outstanding milestones recently completed as part of the ongoing FEED include:
 - Engineering mass balances and designs for kiln and crystallisers components received - enabling the final quotes for EPC design and agreement to be actioned
 - Preliminary site earthworks completed resulting in downward revisions to expected overall bulk earthworks costs - due to the recently acquired plant location at Las Perdices being considerably flatter than original proposed site
 - New road design for site access completed - enabling construction work to commence
 - Site visits by proposed energy suppliers - final energy supply proposals expected
- FEED on course to be completed by year end 2018

Financing

- Ongoing site visits by potential strategic investors, at both the corporate and project levels, to secure outstanding development capital for Sonora
- To date US\$240 million or 52% of the US\$460 million required for Stage 1 production of 17,500 tpa of Li₂CO₃ at Sonora has been conditionally committed as follows:
 - US\$150 million senior debt facility secured with RK Mine Finance
 - US\$65 million conditional equity commitment from the State General Reserve Fund of Oman ("SGRF")
 - US\$25 million conditional equity commitment from Bacanora's off-take partner, Hanwa Co., LTD ("Hanwa")

Subject to completion of funding discussions and FEED, the Stage 1 project commissioning target at Sonora expected to be in H2 2020.

Zinnwald, Germany

Ongoing Feasibility Study ('FS') for the production of higher value downstream, lithium products for the European battery and automotive sectors

- Initial lithium fluoride ('LiF') samples produced from Zinnwald concentrates as part of FS provides
 - proof of concept of strategy to produce high value lithium products at Zinnwald
 - Initial sample quality in excess of 99% purity - indicative of its potential to be battery grade
 - Samples to be distributed to potential end users for evaluation test work
- Completion of resource upgrade at Zinnwald to 142,240 tonnes of contained Li (N143 101, Measured + Indicated + Inferred)
- Completing reserve estimate, detailed mine design and production scheduling
- Flow sheet engineering, mass balance and preliminary process design work underway
- Negotiations for selection of LiF plant site location are ongoing
- EIA approved in 2018
- FS remains on track for completion in Q2 2019

Bacanora CEO Peter Secker said:"The production of initial lithium fluoride samples from concentrates at Zinnwald represents another key milestone and closely follows the recent resource upgrade at the project to 142,240 tonnes of contained Li in the Measured, Indicated and Inferred categories. Located in the heart of Germany's industrial region

on a granite hosted belt that has historically produced lithium, Zinnwald's potential to play a strategically important role in Europe's rapidly emerging battery technology sector has always been clear to us. We are therefore highly encouraged that the results of various workstreams of the ongoing FS are only serving to strengthen our conviction and with this in mind, we are looking forward to the completion of the study in Q2 2019.

"The progress being made at Zinnwald, together with the US\$1.25 billion valuation assigned by the December 2017 FS to our Sonora project in Mexico, highlight the huge disconnect that has opened up between Bacanora's current US\$55million market capitalisation and the underlying fundamental value of our lithium assets. The valuation anomaly is arguably far wider than the figures suggest when full account is taken of Bacanora's status as one of the few pure play and publicly traded developers of what is a critical battery technology metal. With advanced discussions ongoing with potential funders, both at the corporate and project level, for the outstanding finance required to commence the construction phase of an initial 17,500 lithium carbonate operation at Sonora, and excellent progress being made at Zinnwald, we are confident this valuation anomaly will soon begin to close."

Lithium Market Update

In September 2018, Sociedad Química y Minera de Chile ('SQM') reported average lithium carbonate equivalent contract prices in Q2 2018 were "slightly higher" than the Q1 figure of US\$16,400/MT (<https://seekingalpha.com/article/4207908-lithium-miners-news-month-september-2018>).

US\$16,400/ MT compares favourably to the US\$11,000/t lithium carbonate pricing assumed in the Feasibility Study for Sonora which assigned a pre-tax NPV8 of US\$1.25 billion, an IRR of 26.1%, and estimated LOM costs at US\$3,910/t. With low first quartile operating costs estimated, the Project can remain a profitable producer of Li2CO3 in a wide range of market conditions.

Finance

The cash balance as at the end of 30 September 2018 amounted to US\$24.7 million.

Corporate

In relation to the resolution of the ongoing dispute over the validity of the 3% gross over-riding royalty purportedly held by the Estate of Colin Orr-Ewing (the "Estate") over certain of the Company's lithium assets in Sonora, Mexico, the Company continues to work towards a resolution by mediation, rather than a protracted court process. The parties are in discussion in relation to agreeing a timeline and process to mediate in early 2019. As part of that process, the Company will continue with its requests for additional documentation to substantiate the Estate's defence and counterclaims, on the basis that the Estate has not yet met all requirements for disclosure. The Company continues to reserve its rights to pursue claims against the Estate and its advisers. The Company will continue to provide further updates on the progress of the dispute to the market as and when it is appropriate to do so, and in accordance with regulatory requirements.

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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.

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