Bacanora Lithium Plc

Interim Report and Financial Statements

31 December 2018

Unaudited

Company Directory

Board of Directors	Mark Hohnen (Chairman) Peter Secker (CEO) Eileen Carr Jamie Strauss Dr Andres Antonius Mr Junichi Tomono Derek Batorowski Raymond Hodgkinson (Resigned on 13th December 2018)
Chief Financial Officer	Janet Boyce
Company Secretary	Cherif Rifaat
Registered Office	4 More London Riverside London SE1 2AU
Website	www.bacanoralithium.com
Brokers	Citigroup Global Markets limited Citigroup Centre 33 Canada Square Canary Wharf London E14 5LB Canaccord Genuity 88 Wood Street London EC2V 7QR
Nominated Advisers	Cairn Financial Advisers LLP Cheyne House Crown Court 62-63 Cheapside London EC2V 6AX
Lawyers	Gowling WLG (UK) LLP 4 More London Riverside London SE1 2AU
Auditors	BDO LLP 55 Baker St London W1U 7EU
Registered Number	11189628

Contents

Business Review

Highlights – for the half year ending 31 December 2018

Sonora Lithium Project, Mexico ('Sonora' or 'the Sonora Lithium Project')

- US$240 million secured as part of the Sonora Lithium Project financing package to construct an initial 17,500tpa lithium carbonate operation
    - US$150 million senior debt facility with RK Mine Finance, a leading provider of finance for resources companies
    - US$65 million conditional equity commitment from the State General Reserve Fund of Oman ("SGRF")
    - US$25 million conditional equity commitment from Bacanora's offtake partner, Hanwa Co., LTD ("Hanwa")
- Ongoing discussions with industry and strategic financial parties with regards to completing Sonora's finance package
- Engineering and design work with the EPC, kiln and crystalliser contractors for detailed design and cost to complete estimate has continued
- Unrestricted access to develop and operate the Sonora mine secured following acquisition of La Ventana and La Joya parcels of land in Sonora for US$2.9 million with the final consideration settled in August 2018
- The processing plant site's change of land use permission was approved and augments the *Manifestación de Impacto Ambiental* (MIA -Environmental impact assessment permissions) for the project and the MIA for permanent road construction previously approved in 2018. These developments enable the project to commence construction, immediately after the project financing package is completed

Zinnwald Lithium Project, Germany ('Zinnwald')

- Ongoing work towards a Feasibility Study ('FS') into a battery grade lithium product operation at Zinnwald on track for completion in Q2 2019
- NI 43-101 compliant upgraded measured and indicated resource of 124,974 tonnes of contained lithium for Zinnwald issued in September 2018. This is a 30% increase from the previous measured and indicated PERC resource estimate of 96,200 tonnes
- First production of lithium fluoride ('LiF') samples with over 99% purity from concentrates at Zinnwald - provides proof of concept that battery grade lithium products can be produced

Corporate

- Appointment of Citigroup Global Markets Limited ('Citi') to lead the equity financing of the Sonora Lithium Project alongside Canaccord Genuity ('Canaccord'), both of whom also act as joint corporate brokers.
- Lithium pricing came under significant pressure in the calendar year 2018 with concerns about a cooling Chinese market and new suppliers coming online. Lithium equities and lithium markets continued to soften throughout the second half of the calendar year 2018. Battery grade lithium carbonate spot prices, Cost Insurance and Freight (CIF) China, declined steadily, reaching around US$16,000 per tonne in June 2018 and subsequently steadying in the US$13,000 - 15,000 per tonne range by the end of December 2018. Contract prices have remained strong in Q4 2018, maintaining a premium to spot.

Chairman's Statement

With battery grade lithium projects being advanced concurrently in Mexico and Germany, Bacanora is one of the few pure-play lithium development companies publicly quoted in London. Our objective is to advance the development of Sonora and Zinnwald and transform Bacanora into the pre-eminent pure-play lithium production company publicly quoted in London and, in the process, generate substantial value for all our shareholders. During the half year under review, I am pleased to report that considerable progress was made towards achieving our goal of becoming a major supplier of battery grade lithium products.

Our focus on lithium is strategic - based not just on our team's track record of delivering lithium projects around the world, but also on what we believe to be a highly favourable long-term demand profile for what is a critical component of the battery technologies that are powering rapidly-growing sectors, such as electric vehicles and energy storage. With this in mind, we are focused on bringing our two projects into production at the earliest opportunity to capitalise on what, in our view, is a growth story in the resources sector that will run for many years.

You do not have to look far to see just how ubiquitous and important lithium has become to our everyday lives. You are possibly reading this on a smartphone or laptop which both contain lithium. A Tesla Model S with a 70kWh battery, uses 63kg of Lithium Carbonate Equivalent ('LCE')[1]. In 2018 Tesla constructed a 129mWh (129,000kWh) renewable energy storage battery, which we estimate would require a quantity of lithium measured in tonnes. Apply the above numbers to current market forecasts, particularly for these last two sectors, and the thinking and assumptions behind the expected strong growth in demand for lithium from ~265,000 tonnes in 2018 to the 1.15 million tonnes per annum level predicted by UBS by end of 2025 becomes clear.[2]

According to Bloomberg New Energy Finance's report in November 2018, the global energy storage market is expected to grow to 942GW/2,857GWh by 2040, in the process attracting US$620 billion in investment.[3] JP Morgan forecasts that, by 2025, electric vehicles (EVs) and hybrid electric vehicles (HEVs) will account for approximately 30% of global auto sales compared to 1% as recently as 2016.[4] China is leading the way but is not alone globally in establishing ambitious targets for EV production. JP Morgan forecasts the compound annual growth rate (CAGR) of China's new electric vehicle (NEV) market (EVs and PHEVs) could reach 46% by 2020, with 2.5 million units produced that year, well above the government's target of 2 million. Energy storage and electric vehicles are entering the mainstream with household names such as Premier Inn and Arsenal Football Club switching to stored power, and traditional automakers such as Porsche, Mercedes Benz and VW committing to greater numbers of electric vehicles in their fleets.

For the Projected lithium demand targets to have any chance of being met, significantly higher volumes of battery grade lithium than those currently being produced will be required, particularly when global lithium production is estimated to have been around only 265,000 tonnes in 2018. Not all projects currently in production produce high value battery grade lithium. Much of the new volume reaching the market, whether Chinese brine production from the Qinghai region or spodumene concentrates from Brazil and Australia, require significant high cost beneficiation to upgrade to battery grade quality, for which there continues to be significant demand. As we have successfully demonstrated, both our Sonora and Zinnwald projects are capable of producing battery grade lithium without additional beneficiation.

At Sonora, our pilot plant has been producing samples of battery grade lithium carbonate for the last four years. These have been extensively tested and analysed by third parties, including potential end users. This has resulted in us signing a 10 year offtake agreement with Hanwa Ltd, a leading Japanese-based technology metals trader, in 2017, and more recently in July 2018 formalising a conditional off-take option with SGRF, the sovereign wealth fund of the Sultanate of Oman for Stage 2 of the project. During the period, initial LiF samples in excess of 99% purity have been successfully produced from concentrates at Zinnwald. This was carried out as part of an ongoing

[1] https://www.goldmansachs.com/insights/pages/macroeconomic-insights-folder/what-if-i-told-you/report.pdf
[2] https://www.metalbulletin.com/Article/3846018/Electric-vehicles-to-grow-battery-market-tenfold-by-2025-UBS-says.html
[3] Energy Storage is a $620 Billion Investment Opportunity to 2040 https://about.bnef.com/blog/energy-storage-620-billion-investment-opportunity-2040/
[4] Driving into 2025: The Future of Electric Vehicles https://www.jpmorgan.com/global/research/electric-vehicles

Feasibility Study and provides proof of concept of our strategy to produce high value downstream lithium products for the European battery and automotive sectors. As with Sonora, samples from Zinnwald are being tested and evaluated by potential end users.

Sonora

Producing battery grade lithium products is only half the story. Being able to produce at low cost is critical. As the Feasibility Study published in January 2018 highlighted, at an estimated cost of approximately US$4,000 per tonne, a 35,000 tonnes per annum lithium carbonate operation at Sonora will be one of the lowest-cost producers in the industry, occupying a similar position on the cost curve to the brine deposits of South America. Unlike such brine deposits, which deploy a multi-year evaporation process, Sonora will be able to produce lithium carbonate in just 5-7 days. This matches the rate of hard rock producers, which are generally higher-cost deposits due to the need to incorporate drilling, blasting, crushing and grinding into their processes. Sonora is a soft rock deposit, which provides the benefits of both: the low costs of the brine producers and the short timelines of the hard rock producers. Sonora also benefits from a large, high grade and scalable deposit containing resources that can be measured in centuries rather than years, an NPV8 of US$1.25 billion and an IRR of 26.1%.

To date, over half of the funding required to build a stage 1 17,500 tonnes per annum lithium carbonate operation at Sonora has been conditionally agreed. During the period, we signed a US$150 million debt facility with RK Mine Finance, a finance company specialising in the resources sector. In addition, we secured conditional investments totalling US$90 million from SGRF and Hanwa. The Company seeks to complete the construction funding in H1 2019. To this end, Citi were appointed in November 2018 to lead the equity financing of the Sonora project alongside Canaccord. To have Citi and Canaccord on-board is testament to the quality of Sonora. Furthermore, a number of blue-chip institutions, both trade and financial, are currently carrying out due diligence on Sonora with a view to potentially making strategic investments in the project. We are encouraged by the level of engagement we are seeing, and we look forward to updating the market as soon as it is appropriate to do so.

In tandem with our ongoing work to finalise the finance package for the project, we have been pushing ahead with Front End Engineering Design ('FEED') work, which is nearing completion. Our aim is to be in a position to commence the construction phase at Sonora at the earliest opportunity and the results of our FEED work will inform the final Engineering, Procurement and Construction ('EPC') terms and quotes ahead of finalising contracts.

Zinnwald

The FS for Zinnwald remains on track to be completed in Q2 2019. Discussions are ongoing with potential strategic partners, to potentially list Deutsche Lithium GmbH, our 50% owned investment that holds Zinnwald, on at least one public market in 2019. This is being considered, to assist in the funding of the construction of an operation capable of becoming a supplier to the fast-growing European battery and automotive sectors.

During the half-year period under review, a resource upgrade for Zinnwald to 124,974 tonnes of contained Li (NI 43 101, Measured + Indicated) was completed. We are confident we can build on this further in the future as the Company also holds the nearby Falkenheim exploration licences which contain an additional 40,000 tonnes LCE. We believe these two assets represent a compelling investment proposition.

Outlook

Based on sound market fundamentals, long-term forecasts for lithium demand are highly positive. Short term shocks, however, can be expected as the lithium market matures. In line with this, 2018 saw challenging market conditions and bearish sentiment driven by twin concerns of cooling demand in China and the ramping up of output by spodumene producers in Australia (Altura, Alliance AMG, Galaxy, Mineral Resources, Pilbara, Talison), both of which exerted pressure on the lithium price. In H1 2018, the average price of battery grade lithium carbonate on the spot market in China peaked at US$24,750 per tonne. Since then, this declined steadily to around US$13,000 - 15,000 per tonne spot prices CIF China, Japan & Korea.[5] Consequently, share prices in lithium stocks have been

[5] https://www.metalbulletin.com/lithium-prices-update

volatile over the past 12 months and there have been significant falls in equity values as lithium spot prices in China have declined and new lower value lithium concentrate production from Australia has increased.

As far as Bacanora is concerned, the combination of our high quality projects, with end markets that are underpinned by rapidly growing sectors, such as electric vehicles and renewable energy, and qualified personnel at all levels of the Company, reinforces the Board's confidence that we remain on track to become a major supplier of high value battery grade lithium products. We are working hard to achieve this. The half-year period under review has seen us advance FEED design work at Sonora, secure conditional US$240 million financing towards the cost of constructing an initial 17,500 tonnes per annum lithium carbonate operation at Sonora and progress the FS at Zinnwald, including a resource upgrade.

For a junior resources company to be able to successfully run multiple work streams concurrently is testament to the quality and depth of Bacanora's management and operational teams on the ground. I would like to take this opportunity to thank them all for their hard work and continued support during the period. I would also like to thank Ray Hodgkinson, who retired from the Board at the AGM held on 13 December 2018, for his contribution to the development of the Company.

I look forward to reporting further progress in the second half of the financial year and beyond.

Mark Hohnen, Chairman

12 February 2019

Operational Review

a Corporate Review

On 3 July 2018, Bacanora secured a US$150 million senior debt facility with RK Mine Finance, to develop the initial 17,500 tonnes per annum lithium carbonate operation at the Sonora Lithium Project. On 16 July 2018, the Company agreed conditional equity investment of US$65 million from the State General Reserve Fund of Oman ("SGRF"), and a further conditional US$25 million committed equity investment by Bacanora's offtake partner, Hanwa Co., LTD ("Hanwa"), was announced on 16 July 2018 as part of the financing package for the Sonora Lithium Project. Details of these finance packages can be found in the Financial Review below.

On 19 July 2018, the Company elected not to proceed with its proposed placing to raise gross proceeds of US$100 million due to volatility in global commodities markets. In 2018 there was significant negative market sentiment due to falling spot prices and concerns around supply and demand fundamentals (see Market Review). The placement was postponed in order to await improved market sentiment. On 27 November 2018, Bacanora appointed Citi to lead the equity financing of the Sonora Lithium Project alongside Canaccord, both of whom also act as joint corporate brokers in order to fulfil the remaining funding requirements for phase 1 of the project.

b Sonora Lithium Project update

Work to finalise the FEED and cost to complete quotation is ongoing with the EPC contractor. Initial proposals for the construction of cogeneration energy facilities have been received from several suppliers. The proposals are currently being assessed.

In August 2018, the Company made the final consideration payments for two parcels of land, La Ventana and La Joya for a combined total of US$1.3 million. The land provides the Company with unrestricted access to develop the Sonora Lithium Project and operate it for the initial life of mine.

In Mexico, the environmental impact assessment procedure begins with the presentation of an environmental impact statement by the developer, known as the MIA. Mexican authority *Secretaría de Medio Ambiente y Recursos Naturales* (SEMARNAT) approved the Project's MIA in October 2017 and its amendment in May 2018 for new site location. Further to these approvals, an exemption to an MIA for the purpose of road maintenance was approved in July 2018, which enables interim access to the project site during construction. In addition, a MIA for permanent road construction was approved in October 2018.

For land zonation purposes, land use change in non-urban areas is made through an *Estudio Técnico Justificativo de Cambio de Uso de Suelo en Terrenos Forestales* (ETJ). The plant site's ETJ has been approved by the Sonora State forestry council and payment requirement to CONAFOR's Mexican Forestry Fund has been issued by SEMARNAT and was paid by the Company in December 2018. This will allow the project to begin construction as soon as funding is available.

With all construction, land access, water licenses and environmental MIA permits in place, the Company is now focussing on secondary permitting such as the process water borefield and co-gen power supply.

The pilot plant continues to provide a platform to optimise the production process, produce samples for prospective customers and train employees.

c Zinnwald Lithium Project, Germany ('Zinnwald')

During the period, Deutsche Lithium GmbH ("Deutsche Lithium"), the 50% owned, jointly controlled entity, updated the mineral resource estimate for the Zinnwald Project as at 30 September 2018.

The table below provides a breakdown of the upgraded mineral resource estimate for the Zinnwald Project as at 30 September 2018, published on 9 October 2018:

Resource classification*	Ore tonnage (000t)	Mean Li grade (ppm)	Contained Li (tonnes)
Measured	18,510	3,630	67,191
Indicated	17,000	3,399	57,783
Inferred	4,865	3,549	17,266
Demonstrated (Measured + Indicated)	**35,510**	**3,519**	**124,974**
Total (Measured + Indicated + Inferred)	**40,375**	**3,523**	**142,240**

(* Vertical thickness ≥ 2 metres, cut-off Li = 2,500 ppm)

An initial resource was published in 2014 which was based on the Pan-European Reserves and Resources Reporting Committee (PERC) standards. It had measured and indicated resources of 26.6 million tonnes ore at a grade of 3,620 ppm Li containing 96,200 tonnes of Li. This was updated in September 2018 in a competent person's report carried out by G.E.O.S. Ingenieurgesellschaft mbH (G.E.O.S.). The new measured and indicated resource (at a minimum width of 2 metres and 2,500 ppm Li cut-off) has increased significantly to 35.5 million tonnes at a grade of 3,519 ppm Li containing 124,974 tonnes of Li, an increase of 30%. The new resource figures were confirmed as compliant to the national instrument 43-101 *Standards of Disclosure for Mineral Projects* within Canada.

The NI 43-101 resource is based on a total of 76 surface holes plus 12 underground holes comprising 6,465 metres of core. With recent exploration consisting of 10 surface drill holes (9 DDH and 1 RC DH) completed during the years 2012 to 2014 with a total length of 2,484 metres. Infill and verification drilling was resumed and completed in 2017, consisting of 15 surface diamond drill holes with a total length of 4,458.9 metres.

Work is underway on a Feasibility Study to demonstrate the economic viability of producing high value downstream lithium products at the Company's 50% owned Zinnwald Project for the European battery and automotive sectors. This work is expected to be completed in Q2 2019. Results of test work on concentrates demonstrate downstream lithium products can be produced from the Zinnwald ores, utilising chemicals and infrastructure available in the Dresden area. Remaining workflows to be completed include finalising the mine design, hydrometallurgical test work and engineering designs.

d Lithium Market Update

In the period from January 2016 to October 2017, CIF Asia battery grade lithium carbonate contract prices increased from US$8,000 per tonne to circa US$21,000 per tonne on the back of constrained supply and increasing demand. In H1 2018, the average price of battery grade lithium carbonate on the spot market in China peaked at US$24,750 per tonne. Since then CIF prices declined steadily to around US$16,000 per tonne by June 2018. At the out-turn of the calendar year, Metal Bulletin reported 99.5% lithium carbonate battery grade spot prices CIF China, Japan & Korea of US$13,000-15,000 per tonne. In H2 2018, major lithium producers like SQM and Orocobre reported weak pricing on short term contracts for lithium carbonate. The depressed pricing was blamed on weak demand in China and new supply in Australia ramping up.

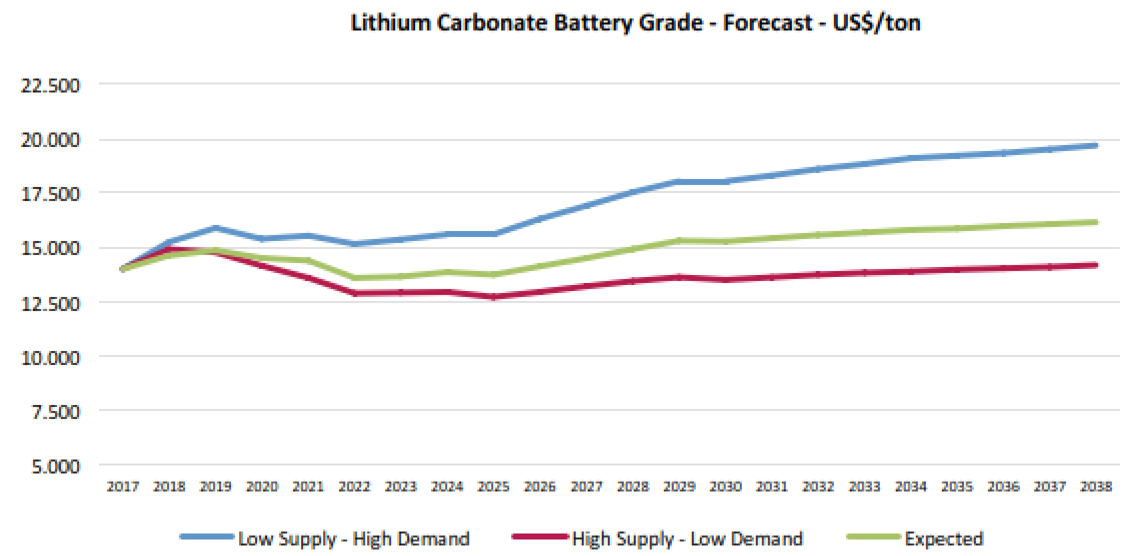
Contract prices have been less volatile throughout calendar year 2018 due to their embedded longer-term pricing mechanisms. Fastmarkets MB's assessment of the battery grade lithium carbonate segment showed prices of US$16,000 per tonne in October 2018, which was trading at a premium to the spot Chinese price.

2018 saw many new spodumene producers begin production, however, ramp up has proved slower than expected. Alliance Mineral Assets were first to produce, with first shipments out of the Bald Hill hard rock mine in June 2018, AMG ramped up commissioning the Mibra facility in Brazil towards the end of Q2 2018 with initial shipments in Q4. In addition, initial shipments of concentrate from the Pilgangoora deposits by Pilbara Minerals and Altura Mining, commenced in Q4 2018. According to a report by Benchmark Mineral Intelligence on 9 January 2019, these new operations have addressed the short-term needs of the conversion market, however, significant additional conversion capacity would be required to convert the concentrate to useful battery grade products, in the event that all the spodumene projects are able to ramp up to name plate capacity on schedule.

Further acquisitions by the lithium majors in Q4 2018 provided evidence of continued confidence in the underlying fundamentals of the lithium market. In December 2018, Tianqi bought a minority stake in SQM from Nutrien for US$4.1 billion. In addition, Albemarle acquired a 50% interest in MRL's Wodgina hard rock lithium project in Western Australia for US$1.15 billion and formed a joint venture to produce spodumene concentrate and battery grade lithium hydroxide.

A market study commissioned by Bacanora Lithium was conducted by independent market research company, Signumbox. The report dated 11 December 2018, concluded that world demand would increase from 244kt of LCE in 2018 to 1,457kt by 2030, in their base case, with prices for battery grade lithium carbonate ranging between US$13,500-16,200 per tonne over the next 20 years. The price for battery grade lithium carbonate is expected to remain above US$12,500 per tonne under their "high supply - low demand" scenario in the same period. These are well above the US$11,000 per tonne price assumed in the Sonora Lithium Project feasibility study, providing confidence that the project's economics are sound even under high supply - low demand scenarios. With an estimated production cost profile of around US$4,000 per tonne, the Sonora Lithium Project sits in the lower quartile of lithium production costs, giving it added protection when compared to the higher cost producers such as the new mines being brought on stream in Australia.

Figure 1. Lithium carbonate market study dated 11 December 2018, by Signumbox.



Sources and further reading:

http://www.mining.com/orocobre-shares-crushed-weak-lithium-prices-outlook/

https://seekingalpha.com/article/4230056-lithium-miners-news-month-december-2018

https://www.reuters.com/article/us-chile-tianqi-lithium/tianqi-buys-stake-in-lithium-miner-sqm-from-nutrien-for-4-1-billion-idUSKBN1O217F

https://www.mining-technology.com/news/mineral-resources-albemarle-lithium-deal/

https://www.metalbulletin.com/Article/3851378/GLOBAL-LITHIUM-WRAP-Chinese-lithium-prices-stable-ahead-of-year-end-other-regional-markets-flat.html

https://seekingalpha.com/article/4184266-lithium-junior-miner-news-month-june-2018

https://uk.reuters.com/article/uk-lithium-pricing-ahome/commentary-lithium-price-tensions-highlight-need-for-an-lme-contract-idUKKCN1NE13W

https://www.benchmarkminerals.com/lithium-supply-revisited/

Financial Review

During the six months ending 31 December 2018, the Group made an operating loss of US$4.4 million compared with a loss of US$3.2 million for the six months ended 31 December 2017. This includes US$3.8 million general and administrative costs, share based payment compensation of US$0.5 million and US$0.1 million depreciation. General and administrative costs increased by US$1.5 million compared to the prior period cost of US$2.3 million. The increase included additional legal and accounting fees related to completion and ongoing maintenance of debt financing as well as increased tax, legal and corporate finance advisory costs. Furthermore, the Group continues to strengthen its management and operations teams as it prepares to advance into development and construction resulting in increased staff costs. Share based payments decreased by US$0.6 million from US$1.1 million in the prior period due to fewer options vesting and being granted in the period.

During the period, the Group incurred finance costs of US$2.1 million in relation to the Group's debt financing. The finance income comprised a revaluation the Group's financial warrants of US$2.6 million and interest on the Group's cash reserves of US$0.1 million.

The option to purchase the remaining 50% interest in Deutsche Lithium GmbH, which holds the Zinnwald Project, has been recorded at its fair value of US$0.15 million at 31 December 2018 (US$0.6 million at 30 June 2018). The US$0.45 million revaluation on the option is a result of the unwinding of the time value of the option using the Black-Scholes option pricing model. No new material information was available affecting the value of the option at that date and the revaluation does not reflect a decline in value of the underlying asset at the end of December 2018. An updated NI 43-101 compliant resource statement was produced on 30 September 2018. The update does not impact the value of the derivative, as the economic feasibility of the resource is yet to be proven. Please see the Operational Review section for details on the updated resource estimate.

The total net assets of the Group decreased to US$38.9 million at 31 December 2018 (US$42.6 million at 30 June 2018). Property, plant and equipment increased to US$29.2 million at 31 December 2018 from US$26.4 million at 30 June 2018. Additions in the period totalled US$2.9 million which comprised of US$2.7 million capitalised cost on detailed engineering design work for the Sonora Lithium Project and US$0.2 million on computer hardware and installation of an enterprise resource planning system. Current liabilities reduced by US$6 million due to the settlement of accounts payable and the Deutsche Lithium obligation offset by the issue of financial warrants associated with the drawing of RK borrowing. Furthermore, non-current liabilities significantly increased as a result of the drawdown of the Groups RK debt facility.

The closing cash balance of the Group was US$20.5 million at the end of December 2018 (US$13.2 million at 30 June 2018). The main cashflows in the six-month period to 31 December 2018 included debt financing from RK Mine Finance of US$25 million, less direct transaction fees of US$4.1 million; property, plant and equipment cash expenditures of US$7.2 million; US$5 million general and administrative cash payments; and US$1.6 million funding of the Zinnwald Project.

a Financing

In July 2018, US$150 million senior debt facility was secured with RK Mine Finance and US$65 million and US$25 million conditional equity commitments obtained from SGRF and Hanwa, respectively, for the Sonora Lithium Project. Work is now underway to secure the remaining required project funding for the Sonora Lithium Project.

i SGRF strategic investment

Bacanora has entered into a Strategic Investment Agreement and Offtake Agreement with SGRF on 16 July 2018. SGRF's proposed conditional investment comprise of a US$65 million equity investment, conditional on the Company securing the full funding of US$460 million for the Sonora Lithium Project. Other key terms of both agreements include:

- An offtake option to purchase up to 10,000 tonnes per annum of lithium carbonate produced at Sonora predominantly during Stage 2 for a period of 10 years; and
- SGRF will have the right to appoint a non-executive Director to the Board.

SGRF is the 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.

ii US$150 million RK Mine Finance facility

The debt facility entered into with RK Mine Finance is structured as two separate Eurobonds to be listed in Jersey:

- Main bond: US$150 million nominal amount secured notes issued at a purchase price of US$138 million with a 6-year term and bearing an interest rate of three months LIBOR + 8% per annum based on a nominal amount of US$150 million but payable only on drawn down principal. Interest will be capitalised every three months for the first 24 months and thereafter interest will be paid every three months in cash. The main bond is repaid with 12 quarterly payments payable 39 months after the last day of the month of first issuance date (3 July 2018). The quarterly payments comprise 11 payments of 3% of the principal amount followed by a last payment for the remaining balance. However, the loan can be voluntarily redeemed at any stage; and
- Second bond: US$56 million nominal amount zero interest-bearing secured notes issued at a purchase price of US$12 million with a 20-year term. The nominal amount is repayable by reference to monthly production of lithium at a rate of US$160 per tonne of lithium produced, with any remaining amount repayable at the end of the 20-year term.

The facility may be drawn in three tranches of US$25 million, US$50 million and US$75 million, subject to certain Conditions Precedent, including, but not limited to: various matters in respect of the execution, registration and perfection of certain security and the granting of listing consent by The International Stock Exchange, a minimum equity raise of US$200 million, energy and engineering contracts executed. All drawdowns under the RK Mine Finance debt facility will be pro-rata across the two Eurobond instruments. In July 2018, the Company drew down the first US$25 million of the RK debt facility.

Furthermore, the Company granted 6 million warrants to RK Mine Finance, exercisable over five years at a 20% premium to the 20-day VWAP, the exercise price has been fixed at 0.9945 GBP, subject to normal anti-dilution provisions, cash settlement at the Company's option, and cashless exercise at either party's option.

iii Further project funding

The debt facility as well as conditional equity commitments from SGRF and Hanwa provide independent endorsements of Sonora's strategic importance. To date US$240 million representing more than 50% of the funding required for Stage 1 production of 17,500 tonnes per annum of lithium carbonate at Sonora has been conditionally committed to the project development in the form of the above debt and equity funding.

On 27 November 2018, Bacanora appointed Citi to lead the equity financing of the Sonora Lithium Project alongside Canaccord. The Company continues to work closely with its brokers, existing shareholders and potential new investors to secure the remaining equity funds required to construct the Stage 1 operation at Sonora.

On behalf of the Board of Directors

Janet Boyce, CFO

12 February 2019

Independent review report to Bacanora Lithium Plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the interim report for the six months ended 31 December 2018, which comprises of the consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows and related notes.

We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on AIM which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the Company's annual accounts having regard to the accounting standards applicable to such annual accounts.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on AIM and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity'', issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim report for the six months ended 31 December 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the rules of the London Stock Exchange for companies trading securities on AIM.

BDO LLP

BDO LLP

Chartered Accountants

London

12 February 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Statement of Financial Position

As at 31 December 2018

In US$	Note	31 December 2018 (Unaudited)	30 June 2018 (Audited)
Assets			
Current assets			
Cash and cash equivalents		**20,466,637**	13,203,052
Other receivables		**1,601,964**	1,472,120
Derivative asset	5c	**152,898**	-
Total current assets		**22,221,499**	14,675,172
Non-current assets			
Investment in joint venture	5a	**8,318,915**	8,426,134
Derivative asset	5c	**-**	615,011
Property, plant and equipment	6	**29,195,639**	26,391,422
Exploration and evaluation assets	7	**513,345**	502,947
Total non-current assets		**38,027,899**	35,935,514
Total assets		**60,249,398**	50,610,686
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		**1,725,648**	6,383,830
Warrant liability	9	**282,664**	-
Joint venture obligation	5b	**-**	1,591,652
Total current liabilities		**2,008,312**	7,975,482
Non-current liabilities			
Borrowings	8	**19,310,454**	-
Total non-current liabilities		**19,310,454**	-
Total liabilities		**21,318,766**	7,975,482
Shareholders' equity			
Share capital	10b	**18,996,790**	18,958,033
Share premium	10b	**153,366**	140,592
Merger reserve	10h	**53,557,251**	53,557,251
Share-based payment reserve	10f	**6,599,792**	6,138,085
Foreign currency translation reserve		**3,568,358**	3,568,358
Retained earnings		**(43,241,271)**	(39,029,014)
Equity attributable to equity shareholders of Bacanora Lithium Plc.		**39,634,286**	43,333,305
Non-controlling interest		**(703,654)**	(698,101)
Total shareholders' equity		**38,930,632**	42,635,204
Total liabilities and shareholders' equity		**60,249,398**	50,610,686

The Interim Consolidated Financial Statements of Bacanora Lithium Plc, registered number 11189628, were approved and authorised for issue by the Board of Directors on 12 February 2019 and were signed on its behalf by:

Mark Hohnen

12 February 2019

Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2018

In US$ (Unaudited)	**Note**	**31 December 2018**	31 December 2017 (Restated)
Expenses			
General and administrative	11	**(3,758,609)**	(2,272,128)
Depreciation	6	**(83,956)**	(83,894)
Share-based payment expense	10g	**(522,656)**	(1,082,845)
Foreign exchange gain		**5,251**	249,384
Operating loss		**(4,359,970)**	(3,189,483)
Finance costs	12	**(2,111,313)**	(320,707)
Finance income	12	**2,749,661**	76,475
Joint venture investment loss	5a	**(107,219)**	(80,317)
Revaluation of derivative asset	5c	**(462,113)**	203,947
Loss before tax		**(4,290,954)**	(3,310,085)
Tax charge		**(4,304)**	(13,471)
Loss after tax		**(4,295,258)**	(3,323,556)
Other comprehensive income			
Foreign currency translation adjustment		**-**	1,437,280
Total comprehensive loss		**(4,295,258)**	(1,886,276)
Loss attributable to shareholders of Bacanora Lithium Plc		**(4,289,705)**	(3,353,429)
(Loss)/profit attributable to non-controlling interests		**(5,553)**	29,873
Loss after tax		**(4,295,258)**	(3,323,556)
Total comprehensive loss attributable to shareholders of Bacanora Lithium Plc		**(4,289,705)**	(1,916,149)
Total comprehensive (loss)/profit attributable to non-controlling interests		**(5,553)**	29,873
Total comprehensive loss		**(4,295,258)**	(1,886,276)
Net loss per share (basic and diluted)	10i	**(0.03)**	(0.03)

BACANORA lithium

Consolidated Statement of Changes in Equity

For the six months ended 31 December 2018

In US$	Share capital: Number of shares	Share capital: Value	Share premium	Merger reserve	Share based payment reserve	Foreign currency translation reserve	Retained earnings	Total equity attributable to Bacanora Lithium Plc	Non-controlling interest	Total equity
30 June 2017 (Audited) (Restated)	131,906,539	70,268,394	-	-	5,042,706	2,681,679	(26,297,708)	51,695,071	(643,546)	51,051,525
Comprehensive income for the period:										
Loss after tax	-	-	-	-	-	-	(3,353,429)	(3,353,429)	29,873	(3,323,556)
Foreign currency translation adjustment	-	-	-	-	-	1,437,280	-	1,437,280	-	1,437,280
Total comprehensive loss	-	-	-	-	-	1,437,280	(3,353,429)	(1,916,149)	29,873	(1,886,276)
Contributions by and distributions to owners:										
Shares issued on exercise of options	300,000	149,522	-	-	(38,786)	-	-	110,736	-	110,736
Shares issued on exercise of warrants	833,333	302,314	-	-	-	-	-	302,314	-	302,314
Share-based payment expense	-	-	-	-	1,082,845	-	-	1,082,845	-	1,082,845
31 December 2017 (Unaudited) (Restated)	133,039,872	70,720,230	-	-	6,086,765	4,118,959	(29,651,137)	51,274,817	(613,673)	50,661,144
Comprehensive income for the period:										
Loss for the period	-	-	-	-	-	-	(9,377,877)	(9,377,877)	(84,428)	(9,462,305)
Foreign currency translation adjustment	-	-	-	-	-	(550,601)	-	(550,601)	-	(550,601)
Total comprehensive loss	-	-	-	-	-	(550,601)	(9,377,877)	(9,928,478)	(84,428)	(10,012,906)
Contributions by and distributions to owners:										
Shares issued on exercise of options	1,125,000	1,795,054	140,592	-	(742,930)	-	-	1,192,716	-	1,192,716
Corporate reorganisation	-	(53,557,251)	-	53,557,251	-	-	-	-	-	-
Share-based payment expense	-	-	-	-	794,250	-	-	794,250	-	794,250
30 June 2018 (Audited)	134,164,872	18,958,033	140,592	53,557,251	6,138,085	3,568,358	(39,029,014)	43,333,305	(698,101)	42,635,204
Comprehensive income for the period:										
Loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(4,289,705)**	**(4,289,705)**	**(5,553)**	**(4,295,258)**
Total comprehensive loss	**-**	**-**	**-**	**-**	**-**	**-**	**(4,289,705)**	**(4,289,705)**	**(5,553)**	**(4,295,258)**
Contributions by and distributions to owners:										
Shares issued on exercise of options	**300,000**	**38,757**	**12,774**	**-**	**(60,949)**	**-**	**77,448**	**68,030**	**-**	**68,030**
Share-based payment expense	**-**	**-**	**-**	**-**	**522,656**	**-**	**-**	**522,656**	**-**	**522,656**
31 December 2018 (Unaudited)	**134,464,872**	**18,996,790**	**153,366**	**53,557,251**	**6,599,792**	**3,568,358**	**(43,241,271)**	39,634,286	**(703,654)**	38,930,632

Consolidated Statement of Cash Flows

For the six months ended 31 December 2018

In US$ (Unaudited)	Note	**31 December 2018**	31 December 2017 (Restated)
Cash flows from operating activities			
Loss for the period before tax		**(4,290,954)**	(3,310,085)
Adjustments for:			
Depreciation of property, plant and equipment	6	**83,956**	83,894
Share-based payment expense	10f	**522,656**	1,082,845
Foreign exchange		**(5,251)**	-
Finance costs	12	**2,111,313**	-
Warrant liability revaluation	12	**(2,646,960)**	-
Interest income	12	**(102,701)**	(76,475)
Loss on investment in joint venture	5a	**107,219**	80,317
Accretion of joint venture obligation	5b	**-**	320,707
Revaluation of derivative asset	5c	**462,113**	(203,947)
Changes in working capital items:			
Other receivables		**(27,615)**	(431,410)
Accounts payable and accrued liabilities		**(1,235,475)**	190,534
Income tax paid		**(4,304)**	-
Net cash used in operating activities		**(5,026,003)**	(2,263,620)
Cash flows from investing activities:			
Interest received		**102,701**	76,475
Purchase of property, plant and equipment	6	**(7,159,342)**	(1,487,817)
Purchase of exploration & evaluation assets	7	**(10,398)**	(3,991,316)
Payments of the joint venture obligation	5b	**(1,568,565)**	(2,607,663)
Net cash used in investing activities		**(8,635,604)**	**(8,010,321)**
Cash flows from financing activities			
Proceeds from borrowing	8	**20,875,000**	-
Exercise of options	10c	**68,501**	110,736
Exercise of warrants		**-**	302,314
Net cash flows from financing activities		**20,943,501**	413,050
Change in cash and cash equivalents during the period		**7,281,894**	(9,860,891)
Exchange rate effects		**(18,309)**	1,790,601
Cash and cash equivalents, beginning of period		**13,203,052**	29,889,853
Cash and cash equivalents, end of period		**20,466,637**	21,819,563

Notes to the Interim Consolidated Financial Statements

1 Corporate information

Bacanora Lithium Plc (the "Company" or "Bacanora") was incorporated under the Companies Act 2006 of England and Wales on 6 February 2018. The Company is listed on the AIM market of the London Stock Exchange, with its common shares trading under the symbol, "BCN". The registered address of the Company is 4 More London Riverside, London, SE1 2AU.

On 23 March 2018, the Plan of Arrangement to re-domicile the Bacanora Group from Canada to the UK became effective resulting in Bacanora Lithium Plc becoming the new holding company for Bacanora Minerals Ltd. Bacanora Minerals Ltd was incorporated under the Business Corporations Act of Alberta on 29 September 2008. Bacanora Minerals Ltd was dually listed on the TSX Venture Exchange as a Tier 2 issuer and on the AIM market of the London Stock Exchange, until the aforementioned corporate reorganisation, after which delisting took place. The registered address of Bacanora Minerals Ltd is 2204 6th Avenue N.W. Calgary, Alberta, T2N 0W9.

The Group is a development stage mining group engaged in the identification, acquisition, exploration and development of mineral properties located in Mexico and Germany. On 25 January 2018, the Group issued the results of the Feasibility Study ("FS") for the Sonora Lithium Project in Mexico. The FS confirmed the positive economics and favourable operating costs of a 35,000 tonnes per annum battery grade lithium carbonate operation. The FS estimates a pre-tax project net present value of US$1.253 billion at an 8% discount rate and an internal rate of return of 26.1%, and life of mine operating costs of approximately US$4,000 per tonne of lithium carbonate.

2 Basis of preparation

a Statement of compliance

These Interim Consolidated Financial Statements were authorised for issue by the Board of Directors on 12 February 2019.

These Interim Consolidated Financial Statements for the six months ended 31 December 2018 and the information relating to the year ended 30 June 2018 contained within the Interim Consolidated Financial Statements do not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. The Consolidated Financial Statements for the year ended 30 June 2018 have been delivered to the Registrar of Companies and the auditor's report on those financial statements was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006.

These financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 – Interim Financial Reporting as adopted by the European Union and should be read in conjunction with the audited Consolidated Financial Statements for the year ended 30 June 2018.

b Basis of measurement and restatement of presentational currency

These Interim Consolidated Financial Statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value.

These Interim Consolidated Financial Statements are presented in United States dollars ("US$"). The Interim Consolidated Financial Statements were previously presented in Canadian dollars, the change in presentational currency was performed on 30 June 2018 under the guidance of IAS 21, with all comparatives within the primary statements and accompanying notes being restated to US$. The change was made in order to provide the reader with more reliable and relevant information in the currency which is most relevant to the Group's operating environment. The functional currency of the Company and its subsidiaries is the United States dollars (see note 3d for change in functional currency accounting policy).

BACANORA lithium

c Going concern

The Directors have, at the time of approving the Interim Consolidated Financial Statements, assessed the Group's ability to continue as a going concern. The Group has not entered into commitments to develop the Sonora Lithium Project and the Directors consider that the Group has sufficient funds to meet its operating requirements and its borrowing obligations for a period of at least the next 12 months. Thus, the going concern basis of accounting in preparing the Interim Consolidated Financial Statements continues to be adopted.

3 Significant accounting policies

The Interim Consolidated Financial Statements have been prepared using accounting policies consistent with those used in the preparation of the audited Consolidated Financial Statements for the Group for the year ended 30 June 2018. The following accounting policies have been updated in the six months ended 31 December 2018:

a Basis of consolidation

The Interim Consolidated Financial Statements comprise the financial statements of Bacanora Lithium Plc and the following subsidiaries:

Name of subsidiary	Country of incorporation	Shareholding on 31 December 2018	Nature of business
Bacanora Finco Ltd	UK	100%	Financing company
Bacanora Treasury Ltd	UK	100%	Financing company
Sonora Lithium Ltd	UK	100%	Holding company
Bacanora Chemco S.A de C.V.*	Mexico	100%	Lithium processing
Bacanora Minerals Ltd	Canada	100%	Holding company
Zinnwald Lithium Ltd**	UK	100%	Dormant
Mexilit S.A. de C.V.**	Mexico	70%	Lithium mining/exploration
Minera Megalit S.A de C.V.**	Mexico	70%	Mineral exploration
Mineramex Limited**	BVI	100%	Holding company
Minera Sonora Borax, S.A. de C.V.***	Mexico	100%	Lithium mining/exploration
Operador Lithium Bacanora S.A de CV***	Mexico	100%	Mexican service organisation
Minerales Industriales Tubutama S.A. de C.V.***	Mexico	60%	Mineral exploration

*Held indirectly through Sonora Lithium Ltd

**Held indirectly through Bacanora Minerals Ltd

***Held indirectly though Mineramex Limited and Bacanora Minerals Ltd

Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intercompany balances and transactions are eliminated in full. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

b New accounting standards adopted

A number of new and amended standards became mandatory and are effective for periods beginning on or after 1 January 2018. Below if a list of the new standards and where appropriate these new standards have been incorporated into the Interim Consolidated Financial Statements:

IFRS 9 Financial Instruments ("IFRS 9")

IFRS 9 provides a comprehensive new standard for accounting for all aspects of financial instruments. The focus is on three main areas:

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value and replaces the multiple category and measurement models in IAS 39. The approach in IFRS 9 focuses on how an entity manages its financial instruments in the context of its business model, as well as the contractual cash flow characteristics of the financial assets.

The new standard also requires a single impairment method to be used, replacing the multiple impairment methods provided in IAS 39.

Although the classification criteria for financial liabilities did not change under IFRS 9, the fair value option requires different accounting for changes to the fair value of a financial liability resulting from changes to an entity's own credit risk.

New hedge accounting requirements were incorporated into IFRS 9 that increase the scope of items that can qualify as a hedged item and change the requirements of hedge effectiveness testing that must be met to use hedge accounting.

On 1 July 2018, the Group adopted IFRS 9. The new standard has been applied retrospectively but did not result in a restatement of prior period financial assets and liabilities. An impairment review using IFRS 9's expected credit loss model did not result in an impairment provision.

IFRS 15 Revenue from contracts with customers ("IFRS 15")

IFRS 15 provides a single model to determine how and when an entity should recognise revenue, as well as requiring entities to provide more informative, relevant disclosures in respect to its revenue recognition criteria.

On 1 July 2018, the Group adopted IFRS 15. The new standard has been applied retrospectively but did not result in a restatement of prior period financial assets and liabilities.

c Standards, amendments and interpretations effective in future periods

At the date of authorisation of these Interim Consolidated Financial Statements, the following new standards, amendments and interpretations to existing standards have been published but are not yet effective and have not been adopted early by the Group:

IFRS 16, Leases

IFRS 16, which supersedes IAS 17, sets out principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). Lessee accounting will change substantially under this new standard while there is little change for the lessor. IFRS 16 eliminates the classification of leases as either operating leases or financing leases and, instead, introduces a single lessee accounting model. A lessee will be required to recognise assets and liabilities for all leases with a term of more than 12 months (unless the underlying asset is of low value) and will be required to present depreciation of leased assets separately from interest on lease liabilities in the consolidated statement of income. A lessor will continue to classify its leases as operating leases or financing leases, and to account for those two types of leases separately.

IFRS 16 is effective for fiscal periods beginning on or after 1 January 2019. The Group has evaluated the impact of IFRS 16, the Group currently has no lease agreements in place and the impact of IFRS 16 is expected to be limited.

d Change of functional currency

Effective from 1 July 2018, Management, under guidance from IAS 21, have determined that Bacanora Minerals Ltd's functional currency has changed to US$. On 23 March 2018 Bacanora Minerals Ltd became a subsidiary of Bacanora Lithium Plc through the corporate reorganisation. This moved corporate expenditure to Bacanora Lithium

Plc and on 3 July 2018 Bacanora Lithium Plc raised US$150 million in debt financing, removing the requirement for Bacanora Minerals Ltd to provide funding for corporate expenses. As a result, Bacanora Minerals Ltd's primary purpose moved to providing funding to its subsidiaries and thus the functional currency of its principal operating environment had permanently changed to US$.

e Financial instruments

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

Except for trade receivables which do not contain a significant financing component, financial assets and financial liabilities are measured initially at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition or issue of the financial instrument. Trade receivables which do not contain a significant financing component are recognised at their transaction price. Financial assets and financial liabilities are subsequently measured as described below.

i Financial assets

Financial assets are subsequently recognised at amortised cost under IFRS 9 if it meets both the hold to collect and contractual cash flow characteristics tests. A financial asset is measured at fair value through other comprehensive income if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If neither of the above classification are met the asset is classified as fair value through the profit and loss or unless Management elect to do so provided to do so eliminates or significantly reduces a measurement or recognition inconsistency.

(a) Cash and cash equivalents and Trade and other receivables

Cash and cash equivalents and trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment, if any.

(b) Fair value through profit or loss

Financial assets measured at fair value through profit or loss are subsequently measured at fair value with changes in those fair values recognised in the profit and loss statement.

Assets held at fair value through profit or loss comprise of the derivative asset.

ii Financial Liabilities

Financial liabilities are subsequently measured at amortised cost using the effective interest method, except for financial liabilities designated at fair value through profit or loss, that are carried subsequently at fair value with gains and losses recognised in the profit and loss statement.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

The Group's financial liabilities initially measured at fair value and subsequently recognised at amortised cost include accounts payables and accrued liabilities, the joint venture obligation and the Groups primary and secondary Eurobonds. The Group accounts for the financial warrants at fair value through profit or loss.

(a) Warrant liabilities

The warrants granted to RK Mine Finance can be settled in cash at the Company's option or equity at either party's option. As a result, the warrants have been classified as financial liability. The financial warrants issued with the primary and secondary Eurobonds are detachable instruments meeting the criteria to be separated from the host contract and thus recognised as a separate financial instrument. Management have classified the financial warrants at fair value through profit and loss. The initial and subsequent fair values are measured using the Black Scholes valuation method.

(b) Borrowings

The Group's primary and secondary Eurobonds have been initially recognised at fair value less directly attributable transaction costs, using the present value of future cashflows. Given the warrant liabilities and Eurobonds were issued as a package of financial instruments the warrants have been accounted for at their known fair value and the remaining fair value has been allocated to the Eurobonds based on the ratio of the purchase price of the Eurobonds. Subsequently the Eurobonds are measured at amortised cost using the effective interest rate method.

f Impairment of assets

i Financial assets

A financial asset that is not carried at fair value through profit or loss is assessed at each reporting date to determine a loss allowance for expected credit losses. If the credit risk on a financial instrument has increased significantly since initial recognition, the loss allowance is equal to the lifetime expected credit losses. If the credit risk has not increased significantly, the loss allowance is equal to the twelve month expected credit losses.

The expected credit losses are measured in a way that reflects the unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes; the time value of money and reasonable and supportable information that is available about past events, current conditions and forecasts of future economic conditions.

4 Critical accounting estimates and judgements

The preparation of the Interim Consolidated Financial Statements requires management to make certain judgements, estimates, and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from these estimates. Management's assessment of the significant judgements, estimates, and assumptions that have the most significant effect on the financial statements has not changed from the year ended 30 June 2018, for further detail please refer to the Consolidated Financial Statements for the year ended 30 June 2018.

5 Investments in jointly controlled entities

a Investment in Deutsche Lithium

A reconciliation of the carrying amount of the net investment in the joint venture is as follows:

In US$	Joint venture investment
30 June 2017 (Audited) (Restated)	8,418,518
Joint venture investment loss	(147,403)
Translation gain	155,019
30 June 2018 (Audited)	8,426,134
Joint venture investment loss	**(107,219)**
31 December 2018 (Unaudited)	**8,318,915**

b Deutsche Lithium obligation

The movement in the obligation to Deutsche Lithium is detailed below:

In US$	Joint venture liability
30 June 2017 (Audited) (Restated)	(4,937,882)
Payments of joint venture obligation	4,177,381
Accretion of joint venture obligation	(662,299)
Foreign exchange loss	(168,852)
30 June 2018 (Audited)	(1,591,652)
Payments of joint venture obligation	**1,568,565**
Foreign exchange gain	**23,087**
31 December 2018 (Unaudited)	**-**

c Derivative asset - Deutsche Lithium option

The Group, alone or together with any reasonably acceptable third party, has the option to acquire the remaining 50% of the jointly controlled entity for €30 million, this option terminates in Q3 2019. In the event that the Group does not exercise this right prior to the termination date, SolarWorld has the right but not the obligation to purchase the Group's 50% interest for €1.

The option to purchase the remaining 50% interest has been recognised as a derivative asset in the Consolidated Statement of Financial Position as it represents the option to acquire equity instruments at a future point in time. This derivative asset has been recorded at its fair value of US$152,898 (30 June 2018 – US$615,011), categorised within the level 3 fair value hierarchy. The derivative asset has been classified as short-term due to its realisation being in Q3 2019. The fair value was determined using the Black-Scholes option pricing model with the following inputs.

	31 December 2018 (Unaudited)	30 June 2018 (Audited)
Term	0.58	1.08
Share Price (€)	5,100,000	5,100,000
Exercise Price (€)	30,000,000	30,000,000
Volatility	124%	124%
Risk Free rate	2%	2%

A 10% increase in volatility equates to an increase in the value of the derivative of US$99,287 to US$252,185. A 10% decrease in volatility equates to a decrease in the value of US$71,954 to US$80,944.

6 Property, plant and equipment

a Sonora Lithium Project

A summary of the Sonora Lithium Project is provided in the Consolidated Financial Statements dated 30 June 2018. See the Operational Review for an update of operations at the Sonora Lithium Project in the period ended 31 December 2018.

The MSB concessions are purportedly subject to a 3% gross overriding royalty payable to the Orr-Ewing Estate pursuant to the Royalty Agreements, on sales of mineral products produced from certain concessions within the

Sonora Lithium Project. However, Bacanora Minerals Ltd is currently challenging the validity and enforceability of such royalty and is seeking an order of the Court declaring such royalty void ab initio. The basis of Bacanora Minerals Ltd claim is that the Royalty was originally granted based on a negligent or fraudulent misrepresentation by Mr. Orr-Ewing that he held a pre-existing royalty granted prior to the acquisition of the MSB concessions by Bacanora Minerals Ltd.

Cost	Evaluated mineral property	Land	Building and equipment	Machinery and equipment	Office equipment	Transportation	Total
30 June 2017 (Audited) (Restated)	-	195,614	893,881	711,194	259,697	146,142	2,206,528
Additions	5,906,000	2,800,000	116,136	26,072	12,479	-	8,860,687
Disposals	-	-	(35,768)	-	-	(25,408)	(61,176)
Transfers from exploration and evaluation assets	16,029,716	-	-	-	-	-	16,029,716
30 June 2018 (Audited)	21,935,716	2,995,614	974,249	737,266	272,176	120,734	27,035,755
Additions	**2,687,807**	**36,208**	**-**	**-**	**164,158**	**-**	**2,888,173**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**	**-**
31 December 2018 (Unaudited)	**24,623,523**	**3,031,822**	**974,249**	**737,266**	**436,334**	**120,734**	**29,923,928**

Depreciation							
30 June 2017 (Audited) (Restated)	-	-	144,103	197,634	64,110	98,819	504,666
Charge for the period	-	-	41,393	63,926	26,950	17,455	149,724
Disposals	-	-	-	-	-	(10,057)	(10,057)
30 June 2018 (Audited)	-	-	185,496	261,560	91,060	106,217	644,333
Charge for the period	**-**	**-**	**24,173**	**36,185**	**16,702**	**6,896**	**83,956**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**	**-**
31 December 2018 (Unaudited)	**-**	**-**	**209,669**	**297,745**	**107,762**	**113,113**	**728,289**

Net Book Value							
30 June 2017 (Restated)	-	195,614	749,778	513,560	195,587	47,323	1,701,862
30 June 2018 (Audited)	21,935,716	2,995,614	788,753	475,706	181,116	14,517	26,391,422
31 December 2018 (Unaudited)	**24,623,523**	**3,031,822**	**764,580**	**439,521**	**328,572**	**7,621**	**29,195,639**

7 Exploration and evaluation assets

The balance of investment in exploration and evaluation assets as of 31 December 2018 and 30 June 2018 relate to concession taxes on exploration licenses and costs of exploration on the Group's Megalit Lithium concessions, movements in the periods are as follows:

In US$	Magdalena Borate	La Ventana Lithium	Mexilit Lithium	Megalit Lithium	Total
30 June 2017 (Audited) (Restated)	500,000	10,451,151	2,879,169	487,556	14,317,876
Additions	30,745	2,711,774	16,345	15,391	2,774,255
Impairment loss	(530,745)	(28,723)	-	-	(559,468)
Transfer to PPE	-	(13,134,202)	(2,895,514)	-	(16,029,716)
30 June 2018 (Audited)	-	-	-	502,947	502,947
Additions	-	-	-	10,398	10,398
31 December 2018 (Unaudited)	**-**	**-**	**-**	**513,345**	**513,345**

a Magdalena Borate property

During the year ended 30 June 2018, the Group determined there to be indicators of impairment on the exploration and evaluation assets located in the Magdalena Borate property based on the Group's decision to not further explore borates or be able to find a buyer for the asset. As such, the Group recognised a further impairment of US$530,745. This asset is now written down to zero value as at 30 June 2018.

It was assessed that a write back of impairments was not appropriate in the period to 31 December 2018.

b Sonora Lithium Project (La Ventana Lithium and Mexilit Lithium)

On 25 January 2018, the Group published a technical Feasibility Study for the Sonora Lithium Project in accordance with NI 43-101. Under IFRS 6 — Exploration for and Evaluation of Mineral Resources, when the technical feasibility and commercial viability of extracting a mineral resource becomes demonstrable, the asset falls outside the scope of IFRS 6 and therefore the project assets were reclassified to property, plant and equipment in the year to 30 June 2018.

c Megalit Lithium property

Three concessions, Buenavista, Megalit and San Gabriel, fall outside of the scope of the Sonora Lithium Project Feasibility Study. They cover 89,235 hectares and are subject to a separate agreement between the Company and Cadence. As at 31 December 2018, Buenavista, Megalit and San Gabriel concessions were owned by Megalit. Megalit is owned 70% by the Group and 30% by Cadence.

8 Borrowings

On 3 July 2018, the Company entered into a US$150 million senior debt facility with RK Mine Finance ("RK"), a specialist in the provision of senior debt capital to mining companies, for the development of Stage 1 of the Sonora Lithium Project in Mexico.

The Facility is structured as two separate Eurobonds, listed in Jersey:

Primary bond: US$150 million nominal amount secured notes issued at a purchase price of US$138 million with a 6-year term and bearing an interest rate of three months USD LIBOR + 8% per annum based on a nominal amount of

US$150 million but payable only on drawn down principal. Interest will be capitalised every three months for the first 24 months and thereafter interest will be paid every three months in cash;

Second bond: US$56 million nominal amount, zero interest-bearing, secured notes issued at a purchase price of US$12 million with a 20-year term. The nominal amount is repayable by reference to monthly production of lithium at a rate of US$160 per tonne of lithium produced, with any remaining amount repayable at the end of the 20-year term.

The bonds may be drawn in three tranches of US$25 million, US$50 million and US$75 million, subject to certain conditions precedent. The first tranche was drawn down in July 2018. The conditions precedent to further drawdowns include but are not limited to: various matters in respect of the execution, registration and perfection of certain security, the granting of listing consent by The International Stock Exchange, a minimum of US$200 million equity funding raised, and energy and engineering contracts executed. All drawdowns under the RK Facility will be pro-rata across the two Eurobond instruments. The loans can be voluntarily redeemed at any stage by repayment of the principal and any outstanding interest and early repayment charges.

RK holds a fixed charge security over the shares of various subsidiaries of the Group except for Bacanora Lithium Plc, Deutsche Lithium GmbH and Zinnwald Lithium Ltd. RK also holds a fixed charge security over certain bank accounts held by the relevant UK and Canadian holding companies and Mexican subsidiaries. RK holds a floating charge over Bacanora Lithium Plc's assets not covered by the fixed charge. RK holds fixed and floating charge over the assets of the relevant Mexican subsidiaries related to the Sonora Lithium Project.

The RK debt facility has a debt covenant to maintain a minimum working capital balance of US$10 million measured monthly for a period of 12 months ended 31 March 2020, after which it increases to US$15 million. Working capital for the purpose of the debt covenant is defined as current assets minus current liabilities, excluding assets and liabilities relating to the German assets and overdue VAT receivables.

The carrying value of the Group's borrowings at 31 December 2018 is as follows:

In US$	Interest rate	Maturity	31 December 2018	30 June 2018
Primary Eurobond	LIBOR + 8%	2024	17,336,823	-
Secondary Eurobond	Zero interest bearing	2038	1,973,631	-
Total non-current borrowings			19,310,454	-

The movement in the Group's borrowings in the period ended 31 December 2018 is as follows:

In US$	Primary Eurobond	Secondary Eurobond
Opening balance	-	-
Initial recognition	20,304,746	1,765,630
Transaction fees	(4,871,235)	-
Primary Eurobond finance cost	1,328,529	-
Eurobond unwinding	574,783	208,001
Total non-current borrowings	17,336,823	1,973,631

9 Financial warrants

The Company granted RK with 6 million warrants alongside the above Eurobonds. The warrants are exercisable over five years at a 20% premium to the 20-day VWAP, subject to normal anti-dilution provisions, cash settlement at the Company's option, and cashless exercise at either party's option. The warrants have been initially recorded, as a current liability, at their level 3 hierarchy fair value on 3 July 2018 of US$2.9 million and subsequently revalued on 31 December 2018, determined using the Black-Scholes pricing model with the following inputs.

(Unaudited)	31 December 2018	03 July 2018
Term	4.50	5.00
Share Price (£)	0.24	0.83
Exercise Price (£)	0.99	0.99
Volatility	0.58	0.54
Risk Free rate	0.03	0.03

10 Equity

a Authorised share capital

The authorised share capital of the Company consists of an unlimited number of voting common shares of par value £0.10.

b Share capital and premium

	Shares	Share Capital (In US$)	Share Premium (In US$)
30 June 2017 (Audited) (Restated)	**131,906,539**	**70,268,394**	**-**
Shares issued on exercise of options	1,425,000	1,944,576	140,592
Shares issued on exercise of warrants (1)	833,333	302,314	-
Corporate reorganisation (2)	-	(53,557,251)	-
30 June 2018 (Audited)	**134,164,872**	**18,958,033**	**140,592**
Shares issued on exercise of options	300,000	38,757	12,774
31 December 2018 (Unaudited)	**134,464,872**	**18,996,790**	**153,366**

(1) On 28 September 2017, the Company issued 833,333 new common shares in pursuant to the exercise of the remaining Warrants that were issued as part of the fund-raising in March 2013 at CAD$0.45 (28p) each.

(2) On 23 March 2018, the Company executed a Plan of Arrangement to re-domicile the Group from Canada to the UK. Accordingly, 134,039,872 ordinary shares of 10p each in the capital of Bacanora Lithium Plc were admitted to trading on AIM. All existing shareholders of Bacanora Minerals Ltd were issued shares in Bacanora Lithium Plc in a one for one share exchange. Through merger relief adoption per the Companies Act a merger reserve has been created to account for the difference in share capital issued in Bacanora Lithium Plc and the net assets acquired. In addition, using common control business acquisition accounting, all assets and liabilities have been consolidated at existing carrying values with the difference being recognised in the merger reserve.

c Share options

The following tables summarise the activities and status of the Company's share option plan as at and during the period ended 31 December 2018:

	Number of options	Weighted average exercise price (£)
30 June 2017 (Audited) (Restated)	7,937,400	0.81
Exercised	(1,425,000)	0.67
Expired/Cancelled	(500,000)	0.85
Issued	2,539,910	0.81
30 June 2018 (Audited)	**8,552,310**	**0.83**
Exercised	(300,000)	0.18
Expired/Cancelled	-	-
Issued	432,729	0.39
31 December 2018 (Unaudited)	**8,685,039**	**0.83**

Grant date	Number outstanding at 31 December 2018	Exercise price (£)	Weighted average remaining contractual life (Years)	Expiry date	Number exercisable at 31 December2018
02 December 2015	975,000	0.78	1.9	02 December 2020	975,000
27 April 2016	1,000,000	0.96	0.8	21 October 2019	1,000,000
27 April 2016	1,000,000	0.96	0.3	21 April 2019	1,000,000
01 March 2017	350,000	0.85	3.2	01 March 2022	350,000
01 March 2017	1,887,400	0.85	1.2	01 March 2020	1,258,267
15 May 2017	500,000	0.87	1.4	15 May 2020	333,333
20 September 2017	2,227,410	0.80	1.7	19 September 2020	1,484,940
18 April 2018	312,500	0.90	2.3	17 April 2021	104,167
06 September 2018	432,729	0.39	2.7	05 September 2021	144,243
	8,685,039				6,649,950

d Restricted share units

The following tables summarise the activities and status of the Company's restricted share unit plan as at and during the period ended 31 December 2018:

	Number of units	Weighted average exercise price (£)
30 June 2017 (Audited) (Restated)	-	-
Issued	1,192,277	0.80
30 June 2018 (Audited)	**1,192,277**	**0.80**
Issued	205,491	0.39
31 December 2018 (Unaudited)	**1,397,768**	**0.74**

Grant date	Number outstanding at 31 December 2018	Exercise price (£)	Weighted average remaining vesting period (Years)	Expiry date	Number exercisable at 31 December 2018
20 September 2017	1,192,277	0.80	1.7	19 September 2020	-
06 September 2018	205,491	0.39	2.7	05 September 2021	-

e Equity warrants

The following table summarises the activities and status of the Company's warrants as at and during the period ended 31 December 2018:

	Number of warrants	Remaining contractual life (Years)	Expiry date	Weighted Average Exercise price (In US$)
30 June 2017 (Audited) (Restated)	833,333	0.8	26 March 2018	0.41
Exercised	(833,333)	-	-	-
30 June 2018 (Audited)	-	-	-	-
31 December 2018 (Unaudited)	-	-	-	-

f Share-based payment reserve

The following table summarises the movement of the Group's share-based payment reserve as at and during the period ended 31 December 2018:

In US$	Share-based payment reserve
30 June 2017 (Audited) (Restated)	5,042,706
Exercise of share options	(781,716)
Share-based payment expense	1,877,095
30 June 2018 (Audited)	6,138,085
Exercise of share options	**(60,949)**
Share-based payment expense	**522,656**
31 December 2018 (Unaudited)	**6,599,792**

g Share-based payment expense

During the period ended 31 December 2018, the Group recognised US$522,656 (31 December 2017 - US$1,082,845) of share-based payment expense. The fair value of the share-based payment was estimated on the dates of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

For the period ended	31 December 2018 (Unaudited)	30 June 2018 (Audited)
Risk-free interest rate	**0.77% - 3.0%**	0.77% - 2.01%
Expected volatility[1]	**54.73% - 91.07%**	55.26% - 91.07%
Expected life (years)	**3 - 5**	3 - 5
Fair value per option	**18.9c - 85.7c**	45.6c - 85.7c

(1) Expected volatility is based on historical volatility of the Group's share price.

h Merger reserve

On 23 March 2018, the Plan of Arrangement to re-domicile the Bacanora Group from Canada to the UK became effective resulting in Bacanora Lithium Plc becoming the new holding company for Bacanora Minerals Ltd. Under the Company's Act 06 Section 612, a merger reserve was utilised to account for the difference between the share capital and net asset investment in Bacanora Minerals Ltd. In addition, on consolidation the difference between the net investment in Bacanora Lithium Plc and share capital in Bacanora Minerals Ltd was accounted for in the merger reserve.

i Earnings per share

Basic and diluted loss per share is calculated using the weighted average number of shares of 134,349,111 for the six months ended 31 December 2018 (31 December 2017 – 134,039,872). Options and warrants were excluded from the dilution calculation as they were anti-dilutive however at a time in the future they may have an impact on earnings per share.

For the six months ended	31 December 2018 (Unaudited)	31 December 2017 (Unaudited) (Restated)
Loss for the period attributable to owners of equity (US$)	**(4,289,705)**	(3,353,429)
Weighted average number of common shares for the purposes of basic and diluted loss per share	**134,349,111**	134,039,872
Basic and diluted loss per share (US$)	**(0.03)**	(0.03)

11 General and administrative expenses

The Group's general and administrative expenses include the following:

For the six months ended (In US$)	31 December 2018 (Unaudited)	31 December 2017 (Unaudited) (Restated)
Legal and accounting fees	**1,560,714**	732,560
Management fees	**1,427,813**	594,680
Office expenses	**132,525**	163,063
Investor relations	**98,390**	375,870
Travel and other expenses	**539,167**	405,955
Total	**3,758,609**	2,272,128

12 Finance income and costs

The Group's finance income and costs are as follows:

For the six months ended (In US$)	31 December 2018 (Unaudited)	31 December 2017 (Unaudited) (Restated)
Interest income	102,701	76,475
Warrant liability revaluation	2,646,960	-
Finance income	**2,749,661**	**76,475**
Primary Eurobond interest expense	1,328,529	-
Other finance costs	782,784	
Accretion of joint venture obligation	-	320,707
Finance costs	**2,111,313**	**320,707**
Net finance (costs)/income	**638,348**	(244,232)

Other finance costs include amortisation of transaction fees and unwinding of discounts.

13 Segmented information

The Group currently operates in three operating segments which includes the exploration and development of mineral properties in Mexico through the development of the Sonora mining concessions and the exploration of mineral properties in Germany through its interest in the Deutsche Lithium joint venture. The Group's head office is located in London, UK. Operating segments as per IFRS 8 are identified by management of the Group as those who; engage in business activities from which revenues may be earnt; whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the operating segments and to assess its performance; and for which discrete financial information is available. The Groups operations are not impacted by material seasonality or cyclicality effects. A summary of the identifiable assets, liabilities and net losses by operating segment are as follows:

31 December 2018 (In US$) (Unaudited)	Mexico	Germany	Head Office	Consolidated
Current assets	1,740,417	152,898	20,328,184	22,221,499
Investment in jointly controlled entity	-	8,318,915	-	8,318,915
Property, plant and equipment	29,195,639	-	-	29,195,639
Exploration and evaluation assets	513,345	-	-	513,345
Total assets	**31,449,401**	**8,471,813**	**20,328,184**	**60,249,398**
Current liabilities	680,065	-	1,045,583	1,725,648
Borrowing	-	-	19,310,454	19,310,454
Warrant liability	-	-	282,664	282,664
Total liabilities	**680,065**	-	**20,638,701**	**21,318,766**
Property, plant and equipment additions	2,687,807	-	-	2,687,807
Exploration and evaluation asset additions	10,398	-	-	10,398

For the six months ended 31 December 2018 (In US$) (Unaudited)	Mexico	Germany	Head Office	Consolidated
General and administrative	(554,770)	-	(3,203,839)	(3,758,609)
Depreciation	(83,956)	-	-	(83,956)
Share-based payment expense	-	-	(522,656)	(522,656)
Foreign exchange gain/(loss)	27,791	-	(22,540)	5,251
Operating loss	(610,935)	-	(3,749,035)	(4,359,970)
Finance costs	-	-	(2,111,313)	(2,111,313)
Finance income	779	-	2,748,882	2,749,661
Joint venture investment loss	-	(107,219)	-	(107,219)
Revaluation of derivative asset	-	(462,113)	-	(462,113)
Tax charge	(4,304)	-	-	(4,304)
Segment loss for the period	(614,460)	(569,332)	(3,111,466)	(4,295,258)

30 June 2018 (In US$) (Audited)	Mexico	Germany	Head Office	Consolidated
Current assets	1,948,810	-	12,726,362	14,675,172
Investment in jointly controlled entity	-	8,426,134	-	8,426,134
Derivative asset	-	615,011	-	615,011
Property, plant and equipment	26,391,422	-	-	26,391,422
Exploration and evaluation assets	502,947	-	-	502,947
Total assets	28,843,179	9,041,145	12,726,362	50,610,686
Current liabilities	4,084,320	-	2,299,510	6,383,830
Joint venture obligation (long term)	-	1,591,652	-	1,591,652
Total liabilities	4,084,320	1,591,652	2,299,510	7,975,482
Property, plant and equipment additions	8,860,687	-	-	8,860,687
Exploration and evaluation asset additions	2,774,255	-	-	2,774,255

For the six months ended 31 December 2017 (In US$) (Restated) (Unaudited)	Mexico	Germany	Head Office	Consolidated
General and administrative	(211,460)	-	(2,060,668)	(2,272,128)
Depreciation	(83,894)	-	-	(83,894)
Share-based payment expense	-	-	(1,082,845)	(1,082,845)
Foreign exchange gain	-	-	249,384	249,384
Operating loss	(295,354)	-	(2,894,129)	(3,189,483)
Finance income	12,350	-	64,125	76,475
Joint venture investment loss	-	(80,317)	-	(80,317)
Accretion of joint venture obligation	-	(320,707)	-	(320,707)
Revaluation of derivative asset	-	203,947	-	203,947
Tax charge	(13,471)	-	-	(13,471)
Segment loss for the period	(296,475)	(197,077)	(2,830,004)	(3,323,556)

14 Related party transactions

a Related party expenses

The Group's current related parties are its key management personnel and companies which have directors in common.

During the period ended 31 December 2018, key management personnel remuneration totalled US$1,185,095 (31 December 2017 - US$1,594,268). Of the total amount incurred as key management personnel remuneration, US$nil remains in accounts payable and accrued liabilities on 31 December 2018 (31 December 2017 – US$53,945).

No options were issued to Directors in the period.

During the period ended 31 December 2018, the Group paid US$nil (31 December 2017 - US$74,621) to Grupo Ornelas Vidal S.A. de C.V., a consulting firm of which Martin Vidal, former Director of the Group and president of MSB, is a partner. Martin Vidal resigned as Director on 30 November 2017. These services were incurred in the normal course of operations for geological exploration and pilot plant operation. As of 31 December 2018, US$nil (31 December 2017 - US$24,876) remains in accounts payable and accrued liabilities.

b Key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel are considered to be the Directors of the Company and the CFO, their remuneration for the period is presented below:

For the six months ended (In US$) (Unaudited)			**31 December 2018**					31 December 2017 (Restated)		
	Fees	**Salary**	**Consultancy**	**Share-based payment remuneration**	**Total**	Fees	Salary	Consultancy	Share-based payment remuneration	Total
Director's and key management's remuneration:										
Mark Hohnen	-	**154,718**	-	**89,424**	**244,142**	-	159,026	-	134,224	293,250
Eileen Carr	**25,806**	-	-	**31,756**	**57,562**	-	-	-	-	-
Raymond Hodgkinson [(1)]	**21,908**	-	-	**20,124**	**42,032**	21,501	-	-	61,307	82,808
Jamie Strauss	**35,483**	-	-	**107,400**	**142,883**	39,094	-	-	326,757	365,851
Dr Andres Antonius	**25,000**	-	-	**90,889**	**115,889**	25,000	-	-	276,294	301,294
Derek Batorowski	**48,158**	-	**38,238**	**7,255**	**93,651**	-	-	124,154	22,174	146,328
Peter Secker	-	**218,689**	-	**101,273**	**319,962**	-	178,740	-	151,376	330,116
Janet Boyce	-	**148,300**	-	**20,674**	**168,974**	-	-	-	-	-
Martin Vidal	**-**	-	-	**-**	**-**	-	74,621	-	-	74,621
Total Director's and management's remuneration	**156,355**	**521,707**	**38,238**	**468,795**	**1,185,095**	85,595	412,387	124,154	972,132	1,594,268
Operational consulting fees:										
Grupo Ornelas Vidal SA CV					**-**					74,621

(1) Raymond Hodgkinson resigned from the Board of Directors on 13 December 2018

As at 31 December 2018, the following options were held by Directors of the Company:

(Unaudited)	Date of grant	Exercise price (£)	Number of options
Mark Hohnen	27 April 2016	0.963	2,000,000
	01 March 2017	0.80	249,900
	20 September 2017	0.80	224,910
Eileen Carr	18 April 2018	0.90	312,500
Raymond Hodgkinson [(1)]	01 March 2017	0.85	200,000
	20 September 2017	0.80	100,000
Andres Antonius	15 May 2017	0.865	500,000
	20 September 2017	0.80	750,000
Jamie Strauss	01 March 2017	0.85	750,000
	20 September 2017	0.80	750,000
Derek Batorowski	11 September 2013	0.18	200,000
	02 December 2015	0.78	175,000
	01 March 2017	0.80	125,000
Peter Secker	01 March 2017	0.80	300,000
	20 September 2017	0.80	240,000

[(1)] Raymond Hodgkinson resigned from the Board of Directors on 13 December 2018

As at 31 December 2018, the following restricted share units were held by Directors of the Company:

(Unaudited)	Date of grant	Exercise price (£)	Number of RSUs
Mark Hohnen	20 September 2017	0.80	557,843
Peter Secker	20 September 2017	0.80	634,434

c) Change of Control

During the period ended December 31, 2017, the Company amended the employment and consultancy arrangements respectively between the Company and each of Peter Secker, Chief Executive Officer, and Fernan Pty Ltd, which provides the services of Mark Hohnen, Executive Chairman. Peter Secker's service contract has been amended as follows: (i) the removal of performance bonus provisions of up to £250,000; (ii) the removal of a £250,000 change of control payment; (iii) an increase of £50,000 in annual salary; (iv) the inclusion of new pensions arrangements; and (v) the inclusion of a cash payment representing an acceleration of unvested options in the event of a change of control of the Company at an acquisition price of at least 130 pence per Bacanora share. Such cash payment will be calculated on the basis of the difference between the acquisition price per Bacanora share and 102 pence (being the middle market price of a Bacanora share at close of business in London on 17 November 2017), multiplied by 2,550,000 in the event that such change of control is completed prior to the award of performance based options in relation to the financial year ended 30 June 2018 and a further 2,550,000 in the event that such change of control is completed prior to the award of performance based options in relation to the financial year ended 30 June 2019. In the event the Board has resolved upon Mr. Secker's award in the relevant financial year (which may be zero) then the right to the relevant payment terminates for that period.

The consultancy agreement with Fernan Pty Ltd. has been amended to provide Mark Hohnen also with a cash payment representing an acceleration of unvested options in the event of a change of control of the Company on the same terms as Peter Secker, save that the multiplier for each relevant financial year is 2,124,150.

No cash payments in relation to acceleration of unvested options as a result of change of control have been awarded in the period ended 31 December 2018 and financial year ended 30 June 2018.

15 Commitments and contingencies

The Group has the following commitments:

- The license properties are subject to semi-annual payments to the Mexican government for concession taxes, which are expected to total US$0.1 million for the next 12-month period.
- The Group has entered into commitments with engineering and design contractors totalling US$0.1 million.
- The Group is committed to a land purchases totalling US$0.6 million subject to certain conditions being met, of which US$0.2 million has been prepaid at 31 December 2018.
- Additionally, the Group has committed payments for its UK office of US$0.07 million until the end of June 2019, of which $0.03 million has been prepaid at 31 December 2018.