



**NOTICE OF ANNUAL AND SPECIAL MEETING  
OF SHAREHOLDERS  
OF  
BACANORA MINERALS LTD.  
AND  
MANAGEMENT INFORMATION  
CIRCULAR**

**RELATING TO  
ANNUAL AND SPECIAL MEETING AND PLAN OF ARRANGEMENT  
INVOLVING  
BACANORA MINERALS LTD.,  
BACANORA LITHIUM PLC (AN ENGLISH COMPANY),  
AND AFFILIATES THEREOF**

**July 14, 2016**

July 14, 2016

Dear Bacanora Canada Shareholder:

You are cordially invited to attend the Annual and Special Meeting (the "**Annual and Special Meeting**") of holders (the "**Bacanora Canada Shareholders**") of common shares (the "**Bacanora Canada Shares**") in the capital of Bacanora Minerals Ltd. ("**Bacanora Canada**"). The Annual and Special Meeting will be held in the Three Sisters Boardroom of Gowling WLG (Canada) LLP, at 1600, 421 – 7th Avenue S.W., Calgary, Alberta, Canada, T2P 4K9 on August 15, 2016 at 10:00 a.m. (Calgary time).

Bacanora Canada is proposing a reorganization (the "**Re-Domicile**") of its corporate structure, with the effect that a newly incorporated English company ("**Bacanora UK**") will acquire the entire issued share capital of Bacanora Canada in exchange for new shares in Bacanora UK ("**Bacanora UK Shares**") and will apply for admission to trading of its ordinary shares on the AIM market of the London Stock Exchange ("**AIM**"). Upon Bacanora UK's admission to trading on AIM, Bacanora Canada intends to delist the Bacanora Canada Shares from the TSX Venture Exchange (the "**TSXV**") and cancel trading of the Bacanora Canada Shares (including depositary interests representing such shares) on AIM.

This Transaction is being done to effect the redomicile of Bacanora Canada from Alberta to England, but for technical reasons discussed herein must be done as a reorganization under a plan of arrangement.

This document describes certain arrangements and approvals required to give effect to the Re-Domicile. You will be able to exchange each of your Bacanora Canada Shares for one Bacanora UK Share.

At the Annual and Special Meeting, Bacanora Canada Shareholders will be asked to approve the Re-Domicile and its implementation by way of an Alberta, Canada, court-approved plan of arrangement (the "**Arrangement**"). Bacanora Canada is currently an Alberta corporation listed on the TSXV and AIM whose head office and registered office is located in Calgary, Canada. The Arrangement will result in Bacanora UK becoming a parent company of an issuer resulting from the amalgamation of 1976844 Alberta Ltd., a wholly owned Alberta subsidiary of Bacanora UK and Bacanora Canada and consequently, Bacanora UK becoming an indirect parent company of Bacanora Canada's current direct and indirect subsidiaries. Bacanora UK will have its corporate head office and a place of business located in the London, England and Bacanora UK will be subject to the *Companies Act 2006* (as amended) (the "**U.K. Companies Act**") and the U.K. City Code on Takeovers and Mergers issued by the U.K. Panel on Takeovers and Mergers. In connection with the Arrangement, Bacanora UK will make an application for admission to trading of the Bacanora UK Shares on AIM.

Following the completion of the Arrangement, the outstanding Bacanora Canada Options and Bacanora Canada Warrants, when exercised, will be exercised into Bacanora UK Shares, in accordance with the terms of the Bacanora Option Plan and Bacanora Canada Warrants.

The attached Notice of Annual and Special Meeting and Circular describe in detail the Arrangement and the procedures to be followed at the Annual and Special Meeting. Please review the Circular carefully, including the schedules and documents incorporated by reference, as it contains detailed information relating to the Arrangement and has been prepared to assist you in making an informed decision with respect to the Arrangement.

**The Board of Directors of Bacanora Canada has unanimously approved the Arrangement and determined that the Arrangement is in the best interests of Bacanora Canada and the Bacanora Canada Shareholders and recommends that all Bacanora Canada Shareholders vote FOR the Arrangement.** Further details on how the Board of Directors made this determination are set out in the Circular.

As part of the required approvals, the Arrangement must be approved by not less than 66⅔% of the votes cast by Bacanora Canada Shareholders present in person or represented by proxy and entitled to vote at the Annual and Special Meeting. Each Bacanora Canada Shareholder will be entitled to one vote for each Bacanora Canada Share held. The approval of not less than 66⅔% of the votes cast by Bacanora Canada Shareholders at the Annual and Special Meeting would fulfill the TSXV requirement to obtain the approval of a simple majority of Bacanora

Canada Shareholders. The Arrangement also requires, among other things, approval of the Court of Queen's Bench of Alberta (the "**Court**").

The Board of Directors wishes to convey the importance of having Bacanora Canada Shareholders present or represented by proxy at the Annual and Special Meeting. Whether or not you are able to attend in person, the Board of Directors urges you to complete, sign and date the applicable enclosed proxy form and return it in the envelope provided to the office of Bacanora Canada's transfer agent, Alliance Trust Company ("**Alliance**") as soon as possible and, in any event, by no later than 4:30 p.m. (Calgary time) on August 11, 2016. Please review the Circular for additional details on how to vote your Bacanora Canada Shares.

If you are a registered holder of Bacanora Canada Shares, you are also encouraged to complete and return the enclosed Letter of Transmittal (the "**Letter of Transmittal**"), together with the certificates representing your Bacanora Canada Shares to Alliance Trust Company, in its capacity as depositary, at one of the addresses specified on the last page of the Letter of Transmittal. The Letter of Transmittal contains other procedural information relating to the Arrangement and should also be reviewed carefully. It is recommended that you complete, sign and return the Letter of Transmittal together with the certificates representing your Bacanora Canada Shares as soon as possible.

If you are in doubt as to how to deal with this material or the matters it describes, please consult your professional advisor or please contact Alliance by telephone at (403) 237-6181.

If you are a beneficial holder of Bacanora Canada Shares, you should contact your broker or intermediary for instructions and assistance to vote at the Annual and Special Meeting and provide for delivery of your Bacanora Canada Shares.

Subject to the satisfaction of all conditions to the Arrangement, including the required Court approval, if the Bacanora Canada Shareholders approve the Arrangement, it is anticipated that the Arrangement will be effective on or about August 15, 2016.

On behalf of Bacanora Canada, I would like to thank you for your past and ongoing support.

Yours truly,

(signed) "*Derek Batorowski*"

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Derek Batorowski  
Chief Financial Officer and Director  
Bacanora Minerals Ltd.

**BACANORA MINERALS LTD.**

**NOTICE OF ANNUAL AND SPECIAL MEETING OF  
SHAREHOLDERS OF BACANORA MINERALS LTD.**

**NOTICE IS HEREBY GIVEN** that an Annual and Special Meeting of holders of common shares (each a "**Bacanora Canada Share**") of Bacanora Minerals Ltd. ("**Bacanora Canada**") will be held in the Three Sisters Boardroom of Gowling WLG (Canada) LLP, at 1600, 421 – 7<sup>th</sup> Avenue S.W., Calgary, Alberta, Canada, T2P 4K9 on August 15, 2016 at 10:00 a.m. (Calgary time) for the following purposes:

1. to receive the financial statements of Bacanora Canada as at and for the year ended June 30, 2015, together with the report of the auditors thereon;
2. to fix the number of directors to be elected at Annual and Special Meeting at seven (7);
3. to elect the directors of Bacanora Canada for the ensuing year;
4. to appoint the auditors of Bacanora Canada for the ensuing year and to authorize the directors of Bacanora Canada to determine the remuneration to be paid to the auditors;
5. to consider and, if deemed advisable, to pass an ordinary resolution, the full text of which is set forth in the accompanying management information circular dated July 14, 2016 (the "**Circular**"), approving the stock option plan of Bacanora Canada in the form set out in Appendix F to the Circular;
6. to consider pursuant to an interim order of the Court of Queen's Bench of Alberta (the "**Court**") dated July 11, 2016, as the same may be amended (the "**Interim Order**") and, if deemed advisable, to pass, with or without variation, a special resolution of the Bacanora Canada Shares to approve a plan of arrangement (the "**Arrangement**") under section 193 of the *Business Corporations Act* (Alberta) providing for, in effect, the exchange of all of the issued and outstanding Bacanora Canada Shares for ordinary shares ("**Bacanora UK Shares**") of Bacanora Lithium Plc ("**Bacanora UK**"), as more particularly described in the Circular; and
7. to consider such other matters including, without limitation, any amendments or variations to the Arrangement and to transact such further or other business as may properly come before the said meeting or any adjournment or adjournments thereof.

A copy of the Circular, a form of proxy, a form of Letter of Transmittal, a proxy return envelope and a security return envelope accompany this Notice of Annual and Special Meeting. A copy of the Arrangement Agreement, the Arrangement Resolution, and ancillary documents pertaining to the Arrangement are appended to the Circular. Terms not defined in this Notice of Annual and Special Meeting have the meaning ascribed to them in the Circular.

**Whether or not you intend to attend the Annual and Special Meeting, if you are a registered holder of Bacanora Canada Shares resident in North America, you are requested to complete, sign, date and return the enclosed form of proxy for the Bacanora Canada Shares that you own in the addressed envelope enclosed with the Notice of Annual and Special Meeting to Bacanora Minerals Ltd., c/o its Americas transfer agent, Alliance Trust Company, #1010, 407 – 2nd Street S.W., Calgary, Alberta, Canada, T2P 2Y3 or by fax to (403) 237-6181 and if you are a registered holder of Bacanora Canada Shares resident outside of North America, you are requested to complete, sign, date and return the enclosed form of proxy for the Bacanora Canada Shares that you own in the addressed envelope enclosed with the Notice of Annual and Special Meeting to Bacanora Minerals Ltd., c/o its Non-Americas transfer agent, Capita Asset Services, Corporate Actions, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Proxies must be received by no later than 5pm (UK time) on Thursday 11<sup>th</sup> August, 2016 or, in the event that the Annual and Special Meeting is adjourned or postponed to a later date, at 5pm (UK time) two business days before any adjourned or postponed meeting. The time limit for the deposit of proxies may be waived by the Board of Directors at its discretion without notice. If you require assistance in completing your proxy, please call your professional advisor, Alliance Trust Company at (403) 237-6111.**

Beneficial owners of Bacanora Canada Shares that are registered in the name of an intermediary such as a broker, custodian, nominee or other intermediary (see definition of "**Intermediary**") should follow the instructions provided by their Intermediary in order to vote their Bacanora Canada Shares.

**DATED** the 14<sup>th</sup> day of July, 2016.

**BY ORDER OF THE BOARD OF DIRECTORS**

*(signed) "Derek Batorowski"*

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Derek Batorowski  
Chief Financial Officer and Director  
Bacanora Minerals Ltd.

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**THE ARRANGEMENT AS DESCRIBED HEREIN HAS NOT BEEN APPROVED OR DISAPPROVED BY ANY SECURITIES REGULATORY AUTHORITY NOR HAS ANY SECURITIES REGULATORY AUTHORITY PASSED UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE.**

**NOTICE TO BACANORA SHAREHOLDERS IN THE UNITED STATES**

**THE BACANORA UK SHARES ISSUABLE PURSUANT TO THE ARRANGEMENT HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES, NOR HAS THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY SUCH STATE SECURITIES REGULATORY AUTHORITY PASSED UPON THE FAIRNESS OR MERITS OF THE ARRANGEMENT OR UPON THE ADEQUACY OR ACCURACY OF THIS INFORMATION CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.**

The Bacanora UK Shares to be issued upon completion of the Arrangement have not been and will not be registered under the 1933 Act, and are being issued in reliance upon the exemption from registration provided by Section 3(a)(10) of the 1933 Act on the basis of the approval of the Court, which will consider, among other things, the fairness of the terms and conditions of the Arrangement to the Bacanora Canada Shareholders. Additionally, Bacanora UK Shares to be issued upon completion of the Arrangement will be issued in reliance upon similar exemptions under the securities laws of the applicable states of the United States. See "Securities Regulatory Matters — U.S. Securities Law Matters".

The Bacanora UK Shares to be received by U.S. Bacanora Shareholders upon completion of the Arrangement may be resold without restrictions under the 1933 Act, except by persons who are "affiliates" of Bacanora UK after completion of the Arrangement or who were affiliates of Bacanora UK within 90 days prior to the Effective Date. Generally, as defined in Rule 144 under the 1933 Act, an "affiliate" of an issuer is a Person that directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with, the issuer, whether through the ownership of voting securities, by contract or otherwise. Usually, this includes directors, executive officers and major shareholders of the issuer. See "Securities Regulatory Matters — U.S. Securities Law Matters".

The solicitation of proxies by means of this Circular for the Annual and Special Meeting and the transactions contemplated in this Circular are not subject to the requirements of Section 14(a) of the 1934 Act. Accordingly, the solicitations of proxies and transactions contemplated in this Circular are made in the United States for securities of a Canadian issuer in accordance with Canadian corporate and securities laws, and this Circular has been prepared solely in accordance with disclosure requirements applicable in Canada. U.S. Bacanora shareholders should be aware that Canadian corporate and securities laws and disclosure requirements are different from United States corporate and securities laws and disclosure requirements applicable to registration statements under the 1933 Act and proxy statements under the 1934 Act.

**Therefore, information concerning assets and operations of Bacanora Canada and Bacanora UK contained herein or in documents incorporated herein by reference has been prepared in accordance with Canadian disclosure standards and is not comparable in all respects to United States disclosure standards.**

The financial statements and other financial information included or incorporated by reference in this Circular have been prepared in Canadian dollars. The financial statements and other financial information incorporated by reference in this Circular have been prepared in accordance with IFRS, and are subject to Canadian auditing and auditor independence standards, which differ from United States GAAP and United States auditing and auditor independence standards in certain material respects. Consequently, such financial statements and other financial information are not comparable to financial statements of companies prepared in accordance with United States GAAP and that are subject to United States auditing and auditor independence standards. Likewise, pro forma information concerning the assets and operations of Bacanora Canada and Bacanora UK contained or incorporated by reference herein has been prepared in accordance with Canadian standards and is not comparable in all respects to similar information for United States companies.

The enforcement by U.S. Bacanora Shareholders of civil liabilities under U.S. securities laws may be affected adversely by the fact that Bacanora Canada is organized under the laws of Alberta, Canada and Bacanora UK is organized under the laws of England, each a jurisdiction other than the United States, that some or all of their officers and directors are residents of countries other than the United States, that some or all of the experts named in this Circular or the documents incorporated by reference herein are residents of countries other than the United States, and that all or substantial portions of the assets of Bacanora Canada, Bacanora UK and such Persons are or will be located outside the United States. You may not be able to sue a corporation organized under the ABCA or its officers or directors or the named experts in a Canadian court for violations of U.S. Securities Laws. It may be difficult to compel the foregoing Persons to subject themselves to a judgment by a United States court. In addition, the courts of Canada may not enforce judgments of United States courts obtained in actions against such persons or, in original actions, liabilities against such persons predicated upon civil liabilities under U.S. Securities Laws.

**Additionally, no broker, dealer, salesperson or other person has been authorized to give any information or make any representation other than those contained in this Circular and, if given or made, such information or representation must not be relied upon as having being authorized by Bacanora Canada or Bacanora UK.**

The Arrangement and acquiring, holding and disposing of Bacanora UK Shares will have tax consequences in Canada, the U.K. and the United States that may not be fully described herein. See "Canadian Federal Income Tax Considerations" and "United States Federal Income Tax Considerations" for a description of certain income tax consequences of the Arrangement. U.S. Bacanora Shareholders that are subject to taxation in the United States should consult their tax advisors to determine the tax consequences applicable to their particular circumstances.

#### **NOTICE TO BACANORA SHAREHOLDERS WITH RESPECT TO TAX CONSEQUENCES**

Bacanora Canada Shareholders should be aware that the disposition of Bacanora Canada Shares pursuant to the Arrangement may have tax consequences in Canada and other jurisdictions which may not be fully described herein. See "Canadian Federal Income Tax Considerations" and "United States Federal Income Tax Considerations".

#### **REPORTING CURRENCY**

In this document, unless otherwise specified, all references to "\$" are to Canadian dollars and all references to "US\$" are to United States dollars.

#### **FORWARD-LOOKING STATEMENTS**

Certain statements contained in this Circular and the documents incorporated by reference herein, including estimates of reserves, estimates of future cash flow and estimates of future production as well as other statements about anticipated future events or results, constitute forward-looking statements. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Bacanora Canada believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct.

In particular, this Circular and the documents incorporated by reference herein contain forward-looking statements pertaining to the following: the Arrangement; borate and lithium production levels; capital expenditure programs; the quantity of borate and lithium reserves; projections of market prices and costs; supply and demand for borate and lithium; expectations regarding the ability to raise capital and to continue Bacanora Canada's development through acquisitions, exploration and development; and treatment under governmental regulatory regimes.

The nature of the Arrangement and Bacanora Canada's involvement in the business of exploration for, and development and production of, mineral resources involves several factors, including those set forth below and elsewhere in this Circular and the documents incorporated by reference, that could cause actual results to differ materially from those anticipated in the forward-looking statements: exploration, development and production risks; risks associated with operating in developing countries, political and regulatory instability; security issues in

developing countries; trading price of Bacanora UK Shares; failure to complete the Arrangement; title risk to properties in developing countries; complying with corporate and regulatory formalities; volatility of borate and lithium resource pricing; uncertainties concerning recovery estimates; reliance on third party operators and key employees; operating hazards and environmental liabilities inherent in mineral resource exploration and operations; additional funding requirements of Bacanora Canada; future issuance of debt; availability of equipment and access restrictions; risks related to having non-Canadian assets and management; regulatory risks; risks related to permits and licences; risks related to currency fluctuations and foreign exchange; risks related to contractual agreements in developing countries; limitations on insurance coverage; conflicts of interest; and share price volatility.

These factors should not be considered exhaustive. These and other factors are discussed in this Circular under the heading "Risk Factors" and other documents incorporated herein by reference.

Furthermore, any forward-looking statement is made only as of a certain date, and Bacanora Canada undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events, except as may be required by applicable securities laws.

### **INFORMATION CONTAINED IN THIS CIRCULAR**

The information contained in this Circular is given as of July 14, 2016, except where otherwise noted. No person has been authorized to give any information or to make any representations in connection with the Arrangement and the other matters discussed in this Circular other than those contained in this Circular and, if given or made, any such information or representation should be considered not to have been authorized by Bacanora Canada or Bacanora UK.

This Circular does not constitute an offer to sell, or a solicitation of an offer to acquire, any securities, or the solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or solicitation. Shareholders should not construe the contents of this Circular as personal legal, tax or financial advice and should consult their own professional advisors as to the relevant legal, tax, financial or other matters specific to them in connection herewith.

## SUMMARY OF INFORMATION CIRCULAR

*This summary is qualified in its entirety by the more detailed information appearing elsewhere in this Circular, the Arrangement Agreement and the Plan of Arrangement, which form part of this Circular. Capitalized terms used in this summary and elsewhere in this Circular and not otherwise defined in the text are defined in the "Glossary of Terms" which follows this summary.*

### **The Annual and Special Meeting**

The Annual and Special Meeting will be held in the Three Sisters Boardroom of Gowling WLG (Canada) LLP, at 1600, 421 – 7<sup>th</sup> Avenue S.W., Calgary, Alberta, Canada, T2P 4K9 on August 15, 2016 at 10:00 a.m. (Calgary time).

At the Annual and Special Meeting, Bacanora Canada Shareholders will be asked to consider, and if deemed advisable, approve the Annual Matters and Arrangement Resolution.

**The Board of Directors has unanimously approved the Arrangement and determined that the Arrangement is in the best interests of Bacanora Canada and the Bacanora Canada Shareholders, and recommends that all Bacanora Canada Shareholders vote FOR the Arrangement.** See "Matters to be Acted Upon — The Arrangement — Recommendation of the Board of Directors."

If the Arrangement is completed, all of the Bacanora Canada Shares will be indirectly owned by Bacanora UK. At or before the completion of the Arrangement, it is expected that Bacanora UK Board will be appointed as the directors of Bacanora UK. Messrs. Peter Secker and Derek Batorowski will serve as the Chief Executive Officer and Chief Financial Officer of Bacanora UK, respectively.

In addition, if the Arrangement is completed, BDO Canada LLP will be appointed the auditors of Bacanora UK.

### **The Arrangement**

The objective of the Arrangement is to facilitate a re-domicile of Bacanora Canada from Alberta, Canada to England by exchanging of all of the issued and outstanding Bacanora Canada Shares for Bacanora UK Shares. On completion of the Arrangement, all of the Bacanora Canada Shares will be indirectly owned by Bacanora UK. An application will be made to the London Stock Exchange for admission to trading on AIM of the Bacanora UK Shares. In addition, Bacanora Canada will be applying for the delisting of the Bacanora Canada Shares from the TSXV and will apply for cancellation of the Bacanora Canada Shares (including depositary interests representing such shares) from trading on AIM.

### **Reasons for the Arrangement**

The Board of Directors believes that the re-domicile of Bacanora Canada in accordance with the terms of the Arrangement and the admission of the Bacanora UK Shares to trading on AIM will be in the best interests of Bacanora Canada and Bacanora Canada Shareholders for a number of reasons. Given the geographic spread of Bacanora Canada's production, development and exploration licences with a core focus on Mexico, the Board of Directors believes that:

- It would now be more appropriate for Bacanora Canada to be based in Europe, where the majority of the Bacanora Canada Shareholders and most of management reside.
- Bacanora Canada has been successful in raising funding from the United Kingdom capital markets, with its market value quadrupling in size since its announcement to list on AIM in April 2014; with the proposed Re-Domicile, Bacanora Canada anticipates greater access to the UK capital and debt markets, as AIM market investors are generally more familiar with UK incorporated and tax resident listed companies. Bacanora Canada has in the last 8 months added two major UK based institutional investors, who now own almost 17% of issued and outstanding Bacanora Canada Shares.

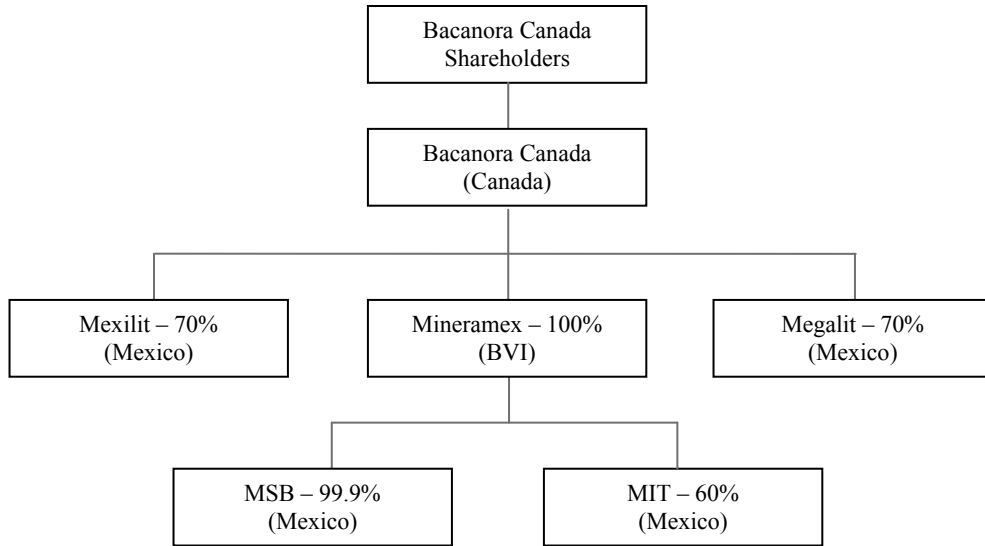
- Bacanora Canada currently incurs high costs associated with having a dual listing in the AIM and on TSXV, yet Canadian shareholdings are estimated at less than 10% of Bacanora Canada's shareholder base.
- Bacanora Canada believes that the Canadian shareholder base may continue to decrease and as a result having a single listing on AIM would allow Bacanora Canada to be more cost efficient without material downside.
- Bacanora Canada Shares currently have less liquidity on the TSXV compared to the AIM. The liquidity of Bacanora Canada Shares have increased significantly since Bacanora Canada dual listed for trading on AIM.

The Board of Directors believes that admission of the Bacanora UK Shares to trading on AIM will raise Bacanora Canada's profile and status amongst European investors and within the international mining sector generally, and will give Bacanora Canada access to an international market with a broad, relevant peer group and considerable research expertise.

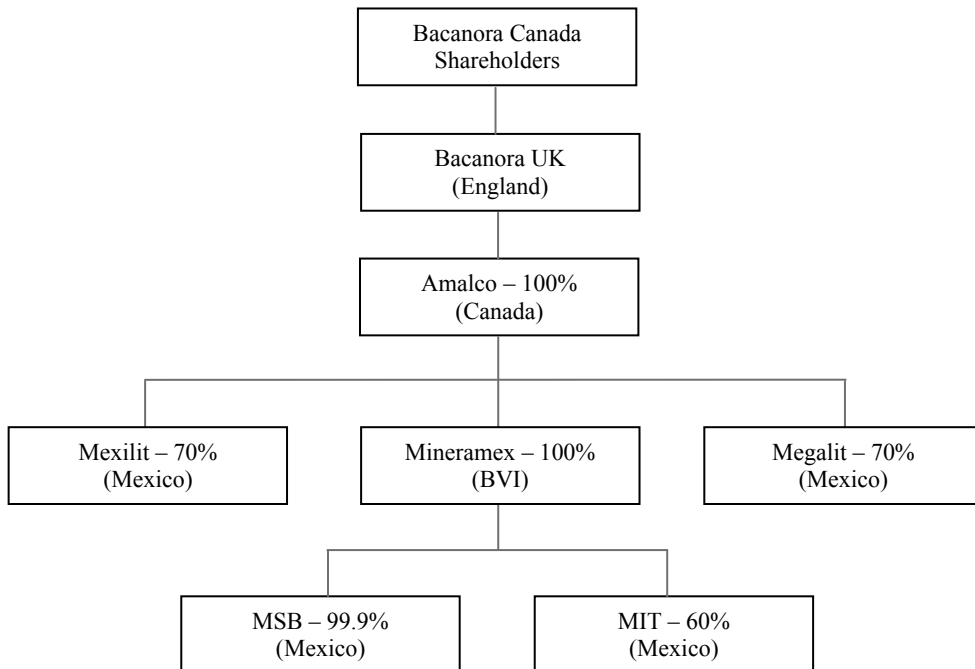
In connection with the Arrangement, the Bacanora Canada Shares are expected to be delisted from the TSXV and cancelled from trading on AIM, on or about the same time as the Bacanora UK Shares are admitted to trading on AIM. The decision of the Board of Directors to approve the Arrangement for submission to Bacanora Canada Shareholders and the Court was reached after consideration of numerous factors, including:

- historical market prices and trading patterns for the Bacanora Canada Shares;
- greater liquidity for the Bacanora Canada Shares;
- the likelihood that the Arrangement would be completed;
- the terms of the Arrangement Agreement;
- the requirement that the Arrangement be approved by not less than 66% of the votes cast at the Annual and Special Meeting by all Bacanora Canada Shareholders present in person or represented by proxy; and
- the procedures by which the Arrangement is to be approved, including the requirement to obtain the approval of the Court and the Bacanora Canada Shareholders.

The following diagram outlines the corporate structure of Bacanora UK prior to the completion of the Arrangement:



The following diagram outlines the corporate structure of Bacanora UK immediately following completion of the Arrangement:



### *Bacanora Canada Shareholders Entitled to Vote on the Arrangement*

Each Bacanora Canada Shareholder at the close of business on the Record Date is entitled to attend the Annual and Special Meeting in person or by proxy, and to cast one vote for each Bacanora Canada Share held on the Record Date. As of July 14, 2016, the total number of votes entitled to be cast in respect of the Arrangement is 107,874,353.

#### *Vote Required*

The Arrangement must be approved by not less than 66⅔% of the votes cast by Bacanora Canada Shareholders present in person or represented by proxy at the Annual and Special Meeting. Each Bacanora Canada Shareholder will be entitled to one vote for each Bacanora Canada Share held. The approval of not less than 66⅔% of the votes cast by Bacanora Canada Shareholders at the Annual and Special Meeting would fulfill the TSXV requirement to obtain the approval of a simple majority of Bacanora Canada Shareholders for delisting from the TSXV.

To the knowledge of the Board of Directors and management of Bacanora Canada, no person beneficially owns, directly or indirectly, or exercises control or direction over 10% or more of any class of outstanding voting securities of Bacanora Canada as of the date hereof other than as follows:

<b>Name</b>	<b>Number of Bacanora Canada Shares</b>	<b>Percentage of Outstanding Bacanora Canada Shares</b>
Colin Orr-Ewing	10,818,793	10.0%
Igneous Capital Limited <sup>(1)</sup> <i>Eastbourne, New Zealand</i>	15,000,000 <sup>(1)</sup>	13.9%
Rare Earth Minerals Plc <sup>(2)</sup> <i>London, United Kingdom</i>	16,682,915 <sup>(2)</sup>	15.5%

#### **Notes:**

- (1) A private corporation that is incorporated under the laws of the British Virgin Islands and is controlled by Graham Edwards, a resident of London, United Kingdom. Graham Edwards is the ultimate beneficial owner of Igneous. Mr. Edwards is also one of the potential beneficiaries of a trust that owns D&A Income Limited, which owns 5,303,030 Bacanora Canada Shares, representing 4.9% of the issued and outstanding Bacanora Canada Shares.
- (2) Rare Earth Minerals Plc is a public company whose shares are admitted for trading on the AIM. Kiran Morzaria, a director of Bacanora Canada, serves as Chief Executive Officer of Rare Earth Minerals Plc and a director of Bacanora Canada.

#### *Terms of the Arrangement*

Upon satisfaction of all the conditions of the Arrangement, including the approval of the Arrangement Resolution by not less than 66⅔% of the votes cast by the Bacanora Canada Shareholders present in person or by proxy and entitled to vote at the Annual and Special Meeting (the approval by not less than 66⅔% of the votes cast by Bacanora Canada Shareholders fulfilling the TSXV requirement to obtain the approval of a simple majority of Bacanora Canada Shareholders), and obtaining the Final Court Order, each holder of a Bacanora Canada Share outstanding at the Effective Time will transfer their Bacanora Canada Shares to AcquireCo in exchange for Bacanora UK Shares on the basis of one Bacanora Canada Share for one Bacanora UK Share and AcquireCo and Bacanora Canada will amalgamate to form Amalco, all in accordance with the Arrangement Agreement and the Plan of Arrangement.

After completion of the Arrangement, it is expected that the Bacanora UK Shares will be admitted to trading on AIM and the Bacanora Canada Shares will be delisted from the TSXV and cancelled from trading on AIM.

## **Bacanora UK**

Following the completion of the Arrangement, it is anticipated that Bacanora UK (a company incorporated under the laws of England and Wales) will operate initially under the name "Bacanora Lithium Plc". It will have its corporate head office and its registered office in London, England.

### **Approval and Recommendation by the Board of Directors**

The Board of Directors has unanimously approved the Arrangement and authorized the Arrangement to be submitted to Bacanora Canada Shareholders and the Court for approval.

**THE BOARD OF DIRECTORS HAS UNANIMOUSLY APPROVED THE ARRANGEMENT AND DETERMINED THAT THE ARRANGEMENT IS IN THE BEST INTERESTS OF BACANORA CANADA AND THE BACANORA CANADA SHAREHOLDERS AND RECOMMENDS THAT ALL BACANORA CANADA SHAREHOLDERS VOTE FOR THE ARRANGEMENT.**

See "Matters To Be Acted Upon — The Arrangement — Recommendation of the Board of Directors".

### **The Arrangement Agreement**

Bacanora Canada, Bacanora UK and AcquireCo entered into the Arrangement Agreement as of June 23, 2016 which was amended and restated as of July 11, 2016, which sets out the terms and conditions for the completion of the Arrangement. A copy of the Arrangement Agreement is appended to this Circular as Appendix A. See "The Arrangement Agreement".

The following is a summary of the principal terms of the Arrangement Agreement:

#### *Pre-Conditions*

The respective obligations of the parties to the Arrangement Agreement to complete the Arrangement are subject to the satisfaction of, or mutual waiver by Bacanora Canada and Bacanora UK on or before the Effective Date of each of the following conditions, which are for the mutual benefit of Bacanora UK and Bacanora Canada and which may be waived, in whole or in part, by Bacanora UK or Bacanora Canada at any time:

- (a) the Interim Order shall have been obtained in form and substance satisfactory to each of Bacanora Canada and Bacanora UK, acting reasonably;
- (b) the Plan of Arrangement, without amendment or with amendments acceptable to Bacanora Canada and Bacanora UK acting reasonably, shall have been approved at the Annual and Special Meeting by the Bacanora Canada Shareholders as required by the Interim Order;
- (c) the issue of the Bacanora UK Shares by Bacanora UK pursuant to the Arrangement will have been approved and all necessary corporate action to permit such shares to be issued as fully paid will have been taken;
- (d) the issue of the Bacanora UK Shares (including upon exercise of the Bacanora Canada Options and the Bacanora Canada Warrants) by Bacanora UK under the Arrangement will be exempt from the prospectus and registration requirements under applicable Canadian securities laws and will be exempt from the registration requirements of the United States Securities Act of 1933;
- (e) the Final Order shall have been granted in form and substance satisfactory to Bacanora Canada and Bacanora UK, acting reasonably, and shall not have been set aside or modified in a manner unacceptable to Bacanora Canada and Bacanora UK, acting reasonably, on appeal or otherwise;



- (f) all approvals and consents, regulatory or otherwise, which are required in connection with the consummation of the transactions contemplated in the Arrangement Agreement and in the Plan of Arrangement shall have been obtained (including, without limitation, the conditional approval of the Arrangement by the TSXV and AIM);
- (g) no preliminary or permanent injunction, restraining order, cease trading order or order or decree of any Governmental Entity, and no law, regulation, policy, directive or order shall have been enacted, promulgated, made, issued or applied to cease trade, enjoin, prohibit or impose material limitations on, the Arrangement or the transactions contemplated therein or in the Plan of Arrangement and no such action, proceeding or order shall, to the best of the knowledge of Bacanora Canada or Bacanora UK, be pending or threatened and, without limiting the generality of the foregoing, no person shall have filed any notice of appeal of the Final Order, and no person shall have communicated to Bacanora Canada or Bacanora UK any intention to appeal the Final Order which, in the reasonable opinion of Bacanora Canada or Bacanora UK, would make it inadvisable to proceed with the implementation of the Arrangement; and
- (h) the Arrangement Agreement shall not have been terminated pursuant to section 5 of the Arrangement Agreement.

#### *Implementation, Interim Order and Terms of the Arrangement*

In the Arrangement Agreement, Bacanora Canada has provided covenants relating to the Interim Order, the Annual and Special Meeting, the Final Order and the Articles of Arrangement in order to complete the Arrangement.

The Arrangement Agreement also sets out the terms of the Arrangement. See "Matters to be Acted Upon — Details of the Arrangement".

The Arrangement Agreement may be terminated by mutual written consent of the parties thereto at any time prior to the Effective Time. See "The Arrangement Agreement — Conditions Precedent to the Arrangement".

#### **Additional Required Approvals**

##### *Court Approval*

The Arrangement requires Court approval under the ABCA. Prior to mailing this Circular, the Interim Order was obtained from the Court. Following approval of the Arrangement by the Bacanora Canada Shareholders at the Annual and Special Meeting, Bacanora Canada will apply to the Court for the Final Order. The Notice of Application is attached as Appendix C to this Circular. It is anticipated that Bacanora Canada will make an application for the Final Order to the Court at the Calgary Courts Centre, 601 – 5th Street S.W., Calgary, Alberta, Canada, T2P 5P7. The hearing for the Final Order is currently scheduled to be heard on or about August 15, 2016. See "Matters To Be Acted Upon — The Arrangement — Bacanora Canada Shareholder Approval — Court Approval of Arrangement".

##### *Regulatory Approval*

An application will be made with the London Stock Exchange for admission to trading of the Bacanora UK Shares on AIM. Bacanora Canada intends to apply to delist the Bacanora Canada Shares from the TSXV and intends to apply to the London Stock Exchange to cancel trading of Bacanora Canada Shares (including depositary interests representing such shares) on AIM. See "Risk Factors — Risks Associated with the Arrangement".

The Board of Directors of Bacanora Canada have taken all reasonable care to ensure that the facts stated in this Circular are true and accurate in all material respects, and that there are no other facts the omission of which would make misleading any statement in this Circular, whether of facts or of opinion. All directors accept responsibility accordingly.

After completion of the Arrangement, it is expected that Bacanora UK will apply to cease to be a "reporting issuer" in Canada. In the event that Bacanora UK is unsuccessful in its application, it will likely be a "designated foreign issuer" within the meaning of National Instrument 71-102 — *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* of the Canadian Securities Administrators. Bacanora UK will rely on that instrument, and Bacanora Canada will be applying for relief to the effect that Bacanora UK and Bacanora Canada will be exempt from most of the continuous disclosure requirements of Canadian securities legislation, as well as certain other requirements, including insider reporting and early warning reporting, provided Bacanora UK complies with the continuous disclosure requirements of the United Kingdom. Bacanora Canada and Bacanora UK also intends to apply to the applicable securities regulators in Canada for relief from NI 43-101.

The effect of being a "designated foreign issuer" and the granting of the relief referred to above will be that while Bacanora UK and Bacanora Canada may continue to be reporting issuers in various jurisdictions in Canada after the completion of the Arrangement, Bacanora UK and Bacanora Canada will not file or will not be subject to, and Bacanora Canada Shareholders will not receive, the continuous disclosure and other documents referred to in the preceding paragraph as otherwise required by Canadian securities legislation, but rather Bacanora UK and Bacanora Canada will comply with their obligations as reporting issuers by complying with the requirements of securities legislation of England, including the AIM Rules.

### **Voting by Proxy**

Bacanora Canada Shareholders who are unable to attend the Annual and Special Meeting in person may vote by proxy in one of the following ways: (i) complete, sign, date and return the accompanying form of proxy, (ii) vote by fax according to the instructions on the form of proxy ((403) 237-6181) or (iii) vote by Internet according to the instructions on the form of proxy. The persons named in the accompanying forms of proxy are directors of Bacanora Canada. A Bacanora Canada Shareholder has the right to appoint another person other than the persons named on the enclosed form of proxy to attend and act on behalf of the Bacanora Canada Shareholder at the Annual and Special Meeting. To exercise this right, a Bacanora Canada Shareholder should insert the name of its nominee in the blank space provided on the proxy. A person appointed as proxy holder need not be a Bacanora Canada Shareholder. If you hold your Bacanora Canada Shares through an Intermediary, such as a broker or securities dealer, please see "General information for the Annual and Special Meeting — Advice to Beneficial Shareholders" for instructions.

If voting by mail, a form of proxy will only be valid if it is duly completed, signed and in the addressed envelope enclosed and then deposited with the Notice of Annual and Special Meeting to Bacanora Minerals Ltd., c/o its Americas transfer agent, Alliance Trust Company, #1010, 407 – 2<sup>nd</sup> Street S.W., Calgary, Alberta, Canada T2P 2Y3 or by fax to (403) 237-6181 or if you are a registered holder of Bacanora Canada Shares resident outside of North America, c/o Bacanora Canada's Non-Americas transfer agent, Capita Asset Services, Corporate Actions, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Proxies must be received by no later than 4:30 p.m. (Calgary time) on August 11, 2016 or, in the event that the Annual and Special Meeting is adjourned or postponed to a later date, at 4:30 p.m. (Calgary time) on the Business Day before any adjourned or postponed meeting. The time limit for the deposit of proxies may be waived by the Board of Directors at its discretion without notice. If you require assistance in completing your proxy, please call your professional advisor, Alliance Trust Company at (403) 237-6111 or Capital Asset Services, Corporate Actions at +44 (0)371-664-0321. See "General Information for the Annual and Special Meeting".

### **Procedure for Exchange of Certificates by Holders of Bacanora Canada Shares**

Enclosed with this Circular is a Letter of Transmittal which is being delivered to all registered holders of Bacanora Canada Shares. The Letter of Transmittal, when validly completed and duly executed and returned with the certificate or certificates representing the holder's Bacanora Canada Shares and any other required documents, will enable the holder to receive one Bacanora UK Share for each Bacanora Canada Share held.

Bacanora UK Shares will be issued as soon as practicable after the Effective Date and, if in certificated form, will be forwarded to the Bacanora Canada Shareholder at the address specified by the Bacanora Canada Shareholder in the Letter of Transmittal by prepaid postage, first class mail, or be made available at the office of the Applicable Depository for pick-up at the office where the Bacanora Canada Shares were deposited by the Bacanora Canada

Shareholder, if so requested in the Letter of Transmittal. See "The Arrangement —Procedures for Exchange of Certificates by Holders of Bacanora Canada Shares".

**Beneficial Shareholders or non-registered holders of Bacanora Canada Shares should contact the Intermediary (e.g. bank, trust company, securities dealer or broker and a trustee or administrator of a self-administered registered savings plan, registered retirement income fund, registered education savings plan or similar plans or other registered holder) who holds their Bacanora Canada Shares on their behalf to arrange for the exchange of their Bacanora Canada Shares.**

Bacanora Canada will issue a news release following the Annual and Special Meeting to confirm whether the Bacanora Canada Shareholders have approved the Arrangement. **Bacanora Canada Shareholders will not receive the Bacanora UK Shares to which they are entitled under the Arrangement unless they deposit with the Applicable Depository a validly completed and duly executed Letter of Transmittal prior to the Deposit Deadline together with the certificates representing their Bacanora Canada Shares and such other documents as may be required.** In the event that the Arrangement is not approved by Bacanora Canada Shareholders at the Annual and Special Meeting, all Bacanora Canada Shares previously deposited with the Applicable Depository will be returned to Bacanora Canada Shareholders.

See "The Arrangement — Procedures for Exchange of Certificates by Holders of Bacanora Canada Shares".

#### **Differences Between the ABCA and the U.K. Companies Act**

Bacanora UK was incorporated in England has its registered office in London, England and will maintain its share registry in England. Upon completion of the Arrangement, Bacanora UK will indirectly own all of the Bacanora Canada Shares and will be subject to U.K. Companies Act. There are certain differences between the provisions of the ABCA and U.K. Companies Act. See "Differences Between the ABCA and U.K. Companies Act".

#### **Brief Summary of Canadian Federal Income Tax Considerations**

The following is a general summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable to Bacanora Canada Shareholders who are individuals (other than trusts, including Deferred Income Plans) or corporations who are not exempt from Canadian federal income tax, who deal at arms' length with Bacanora Canada, Bacanora UK and AcquireCo, who are not affiliated with Bacanora Canada or Bacanora UK and who hold their Bacanora Canada Shares and Bacanora UK Shares as capital property. **The following summary is not intended to be and should not be construed as advice about the Canadian income tax implications of the Arrangement to any Bacanora Canada Shareholder. Bacanora Canada Shareholders are urged to consult their own advisors on the impact of a disposition of their Bacanora Canada Shares in consideration for Bacanora UK Shares.**

For Canadian federal income tax purposes, a holder of Bacanora Canada Shares who is a Canadian Resident and who receives Bacanora UK Shares pursuant to the Arrangement will realize a capital gain or capital loss on his Bacanora Canada Shares to the extent that the fair market value of such Bacanora UK Shares on the Effective Date exceeds (or is less than) the aggregate of the adjusted cost base to the holder of their Bacanora Canada Shares and reasonable costs of disposition.

For a more detailed description of Canadian income tax considerations, see "Canadian Federal Income Tax Considerations".

#### **Brief Summary of UK Income Tax Considerations**

The following information is intended as a general guide and relates to the tax position of Shareholders who are resident in the UK. The statements are based on the current legislation, in respect of UK legislation, proposals announced in the 16 March 2016 Budget and practice in the UK, and do not purport to be comprehensive or to describe all potential relevant considerations. Investors should note that both tax law and interpretation are subject to change, possibly with retrospective effect. **Any Bacanora Canada Shareholder who is in any doubt about his tax**

**position, or who is subject to taxation in a jurisdiction other than the UK should consult his own professional adviser immediately.**

### **UK Taxation of Chargeable Gains**

Liability to UK taxation of chargeable gains will depend on the individual circumstances of Bacanora Canada Shareholders.

A Bacanora Canada Shareholder who, together with persons connected with him, does not hold more than 5% of shares in Bacanora Canada should not be treated as having made a disposal of his Bacanora Canada Shares for the purposes of UK taxation of chargeable gains to the extent that he receives Bacanora UK Shares in exchange for his Bacanora Canada Shares under the Arrangement. Instead, the Bacanora UK Shares will be treated as the same asset as his Bacanora Canada Shares, acquired at the same time as his Bacanora Canada Shares.

Any Bacanora Canada Shareholder who, either alone or together with persons connected with him, holds more than 5% of Bacanora Canada Shares is advised that clearance has been sought from HM Revenue & Customs under section 138 of the Taxation of Chargeable Gains Act 1992 in respect of the Arrangement.

### **Brief Summary of United States Federal Income Tax Considerations**

Whether the exchange of Bacanora Canada Shares for Bacanora UK Shares under the Arrangement (the "**Exchange**") will qualify as a tax-deferred exchange within the meaning of Section 351 of the U.S. Code (a "**Section 351 Transaction**") is not clear and may depend to some extent upon events subsequent to the date of this Circular, including events subsequent to the Effective Date, which events cannot be predicted with accuracy. If the Arrangement qualifies as a Section 351 Transaction with respect to the U.S. Holders (as defined below), subject to the passive foreign investment company ("**PFIC**") rules discussed below, then such U.S. Holders should not recognize gain or loss with respect to the Exchange. If the Exchange does not qualify as a Section 351 Transaction, subject to the PFIC rules discussed below, then such U.S. Holders will recognize gain or loss in an amount equal to the difference, if any, between (i) the fair market value (expressed in U.S. dollars) of the Bacanora UK Shares received in exchange for Bacanora Canada Shares, as applicable, pursuant to the Arrangement and (ii) the adjusted tax basis (expressed in U.S. dollars) of such U.S. Holder in the Bacanora Canada Shares exchanged. The foregoing is a brief summary of the U.S. federal income tax consequences to U.S. Holders with respect to the Exchange, which is qualified in its entirety by the discussion under "United States Federal Income Tax Considerations" below.

### **Listing on Stock Exchanges**

The Bacanora Canada Shares are currently listed on the TSXV under the symbol "BCN" and traded on AIM under the symbol "BCN". Bacanora UK is seeking the admission of the Bacanora UK Shares to trading on AIM subject to the satisfaction of their customary requirements. See "Risk Factors — Risks Associated with the Arrangement".

### **Risk Factors**

Bacanora Canada Shareholders should consider a number of risk factors when evaluating the Arrangement. Those risk factors include certain risks related to the Arrangement and the business of each of Bacanora Canada and Bacanora UK, which are disclosed in greater detail herein. See "Risk Factors — Risks Associated with the Arrangement".

## GLOSSARY OF TERMS

*The following is a glossary of terms used frequently throughout this Circular (excluding Appendices).*

"**1933 Act**" means the United States Securities Act of 1933, as amended.

"**1934 Act**" means the United States Securities Exchange Act of 1934, as amended.

"**ABCA**" means the *Business Corporations Act* (Alberta) and the regulations promulgated thereunder as each may be amended from time to time.

"**AcquireCo**" means 1976844 Alberta Ltd., a corporation formed under the ABCA.

"**Admission**" Admission of Bacanora Canada's entire issued share capital to trading on AIM;

"**Affiliate**" has meaning ascribed thereto in the ABCA.

"**AIM**" means AIM, the market of that name operated by the London Stock Exchange plc;

"**AIM Rules**" the AIM Rules for Companies and the AIM Rules for Nominated Advisers published by the London Stock Exchange from time to time;

"**AIM Supplement**" means the Appendix to the AIM Schedule One Announcement of Bacanora UK.

"**Alliance**" means Alliance Trust Company.

"**Amalco**" means the corporation formed by way of amalgamation between Bacanora Canada and the AcquireCo pursuant to the Arrangement;

"**Annual and Special Meeting**" means the Annual and Special Meeting of Bacanora Canada Shareholders held in accordance with the ABCA and the provisions of the Interim Order and any adjournment thereof, to be held on August 15, 2016 to consider and, if deemed advisable, approve Annual Matters and to approve the Arrangement by way of Special Resolution of Bacanora Canada Shareholders.

"**Annual and Special Meeting Materials**" means the Notice of Annual and Special Meeting, this Circular, the instrument of proxy, the Letter of Transmittal and other related materials.

"**Annual Matters**" means the presentation of the financial statements for the year ended June 30, 2015, appointment of auditors for the ensuing year, election of directors and the approval of the Bacanora Canada Stock Option Plan.

"**Applicable Transfer Agent**" means, collectively, Alliance, in its capacity as Americas transfer agent for the Bacanora Canada Shares and Capita, in its capacity as Non-Americas transfer agent for the Bacanora Canada Shares.

"**Applicable Depositary**" means, collectively, Alliance, as North American depositary and Capita, as European depositary, in respect of the exchange of certificates of Bacanora Canada Shares for certificates evidencing Bacanora UK Shares, as the case may be.

"**Arrangement**" means an arrangement under Section 193 of the ABCA substantially on the terms and conditions set forth in the Plan of Arrangement and any amendment or variation thereto made in accordance with the terms of the Arrangement Agreement or section 5 of the Plan of Arrangement or made at the direction of the Court.

"**Arrangement Agreement**" means the amended and restated arrangement agreement dated as of July 11, 2016, amending and restating the arrangement agreement dated as of June 23, 2016 between Bacanora Canada, Bacanora

UK and AcquireCo, as may be amended from time to time, a copy of which is attached as Appendix A to this Circular.

**"Arrangement Resolution"** means the special resolution of the Bacanora Canada Shareholders approving the Plan of Arrangement, as required by the Interim Order and to be substantially in the form set out in Schedule 2 to the Arrangement Agreement.

**"Articles of Arrangement"** means the articles of arrangement of Bacanora Canada in the form prescribed under the ABCA to be filed with the Registrar to give effect to the Arrangement.

**"Bacanora Canada"** means Bacanora Minerals Ltd., a corporation incorporated under the BCA.

**"Bacanora Canada By-laws"** means the by-laws of Bacanora Canada.

**"Bacanora Canada Group"** means Bacanora Canada, the Bacanora UK Parties and all Affiliates and subsidiaries thereto.

**"Bacanora Canada Option(s)"** means the outstanding stock options of Bacanora Canada to purchase Bacanora Canada Shares, issued pursuant to the Bacanora Canada Stock Option Plan.

**"Bacanora Canada Optionholder(s)"** means the holders of Bacanora Canada Options.

**"Bacanora Canada Share(s)"** means the common shares in the capital of Bacanora Canada.

**"Bacanora Canada Shareholders"** means, at any time, the holders of Bacanora Canada Shares.

**"Bacanora Canada Stock Option Plan"** means, collectively, the stock option plan of Bacanora Canada approved by the board of directors of Bacanora Canada on May 6, 2015 and the stock option plan approved by Bacanora Canada Shareholders on June 12, 2015.

**"Bacanora Canada Warrants"** means warrants of Bacanora Canada entitling the holder thereof to acquire one Bacanora Canada share per each warrant in accordance with the terms of the Bacanora Canada Warrants.

**"Bacanora UK"** means Bacanora Lithium Plc, a company incorporated under U.K. Companies Act.

**"Bacanora UK Articles"** means Articles of Association of the Bacanora UK.

**"Bacanora UK Parties"** means Bacanora UK and AcquireCo.

**"Bacanora UK Share(s)"** means the ordinary shares of £0.10 each in the capital of Bacanora UK.

**"Bacanora UK Shareholder(s)"** means a registered holder of Bacanora UK Shares.

**"BCA"** means the *Business Corporations Act* (Alberta), as amended;

**"Beneficial Shareholder(s)"** means a Bacanora Canada Shareholder holding its Bacanora Canada Shares through an Intermediary.

**"BFS"** means Broadridge Financial Solutions, Inc.

**"Board"** or **"Board of Directors"** means the board of directors of Bacanora Canada.

**"Business Day"** means any day on which commercial banks are generally open for business in London, England and Calgary, Alberta, Canada other than a Saturday, a Sunday or day observed as a holiday in London or in Calgary.

"**Canadian Resident**" means a person resident in Canada for the purposes of the Tax Act, or a partnership that is a "Canadian Partnership" for the purposes of the Tax Act (but for greater certainty does not include any other partnership).

"**Canadian Shareholder**" means a shareholder who is a Canadian Resident.

"**Capita**" means Capita Asset Services.

"**CDS**" means CDS Clearing and Depositary Services Inc.

"**Circular**" means this management information circular, as it may be amended from time to time.

"**Closing**" means the time and date of the completion of the Arrangement.

"**Counsel**" means Gowling WLG (Canada) LLP.

"**Court**" means the Court of Queen's Bench (Alberta).

"**CRA**" means the Canada Revenue Agency.

"**CREST**" means computer-based system and procedures which enable title to securities to be evidenced and transferred without a written instrument and which is operated by Euroclear UK & Ireland Limited.

"**Current Market Price**" has the meaning ascribed thereto in the Plan of Arrangement.

"**Default PFIC Rules**" means the rules relating to PFICs under the U.S. Code.

"**Deferred Income Plans**" means, collectively, trusts governed by "registered retirement savings plans", "registered retirement income funds", "deferred profit sharing plans", "registered disability savings plans", "registered education savings plans" and "tax-free savings accounts", all as defined by the Tax Act.

"**Deposit Deadline**" means the deadline for submitting a Letter of Transmittal, being the date that is three years after the Effective Date.

"**Disclosure and Transparency Rules**" or "**DTRs**" means the Disclosure Rules and Transparency Rules made by the FCA in accordance with section 73(A)(3) of FSMA;

"**Effective Date**" means the date that the Registrar issues the appropriate certificate for the Arrangement pursuant to section 193(11) of the ABCA.

"**Effective Time**" means 2:30 p.m. (Calgary time) on the Effective Date.

"**Eligible Institution**" means a Canadian Schedule I chartered bank, a member of the Bacanora Canada Shares Transfer Association Medallion Program (STAMP), or a member of the Stock Exchange Medallion Program (SEMP).

"**Euroclear**" means Euroclear UK & Ireland Limited.

"**Exchange**" means the exchange of Bacanora Canada Shares for Bacanora UK Shares as described in this Circular.

"**Final Order**" means the final order of the Court approving the Arrangement pursuant to section 193(9)(a) of the ABCA as such order may be amended by the Court at any time prior to the Effective Date, or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed, following the application therefor contemplated by section 2 of the Arrangement Agreement.

"**FSMA**" means the *UK Financial Services and Markets Act 2000*, as amended from time to time.

"**GAAP**" means generally accepted accounting principles of Canada.

"**Governmental Entity**" means any:

- (a) federal, provincial, state, territorial, regional, municipal, local or other government, governmental or public department, court, tribunal, arbitral body, commission, board or agency having jurisdiction over the Bacanora Canada Group, as applicable;
- (b) any subdivision, agent, commission, board or authority of any of the foregoing; or
- (c) any quasi governmental or private body exercising any regulatory, expropriatory or taxing authority under or for the account of any of the foregoing.

"**Interim Order**" means the interim order of the Court pursuant to section 193(4) of the ABCA made in connection with the process for obtaining approval of the Arrangement and related matters following the application therefor contemplated by section 2 of the Arrangement Agreement, as the same may be affirmed, amended, supplemented or varied by the Court or by the highest court by which an appeal therefrom is heard at any time prior to the Effective Time, a copy of which order is attached as Appendix B to this Circular.

"**Intermediary**" means a bank, trust company, securities dealer or broker and a trustee or administrator of a self-administered registered savings plan, registered retirement income fund, registered education savings plan or similar plans.

"**IRS**" means the United States Internal Revenue Service.

"**Letter of Transmittal**" means the Letter of Transmittal for use by the Bacanora Canada Shareholders in the form accompanying this Circular.

"**MAR**" means Market Abuse Regulation 596/2014.

"**Mark-to-Market Election**" means a mark-to-market election under Section 1296 of the U.S. Code.

"**Megalit**" means Minera Megalit S.A. de C.V., a company incorporated in Mexico with the registered number 42244\*7, currently 70% owned by Bacanora Minerals and 30% owned by REM.

"**Mexilit**" means Mexilit S.A. de C.V., a company incorporated in Mexico with the registered number 41753\*7, currently 70% owned by Bacanora Minerals and 30% owned by REM.

"**Mineramex**" means Mineramex Limited, a British Virgin Islands incorporated company, with registered number 687069, being a wholly owned subsidiary of Bacanora Canada.

"**MIT**" means Minerales Industriales Tubutama S.A de C.V., a company incorporated in Mexico, with the registered number 34289\*7, being indirectly 60% owned by Bacanora Canada.

"**MSB**" means Minera Sonora Borax S.A. de C.V., a company incorporated in Mexico with registered number 36668\*7, being indirectly 99.9% owned by Bacanora Canada.

"**NI 43-101**" means National Instrument 43-101 — *Standards of Disclosure for Mineral Projects*.

"**Notice of Annual and Special Meeting**" means the notice of Annual and Special Meeting of Bacanora Canada Shareholders to be held on August 15, 2016.

"**Panel**" means the UK Panel on Takeovers and Mergers.



**"Person"** means any individual, body corporate, partnership, joint venture, limited liability company, trust, unincorporated organization, Governmental Entity or agency or political subdivision thereof or other entity recognized by law.

**"PFIC"** means a passive foreign investment company as defined under Section 1297 of the U.S. Code.

**"Plan of Arrangement"** means the plan of arrangement substantially as set out as Schedule 1 to the Arrangement Agreement, and any amendments or variations thereto made in accordance with section 6.9 of the Arrangement Agreement or section 5 of the Plan of Arrangement or made at the direction of the Court.

**"Pound Sterling Equivalent"** means, in respect of an amount expressed in Canadian dollars (the **"Canadian Currency Amount"**) at any date, the product obtained by multiplying (a) the Canadian Currency Amount by (b) the noon spot exchange rate on such date for Canadian currency expressed in pounds sterling as reported by the Bank of Canada or, in the event such spot exchange rate is not available, such exchange rate on such date for Canadian currency expressed in pounds sterling as may be deemed by the board of directors of Bacanora Canada to be appropriate for such purpose.

**"QCA Code"** means the Corporate Governance Code for Small and Mid-Size Quoted Companies 2013, as published by the Quoted Companies Alliance.

**"QEF Election"** means a qualified electing fund election under Section 1295 of the U.S. Code.

**"Record Date"** means July 14, 2016.

**"Registrar"** means the Registrar of Corporations as appointed under section 263 of the ABCA.

**"Regulation S"** means Regulation S under the 1933 Act.

**"REM"** means Rare Earth Minerals plc, a company incorporated in England and Wales with the registration number 05234262, whose shares are admitted to trading on AIM, and its subsidiary undertakings, including REM Mexico Ltd;

**"SEC"** means the United States Securities and Exchange Commission.

**"Section 351 Transaction"** means a tax-deferred exchange within the meaning of Section 351 of the U.S. Code.

**"Tax Act"** means the *Income Tax Act* (Canada) and the regulations promulgated thereunder, as amended from time to time.

**"Tax Exempt"** means a person specified in section 149 of the Tax Act.

**"Tax Proposals"** means specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date of this Circular.

**"TSXV"** means the TSX Venture Exchange.

**"U.K. Companies Act"** means *the Companies Act 2006* (as amended).

**"U.K. City Code"** means the U.K. City Code on Takeovers and Mergers issued by the Panel.

**"U.S. Code"** means United States Internal Revenue Code of 1986, as amended.

**"U.S. Bacanora Shareholders"** means Bacanora Shareholders that are located in the United States or that are "U.S. persons" as defined in Regulation S.

**"U.S. Holder"** means a beneficial owner of Bacanora Canada Shares (or, following the completion of the Exchange, a beneficial owner of Bacanora UK Shares) that holds such shares as capital assets, and that, for U.S. federal income tax purposes, is

- (a) an individual who is a citizen or resident of the U.S. for U.S. federal income tax purposes;
- (b) a corporation, or any other entity classified as a corporation for U.S. federal income tax purposes, that is created or organized in or under the laws of the U.S. or any state in the U.S., including the District of Columbia;
- (c) an estate if the income of that estate is subject to U.S. federal income tax regardless of the source of such income; or
- (d) a trust if (i) the trust has validly elected to be treated as a U.S. person for U.S. federal income tax purposes or (ii) a U.S. court is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust.

**"U.S. Person"** means "U.S. person" as defined in Regulation S.

**"Voting Instruction Form"** means an instruction form provided by an Intermediary for the use of a Beneficial Shareholder relating to the Beneficial Shareholder's shares.

## GENERAL INFORMATION FOR THE MEETING

### Solicitation of Proxies

**This Circular is furnished in connection with the solicitation of proxies by and on behalf of management of Bacanora Canada for use at the Annual and Special Meeting of Bacanora Canada Shareholders to be held in the Three Sisters Boardroom of Gowling WLG (Canada) LLP, at 1600, 421 – 7<sup>th</sup> Avenue S.W., Calgary, Alberta, Canada, T2P 4K9 on August 15, 2016 at 10:00 a.m. (Calgary time) for the purposes set out in the accompanying Notice of Annual and Special Meeting.**

Although it is expected that the solicitation of proxies will be primarily by mail, proxies may also be solicited personally by the directors or officers of Bacanora Canada at nominal cost. Arrangements have been made with brokerage houses and other intermediaries, clearing agencies, custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of the Bacanora Canada Shares held of record by such persons and Bacanora Canada may reimburse such persons for reasonable fees and disbursements incurred by them in doing so. The costs of the solicitation will be borne by Bacanora Canada.

### Appointment and Revocation of Proxies

The persons named in the enclosed form of proxy are officers or directors of Bacanora Canada.

**A BACANORA CANADA SHAREHOLDER DESIRING TO APPOINT SOME OTHER PERSON, WHO NEED NOT BE A BACANORA CANADA SHAREHOLDER, TO REPRESENT HIM OR HER AT THE ANNUAL AND SPECIAL MEETING, MAY DO SO BY INSERTING SUCH OTHER PERSON'S NAME IN THE BLANK SPACE PROVIDED IN THE ENCLOSED FORM OF PROXY OR BY COMPLETING ANOTHER PROPER FORM OF PROXY AND, IN EITHER CASE, DEPOSITING THE COMPLETED AND EXECUTED PROXY WITH THE APPLICABLE TRANSFER AGENT OF BACANORA CANADA, ALLIANCE TRUST COMPANY, #1010, 407 – 2<sup>ND</sup> STREET S.W., CALGARY, ALBERTA, CANADA T2P 2Y3 OR , BY CAPITAL ASSET SERVICES, CORPORATE ACTIONS, THE REGISTRY, 34 BECKENHAM ROAD, BECKENHAM, KENT BR3 4TU, AS APPLICABLE, NO LATER THAN 4:30 P.M. (CALGARY TIME) ON AUGUST 11, 2016.**

A proxy can be executed by the Bacanora Canada Shareholder or his attorney duly authorized in writing, or, if the Bacanora Canada Shareholder is a corporation, under its corporate seal by an officer or attorney thereof duly authorized.

A Bacanora Canada Shareholder forwarding one of the enclosed forms of proxy may indicate the manner in which the appointee is to vote with respect to any specific item by checking the appropriate space. If the Bacanora Canada Shareholder giving the proxy wishes to confer discretionary authority with respect to any item of business, then the space opposite the item is to be left blank. The Bacanora Canada Shares represented by the proxy submitted by a Bacanora Canada Shareholder will be voted in accordance with the directions, if any, given in the proxy.

In addition to any other manner permitted by law, the proxy may be revoked before it is exercised by instrument in writing executed and delivered in the same manner as the proxy at any time up to and including the last Business Day preceding the day of the Annual and Special Meeting or any adjournment thereof at which the proxy is to be used.

Please note that Bacanora Canada Shareholders who receive their meeting materials from Broadridge Financial Solutions, Inc. ("**Broadridge**") must return the proxy forms, once voted, to Broadridge for the proxy to be dealt with. Please see "Advice to Beneficial Shareholders".

### Voting by Proxy

**Bacanora Canada Shareholders can choose to vote their Bacanora Canada Shares by proxy by mail, by telephone, or by Internet.**

**ALL PROXIES TO BE USED AT THE ANNUAL AND SPECIAL MEETING MUST BE DEPOSITED NOT LATER THAN 4:30 P.M. (CALGARY TIME) ON AUGUST 11, 2016 (WHICH IS THE SECOND LAST BUSINESS DAY PRECEDING THE DAY OF THE ANNUAL AND SPECIAL MEETING, BEING AUGUST 15, 2016, OR ANY ADJOURNMENT THEREOF) WITH BACANORA CANADA OR ITS TRANSFER AGENT, ALLIANCE TRUST COMPANY.** A return envelope has been included with this material.

### **Advice to Beneficial Shareholders**

Only registered holders of Bacanora Canada Shares, or the persons they appoint as their proxies, are permitted to attend and vote at the Annual and Special Meeting. However, in many cases, Bacanora Canada Shares beneficially owned by a holder (a "**Non-Registered Holder**") are registered either:

- (a) in the name of an intermediary (an "**Intermediary**") that the Non-Registered Holder deals with in respect of the Bacanora Canada Shares. Intermediaries include banks, trust companies, securities dealers or brokers, and trustees or administrators of self-administered RRSPs, RRIAs, RESPs and similar plans; or
- (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited).

Bacanora Canada is not forwarding its proxy-related materials directly to beneficial holders. In accordance with the requirements of National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* ("**NI 54-101**"), Bacanora Canada intends to pay for Intermediaries to forward the proxy-related materials and the voting instruction form to beneficial owners.

Applicable Canadian regulatory policies require Intermediaries to seek voting instructions from Non-Registered Holders in advance of shareholders' meetings. Every Intermediary has its own mailing procedures and provides its own return instructions to clients, which should be carefully followed by Non-Registered Holders in order to ensure that their Bacanora Canada Shares are voted at the Annual and Special Meeting. Often, the voting instruction form supplied to a Non-Registered Holder by its Intermediary (or the agent of the Intermediary) is very similar or even identical to the Instrument of Proxy provided by Bacanora Canada to registered shareholders. However, its purpose is limited to instructing the registered Shareholder (the Intermediary or agent of the Intermediary) how to vote on behalf of the Non-Registered Holder. In Canada, the majority of Intermediaries now delegate responsibility for obtaining instructions from clients to Broadridge. In most cases, Broadridge mails a scannable voting instruction form in lieu of the Instrument of Proxy provided by Bacanora Canada and asks Non-Registered Holders to return the voting instruction form to Broadridge or otherwise communicate voting instructions to Broadridge (by way of telephone or the Internet, for example). Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Bacanora Canada Shares to be represented at the Annual and Special Meeting. A Non-Registered Holder receiving a proxy or voting instruction form from Broadridge cannot use that form to vote Bacanora Canada Shares directly at the Annual and Special Meeting, rather the form must be returned to Broadridge or, alternatively, instructions must be received by Broadridge well in advance of the Meeting in order to have the Bacanora Canada Shares voted. If you have any questions respecting the voting of your Bacanora Canada Shares held through an Intermediary, please contact that Intermediary for assistance.

The purpose of these procedures is to permit Non-Registered Holders to direct the voting of the Bacanora Canada Shares they beneficially own. Should a Non-Registered Holder wish to attend and vote at the Annual and Special Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should strike out the names of the persons named in the proxy and insert the Non-Registered Holder's (or such other person's) name in the blank space provided or, in the case of a voting instruction form, follow the corresponding instructions on the form. In either case, Non-Registered Holders should carefully follow the instructions of their Intermediaries and their service companies.

All references to Bacanora Canada Shareholders in this Circular and the accompanying instruments of proxy and Notice of Annual and Special Meeting are to Bacanora Canada Shareholders of record as of the Record Date unless specifically stated otherwise.

## Exercise of Discretion by Proxies

The persons named in the enclosed forms of proxy for use at the Annual and Special Meeting will vote the Bacanora Canada Shares in respect of which they are appointed in accordance with the directions of the Bacanora Canada Shareholder appointing them. **IN THE ABSENCE OF SUCH DIRECTIONS, BACANORA CANADA SHARES SHALL BE VOTED "FOR"** the approval of the Annual Matters and the Arrangement Resolution and the transaction of such further or other business as may properly come before the Annual and Special Meeting or any adjournment or adjournments thereof.

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to any amendment, variation or other matter to come before the meeting other than the matters referred to in the Notice of Annual and Special Meeting. **HOWEVER, IF ANY SUCH AMENDMENTS, VARIATIONS OR OTHER MATTERS WHICH ARE NOT NOW KNOWN TO MANAGEMENT SHOULD PROPERLY COME BEFORE THE ANNUAL AND SPECIAL MEETING, THE BACANORA CANADA SHARES REPRESENTED BY THE PROXIES HEREBY SOLICITED WILL BE VOTED THEREON IN ACCORDANCE WITH THE BEST JUDGMENT OF THE PERSON OR PERSONS VOTING SUCH PROXIES.**

## Voting Securities and Principal Holders Thereof

As of the Record Date, namely July 14, 2016, Bacanora Canada had 107,874,353 Bacanora Canada Shares outstanding, each of which entitles the holder to one vote to be cast in respect of the Arrangement and the other matters presented for consideration at the Annual and Special Meeting.

Bacanora Canada Shareholders of record on the Record Date will be entitled either to attend and vote at the Annual and Special Meeting in person the Bacanora Canada Shares held by them or, provided a completed and executed proxy shall have been delivered to Bacanora Canada as described herein, to attend and vote thereat by proxy the Bacanora Canada Shares held by them. However, if a Bacanora Canada Shareholder has transferred any Bacanora Canada Security after the Record Date and the transferee of such Bacanora Canada Security establishes ownership thereof and makes a written demand, not later than ten days before the Annual and Special Meeting, to be included in the list of Bacanora Canada Shareholders entitled to vote at the Annual and Special Meeting, the transferee will be entitled to vote such Bacanora Canada Shares.

To the knowledge of the Board of Directors and management of Bacanora Canada, no person beneficially owns, directly or indirectly, or exercises control or direction over 10% or more of any class of outstanding voting securities of Bacanora Canada as of the date hereof other than as follows:

Name	Number of Bacanora Canada Shares	Percentage of Outstanding Bacanora Canada Shares
Colin Orr-Ewing	10,818,793	10.0%
Igneous Capital Limited <sup>(1)</sup> <i>Eastbourne, New Zealand</i>	15,000,000 <sup>(1)</sup>	13.9%
Rare Earth Minerals Plc <sup>(2)</sup> <i>London, United Kingdom</i>	16,682,915 <sup>(2)</sup>	15.5%

### Notes:

- (1) A private corporation that is incorporated under the laws of the British Virgin Islands and is controlled by Graham Edwards, a resident of London, United Kingdom. Graham Edwards is the ultimate beneficial owner of Igneous. Mr. Edwards is also one of the potential beneficiaries of a trust that owns D&A Income Limited, which owns 5,303,030 Bacanora Canada Shares, representing 4.9% of the issued and outstanding Bacanora Canada Shares.
- (2) Rare Earth Minerals Plc is a public company whose shares are admitted for trading on the AIM. Kiran Morzaria, a director of Bacanora Canada, serves as Chief Executive Officer of Rare Earth Minerals Plc and a director of Bacanora Canada.

## STATEMENT OF EXECUTIVE COMPENSATION

### General

The following information, dated as of June 30, 2015, is provided in accordance with Form 51-102F6V – *Statement of Executive Compensation – Venture Issuers*.

For the purposes of this section, a "Named Executive Officer" or "NEO" means each of the following individuals:

- (a) each individual who in respect of Bacanora Canada during any part of the most recently completed financial served as chief executive officer ("CEO"), including an individual performing functions similar to a CEO;
- (b) each individual who in respect of Bacanora Canada during any part of the most recently completed financial year served as chief financial officer ("CFO"), including an individual performing functions similar to a CFO;
- (c) in respect of Bacanora Canada and its subsidiaries the most highly compensated executive officer other than the individuals identified in paragraphs (a) and (b) at the end of the most recently completed financial year whose total compensation was more than \$150,000;
- (d) each individual who would be a NEO under paragraph (c) but for the fact that the individual was not an executive officer of Bacanora Canada and was not acting in a similar capacity, at the end of that financial year

Based on the foregoing definitions, Bacanora Canada's NEO's in respect of the year ended June 30, 2015 were Peter Secker, CEO, Derek Batorowski, CFO and a Director, Martin Vidal, President and a Director, Shane Shircliff, CEO and a Director, and Paul Conroy, Vice-President, Special Projects.

### Compensation of Peter Secker, Chief Executive Officer

Mr. Secker was appointed Chief Executive Officer of Bacanora Canada in May 2015. Mr. Secker received no cash compensation as the Chief Executive Officer of Bacanora Canada for the year ended June 30, 2015 other than payment of salary in the aggregate amount of \$76,442. For a summary of compensation paid to Mr. Secker in respect of the year ended June 30, 2015, please refer to the *Summary Compensation Table* below.

### Director and NEO Compensation excluding stock options and other compensation securities

The following table sets forth all direct and indirect compensation paid, payable, awarded, granted, given or otherwise provided, directly or indirectly, by Bacanora Canada, or a subsidiary of Bacanora Canada thereof to each director and each NEO of Bacanora Canada, in any capacity, including, for greater certainty, all plan and non-plan compensation, direct and indirect pay, remuneration, economic or financial award, reward, benefit, gift or perquisite paid, payable, awarded, granted, given or otherwise provided to the NEO or director for services provided and for services to be provided, directly or indirectly, to Bacanora Canada, for each of Bacanora Canada's two most recently completed financial years:

Table of compensation excluding compensation securities							
Name and position	Year	Salary, Consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites (\$)	Value of all other compensation (\$)	Total compensation (\$)
Peter Secker <i>CEO</i>	June 30/15	76,442 <sup>(5)</sup>	Nil	Nil	Nil	Nil	76,442
	June 30/14	Nil	Nil	Nil	Nil	Nil	Nil
Derek Batorowski <i>CFO and Director</i>	June 30/15	147,475 <sup>(6)</sup>	Nil	2,500	Nil	Nil	149,975
	June 30/14	108,325	Nil	1,065	Nil	Nil	109,390

<b>Table of compensation excluding compensation securities</b>							
<b>Name and position</b>	<b>Year</b>	<b>Salary, Consulting fee, retainer or commission (\$)</b>	<b>Bonus (\$)</b>	<b>Committee or meeting fees (\$)</b>	<b>Value of perquisites (\$)</b>	<b>Value of all other compensation (\$)</b>	<b>Total compensation (\$)</b>
Martin Vidal <i>President and Director</i>	June 30/15	222,706 <sup>(7)</sup>	Nil	Nil	Nil	Nil	222,706
	June 30/14	200,000	Nil	Nil	Nil	Nil	200,000
Shane Shircliff <sup>(1)</sup> <i>CEO and Director</i>	June 30/15	92,000 <sup>(8)</sup>	Nil	2,500	Nil	Nil	94,500
	June 30/14	72,315	Nil	268	Nil	Nil	72,583
Paul Conroy <sup>(2)</sup> <i>Vice-President, Special Projects and Director</i>	June 30/15	50,000	Nil	Nil	Nil	Nil	50,000
	June 30/14	117,956	Nil	Nil	Nil	Nil	117,956
Colin Orr-Ewing <i>Chairman</i>	June 30/15	60,000	Nil	Nil	Nil	Nil	60,000
	June 30/14	30,000	Nil	Nil	Nil	Nil	30,000
James Leahy <i>Director</i>	June 30/15	15,000	Nil	5,000	Nil	Nil	20,000
	June 30/14	7,500	Nil	1,333	Nil	Nil	8,833
Guy Walker <sup>(3)</sup> <i>Director</i>	June 30/15	14,542	Nil	4,847	Nil	Nil	19,389
	June 30/14	7,500	Nil	1,333	Nil	Nil	8,833
Kiran Morzaria <i>Director</i>	June 30/15	12,072	Nil	Nil	Nil	Nil	12,072
	June 30/14	Nil	Nil	Nil	Nil	Nil	Nil
David Lenigas <sup>(4)</sup> <i>Director</i>	June 30/15	Nil	Nil	Nil	Nil	Nil	Nil
	June 30/14	Nil	Nil	Nil	Nil	Nil	Nil

**Notes:**

- (1) Mr. Shircliff served as CEO of Bacanora Canada until May 2015.
- (2) Mr. Conroy served as a Director and Vice-President, Special Projects of Bacanora Canada until June 2014.
- (3) Mr. Walker served as a Director of Bacanora Canada until June 2015.
- (4) Mr. Lenigas served as a Director of Bacanora Canada until December 2015.
- (5) Mr. Secker was appointed CEO in May 2015. Compensation recorded above includes consulting fees paid that preceded his appointment as CEO.
- (6) Fees were paid to CompAcct Consulting Ltd., which provides the services of Mr. Batorowski in his capacity as Chief Financial Officer of Bacanora Canada. CompAcct Consulting Ltd. is a private company partially-owned by Mr. Batorowski.
- (7) Fees were paid to Grupo Ormales Vidal S.A. de C.V., which provides the services of Mr. Vidal in his capacity as President of Bacanora Canada. Mr. Vidal's spouse is the owner of Grupo Ormales Vidal S.A. de C.V.
- (8) Fees were paid to Clinworth Management Corporation, which provided the services of Mr. Shircliff in his capacity as Chief Executive Officer of Bacanora Canada. Clinworth Management Corporation is a private corporation partially-owned by Mr. Shircliff.

***External management companies***

Mr. Batorowski, Mr. Shircliff, and Mr. Vidal are not employees of Bacanora Canada. They provide executive management services through the companies described in the notes to the table above.

***Stock options and other compensation securities***

There were no compensation securities granted or issued by Bacanora Canada to any of the NEOs or directors of Bacanora Canada during the fiscal year ended June 30, 2015.

There were no exercises of compensation securities by any of the NEOs or directors of Bacanora Canada during the fiscal year ended June 30, 2015.

The following table sets forth details for all stock options outstanding for each of the NEO and directors as at June 30, 2015.

Compensation Securities						
Name and Position	Number of stock options	Date of issue or grant	Issue, conversion or exercise price (\$)	Closing price of stock option on date of grant (\$)	Closing price of stock option at June 30, 2015 (\$)	Expiry date
Derek Batorowski <i>CFO and Director</i>	100,000 200,000	Dec. 8, 2010 Sep. 11, 2013	0.24 0.30	0.25 0.25	1.60 1.60	Dec. 8, 2015 Sep. 11, 2018
Martin Vidal <i>President and Director</i>	250,000 250,000 200,000	Dec. 8, 2010 Jun. 11, 2011 Sep. 11, 2013	0.24 0.44 0.30	0.25 0.40 0.25	1.60 1.60 1.60	Dec. 8, 2015 Jun. 11, 2016 Sep. 11, 2018
Shane Shircliff <i>CEO and Director</i>	500,000 200,000	Jul. 19, 2011 Sep. 11, 2013	0.50 0.30	0.43 0.25	1.60 1.60	Jul. 19, 2016 Sep. 11, 2018
James Leahy <i>Director</i>	200,000	Dec. 8, 2010	0.24	0.25	1.60	Dec. 8, 2015

### ***Stock option plans and other incentive plans***

Bacanora Canada has no other incentive plans other than its stock option plan (the "**Bacanora Canada Stock Option Plan**"). The Bacanora Canada Stock Option Plan provides that the Board of Directors may from time to time, in its discretion grant to directors, officers and employees of Bacanora Canada and to consultants retained by Bacanora Canada, non-transferable options to purchase Bacanora Canada Shares, or such other shares as may be substituted therefore, in the capital of Bacanora Canada for a period of up to five years from the date of the grant provided that the number of Bacanora Canada Shares reserved for issuance may not exceed 10% of the total issued and outstanding Bacanora Canada Shares at the date of the grant.

The purpose of the Bacanora Canada Stock Option Plan is to advance the interests of Bacanora Canada by encouraging the directors, officers and employees of Bacanora Canada and consultants retained by Bacanora Canada to acquire Bacanora Canada Shares, thereby: (i) increasing the proprietary interests of such persons in Bacanora Canada; (ii) aligning the interests of such persons with the interests of Bacanora Canada's shareholders generally; (iii) encouraging such persons to remain associated with Bacanora Canada and (iv) furnishing such persons with an additional incentive in their efforts on behalf of Bacanora Canada.

The following is a summary of the material terms of the Bacanora Canada Stock Option Plan:

- The number of Bacanora Canada Shares to be reserved and authorized for issuance pursuant to options granted under the Plan shall not exceed ten percent (10%) of the total number of issued and outstanding shares in Bacanora Canada.
- Under the Bacanora Canada Stock Option Plan, the aggregate number of optioned Bacanora Canada Shares granted to any one optionee in a 12 month period must not exceed 5% of Bacanora Canada's issued and outstanding shares. The number of optioned Bacanora Canada Shares granted to any one consultant in a 12 month period must not exceed 2% of Bacanora Canada's issued and outstanding shares. The aggregate number of optioned Bacanora Canada Shares granted to an optionee who is employed to provide investor relations' services must not exceed 2% of Bacanora Canada's issued and outstanding Bacanora Canada Shares in any 12 month period.
- The exercise price for options granted under the Bacanora Canada Stock Option Plan will not be less than the market price of the Bacanora Canada Shares at the time of the grant, less applicable discounts permitted by the policies of the TSX Venture Exchange.
- Bacanora Canada Options will be exercisable for a term of up to five years, subject to earlier termination in the event of the optionee's death or the cessation of the optionee's services to Bacanora Canada. In the event of cessation of option's services to Bacanora, such optionee, if an employee, director and/or an officer will have



three month trailing period, and if a marketing consultant, one month trailing period, in which to exercise any vested but unexercised Bacanora Canada Option held by such optionee.

- Bacanora Canada Options granted under the Bacanora Canada Stock Option Plan are non-assignable, except by will or by the laws of descent and distribution.

The Bacanora Canada Stock Option Plan was approved by Bacanora Canada Shareholders at Bacanora Canada's Annual and Special Meeting held on June 12, 2015. The Bacanora Canada Stock Option Plan will be subject to approval by Bacanora Canada Shareholders at the Annual and Special Meeting.

### ***Employment, consulting and management agreements***

In March 2015, Bacanora Canada entered into an agreement with Mr. Orr-Ewing to pay him a monthly fee in the amount of \$5,000 per month in respect of his services as Chairman of Bacanora Canada.

Effective May 19, 2015, Bacanora Canada entered into an employment agreement with Mr. Secker. The term of the agreement is 12 months, with automatic renewal and a 12 month termination notice. Under this agreement, Bacanora Canada pays an annual fee for services of £250,000, one time performance bonus of up to a maximum of £250,000, and a change of control termination payment of £250,000.

Bacanora Canada has an understanding with Mr. Batorowski's partially-owned company to provide financial management services to Bacanora Canada. The fees are paid in amounts commensurate to the volume of work conducted on hourly basis.

Bacanora Canada entered into a contract with Mr. Shircliff's partially-owned company to provide executive management services to Bacanora Canada. Under such contract Mr. Shircliff's partially-owned company was paid a monthly fee of \$7,000 until May, 2015. Such contract extended to provide transition services to be billed in amounts commensurate to the volume of work conducted on hourly basis until May 2016.

Bacanora Canada has an agreement with a consulting firm of which Mr. Vidal is a partner to provide geological services to Bacanora Canada. The fees are paid in amounts commensurate to the volume of work conducted on monthly basis.

### ***Oversight and description of directors and NEO compensation***

The Remuneration Committee recommends to the Board of Directors of Bacanora Canada the compensation of Bacanora Canada's directors, NEO and senior officers that the Committee feels is suitable, primarily by comparison of the remuneration paid by other companies that the Committee feels are similarly placed within the same business as Bacanora Canada.

Market comparisons as well as evaluation of similar positions in the same industry and/or in the same geography are among the criteria used in recommending compensation levels. Following a review of such criteria, the Remuneration Committee makes a recommendation to the Board of Directors, which may adopt the recommendation or modify it as it sees fit.

The objective of the Board of Directors and the Remuneration Committee in setting compensation levels is to attract and retain individuals of high calibre to serve as officers of Bacanora Canada, to motivate their performance in order to achieve Bacanora Canada's strategic objectives and to align the interests of executive officers with the long term interests of the shareholders, while at the same time preserving cash flows. These objectives are designed to ensure that Bacanora Canada continues to grow on an absolute basis as well as to grow cash flow and earnings for Shareholders.

The Board of Directors (following recommendation of the Remuneration Committee) sets the compensation received by NEO so as to be generally competitive with the compensation received by persons with similar qualifications and responsibilities who are engaged by other companies of corresponding size, stage of development,

having similar assets, number of employees, market capitalization and profit margin. In setting such levels, the Board of Directors and the Remuneration Committee relies primarily on their own experience and knowledge.

### **Pension Disclosure**

Bacanora Canada does not have any defined benefit or defined contribution pension plans in place which provide for payments or benefits at, following, or in connection with retirement for the Directors and NEOs.

### **SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

The following table sets out information as at the end of Bacanora Canada's most recently completed financial year with respect to compensation plans under which equity securities of Bacanora Canada are authorized for issuance.

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights (b)</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)</b>
<b>Equity compensation plans approved by security holders</b>	2,475,000	\$0.38	\$6,019,740
<b>Equity compensation plans not approved by security holders</b>	Nil	N/A	N/A
<b>Total</b>	2,475,000	\$0.38	\$6,019,740

### **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

None of the directors and officers of Bacanora Canada, any proposed management nominee for election as a director of Bacanora Canada or any associate of any director, officer or proposed management nominee is or has been indebted to Bacanora Canada at any time during the last completed financial year, for other than routine indebtedness.

### **INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Except as disclosed in this Management Proxy Circular, none of the informed persons of Bacanora Canada (as defined in National Instrument 51-102), nor any proposed nominee for election as a director of Bacanora Canada, nor any associate or affiliate of the foregoing persons has any material interest, direct or indirect, in any transaction since the commencement of Bacanora Canada's most recently completed financial year or in any proposed transaction which, in either case, has or will materially affect Bacanora Canada and none of such persons has any material interest in any transaction proposed to be undertaken by Bacanora Canada that will materially affect Bacanora Canada.

### **MANAGEMENT CONTRACTS**

Except as otherwise disclosed herein, there are no management functions of Bacanora Canada that are to any substantial degree performed by a person or company other than the directors or executive officers (or private companies controlled by them, either directly or indirectly) of Bacanora Canada.

### **CORPORATE GOVERNANCE**

Please see the attached Appendix D for information on Bacanora Canada's Corporate Governance (Form 58-101F2).

## AUDIT COMMITTEE

### Audit Committee Charter

The Charter of Bacanora Canada's Audit Committee is attached to this Management Proxy Circular as Appendix E.

### Composition of the Audit Committee

The following are the members of the Committee:

James Leahy	Independent <sup>(1)</sup>	Financially literate <sup>(1)</sup>
Shane Shircliff	Non-Independent <sup>(1)</sup>	Financially literate <sup>(1)</sup>
Kiran Morzaria	Independent <sup>(1)</sup>	Financially literate <sup>(1)</sup>

**Note:**

(1) As defined by Multilateral Instrument 52-110 – Audit Committees ("**MI 52-110**").

### Relevant Education and Experience

Following a period on the LME, Mr. Leahy spent the last 28 years in the mining industry as a specialist corporate broker, including mining finance, origination and equity sales. He has worked on a wide range of projects worldwide, ranging from industrial minerals, precious metals, coal, diamonds, iron ore and copper. He has substantial experience in dealing with international institutional fund managers, hedge funds and private equity specialists. Over the years he has been involved in numerous IPO's and a large number of primary and secondary placings. He is currently a director of Mineral Commodities Ltd. (ASX), Forte Energy NL (ASX, AIM) and Geiger Counter Ltd. (LSE).

Mr. Shircliff previously served as Chief Executive Officer and continues to serve as a Director of Bacanora. He has over 15 years of experience in the mining and resources and first nations economic development industries via various senior executive roles and director roles. Mr. Shircliff has worked on a range of projects including uranium, gold, silver, industrial minerals, diamonds as well as oil and gas. Mr. Shircliff is the founder of several public and private companies.

Mr. Morzaria has eighteen years of experience in the mineral resource industry working in both operational and management roles. Mr. Morzaria spent the first four years of his career in exploration, mining and civil engineering. He then obtained his MBA and became the Finance Director of Vatukoula Gold Mines and was part of the team that acquired and re-commissioned operations. He has served as a director of a number of public companies in both an executive and non-executive capacity, he is the chief executive officer of Rare Earth Minerals plc and a non-executive director of European Metals Holdings Ltd.

Through such business experience, the members of the Audit Committee review financial statements and gain an understanding of financial reporting controls and procedures.

### Audit Committee Oversight

At no time since the commencement of Bacanora Canada's most recently completed financial year was a recommendation of the Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

### Reliance on Certain Exemptions

At no time since the commencement of Bacanora Canada's most recently completed financial year has Bacanora Canada relied on the exemption in Section 2.4 of MI 52-110 (*De Minimis Non-Audit Services*), the exemption in Section 6.1.1(4) of MI 52-110 (*Circumstances Affecting the Business or Operations of the Venture Issuer*), the

exemption in Section 6.1.1(5) of MI 52-110 (*Events Outside Control of Member*), or an exemption from MI 52-110, in whole or in part, granted under Part 8 of Multilateral Instrument 52-110.

Bacanora Canada has, however, relied upon the exemption in Section 6.1.1(6) of MI 52-110 (*Death, Incapacity or Resignation*), whereby subsequent to the resignation of Mr. Guy Walker as a director and Audit Committee member in June 2015, Mr. Kiran Morzaria was appointed as a member of the Audit Committee on October 19, 2015 to fill the vacancy created by the foregoing resignation.

### **Pre-Approval Policies and Procedures**

The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services. The Audit Committee will review the engagement of non-audit services as required.

### **External Auditor Service Fees (By Category)**

The aggregate fees billed by Bacanora Canada's external auditors in each of the last two fiscal years for audit fees are as follows:

<b>Financial Year Ending</b>	<b>Audit Fees</b>	<b>Audit Related Fees</b>	<b>Tax Fees</b>	<b>All Other Fees</b>
2015	\$126,314	\$4,840	\$6,772	Nil
2014	\$85,585	\$16,710	\$1,429	Nil

### **Exemption**

Bacanora Canada is relying on the exemption provided in Section 6.1 of MI 52-110 and, as such, Bacanora Canada is exempt from Parts 3 (*Composition of the Audit Committee*) and 5 (*Reporting Obligations*) of MI 52-110.

## **PARTICULARS OF MATTERS TO BE ACTED UPON**

### **Financial Statements**

The financial statements of Bacanora Canada for the year ended June 30, 2015 and the auditors' report thereon accompanying this Circular will be placed before Bacanora Canada Shareholders at the Annual and Special Meeting. Shareholders who wish to receive interim financial statements are encouraged to send the enclosed notice, in the addressed envelope to Alliance Trust Company.

### **Election of Directors**

The term of office of each of the present directors expires at the Annual and Special Meeting. At the Annual and Special Meeting, Bacanora Canada Shareholders will be asked to approve an ordinary resolution to fix the number of directors of Bacanora Canada to be elected at seven (7) members. Management of Bacanora Canada proposes to nominate the persons named below for election as directors of Bacanora Canada at the Annual and Special Meeting, each to serve until the next annual meeting of Bacanora Canada Shareholders, unless his office is earlier vacated. All of the nominees are currently members of the Board of Directors of Bacanora Canada.

Shareholders can vote for all of the proposed directors set forth herein, vote for some of them and withhold for others, or withhold for all of them. **Unless otherwise instructed, the named proxyholders intend to vote "FOR" the election of each of the proposed nominees set forth below as Directors of Bacanora Canada.** If, prior to Annual and Special Meeting, any vacancies occur in the list of proposed nominees herein submitted, the persons named in the enclosed form of proxy intend to vote FOR the election of any substitute nominee or nominees recommended by management of Bacanora Canada and FOR the remaining proposed nominees. Management has been informed that each of the proposed nominees listed below is willing to serve as a director if elected.

The following information concerning the proposed nominees has been furnished by each of them

<b>Name, Resident and Present Office Held</b>	<b>Principal Occupation or Employment</b>	<b>Director Since</b>	<b>Number of Bacanora Canada Shares Beneficially Owned or Controlled<sup>(1)</sup> and percentage of total issued and outstanding</b>
COLIN ORR-EWING Shalbourne, Marlborough UK  <i>Non-Executive Chairman and Director</i>	Mr. Orr-Ewing was an investment manager for the Shell Pension Fund in London after qualifying as a Certified Accountant. He has a wealth of over 35 years of experience spanning both the oil and mining industries and has been a director of UK and Canadian oil companies and Irish and Canadian mining companies. He was actively involved in the oil industry from 1971 through to 1987 working with numerous companies in the North Sea, Libya, Nigeria and Algeria.	January 2011	9,808,683  (9.09%)
MARTIN VIDAL Hermosillo, Mexico  <i>President and a Director</i>	President, Bacanora Minerals Ltd. since May 2013. Prior thereto, Vice-President, Exploration, Bacanora Minerals Ltd. since January 2011 and General Manager of MSB and MIT (Bacanora's subsidiaries in Mexico) since February 2009. Prior thereto, 17 years with Rio Tinto Exploration in different positions as Mexico's Country Manager for Kennecott Exploration from January 2008 to January 2009, Project, Exploration and Principal Geologist for Rio Tinto Industrial Minerals Exploration Group and General Director of Minera Santa Margarita S.A de C.V. (Rio Tinto subsidiary).	May 2013	1,000,000  (0.93%)
SHANE W. SHIRCLIFF <sup>(2)(4)</sup> Saskatoon, Saskatchewan Canada  <i>Director</i>	Mr. Shircliff previously served as Chief Executive Officer and continues to serve as a Director of Bacanora. He has over 15 years of experience in the mining and resources and first nations economic development industries via various senior executive roles and director roles. Mr. Shircliff has worked on a range of projects including uranium, gold, silver, industrial minerals, diamonds as well as oil and gas. Mr. Shircliff is the founder of several public and private companies.	March 2014	510,000 <sup>(5)</sup>  (0.47%)
DEREK BATOROWSKI <sup>(3)</sup> Calgary, Alberta Canada  <i>Chief Financial Officer and Director</i>	Chief Financial Officer, Bacanora Minerals Ltd.; Chief Financial Officer, Blacksteel Energy Inc. Prior thereto, Chief Financial Officer, Westcore Energy Ltd. from March 2009 to June 2014 and Chief Financial Officer of Regal Energy Ltd. from July 2008 to March 2009. Prior thereto, Chief Financial Officer of G2 Resources Inc. from March 2008 to July 2008. Prior thereto, Chief Financial Officer of Aztek Energy Ltd. from July 2006 to March 2008. Prior thereto, Consultant of Aztek Energy Ltd. from December 2003 to July 2006 and for several other junior oil & gas companies from mid-2004 to late 2007.	September 2008	423,400 <sup>(6)</sup>  (0.39%)
JAMES LEAHY <sup>(2)(3)(4)</sup> London, UK  <i>Director</i>	Mr. Leahy spent the last 28 years in the mining industry as a specialist corporate broker, including mining finance, origination and equity sales. He has worked on a wide range of projects worldwide, ranging from industrial minerals, precious metals, coal, diamonds, iron ore and copper. He has substantial experience in dealing with international institutional fund managers, hedge funds and private equity specialists. Over the years he has been involved in numerous IPO's and a large number of primary and secondary placings. He is currently a director of Geiger Counter Ltd.	July 2011	916,346  (0.85%)
KIRAN MORZARIA <sup>(2)(4)</sup> London, UK  <i>Director</i>	Chief Executive Officer of Rare Earth Minerals Plc. Mr. Morzaria holds a Bachelor of Engineering (Industrial Geology) from the Camborne School of Mines and an MBA (Finance) from CASS Business School. He has nineteen years of experience in the mineral resource industry. Mr. Morzaria spent his first four years	September 2014	Nil <sup>(7)</sup>  (0.0%)

Name, Resident and Present Office Held	Principal Occupation or Employment	Director Since	Number of Bacanora Canada Shares Beneficially Owned or Controlled <sup>(1)</sup> and percentage of total issued and outstanding
	with the mineral exploration and mining sector. Initially as an exploration geologist and then as a mining geologist. Mr. Morzaria has been active in IPOs, corporate acquisitions, joint ventures, qualified persons reports, due diligence and debt/equity raisings. He spent nine years as the Chief Financial Officer of Vatakola Gold Mines and has served as a director of a number of public companies.		
MARK HOHNEN Claremont, WA Australia	Mark Hohnen has been involved in the mineral business since the late 1970s. He has had extensive international business experience in a wide range of industries including mining and exploration, property, investment, software and agriculture. He has held a number of directorships in both public and private companies and was founding Chairman of Cape Mentelle and Cloudy Bay wines, as well as the oil and coal company Anglo Pacific Resources Plc. Mr. Hohnen was also a director of Kalahari Minerals and Extract Resources, having successfully negotiated the sale of both companies to Taurus (CGN). He remains on the board of Swakop Uranium, which is developing the world's second largest uranium mine and the largest mine development in southern Africa. He is also a director of ASX-listed Salt Lake Potash Limited.	April 2016	606,666  (0.56%)
<i>Director</i>			

**Notes:**

- (1) The information as to the number of Bacanora Canada Shares beneficially owned, not being within the knowledge of Bacanora Canada, has been furnished by the respective nominees. These figures do not include any securities that are convertible into or exercisable for Bacanora Canada Shares.
- (2) Member of the Audit Committee.
- (3) Member of the Remuneration Committee.
- (4) Member of the Independent Committee formed in May 2015 to conduct independent investigation, assessment and review of certain prior transactions of Bacanora Canada and to provide its findings and recommendations to the Board.
- (5) 10,000 of these Bacanora Canada Shares are held by Mr. Shircliff and 500,000 of these Bacanora Canada Shares are held by private company controlled by Mr. Shircliff.
- (6) 223,400 of these Bacanora Canada Shares are held by Mr. Batorowski in his personal name and the balance of 200,000 Bacanora Canada Shares are held by a private company that is controlled by Mr. Batorowski.
- (7) Mr. Morzaria holds no Bacanora Canada Shares personally, however Mr. Morzaria serves as Chief Executive Officer of Rare Earth Minerals Plc. REM is a public company whose shares are admitted for trading on the AIM Market of the London Stock Exchange and is the holder of 16,682,915 Bacanora Canada Shares, representing 15.5% of the issued and outstanding Bacanora Canada Shares.

**Majority Voting**

The Board of Directors has adopted a Majority Voting Policy stipulating that in an uncontested election of directors (being an election where the number of nominees for director positions is equal to the number of directors authorized to be elected upon such election, as determined by the Board of Directors or Bacanora Canada Shareholders), if the number of Bacanora Canada Shares "withheld" for any nominee exceeds the number of Bacanora Canada Shares voted "for" the nominee, then, notwithstanding that such director was duly elected as a matter of corporate law, the director shall be required to forthwith submit his/her resignation as a director (and, as applicable, a member of any committee of the Board of Directors) to the Chairman of the Board of Directors following the applicable Shareholders' meeting (and in any event, within seven (7) days of such meeting), which shall become effective upon acceptance by the Board of Directors. Following receipt of a resignation submitted pursuant to the Majority Voting Policy, the Board of Directors (or, if applicable, a committee thereof) shall accept the resignation forthwith, except in cases where "exceptional circumstances" apply. In the case where "exceptional circumstances" apply (being occasions where such resignation would, in the opinion of a majority of the Board of Directors (or, if applicable, a committee thereof), acting reasonably, have a material strategic, economic, commercial, operational or regulatory impact on Bacanora Canada), the Board may delay accepting the resignation for twenty-one (21) days following the receipt of the resignation. In making this decision, the Board of Directors

will consider the applicable "exceptional circumstances" and such additional information and factors that the Board of Directors considers to be relevant. Following the Board of Director's acceptance of the resignation, the Board of Directors shall publicly disclose the applicable director's resignation. When a resignation is accepted, subject to any corporate law restrictions, the Board of Directors may leave the vacancy unfilled or appoint a new director to fill the vacancy.

In the event that any director who receives a greater number of proxy votes withheld than votes in favour of such director's election does not tender his/her resignation in accordance with the Majority Voting Policy, he/she will not be re-nominated by the Board of Directors. Further, the Board of Directors shall be entitled to apply to an applicable court for an order authorizing Bacanora Canada to file a Notice of Change of Directors with the applicable corporate registry.

In addition to the foregoing, all directors have also entered into a Director Appointment Letter with Bacanora Canada, which sets forth various terms, obligations, rights and entitlements of the directors in connection with their roles as such. In addition, each director has agreed, under such Appointment Letters, to adhere to all corporate policies of Bacanora Canada and that, in the event that it should occur that a greater number of votes are withheld, than are cast in favour of their respective election as a director, he/she shall forthwith thereafter (and in any event within seven (7) days) tender his resignation as a director of Bacanora Canada (and from any committee of the Board to which he/she has been appointed).

#### **Corporate Cease Trade Orders or Bankruptcies**

Except as set forth below, no director or proposed director of Bacanora Canada is, or has been within the past ten years, a director, chief executive officer or chief financial officer of any company (including Bacanora Canada) that, while such person was acting in that capacity:

- (i) was the subject of a cease trade or similar order or an order that denied the company access to any exemptions under securities legislation, that was in effect for a period of more than 30 consecutive days; or
- (ii) was the subject of a cease trade order, an order similar to a cease trade order or an order that denied the company access to any exemptions under securities legislation, that was issued after that individual ceased to be a director or chief executive officer or chief financial officer and which resulted from an event that occurred while such person was acting in a capacity as a director, chief executive officer or chief financial officer.

Except as set forth below, no proposed director of Bacanora Canada is, or has been within the past ten years, a director or executive officer of any company (including Bacanora Canada) that, while such person was acting in that capacity, or within a year of that individual ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

On October 28, 2009, Mr. Batorowski was appointed as a director of Lakota Resources Inc., a company that previously tendered a proposal under the Bankruptcy and Insolvency Act (Canada) and was the subject of a cease trade order issued by the Ontario Securities Commission dated July 13, 2009 (and equivalent orders issued by the Alberta Securities Commission and the British Columbia Securities Commission) for failure to file financial statements. Mr. Batorowski was appointed to this role (along with other appointees) on behalf of the principal creditor of Lakota for the purposes of reviewing Lakota's operations and financial status and bringing Lakota into compliance with its public company reporting obligations. Lakota has now filed all outstanding financial statements and all cease trade orders in respect thereof have been revoked. Mr. Batorowski consequently resigned his position with Lakota effective July 15, 2011.

### *Individual Bankruptcies*

Except as set forth below, no director or proposed director of Bacanora Canada is or has, within the ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

### **Appointment of Auditors**

The present auditor of Bacanora Canada is BDO Canada LLP, Chartered Accountants, who were originally appointed as auditors of Bacanora Canada in 2011. **Unless instructed otherwise, the management designees in the accompanying Instrument of Proxy intend to vote FOR the resolution to appoint BDO Canada LLP, Chartered Accountants, of Calgary, Alberta as the auditor of Bacanora Canada to hold such appointment effective immediately until the next annual meeting of Shareholders, and to authorize the directors of Bacanora Canada to fix the remuneration of the auditor.**

Approval of the appointment and remuneration of the auditors will require the affirmative votes of the holders of not less than half of the votes cast in respect thereof by Shareholders present in person or by proxy at Annual and Special Meeting. The Board of Directors of Bacanora Canada unanimously recommends that Bacanora Canada Shareholders vote in favour of the resolution appointing BDO Canada LLP as auditor of Bacanora Canada.

### **Approval of Stock Option Plan**

In accordance with TSXV Policy 4.4 governing stock options, all issuers that have a rolling stock option plan reserving a maximum of 10% of the issued and outstanding shares of Bacanora Canada must receive yearly shareholder approval of the stock option plan. The Board of Directors of Bacanora Canada have approved the 2016/2017 Stock Option Plan on June 17, 2016 in the form attached hereto as Appendix F. The TSXV requires the 2016/2017 Stock Option Plan to be approved by Bacanora Canada Shareholders.

Management of Bacanora Canada will place before Annual and Special Meeting the following resolution relating to the approval of the 2016/2017 Stock Option Plan:

#### **"BE IT RESOLVED, AS AN ORDINARY RESOLUTION, THAT:**

1. Bacanora Canada's 2016/2017 Stock Option Plan be and is hereby ratified, confirmed and approved in substantially the form attached as Appendix F to the Information Circular prepared for the purposes of this Meeting, subject to acceptance by the TSXV;
2. Bacanora Canada be authorized to grant stock options for up to 10% of the Bacanora Canada Shares of Bacanora Canada outstanding from time to time pursuant and subject to the terms and conditions of the 2016/2017 Stock Option Plan;
3. The previous existing stock options granted to directors, officers, employees and others be ratified, confirmed and approved; and that all existing stock options becoming subject to the provisions of the 2016/2017 Stock Option Plan upon adoption by Bacanora Canada;
4. The Board of Directors be authorized on behalf of Bacanora Canada to make any amendments to the 2016/2017 Stock Option Plan as may be required by regulatory authorities, without further approval of the shareholders of Bacanora Canada, in order to ensure adoption of the 2016/2017 Stock Option Plan;
5. Notwithstanding that this resolution has been duly passed by the shareholders of Bacanora Canada, without further resolution of shareholders, approval is hereby given to the Board of Directors of Bacanora Canada, in their sole discretion, to revoke this resolution at any time and to refrain from implementing the 2016/2017 Stock Option Plan; and



6. Any one director or officer of Bacanora Canada be and he is hereby authorized and directed to do all such acts and things and to execute and deliver under the corporate seal or otherwise all such deeds, documents, instruments and assurances as in his opinion may be necessary or desirable to give effect to this resolution."

The approval by Bacanora Canada Shareholders requires a favourable vote of a majority of the Bacanora Canada Shares voted in respect thereof at the Annual and Special Meeting. The TSXV requires such approval before it will allow the adoption of the 2016/2017 Stock Option Plan. Options to purchase Bacanora Canada Shares that were previously granted to directors, officers and employees of Bacanora Canada will be deemed to be granted under the 2016/2017 Stock Option Plan. **Unless instructed otherwise, the management designees in the accompanying Instrument of Proxy intend to vote "FOR" the foregoing resolution.**

## **The Arrangement**

### *Purpose of the Arrangement*

The Board of Directors believes that the re-domicile of Bacanora Canada in accordance with the terms of the Arrangement and the admission of the Bacanora UK Shares to trading on AIM will be in the best interests of Bacanora Canada and Bacanora Canada Shareholders for a number of reasons.

Given the geographic spread of Bacanora Canada's production, development and exploration licences with a core focus on Mexico, the Board of Directors believes that:

- It would now be more appropriate for Bacanora Canada to be based in Europe, where the vast majority of the Bacanora Canada Shareholders and most of management reside.
- Bacanora Canada has been successful in raising funding from the United Kingdom capital market, with its market value quadrupling in size since its announcement to list on AIM in April 2014; with the proposed Re-Domicile, Bacanora Canada anticipates greater access to the UK capital and debt markets, as AIM market investors are generally more familiar with UK incorporated and tax resident listed companies. Bacanora Canada has in the last 8 months added two major UK based institutional investors, who now own almost 17% of issued and outstanding Bacanora Canada Shares.
- Bacanora Canada currently incurs high costs associated with having a dual listing in the AIM and on TSXV, yet Canadian shareholdings are estimated at less than 10% of Bacanora Canada's shareholder base.
- Bacanora Canada believes that the Canadian shareholder base may continue to decrease and as a result having a single listing on AIM would allow Bacanora Canada to be more cost efficient without material downside.
- Bacanora Canada Shares currently have less liquidity on the TSXV compared to the AIM. The liquidity of Bacanora Canada Shares have increased significantly since Bacanora Canada dual listed for trading on AIM.

In connection with the Arrangement, the Bacanora Canada Shares are expected to be delisted from the TSXV and cancelled from trading on AIM, on or about the same time as the Bacanora UK Shares are admitted to trading on AIM. The Board of Directors believes that admission of the Bacanora UK Shares to trading on AIM will raise Bacanora Canada's profile and status amongst European investors and within the international mining sector generally, and will give Bacanora Canada access to an international market with a broad, relevant peer group and considerable research expertise.

## **Background to the Arrangement**

The Board of Directors has concluded that the re-domicile of Bacanora Canada in accordance with the terms of the Arrangement, admission to trading of the Bacanora UK Shares on AIM and delisting the Bacanora Canada Shares from the TSXV and cancelling the trading of the Bacanora Canada Shares on AIM, is in the best interests of Bacanora Canada and the Bacanora Canada Shareholders. In particular, the Board of Directors is of the view that reorganizing Bacanora Canada and trading the Bacanora UK Shares on the AIM will improve visibility and access

to investors in Europe, where a substantial number of the Bacanora Canada Shareholders and most of management of Bacanora Canada reside. The decision of the Board of Directors to approve the Arrangement for submission to Bacanora Canada Shareholders and the Court was reached after consideration of numerous factors, including:

- historical market prices and trading patterns for the Bacanora Canada Shares;
- greater liquidity for the Bacanora Canada Shares;
- the likelihood that the Arrangement would be completed;
- the terms of the Arrangement Agreement;
- the requirement that the Arrangement be approved by not less than 66 $\frac{2}{3}$ % of the votes cast at the Annual and Special Meeting by all Bacanora Canada Shareholders present in person or represented by proxy; and
- the procedures by which the Arrangement is to be approved, including the requirement to obtain the approval of the Court and the Bacanora Canada Shareholders.

Bacanora Canada issued a press release on June 23, 2016 announcing the proposed Arrangement.

### **Proposed Timetable for Arrangement**

The anticipated timetable for the completion of the Arrangement and the key dates as proposed are as follows:

Deposit Deadline: .....	On the date that is three years from the Effective Date
Annual and Special Meeting: .....	August 15, 2016
Final Court Approval: .....	On or about August 15, 2016
Closing and Effective Date: .....	On or about August 16, 2016
Admission of Bacanora UK Shares to trading on AIM:.....	On or about August 17, 2016
Delisting of the Bacanora Canada Shares from the TSXV and cancellation from trading on AIM: .....	On or about the same time as Bacanora UK Shares are admitted for trading on AIM

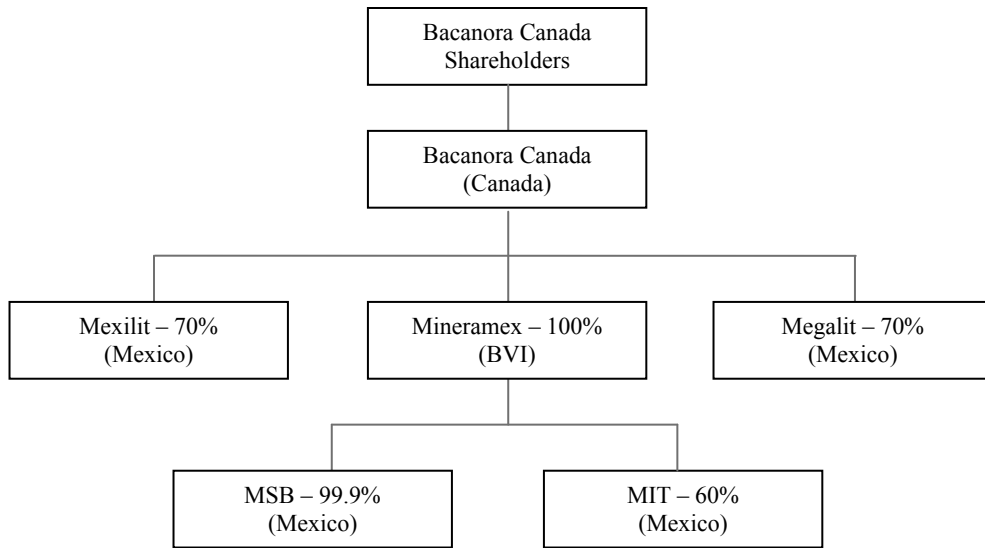
These dates are subject to change pursuant to the terms of the Arrangement Agreement and the approval of the London Stock Exchange and the TSXV with respect to the relevant admission date and delisting and cancellation date. Notice of the actual Closing and Effective Date, and admission, delisting and cancellation, will be announced through a news release.

### **Details of the Arrangement**

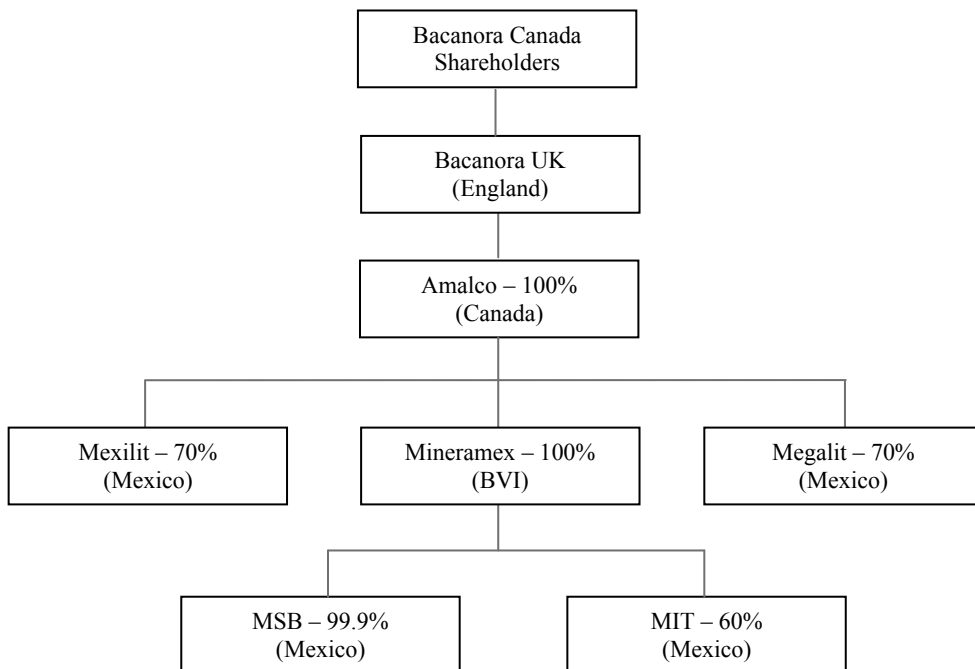
Upon satisfaction of all the conditions of the Arrangement, including the approval of the Arrangement Resolution by not less than 66 $\frac{2}{3}$ % of the votes cast by the Bacanora Canada Shareholders present in person or by proxy and entitled to vote at the Annual and Special Meeting (the approval by not less than 66 $\frac{2}{3}$ % of the votes cast by Bacanora Canada Shareholders fulfilling the TSXV requirement to obtain the approval of a simple majority of Bacanora Canada Shareholders), and obtaining the Final Court Order, each holder of a Bacanora Canada Share outstanding at the Effective Time will transfer their Bacanora Canada Shares to AcquireCo in exchange for Bacanora UK Shares on the basis of one Bacanora Canada Share for one Bacanora UK Share in accordance with the Arrangement Agreement and the Plan of Arrangement:

After completion of the Arrangement, it is expected that the Bacanora UK Shares will be admitted to trading on AIM and the Bacanora Canada Shares will be delisted from the TSXV and cancelled from trading on AIM.

The following diagram outlines the corporate structure of Bacanora UK prior to the completion of the Arrangement:



The following diagram outlines the corporate structure of Bacanora UK immediately following completion of the Arrangement:



## **Information Concerning Bacanora UK**

Bacanora UK was incorporated on June 22, 2016 under U.K. Companies Act as a public company limited by shares with the name Bacanora Lithium Plc and company number 10246575. Bacanora UK has no commercial name other than its registered name. The liability of the shareholders of Bacanora UK is limited.

Bacanora UK's registered office is at 4<sup>th</sup> Floor, 97 Jermyn Street, London SW1Y 6JE.

Upon completion of the Arrangement, Bacanora UK will be the ultimate holding company of the Bacanora UK Parties, Bacanora Canada and all Affiliates and subsidiaries thereto (the "**Bacanora Canada Group**").

There is no limitation on the length of life of Bacanora UK. The principal legislation under which Bacanora UK operates is U.K. Companies Act and the regulations thereunder.

Upon completion of the Arrangement, Bacanora UK will hold, indirectly through newly amalgamated Bacanora Canada, a material interest in the entities set out in the corporations set out in the chart under the heading "Details of the Arrangement" above.

### *Share Capital*

Upon completion of the Arrangement, the issued share capital of Bacanora UK will consist of the Bacanora UK Shares.

The holders of Bacanora UK Shares are entitled to receive notice of, attend and vote at any meeting of Bacanora UK Shareholders. The Bacanora UK Shares comprise only one class for the purpose of Bacanora UK's Articles of Association. At any meeting of Bacanora UK Shareholders, on a show of hands, every holder of Bacanora UK Shares who is present in person or by proxy shall have one vote, and on a poll every holder of Bacanora UK Shares who is present in person or by proxy shall have one vote for each Bacanora UK Share held. The holders of Bacanora UK Shares are entitled to receive dividends, on a pro rata basis, if, as and when declared by the Bacanora UK board. Subject to prior satisfaction of all preferential rights, the holders of Bacanora UK Shares are entitled to participate rateably in the net assets of Bacanora UK in the event of any liquidation, dissolution or winding up of Bacanora UK or other distribution of assets of Bacanora UK among Bacanora UK Shareholders for the purpose of winding up its affairs.

The Bacanora UK Shares also carry what are commonly known in the UK as "pre-emption rights" which are rights in favour of existing holders of Bacanora UK Shares to be offered new Bacanora UK Shares by Bacanora UK and the opportunity to accept or reject such an offer before Bacanora UK offers such new Bacanora UK Shares to any other person. In the case of Bacanora UK, these pre-emption rights will not apply to issuances of shares that are issued: (i) for non-cash payment; (ii) pursuant to an employees' share incentive plan; or (iii) pursuant to a private placement or series of private placements pursuant to which an aggregate of no more than 25% of Bacanora UK's existing and outstanding Bacanora UK Shares are to be issued. The private placement exception in (iii) will only be valid until Bacanora UK's first annual general meeting following admission of the Bacanora UK Shares to trading on AIM, and if Bacanora UK intends to extend that exception beyond such meeting it will be put to a vote of the Bacanora UK Shareholders at such meeting.

### *Directors*

On or prior to the completion of the Arrangement, Messrs. Colin Orr-Ewing, Martin Fernando Vidal Torres, Derek Batorowski, Mark Hohnen, James Leahy and Kiran Morzaria will be appointed as the directors of Bacanora UK. Mr. Shane Shircliff will not be appointed as a director of Bacanora UK. Messrs. Peter Secker and Derek Batorowski will serve as the Chief Executive Officer and Chief Financial Officer of Bacanora UK, respectively.

## *Corporate Governance*

On completion of the Arrangement, the Bacanora UK Board intends that Bacanora UK will comply on an ongoing basis with the QCA, to the extent they consider appropriate in light of Bacanora UK's size, stage of development and resources.

Bacanora UK will hold board meetings periodically as issues arise which require the attention of the Bacanora UK Board. The Bacanora UK Board will be responsible for the management of the business of Bacanora UK, setting the strategic direction of Bacanora UK and establishing the policies of Bacanora UK. It will be the Bacanora UK Board's responsibility to oversee and monitor the financial position, the business and affairs of Bacanora UK on behalf of the Bacanora UK Shareholders, to whom the Bacanora UK Board are accountable. The primary duty of the Bacanora UK Board will be to act in the best interests of Bacanora UK at all times. The Bacanora UK Board will also address issues relating to internal control and Bacanora UK's approach to risk management.

On admission for trading on AIM, the Bacanora UK Board will consist of two executive directors and four non-executive directors of whom one (James Leahy) is considered by the Bacanora UK Board to be independent. The Chairman is responsible for leadership of the Bacanora UK Board and for the efficient conduct of the Bacanora UK Board's function. The Chairman is expected to encourage the effective contribution of all directors and promote constructive and respectful relations between the Bacanora UK Board and senior management of Bacanora UK.

The Bacanora UK Board believe that they have sufficient experience in implementing accounting systems and controls which will provide a reasonable basis for them to make proper judgements as to the financial position and prospects of Bacanora UK.

Bacanora UK has adopted a charter terms of reference for the Audit Committee which establishes the Audit Committee's purpose and responsibilities, establishment and composition, authority, duties and responsibilities. The Audit Committee is comprised of two members (Kiran Morzaria and James Leahy with James Leahy as Chairman). The Audit Committee's overall goal is to ensure that Bacanora UK adopts and follows a policy of proper and timely disclosure of material financial information and reviews all material matters affecting the risks and financial position of Bacanora UK. The Audit Committee, inter alia, meets with Bacanora UK's external auditor and its senior financial management to review the annual and interim financial statements of Bacanora UK, oversees Bacanora UK's accounting and financial reporting processes, Bacanora UK's internal accounting controls and the resolution of issues identified by Bacanora UK's auditors.

Bacanora UK has adopted terms of reference for its Remuneration Committee which establishes the Remuneration Committee purpose and responsibilities, establishment, composition, authority and duties. The Remuneration Committee is comprised of three members (James Leahy and Derek Batorowski with James Leahy as Chairman). The Remuneration Committee assumes general responsibility for assisting the Bacanora UK Board in respect of remuneration policies for Bacanora UK and to review and recommend remuneration strategies for Bacanora UK and proposals relating to compensation for Bacanora UK's officers, directors and consultants and to assess the performance of the officers of Bacanora UK in fulfilling their responsibilities and meeting corporate objectives. It has the responsibility for, inter alia, administering share and cash incentive plans and programmes for directors and employees and for approving (or making recommendations to the Bacanora UK Board on) share and cash awards for directors and employees.

Bacanora UK considers that, at this stage in its development, it is not necessary to establish a formal nominations committee. This decision will be kept under review by the Bacanora UK Board on an on-going basis.

Bacanora UK has adopted, with effect from Admission, a revised policy on trading and confidentiality of inside information for the directors, officers and certain employees which contains provisions appropriate for a company whose shares are admitted to trading on AIM (particularly relating to dealing during close periods in accordance with Rule 21 of the AIM Rules and MAR) and Bacanora UK will take all reasonable steps to ensure compliance by the directors, officers and any relevant employees with such policy.

Where possible Bacanora UK will meet with and make presentations to Bacanora UK Shareholders. The annual general meeting will normally be attended by senior management and directors, and Bacanora UK Shareholders are invited to ask questions during the meeting and to meet with senior management and the directors after the formal proceedings have ended. Bacanora UK will maintain a corporate website at [www.bacanoralithium.com](http://www.bacanoralithium.com), which will contain a wide range of information about Bacanora UK and its business. The website will be updated with all formal communications to the investment community following their release through a regulatory news service. It is intended that with effect from the admission for trading on AIM, the website will comply with the requirements of Rule 26 of the AIM Rules.

#### *Bacanora UK Options*

Following the completion of the Arrangement, the outstanding Bacanora Canada Options and Bacanora Canada Warrants, if and when exercised, will be exercised into Bacanora UK Shares, in accordance with the terms of the Bacanora Option Plan and Bacanora Canada Warrants. The Bacanora UK Board will consider in due course other forms of management incentive plans, including options and other long-term incentive plans. For a description of the Bacanora Canada Stock Option Plan, see "Particular of Matters to be Acted Upon - Approval of Stock Option Plan" in this Circular.

#### **Recommendation of the Board of Directors**

The Board of Directors has reviewed the terms and conditions of the Arrangement and concluded that the terms and conditions thereof are in the best interests of the Bacanora Canada Shareholders. The Board of Directors approved the Arrangement unanimously subject to obtaining all required regulatory and Bacanora Canada Shareholder approvals.

#### **Reasons for the Arrangement**

The Board of Directors believes that the re-domicile of Bacanora Canada in accordance with the terms of the Arrangement and the admission of the Bacanora UK Shares to trading on AIM will be in the best interests of Bacanora Canada and Bacanora Canada Shareholders for a number of reasons. Given the geographic spread of Bacanora Canada's production, development and exploration licences with a core focus on Mexico, the Board of Directors believes that:

- It would now be more appropriate for Bacanora Canada to be based in Europe, where the majority of the Bacanora Canada Shareholders and most of management reside.
- Bacanora Canada has been successful in raising funding from the United Kingdom capital markets, with its market value quadrupling in size since its announcement to list on AIM in April 2014; with the proposed Re-Domicile, Bacanora Canada anticipates greater access to the UK capital and debt markets, as AIM market investors are generally more familiar with UK incorporated and tax resident listed companies. Bacanora Canada has in the last 8 months added two major UK based institutional investors, who now own almost 17% of issued and outstanding Bacanora Canada Shares.
- Bacanora Canada currently incurs high costs associated with having a dual listing in the AIM and on TSXV, yet Canadian shareholdings are estimated at less than 10% of Bacanora Canada's shareholder base.
- Bacanora Canada believes that the Canadian shareholder base may continue to decrease and as a result having a single listing on AIM would allow Bacanora Canada to be more cost efficient without material downside.
- Bacanora Canada Shares currently have less liquidity on the TSXV compared to the AIM. The liquidity of Bacanora Canada Shares have increased significantly since Bacanora Canada dual listed for trading on AIM.

The Board of Directors believes that admission of the Bacanora UK Shares to trading on AIM will raise Bacanora Canada's profile and status amongst European investors and within the international mining sector generally, and

will give Bacanora Canada access to an international market with a broad, relevant peer group and considerable research expertise.

In connection with the Arrangement, the Bacanora Canada Shares are expected to be delisted from the TSXV and cancelled from trading on AIM, on or about the same time as the Bacanora UK Shares are admitted to trading on AIM. The decision of the Board of Directors to approve the Arrangement for submission to Bacanora Canada Shareholders and the Court was reached after consideration of numerous factors, including:

- historical market prices and trading patterns for the Bacanora Canada Shares;
- greater liquidity for the Bacanora Canada Shares;
- the likelihood that the Arrangement would be completed;
- the terms of the Arrangement Agreement;
- the requirement that the Arrangement be approved by not less than 66⅔% of the votes cast at the Annual and Special Meeting by all Bacanora Canada Shareholders present in person or represented by proxy; and
- the procedures by which the Arrangement is to be approved, including the requirement to obtain the approval of the Court and the Bacanora Canada Shareholders.

The foregoing discussion of the information and factors considered by the Board of Directors is not intended to be exhaustive but is believed to include all material factors considered by the Board of Directors. In addition, in reaching the determination to approve and recommend the Arrangement, the Board of Directors did not assign any relative or specific weights to the foregoing factors which were considered, and individual directors may have given different weights to different factors. The Board of Directors recognize there are certain risks associated with the Arrangement. However, the Board of Directors believes that the positive factors should outweigh those risks, although there can be no assurances in that regard. See "Risk Factors — Risks Associated with the Arrangement".

**THE BOARD OF DIRECTORS HAS UNANIMOUSLY APPROVED THE ARRANGEMENT AND DETERMINED THAT UNDERTAKING THE ARRANGEMENT IS IN THE BEST INTERESTS OF BACANORA CANADA AND THE BACANORA CANADA SHAREHOLDERS. THE BOARD OF DIRECTORS RECOMMENDS THAT ALL BACANORA CANADA SHAREHOLDERS VOTE FOR AND IN FAVOUR OF THE ARRANGEMENT THEREBY APPROVING THE IMPLEMENTATION OF THE ARRANGEMENT.**

#### **Procedure for the Arrangement to Become Effective**

The Arrangement is proposed to be carried out pursuant to Section 193 of the ABCA, and the following procedural steps must be taken in order for the Arrangement to become effective:

- (a) the Court must grant the Final Order approving the Arrangement;
- (b) all conditions precedent to the Arrangement, including without limitation those contained in the Arrangement Agreement, must be satisfied; and
- (c) the Articles of Arrangement must be filed with and accepted by the Registrar.

#### **Bacanora Canada Shareholder Approval**

The Interim Order provides that before the Final Order will be issued and the Arrangement implemented, Bacanora Canada must obtain the approval of the Bacanora Canada Shareholders for the Arrangement. The Arrangement must be approved by not less than 66⅔% of the votes cast by Bacanora Canada Shareholders present in person or represented by proxy and entitled to vote at the Annual and Special Meeting. The approval by not less than 66⅔% of

the votes cast by Bacanora Canada Shareholders at the Annual and Special Meeting would fulfill the TSXV requirement to obtain the approval of a simple majority of Bacanora Canada Shareholders.

Each Bacanora Canada Shareholder will be entitled to one vote for each Bacanora Canada Share held.

As of the Record Date, namely July 14, 2016, there were 107,874,353 Bacanora Canada Shares outstanding, each of which carries one vote eligible to be cast in respect of the Arrangement.

The text of the special resolution approving the Arrangement is set out in Schedule 2 to the Arrangement Agreement which is attached as Appendix A to this Circular.

### **Court Approval of Arrangement**

Pursuant to section 193 of the ABCA, a plan of arrangement such as the Arrangement requires the approval of the Court. To comply with this requirement, Bacanora Canada obtained the Interim Order from the Court prior to mailing the Annual and Special Meeting Materials to Bacanora Canada Shareholders. The Interim Order provided for the calling and holding of the Annual and Special Meeting as well as other procedural matters. Prior to the Effective Date, Bacanora Canada will make a further application to the Court to obtain the Final Order. A copy of the Interim Order is attached to this Circular as Appendix B. The Notice of Application is attached to this Circular as Appendix C.

**The hearing in respect of the Final Order is scheduled to take place on or about August 15, 2016, before the Court at the Calgary Courts Centre, 601 – 5th Street S.W., Calgary, Alberta, Canada, T2P 5P7 if the requisite Bacanora Canada Shareholder approvals for the Arrangement are obtained at the Annual and Special Meeting.** At this hearing, all Bacanora Canada Shareholders who wish to participate or be represented or present evidence or argument may do so, subject to filing a Notice of Appearance and satisfying other requirements described in the Interim Order and Notice of Application. In the event that the hearing for the Final Order is adjourned, only those persons who have served and filed a notice of appearance in accordance with the requirements of the Interim Order and the Notice of Application will be given notice of the adjournment. A Bacanora Canada Shareholder wishing to appear before the Court should seek legal advice.

The Court has broad discretion under the ABCA when making orders in respect of the Arrangement and the Court will consider, among other things, the fairness and reasonableness of the terms and conditions of the Arrangement and the rights and interests of every person affected by the Arrangement, both from a substantive and procedural point of view. The Court may approve the Arrangement either as proposed or as amended in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court deems fit. The Court's approval is required in order for the Arrangement to become effective.

The securities to be issued in the Arrangement will not be registered under the 1933 Act in reliance upon the exemption from registration provided by Section 3(a)(10) thereof. The Court will be advised before the hearing for the Final Order that approving the Arrangement will constitute the basis for the Section 3(a)(10) exemption from the registration requirement of the 1933 Act with respect to the securities to be issued in the Arrangement.

### **Letter of Transmittal**

Bacanora Canada, AcquireCo and Bacanora UK have retained the Applicable Depository for the receipt of the Letter of Transmittal and, if in certificated form, the certificates representing Bacanora Canada Shares under the Arrangement. The Applicable Depository will receive its standard and customary compensation for its services in connection with processing the Letter of Transmittals and issuing and delivering Bacanora UK Shares. In addition, the Applicable Depository will be reimbursed for its reasonable out-of-pocket expenses and will be indemnified against certain liabilities, including liabilities under securities law and expenses in connection therewith.

Commencing at the Effective Time, Bacanora Canada Shareholders will cease to be Bacanora Canada Shareholders whether or not they have submitted a validly completed and duly executed Letter of Transmittal to the Applicable Depository together with the certificates representing the Bacanora Canada Shares. After the Effective Time,



Bacanora Canada Shareholders will only be entitled to receive Bacanora UK Shares which they are entitled pursuant to the Arrangement.

As applicable, certificates for Bacanora UK Shares issuable to a Bacanora Canada Shareholder who has complied with the procedures set out above will, as soon as practicable after the later of the Effective Date and delivery to the Applicable Depository of the validly completed and duly executed Letter of Transmittal and, if in certificated form, certificates representing the Bacanora Canada Shares, and all other required documents: (i) be forwarded to the Bacanora Canada Shareholder at the address specified in the Letter of Transmittal by first class mail, postage prepaid, (ii) be made available at the offices of the Applicable Depository where the Bacanora Canada Shares were deposited for pick up by the Bacanora Canada Shareholder if requested by the Bacanora Canada Shareholder in the Letter of Transmittal, or (iii) credited to a CREST account if appropriate CREST details are provided by the Bacanora Canada Shareholder through their Intermediary.

Where a certificate for Bacanora Canada Shares has been destroyed, lost or mutilated, the Bacanora Canada Shareholder should immediately contact the Applicable Depository as indicated on the Letter of Transmittal regarding the procedure for the issuance of a replacement certificate upon the Bacanora Canada Shareholder satisfying such requirements as may be imposed by Bacanora Canada, the Applicable Transfer Agent or the Applicable Depository in connection with issuance of the replacement certificate.

It is recommended that Bacanora Canada Shareholders complete, sign and return the Letter of Transmittal with accompanying Bacanora Canada Share certificates to the Applicable Depository as soon as possible, and prior to the Deposit Deadline. **Bacanora Canada will issue a news release following the Annual and Special Meeting to confirm that the Bacanora Canada Shareholders have approved the Arrangement.**

**Beneficial Shareholders should contact their broker or intermediary for instructions and assistance in providing details for registration and for delivery of their Bacanora UK Shares.**

#### **Settlement Information for Nominees, Brokers, Financial Institutions and Trust Companies in Respect of Bacanora UK Shares**

Bacanora UK will make an application for the Bacanora UK Shares to be admitted to CREST, the electronic settlement system for UK securities. CREST requires Bacanora UK to confirm to it that certain conditions imposed by CREST Regulations are satisfied before CREST will admit any security to CREST. It is expected that these conditions will be satisfied in respect of the Bacanora UK Shares on admission of the Bacanora UK Shares to trading on AIM.

Where Bacanora Canada Shares are currently registered in the name of a nominee (e.g. CDS or CEDE & Co.), brokers, financial institutions, trust companies and other intermediaries are advised that, for Bacanora Canada Shareholders who elect to receive Bacanora UK Shares under the Arrangement, CREST details must be provided to the nominee (to be forwarded to the Applicable Depository) prior to the Deposit Deadline. The CREST details that are required are outlined on the Letter of Transmittal. If CREST details are not provided by the Deposit Deadline, a share certificate representing the Bacanora UK Shares will automatically be issued according to registration instructions provided by the nominee for the Bacanora Canada Shareholder.

### **SECURITIES REGULATORY MATTERS**

#### **Canadian Securities Law Matters**

The Bacanora UK Shares to be issued to the Bacanora Canada Shareholders pursuant to the Arrangement will be issued in reliance on the exemptions found in prospectus and registration requirements of applicable Canadian securities laws and, subject to certain conditions, will not be subject to any resale restrictions. Bacanora Canada Shareholders are advised to consult their financial advisors with respect to the tradability of the Bacanora UK Shares they will receive on the completion of the Arrangement.

After completion of the Arrangement, it is expected that Bacanora UK will be a "designated foreign issuer" within the meaning of National Instrument 71-102 — *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* of the Canadian Securities Administrators. Bacanora UK will rely on that instrument, and Bacanora Canada will be applying for relief to the effect that Bacanora UK and Bacanora Canada will be exempt from most of the continuous disclosure requirements of Canadian securities legislation, as well as certain other requirements, including insider reporting and early warning reporting, provided Bacanora UK complies with the continuous disclosure requirements of the United Kingdom. Bacanora Canada and Bacanora UK also intends to apply to the applicable securities regulators in Canada for relief from NI 43-101 .

The effect of being a "designated foreign issuer" and the granting of the relief referred to above will be that while Bacanora UK and Bacanora Canada may continue to be reporting issuers in various jurisdictions in Canada after the completion of the Arrangement, Bacanora UK and Bacanora Canada will not file or will not be subject to, and Bacanora Canada Shareholders will not receive, continuous disclosure and other documents otherwise required by Canadian securities legislation, but rather Bacanora UK and Bacanora Canada will comply with their obligations as reporting issuers by complying with the requirements of securities legislation of the United Kingdom and AIM requirements.

### **U.S. Securities Law Matters**

The Bacanora UK Shares to be issued to Bacanora Canada Shareholders in exchange for their Bacanora Canada Shares under the Arrangement have not been and will not be registered under the 1933 Act or the securities laws of any state of the United States. The Bacanora UK Shares will be distributed to Bacanora Canada Shareholders in reliance upon the exemption from the registration requirements of the 1933 Act provided by Section 3(a)(10) thereof, on the basis of the approval of the Court, which will consider, among other things, the fairness of the Arrangement to the persons affected. Section 3(a)(10) exempts the offer and sale of securities issued in exchange for one or more bona fide outstanding securities from the general requirement of registration where the terms and conditions of the issuance and exchange of such securities have been approved by any court of competent jurisdiction, after a hearing upon the fairness of the terms and conditions of the issuance and exchange at which all persons to whom the securities will be issued have the right to appear and receive timely notice thereof. The Court issued the Interim Order and, subject to the approval of the Arrangement by Shareholders, a hearing on the Arrangement will be held at which all Bacanora Canada Shareholders are entitled to appear and be heard. The Final Order will constitute the basis for the exemption under Section 3(a)(10) of the 1933 Act for the securities to be exchanged and distributed pursuant to the Arrangement. Before the hearing on the Final Order, the Court will be informed of this effect of the Final Order. The distribution of the Bacanora UK Shares to Bacanora Canada Shareholders in exchange for their Bacanora Canada Shares pursuant to the Arrangement will also be exempt from registration under the securities laws of the applicable states of the United States.

The Bacanora UK Shares to be received by U.S. Bacanora Shareholders upon completion of the Arrangement may be resold without restrictions under the 1933 Act, except by Persons who are "affiliates" of Bacanora UK after completion of the Arrangement or who were affiliates of Bacanora UK within 90 days prior to the Effective Date and will be subject to certain restrictions on resale imposed by the 1933 Act. Generally, as defined in Rule 144 under the 1933 Act, an "affiliate" of an issuer is a person that directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with, the issuer, whether through the ownership of voting securities, by contract or otherwise. Usually, this includes directors, executive officers and major shareholders of the issuer.

Any resale of such Bacanora UK Shares by such an affiliate (or, former affiliate) may be subject to the registration requirement of the 1933 Act, absent an exemption therefrom. Subject to certain limitations, such affiliates (and former affiliates) may immediately resell such Bacanora UK Shares outside the United States without registration under the 1933 Act pursuant to Regulation S under the 1933 Act. If available, such affiliates (and former affiliates) may also resell such securities pursuant to Rule 144 under the 1933 Act or as otherwise permitted under the 1933 Act. Rule 144 generally provides that such affiliates may sell Bacanora UK Shares received pursuant to the Arrangement pursuant to an effective registration statement or in accordance with the volume, current public information and manner of sale limitations of Rule 144 under the 1933 Act. These limitations generally require that any sales made by an affiliate in any three-month period not exceed the greater of 1% of the then outstanding securities of Bacanora UK or, if such securities are listed on a United States securities exchange, the average weekly

trading volume of such securities over the four calendar weeks preceding the placement of the sell order, subject to specified restrictions on manner of sale, notice requirements, aggregation rules and the availability of current public information about Bacanora UK. Unless certain conditions are satisfied, Rule 144 is not available for resales of securities of issuers that have ever had (i) no or nominal operations and (ii) no or nominal assets other than cash and cash equivalents (a "shell company"). If Bacanora UK were ever to be deemed to have been such an issuer in its past, Rule 144 under the 1933 Act may be unavailable for resales of Bacanora UK Shares unless and until Bacanora UK has satisfied the applicable conditions.

The foregoing discussion is only a general overview of certain requirements of United States federal securities laws applicable to the resale of Bacanora UK Shares received upon completion of the Arrangement. All holders of such securities are urged to consult with counsel to ensure that the resale of their Bacanora UK Shares complies with applicable securities legislation.

## **U.K. Securities Law Matters**

### *Mandatory Takeover*

As a company with its registered office in the UK whose shares will be admitted to trading on AIM, the U.K. City Code will apply to all takeover and merger transactions in relation to Bacanora UK. The U.K. City Code operates principally to ensure that shareholders are treated fairly and are afforded equivalent treatment. The U.K. City Code provides an orderly framework within which takeovers are conducted and is administered by the Panel.

The U.K. City Code is based upon a number of general principles which are essentially statements of standards of commercial behaviour to promote shareholder protection. These general principles shape the form, structure and timetable of takeovers in the UK. It is a fundamental general principle of the U.K. City Code that all shareholders of the same class of a target must be treated similarly by an offeror. A number of rules in the U.K. City Code are designed to ensure equal treatment. In particular, the U.K. City Code contains rules to ensure that:

- equivalent offers are made to all shareholders; and
- the same information is provided to all shareholders at the same time.

### *Mandatory Offer*

One of the most significant U.K. City Code rules is the mandatory bid rule (Rule 9). The rule states that if a person acquires an interest in shares that (taken together with shares in which persons acting in concert with him are interested) carry 30 per cent or more of the voting rights of a company ("voting rights" in this context means all the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting of the company), the offeror is required to make a cash offer for the target at the highest price paid by the offeror (or any person acting in concert with it) for any interest in target shares in the 12 months before the offer is announced. The reason for this rule is that the Panel believes that a holding of 30 per cent or more, although not giving legal control, gives the holder effective control over the affairs of the company. Again, the underlying objective is to achieve equal treatment for all shareholders.

The requirement to make a mandatory bid under Rule 9 can have serious adverse consequences for an unwary offeror. Not only does the U.K. City Code oblige it to make an offer for all the shares in the target (whether or not that was its original intention), but the U.K. City Code also limits the terms and conditions on which it may do so. Most significantly, a mandatory offer may be conditional only on the offeror obtaining shares carrying 50 per cent or more of the voting rights in the target. This level may be lower than the offeror would like to achieve. In addition, the offeror will lose the protection of the other conditions on which the offer could have been made.

The obligation to make a mandatory offer under Rule 9 will also apply if a person who, together with persons acting in concert with it, is interested in shares carrying between 30 per cent and 50 per cent of the voting rights of a company and there is an acquisition of an interest in any other shares that increases the percentage. It is for the purposes of Rule 9 that the Panel most often has to decide whether persons are acting in concert or not.

Generally, great care should be exercised to avoid unintentionally giving rise to an obligation to make a Rule 9 offer. Where there is any doubt, an offeror is advised to speak to the Panel at an early stage.

Dispensations from the obligation to make a mandatory bid under Rule 9 are available from the Panel in certain circumstances, for example if an offeror accidentally acquires an interest in 30 per cent or more of the voting rights of the target; in such a circumstance, the offeror would then be required to sell down to below 30 per cent.

#### *Definition of Acting in Concert*

Parties who help the offeror achieve control of the target are generally treated as part of the offeror's team and, accordingly, rules that apply to the offeror also apply to them. Such parties are said to be 'acting in concert'. In particular dealings by those acting in concert are treated effectively as dealings by the offeror. Persons acting in concert are defined as: '...persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control of a company or to frustrate the successful outcome of an offer for a company'. The offeror and persons acting in concert form what is known as a 'concert party'.

Certain persons are presumed to be acting in concert, unless the contrary is established. The existence or non-existence of a concert party and the consequent aggregation or non-aggregation of their interests is especially important in deciding whether or not the 30 per cent threshold has been reached, which would require a 'mandatory bid' to be made under Rule 9 of the U.K. City Code. The offeror and its advisers should therefore take great care to ensure a concert party is not created unintentionally and should consult the Panel if in doubt.

#### *Compulsory Purchase and Minority Squeeze-Out*

Under sections 974 – 991 of the U.K. Companies Act, if an offeror acquires or contracts to acquire (pursuant to a takeover offer) not less than 90 per cent. of the shares (in value and by voting rights) to which such offer relates it may then compulsorily acquire the outstanding shares not assented to the offer. Minority shareholders also have the right to require the offeror to buy their shares at the offer price if the offeror has obtained 90% of the shares (in value and by voting rights) in the company. Each of these rights is exercisable on a class by class basis if there is more than one class of share capital.

### **THE ARRANGEMENT AGREEMENT**

The following summary of material provisions of the Arrangement Agreement is not intended to be comprehensive and is qualified in its entirety by reference to the full text of the Arrangement Agreement, a copy of which is attached as Appendix A to this Circular. Bacanora Canada Shareholders are encouraged to review the complete Arrangement Agreement including the Plan of Arrangement appended as Schedule 1 to the Arrangement Agreement, which is attached as Appendix A to this Circular.

#### **Conditions Precedent to the Arrangement**

The respective obligations of the parties hereto to complete the Arrangement are subject to the satisfaction of, or mutual waiver by Bacanora Canada and Bacanora UK on or before the Effective Date of each of the following conditions, which are for the mutual benefit of Bacanora UK and Bacanora Canada and which may be waived, in whole or in part, by Bacanora UK or Bacanora Canada at any time:

- (a) the Interim Order shall have been obtained in form and substance satisfactory to each of Bacanora Canada and Bacanora UK, acting reasonably;
- (b) the Plan of Arrangement, without amendment or with amendments acceptable to Bacanora Canada and Bacanora UK acting reasonably, shall have been approved at the Annual and Special Meeting by the Bacanora Canada Shareholders as required by the Interim Order;

- (c) the issue of the Bacanora UK Shares by Bacanora UK pursuant to the Arrangement will have been approved and all necessary corporate action to permit such shares to be issued as fully paid will have been taken;
- (d) the issue of the Bacanora UK Shares in the Arrangement by Bacanora UK will be exempt from the prospectus and registration requirements under applicable Canadian securities laws and will be exempt from the registration requirements of the 1933 Act;
- (e) the Final Order shall have been granted in form and substance satisfactory to Bacanora Canada and Bacanora UK, acting reasonably, and shall not have been set aside or modified in a manner unacceptable to Bacanora Canada and Bacanora UK, acting reasonably, on appeal or otherwise;
- (f) all approvals and consents, regulatory or otherwise, which are required in connection with the consummation of the transactions contemplated in the Arrangement Agreement and in the Plan of Arrangement shall have been obtained (including, without limitation, the approval of the Arrangement by the TSXV the delisting of Bacanora Canada Shares from the TSXV, cancellation of Bacanora Canada Shares from AIM and the admission of Bacanora UK Shares to trading on AIM);
- (g) no preliminary or permanent injunction, restraining order, cease trading order or order or decree of any Governmental Entity, and no law, regulation, policy, directive or order shall have been enacted, promulgated, made, issued or applied to cease trade, enjoin, prohibit or impose material limitations on, the Arrangement or the transactions contemplated therein or in the Plan of Arrangement and no such action, proceeding or order shall, to the best of the knowledge of Bacanora Canada or Bacanora UK, be pending or threatened and, without limiting the generality of the foregoing, no person shall have filed any notice of appeal of the Final Order, and no person shall have communicated to Bacanora Canada or Bacanora UK any intention to appeal the Final Order which, in the reasonable opinion of Bacanora Canada or Bacanora UK, would make it inadvisable to proceed with the implementation of the Arrangement; and
- (h) the Arrangement Agreement shall not have been terminated pursuant to section 5 of the Arrangement Agreement.

*Implementation, Interim Order and Terms of the Arrangement*

In the Arrangement Agreement, Bacanora Canada has provided covenants relating to the Interim Order, the Annual and Special Meeting, the Final Order and the Articles of Arrangement in order to complete the Arrangement.

The Arrangement Agreement also sets out the terms of the Arrangement. See "Matters to be Acted Upon — Details of the Arrangement".

The Arrangement Agreement may be terminated by mutual written consent of the parties thereto at any time prior to the Effective Time. See "The Arrangement Agreement — Conditions Precedent to the Arrangement".

**INVESTMENT CONSIDERATIONS**

The following investment considerations should be considered by Bacanora Canada Shareholders in evaluating whether to approve the Arrangement. These investment considerations should be considered in conjunction with the other information contained in this Circular and incorporated by reference herein.

**Risks of Investing in Bacanora UK Shares**

Bacanora Canada Shareholders should carefully read and review the section entitled "Risk Factors" contained in this Circular when considering an investment in Bacanora UK Shares and when considering whether to approve the Arrangement.

## **Income Tax Considerations**

Bacanora Canada Shareholders are encouraged to carefully read and review the sections below entitled "Canadian Federal Income Tax Considerations" and to consult with their personal tax advisors as to the actual and potential tax consequences to the Bacanora Canada Shareholder arising out of the Arrangement.

### **CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of Gowling WLG (Canada) LLP, counsel to Bacanora Canada ("**Counsel**") the following is a summary of the principal Canadian federal income tax considerations generally applicable to Bacanora Canada Shareholders who are individuals (other than trusts, including Deferred Income Plans) or corporations who are not exempt from Canadian federal income tax, who deal at arms' length with Bacanora Canada, Bacanora UK and AcquireCo, who are not affiliated with Bacanora Canada or Bacanora UK and who hold their Bacanora Canada Shares and Bacanora UK Shares as capital property. This summary does not apply to a holder of Bacanora Canada Shares with respect to whom Bacanora UK is or will be a "foreign affiliate" within the meaning of the Tax Act. This summary does not apply to certain financial institutions (as defined in the Tax Act) that are subject to the "mark-to-market property" rules contained in the Tax Act. Such holders should consult their own tax advisors.

Bacanora Canada Shares will generally be considered to be capital property to a holder unless held in the course of carrying on a business, as an adventure in the nature of trade or as "mark-to-market property" for purposes of the Tax Act. Certain Canadian resident holders of Bacanora Canada Shares whose Bacanora Canada Shares might not otherwise qualify as capital property may be entitled to make the irrevocable election provided by subsection 39(4) of the Tax Act to have such shares, and every other "Canadian security" (as defined in the Tax Act) owned by such holders in the taxation year of the election and in all subsequent taxation years deemed to be capital property.

This summary is based on the Tax Act, the regulations thereunder and the current published administrative practices of the CRA, all in effect as of the date of this Circular. This summary also takes into account the Tax Proposals, although no assurances can be given that the Tax Proposals will be enacted in the form presented, or at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Tax Proposals, does not take into account or anticipate any changes in law or administrative practices, whether by judicial, governmental or legislative action or decision, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, which may differ from the Canadian federal income tax considerations described in this Circular. No advance income tax ruling has been sought or obtained from the CRA to confirm the tax consequences of any of the transactions described in this Circular.

**This summary is of a general nature only and is not intended to be, nor should it be considered to be, legal or tax advice to any particular person. Bacanora Canada Shareholders are urged to consult their own tax advisors with respect to their particular circumstances.**

This summary does not address income tax consequences applicable to Bacanora Canada Shareholders who:

- (a) are partnerships or trusts;
- (b) are directors, officers or other insiders of Bacanora Canada or its affiliates;
- (c) hold their Bacanora Canada Shares as inventory or stock in trade (or otherwise not as capital property); or
- (d) acquired their Bacanora Canada Shares on the exercise of Bacanora Canada Options.

For the purposes of the Tax Act, all amounts must be expressed in Canadian dollars, including dividends, adjusted cost base and proceeds of disposition; amounts denominated in foreign currencies must be converted into Canadian dollars based on the prevailing exchange rate generally applicable at the time such amounts arise.

## **Capital Gains and Losses**

One-half of any such capital gain (a "taxable capital gain" as defined in the Tax Act) realized upon, where applicable, a shareholder's disposition of Bacanora Canada Shares or Bacanora UK Shares will be included in his income for the year of disposition, and one-half of any capital loss (an "allowable capital loss" as defined in the Tax Act) so realized, where applicable, may be deducted by such shareholder against its taxable capital gains for the taxation year in which the disposition occurs.

Subject to the detailed rules in the Tax Act, any excess of allowable capital losses over taxable capital gains of the said shareholder for the year of disposition may be carried back up to three taxation years or forward indefinitely and deducted against net taxable capital gains in those other years.

A Bacanora Canada Shareholder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 10 2/3% on its taxable capital gains.

## **Bacanora Canada Shareholders Resident in Canada**

**The following portion of the summary is applicable to a shareholder who is a Canadian Resident and who will continue to be a Canadian Resident at all times while it holds Bacanora UK Shares, and is not Tax Exempt.**

### **Exchange of Bacanora Canada Shares for Bacanora UK Shares**

A Bacanora Canada Shareholder who exchanges Bacanora Canada Shares for Bacanora UK Shares will be considered to have disposed of the Bacanora Canada Shares for proceeds of disposition equal to the fair market value of the Bacanora UK Shares acquired by such holder on the exchange and, as a result, such holder will in general realize a capital gain (or a capital loss) to the extent that such proceeds of disposition, net of any reasonable costs of disposition exceed (or are less than) the adjusted cost base to such holder of the Bacanora Canada Shares immediately before the exchange. See "Capital Gains and Losses" above.

The cost of the Bacanora Canada Shareholder's Bacanora UK Shares acquired on the exchange of Bacanora Canada Shares will be equal to the fair market value of the Bacanora Canada Shares disposed upon the exchange and will be averaged with the adjusted cost base to such holder of all other Bacanora UK Shares held by such holder as capital property for the purposes of determining the holder's adjusted cost base of such Bacanora UK Shares.

## **Dividends**

Dividends received on Bacanora UK Shares must be included in the recipient's income for the purposes of the Tax Act. Such dividends received by a holder of Bacanora UK Shares who is an individual will not be subject to the gross-up and dividend tax credit rules in the Tax Act. A holder of Bacanora UK Shares that is a corporation will generally not be entitled to deduct the amount of such dividends in computing its taxable income. A holder of Bacanora UK Shares that is a Canadian-controlled private corporation may be liable to pay an additional refundable tax of 10 2/3% on such dividends.

## **Disposition of Bacanora UK Shares**

A disposition or deemed disposition of Bacanora UK Shares by a holder will generally result in a capital gain (or capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the holder of such shares immediately before the disposition. See "Capital Gains and Losses" above.

## **Foreign Property Information Reporting**

In general, a "specified Canadian entity", as defined in the Tax Act, whose total cost amount of "specified foreign property", as defined in the Tax Act, at any time in the taxation year or fiscal period exceeds \$100,000, is required to file an information return for the year or period disclosing prescribed information, including the cost amount, any

dividends received in the year, and any gains or losses realized in the year, in respect of such property. With some exceptions, a taxpayer resident in Canada in the year will be a specified Canadian entity. Bacanora UK Shares will be specified foreign property to a Canadian Resident holder. Accordingly, holders of Bacanora UK Shares should consult their own advisers regarding compliance with these rules.

### **Bacanora Canada Shareholders Not Resident in Canada**

The following portion of the summary is applicable to Bacanora Canada Shareholders who, for purposes of the Tax Act, have not been and will not be resident or deemed to be resident in Canada at any time while they have held Bacanora Canada Shares or will hold Bacanora UK Shares and to whom such shares are not "taxable Canadian property" (as defined in the Tax Act). Special rules which are not discussed in this summary may apply to a Bacanora Canada Shareholder that is an insurer that carries on business in Canada and elsewhere.

Generally, Bacanora Canada Shares will not be taxable Canadian property provided that such shares are listed on a designated stock exchange (which currently includes the TSXV), the holder does not use or hold, and is not deemed to use or hold, such shares in connection with carrying on a business in Canada and the holder, persons with whom such holder does not deal at arm's length, or the holder together with such non-arm's length persons has not owned 25% or more of the issued shares of any class or series of the capital stock of Bacanora Canada at any time within five years preceding the date of disposition. Bacanora UK Shares generally will not be taxable Canadian property to a Bacanora Canada Shareholder who does not use or hold and is not deemed to use or hold such shares in connection with carrying on a business in Canada.

### **Eligibility For Investment**

Provided the Bacanora UK Shares are listed on a designated stock exchange (which currently includes the AIM), the Bacanora UK Shares will be qualified investments under the Tax Act for Deferred Income Plans.

## **UK TAX CONSIDERATIONS**

The following information is intended as a general guide and relates to the UK tax position of Bacanora Canada. The statements are based on the current legislation, proposals announced in the 16 March 2016 Budget and HM Revenue and Customs (HMRC) practice currently in force in the UK, and do not purport to be comprehensive or to describe all potential relevant considerations. Investors should note that both tax law and interpretation are subject to change, possibly with retrospective effect.

### **Taxation — Shareholders**

#### **General**

The following information is intended as a general guide and relates to the tax position of Bacanora Canada Shareholders who are resident in the UK and Canada. The statements may not apply to certain classes of Bacanora Canada Shareholders such as dealers in securities and other persons who hold the Ordinary Shares other than as investments. The statements are based on the current legislation, in respect of UK legislation, proposals announced in the 16 March 2016 Budget and practice in the UK and Canada, and do not purport to be comprehensive or to describe all potential relevant considerations. Investors should note that both tax law and interpretation are subject to change, possibly with retrospective effect. Any prospective investor who is in any doubt about his tax position, or who is subject to taxation in a jurisdiction other than the UK or Canada should consult his own professional adviser immediately.

### **UK Bacanora Canada Shareholders - UK taxation consequences of the Arrangement**

#### **UK taxation of chargeable gains**

Liability to UK taxation of chargeable gains will depend on the individual circumstances of Bacanora Canada Shareholders.



A Bacanora Canada Shareholder who, together with persons connected with him, does not hold more than 5% of shares in Bacanora Canada should not be treated as having made a disposal of his Bacanora Canada Shares for the purposes of UK taxation of chargeable gains to the extent that he receives Bacanora UK Shares in exchange for his Bacanora Canada Shares under the Arrangement. Instead, the Bacanora UK Shares will be treated as the same asset as his Bacanora Canada Shares, acquired at the same time as his Bacanora Canada Shares.

Any Bacanora Canada Shareholder who, either alone or together with persons connected with him, holds more than 5% of Bacanora Canada Shares is advised that clearance has been received from HM Revenue & Customs under section 138 of the Taxation of Chargeable Gains Act 1992 in respect of the Arrangement. Any Shareholder will be treated in the manner described in the preceding paragraph.

### **UK taxation — General**

The paragraphs set out below summarise the UK tax treatment for Bacanora Canada Shareholders of holding or disposing of Ordinary Shares. They are based on current legislation, proposals announced in the 16 March 2016 Budget and HM Revenue and Customs (HMRC) practice currently in force in the UK. The paragraphs are intended as a general guide and, except where express reference is made to the position of non-UK residents, apply only to Bacanora Canada Shareholders who are resident and, if individuals, domiciled in the UK for tax purposes. They relate only to such Bacanora Canada Shareholders who hold their Ordinary Shares directly as an investment and who are absolute beneficial owners of those Ordinary Shares. These paragraphs do not deal with certain types of shareholders, such as persons holding or acquiring Ordinary Shares in the course of trade or by reason of their, or another's, employment, collective investment schemes and insurance companies.

If you are in any doubt as to your taxation position or if you are resident or otherwise subject to taxation in any jurisdiction other than the UK, you should consult an appropriate professional adviser immediately. Bacanora Canada Shareholders are referred to the sections headed "UK Bacanora Canada Shareholders" and "Canadian Bacanora Canada Shareholders" below for a description of the tax consequences of holding Ordinary Shares in such jurisdictions.

### **UK taxation — Disposal of Ordinary Shares — tax on chargeable gains**

Liability to UK tax on chargeable gains will depend on the individual circumstances of Bacanora Canada Shareholders.

#### **Disposal of Ordinary Shares by UK resident Bacanora Canada Shareholders**

A disposal of Ordinary Shares by a Bacanora Canada Shareholder who is resident in the UK may, depending on individual circumstances (including the availability of exemptions and reliefs), give rise to a chargeable gain or allowable loss for the purposes of the UK taxation of chargeable gains.

#### **Individuals**

As announced in the 16 March 2016 Budget, it is proposed that gains accruing for an individual Bacanora Canada Shareholder after 6 April 2016 the rate of capital gains tax on disposal of Ordinary Shares by basic rate taxpayers will reduce from 18% to 10%, and for upper rate and additional rate taxpayers the rate will fall from 28% to 20%. These provisions have yet to receive Royal assent. In the unlikely event they are not enacted the rates will remain unchanged at the pre 6 April 2016 levels.

#### **Companies**

For Corporate Bacanora Canada Shareholders of Bacanora Canada within the charge to UK corporation tax, indexation allowance may reduce any chargeable gain arising on disposal of Ordinary Shares but will not create or increase an allowable loss.

Subject to certain exemptions, the corporation tax rate applicable to its chargeable gains is currently 20%. This will fall to 19% after 1 April 2017 and 18% after 1 April 2020). It is proposed in 16 March 2016 Budget that the rate of corporation tax after 1 April 2020 will fall to 17%, instead of 18%.

### **Disposal of Ordinary Shares by non-UK resident Bacanora Canada Shareholders**

Bacanora Canada Shareholders who are not resident for tax purposes in the UK may not be liable for UK tax on capital gains realised on a disposal of their Ordinary Shares unless such Ordinary Shares are acquired for use by or for the purposes of a branch, agency or, in the case of a corporate shareholder, a permanent establishment through which such person is carrying on a trade, profession or vocation in the UK. Such Bacanora Canada Shareholders may also be subject to foreign taxation on any gain under local law.

A Bacanora Canada Shareholder who is an individual and who is temporarily a non-UK resident at the time of the disposal may, under anti-avoidance legislation, still be liable to UK taxation on any chargeable gain realised (subject to the availability of exemptions or reliefs).

### **UK taxation — Tax on dividends paid by the Company**

#### Individuals

An individual who is a Bacanora Canada Shareholder and is resident in the UK or carries on a trade in the UK or through a UK branch or agency in connection with which their Ordinary Shares are held will generally be subject to UK income tax.

Dividend income received by UK tax resident individuals will have a £5,000 dividend tax allowance. Dividend receipts in excess of £5,000 will be taxed at 7.5% for basic rate taxpayers, 32.5% for higher rate taxpayers, and 38.1% for additional rate taxpayers.

#### Companies

Corporate Bacanora Canada Shareholders who are subject to UK corporation tax should generally, and subject to certain anti-avoidance provisions, be able to claim exemption from UK corporation tax in respect of any dividend received.

### **Anti-Avoidance**

#### Transactions in securities

The attention of Bacanora Canada Shareholders (whether corporates or individuals) within the scope of UK taxation is drawn to the provisions set out in, respectively, Part 15 of the Corporation Tax Act 2010 and Chapter 1 of Part 13 of the Income Tax Act 2007, which (in each case) give powers to HM Revenue and Customs to raise tax assessments so as to cancel "tax advantages" derived from certain prescribed "transactions in securities". Bacanora UK Shareholders are advised that clearance has been received from HM Revenue & Customs under section 701 of the Income Tax Act 2007 in respect of the Arrangement.

### **UK taxation — Stamp duty and stamp duty reserve tax ("SDRT")**

No UK stamp duty or SDRT will be payable on the issue of Ordinary Shares.

Neither UK stamp duty nor SDRT should arise on transfers of Ordinary Shares on AIM (including instruments transferring Shares and agreements to transfer Ordinary Shares) based on the following assumptions:

- the Ordinary Shares are admitted to trading on AIM, but are not listed on any market (with the term "listed" being construed in accordance with section 99A of the Finance Act 1986), and this has been certified to Euroclear; and

- AIM continues to be accepted as a "recognised growth market" as construed in accordance with section 99A of the Finance Act 1986).

In the event that either of the above assumptions does not apply, stamp duty or SDRT may apply to transfers of Ordinary Shares in certain circumstances.

The above comments are intended as a guide to the general stamp duty and SDRT position and may not relate to persons such as charities, market makers, brokers, dealers, intermediaries and persons connected with depositary arrangements or clearance services to whom special rules apply.

## UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

### Scope of this Disclosure

#### *Transactions Addressed*

The following discussion summarizes the anticipated material U.S. federal income tax consequences generally applicable to U.S. Holders (as defined below) arising from and relating to (a) the exchange of Bacanora Canada Shares for Bacanora UK Shares as described in this Circular (the "**Exchange**") and (b) the ownership and disposition of Bacanora UK Shares received pursuant to the Exchange. This summary is not binding on the Internal Revenue Service (the "**IRS**") or the U.S. courts, and no assurance can be provided that the federal income tax consequences described herein will not be challenged by the IRS or would be sustained by a U.S. court if so challenged. Bacanora Canada has not requested, and does not intend to request, a ruling from the IRS or opinion from its legal counsel regarding any of the U.S. federal income tax consequences of the Exchange or of the ownership and disposition of Bacanora UK Shares received pursuant to the Exchange.

This summary of the anticipated material U.S. federal income tax consequences arising from and relating to the Exchange and the ownership and disposition of Bacanora UK Shares received pursuant to the Exchange is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax consequences that may apply to a U.S. Holder as a result of the Exchange or the ownership and disposition of Bacanora UK Shares received pursuant to the Exchange. In addition, this summary does not take into account the individual facts and circumstances of any particular U.S. Holder that may affect the U.S. federal income tax consequences to such U.S. Holder resulting from the Exchange and the ownership and disposition of Bacanora UK Shares received pursuant to the Exchange. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any U.S. Holder. Moreover, this summary does not address U.S. state or local tax consequences, or the tax consequences in jurisdictions other than the United States. U.S. Holders should consult their own tax advisors regarding the U.S. federal, U.S. state and local, and non-U.S. tax consequences of the Exchange and the ownership and disposition of Bacanora UK Shares received pursuant to the Exchange in light of their particular circumstances.

#### *Authorities*

This summary is based upon the Internal Revenue Code of 1986, as amended, (the "**U.S. Code**") proposed, temporary and final Treasury Regulations issued under the U.S. Code, and judicial and administrative interpretations of the U.S. Code and Treasury Regulations, in each case as in effect and available as of the date of this Circular. The U.S. Code, Treasury Regulations and judicial and administrative interpretations thereof may change at any time, and any change could be retroactive to the date of this Circular. The U.S. Code, Treasury Regulations and judicial and administrative interpretations thereof are also subject to various interpretations. There can be no guarantee that the IRS or the U.S. courts will agree with the tax consequences described in this summary.

#### *U.S. Holder*

For purposes of this summary, a "**U.S. Holder**" is a beneficial owner of Bacanora Canada Shares (or, following the completion of the Exchange, a beneficial owner of Bacanora UK Shares) that holds such shares as capital assets, and that, for U.S. federal income tax purposes, is

- (a) an individual who is a citizen or resident of the U.S. for U.S. federal income tax purposes;
- (b) a corporation, or any other entity classified as a corporation for U.S. federal income tax purposes, that is created or organized in or under the laws of the U.S. or any state in the United States, including the District of Columbia;
- (c) an estate if the income of that estate is subject to U.S. federal income tax regardless of the source of such income; or
- (d) a trust if (i) the trust has validly elected to be treated as a U.S. person for U.S. federal income tax purposes or (ii) a U.S. court is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust.

If a partnership (including any entity treated as a partnership for U.S. federal income tax purposes) beneficially owns Bacanora Canada Shares (or, following the completion of the Exchange, Bacanora UK Shares), the U.S. federal income tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. Partners in a partnership that beneficially owns Bacanora Canada Shares (or, following the completion of the Exchange, Bacanora UK Shares) should consult their own tax advisors as to the U.S. federal, state and local, and non-U.S. tax consequences of the Exchange and the ownership and disposition of Bacanora UK Shares received pursuant to the Exchange.

#### *Non-U.S. Holders*

For purposes of this summary, a "non-U.S. Holder" is a beneficial owner of Bacanora Canada Shares (or, following the completion of the Exchange, Bacanora UK Shares) other than a U.S. Holder. This summary does not address the U.S. federal income tax consequences of the Exchange or the ownership and disposition of Bacanora UK Shares received pursuant to the Exchange to non-U.S. Holders. Non-U.S. Holders are accordingly urged to consult their own tax advisors regarding the potential U.S. federal income tax consequences to them of the Exchange and ownership and disposition of Bacanora UK Shares received pursuant to the Exchange, and the potential application of any tax treaties.

#### *Transactions Not Addressed*

This summary does not address the U.S. federal income tax consequences of transactions effectuated prior or subsequent to, or concurrently with, the Exchange (whether or not any such transactions are undertaken in connection with the Exchange), including, without limitation, the following:

- any conversion into Bacanora Canada Shares of any Bacanora Canada notes, debentures or other debt instruments;
- any vesting, exercise, assumption or conversion of any warrants, options and other rights to acquire Bacanora Canada Shares; and
- any transaction, other than the Exchange, in which Bacanora Canada Shares or Bacanora UK Shares are acquired.

#### *Persons Not Addressed*

The U.S. federal income tax consequences to the following persons (including persons who are U.S. Holders) are not addressed in this summary, and the following persons are accordingly urged to consult with their own tax advisors regarding the U.S. federal income tax consequences to them of the Exchange and ownership and disposition of Bacanora UK Shares received pursuant to the Exchange:

- Bacanora Canada, Bacanora UK and AcquireCo;

- persons that may be subject to special U.S. federal income tax treatment such as partnerships or other pass-through entities, financial institutions, real estate investment trusts, tax-exempt organizations, qualified retirement plans, individual retirement accounts, regulated investment companies, insurance companies, dealers in securities or currencies, or traders in securities that elect to apply a mark-to-market accounting method;
- persons that acquired Bacanora Canada Shares pursuant to an exercise of employee stock options or rights or otherwise as compensation for services;
- persons that hold Bacanora Canada warrants, options or Bacanora Canada notes, debentures or other debt instruments;
- persons having a functional currency for U.S. federal income tax purposes other than the U.S. dollar;
- persons that hold Bacanora Canada Shares as part of a position in a straddle or as part of a hedging or conversion transaction;
- persons subject to the alternative minimum tax;
- persons who are U.S. expatriates or former long-term residents of the United States;
- persons that own or have owned, directly or by attribution, 5% or more, by voting power or value, of the outstanding equity interests of Bacanora Canada (or, following the completion of the Exchange, of Bacanora UK); and
- persons who own their Bacanora Canada Shares (or, following the completion of the Exchange, their Bacanora UK Shares) other than as capital assets as defined in the U.S. Code.

#### **Exchange of Bacanora Canada Shares for Bacanora UK Shares**

There is no direct authority addressing the U.S. federal income tax consequences of certain aspects of the Arrangement. In addition, the Arrangement will be effected under applicable provisions of non-U.S. law, which are technically different from analogous provisions of U.S. law. Whether the Exchange will qualify as a tax-deferred exchange within the meaning of Section 351 of the U.S. Code (a "**Section 351 Transaction**") is not clear and may depend to some extent upon events subsequent to the date of this Circular, including events subsequent to the Effective Date, which events cannot be predicted with accuracy. In order for the Arrangement to qualify as a Section 351 Transaction, among other requirements, Bacanora Canada Shareholders who exchange Bacanora Canada Shares for Bacanora UK Shares under the Arrangement must acquire "control" of Bacanora UK as determined under Section 351 and the regulations issued thereunder. For this purpose, "control" is defined as the ownership of stock of Bacanora UK possessing (a) at least eighty percent (80%) of the total combined voting power of all classes of stock of Bacanora UK entitled to vote and (b) at least eighty percent (80%) of the total number of shares of each other class of stock of Bacanora UK. In addition to other events, a financing by Bacanora UK under which Jersey shares are issued to investors, on, before or after the Effective Date, may prevent Bacanora Canada Shareholders who exchange Bacanora Canada Shares for Bacanora UK Shares under the Arrangement from acquiring "control" of Bacanora UK under Section 351.

No ruling from the IRS or legal opinion concerning the U.S. federal income tax consequences of the Exchange has been obtained and none will be requested. Thus, there can be no assurance that the IRS will not challenge the qualification of the Exchange as a Section 351 Transaction or that, if challenged, a U.S. court would not agree with the IRS.

#### *Tax Consequences to U.S. Holders if Exchange Qualifies as a Section 351 Transaction*

If the Exchange qualifies as a Section 351 Transaction, then, subject to the passive foreign investment company ("**PFIC**") rules discussed below, the Exchange will result in the following U.S. federal income tax consequences to U.S. Holders of Bacanora Canada Shares:

- no gain or loss will be recognized by U.S. Holders of Bacanora Canada Shares upon the receipt of Bacanora UK Shares in exchange for their Bacanora Canada Shares surrendered in the Exchange;
- the aggregate tax basis of the Bacanora UK Shares received by a U.S. Holder in the Exchange will be the same as the aggregate tax basis of the Bacanora Canada Shares surrendered in the Exchange;
- the holding period of the Bacanora UK Shares received by a U.S. Holder of stock in the Exchange will include the holding period of the Bacanora Canada Shares exchanged; and
- U.S. Holders will be required to report certain information to the IRS on their United States federal income tax returns for the taxable year in which the Exchange occurs and will be required to retain certain records related to the Exchange.

#### *Consequences of Failure of the Exchange to Qualify as a Section 351 Transaction*

If the Exchange fails to qualify as a Section 351 Transaction, then the Exchange would constitute a taxable disposition of Bacanora Canada Shares by a U.S. Holder and, subject to the PFIC rules discussed below, would result in the following U.S. federal income tax consequences:

- a U.S. Holder of Bacanora Canada Shares would recognize gain or loss equal to the difference between (a) the fair market value of Bacanora UK Shares received, determined as of the time of receipt by such U.S. Holder and (b) the U.S. Holder's adjusted tax basis in the Bacanora Canada Shares;
- the aggregate tax basis of Bacanora UK Shares received by a U.S. Holder of Bacanora Canada Shares in the Exchange would be equal to the aggregate fair market value of Bacanora UK Shares received, determined as of the time of receipt; and
- the holding period of Bacanora UK Shares received by a U.S. Holder in the Exchange would begin on the day after receipt.

Subject to the PFIC rules discussed below, any gain or loss recognized under the first bullet point above generally will be capital gain or loss if the Bacanora Canada Shares were held as capital assets at the time of the Exchange and will be long-term capital gain or loss if the U.S. Holder's holding period for the Bacanora Canada Shares is more than one year at the time of the Exchange. Preferential tax rates for long-term capital gains may be applicable to a U.S. Holder that is an individual, estate or trust. There are currently no preferential tax rates for long-term capital gains for a U.S. Holder that is a corporation. Deductions for capital losses are subject to significant limitations.

#### **Tax Consequences if Bacanora Canada Classified as a PFIC**

The foregoing discussion assumes that Bacanora Canada was not a PFIC for any taxable year during which a U.S. Holder held Bacanora Canada Shares. A U.S. Holder of Bacanora Canada Shares would be subject to special, adverse tax rules in respect of the Arrangement if Bacanora Canada were classified as a PFIC for any taxable year during which such U.S. Holder holds or held Bacanora Canada Shares. A non-U.S. corporation is classified as a PFIC for each taxable year in which (i) 75% or more of its income is passive income (as defined for U.S. federal income tax purposes) or (ii) on average for such taxable year, 50% or more (by value) of its assets either produce or are held for the production of passive income. For purposes of the PFIC provisions, (a) with respect to sales, "gross income" generally means sales revenues less cost of goods sold, and (b) "passive income" generally includes dividends, interest, royalties, rents, revenue from an oil and gas field where the company is not the operator and gains from commodities or securities transactions, including certain transactions involving oil and gas. In determining whether or not it is classified as a PFIC, a non-U.S. corporation is required to take into account its pro rata portion of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25% interest.

While there can be no assurance regarding the classification of Bacanora Canada as a PFIC, Bacanora Canada believes that there is a significant likelihood that it constituted a PFIC for one or more of its prior taxable years.

Determining PFIC classification is fundamentally factual in nature, generally cannot be determined until the close of the taxable year in question, and is determined annually. The determination of whether Bacanora Canada was or will be a PFIC for each taxable year will depend, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. In addition, whether Bacanora Canada will be a PFIC for each taxable year will depend on the assets and income of Bacanora Canada over the course of each such taxable year and, as a result, cannot be predicted with certainty as of the date of this Circular. Consequently, Bacanora Canada may not provide any absolute assurance regarding its PFIC status for any taxable year during which U.S. Holders hold Bacanora Canada Shares.

Subject to the discussion below, if Bacanora Canada is classified as a PFIC for any taxable year during which a U.S. Holder holds such Bacanora Canada Shares, special rules may increase such U.S. Holder's U.S. federal income tax liability. Subject to the discussion below, under the default PFIC rules (the "**Default PFIC Rules**"):

- (a) the Arrangement may be treated as a taxable exchange even if such transaction qualifies as a Section 351 Transaction;
- (b) any gain on the sale, exchange or other disposition of Bacanora Canada Shares and any "excess distribution" (defined as an annual distribution that is more than 25% in excess of the average annual distribution over the past three years) will be allocated ratably over such U.S. Holder's holding period;
- (c) the amount allocated to the current taxable year and any year prior to the first year in which Bacanora Canada was classified as a PFIC will be taxed as ordinary income in the current year;
- (d) the amount allocated to each of the other taxable years will be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year; and
- (e) an interest charge for a deemed deferral benefit will be imposed with respect to the resulting tax attributable to each of the other taxable years, which interest charge is not deductible by non-corporate U.S. Holders.

However, notwithstanding the foregoing, if Bacanora Canada were classified as a PFIC for any taxable year during which a U.S. Holder holds or held Bacanora Canada Shares, and if Bacanora UK also qualifies a PFIC for the taxable year that includes the day after the Effective Date of the Arrangement, then proposed Treasury Regulations generally would provide for the nonrecognition treatment of a Section 351 Transaction to apply to such U.S. Holder's exchange of Bacanora Canada Shares for Bacanora UK Shares pursuant to the Arrangement provided the Exchange otherwise qualifies as a Section 351 Transaction. As discussed below, based on current business plans and financial projections of the income and assets of Bacanora Canada and Bacanora UK, Bacanora Canada believes that there is a significant likelihood that Bacanora UK will be a PFIC for its current taxable year and Bacanora UK may constitute a PFIC in future taxable years. It cannot be determined at this time whether this exception will be available to qualifying U.S. Holders. The nonrecognition treatment provided by the PFIC-to-PFIC exception is subject to numerous restrictions and limitations. U.S. Holders are urged to consult their own tax advisors regarding the potential application of the PFIC rules to the Exchange.

A U.S. Holder that has made a "mark-to-market" election under Section 1296 of the Code or a timely and effective election to treat Bacanora Canada as a "qualified electing fund" under Section 1295 of the Code (a "**QEF Election**") is generally not subject to the Default PFIC Rules described above, and may be able to mitigate potentially adverse PFIC tax consequences in the future. If a U.S. Holder has not made a timely and effective QEF Election, the U.S. Holder may qualify as having made a QEF Election by filing on a timely filed U.S. income tax return (including extensions) a QEF Election and a "deemed sale election" to recognize, under Section 1291 of the Code, any gain that such U.S. Holder would otherwise recognize if the U.S. Holder had sold its Bacanora Canada Shares for their fair market value on the qualification date. The "qualification date" for a shareholder of a "qualified electing fund" that elects to recognize gain under a "deemed sale election" is the first day of the Bacanora Canada's first tax year as a "qualifying electing fund" as to the electing shareholder. **The PFIC rules are complex and U.S. Holders are urged to consult with their U.S. tax advisors concerning whether the "qualified electing fund" election, the "deemed sale" election or "mark-to-market" election is available, and the tax consequences of these elections.**

## **Ownership of Bacanora UK Shares**

The following is a summary of certain material U.S. federal income tax consequences to a U.S. Holder of the ownership and disposition of Bacanora UK Shares received pursuant to the Exchange.

### *Distributions on Bacanora UK Shares, Tax Consequences of Distributions in General*

Subject to the PFIC rules discussed below, a U.S. Holder that receives a distribution, including a constructive distribution, with respect to the Bacanora UK Shares will be required to include the amount of such distribution in gross income as a dividend (without reduction for any foreign income tax withheld from such distribution) to the extent of the current or accumulated "earnings and profits" of Bacanora UK, as computed for U.S. federal income tax purposes. To the extent that a distribution exceeds the current and accumulated "earnings and profits" of Bacanora UK, such distribution will be treated first as a tax-free return of capital to the extent of a U.S. Holder's adjusted tax basis in the Bacanora UK Shares and thereafter as gain from the sale or exchange of such Bacanora UK Shares. (See "Disposition of Bacanora UK Shares" below). Dividends received on the Bacanora UK Shares generally will not be eligible for the "dividends received deductions." Further, Bacanora UK does not expect that dividends received by non-corporate U.S. Holders will be eligible for the preferential tax rates that are generally applicable to certain dividend income of a non-corporate U.S. Holder.

### *Distributions Paid in Foreign Currency*

The taxable amount of a distribution received on the Bacanora UK Shares in foreign currency generally will be equal to the U.S. dollar value of such distribution based on the exchange rate applicable on the date of receipt. A U.S. Holder that does not convert foreign currency received as a distribution into U.S. dollars on the date of receipt generally will have a tax basis in such foreign currency equal to the U.S. dollar value of such foreign currency on the date of receipt. Such a U.S. Holder generally will recognize ordinary income or loss on any subsequent sale or other taxable disposition of such foreign currency (including an exchange for U.S. dollars).

### *Disposition of Bacanora UK Shares*

A U.S. Holder will recognize gain or loss on the sale or other taxable disposition of Bacanora UK Shares in an amount equal to the difference, if any, between (a) the amount of cash plus the fair market value of any property received and (b) such U.S. Holder's adjusted tax basis in the Bacanora UK Shares sold or otherwise disposed of. Subject to the PFIC rules discussed below, any such gain or loss generally will be capital gain or loss, which will be long-term capital gain or loss if the Bacanora UK Shares are held for more than one year.

Preferential tax rates apply to long-term capital gains of a U.S. Holder that is an individual, estate or trust. There are currently no preferential tax rates for long-term capital gains of a U.S. Holder that is a corporation. Deductions for capital losses are subject to significant limitations under the U.S. Code.

### *Net Investment Income Surtax*

Individuals, trusts and estates that have income exceeding certain thresholds are subject to a 3.8% Medicare tax on their net investment income, which would include dividends on and any gain from the disposition of Bacanora UK Shares.

### *Foreign Tax Credit*

A U.S. Holder that pays (whether directly or through withholding) foreign income tax with respect to dividends received on the Bacanora UK Shares generally will be entitled, at the election of such U.S. Holder, to receive either a deduction or a credit for such foreign income tax paid. Generally, a credit will reduce a U.S. Holder's U.S. federal income tax liability on a dollar-for-dollar basis, whereas a deduction will reduce a U.S. Holder's income subject to U.S. federal income tax. This election is made on a year-by-year basis and applies to all foreign taxes paid (whether directly or through withholding) by a U.S. Holder during a taxable year.



Complex limitations apply to the foreign tax credit, including the general limitation that the credit cannot exceed the proportionate share of a U.S. Holder's U.S. federal income tax liability that such U.S. Holder's "foreign source" taxable income bears to such U.S. Holder's worldwide taxable income. In applying this limitation, a U.S. Holder's various items of income and deduction must be classified, under complex rules, as either "foreign source" or "U.S. source". In addition, this limitation is calculated separately with respect to "passive category income" and "general category income". Gain or loss recognized by a U.S. Holder on the sale or other taxable disposition of Bacanora UK Shares generally will be treated as "U.S. source" for purposes of applying the foreign tax credit rules. Dividends received on the Bacanora UK Shares generally will be treated as "foreign source" and generally will be categorized as "passive income". Income or loss on the sale or other taxable disposition of foreign currency will be U.S. source. Each U.S. Holder should consult its own tax advisor regarding the foreign tax credit rules.

#### *Passive Foreign Investment Company*

Based on current business plans and available financial projections of the income and assets of Bacanora Canada and Bacanora UK, Bacanora Canada believes that there is a significant likelihood that Bacanora UK will be a PFIC for its current taxable year and Bacanora UK may constitute a PFIC in future taxable years. Whether Bacanora UK is or will be considered a PFIC for a particular taxable year depends on such company's assets and income over the course of each such taxable year and, as a result, cannot be predicted with certainty as of the date of this Circular. The determination of whether Bacanora Canada will be a PFIC for each taxable year will depend, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. Accordingly, there can be no assurance that Bacanora UK will be considered a PFIC for the current taxable year or for any subsequent taxable year.

A non-U.S. corporation is classified as a PFIC for each taxable year in which (a) 75% or more of its income is passive income (as defined for U.S. federal income tax purposes) or (b) on average for such taxable year, 50% or more (by value) of its assets either produce or are held for the production of passive income. In addition, if a corporation is classified as a PFIC for any taxable year during which a U.S. Holder has held its shares, the corporation may continue to be classified as a PFIC for any subsequent taxable year in which the U.S. Holder continues to hold shares, even if the corporation's passive income and passive assets fall below the relevant thresholds. For purposes of the PFIC provisions, passive income generally includes dividends, interest, royalties, rents, and gains from commodities or securities transactions, including certain transactions involving oil and gas. Active business gains arising from the sale of commodities are generally excluded from passive income if substantially all of a non-U.S. corporation's commodities are (a) stock in trade of such non-U.S. corporation or other property of a kind that would properly be included in inventory of such non-U.S. corporation or property held by such non-U.S. corporation primarily for sale to customers in the ordinary course of business, (b) property used in the trade or business of such non-U.S. corporation that would be subject to the allowance for depreciation under Section 167 of the Code, or (c) supplies of a type regularly used or consumed by such non-U.S. corporation in the ordinary course of its trade or business.

For purposes of the PFIC income test and assets test described above, if Bacanora UK owns, directly or indirectly, 25% or more of the total value of the outstanding shares of another corporation, Bacanora UK will be treated as if it (a) held a proportionate share of the assets of such other corporation and (b) received directly a proportionate share of the income of such other corporation. In addition, for purposes of the PFIC income test and asset test described above, "passive income" does not include any interest, dividends, rents, or royalties that are received or accrued by Bacanora UK from a "related person" (as defined in Section 954(d) (3) of the Code), to the extent such items are properly allocable to the income of such related person that is not passive income.

Under certain attribution rules, if Bacanora UK is a PFIC, U.S. Holders will be deemed to own their proportionate share of any Bacanora UK subsidiaries that are PFICs (such subsidiaries referred to as "Subsidiary PFICs") and will be subject to U.S. federal income tax on (i) distributions on the shares of a Subsidiary PFIC and (ii) a disposition of shares of a Subsidiary PFIC, both as if the holder directly held the shares of such Subsidiary PFIC.

The determination of whether Bacanora UK (or a Subsidiary PFIC) will be a PFIC for each taxable year will depend, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. In addition, whether Bacanora UK (or a Subsidiary PFIC) will be a PFIC for each taxable year will depend on the assets and income of Bacanora UK (and such Subsidiary PFIC) over the course of each such taxable

year and, as a result, cannot be predicted with certainty as of the date of this Circular. Accordingly, there can be no assurance that the IRS will not challenge any determination made by Bacanora UK (or a Subsidiary PFIC) concerning its PFIC status. Each U.S. Holder should consult its own financial advisor, legal counsel or accountant regarding whether Bacanora UK will qualify as a PFIC for the taxable year ending December 31, 2016 and in subsequent taxable years.

#### *Default PFIC Rules under Section 1291 of the Code*

If Bacanora UK is a PFIC, the U.S. federal income tax consequences to a U.S. Holder of the acquisition, ownership, and disposition of Bacanora UK Shares will depend on whether such U.S. Holder makes an election to treat Bacanora UK (and/or a Subsidiary PFIC) as a "qualified electing fund" or "QEF" under Section 1295 of the Code (a "QEF Election") or has made a mark-to-market election under Section 1296 of the Code (a "Mark-to-Market Election") with respect to Bacanora UK Shares. A U.S. Holder that does not make either a QEF Election or a Mark-to-Market Election will be referred to in this summary as a "Non-Electing U.S. Holder."

A Non-Electing U.S. Holder will be subject to the rules of Section 1291 of the Code with respect to (a) any gain recognized on the sale or other taxable disposition of Bacanora UK Shares, and (b) any excess distribution paid on the Bacanora UK Shares. A distribution generally will be an "excess distribution" to the extent that such distribution (together with all other distributions received in the current taxable year) exceeds 125% of the average distributions received during the three preceding taxable years (or during a U.S. Holder's holding period for the Bacanora UK Shares, if shorter).

Under Section 1291 of the Code, any gain recognized on the sale or other taxable disposition of Bacanora UK Shares (including an indirect disposition of shares of a Subsidiary PFIC) and any excess distribution paid on such Bacanora UK Shares (or a disposition by a Subsidiary PFIC to its shareholder that is deemed to be received by a U.S. Holder) must be ratably allocated to each day of a Non-Electing U.S. Holder's holding period for the Bacanora UK Shares. The amount of any such gain or excess distribution allocated to the taxable year of disposition or distribution and to years before Bacanora UK became a PFIC, if any, would be taxable as ordinary income. The amounts allocated to another taxable year would be subject to U.S. federal income tax at the highest rate applicable to ordinary income in each such year and an interest charge would be imposed on the tax liability for each such year, calculated as if the tax liability had been due in each such year. A Non-Electing U.S. Holder that is not a corporation must treat any such interest paid as "personal interest," which is not deductible.

If Bacanora UK is a PFIC for any taxable year during which a Non-Electing U.S. Holder holds Bacanora UK Shares, Bacanora UK will continue to be treated as a PFIC with respect to such Non-Electing U.S. Holder, regardless of whether Bacanora UK ceases to be a PFIC in one or more subsequent years. If Bacanora UK ceases to be a PFIC, a Non-Electing U.S. Holder may terminate this deemed PFIC status with respect to Bacanora UK Shares by electing to recognize gain (which will be taxed under the rules of Section 1291 of the Code discussed above) as if such Bacanora UK Shares were sold on the last day of the last taxable year for which Bacanora UK was a PFIC.

#### *QEF Election*

A U.S. Holder that makes a QEF Election for the first taxable year in which its holding period begins, generally will not be subject to the rules of Section 1291 of the Code discussed above with respect to its Bacanora UK Shares. However, a U.S. Holder that makes a QEF Election will be subject to U.S. federal income tax on such U.S. Holder's pro rata share of (a) the net capital gain of Bacanora UK, which will be taxed as long-term capital gain to such U.S. Holder, and (b) the ordinary earnings of Bacanora UK, which will be taxed as ordinary income to such U.S. Holder. Generally, "net capital gain" is the excess of (a) net long-term capital gain over (b) net short-term capital gain, and "ordinary earnings" are the excess of (a) "earnings and profits" over (b) net capital gain. A U.S. Holder that makes a QEF Election will be subject to U.S. federal income tax on such amounts for each taxable year in which Bacanora UK is a PFIC, regardless of whether such amounts are actually distributed to such U.S. Holder by Bacanora UK. However, a U.S. Holder that makes a QEF Election may, subject to certain limitations, elect to defer payment of current U.S. federal income tax on such amounts, subject to an interest charge. If such U.S. Holder is not a corporation, any such interest paid will be treated as "personal interest," which is not deductible.

A U.S. Holder that makes a QEF Election generally (a) may receive a tax-free distribution from Bacanora UK to the extent that such distribution represents "earnings and profits" of Bacanora UK that were previously included in income by the U.S. Holder because of such QEF. In addition, a U.S. Holder that makes a QEF Election generally will recognize capital gain or loss on the sale or other taxable disposition of Bacanora UK Shares.

The procedure for making a QEF Election, and the U.S. federal income tax consequences of making a QEF Election, will depend on whether such QEF Election is timely. A QEF Election will be treated as "timely" if such QEF Election is made for the first year in the U.S. Holder's holding period for the Bacanora UK Shares in which Bacanora UK was a PFIC. A U.S. Holder may make a timely QEF Election by filing the appropriate QEF Election documents at the time such U.S. Holder files a U.S. federal income tax return for such year.

A QEF Election will apply to the taxable year for which such QEF Election is made and to all subsequent taxable years, unless such QEF Election is invalidated or terminated or the IRS consents to revocation of such QEF Election. If a U.S. Holder makes a QEF Election and, in a subsequent taxable year, Bacanora UK ceases to be a PFIC, the QEF Election will remain in effect (although it will not be applicable) during those taxable years in which Bacanora UK is not a PFIC. Accordingly, if Bacanora UK becomes a PFIC in a subsequent taxable year, the QEF Election will be effective and the U.S. Holder will be subject to the QEF rules described above during any such subsequent taxable year in which Bacanora UK qualifies as a PFIC.

U.S. Holders should be aware that, in the event that Bacanora UK is or becomes a PFIC, there can be no assurance that Bacanora UK will supply U.S. Holders with the information and statements required to satisfy the relevant IRS reporting rules. Bacanora UK provides no assurances that it will provide such information and statements with respect to Subsidiary PFICs. Accordingly, each U.S. Holder should consult its own tax advisor regarding the potential PFIC status of Bacanora UK (and any Subsidiary PFICs) and how the PFIC rules (including elections available thereunder) would affect the U.S. federal income tax consequences of the ownership and disposition of Bacanora UK Shares.

#### *Mark-to-Market Election*

A U.S. Holder may make a Mark-to-Market Election only if the Bacanora UK Shares are marketable stock. The Bacanora UK Shares generally will be "marketable stock" if the Bacanora UK Shares are regularly traded on (a) a national securities exchange that is registered with the Securities and Exchange Commission, (b) the national market system established pursuant to section 11A of the Securities and Exchange Act of 1934, or (c) a non-U.S. securities exchange that is regulated or supervised by a governmental authority of the country in which the market is located, provided that (i) such foreign exchange has trading volume, listing, financial disclosure and other requirements and the laws of the country in which such foreign exchange is located, together with the rules of such foreign exchange, ensure that such requirements are actually enforced and (ii) the rules of such foreign exchange ensure active trading of listed stocks. If stock is traded on such a qualified exchange or other market, the stock generally will be "regularly traded" for any calendar year during which it is traded, other than in de minimis quantities, on at least 15 days during each calendar quarter. It is anticipated that a listing of the Bacanora UK Shares on the London Stock Exchange will qualify such shares as "marketable stock," although each U.S. Holder should consult its own financial advisor, legal counsel or accountant in this regard.

A U.S. Holder that makes a Mark-to-Market Election with respect to its Bacanora UK Shares generally will not be subject to the rules of Section 1291 of the Code discussed above. However, if a U.S. Holder does not make a Mark-to-Market Election beginning in the first taxable year of such U.S. Holder's holding period for the Bacanora UK Shares and such U.S. Holder has not made a timely QEF Election, the rules of Section 1291 of the Code discussed above will apply to certain dispositions of and distributions on the Bacanora UK Shares.

A U.S. Holder that makes a Mark-to-Market Election with respect to its Bacanora UK Shares will include in ordinary income, for each taxable year in which Bacanora UK is a PFIC, an amount equal to the excess, if any, of (a) the fair market value of the Bacanora UK Shares as of the close of such taxable year over (b) such U.S. Holder's tax basis in such Bacanora UK Shares. A U.S. Holder that makes a Mark-to-Market Election will be allowed a deduction in an amount equal to the excess, if any, of (i) such U.S. Holder's adjusted tax basis in the Bacanora UK Shares over (ii) the fair market value of such Bacanora UK Shares (but only to the extent of the net amount of income previously included as a result of the Mark-to-Market Election for prior taxable years).

A U.S. Holder that makes a Mark-to-Market Election generally also will adjust such U.S. Holder's tax basis in the Bacanora UK Shares to reflect the amount included in gross income or allowed as a deduction because of such Mark-to-Market Election. In addition, upon a sale or other taxable disposition of Bacanora UK Shares, a U.S. Holder that makes a Mark-to-Market Election will recognize ordinary income or loss (not to exceed the excess, if any, of (a) the amount included in ordinary income because of such Mark-to-Market Election for prior taxable years over (b) the amount allowed as a deduction because of such Mark-to-Market Election for prior taxable years).

A Mark-to-Market Election applies to the taxable year in which such Mark-to-Market Election is made and to each subsequent taxable year, unless the Bacanora UK Shares cease to be "marketable stock" or the IRS consents to revocation of such election. Each U.S. Holder should consult its own financial advisor, legal counsel or accountant regarding the availability of, and procedure for making, a Mark-to-Market Election.

Although a U.S. Holder may be eligible to make a Mark-to-Market Election with respect to the Bacanora UK Shares, no such election may be made with respect to the stock of any Subsidiary PFIC that a U.S. Holder is treated as owning because such stock is not marketable. Hence, the Mark-to-Market Election will not be effective to eliminate the interest charge described above with respect to deemed dispositions of Subsidiary PFIC stock or distributions from a Subsidiary PFIC.

#### *Other PFIC Rules*

Under Section 1291(f) of the Code, the IRS has issued proposed Treasury Regulations that, subject to certain exceptions, would cause a U.S. Holder that had not made a timely QEF Election to recognize gain (but not loss) upon certain transfers of Bacanora UK Shares that would otherwise be tax-deferred (e.g., gifts and exchanges pursuant to corporate reorganizations). However, the specific U.S. federal income tax consequences to a U.S. Holder may vary based on the manner in which Bacanora UK Shares are transferred.

Certain additional adverse rules will apply with respect to a U.S. Holder if Bacanora UK is a PFIC, regardless of whether such U.S. Holder makes a QEF Election. For example under Section 1298(b)(6) of the Code, a U.S. Holder that uses Bacanora UK Shares as security for a loan will, except as may be provided in Treasury Regulations, be treated as having made a taxable disposition of such Bacanora UK Shares.

In addition, a U.S. Holder who acquires Bacanora UK Shares from a decedent will not receive a "step up" in tax basis of such Bacanora UK Shares to fair market value.

Special rules also apply to the amount of foreign tax credit that a U.S. Holder may claim on a distribution from a PFIC.

The PFIC rules are complex, and each U.S. Holder should consult its own financial advisor, legal counsel or accountant regarding the PFIC rules and how the PFIC rules may affect the U.S. federal income tax consequences of the acquisition, ownership, and disposition of Bacanora UK Shares.

#### **Backup Withholding Tax and Information Reporting Requirements**

Unless the U.S. Holder is a corporation or other exempt recipient and certifies its exempt status upon request, payments to U.S. Holders of dividends made on Bacanora UK Shares, or the proceeds of the sale or other disposition of Bacanora Canada Shares or the Bacanora UK Shares that are made within the United States or through certain U.S.-related financial intermediaries may be subject to information reporting and U.S. federal backup withholding tax at the current rate of twenty-eight percent (28%) (subject to periodic adjustment) if the U.S. Holder fails to supply a correct taxpayer identification number or otherwise fails to comply with applicable U.S. information reporting or certification requirements. Any amount withheld from a payment to a U.S. Holder under the backup withholding rules is allowable as a credit against the U.S. Holder's U.S. federal income tax, provided that the required information is furnished to the IRS, generally by filing a U.S. tax return.

## Uncertainty Regarding U.S. Tax Consequences

U.S. federal income tax consequences of the Arrangement to U.S. Holders are dependent upon a number of provisions of the Code, the application and interpretation of which are subject to considerable uncertainty. With respect to a number of these provisions there is either no guidance or the guidance that is available is either incomplete or contradictory. Accordingly, notwithstanding the efforts of Bacanora Canada, Bacanora UK and their U.S. Holders to comply with applicable U.S. tax law, the U.S. federal income tax return of U.S. Holders may be audited and such U.S. Holders may be required to file amended returns and may be subject to assessments by the IRS for additional taxes, interest and penalties.

**THE FOREGOING SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS IS INCLUDED FOR GENERAL INFORMATION ONLY AND DOES NOT CONSTITUTE LEGAL ADVICE TO ANY U.S. HOLDER. BECAUSE INDIVIDUAL CIRCUMSTANCES MAY DIFFER, EACH BENEFICIAL U.S. HOLDER IS URGED TO CONSULT ITS OWN TAX ADVISOR AS TO THE PARTICULAR TAX CONSEQUENCES OF THE ARRANGEMENT, INCLUDING THE APPLICATION AND EFFECT OF U.S. FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX LAWS.**

## COMPARISON BETWEEN THE ABCA AND ENGLISH LAW

Pursuant to the Arrangement, Bacanora Canada Shareholders will receive securities of a company which is governed by U.K. Companies Act. While the rights and privileges of shareholders of an English Company are, in many instances, comparable to those of shareholders of an ABCA corporation, there are certain differences. These differences may impact upon the rights of Bacanora Canada shareholders when they become shareholders in Bacanora UK. Some of the principal differences, described below, arise from differences between the U.K. Companies Act and the ABCA as well as between the constating documents of Bacanora Canada and Bacanora UK.

### Takeovers

Bacanora UK will be subject to takeover regulation in the UK and the UK City Code will apply to Bacanora UK.

Canadian laws relating to (i) early warning disclosure requirements (when any person (an "offeror") acquires, except pursuant to a formal take-over bid, beneficial ownership of, or the power to exercise control or direction over, or securities convertible into, voting or equity securities of any class of a reporting issuer that, together with such offeror's securities of that class, would constitute 10 per cent. or more of the outstanding securities of that class), and; (ii) to takeover bid rules for bids made to security holders in various jurisdictions in Canada (i.e. an offer to acquire outstanding voting or equity securities of a class made to any holder in the jurisdiction of securities subject to the offer to acquire, if the securities subject to the offer to acquire, together with securities held by the offeror and any person acting jointly or in concert with the offeror, constitute in aggregate 20 per cent., or more of the outstanding securities of that class of securities at the date of the offer to acquire) will not apply.

The UK City Code governs, inter alia, transactions which may result in a change of control of a public company to which the UK City Code applies. Any person who acquires an interest in the Bacanora UK Shares which, when taken together with Bacanora UK Shares already held by him or persons acting in concert with him, carry 30 per cent. or more of the voting rights in Bacanora UK, or a person who, together with persons acting in concert with him, is interested in not less than 30 per cent. and not more than 50 per cent. of the voting rights in Bacanora UK acquires additional interests in Bacanora UK Shares which increase the percentage of Bacanora UK Shares carrying voting rights in which that person is interested, the acquirer and, depending on the circumstances, its concert parties, will be required (except with the consent of the Panel) to make a mandatory cash offer for the outstanding Bacanora UK Shares at a price not less than the highest price paid for any interests in the Bacanora UK Shares by the acquirer or its concert parties during the previous twelve months. Under Sections 974 – 991 of the U.K. Companies Act, if an offeror acquires or contracts to acquire (pursuant to a takeover offer) not less than 90 per cent. of the shares (in value and by voting rights) to which such offer relates it may then compulsorily acquire the outstanding shares not assented to the offer.

## **Authority to Allot and Issue Shares**

Under the ABCA, the directors of a Canadian company have unlimited authority to issue shares and no shareholder consent is required pursuant to a public or private offering of securities by a company (except in certain circumstances where a change of control or a new control person holding greater than 20% of the voting shares would arise). However, under section 551 of the U.K. Companies Act, directors of Bacanora UK must not exercise any power to allot shares unless they are authorised to do so by ordinary resolution in a general meeting and therefore they are not afforded unlimited authority to allot and issue shares. Under the Bacanora UK Articles, subject to any relevant authority required by the U.K. Companies Act, the board may allow, grant options over, offer or otherwise deal with or dispose of any new shares or rights to subscribe for or convert any security into shares, at such times and generally on such terms and conditions as the Board may decide. Bacanora UK, acting in accordance with this provision, has obtained an express authority by way of a resolution from its members granting the directors authority to allot Bacanora UK Shares as set out in the AIM Supplement and intends to update this shareholder authority on an annual basis at its Annual General Meeting.

## **Pre-emption rights**

Canadian law does not confer statutory pre-emption rights on shareholders relating to new share issues. It is not a requirement under Canadian law to offer new common shares to existing shareholders on a pre-emptive basis. Under section 561 of the U.K. Companies Act, statutory pre-emption rights apply to the allotment of equity securities for cash unless expressly disapplied, or in certain other exempt circumstances such as the issue of shares in connection with employee share schemes. Accordingly, the issue of further Bacanora UK Shares is subject to pre-emption rights in favour of existing shareholders, which may be disapplied by shareholders by way of special resolution, which requires approval by not less than 75% of shareholders voting in person or by proxy. Bacanora UK, acting in accordance with the U.K. Companies Act, has obtained an express authority by way of a special resolution from its members granting the directors authority to disapply pre-emption rights to the allotment of Bacanora UK Shares as set out in the AIM Supplement and intends to update this shareholder authority on an annual basis at its Annual General Meeting.

## **Disclosure requirements**

Under Canadian laws, the only material provisions regarding disclosure of interests in shares by shareholders is under the early warning disclosure requirements noted in Takeovers above. Some Canadian shareholders can also categorise themselves as objecting shareholders, such that any percentage holding up to 10% must not be disclosed. Pursuant to the UK Disclosure and Transparency Rules, directors of a public company incorporated in the United Kingdom whose shares are admitted to a trading on a prescribed market, which includes AIM, must disclose the identity of any person who holds over 3% of the voting rights as shareholder in the company. Bacanora UK is required also, if it acquires or disposes of its own shares, either itself or through a person acting in his own name but on Bacanora UK's behalf, to make public the percentage of voting rights attributable to those shares it holds as a result of the transaction as a whole, as soon as possible but no later than 4 trading days following such acquisition or disposal where the percentages reaches, exceeds or falls below the thresholds of 5% or 10% of the voting rights. Furthermore, Rule 17 of the AIM Rules requires, inter alia, that shareholders notify an AIM listed company once their holding is 3 per cent. or more, and changes thereto (movements through a percentage point upwards or downwards). This is in keeping with Bacanora Canada's constitution which was changed to conform to Rule 17.

## **Reporting Issuer**

After completion of the Arrangement, it is expected that Bacanora UK will be a "designated foreign issuer" within the meaning of National Instrument 71-102 — *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* of the Canadian Securities Administrators. Bacanora UK will rely on that instrument, and Bacanora Canada will be applying for relief to the effect that Bacanora UK and Bacanora Canada will be exempt from most of the continuous disclosure requirements of Canadian securities legislation, as well as certain other requirements, including insider reporting and early warning reporting, provided Bacanora UK complies with the continuous disclosure requirements of the United Kingdom. Bacanora Canada and Bacanora UK also intends to apply to the applicable securities regulators in Canada for relief from NI 43-101 .

### **Restrictions on Transfer of Securities**

Under Canadian legal requirements there is a trading restriction on the onward sale of shares to residents of Canada for four months and one day following the admission of shares to trading. In the UK no such trading restrictions apply to existing shares or in respect of transfers occurring through CREST.

### **Cancellation of admission of the Bacanora UK Shares to trading on AIM**

Under the ABCA it is possible that a takeover, amalgamation or plan of arrangement, which might lead to a cancellation of trading could be completed with the consent of 66 2/3 per cent. of votes cast by shareholders at a duly called meeting. However, under Rule 41 of the AIM Rules, should Bacanora UK wish to cancel the admission of its Bacanora UK Shares to trading on AIM it is required to obtain the consent of not less than 75 per cent. of votes cast by Shareholders at a duly called meeting thereof (unless the London Stock Exchange otherwise agrees in certain circumstances).

### **Financial Assistance**

A Canadian company is permitted to provide financial assistance in connection with the acquisition of its own shares. A public company incorporated in England and Wales is not permitted to provide financial assistance for the purpose of the acquisition of its own shares (section 678 of the U.K. Companies Act).

### **Notice of Meetings**

Subject to the provisions of the ABCA, under Canadian securities laws a meeting of shareholders must be convened by not less than 21 and not more than 50 clear days' notice in writing. Any general meeting of Bacanora UK may be convened on 14 clear days' notice or 21 clear days' notice for an annual general meeting.

### **Number of Directors**

Under the ABCA, a company incorporated in Alberta is required to have at least two resident Canadian directors. Bacanora UK must have a minimum of two directors but there is no restriction on their residency.

## **INFORMATION CONCERNING BACANORA CANADA**

### **Documents Incorporated by Reference**

Information has been incorporated by reference in this Circular from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of Bacanora Canada at 2204 6th Ave N.W., Calgary, Alberta, T2N 0W9, telephone (403) 237-6122. These documents are also available through the Internet on the System for Electronic Document Analysis and Retrieval (SEDAR) which can be accessed at [www.sedar.com](http://www.sedar.com).

The following documents which Bacanora Canada has filed with certain Canadian securities commissions are specifically incorporated by reference into, and form an integral part of, this Circular:

- (a) the AIM Supplement;
- (b) the audited consolidated balance sheets of Bacanora Canada as at June 30, 2015 and 2014 and the consolidated statements of earnings (loss), retained earnings and cash flows for the years then ended, together with the notes thereto and the auditors' report thereon;
- (c) management's discussion and analysis of the financial condition and results of operations of Bacanora Canada for the year ended June 30, 2015;

- (d) the unaudited interim consolidated financial statements of Bacanora Canada for the 9 month period ended March 31, 2016, together with the notes thereto;
- (e) management's discussion and analysis of the financial condition and results of operations of Bacanora Canada dated May 30, 2016 for the interim period ended March 31, 2016; and
- (f) the management information circular of Bacanora Canada dated May 8, 2015 relating to the annual and Annual and Special Meeting of shareholders held on June 12, 2015.

**All news releases, material change reports, interim financial statements and interim management discussion and analysis that are required to be filed by Bacanora Canada with certain Canadian securities regulators after the date hereof but prior to the Annual and Special Meeting will be deemed to be incorporated by reference into and form an integral part of this Circular. The documents incorporated by reference herein contain material information relating to Bacanora Canada. Bacanora Canada Shareholders should carefully review all information contained in this Circular and the documents incorporated by reference herein. All documents incorporated by reference can be accessed at [www.sedar.com](http://www.sedar.com).**

**Any statement contained in a document incorporated or deemed to be incorporated by reference herein or in any subsequently filed document which also is or is deemed to be incorporated by reference herein will be deemed to be modified or superseded for the purposes of this Circular to the extent that a statement contained herein, or in any other subsequently filed document which also is incorporated or is deemed to be incorporated by reference herein, modifies or supersedes such statement. The modifying or superseding statement need not state that it has been modified or superseded a prior statement or include any information set forth in the document or the statement that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not be deemed in its unmodified or superseded form to constitute a part of this Circular.**

No person is authorized to provide any information different from that contained in this Circular. Information on any website maintained by Bacanora Canada does not constitute a part of this Circular.

#### **ADDITIONAL INFORMATION**

Additional information relating to the Bacanora Canada is available on SEDAR at [www.sedar.com](http://www.sedar.com). A comprehensive description of Bacanora Canada and Bacanora UK and their business as well as a summary of the risk factors applicable to Bacanora UK are set out in the AIM Supplement, together with any document, or the pertinent pages of any document, incorporated by reference in the above-noted annual information form. Bacanora Canada's annual consolidated financial statements, together with the accompanying report of the auditor, Management's Discussion and Analysis and any of Bacanora Canada's interim consolidated financial statements and this Circular are available without charge to anyone, upon request by contacting Alliance Trust Company, #1010, 407 – 2nd Street S.W., Calgary, Alberta, Canada, T2P 2Y3, telephone (403) 237-6111 or Capita Asset Services, Corporate Actions, 34 Beckenham Road, Beckenham, Kent BR3 4TU, telephone +44 (0)371-664-0321 and are also available on SEDAR.

#### **AUDITORS, REGISTRARS AND TRANSFER AGENTS**

BOO Canada LLP, Chartered Accountants, of Calgary, Alberta, Canada, is Bacanora Canada's auditor.

Alliance Trust Company, Calgary, Alberta, Canada, is Bacanora Canada's transfer agent and registrar.

Capita Asset Services, London, England is the registrar and transfer agent of Bacanora UK.



## **RISK FACTORS ASSOCIATED WITH THE ARRANGEMENT**

### *Failure to Complete the Arrangement*

Failure to complete the Arrangement could have a negative impact on the results and operations of Bacanora Canada. In addition, failure to complete the Arrangement could have a negative impact on the market price of the Bacanora Canada Shares to the extent that the current market price reflects an assumption that the Arrangement will be completed. Certain costs associated with the Arrangement will be required to be paid regardless of whether the Arrangement is completed or not.

**APPENDIX A**

**ARRANGEMENT AGREEMENT**

(see attached).

**AMENDED AND RESTATED ARRANGEMENT AGREEMENT**

**THIS AGREEMENT** amends and restates the Arrangement Agreement dated as of June 23, 2016 between Bacanora Lithium Plc, Bacanora Minerals Ltd. and 1976844 Alberta Ltd. and is made as of July 11, 2016

**BETWEEN:**

**BACANORA LITHIUM PLC**  
a company formed under the laws of England  
("**Bacanora UK**")

- and -

**BACANORA MINERALS LTD.**  
a corporation incorporated under the laws of the Province of Alberta  
Canada  
("**Bacanora Canada**")

- and -

**1976844 ALBERTA LTD.**  
a corporation incorporated under the laws of the Province of Alberta  
Canada  
("**AcquireCo**")

**WHEREAS** the board of directors of each of Bacanora UK, Bacanora Canada and AcquireCo have determined that it would be in the best interests of Bacanora UK, Bacanora Canada and AcquireCo respectively, to reorganize the shareholdings of Bacanora Canada pursuant to an arrangement under the ABCA (the "**Arrangement**");

**AND WHEREAS** Bacanora Canada intends to propose the Arrangement to its shareholders, under Section 193 of the ABCA, on the terms and conditions set forth in the Plan of Arrangement attached as Schedule 1 hereto;

**AND WHEREAS** the parties hereto have agreed to enter into this Agreement setting out the terms and conditions on which the Arrangement will be carried out and confirm the terms and conditions upon which they will co-operate with and assist each other to that end;

**NOW THEREFORE** in consideration of the mutual covenants and agreements herein contained and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each of the parties hereto, the parties hereby agree as follows:

**1. Definitions and Interpretation**

**1.1 Definitions**

"**ABCA**" means the *Business Corporations Act* (Alberta) and the regulations promulgated thereunder as each may be amended from time to time;

"**Amalco**" means the corporation formed by way of amalgamation between Bacanora Canada and the AcquireCo pursuant to the Arrangement;

"**AcquireCo**" means 1976844 Alberta Ltd., a corporation incorporated under the ABCA;

"**Agreement**" means this Amended and Restated Arrangement Agreement, including the schedules hereto, as the same may be supplemented or amended from time to time;

"**AIM**" means the AIM Market of the London Stock Exchange;

"**Arrangement**" means an arrangement under Section 193 of the ABCA substantially on the terms and conditions set forth in the Plan of Arrangement and any amendment or variation thereto made in accordance with the terms of this Agreement or Article 5 of the Plan of Arrangement or made at the direction of the Court;

"**Arrangement Resolution**" means the special resolution of the holders of Bacanora Canada Shares approving the Plan of Arrangement as required by the Interim Order and to be substantially in the form set out in Schedule **Error! Reference source not found.** hereto;

"**Articles of Arrangement**" means the articles of arrangement in the form prescribed under the ABCA to be filed with the Registrar to give effect to the Arrangement;

"**Bacanora Canada Circular**" means the notice of annual and special meeting and the management information circular of Bacanora Canada, including all schedules thereto, to be mailed to Bacanora Canada Shareholders and others in connection with the Bacanora Canada Meeting;

"**Bacanora Canada Meeting**" means the annual and special meeting of Bacanora Canada Shareholders and any adjournment thereof to be called and held in accordance with the Interim Order to consider and, if deemed advisable, approve the Arrangement by way of special resolution of the Bacanora Canada Shareholders;

"**Bacanora Canada Options**" means the outstanding options of Bacanora Canada under the Bacanora Canada Stock Option Plan;

"**Bacanora Canada Shareholders**" means at any time the registered holders of Bacanora Canada Shares;

"**Bacanora Canada Shares**" means the common shares of no par value in the capital of Bacanora Canada;

"**Bacanora Canada Stock Option Plan**" means, collectively, the stock option plan of Bacanora Canada approved by the board of directors of Bacanora Canada on May 6, 2015 and the stock option plan approved by Bacanora Canada Shareholders on June 12, 2015;

"**Bacanora Canada Warrants**" means the Bacanora Canada Warrants under Bacanora Canada Warrant Certificate;

"**Bacanora Canada Warrant Certificates**" means, collectively, a warrant certificate dated March 26, 2013 representing 833,333 Bacanora Canada Warrants issued by Bacanora Canada to Worldover Fund Ltd. and a warrant certificate dated May 20, 2016 representing 2,425,000

Bacanora Canada Warrants issued by Bacanora Canada to certain funds and accounts managed by BlackRock;

**"Bacanora UK"** means Bacanora Lithium Plc, a company formed under the laws of England and Wales or any successor company thereto;

**"Bacanora UK Parties"** means collectively, Bacanora UK and AcquireCo;

**"Bacanora UK Shares"** means the ordinary shares of £0.10 each in the capital of Bacanora UK;

**"Business Day"** means any day on which commercial banks are generally open for business in London, United Kingdom and Calgary, Alberta other than a Saturday, a Sunday or a day observed as a holiday in United Kingdom or in Calgary;

**"Court"** means the Court of Queen's Bench (Alberta);

**"Depository"** means, Alliance Trust Company, in its capacity as Americas depository for the Bacanora Canada Shares under the Arrangement or Capita Asset Services, in its capacity as Non-Americas depository for the Bacanora Canada Shares under the Arrangement, as applicable;

**"Effective Date"** means the date shown on the certificate issued by the Registrar in accordance with section 267 of the ABCA in respect of the Arrangement;

**"Effective Time"** means 2:30 pm (Calgary time) on the Effective Date;

**"Final Order"** means the final order of the Court approving the Arrangement pursuant to section 193(9)(a) of the ABCA as such order may be amended by the Court at any time prior to the Effective Date, or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed, following the application therefor contemplated by section 2;

**"Governmental Entity"** means any:

- (a) federal, provincial, state, territorial, regional, municipal, local or other government, governmental or public department, court, tribunal, arbitral body, commission, board or agency having jurisdiction over the Bacanora UK Parties or Bacanora Canada, as applicable;
- (b) any subdivision, agent, commission, board or authority of any of the foregoing;  
or
- (c) any quasi governmental or private body exercising any regulatory, expropriatory or taxing authority under or for the account of any of the foregoing;

**"Interim Order"** means the interim order of the Court pursuant to section 193(4) of the ABCA made in connection with the process for obtaining approval of the Arrangement and related matters following the application therefor contemplated by section 2 hereof, as the same may be affirmed, amended, supplemented or varied by the Court or by the highest court by which an appeal therefrom is heard at any time prior to the Effective Time;

**"ITA"** means the *Income Tax Act* (Canada) and the regulations promulgated thereunder, as each may be amended from time to time;

**"Letter of Transmittal"** means the letter of transmittal for use by the Bacanora Canada Shareholders in the form accompanying the Bacanora Canada Circular;

**"Parties"** means, collectively, Bacanora Canada, Bacanora UK and AcquireCo;

**"Person"** includes an individual, sole proprietorship, partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate, a natural person in his capacity as trustee, executor, administrator, or other legal representative and a Governmental Entity or any agency or instrumentality thereof;

**"Plan of Arrangement"** means the plan of arrangement substantially in the form and content of Schedule 1 hereto and any amendments or variations thereto made in accordance with section 6.9 hereof or Article 5 of the Plan of Arrangement or made at the direction of the Court;

**"Registrar"** means the Registrar of Corporations appointed under section 263 of the ABCA; and

**"TSXV"** means the TSX Venture Exchange.

## **1.2 Interpretation**

In this Agreement:

- (a) headings are for convenience only and do not affect interpretation, and unless the context indicates a contrary intention;
- (b) words importing the singular include the plural and vice versa and words denoting a given gender include all other genders;
- (c) references to parties, sections, clauses, sub-clauses, schedules, exhibits or annexes are references to parties, clauses, sub-clauses, schedules, exhibits and annexes to or of this Agreement and a reference to this Agreement includes any schedule, exhibit and annexure;
- (d) references to this Agreement, or any other Agreement, agreement, instrument or document will be deemed to include references to this Agreement, or such other Agreement, agreement, instrument or document as amended, novated, supplemented, varied or replaced from time to time;
- (e) references to any person or to any party to this Agreement will include that person's or party's executors, administrators, successors and permitted assigns; and
- (f) reference to any legislation or to any section or provision of any legislation includes any statutory modification or re-enactment or any statutory provision substituted therefore and all ordinances, by-laws, regulations and other statutory documents issued thereunder.

## **1.3 Currency**

Except where otherwise specified, all sums of money which are referred to in this Agreement are expressed in Canadian dollars.

#### **1.4 Interpretation Not Affected by Headings, etc.**

The division of this Agreement into articles, clauses, paragraphs and subparagraphs and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms "the Agreement", "hereof", "herein", "hereunder", and similar expressions refer to this Agreement and the schedules hereto and not to any particular article, clause or other portion hereof and include any agreement, schedule or instrument supplementary or ancillary hereto.

#### **1.5 Date of any Action**

In the event that any date on which any action is required to be taken hereunder by any of the parties is not a Business Day in the place where the action is required to be taken, such action shall be required to be taken on the next succeeding day which is a Business Day in such place.

#### **1.6 Accounting Principles**

Whenever in this Agreement reference is made to generally accepted accounting principles, such reference shall be deemed to be the Canadian generally accepted accounting principles from time to time approved by the Canadian Institute of Chartered Accountants, or any successor thereto, applicable as at the date on which such calculation is made or required to be made in accordance with generally accepted accounting principles.

### **2. The Arrangement**

#### **2.1 Implementation Steps by Bacanora Canada:**

Bacanora Canada covenants in favour of the Bacanora UK Parties that:

- (a) Bacanora Canada will, as soon as reasonably practicable, apply to the Court pursuant to section 193(2) of the ABCA for the Interim Order providing for, among other things, the calling and holding of the Bacanora Canada Meeting for the purpose of considering and, if deemed advisable, approving the Arrangement, and thereafter proceed with and diligently seek the Final Order.
- (b) Bacanora Canada will convene and hold the Bacanora Canada Meeting for the purpose of considering the Arrangement Resolution.
- (c) If the Arrangement is approved at the Bacanora Canada Meeting in accordance with the Interim Order, Bacanora Canada will, as soon as reasonably practicable thereafter, apply to the Court for the Final Order.
- (d) If the Final Order is obtained, subject to the satisfaction, waiver or release of the conditions set forth in section 4 hereof, Bacanora Canada will in consultation with Bacanora UK, as soon as reasonably practicable thereafter, file a certified copy of the Final Order, Articles of Arrangement and such other documents as may be required for acceptance by the Registrar to give effect to the Arrangement pursuant to Section 193 of the ABCA.

## **2.2 Implementation Steps by the Bacanora UK Parties**

The Bacanora UK Parties covenant in favour of Bacanora Canada that, on or prior to the Effective Date and subject to the satisfaction or waiver of the other conditions herein in favour of such party:

- (a) Bacanora UK, AcquireCo and Bacanora Canada shall execute and deliver the Support Agreement; and
- (b) Bacanora UK shall apply to AIM for the admission to trading of the Bacanora UK Shares.

## **2.3 Interim Order**

The notice of motion for the application referred to in section 2.1(a) shall request that the Interim Order provide:

- (a) for the class of Persons to whom notice is to be provided in respect of the Arrangement and the Bacanora Canada Meeting and for the manner in which such notice is to be provided;
- (b) that the requisite approval for the Arrangement Resolution shall be 66 $\frac{2}{3}$ % of the votes cast on the Arrangement Resolution by Bacanora Canada Shareholders present in person or represented by proxy at the Bacanora Canada Meeting;
- (c) that, in all other respects, the terms, restrictions and conditions of the constating documents of Bacanora Canada, including quorum requirements and all other matters, shall apply in respect of the Bacanora Canada Meeting.

## **2.4 The Terms of the Arrangement**

Bacanora UK, AcquireCo and Bacanora Canada agree that the Arrangement shall be implemented in accordance with and subject to the terms and conditions contained in this Agreement and the Plan of Arrangement. The Articles of Arrangement shall provide in substance that, and the Parties covenant to take such steps as are necessary to ensure that the following transactions shall occur and be deemed to occur in the following order and without any further act or formality, each holder of a Bacanora Canada Share outstanding at the Effective Time will transfer its Bacanora Canada Shares to AcquireCo in exchange for Bacanora UK Shares on the basis of one Bacanora Canada Share for one Bacanora UK Share.

## **2.5 Support Agreements**

Bacanora Canada shall, concurrent with the execution of this Agreement, make commercially reasonable efforts to deliver the executed Support Agreements of certain insiders of Bacanora Canada.

## **3. Bacanora Canada Meeting and Circular; Directors and Officers**

### **3.1 Special meeting of Bacanora Canada Shareholders**

As soon as practicable, Bacanora Canada will deliver to intermediaries or mailing agents the Bacanora Canada Circular and the Letter of Transmittal for mailing to the Bacanora Canada Shareholders



and others as specified in the Interim Order and, subject to the issuance of the Interim Order, Bacanora Canada will convene the Bacanora Canada Meeting. The Bacanora Canada Meeting will be held on or prior to August 31, 2016. Bacanora Canada will file the Bacanora Canada Circular and the Interim Order with the appropriate regulatory authorities in all jurisdictions where the same is required. Each Party will provide the others on a timely basis with all such information as may be required to be included in the Bacanora Canada Circular which relates to it. The Parties will cooperate with the others in connection with the preparation of documentation for submission to regulatory authorities and holders of their respective securities and will keep the others informed of any requests or comments made by regulatory authorities in connection with such documentation.

### **3.2 Directors and Officers**

Subject to meeting the board residency requirements under the ABCA, the Parties shall take all necessary steps to ensure that:

- (a) the directors of Bacanora UK as of the Effective Date shall be the following persons:
  - (i) Colin Ian Orr-Ewing;
  - (ii) Martin Fernando Vidal Torres;
  - (iii) Derek Batorowski;
  - (iv) Kiran Morzaria;
  - (v) Mark Hohnen; and
  - (vi) James Gerald Leahy;
- (b) the Directors of AcquireCo as of the Effective Date shall be Derek Batorowski;
- (c) the directors of Bacanora Canada as of the Effective Date shall be Derek Batorowski;
- (d) as of the Effective Date, the senior management of Bacanora UK shall be:
  - (i) Peter Secker, Chief Executive Officer; and
  - (ii) Derek Batorowski, Chief Financial Officer.

In the event that the board residency requirement under the ABCA will not be met with the above proposed directors for AcquireCo and/or Bacanora Canada, the Parties shall take all necessary steps to ensure that such requirements are met through removal of or addition to such proposed directors.

### **4. Conditions precedent to Completion of the Arrangement**

The respective obligations of the parties hereto to complete the Arrangement are subject to the satisfaction of, or mutual waiver by Bacanora Canada, AcquireCo and Bacanora UK on or before the Effective Date of each of the following conditions, which are for the mutual benefit of Bacanora UK, AcquireCo and Bacanora Canada and which may be waived, in whole or in part, by Bacanora UK, AcquireCo and Bacanora Canada at any time:

- (a) the Interim Order shall have been obtained in form and substance satisfactory to each of Bacanora Canada and Bacanora UK, acting reasonably;
- (b) the Plan of Arrangement, without amendment or with amendments acceptable to Bacanora Canada and Bacanora UK acting reasonably, shall have been approved at the Bacanora Canada Meeting by the Bacanora Canada Shareholders as required by the Interim Order;
- (c) the issue of the Bacanora UK Shares (including upon exercise of the Bacanora Canada Options and the Bacanora Canada Warrants) by Bacanora UK pursuant to the Arrangement will have been approved and all necessary corporate action to permit such shares to be issued as fully paid will have been taken;
- (d) the issue of the Bacanora UK Shares (including upon exercise of the Bacanora Canada Options and the Bacanora Canada Warrants) by Bacanora UK under the Arrangement will be exempt from the prospectus and registration requirements under applicable Canadian securities laws and will be exempt from the registration requirements of the *United States Securities Act of 1933*;
- (e) the Final Order shall have been granted in form and substance satisfactory to Bacanora Canada and Bacanora UK, acting reasonably, and shall not have been set aside or modified in a manner unacceptable to Bacanora Canada and Bacanora UK, acting reasonably, on appeal or otherwise;
- (f) all approvals and consents, regulatory or otherwise, which are required in connection with the consummation of the transactions contemplated in this Agreement and in the Plan of Arrangement shall have been obtained (including, without limitation, the approval of the Arrangement by the TSXV);
- (g) no preliminary or permanent injunction, restraining order, cease trading order or order or decree of any Governmental Entity, and no law, regulation, policy, directive or order shall have been enacted, promulgated, made, issued or applied to cease trade, enjoin, prohibit or impose material limitations on, the Arrangement or the transactions contemplated herein or in the Plan of Arrangement and no such action, proceeding or order shall, to the best of the knowledge of Bacanora Canada or Bacanora UK, be pending or threatened and, without limiting the generality of the foregoing, no person shall have filed any notice of appeal of the Final Order, and no person shall have communicated to Bacanora Canada or Bacanora UK any intention to appeal the Final Order which, in the reasonable opinion of Bacanora Canada or Bacanora UK, would make it inadvisable to proceed with the implementation of the Arrangement; and
- (h) this Agreement shall not have been terminated pursuant to section 5.

## **5. Termination of Agreement**

The Parties may terminate this Agreement by mutual written consent of the parties at any time prior to the Effective Date.

## **6. General**

### **6.1 Notices**

All notices and other communications hereunder shall be in writing and shall be delivered by hand to the parties at the following addresses or sent by facsimile at the following numbers or at such other addresses or facsimile numbers as shall be specified by the parties by like notice:

- (a) if to Bacanora Canada:

Bacanora Minerals Ltd.  
2204 - 6th Avenue N.W.  
Calgary, Alberta T2N 0W9

Attention: Chief Financial Officer  
Facsimile No: (403) 237-6144

- (b) and if to Bacanora UK:

Bacanora Lithium Plc  
4<sup>th</sup> Floor, 97 Jermyn Street  
London SW1Y 6J3

Attention: Cherif Rifaat  
Facsimile No: (403) 237-6144

- (c) and if to AcquireCo:

1976844 Alberta Ltd.  
c/o Gowling WLG (Canada) LLP  
1600, 421 – 7<sup>th</sup> Avenue S.W.  
Calgary, Alberta T2P 4K9

Attention: President  
Facsimile No: (403) 237-6144

- (d) with respect to all notices, copy is to be sent to:

Gowling WLG (Canada) LLP  
1600, 421 – 7<sup>th</sup> Avenue S.W.  
Calgary, Alberta T2P 4K9

Attention: Stuart Olley  
Facsimile No: (403) 695-3486

The date of receipt of any such notice shall be deemed to be the date of delivery thereof or, in the case of notice sent by telecopy, the date of successful transmission thereof (unless transmission is received after business hours, in which case the date of receipt shall be deemed to be the next Business Day in the place of receipt).

## **6.2 Successors and assigns**

This Agreement and all the provisions hereof shall be binding upon and enure to the benefit of the Parties hereto and their respective successors and permitted assigns. None of the Parties to this Agreement may assign its rights or obligations under this Agreement or the Arrangement without the prior written consent of the other Parties.

## **6.3 Third Party Beneficiaries**

The parties intend that this Agreement shall not benefit or create any right or cause of action in, or on behalf of, any person other than the parties to this Agreement and no person other than the parties to this Agreement shall be entitled to rely on the provisions of this Agreement (including all express or implied terms) in any action, suit, proceeding, hearing or other forum.

## **6.4 Release**

Subject to the ABCA, no officer or director the Parties shall be liable for anything done or purported to be done in connection with the transaction contemplated by this Agreement in good faith, but nothing in this clause shall exclude any liability which may arise from a grossly negligent act or omission on the part of such a person. Each of the Parties to this Agreement receives and holds the benefit of this release, to the extent that it relates to its officers or directors, as agents for them.

## **6.5 Time of essence**

Time shall be of the essence of this Agreement and of each of its provisions.

## **6.6 Governing law**

This Agreement shall be governed by and construed in accordance with the laws of Alberta and the laws of Canada applicable therein. The Parties irrevocably submit to the jurisdiction of the courts of Alberta.

## **6.7 Entire Agreement**

This Agreement constitutes the entire agreement between the Parties hereto pertaining to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, between the Parties hereto with respect to the subject matter hereof. There are no representations, warranties, covenants or conditions with respect to the subject matter hereof except as contained herein. For greater certainty, the Support Agreements are separate agreements between the parties thereto and are unaffected by this section 6.7.

## **6.8 Further Assurances**

Each of the Parties shall make, do, execute, or cause to be made, done and executed all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may be reasonably required in order to implement this Agreement, the transactions contemplated herein and in the Plan of Arrangement.

## **6.9 Amendment or waiver**

Subject to any requirements imposed by law or by the Court, this Agreement may be supplemented or amended, and any of the terms, covenants, representations, warranties or conditions hereof may be waived, but only by written document executed by all Parties; provided, however, that the terms of this Agreement may not be supplemented or amended, or any of the provisions waived, in a manner materially prejudicial to the Bacanora Canada Shareholders without their approval at the Bacanora Canada Meeting or, following the Bacanora Canada Meeting, without their approval given in the same manner as required by Law for the approval of the Arrangement or, in either case, as may be required by the Court. No waiver of any nature, in any one or more instances, shall be deemed or construed as a further or continued waiver of any condition or breach of any other term, representation or warranty in this Agreement. Notwithstanding the foregoing, the Plan of Arrangement may only be supplemented or amended in accordance with the provisions thereof.

## **6.10 Counterparts**

This Agreement may be executed in counterparts (including by facsimile or electronic transmission), each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

***[Remainder of this page intentionally left blank; signature pages follow.]***

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

**BACANORA MINERALS LTD.**

By: (signed) "Derek Batorowski"  
Name: Derek Batorowski  
Title: Chief Financial Officer

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

**BACANORA LITHIUM PLC**

By: (signed) "Kiran Morzaria"  
Name: Kiran Morzaria  
Title: Director

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

**1976844 ALBERTA LTD.**

By: (signed) "Derek Batorowski"  
Name: Derek Batorowski  
Title: President



## SCHEDULE 1

### PLAN OF ARRANGEMENT UNDER SECTION 193 OF THE ALBERTA BUSINESS CORPORATIONS ACT

#### 1. Interpretation

##### 1.1 Definitions

In this Plan of Arrangement, unless otherwise defined herein, the following terms shall have the following meanings, and any capitalized but undefined terms herein shall have the meaning ascribed to such terms in the Arrangement Agreement:

"**ABCA**" means the *Business Corporations Act* (Alberta) and the regulations promulgated thereunder as each may be amended from time to time;

"**AcquireCo**" means 1976844 Alberta Ltd., a corporation incorporated under the ABCA;

"**Affiliate**" has the meaning ascribed to such term in the ABCA;

"**Amalco**" means the corporation formed by way of amalgamation between Bacanora Canada and the AcquireCo pursuant to the Arrangement;

"**Arrangement**" means an arrangement under Section 193 of the ABCA on the terms and conditions set forth in the Plan of Arrangement and any amendment or variation thereto made in accordance with the terms of the Arrangement Agreement or Article 5 of this Plan of Arrangement or made at the direction of the Court;

"**Arrangement Agreement**" means the amended and restated arrangement agreement dated as of July 11, 2016 amending and restating the arrangement agreement dated as of June 23, 2016 between Bacanora Canada, AcquireCo and Bacanora UK to which this Plan of Arrangement is attached as Schedule 1 as the same may be amended from time to time in accordance with section 6.9 thereof or made at the direction of the Court;

"**Arrangement Resolution**" means the special resolution of the Bacanora Canada Shareholders approving the Plan of Arrangement as required by the Interim Order and to be substantially in the form set out in Schedule **Error! Reference source not found.** to the Arrangement Agreement;

"**Articles of Arrangement**" means the articles of arrangement in the form prescribed by the ABCA to be filed with the Registrar to give effect to the Arrangement;

"**Bacanora Canada**" means Bacanora Minerals Ltd., a corporation existing under the ABCA;

"**Bacanora Canada Circular**" means the notice of annual and special meeting and the management information circular of Bacanora Canada, including all schedules thereto, to be mailed to Bacanora Canada Shareholders and others in connection with the Bacanora Canada Meeting;

"**Bacanora Canada Meeting**" means the annual and special meeting of Bacanora Canada Shareholders held in accordance with the provisions of the Interim Order and any adjournment

thereof to be held to consider and, if deemed advisable, approve the Arrangement by way of special resolution of the Bacanora Canada Shareholders;

**"Bacanora Canada Meeting Date"** means the date of the Bacanora Canada Meeting;

**"Bacanora Canada Options"** means the outstanding options under the Bacanora Canada Stock Option Plan;

**"Bacanora Canada Optionholders"** means the holders of the Bacanora Canada Options;

**"Bacanora Canada Shareholders"** means the registered holders of Bacanora Canada Shares; "Bacanora Canada Shares" means the common shares in the capital of Bacanora Canada;

**"Bacanora Canada Stock Option Plan"** means collectively, the stock option plan of Bacanora Canada approved by the board of directors at Bacanora Canada on May 6, 2015 and the stock option plan approved by Bacanora Canada Shareholders in on June 12, 2015;

**"Bacanora UK"** means Bacanora Lithium Plc, a company formed under the laws of England or any successor company thereto;

**"Bacanora UK Parties"** means Bacanora UK and AcquireCo, collectively;

**"Bacanora UK Shareholders"** means at any time the registered holders at that time of Bacanora UK Shares;

**"Bacanora UK Shares"** means the ordinary shares of £0.10 in the capital of Bacanora UK;

**"Bacanora UK Transfer Agent"** has the meaning ascribed to such term in section 4.2;

**"Business Day"** means any day on which commercial banks are generally open for business in London, United Kingdom and Calgary, Alberta other than a Saturday, a Sunday or a day observed as a holiday in London, United Kingdom or in Calgary, Alberta under the laws of Canada or any jurisdiction therein;

**"Certificate"** means the certificate of arrangement giving effect to the Arrangement issued pursuant to section 193(11) of the ABCA;

**"Court"** means the Court of Queen's Bench (Alberta);

**"CREST"** means computer-based system and procedures which enable title to securities to be evidenced and transferred without a written instrument and which is operated by Euroclear UK & Ireland Limited;

**"Depository"** means, Alliance Trust Company, in its capacity as Americas depository for the Bacanora Canada Shares under the Arrangement or Capita Asset Services, in its capacity as Non-Americas depository for the Bacanora Canada Shares under the Arrangement, as applicable;

**"Effective Date"** means the date shown on the certificate issued by the Registrar in accordance with section 267 of the ABCA in respect of the Arrangement;

**"Effective Time"** means 2:30 pm (Calgary time) on the Effective Date;

**"Final Order"** means the final order of the Court approving the Arrangement pursuant to section 193(9)(a) of the ABCA as such order may be amended by the Court at any time prior to the Effective Date, or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed, following the application therefor contemplated by section 2 of the Arrangement Agreement;

**"Governmental Entity"** means any:

- (a) federal, provincial, state, territorial, regional, municipal, local or other government, governmental or public department, court, tribunal, arbitral body, commission, board or agency having jurisdiction over the Bacanora UK Parties or Bacanora Canada as applicable;
- (b) any subdivision, agent, commission, board or authority of any of the foregoing;  
or
- (c) any quasi governmental or private body exercising any regulatory, expropriatory or taxing authority under or for the account of any of the foregoing;

**"Interim Order"** means the interim order of the Court pursuant to section 193(4) of the ABCA made in connection with the process for obtaining approval of the Arrangement and related matters following the application therefor contemplated by section 2 of the Arrangement Agreement, as the same may be affirmed, amended, supplemented or varied by the Court or by the highest court by which an appeal therefrom is heard at any time prior to the Effective Time;

**"ITA"** means the *Income Tax Act* (Canada) and the regulations promulgated thereunder, as each may be amended from time to time;

**"Letter of Transmittal"** means the letter of transmittal for use by the Bacanora Canada Shareholders in the form accompanying the Bacanora Canada Circular;

**"Person"** includes an individual, sole proprietorship, partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate, a natural person in his capacity as trustee, executor, administrator, or other legal representative and a Governmental Entity or any agency or instrumentality thereof;

**"Plan of Arrangement"** means this plan of arrangement and any amendments or variations thereto made in accordance with section 6.9 of the Arrangement Agreement or Article 5 hereof or made at the direction of the Court;

**"Pound Sterling Equivalent"** means, in respect of an amount expressed in Canadian dollars (the **"Canadian Currency Amount"**) at any date, the product obtained by multiplying (a) the Canadian Currency Amount by (b) the noon spot exchange rate on such date for Canadian currency expressed in pounds sterling as reported by the Bank of Canada or, in the event such spot exchange rate is not available, such exchange rate on such date for Canadian currency expressed in pounds sterling as may be deemed by the board of directors of Bacanora Canada to be appropriate for such purpose;

**"Registrar"** means the Registrar of Corporations appointed under section 263 of the ABCA;

**"Regulation S"** means Regulation S under the United States Securities Act of 1933, as amended;

"**Transfer Agent**" means Alliance Trust Company;

"**TSXV**" means the TSX Venture Exchange; and

"**U.S. Person**" has the meaning ascribed to such term in Regulation S.

## **1.2 Headings and references**

The division of this Plan of Arrangement into sections and the insertion of headings are for convenience of reference only and do not affect the construction or interpretation of this Plan of Arrangement. Unless otherwise specified, references to clauses are to sections of this Plan of Arrangement.

## **1.3 Numbers, etc.**

Unless the context otherwise requires, words importing the singular number only shall include the plural and vice versa; words importing the use of any gender shall include all genders; and words importing persons shall include firms and corporations and vice versa.

## **1.4 Date of Any Action**

In the event that any date on which any action is required to be taken hereunder by any of the parties is not a Business Day in the place where the action is required to be taken, such action shall be required to be taken on the next succeeding day which is a Business Day in such place.

## **2. Binding Effect**

This Plan of Arrangement will become effective at, and be binding at and after, the Effective Time on Bacanora Canada, Bacanora UK and AcquireCo, all holders of Bacanora Canada Shares.

## **3. The Arrangement**

The following transactions shall occur and be deemed to occur in the following order and without any further act or formality:

- (a) At the Effective Time, each holder of a Bacanora Canada Share outstanding at the Effective Time, will transfer its Bacanora Canada Shares to AcquireCo in exchange for Bacanora UK Shares on the basis of one Bacanora Canada Share for one Bacanora UK Share;
- (b) 1 minute after the Effective Time, AcquireCo will issue that number of common shares of AcquireCo to Bacanora UK at a deemed value of \$1.00 per common share of AcquireCo equal in value to the total number of Bacanora UK Shares issued by Bacanora UK to each Bacanora Canada Shareholder;
- (c) 2 minutes after the Effective Time, in consideration of AcquireCo issuing its common shares to Bacanora UK, Bacanora UK will issue Bacanora UK Shares to each Bacanora Canada Shareholder in exchange for such Bacanora Canada Shareholder tendering its Bacanora Canada Shares to AcquireCo, on a one for one basis;
- (d) 1 hour after the Effective Time, Bacanora Canada shall elect in the prescribed manner not to be a "public corporation" for purposes of the ITA;

- (e) 2 hours after the Effective Time, the stated capital of the Bacanora Canada Shares shall be reduced, in the aggregate to \$1.00;
- (f) 2 hours and 1 minute after the Effective Time, Bacanora Canada and AcquireCo shall be amalgamated as one corporation under the ABCA to form Amalco in accordance with the following:
  - (i) Name. The name of Amalco shall be "Bacanora Minerals Ltd." or such other name as the board of directors of AcquireCo may approve;
  - (ii) Registered Office. The registered office of Amalco shall be the registered office of AcquireCo;
  - (iii) Share Provisions. Amalco shall be authorized to issue an unlimited number of common shares of Amalco and shall be identical to the share provisions of AcquireCo;
  - (iv) Restrictions on Transfer. No shares of Amalco shall be transferred to any person without the approval of the Board of Directors of Amalco by resolution;
  - (v) Other Provisions. The other provisions forming part of the articles of AcquireCo shall be those of Amalco, *mutatis mutandis*;
  - (vi) Directors and Officers.
    - (1) *Minimum and Maximum.* The directors of Amalco shall, until otherwise changed in accordance with the ABCA, consist of a minimum number of one director and a maximum number of ten directors;
    - (2) *Initial Directors.* The initial directors of Amalco shall be identical to the directors of AcquireCo immediately prior to the amalgamation; and
    - (3) *Initial Officers.* The initial officers of Amalco shall be identical to the officers of AcquireCo immediately prior to the amalgamation;
  - (vii) Business and Powers. There shall be no restrictions on the business Amalco may carry on or on the powers it may exercise;
  - (viii) Stated Capital. The aggregate stated capital of the issued Amalco common shares will be an amount equal to the the aggregate stated capital of the issued AcquireCo common shares immediately before this step;
  - (ix) By-laws. The by-laws of Amalco shall be the by-laws of AcquireCo, *mutatis mutandis*;
  - (x) Effect of Amalgamation. The provisions of subsections 186(b), (c), (d), (e) and (f) of the ABCA shall apply to the amalgamation with the result that:
    - (1) all of the issued and outstanding Bacanora Canada Shares shall be cancelled without any repayment of capital in respect of such Bacanora Canada Shares;

- (2) all of the issued and outstanding common shares of AcquireCo held by Bacanora UK shall be converted into common shares of Amalco on the basis of one common share of Amalco for each common share of AcquireCo;
  - (3) all of the property of each of Bacanora Canada and AcquireCo shall continue to be the property of Amalco;
  - (4) Amalco shall continue to be liable for all of the obligations of each of Bacanora Canada and AcquireCo;
  - (5) any existing cause of action, claim or liability to prosecution of Bacanora Canada and AcquireCo shall be unaffected;
  - (6) any civil, criminal or administrative action or proceeding pending by or against Bacanora Canada and AcquireCo may be continued to be prosecuted by or against Amalco; and
  - (7) a conviction against, or ruling, order or judgment in favour of or against, Bacanora Canada and AcquireCo may be enforced by or against Amalco;
- (xi) Articles. The Articles of Arrangement filed shall be deemed to be the articles of amalgamation of Amalco and the Certificate issued in respect of such Articles of Arrangement by the Registrar under the ABCA which gives effect to the Arrangement shall be deemed to be the certificate of amalgamation of Amalco; and
  - (xii) Inconsistency with Laws. To the extent any of the provisions of this Plan of Arrangement is deemed to be inconsistent with applicable laws, this Plan of Arrangement shall be automatically adjusted to remove such inconsistency.

#### 4. Certificates

##### 4.1 Issuance of Certificates Representing Bacanora UK Shares

- (a) Pursuant to directions and set-off agreements to be entered into by each of Bacanora UK, AcquireCo and Bacanora Canada, Bacanora UK shall issue Bacanora UK Shares directly to holders of Bacanora Canada Shares. At or promptly after the Effective Time, Bacanora UK shall deliver a treasury direction to Capita Asset Services (the "**Bacanora UK Transfer Agent**") for the issuance of Bacanora UK Shares to holders of Bacanora Canada Shares.
- (b) In the case of Bacanora Canada Shares in certificated form, upon surrender to the Depositary for cancellation of a certificate which immediately prior to the Effective Time represented outstanding Bacanora Canada Shares that were exchanged for Bacanora UK Shares, together with such other documents and instruments as would have been required to effect the transfer of the shares formerly represented by such certificate under the ABCA and the constating documents of Bacanora Canada and such additional documents and instruments as the Depositary may reasonably require, including the Letter of Transmittal, such former Bacanora Canada Shareholder shall be entitled to receive in exchange therefor, and the Depositary shall arrange for the delivery to such former

Bacanora Canada Shareholder, a certificate representing that number of Bacanora UK Shares which such former Bacanora Canada Shareholder has the right to receive pursuant to the Arrangement and the certificate so surrendered shall forthwith be cancelled. In the event of a transfer of ownership of Bacanora Canada Shares which is not registered in the transfer records of Bacanora Canada, a certificate representing the proper number of Bacanora UK Shares may be issued to the transferee if the certificate representing such Bacanora Canada Shares is presented to the Depository, accompanied by all documents required to evidence and effect such transfer. Until surrendered as contemplated by this section 4.1(b), each certificate which immediately prior to the Effective Time represented one or more outstanding Bacanora Canada Shares that were transferred and exchanged for Bacanora UK Shares shall be deemed at all times after the Effective Time to represent only the right to receive upon such surrender the certificate representing Bacanora UK Shares as contemplated by this section 4.1(b).

- (c) In the case of Bacanora Canada Shares in uncertificated form, upon receipt by the Depository of election and registration instructions, including CREST details relating to the custodian's name, identification number (PIN) and the shareholder's holder identification number (HIN) from the applicable custodian holding the Bacanora Canada Shares on behalf of Bacanora Canada Shareholders, the Bacanora UK Transfer Agent shall arrange to credit CREST accounts with that number of Bacanora UK Shares which the former Bacanora Canada Shareholders have the right to receive pursuant to the Arrangement and the former Bacanora Canada Shareholders' beneficial ownership of Bacanora Canada Shares shall forthwith be cancelled. In the event of a transfer of ownership of Bacanora Canada Shares that is not registered in the transfer records of Bacanora Canada, the proper number of Bacanora UK Shares may be credited to the applicable CREST account to be held on behalf of the transferee if the nominee or custodian delivers to the Depository and the Bacanora UK Transfer Agent all documents and all CREST details required to evidence and effect such transfer. Bacanora UK reserves the right to issue Bacanora UK Shares in connection with the Arrangement in certificated form in the event of any interruption, failure or breakdown of CREST or the facilities and/or systems operated by the Bacanora UK Transfer Agent or in the event that improper or incomplete CREST details are provided.
- (d) Any certificate formerly representing Bacanora Canada Shares that is not deposited with all other documents as required by this Plan of Arrangement on or before the last Business Day prior to the fifth anniversary of the Effective Date, or such shorter period required under any applicable law, shall cease to represent a right or claim of any kind or nature against Bacanora Canada or AcquireCo including the right of the former Bacanora Canada Shareholder to receive Bacanora UK Shares (and any dividends and other distributions thereon), and the right of the former Bacanora Canada Shareholder to receive Bacanora UK Shares or any other consideration or other property, shall be deemed to have been surrendered to AcquireCo for no consideration.

#### **4.2 Lost Certificates**

In the event any certificate which immediately prior to the Effective Time represented one or more outstanding Bacanora Canada Shares that were transferred and exchanged pursuant to section 3 shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such certificate to be lost, stolen or destroyed, the Depository will cause to be issued in exchange for such lost, stolen or destroyed certificate, one or more certificates representing one or more Bacanora UK Shares in accordance with the foregoing provisions of this Article 4. When authorizing such issuance

of a certificate in exchange for any lost, stolen or destroyed certificate, the Person to whom certificates representing Bacanora UK Shares are to be issued shall, as a condition precedent to the issuance thereof, give a bond satisfactory to Bacanora Canada, Bacanora UK and their respective transfer agents in such sum as Bacanora Canada or Bacanora UK may direct or otherwise indemnify Bacanora Canada and Bacanora UK in a manner satisfactory to Bacanora Canada and Bacanora UK against any claim that may be made against Bacanora Canada and Bacanora UK with respect to the certificate alleged to have been lost, stolen or destroyed.

## **5. Amendment of the Plan of Arrangement**

- (a) Bacanora Canada reserves the right to amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Date, provided that each such amendment, modification and/or supplement must be set out in writing, filed with the Court and, if made following the Bacanora Canada Meeting, approved by the Court and communicated to the Bacanora Canada Shareholders if and as required by the Court.
- (b) Any amendment, modification or supplement to this Plan of Arrangement may be proposed by Bacanora Canada at any time prior to the Bacanora Canada Meeting with or without any other prior notice or communication, and if so proposed and accepted by the Bacanora Canada Shareholders voting at the Bacanora Canada Meeting, shall become part of this Plan of Arrangement for all purposes.
- (c) Any amendment, modification or supplement to this Plan of Arrangement that is approved by the Court following the Bacanora Canada Meeting shall be effective only if it is consented to by Bacanora Canada and if required by the Court, it is consented to by the Bacanora Canada Shareholders voting in the manner directed by the Court.
- (d) Notwithstanding the foregoing, any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective Date unilaterally by Bacanora UK, provided that it concerns a matter which, in the reasonable opinion of Bacanora UK, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the financial or economic interests of any holder of Bacanora UK Shares.

## **6. Further Assurances**

Notwithstanding that the transactions and events set out herein shall occur and be deemed to occur as set out herein, each of the parties to the Arrangement Agreement shall make, do and execute or cause to be made done and executed all such further acts, deeds, agreements and documents as reasonably required in order to further document or evidence the transactions or events set out herein.



## SCHEDULE 2

### ARRANGEMENT RESOLUTION

To consider and, if thought appropriate, to approve the following Special Resolution:

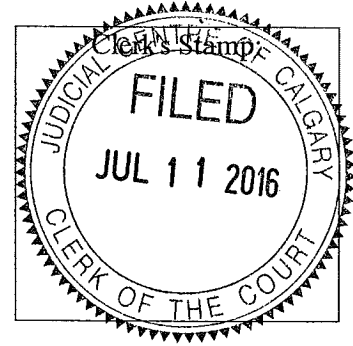
1. The arrangement (the "**Arrangement**") under section 193 of the *Business Corporations Act* (Alberta) (the "**ABCA**") among Bacanora Minerals Ltd. ("**Bacanora Canada**"), 1976844 Alberta Ltd. ("**AcquireCo**"), Bacanora Lithium Plc ("**Bacanora UK**"), the holders of the common shares ("**Common Shares**") of Bacanora Canada, as more particularly described in the Management Information Circular (the "**Circular**") of Bacanora Canada is hereby authorized, approved and adopted.
2. The amended and restated arrangement agreement (the "**Arrangement Agreement**") dated as of July 11, 2016 amending and restating the arrangement agreement dated as of June 23, 2016 entered into between Bacanora Canada, AcquireCo and Bacanora UK, and as may have been amended, varied or supplemented from time to time, the actions of the directors of Bacanora Canada in approving the Arrangement Agreement and the Arrangement and executing and delivering the Arrangement Agreement and performing all acts required to be performed by them thereunder, are hereby confirmed, ratified, authorized and approved.
3. The plan of arrangement (the "**Plan of Arrangement**"), a copy of which is appended as Schedule 1 to the Arrangement Agreement, as may have been amended, varied or supplemented is hereby authorized, approved and adopted.
4. Notwithstanding the approval of the Arrangement, the Arrangement Agreement and the Plan of Arrangement pursuant to this special resolution in accordance with the terms and conditions of an interim order of the Court of Queen's Bench (Alberta) as described in the Circular and the final approval of the Court of Queen's Bench (Alberta) to the Arrangement, the board of directors of Bacanora Canada is hereby authorized and directed, without further notice to or approval of the shareholders of Bacanora Canada entitled to vote on this resolution, to: (i) amend the Arrangement Agreement and Plan of Arrangement in accordance with the terms of the Arrangement Agreement and the Plan of Arrangement in a manner consistent with any order made by the Court of Queen's Bench (Alberta); and (ii) subject to the terms of the Arrangement Agreement, determine not to proceed with the implementation of the Arrangement at any time prior to the filing of Articles of Arrangement with the Registrar under the ABCA.
5. Any director or officer is hereby authorized to execute and file with the Registrar under the ABCA Articles of Arrangement in the prescribed form in accordance with the Arrangement Agreement and any other documents deemed necessary or desirable.
6. Any director or officer of Bacanora Canada is hereby authorized to execute and deliver all such deeds, documents and other writings and perform such acts as may be necessary in order to give effect to this resolution.

**APPENDIX B**

**INTERIM ORDER**

(see attached).

COURT FILE NUMBER 1601-07721  
COURT COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL CENTRE CALGARY



MATTER IN THE MATTER OF SECTION 193 OF THE *BUSINESS CORPORATIONS ACT*, R.S.A. 2000, c. B-9

AND IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING BACANORA MINERALS LTD., 1976844 Alberta Ltd., BACANORA LITHIUM PLC AND BACANORA MINERALS LTD. SHAREHOLDERS

APPLICANT BACANORA MINERALS LTD.

DOCUMENT **AMENDED INTERIM ORDER**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT  
Gowling WLG (Canada) LLP  
1600, 421 – 7<sup>th</sup> Avenue S.W.  
Calgary, Alberta T2P 4K9  
Phone Number: (403) 298-1904  
Fax Number: (403) 695-3518

I hereby certify this to be a true copy of the original Order

Dated this 11 day of July 2016  
[Signature]  
for Clerk of the Court

File No. A152706

Attention: Jennifer Koschinsky

DATE ON WHICH ORDER WAS PRONOUNCED: Monday, July 11, 2016

LOCATION AT WHICH ORDER WAS MADE: Calgary, Alberta

NAME OF JUDGE WHO MADE THIS ORDER: The Honourable Justice Strekauf  
– In Chambers

UPON the Originating Application (the "Application") of Bacanora Minerals Ltd. ("Bacanora Canada");

AND UPON reading the Affidavits of Derek Batorowski, Chief Financial Officer of Bacanora Canada, sworn June 22, 2016 (the "First Affidavit") and July 6, 2016 (the "Second Affidavit") and the documents referred to therein;

AND UPON hearing counsel for Bacanora Canada;

AND UPON being advised that, if ultimately granted at the Application for Final Order, the approval of the Arrangement by this Honourable Court would constitute the basis for an exemption from the registration requirement of the United States Securities Act of 1933, as amended, pursuant to Section 3(a)(10) thereof, with respect to the issuance of Bacanora UK Shares in exchange for Bacanora Canada Shares;

AND UPON an Interim Order of this Honourable Court being granted on June 23, 2016;

**FOR THE PURPOSES OF THIS ORDER:**

- (a) the capitalized terms not defined in this Order shall have the meanings attributed to them in the Management Information Circular (the "**Information Circular**") of Bacanora Canada, a draft copy of which is attached as **Exhibit "A"** to the First Affidavit; and
- (b) all references to "Arrangement" used herein mean the plan of arrangement as described in the First Affidavit and in the form attached as Schedule 1 to the Arrangement Agreement, which is attached as Appendix A to the Information Circular.

**IT IS HEREBY ORDERED AND ADJUDGED THAT:**

1. The proposed course of action is an "Arrangement" within the definition of the *ABCA* and the Applicant may proceed with the plan of arrangement so described in the Affidavit.

**General**

2. Bacanora Canada shall seek approval of the Arrangement by the holders (the "**Bacanora Canada Shareholders**") of common shares (the "**Bacanora Canada Shares**") of Bacanora Canada, in the manner set forth below.

**The Meeting**

3. Bacanora Canada shall call and conduct a special meeting (the "**Meeting**") of Bacanora Canada Shareholders on or about August 15, 2016. At the Meeting, Bacanora Canada Shareholders will consider and vote upon the Arrangement Resolution and such other business as may properly be brought before the Meeting or any adjournment thereof, all as more particularly described in the Information Circular.
4. A quorum shall be present at the Meeting if two persons holding not less than 5% of the outstanding Bacanora Canada Shares entitled to vote at the Meeting are present either in person or by duly

appointed proxy. If within 30 minutes from the time appointed for the Meeting a quorum is not present, the Meeting shall be adjourned to such Business Day that is not less than seven (7) days following the day appointed for the Meeting, and to such time and place as may be appointed by the Chairman of the Meeting. No notice of the adjourned Meeting shall be required and, if at such adjourned meeting a quorum is not present, the Bacanora Canada Shareholders present in person or by proxy shall be a quorum for all purposes.

5. Each Bacanora Canada Share entitled to be voted at the Meeting will entitle the holder to one vote at the Meeting in respect of the Arrangement Resolution, except as provided in paragraph 10 hereof. The Board of Directors of Bacanora Canada has fixed a record date for the Meeting of July 14, 2016 (the "**Record Date**"). Bacanora Canada Shareholders whose names have been entered in the register of Bacanora Canada Shares on the close of business on the Record Date will be entitled to receive notice of and to vote at the Meeting. Holders of Bacanora Canada Shares who acquire Bacanora Canada Shares after the Record Date will not be entitled to vote such Bacanora Canada Shares at the Meeting unless, after the Record Date, a holder of record transfers his or her Bacanora Canada Shares and the transferee, upon producing properly endorsed certificates evidencing such Bacanora Canada Shares or otherwise establishing that he or she owns such Bacanora Canada Shares, requests at least 10 days before the Meeting that the transferee's name be included in the list of Bacanora Canada Shareholders entitled to vote, in which case such transferee shall be entitled to vote such shares at the Meeting.
6. The Meeting shall be called, held and conducted in accordance with the applicable provisions of the *ABCA*, the articles and bylaws of Bacanora Canada in effect at the relevant time, subject to the express provisions of this Order and any further Order of this Court. To the extent there is any inconsistency or discrepancy between this Order and the *ABCA* or the articles or bylaws of Bacanora Canada, the terms of this Order shall govern.
7. Bacanora Canada is authorized and directed to send the Information Circular to the Bacanora Canada Shareholders.

#### **Conduct of the Meeting**

8. The Chairman of the Meeting shall be any officer or director of Bacanora Canada.
9. The only persons entitled to attend and speak at the Meeting shall be Bacanora Canada Shareholders or their authorized representatives, Bacanora Canada's directors and officers and its auditors, the

Executive Director and such other persons who may be permitted to attend by the Chairman of the Meeting.

10. The number of votes required to pass the Arrangement Resolution shall be not less than 66% of the aggregate votes cast by the Bacanora Canada Shareholders, either in person or by proxy, at the Meeting.
11. Bacanora Canada, if it deems it to be advisable, is authorized to adjourn or postpone the Meeting on one or more occasions (whether or not a quorum is present), without the necessity of first convening the Meeting or first obtaining any vote of the Bacanora Canada Shareholders in respect of the adjournment or postponement, and provided further that any such adjournment or postponement should not derogate from the rights of Bacanora Lithium Plc ("**Bacanora UK**") under the Arrangement Agreement. Notice of such adjournment or postponement may be given by such method as Bacanora Canada determines is appropriate in the circumstances.
12. Bacanora Canada is hereby authorized to make such amendments, revisions or supplements ("**Additional Information**") to the Information Circular, Notice of Annual and Special Meeting of Bacanora Canada Shareholders and Notice of Originating Application as it may determine. Notice of the Additional Information, if necessary to be communicated to the Bacanora Canada Shareholders, may be communicated to the Bacanora Canada Shareholders by press release, newspaper advertisement or by notice to such Bacanora Canada Shareholders by one of the methods specified in paragraph 15 of this Order or such other methods, as determined to be the most appropriate method of communication in the circumstances by the Bacanora Canada Board of Directors and provided such press release, newspaper advertisement or other notice describes any amendments, updates or supplements, including any material change or material fact in the information contained in the Meeting materials, Bacanora Canada shall not be required to deliver an amendment to the Information Circular or otherwise give notice to Bacanora Canada Shareholders of the applicable amendment, update, supplement or material change or material fact nor shall Bacanora Canada be required to adjourn or postpone the Meeting.
13. To be valid, a proxy must be deposited with Bacanora Canada's North American depositary, being Alliance Trust Company or Bacanora Canada's European depositary, being Capita Asset Services in the manner described in the Information Circular.
14. The accidental omission to give notice of the Meeting or the non-receipt of the notice shall not invalidate any resolution passed or proceedings taken at the Meeting.

**Notice**

15. An Information Circular, substantially in the form attached as Exhibit "A" to the Affidavit with amendments thereto as counsel for Bacanora Canada may determine necessary or desirable (provided such amendments are not inconsistent with the terms of this Order), shall be mailed by prepaid ordinary mail, at least 21 days prior to the date of the Meeting to Bacanora Canada Shareholders, at the addresses for such holders recorded in the records of Bacanora Canada at the close of business on the Record Date and to the directors and auditors of Bacanora Canada. In calculating the 21-day period, the date of mailing shall be included and the date of the Meeting shall be excluded.
16. An Information Circular as described above shall be provided to the Executive Director by prepaid ordinary mail or delivery at least 21 days prior to the Meeting unless otherwise advised by the Executive Director.
17. Delivery of the Information Circular in the manner directed by this Order shall be deemed to be good and sufficient service upon the Bacanora Canada Shareholders, the directors and auditors of Bacanora Canada and the Executive Director of:
  - (a) the Originating Application;
  - (b) this Order;
  - (c) the Notice of the Meeting; and
  - (d) the Notice of Originating Application,

all in substantially the forms set forth in the Information Circular, together with instruments of proxy and such other materials as Bacanora Canada may consider fit.

**Amendments to Plan of Arrangement**

18. Bacanora Canada and Bacanora UK are authorized to make such amendments, modifications or supplements to the Plan of Arrangement as they may together determine to be necessary or desirable, provided that such amendments, modifications or supplements are made in accordance with and in the manner contemplated by the Plan of Arrangement. The Arrangement as so amended, modified or supplemented shall be deemed to be the Arrangement submitted to the

Meeting and the subject of the Arrangement Resolution, without the need to return to this Court to amend this Interim Order.


### **Final Application**

19. Subject to further Order of this Court, and provided that the Bacanora Canada Shareholders have approved the Arrangement in the manner directed by this Court and the directors of Bacanora Canada have not revoked their approval, Bacanora Canada may proceed with an application for approval of the Arrangement and the Final Order on **August 15, 2016 at 2:00 p.m. (Calgary time)** or so soon thereafter as counsel may be heard at the Calgary Courts Centre, Calgary, Alberta. Subject to the Final Order, and to the issuance of the Proof of Filing of the Articles of Arrangement, all Bacanora Canada Shareholders, Bacanora Canada, Bacanora UK, AcquireCo and all other persons will be bound by the Arrangement in accordance with its terms.
20. The Final Order, if made by this Court, will constitute the basis for an exemption from the registration requirement of the United States Securities Act of 1933, pursuant to Section 3(a)(10) thereof, with respect to the issuance of the common shares of Bacanora UK issuable to the Bacanora Canada Shareholders in exchange for their Bacanora Canada Shares upon the consummation of the Arrangement.
21. Any Bacanora Canada Shareholder or any other interested party ("**Interested Party**") desiring to appear at the hearing of the application for the Final Order is required to file with this Court and serve upon Bacanora Canada on or before **2:00 p.m. (Calgary time) on August 10, 2016**, a Notice of Intention to Appear including an address for service in the Province of Alberta, indicating whether such Interested Party intends to support or oppose the application or make submission thereat, together with a summary of the position such Interested Party intends to advocate before the Court and any evidence or materials which are to be presented to the Court. Service of this notice on Bacanora Canada shall be effected by service upon the solicitors for Bacanora Canada c/o Gowling WLG (Canada) LLP, 1600, 421 – 7<sup>th</sup> Avenue S.W., Calgary, Alberta T2P 4K9, facsimile: (403) 695-3518, Attention: Jennifer Koschinsky.
22. In the event that the application for the Final Order is adjourned, only those parties appearing before this Court for the application for the Final Order and those Interested Parties serving a Notice of Intention to Appear in accordance with paragraph 21 of this Order shall have notice of the adjourned date.



**Leave to Vary Interim Order**

23. Bacanora Canada is entitled at any time to seek leave to vary this Interim Order upon such terms and the giving of such notice as this Court may direct.



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Justice of the Court of Queen's Bench of Alberta

**APPENDIX C**

**NOTICE OF APPLICATION**

(see attached).

COURT FILE NO.

COURT

COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

IN THE MATTER OF SECTION 193 OF THE  
BUSINESS CORPORATIONS ACT, R.S.A. 2000, c. B-9,  
AS AMENDED

AND IN THE MATTER OF A PROPOSED  
ARRANGEMENT INVOLVING BACANORA  
MINERALS LTD., 1976844 Alberta Ltd., BACANORA  
LITHIUM PLC AND BACANORA MINERALS LTD.  
SHAREHOLDERS

DOCUMENT

**NOTICE OF ORIGINATING APPLICATION**

ADDRESS FOR  
SERVICE AND  
CONTACT  
INFORMATION  
OF PARTY  
FILING THIS  
DOCUMENT

Gowling WLG (Canada) LLP  
1600, 421 – 7<sup>th</sup> Avenue S.W.  
Calgary, Alberta T2P 4K9

Phone Number: (403) 298-1904  
Fax Number: (403) 695-3518

File No. A152706

**Attention: Jennifer Koschinsky**

**NOTICE IS HEREBY GIVEN** that an originating application (the "**Application**") has been filed with the Court of Queen's Bench of Alberta, Judicial Centre of Calgary (the "**Court**") on behalf of Bacanora Minerals Ltd. ("**Bacanora Canada**") with respect to a proposed arrangement (the "**Arrangement**") under Section 193 of the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9, as amended (the "**ABCA**"), involving Bacanora Canada, Bacanora Lithium Plc ("**Bacanora UK**"), 1976844 Alberta Ltd. ("**AcquireCo**"), a wholly owned subsidiary of Bacanora UK, and the holders of common shares of Bacanora Canada (the "**Bacanora Canada**")

**Shareholders**"), which Arrangement is described in greater detail in the management information circular and proxy statement of Bacanora Canada dated July 14, 2016 (the "**Information Circular**"), accompanying this Notice of Originating Application. This application is made against you. You are a respondent.

At the hearing of the Application, Bacanora Canada intends to seek:

- (a) an order approving the Arrangement pursuant to the provisions of Section 193 of the *ABCA*;
- (b) a declaration that the terms and conditions of the Arrangement, and the procedures relating thereto, are fair, substantively and procedurally, to the Bacanora Canada Shareholders and the other persons affected;
- (c) a declaration that the Arrangement will, upon the filing of the Articles of Arrangement and the issuance of a certificate of arrangement or amalgamation, as the case may be, pursuant to the provisions of Section 193 of the *ABCA*, become effective in accordance with its terms and will be binding on and after the Effective Time, as defined in the plan of arrangement attached as Schedule 1.1 (jjjjj) to the amended and restated arrangement agreement dated as of July 11, 2016, amending and restating the arrangement agreement June 23, 2016 among Bacanora Canada, Bacanora UK and AcquireCo, which agreement is attached as Appendix A to the Information Circular; and
- (d) such other and further orders, declarations and directions as the Court may deem just.

**AND NOTICE IS FURTHER GIVEN** that the said Application was directed to be heard before a Justice of the Court, Calgary Courts Centre, 601-5th Street SW, Calgary, Alberta, on **August 15, 2016 at 2:00 a.m.** (Calgary time), or as soon thereafter as counsel may be heard. Any Bacanora Canada Shareholder or other interested party desiring to appear and make submissions at the Application may appear at the time of the hearing in person or by counsel for that purpose, provided such Bacanora Canada Shareholder or other interested party files with the Court and serves upon Bacanora Canada on or before **2:00 p.m. (Calgary time) on August 10, 2016**, a notice of intention to appear including such Bacanora Canada Shareholder's or interested party's address for service in the Province of Alberta and indicating whether such Bacanora

Canada Shareholder or interested party intends to support or oppose the Application or make submissions thereat, together with any evidence or materials which are to be presented to the Court. Service on Bacanora Canada is to be effected by delivery to its solicitors at the address set forth below. If any Bacanora Canada Shareholder or any other such interested party does not attend, either in person or by counsel, at that time, the Court may approve the Arrangement as presented, or may approve it subject to such terms and conditions as the Court shall deem fit, without any further notice.

**AND NOTICE IS FURTHER GIVEN** that no further notice of the Application will be given by Bacanora Canada and that in the event the hearing of the Application is adjourned, only those persons who have appeared before the Court for the application at the hearing shall be served with notice of the adjourned date.

**AND NOTICE IS FURTHER GIVEN** that the Court, by the amended interim order (the "**Interim Order**") of the Court dated July 11, 2016, has given directions as to the calling and holding of an annual general and a special meeting of Bacanora Canada Shareholders for the purpose of such Bacanora Canada Shareholders voting upon, amongst other things, a special resolution to approve the Arrangement and has directed that registered Bacanora Canada Shareholders shall have the right to dissent with respect to the Arrangement in accordance with the provisions of Section 191 of the *ABCA*, as modified or supplemented by the Interim Order.

**AND NOTICE IS FURTHER GIVEN** that the final order of the Court, if granted, will constitute the basis for an exemption from the registration requirements of the *United States Securities Act* of 1933, as amended, pursuant to Section 3(a)(10) thereof, with respect to the issuance of the common shares of Bacanora UK issuable to Bacanora Canada Shareholders pursuant to the Arrangement.

**AND NOTICE IS FURTHER GIVEN** that a copy of the said Application and other documents in the proceedings will be furnished to any Bacanora Canada Shareholder or any other interested party requesting the same by the under mentioned solicitors for Bacanora Canada upon written request delivered to such solicitors as follows:

Gowling WLG (Canada) LLP  
1600, 421 – 7 Avenue S.W.  
Calgary AB T2P 4K9  
Attention: Jennifer Koschinsky  
Phone No.: (403) 298-1904

DATED at the City of Calgary, in the Province of Alberta, this 14<sup>th</sup> day of July, 2016.

**BY ORDER OF THE BOARD OF  
DIRECTORS OF BACANORA  
MINERALS LTD.**

*(signed) "Derek Batorowski"*  
\_\_\_\_\_  
Chief Financial Officer  
Bacanora Minerals Ltd.

**APPENDIX D**  
**BACANORA MINERALS LTD.**  
(the "Company")  
**FORM 58-101F2**  
**CORPORATE GOVERNANCE**  
**(For the Year Ended and as at June 30, 2015)**

*(NOTE: all information provided herein is as at June 30, 2015)*

1. **Board of Directors** — Disclose how the board of directors (the "Board") facilitates its exercise of independent supervision over management, including

(i) the identity of directors that are independent, and

*James Leahy*

(ii) the identity of directors who are not independent, and the basis for that determination.

*Colin Orr-Ewing, Shane Shircliff, Martin Vidal, and Derek Batorowski are not independent as they are officers of the Company. David Lenigas and Kiran Morzaria are not independent insofar as they are officers and (in the case of Mr. Lenigas only) a director of Rare Earth Minerals Plc, a company with which the Company has a material relationship.*

*In determining whether a director is independent, the Company chiefly considers whether the director has a material relationship with the Company, which is a relationship that, in the view of the Board of Directors could, or could reasonably be expected or perceived to interfere with the director's exercise of independent judgment. Martin Vidal and Derek Batorowski are currently executive officers of the Company and Shane Shircliff is a former executive officer of the Company and all are therefore not considered to be independent.*

2. **Directorships** — If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.

*The following directors of the Company presently serve as directors of other reporting issuers as follows:*

<b>Director</b>	<b>Reporting Issuer</b>
James Leahy	Forte Energy NL (ASX, AIM) Mineral Commodities Ltd. (ASX) Geiger Counter Ltd. (LSE)
Mark Hohnen	Salt Lake Potash Limited (ASX)
Kiran Morzaria	Rare Earth Minerals Plc (AIM,ISDX) European Metals Holdings Ltd. (ASX, AIM) UK Oil & Gas Plc (AIM,ISDX)

3. **Orientation and Continuing Education** — Describe what steps, if any, the Board takes to orient new Board members, and describe any measures the board takes to provide continuing education for directors.

*The Company has not developed an official orientation or training program for new directors as required, though the appointment of new directors is confirmed via an appointment letter together with accompanying legal memoranda, which summarizes each directors' anticipated roles and certain additional applicable duties, obligations, rights and entitlements that apply vis-à-vis all directors. New directors also have the opportunity to become familiar with the Company by meeting with other directors and the Company's officers and employees. Orientation activities are tailored to the particular needs and expertise of each director and the overall needs of*

*the Board. New directors are also presented with an appointment letter, together with accompanying legal memoranda that summarize their various duties, obligations, rights and entitlements.*

4. **Ethical Business Conduct** — Describe what steps, if any, the board takes to encourage and promote a culture of ethical business conduct.

*The Company has adopted a Policy on Conflicts and Director Interests, which set forth the various duties and obligations imposed upon directors in situations where conflicts (or potential conflicts of interest) arise. The Company has also adopted an Anti-Bribery and Anti-Corruption Policy, which specifically sets forth parameters for Company officers, directors and employees to adhere to in order to ensure that the Company does not contravene any Anti-Bribery or Anti-Corruption laws within any of the jurisdictions in which it operates. In addition to the aforementioned formal policies, the Board believes that the Company's size facilitates informal review of and discussions with employees and consultants. The Board monitors ethical conduct of the Company and ensures that it complies with applicable legal and regulatory requirements, such as those of relevant securities commissions and stock exchanges. The Board has found that in addition to the formal policies noted above, the fiduciary duties placed on individual directors by the Company's governing corporate legislation and the common law, as well as the restrictions placed by applicable corporate legislation on the individual director's participation in decisions of the Board in which the director has an interest, have been sufficient to ensure that the Board operates independently of management and in the best interests of the Company.*

5. **Nomination of Directors** — Disclose what steps, if any, are taken to identify new candidates for Board nomination, including:

- (i) who identifies new candidates, and
- (ii) the process of identifying new candidates.

*The Board has not appointed a nominating committee as the Board fulfills these functions. When the Board identifies the need to fill a position on the Board, the Board requests that current Directors forward potential candidates for consideration.*

6. **Compensation** — Disclose what steps, if any, are taken to determine compensation for the directors and CEO, including:

- (i) who determines compensation; and

*The Remuneration Committee recommends to the Board of Directors of the Company the compensation of the Company's directors and the CEO, President, CFO and senior officers that the Committee feels is suitable, primarily by comparison of the remuneration paid by other corporations that the Committee feels are similarly placed within the same business as the Company.*

- (ii) the process of determining compensation.

*Market comparisons as well as evaluation of similar positions in the same industry and/or in the same geography are among the criteria used in recommending compensation levels. Following a review of such criteria, the Remuneration Committee will make a recommendation to the Board of Directors, which may adopt the recommendation or modify it as it sees fit.*

7. **Other Board Committees** — If the Board has standing committees other than the audit and compensation identify the committees and describe their function.

*There are no other standing committees at the present time other than a Disclosure Committee, which is established under and governed by the Company's Disclosure Policy and the Independent Committee, which is established for a special review purpose of certain prior transaction of the Corporation. The Disclosure Committee is comprised of the following individuals:*

*Chairman of the Board;  
President;*



*Chief Executive Officer;  
Chief Financial Officer;  
Company Secretary; and  
the Company's lead legal counsel.*

*All public disclosure by the Company must be distributed to the Disclosure Committee and must be approved by not less than a majority of the members of the Disclosure Committee prior to release.*

8. **Assessments** — Disclose what steps, if any, that the Board takes to satisfy itself that the Board, its committees, and its individual directors are performing effectively.

9. *Historically, the Board has taken responsibility for monitoring and assessing its effectiveness and the performance of individual directors, its committees, including reviewing the Board's decision making processes and the quality of information provided by management. In addition to the foregoing (and as noted herein), the Board has implemented the following corporate policies to assist and guide the Board in the fulfillment of the individual directors' duties and obligations:*

- *Disclosure Policy;*
- *Policy on Conflicts and Director Interests;*
- *Anti-Bribery and Anti-Corruption Policy; and*
- *Corporate Travel Policy.*

*Assessment of individual directors' adherence to the foregoing policies is conducted as and when deemed appropriate or necessary by the Board.*

**APPENDIX E**  
**BACANORA MINERALS LTD.**  
**(the "Company")**  
**AUDIT COMMITTEE CHARTER**

1. **Establishment of Audit Committee:** The directors of the Company (the "**Directors**") have established an audit committee (the "**Audit Committee**").
2. **Membership:** The membership of the Audit Committee shall be as follows:
  - (a) The Audit Committee shall be composed of three members or such greater number as the Directors may from time to time determine.
  - (b) The majority of the members of the Audit Committee shall be independent Directors.
  - (c) Each member of the Audit Committee shall be financially literate. For purposes hereof "financially literate" has the meaning set forth under MI 52-110 (as amended from time to time) and currently means the ability to read and understand a set of financial statements that present the breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can be reasonably be expected to be raised by the Company's financial statements.
  - (d) Members shall be appointed annually from among members of the Directors. A member of the Audit Committee shall *ipso facto* cease to be a member of the Audit Committee upon ceasing to be a Director of the Company.
3. **Oversight Responsibility:** The external auditor is ultimately accountable to the Directors and the Audit Committee, as representatives of the shareholders and such shareholders representatives have the ultimate authority and responsibility to select, evaluate, and where appropriate, replace the external auditors (or to nominate the external auditors to be proposed for shareholder approval in any management information circular and proxy statement). The external auditor shall report directly to the Audit Committee and shall have the responsibilities as set forth herein.
4. **Mandate:** The Audit Committee shall have responsibility for overseeing:
  - (a) the accounting and financial reporting processes of the Company; and
  - (b) audits of the financial statements of the Company.

In addition to any other duties assigned to the Audit Committee by the Directors, from time to time, the role of the Audit Committee shall include meeting with the external auditor and the senior financial management of the Company to review all financial statements of the Company which require approval by the Directors, including year end audited financial statements. Specifically, the Audit Committee shall have authority and responsibility for:

- (a) reviewing the Company's financial statements, MD&A and earnings press releases before the information is publicly disclosed;
- (b) overseeing the work of the external auditors engaged for purpose of preparing or issuing , an audit report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditors regarding financial reporting;
- (c) reviewing annually and recommending to the Directors:
  - (i) the external auditors to be nominated for purposes of preparing or issuing an audit report or performing other audit, review or attest services for the Company; and

- (ii) the compensation of the external auditors.
- (d) discussing with the external auditor:
  - (i) the scope of the audit, in particular their view of the quality of the Company's accounting principles as applied in the financials in terms of disclosure quality and evaluation methods, inclusive of the clarity of the Company's financial disclosure and reporting, degree of conservatism or aggressiveness of the Company's accounting principles and underlying estimates and other significant decisions made by management in preparing the financial disclosure and reviewed by the auditors;
  - (ii) significant changes in the Company's accounting principles, practices or policies; and
  - (iii) new developments in accounting principles, reporting matters or industry practices which may materially affect the Company.
- (e) reviewing with the external auditor and the Company's senior financial management the results of the annual audit regarding:
  - (i) the financial statements;
  - (ii) MD&A and related financial disclosure contained in continuous disclosure documents;
  - (iii) significant changes, if any, to the initial audit plan;
  - (iv) accounting and reporting decisions relating to significant current year events and transactions;
  - (v) the management letter, if any, outlining the auditor's findings and recommendations, together with management's response, with respect to internal controls and accounting procedures; and
  - (vi) any other matters relating to the conduct of the audit, including such other matters which should be communicated to the Audit Committee under Canadian generally accepted auditing standards.
- (f) reviewing and discussing with the Company's senior financial management and, if requested by the Audit Committee, the external auditor:
  - (i) the interim financial statements;
  - (ii) the interim MD&A; and
  - (iii) any other material matters relating to the interim financial statements, including, inter alia, any significant adjustments, management judgments or estimates, new or amended accounting policies.
- (g) receipt from external auditor of a formal written statement delineating all relationships between the auditor and the Company and considering whether the advisory services performed by the external auditor during the course of the year have impacted their independence, and also ensuring that no relationship or services between ) the external auditor and the Company is in existence which may affect the objectivity and independence of the auditor or recommending appropriate action to ensure the independence of the external auditor.
- (h) pre-approval of all non-audit services to be provided to the Company or its subsidiary entities by the external auditors or the external auditors of the Company's subsidiary entities, unless such pre-approval is otherwise appropriately delegated or if appropriate specific policies and procedures for the engagement of non-audit services have been adopted by the Audit committee.

- (i) reviewing and discussing with the external auditors and senior financial management: the adequacy of procedures for review of disclosure of financial information extracted or derived from financial statements, other than the disclosure referred to in subparagraph (a) above.
- (j) establishing and reviewing of procedures for:
  - (i) receipt, retention and treatment of complaints received by the Company and its subsidiary entities regarding internal accounting controls, or auditing matters;
  - (ii) anonymous submission by employees of the Company and its subsidiary entities of concerns regarding questionable accounting or auditing matters; and
  - (iii) hiring policies regarding employees and former employees of present and former external auditors of the Company and its subsidiary entities.
- (k) reviewing with the external auditor, the adequacy of management's internal control over financial reporting relating to financial information and management information systems and inquiring of management and the external auditor about significant risks and exposures to the Company that may have a material adverse impact on the Company's financial statements, and inquiring of the external auditor as to the efforts of management to mitigate such risks and exposures.
- (l) reviewing and/or considering that, with regard to the previous fiscal year,
  - management has reviewed the Company's audited financial statements with the Audit Committee, including a discussion of the quality of the accounting principles as applied and significant judgments affecting the financial statements;
  - the external auditors and the Audit Committee have discussed the external auditors' judgments of the quality of the accounting principles applied and the type of judgments made with respect to the Company's financial statements;
  - the Audit Committee, on its own (without management or the external auditors present), has considered and discussed all the information disclosed to the Audit Committee from the Company's management and the external auditor; and
  - in reliance on review and discussions conducted with senior financial management and the external auditors, the Audit Committee believes that the Company's financial statements are fairly presented in conformity with Canadian Generally Accepted Accounting Principles (GAAP) in all material respects and that the financial statements fairly reflect the financial condition of the Company.

5. **Administrative Matters:** The following general provisions shall have application to the Audit Committee:

- (a) A quorum of the Audit Committee shall be the attendance of a majority of the members thereof. No business may be transacted by the Audit Committee except at a meeting of its members at which a quorum of the Audit Committee is present or by a resolution in writing signed by all the members of the Audit Committee.
- (b) Any member of the Audit Committee may be removed or replaced at any time by resolution of the Directors of the Company. If and whenever a vacancy shall exist on the Audit Committee, the remaining members may exercise all its powers so long as a quorum remains. Subject to the foregoing, each member of the Audit Committee shall hold such office until the close of the annual meeting of shareholders next following the date of appointment as a member of the Audit Committee or until a successor is duly appointed.
- (c) The Audit Committee may invite such Directors, directors, officers and employees of the Company or affiliates thereof as it may see fit from time to time to attend at meetings of the Audit Committee and to

assist thereat in the discussion of matters being considered by the Audit Committee. The external auditors are to appear before the Audit Committee when requested to do so by the Audit Committee.

- (d) The time and place for the Audit Committee meetings, the calling and the procedure at such meetings shall be determined by the Audit Committee having regard to the Articles and By-Laws of the Company.
- (e) The Chair shall preside at all meetings of the Audit Committee and shall have a second and deciding vote in the event of a tie. In the absence of the Chair, the other members of the Audit Committee shall appoint a representative amongst them to act as Chair for that particular meeting.
- (f) Notice of meetings of the Audit Committee may be given to the external auditors and shall be given in respect of meetings relating to the annual audited financial statements. The external auditors have the right to appear before and to be heard at any meeting of the Audit Committee. Upon the request of the external auditors, the Chair of the Audit Committee shall convene a meeting of the Audit Committee to consider any matters which the external auditors believe should be brought to the attention of the Directors or shareholders of the Company.
- (g) The Audit Committee shall report to the Directors of the Company on such matters and questions relating to the financial position of the Company or any affiliates of the Company as the Directors of the Company may from time to time refer to the Audit Committee.
- (h) The members of the Audit Committee shall, for the purpose of performing their duties, have the right to inspect all the books and records of the Company and its affiliates, and to discuss such books and records that are in any way related to the financial position of the Company with the Directors, directors, officers, employees and external auditors of the Company and its affiliates.
- (i) Minutes of the Audit Committee meetings shall be recorded and maintained. The Chair of the Audit Committee will report to the Directors on the activities of the Audit Committee and/or the minutes of the Audit Committee meetings will be promptly circulated to the Directors or otherwise made available at the next meeting of Directors.
- (j) The Audit Committee shall have the authority to:
  - (i) engage independent counsel and other advisors or consultants as it determines necessary to carry out its duties;
  - (ii) set and pay the compensation for any advisors employed by the Audit Committee; and
  - (iii) communicate directly with the internal (if any) and external auditors and qualified reserves evaluators or auditors.

**APPENDIX F**  
**STOCK OPTION PLAN**

**1. THE PLAN**

A stock option plan (the "Plan"), pursuant to which options to purchase common shares, or such other shares as may be substituted therefore ("Shares"), in the capital of Bacanora Minerals Ltd. (the "Corporation") may be granted to the directors, officers and employees of Bacanora Canada and to consultants retained by the Corporation, is hereby established on the terms and conditions set forth herein.

**2. PURPOSE**

The purpose of this Plan is to advance the interests of the Corporation by encouraging the directors, officers and employees of the Corporation and consultants retained by the Corporation to acquire Shares, thereby: (i) increasing the proprietary interests of such persons in the Corporation; (ii) aligning the interests of such persons with the interests of the Corporation's shareholders generally; (iii) encouraging such persons to remain associated with the Corporation and (iv) furnishing such persons with an additional incentive in their efforts on behalf of the Corporation.

**3. ADMINISTRATION**

- (a) This Plan shall be administered by the board of directors of the Corporation (the "Board").
- (b) Subject to the terms and conditions set forth herein, the Board is authorized to provide for the granting, exercise and method of exercise of Options (as defined in paragraph 3(d) below), all on such terms (which may vary between Options granted from time to time) as it shall determine. In addition, the Board shall have the authority to: (i) construe and interpret this Plan and all option agreements entered into hereunder; (ii) prescribe, amend and rescind rules and regulations relating to this Plan; and (iii) make all other determinations necessary or advisable for the administration of this Plan. All determinations and interpretations made by the Board shall be binding on all Participants (as hereinafter defined) and on their legal, personal representatives and beneficiaries.
- (c) Notwithstanding the foregoing or any other provision contained herein, the Board shall have the right to delegate the administration and operation of this Plan, in whole or in part, to a committee of the Board or to the President or any other officer of the Corporation. Whenever used herein, the term "Board" shall be deemed to include any committee or officer to which the Board has, fully or partially, delegated responsibility and/or authority relating to the Plan or the administration and operation of this Plan pursuant to this Section 3.
- (d) Options to purchase the Shares granted hereunder ("Options") shall be evidenced by: (i) an agreement, signed on behalf of the Corporation and by the person to whom an Option is granted, which agreement shall be in such form as the Board shall approve; or (ii) a written notice or other instrument, signed by the Corporation, setting forth the material attributes of the Options.

**4. SHARES SUBJECT TO PLAN**

- (a) Subject to Section 15 below, the securities that may be acquired by Participants upon the exercise of Options shall be deemed to be fully authorized and issued Shares of the Corporation. Whenever used herein, the term "Shares" shall be deemed to include any other securities that may be acquired by a Participant upon the exercise of an Option the terms of which have been modified in accordance with Section 15 below.
- (b) The aggregate number of Shares reserved for issuance under this Plan or any other plan of the Corporation, shall not exceed ten percent (10%) of the total number of issued and outstanding Shares (calculated on a non-diluted basis) unless the Corporation receives the permission of the stock exchange or exchanges on which the Shares are then listed to exceed such threshold.

- (c) If any Option granted under this Plan shall expire or terminate for any reason without having been exercised in full, any un-purchased Shares to which such Option relates shall be available for the purposes of the granting of Options under this Plan.

## 5. MAINTENANCE OF SUFFICIENT CAPITAL

The Corporation shall at all times during the term of this Plan ensure that the number of Shares it is authorized to issue shall be sufficient to satisfy the Corporation's obligations under all outstanding Options granted pursuant to this Plan.

## 6. ELIGIBILITY AND PARTICIPATION

- (a) The Board may, in its discretion, select any of the following persons to participate in this Plan:
  - (i) directors of the Corporation;
  - (ii) officers of the Corporation;
  - (iii) employees of the Corporation; and
  - (iv) consultants retained by the Corporation, provided such consultants have performed and/or continue to perform services for the Corporation on an ongoing basis or are expected to provide a service of value to the Corporation;

(any such person having been selected for participation in this Plan by the Board is herein referred to as a "Participant").

- (b) The Board may from time to time, in its discretion, grant an Option to any Participant, upon such terms, conditions and limitations as the Board may determine, including the terms, conditions and limitations set forth herein, provided that Options granted to any Participant shall be approved by the shareholders of the Corporation if the rules of any stock exchange on which the Shares are listed require such approval.
- (c) The Corporation represents that, for any Options granted to an officer, employee or consultant of the Corporation, such Participant is a bona fide officer, employee or consultant of the Corporation.

## 7. EXERCISE PRICE

The Board shall, at the time an Option is granted under this Plan, fix the exercise price at which Shares may be acquired upon the exercise of such Option provided that such exercise price shall not be less than that from time to time permitted under the rules of any stock exchange or exchanges on which the shares are then listed and provided that the exercise price of any Option granted shall be no less than the closing trading price of the Shares on the last trading day immediately preceding the day of grant. In addition, the exercise price of an option must be paid in cash. In accordance with Section 18, disinterested shareholder approval shall be obtained by the Corporation prior to any reduction to the exercise price if the affected Participant is an insider (as such term is defined under the Securities Act (Alberta) (hereafter, an "Insider").

## 8. NUMBER OF OPTIONED SHARES

The number of Shares that may be acquired under an Option granted to a Participant shall be determined by the Board as at the time the Option is granted, provided that the aggregate number of Shares reserved for issuance to any one Participant under this Plan or any other plan of the Corporation, shall not exceed 5% of the total number of issued and outstanding Shares (calculated on a non-diluted basis) in any 12 month period unless the Corporation receives the permission of the stock exchange or exchanges on which the Shares are listed to exceed such threshold and provided further that the number of Options granted to any one consultant in a 12 month period shall not exceed 2% of the total number of issued and outstanding Shares and the aggregate number of Options granted to persons employed to provide investor relations activities shall not exceed 2% of the total number of issued and outstanding Shares in any 12 month period. The Corporation shall obtain shareholder approval for grants of Options to Insiders, of a number of Options exceeding 10% of the issued Shares, within any 12 month period.

9. **TERM**

The period during which an Option may be exercised (the "Option Period") shall be determined by the Board at the time that the Option is granted, subject to any vesting limitations which may be imposed by the Board in its sole unfettered discretion at the time that such Option is granted and Sections 11, 12 and 16 below, provided that:

- (a) no Option shall be exercisable for a period exceeding five (5) years from the date that the Option is granted unless the Corporation receives the permission of the stock exchange or exchanges on which the Shares are then listed and as specifically provided by the Board and as permitted under the rules of any stock exchange or exchanges on which the Shares are then listed, and in any event, no Option shall be exercisable for a period exceeding ten (10) years from the date the Option is granted;
- (b) no Option in respect of which shareholder approval is required under the rules of any stock exchange or exchanges on which the Shares are then listed shall be exercisable until such time as the Option has been approved by the shareholders of the Corporation;
- (c) the Board may, subject to the receipt of any necessary regulatory approvals, in its sole discretion, accelerate the time at which any Option may be exercised, in whole or in part; and
- (d) any Options granted to any Participant must expire within 90 days after the Participant ceases to be a Participant, and within 30 days for any Participant engaged in investor relation activities after such Participant ceases to be employed to provide investor relation activities.

10. **METHOD OF EXERCISE OF OPTION**

- (a) Except as set forth in Sections 11 and 12 below or as otherwise determined by the Board, no Option may be exercised unless the holder of such Option is, at the time the Option is exercised, a director, officer, employee or consultant of the Corporation.
- (b) Options that are otherwise exercisable in accordance with the terms thereof may be exercised in whole or in part from time to time during the Option Period.
- (c) Any Participant (or his legal, personal representative) wishing to exercise an Option shall deliver to the Corporation, at its principal office in the City of Calgary, Alberta:
  - (i) a written notice expressing the intention of such Participant (or his legal, personal representative) to exercise his Option and specifying the number of Shares in respect of which the Option is exercised; and
  - (ii) a cash payment, certified cheque or bank draft, representing the full purchase price of the Shares in respect of which the Option is exercised.
- (d) Upon the exercise of an Option as aforesaid, the Corporation shall use reasonable efforts to forthwith deliver, or cause the registrar and transfer agent of the Shares to deliver, to the relevant Participant (or his legal, personal representative) or to the order thereof, a certificate representing the aggregate number of fully paid and non-assessable Shares in respect of which the Option has been duly exercised.

11. **CEASING TO BE A DIRECTOR, OFFICER, EMPLOYEE OR CONSULTANT**

If any Participant shall cease to hold the position or positions of director, officer, employee or consultant of the Corporation (as the case may be) for any reason other than death, his Option will terminate at 4:30 p.m. (Calgary time) on the earlier of the date of the expiration of the Option Period and 90 days after the date such Participant ceases to hold the position or positions of director, officer, employee or consultant of the Corporation as the case may be, and ceases to actively perform services for the Corporation. Notwithstanding the foregoing, an Option granted to a Participant who performs investor relations services on behalf of the Corporation shall terminate on the date that is 30 days after the termination of the employment or cessation of services being provided and shall be subject to Exchange policies and procedures for the termination of Options for investor relations services. For greater certainty, the termination of any Options held by the Participant, and the period during which the



Participant may exercise any Options, shall be without regard to any notice period arising from the Participant's ceasing to hold the position or positions of director, officer, employee or consultant of the Corporation (as the case may be).

Neither the selection of any person as a Participant nor the granting of an Option to any Participant under this Plan shall: (i) confer upon such Participant any right to continue as a director, officer, employee or consultant of the Corporation, as the case may be; or (ii) be construed as a guarantee that the Participant will continue as a director, officer, employee or consultant of the Corporation, as the case may be.

## 12. **DEATH OF A PARTICIPANT**

In the event of the death of a Participant, any Option previously granted to him shall be exercisable until the end of the Option Period or until the expiration of 12 months after the date of death of such Participant, whichever is earlier, and then, in the event of death, only:

- (a) by the person or persons to whom the Participant's rights under the Option shall pass by the Participant's will or applicable law; and
- (b) to the extent that he was entitled to exercise the Option as at the date of his death.

## 13. **RIGHTS OF PARTICIPANTS**

No person entitled to exercise any Option granted under this Plan shall have any of the rights or privileges of a shareholder of the Corporation in respect of any Shares issuable upon exercise of such Option until such Shares have been paid for in full and issued to such person.

## 14. **PROCEEDS FROM EXERCISE OF OPTIONS**

The proceeds from any sale of Shares issued upon the exercise of Options shall be added to the general funds of the Corporation and shall thereafter be used from time to time for such corporate purposes as the Board may determine and direct.

## 15. **ADJUSTMENTS**

- (a) The number of Shares subject to the Plan shall be increased or decreased proportionately in the event of the subdivision or consolidation of the outstanding Shares of the Corporation, and in any such event a corresponding adjustment shall be made to the number of Shares deliverable upon the exercise of any Option granted prior to such event without any change in the total price applicable to the unexercised portion of the Option, but with a corresponding adjustment in the price for each Share that may be acquired upon the exercise of the Option. In case the Corporation is reorganized or merged or consolidated or amalgamated with another corporation, appropriate provisions shall be made for the continuance of the Options outstanding under this Plan and to prevent any dilution or enlargement of the same.
- (b) Adjustments under this Section 15 shall be made by the Board, whose determination as to what adjustments shall be made, and the extent thereof, shall be final, binding and conclusive. No fractional Shares shall be issued upon the exercise of an Option following the making of any such adjustment.

## 16. **CHANGE OF CONTROL**

Notwithstanding the provisions of Section 11 or any vesting restrictions otherwise applicable to the relevant Options, in the event of a sale by the Corporation of all or substantially all of its assets or in the event of a change of control of the Corporation, each Participant shall be entitled to exercise, in whole or in part, the Options granted to such Participant hereunder, either during the term of the Option or within 90 days after the date of the sale or change of control, whichever first occurs.

For the purpose of this Plan, "change of control of the Corporation" means and shall be deemed to have occurred upon:

- (a) the acceptance by the holders of Shares of the Corporation, representing in the aggregate, more than 50 percent of all issued Shares of the Corporation, of any offer, whether by way of a takeover bid or otherwise, for all or any of the outstanding Shares of the Corporation; or
- (b) the acquisition, by whatever means, by a person (or two or more persons who, in such acquisition, have acted jointly or in concert or intend to exercise jointly or in concert any voting rights attaching to the Shares acquired), directly or indirectly, of beneficial ownership of such number of Shares or rights to Shares of the Corporation, which together with such person's then owned Shares and rights to Shares, if any, represent (assuming the full exercise of such rights to voting securities) more than fifty percent (50%) of the combined voting rights of the Corporation's then outstanding Shares; or
- (c) the entering into of any agreement by the Corporation to merge, consolidate, amalgamate, initiate an arrangement or be absorbed by or into another corporation; or
- (d) the passing of a resolution by the Board or shareholders of the Corporation to substantially liquidate the assets or wind-up the Corporation's business or significantly rearrange its affairs in one or more transactions or series of transactions or the commencement of proceedings for such a liquidation, winding-up or re-arrangement (except where such re-arrangement is part of a bona fide reorganization of the Corporation in circumstances where the business of the Corporation is continued and where the shareholdings remain substantially the same following the re-arrangement); or
- (e) individuals who were members of the Board of the Corporation immediately prior to a meeting of the shareholders of the Corporation involving a contest for or an item of business relating to the election of directors, not constituting a majority of the Board following such election.

17. **TRANSFERABILITY**

All benefits, rights and Options accruing to any Participant in accordance with the terms and conditions of this Plan shall be non-transferable and non-assignable unless specifically provided herein. During the lifetime of a Participant, any Options granted hereunder may only be exercised by the Participant and in the event of the death of a Participant, by the person or persons to whom the Participant's rights under the Option pass by the Participant's will or applicable law.

18. **AMENDMENT AND TERMINATION OF PLAN**

- (a) The Board may, at any time and from time to time, amend, suspend or terminate the Plan or an Option without shareholder approval, provided that no such amendment, suspension or termination may be made without obtaining any required approval of any regulatory authority or stock exchange or the consent or deemed consent of a Participant where such amendment, suspension or termination materially prejudices the rights of the Participant.
- (b) Notwithstanding the provisions of Section 18(a), the Board may not, without the approval of the security holders of the Corporation (or, as may be required by the policies and procedures of the Exchange, the approval of the disinterested security holders of the Corporation), make amendments to the Plan or any Option for any of the following purposes:
  - (i) to increase the maximum number of Shares that may be issued pursuant to Options granted under the Plan as set out in Section 8;
  - (ii) to reduce the exercise price of Options for the benefit of an Insider;
  - (iii) to extend the term of an Option beyond the Option Period for the benefit of an Insider; and
  - (iv) to amend the provisions of this Section 18.
- (c) In addition to the changes made pursuant to Section 3, the Board may, at any time and from time to time, without the approval of the security holders of the Corporation amend any term of any outstanding Option (including, without limitation, the exercise price, vesting and expiry of the Option), provided that:

- (i) any required approval of any regulator authority or stock exchange is obtained;
- (ii) if the amendments would reduce the exercise price or extend the expiry date of the Options granted to Insiders, approval of the security holders of the Corporation must be obtained;
- (iii) the Board would have had the authority to initially grant the Option under the terms so amended; and
- (iv) the consent or deemed consent of the Participant is obtained if the amendment would materially prejudice the rights of the Participant under the Option.

19. **NECESSARY APPROVALS**

The obligation of the Corporation to issue and deliver Shares in accordance with this Plan and Options granted hereunder is subject to applicable securities legislation and to the receipt of any approvals that may be required from any regulatory authority or stock exchange having jurisdiction over the securities of the Corporation. If Shares cannot be issued to a Participant upon the exercise of an Option for any reason whatsoever, the obligation of the Corporation to issue such Shares shall terminate and any funds paid to the Corporation in connection with the exercise of such Option will be returned to the relevant Participant as soon as practicable.

20. **STOCK EXCHANGE RULES**

This Plan and any option agreements entered into hereunder shall comply with the requirements from time to time of the stock exchange or exchanges on which the Shares are listed.

21. **RIGHT TO ISSUE OTHER SHARES**

The Corporation shall not by virtue of this Plan be in any way restricted from declaring and paying stock dividends, issuing further Shares, varying or amending its share capital or corporate structure or conducting its business in any way whatsoever.

22. **NOTICE**

Any notice required to be given by this Plan shall be in writing and shall be given by registered mail, postage prepaid or delivered by courier or by facsimile transmission addressed, if to the Corporation, at its principal address in Calgary, Alberta (Attention: President); or if to a Participant, to such Participant at his address as it appears on the books of the Corporation or in the event of the address of any such Participant not so appearing then to the last known address of such Participant; or if to any other person, to the last known address of such person.

23. **GENDER**

Whenever used herein words importing the masculine gender shall include the feminine and neuter genders and vice versa.

24. **INTERPRETATION**

This Plan will be governed by and construed in accordance with the laws of the Province of Alberta.