

# DEVELOPING A WORLD CLASS LITHIUM PROJECT

Corporate presentation

June 2021

The background of the slide is an aerial photograph of a vast, dense forest of tall, green coniferous trees. In the bottom-left corner, there is a circular inset with a blue and white color scheme, showing a close-up of an electric vehicle charging station's charging cable and connector. The overall design is clean and modern, emphasizing the company's focus on sustainable energy and lithium technology.

**BACANORA**  
lithium



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To the extent that this Presentation contains statements regarding the past performance of the Company's Shares it should be noted that past performance cannot be relied upon as a guide to future performance.

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# CORPORATE STRATEGY



**SONORA LITHIUM  
PROJECT, MEXICO**

**Market:**  
Asia



**44%**  
INVESTMENT IN  
ZINNWALD LITHIUM PLC

**Market:**  
Europe



GOAL TO BECOME AN  
**INTERNATIONAL LITHIUM PRODUCTION COMPANY**  
WITH A PORTFOLIO OF GLOBAL PROJECTS

# CORPORATE STRATEGY

MARKET

AIM

TICKER

BCN

MARKET CAP

~£182m  
as of 27.05.21

SHARE PRICE

55p  
27.05.21

## SIGNIFICANT SHAREHOLDERS

Gangfeng Lithium	28.88%
M&G Investment Funds	13.67%
Robeco	4.24%
Hanwa Co., Ltd	3.24%
Igneous Capital Ltd	1.81%
D&A Income Ltd	1.23%
Other	46.93%

(Shareholding Percentages are as of 27.05.21)







# OVERVIEW: SONORA LITHIUM PROJECT

AIM LISTED COMPANY FOCUSED ON BUILDING A 35,000 TPA BATTERY GRADE LITHIUM OPERATION AT SONORA IN MEXICO



## LARGE LITHIUM DEPOSIT

8.8 Mt of LCE resources at Sonora, open-pit mining with ~250 year resource life



## COMPLETED FEASIBILITY STUDY

\$1.25B NPV;  
26% IRR



## COST COMPETITIVE

~\$4,000/t operating cost among the lowest in the industry





# OVERVIEW: SONORA LITHIUM PROJECT



## CONVENTIONAL PROCESSING

4 years of ongoing battery grade (99.9%) lithium carbonate production from Pilot Plant with testwork ongoing for lithium hydroxide product



## APPROVALS IN PLACE

MIA/EIS permits received. Land acquisition completed. Water licence permits granted.



## LITHIUM PRICING

Lithium pricing now starting to increase as EV and renewable energy demand increases post Covid-19.



## EXPERIENCED MANAGEMENT

Track record in mine development and production



# OVERVIEW: SONORA LITHIUM PROJECT



## GANFENG LITHIUM PARTNERSHIP

- Initial cornerstone 29.99% investment by leading producer Ganfeng Lithium at PLC corporate level and moving to 50% investment at Sonora project level
- Long term 50% off-take for Stage 1 and 75% off-take for Stage 2



## OTHER STRATEGIC PARTNERSHIPS

- 10 year Off-take agreement and equity partnership with Japanese trading group Hanwa for 50% initial 10 years of Stage 1 production
- \$150 million debt finance facility from RK Mine Finance available in 3 tranches subject to CPs



## RAPIDLY GROWING MARKET

Lithium supply has to increase at a 19% CAGR over the next 6 years to meet 2025 demand. Even at the height of the market, the industry only managed to grow by 11% per year, on average, from 2015-2018

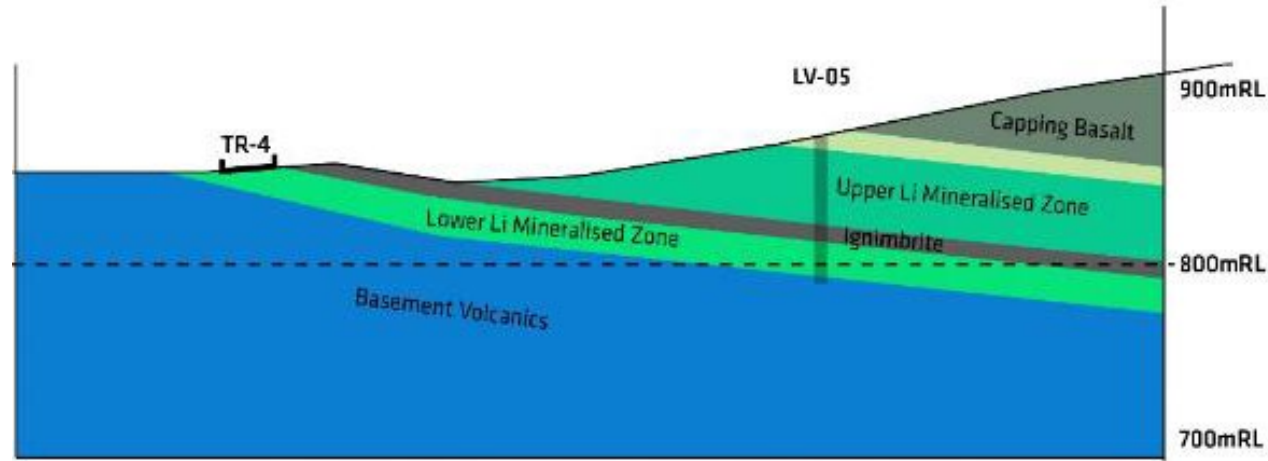


# OUTCROPPING LITHIUM DEPOSITS COMBINED WIDTH OVER 40 METRES

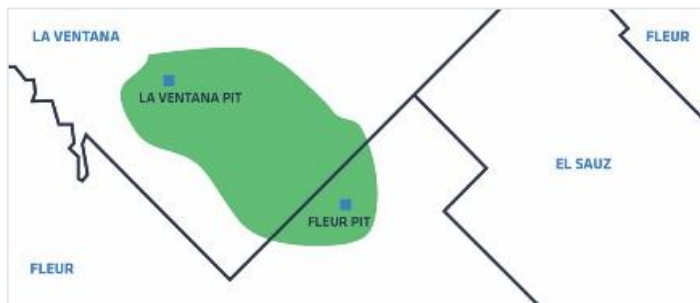




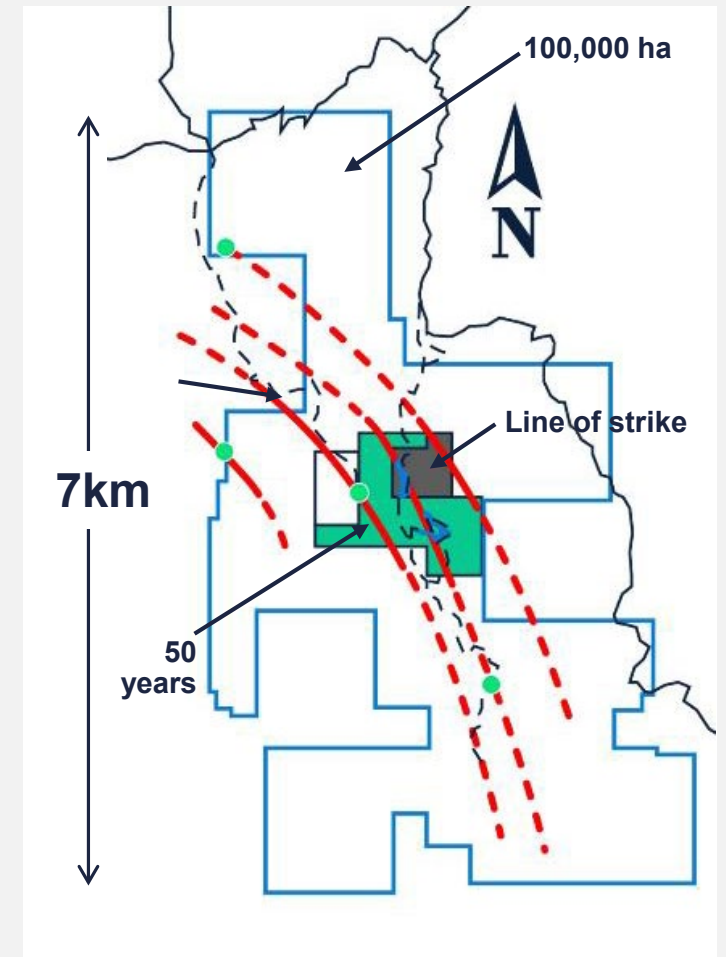
# SONORA LEASES – EXPLORATION UPSIDE



Section A-A' looking Northwest, refer to Figure 24 for Geology Legend



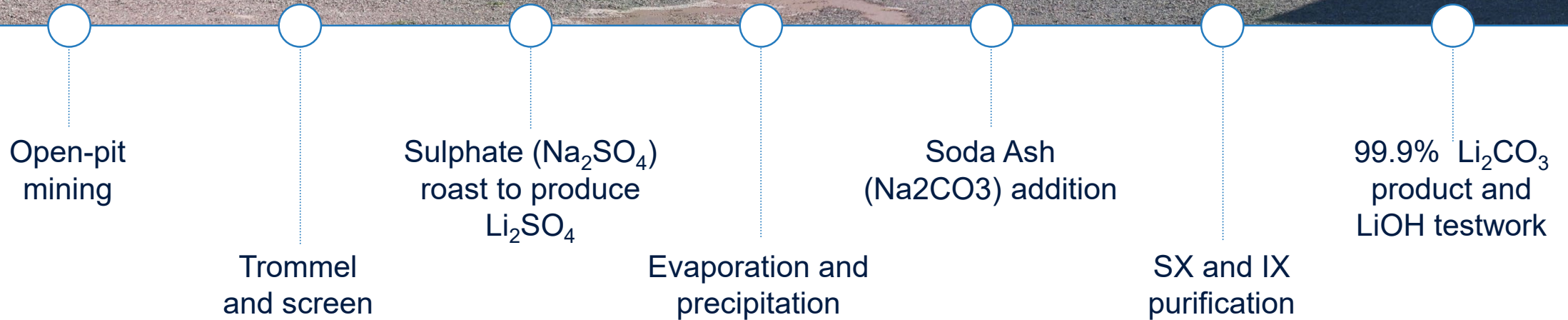
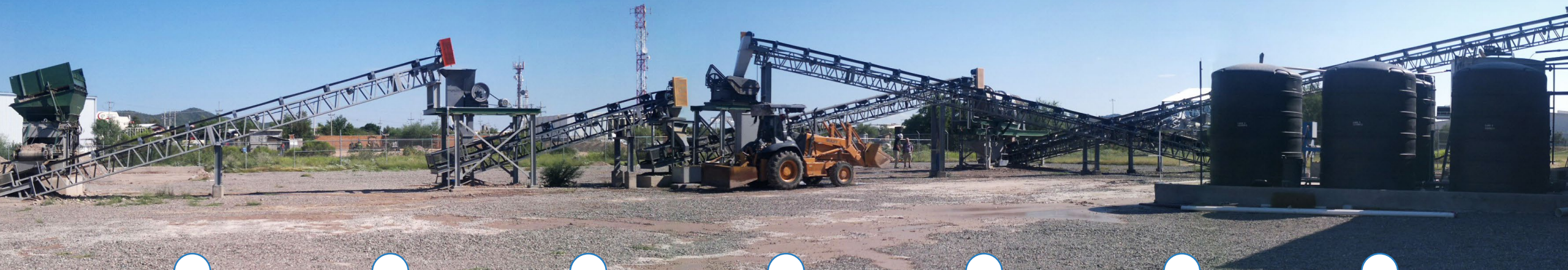
- LA VENTANA LITHIUM DEPOSIT AND EXTENSION ONTO EL SAUZ & FLEUR
- LITHIUM SURFACE SHOWING (Li-ppm)
- LITHIUM BEARING MINERALISED BEDS CONTIGUOUS-SEMI CONTIGUOUS
- INFERRED EXTENSION
- MOV or JV LANDS MEGALIT-BUENAVISTA & SAN GABRIEL CONCESSIONS (70% BCN - 30% REM)
- BACANORA 100% OWNED CONCESSIONS (LA VENTANA, LA VENTANA 1)
- JV MEXALIT (BACANORA-REM) EL SAUZ & FLEUR CONCESSIONS
- PRIMARY ROADS
- SECONDARY ROADS





# CONVENTIONAL PROCESSING ROUTE TESTED FOR 4 YEARS

WITH PILOT PLANT IN MEXICO PRODUCING 99.9% LITHIUM







# FEASIBILITY STUDY IN NUMBERS

STAGE 1 INITIAL  
CONSTRUCTION  
CAPITAL COST

**\$420M**

PRE-TAX

NPV<sub>8</sub>

**\$1.25B**

NPV<sub>0</sub>

**\$3.4B**

(based on \$11,000/t Li<sub>2</sub>CO<sub>3</sub>)

PRE-TAX  
IRR

**26%**

SIMPLE PAYBACK  
STAGE 1

**4 years**





# FEASIBILITY STUDY IN NUMBERS

## AV. OPERATING COSTS

**>4,000**

\$/t  $\text{Li}_2\text{CO}_3$

(~3,500/t net of  $\text{K}_2\text{SO}_4$  credits)

## POST-TAX

**NPV<sub>8</sub>**

**\$802M**

(based on \$11,000/t  $\text{Li}_2\text{CO}_3$ )

**NPV<sub>0</sub>**

**\$2.37B**

## POST-TAX IRR

**21%**

## $\text{K}_2\text{SO}_4$ PRODUCTION

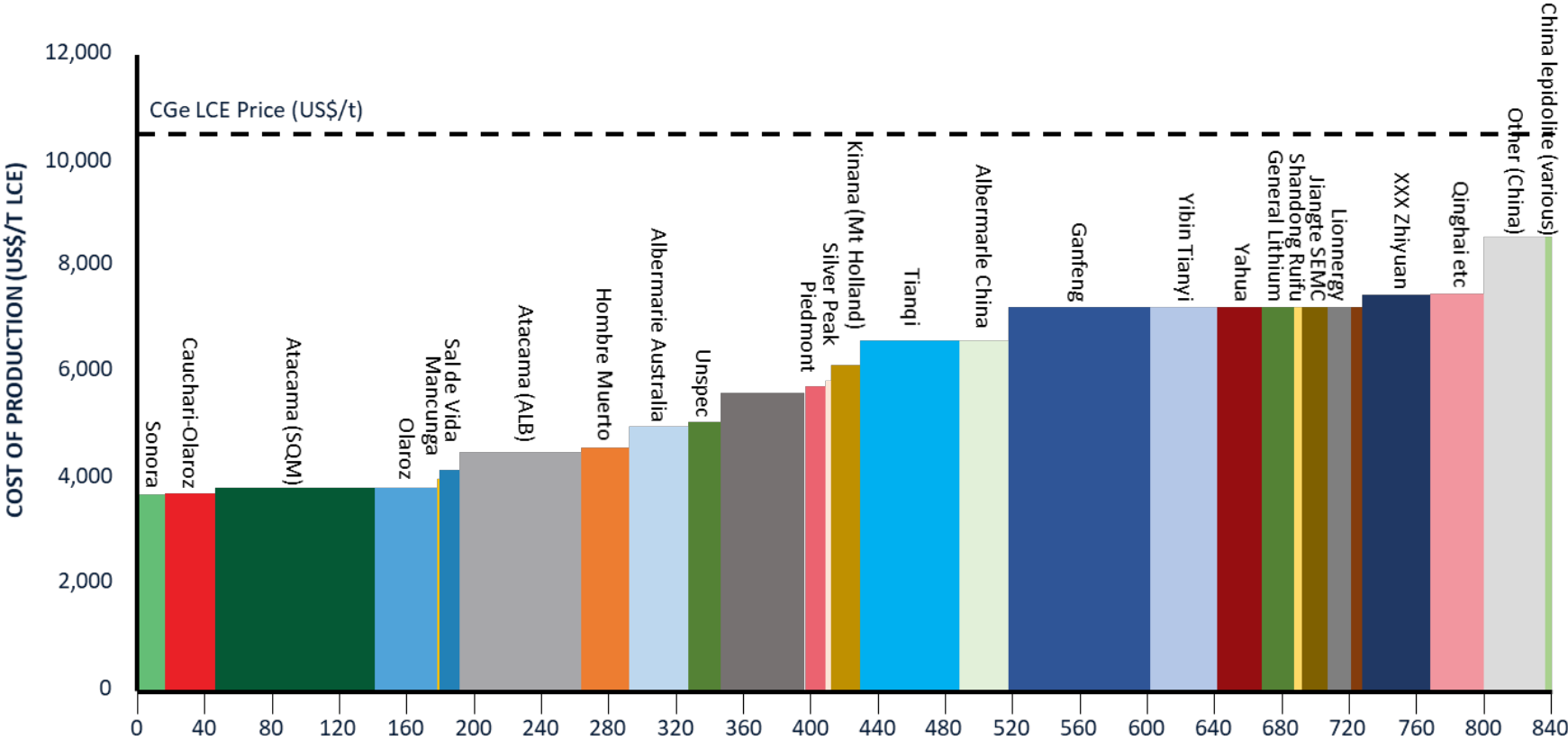
Up to

**30,000 tpa**



# PEER ANALYSIS: ESTIMATED INDUSTRY COST CURVE POST 2025

LCE cost curve 2025

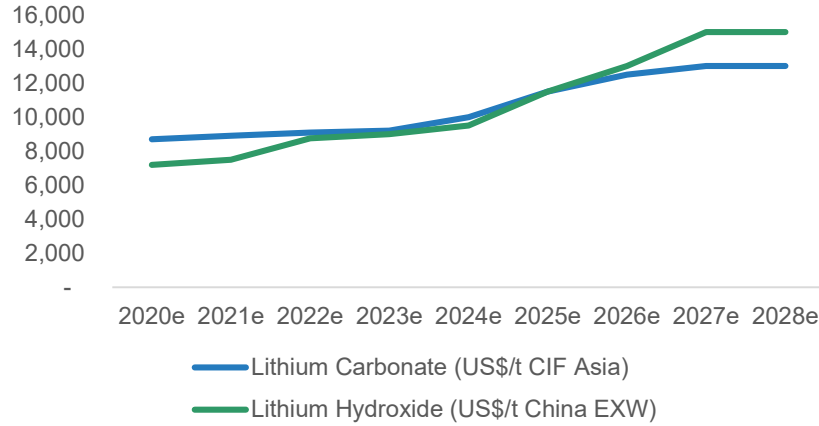


Source:(\*Canaccord November 2020, BCN 43-101)

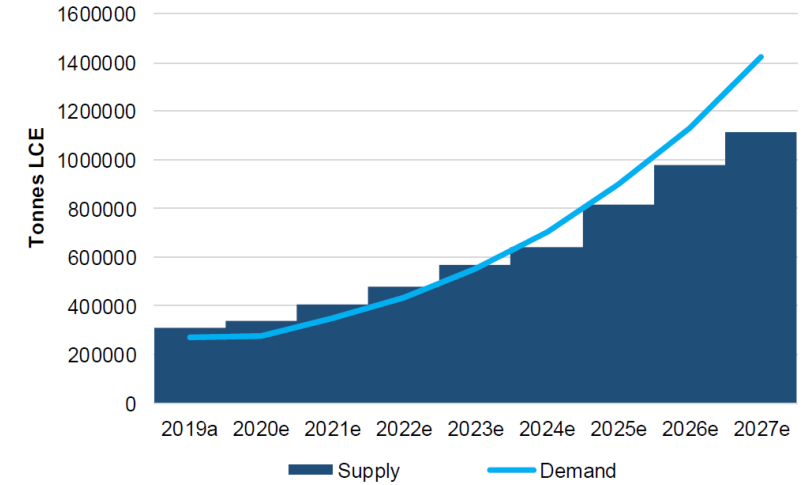


# LITHIUM SUPPLY, DEMAND AND PRICING

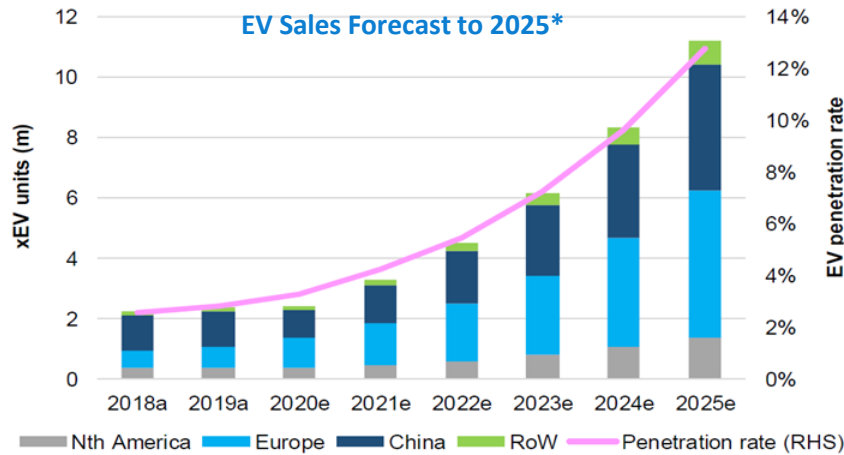
Lithium Price and Forecast (US\$/tonne\*)



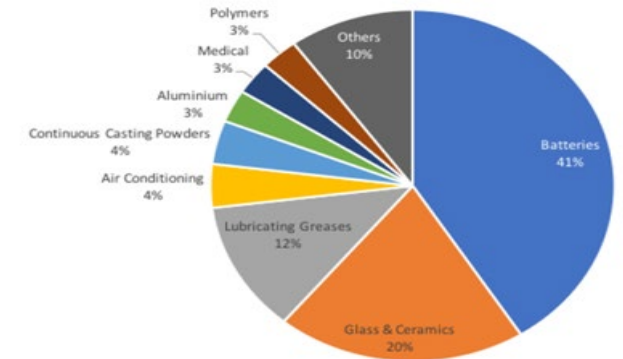
Supply and Demand to 2027\*



EV Sales Forecast to 2025\*



Lithium Consumption by Application – 2017



Source: signumBOX estimates



# COMMERCIALISING SONORA

## GANFENG, HANWA AND RK PROVIDING LONG TERM OFFTAKE AND DEBT SUPPORT



### Ganfeng Lithium Investment and Off-take:

- Strategic 17.41% investment at the Corporate level moving to 28.88% subject to obtaining relevant regulatory approvals from authorities in China
- Lithium offtake for 50% Stage 1 production
- FOB contract for battery grade lithium carbonate at market pricing
- Initial 22.5% investment at Project level, currently increasing to 50%
- EPC engineering delivery for lithium plant
- Strong expertise in Nevada lithium clays
- Lithium plant operating experience in China, Australia and Argentina



### Hanwa Investment and Off-take:

- Strategic 4% shareholder
- Lithium carbonate offtake for initial 10 years for 50% of Stage 1 production
- FOB contract for battery grade lithium carbonate at market pricing

The logo for RK Mine Finance, featuring a red bird icon above the text "RK Mine Finance".

### RK Mine Finance

### RK

- \$150M debt available in 3 tranches subject to certain CPs



# ENVIRONMENT, SAFETY AND GOVERNANCE

## ENVIRONMENT

Compliance with local and international standards

Life of Mine rehabilitation will be undertaken

TMF: benign tailings are filtered and spread

## HEALTH & SAFETY

International health and safety practises recognised throughout operation

Health and safety statistics reported each month to Board

HSEQ Manager to be based on site

## SOCIAL

Workforce will prioritise Sonora local residents

Support of local communities by creating local jobs and support functions

Long established relationship with local communities

## GOVERNANCE

ESG policy approved by Board

Senior and operations management committed to ESG philosophy

Strong independent director representation on Board





# BOARD

## MARK HOHNEN EXECUTIVE CHAIRMAN

**Extensive international business experience in wide range of industries** including mining and exploration, property, investment, software and agriculture

**Founding Chairman** of Cape Mentelle and Cloudy Bay wines

**Director** of Kalahari Minerals and Extract Resources

## PETER SECKER CHIEF EXECUTIVE OFFICER

**Mining Engineer** with almost 40 years experience in the resources industry

Has **built and operated mining and processing facilities** in Australia, Africa, China, Canada and Pacific

**Experience working in a number of extractive industries** including lithium, titanium, gold, copper, iron ore and coal

## JAMIE STRAUSS LEAD INDEPENDENT DIRECTOR

**30 years' experience** within the stockbroking and mining finance sector

Has **raised in excess of \$1bn** for projects in both energy and mineral world on behalf of leading institutions in UK, Europe, North America and Australia

## EILEEN CARR NON-EXECUTIVE DIRECTOR

Has been a **key member of teams** behind the development of a number of **successful mining operations across the world**

Holds **several executive directorships in the resource sector**, including CFO at both AIM traded Monterrico Metals plc and Alexander Mining plc

## JUNICHI TOMONO NON-EXECUTIVE DIRECTOR

**Representative of Hanwa** under the terms of the agreement

**Over 22 years' experience with Hanwa**; worked in the Metals, Chemicals, Alloys, Scrap metals and Mining divisions

Special focus on the **battery chemicals sector**

## DR ANDRES ANTONIUS NON-EXECUTIVE DIRECTOR

A Mexican national who has held positions in the **Government of Mexico** in the 1990s, the private sector and academia.

**Previously Undersecretary for Energy Policy** and a staff member at the Agriculture Secretariat

Currently CEO of Plan B, a provider of strategic advice to a range of clients

**BA, MA and PhD degree in Economics** from Harvard University

## WANG XIAOSHEN NON-EXECUTIVE DIRECTOR

**Deputy Chairman** of Ganfeng Lithium

**Over 25 years' of experience** in the lithium sector

**Significant expertise** in project financing, lithium marketing and sales, project development and operations

## GRAEME PURDY NON-EXECUTIVE DIRECTOR

**CEO** of Ilika Plc

**Over 25 years' of experience** in the battery, chemical and lithium sectors

**Significant expertise** in project management, lithium battery development, project development and operations



# MANAGEMENT

## JANET BLAS

CFO

Ms. Blas is a certified public accountant who has held a number of senior financial roles, with over 15 years experience in the resources sector, including Group Chief Financial Officer and Executive Director of Gemfields plc.

## ERIC CARTER

PROJECT DIRECTOR

Mr. Carter has over 30 years of lithium production expertise, 22 years with FMC in North America, with extensive experience of lithium carbonate, lithium hydroxide and lithium metal process operations. He has designed, built and operated plants producing spodumene, lithium carbonate and lithium metal in North and Central America

## CHERIF RIFAT

COMPANY SECRETARY

Mr. Rifaat is a UK Chartered Accountant who qualified with KPMG and has more than 20 years' experience in a number of Industries, including mining, IT, real estate and telecommunications. He has been involved with Bacanora since it originally listed on AIM in July 2014, assisting in the preparation of the Group's Feasibility Studies and the Group's long-term tax and financial structuring.

## RICARDO RUELAS

PROJECT ENGINEER

Mr Ruelas has a degree in chemical engineering with over 30 years of experience in complex metallurgy and processing operations. He has worked on several large projects in Mexico, predominantly copper and gold

## DAVID CLIFFORD

FINANCIAL CONTROLLER

Dr. Clifford is a chartered accountant with 14 years of Mining experience in both operations and finance. He holds masters and doctorate degrees in Geology. He has worked on development assets and operating mines across multiple geographies and commodities including lithium, iron ore, gemstones, copper, aluminium and aggregates.

# INVESTMENT CASE

## TRANSITIONING FROM LITHIUM EXPLORER TO LITHIUM DEVELOPER



- 01 Large lithium deposit, low strip ratio, with permits in place
- 02 Conventional sulphate processing route
- 03 Company-making asset with US\$1.2Bn NPV
- 04 Fast-Growing End Markets
- 05 Chinese lithium major and Japanese trading house as strategic partners
- 06 Intention to commence construction phase in 2021
- 07 Experienced management team



# GANFENG: AN ACTIVE PARTNER



to play active role in Sonora's  
development and commercialisation:

- ✓ Cornerstone investment by top tier global lithium producer, moving to 50% at project level
- ✓ Access to Ganfeng's engineering database and design team
- ✓ Conduct review of current EPC engineering design focused on reducing the US\$420m capital cost
- ✓ Assist with finalising an EPC engineering contract, plant construction, commissioning and early operations phases
- ✓ Provide a team to assist Bacanora in commissioning the plant
- ✓ 50% offtake for Stage 1 Production and up to 75% offtake for Stage 2



# SONORA FEASIBILITY STUDY: POSITIVE ECONOMICS

## FEASIBILITY STUDY KEY INDICATOR VALUES

Pre-tax Net Present Value (\$ 000)	<b>1,253,027</b>
Pre-tax IRR (%)	<b>26.1%</b>
Simple Payback Stage 1	<b>4</b>
Initial Construction Capital Cost Stage 1 (\$ 000)	<b>419,616</b>
Construction Capital Cost Stage 2 (\$ 000)	<b>380,262</b>
Av. LOM operating costs (\$/t Li <sub>2</sub> CO <sub>3</sub> )	<b>3,910</b>
Av. operating costs (\$/t Li <sub>2</sub> CO <sub>3</sub> net of K <sub>2</sub> SO <sub>4</sub> credits)	<b>3,418</b>
Post-tax NPV (at 8% discount) (\$ 000)	<b>802,464</b>
Post-tax IRR (%)	<b>21.2%</b>
Av. annual EBITDA with co-products (\$ 000)	<b>229,362</b>
Av. Annual Li <sub>2</sub> CO <sub>3</sub> production capacity Stage 1	<b>17,500 t</b>
Av. Annual Li <sub>2</sub> CO <sub>3</sub> production capacity Stage 2	<b>35,000 t</b>
Av. Annual K <sub>2</sub> SO <sub>4</sub> production Stage 2	<b>35,000 t</b>

## SENSITIVITY ANALYSIS

Discount Rate	Base Case Pre Tax NPV (US\$ million)	Base Case Post Tax NPV (US\$ million)
0%	3,425.1	2,371.4
2%	2,644.3	1,808.0
4%	2,054.0	1,381.7
6%	1,602.4	1,055.2
8%	1,253.0	802.5





# SONORA FEASIBILITY STUDY: POSITIVE ECONOMICS

## CONSTRUCTION CAPITAL COSTS (ROUNDED TO NEAREST US\$'000)

Category	FS Estimate Stage 1 (US\$000)	FS Estimate Stage 2 (US\$000)
Mining	17,611	17,614
Beneficiation plant	18,483	18,483
Lithium processing plant	158,288	158,285
Plant Services	55,334	55,334
Infrastructure	58,841	23,581
EPCM/Owner cost/Indirect	72,912	72,393
Contingency	38,147	34,569
<b>Total</b>	<b>419,616</b>	<b>380,262</b>

## PROJECT OPERATING COSTS FS 43-101 TABLE 21.2.2

Category	Stage 1 (US\$/t Li <sub>2</sub> CO <sub>3</sub> )	Stage 2 (US\$/t Li <sub>2</sub> CO <sub>3</sub> )	Average LOM (US\$/t Li <sub>2</sub> CO <sub>3</sub> )
Mining	325	511	490
Processing	3,418	3,169	3,198
G&A	296	212	222
<b>Total</b>	<b>4,039</b>	<b>3,893</b>	<b>3,910</b>



# KEY DATA

**MARKET**

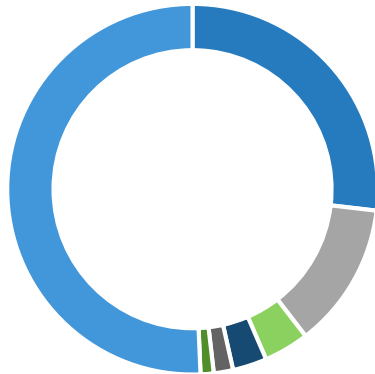
AIM

**TICKER**

BCN

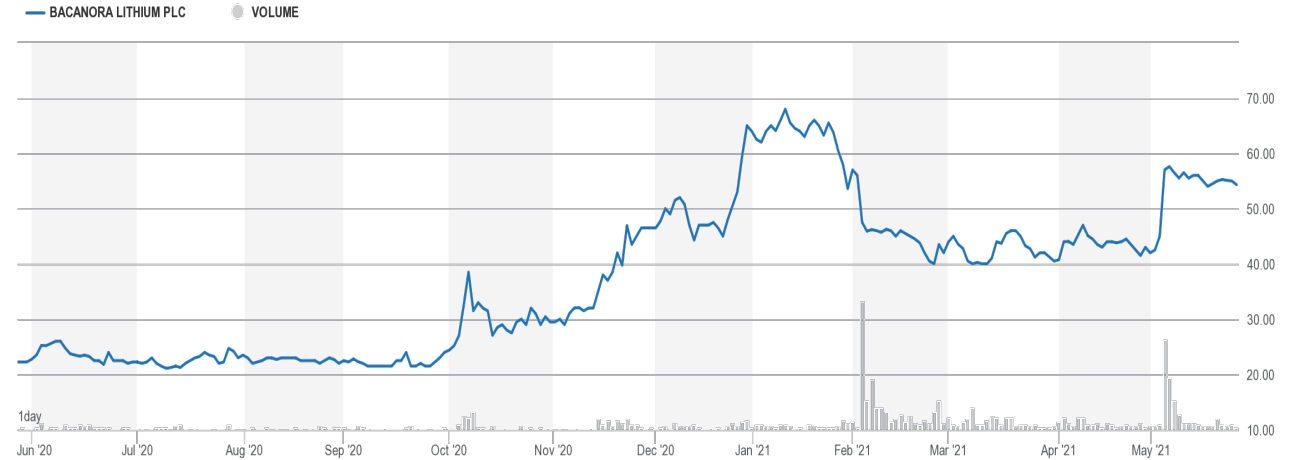
**MARKET CAP**

~£182m  
as of 27.05.21



- Ganfeng Lithium Ltd (28.88%)
- M&G Plc (13.67%)
- Robeco (4.24%)
- Hanwa Co Ltd (3.24%)
- Igneous Capital (1.81%)
- D&A Income Ltd (1.23%)
- Others (46.93%)

Note: Shareholding Percentages are as of 27.05.21



**NOMAD**  
Cairn Financial  
Advisers LLP

**BROKER**  
Citigroup /  
Canaccord Genuity



# ZINNWALD LITHIUM PROJECT

## STRATEGIC ASSET LOCATED IN CLOSE PROXIMITY TO A THRIVING MARKET FOR LITHIUM AND ENERGY PRODUCTS

- 44% equity investment in Zinnwald Lithium PLC (m/c ~£15m)
- 35km from Dresden on the Czech Republic border in an historic granite hosted Sn/W/Li belt
- Historically mined for tin, tungsten and lithium over the past 300 years
- NI 43-101 FS confirmed strong economic potential:
  - NPV of €428 million; Pre-tax IRR of 27.4%; Average LOM annual EBITDA €58.5 million
- Total Mineral Reserves (Proven and Probable) of 31.20 million tonnes of ore at a grade of 3,004 ppm containing 94 kt of contained lithium

Resource Category	Tonnes (000)	Li Grade (ppm)	Contained Li (tonnes)
Measured	18,510	3,630	67,191
Indicated	17,000	3,399	57,783
Inferred	4,865	3,519	17,266
<b>Total Mineral Resources</b>	<b>40,375</b>	<b>3,523</b>	<b>142,240</b>





# CONTACT

## **Bacanora Lithium plc**

Peter Secker / Janet Blas

E: [info@bacanoralithium.com](mailto:info@bacanoralithium.com)

[www.bacanoralithium.com](http://www.bacanoralithium.com)

## **Tavistock**

Financial PR

Jos Simson / Emily Moss / Oliver Lamb

T: +44 (0) 20 7920 3150

E: [Bacanora@tavistock.co.uk](mailto:Bacanora@tavistock.co.uk)

[www.tavistock.co.uk](http://www.tavistock.co.uk)

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