**BACANORA MINERALS LTD.**
**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**FOR THE NINE MONTHS ENDED MARCH 31, 2015**

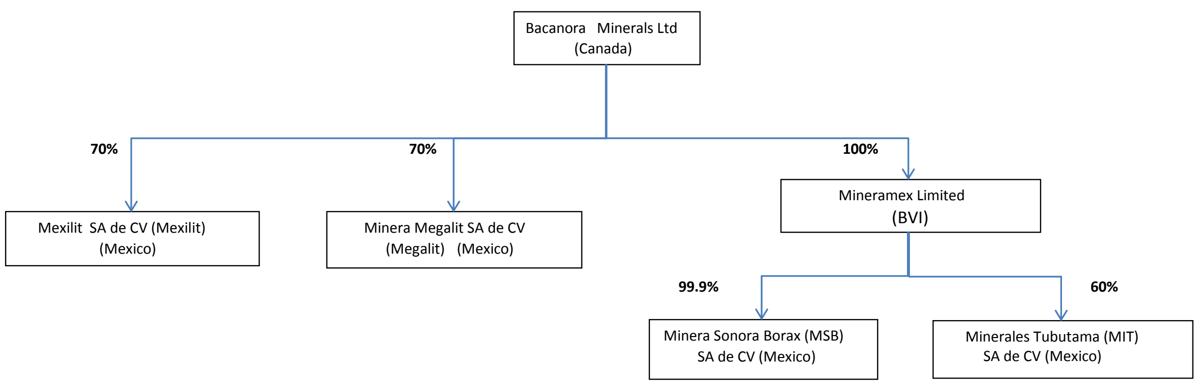
**DATE – MAY 29, 2015**

The following Management's Discussion and Analysis ("**MD&A**") should be read in conjunction with Bacanora Minerals Ltd. ("**Bacanora**" or the "**Company**") condensed consolidated interim financial statements for the period ended March 31, 2015, together with the accompanying notes. The following discussion and analysis provides information that management believes is relevant to the assessment and understanding of the Company's results of operations and financial position. In the opinion of management, all adjustments consisting of normal recurring adjustments, considered necessary for a fair presentation of the Company's financial position, results of operations and funds flow, have been included. Additional information relating to Bacanora is available on SEDAR at www.sedar.com.

**THE COMPANY**

The Company is a public company whose common shares are listed on the TSX Venture Exchange (the "TSX-V") and on the AIM market of the London Stock Exchange ("AIM"), under the symbol BCN. The Company is engaged in the exploration and development of lithium and borates mineral deposits in the northern Sonora state of Mexico. The Company is in various stages of exploration on all of its properties.

The following diagram illustrates the Company's corporate structure.




The Company's main borates and lithium concessions are held in these Mexican companies:

- Minera Sonora Borax S.A. de C.V. ("**MSB**") holds the Magdalena borates and La Ventana lithium concessions;
- Mexilit S.A. de CV ("**Mexilit**") holds the El Sauz, El Sauz 1, El Sauz 2, Fleur, and Fleur 1 lithium concessions. Rare Earth Minerals Plc ("**REM**") owns 30% of this company.
- Megalit S.A. de C.V ("**Megalit**") – holds the Buenavista, Megalit and San Gabriel lithium concessions. REM owns 30% of this company and has the option to negotiate an increase in ownership to 49.9% under terms and conditions yet to be agreed upon by Bacanora. This option expires on January 12, 2016.

**APPOINTMENT OF NEW CEO**

On May 19, 2015, the Company announced the appointment of Mr. Peter Secker as the new Chief Executive Officer of the Company. Mr. Secker has over 30 years' experience in developing, constructing and operating mines, and most recently, has direct experience of working with lithium projects. His appointment as CEO is in line with the Company's strategy to continue to advance its pre-feasibility studies and to continue to evaluate and progress its path towards production for both the Sonora Lithium Project and the Magdalena Borate Project in Mexico. Mr. Secker takes over the role of CEO from Shane Shircliff, who remains on the Board as a director of the Company. Throughout his career Mr. Secker has built, commissioned and operated mining projects in Australia, China, Africa and Canada, and over the past 10 years he has served in a range of CEO roles with companies and ventures that have successfully raised over US$700 million from the debt and equity markets for new mine developments.

## MINERAL PROPERTIES - BORATES

### Magdalena Borate

The Magdalena Borate Project consists of seven concessions, with a total area of 16,503 hectares. The Magdalena Borates Project is road accessible and located immediately east of the town of Magdalena de Kino and has excellent access from that centre, either by rail or truck, to local markets or to overseas markets from the port at Guaymas. The property is subject to a 3% gross overriding royalty payable to an arm's length party, and a 3% gross overriding royalty payable to Colin Orr-Ewing, the Chairman of the Board of Directors of the Company, on sales of mineral products produced from these properties.

Three main borate zones have been located on the Magdalena Borates Project: the Cajon Borate Deposit ("Cajon"); Bellota and Pozo Nuevo. Other targets include the Represo prospect, which is a new colemanite discovery that was recently made by Bacanora during a drilling campaign in 2014.

Cajon is the most advanced of the main borate zones on which the Company has estimated National Instrument 43-101 complaint drill-indicated boron resources. Cajon covers approximately 500 hectares on the southern part of one of the concession blocks. Drilling by Bacanora (48 holes) and a US Borax subsidiary (11 holes) has identified three separate colemanite horizons (units: A, B and C) within the gently south-dipping sediments that underlie the area of El Cajon. The drilling has resulted in an indicated borate resource of 11 million tonnes averaging 10.6% $B_2O_3$ being estimated for El Cajon under CIM resource-reserve criteria. The estimate includes indicated resources, using a cut off of 8% $B_2O_3$, for unit A of 7.5 million tonnes averaging 10.8% $B_2O_3$, 0.8 million tonnes averaging 9.0% $B_2O_3$ for unit B and 2.7 million tonnes averaging 10.5% $B_2O_3$ for unit C. The average thickness for each bed making up the three units ranges from 4.2 to 9.8 metres.

Initial metallurgical test work has indicated that a colemanite concentrate grading 38% - 42% $B_2O_3$ can be produced from an average feed of 10.5% $B_2O_3$ from El Cajon using a combination of scrubbing, de-sliming and flotation. The Company has constructed a pilot plant in order to conduct detailed metallurgy and improve the borate content of the colemanite concentrate, as well as finalize a full scale production flow sheet and produce colemanite concentrates for test marketing. In addition, the Company has added a boric acid line to the pilot plant.

Potential buyers of colemanite concentrates have expressed an interest in purchasing colemanite from Bacanora should it be able to produce concentrates that meet these consumers' specifications. Alternatively, colemanite can be used as a feedstock in the production of boric acid, a more widely used boron compound.

Recent metallurgical and process tests indicate that lower grade borate resources at and near surface are more amenable to processing to produce boric acid. Consequently, a change in the proposed development strategy to focus on the feasibility of boric acid production is being examined.

### Tubutama Borate

The Tubutama Borate project consists of six mining concessions with a total area of 1,661 hectares. The project is borate focused, although there is potential for development of gypsum resources on the concessions. Bacanora has no near term plans for further work on this concession, and has written off the value of this asset during the year ended June 30, 2014.

**Operational update and outlook for the period**

Drilling results from the Magdalena drilling program are being evaluated and results will be announced when all results have been verified. A mine plan for Unit B, in conjunction with the previous mine plan for Unit A is being constructed based on these results. Studies related to the pre-feasibility are ongoing.

The Company looks forward to receiving and announcing the results of activities that are currently underway on the Magdalena Borate Project as it advances toward determining the feasibility of production of boric acid. The Company expects to announce results and progress on the following activities in the coming months:

- Bulk sampling results for drilling and metallurgical tests of Unit B results;
- Completion of a Pre-Feasibility Study report with:
    - Detailed full scale boric acid plant design and costing
    - Revised mine plan; and
    - Environmental baseline studies and mine permitting activities

**MINERAL PROPERTIES - LITHIUM**

The Sonora Lithium Project consists of ten contiguous concessions covering 94,186 hectares. Two of the concessions (La Ventana, La Ventana 1) are owned 100% by Bacanora. The El Sauz, El Sauz 1, El Sauz 2, Fleur and Fleur 1 concessions are owned by Bacanora's subsidiary Mexilit (which is owned 70% by Bacanora and 30% by REM). The San Gabriel, Buenavista, and Megalit concessions are owned by Bacanora's subsidiary, Megalit (which is owned 70% by Bacanora and 30% by REM). REM has the option to negotiate an increase to its interest of up to 49.9% of Megalit under terms and consideration yet to be agreed upon. This option expires on January 12, 2016.

The Sonora Lithium property is subject to a 3% gross overriding royalty payable to Mr. Colin Orr-Ewing, Chairman of the Board of Directors of the Company, on sales of mineral products produced from this property.

These concessions are located approximately 190 kilometres northeast of the city of Hermosillo, in Sonora State, Mexico. They are roughly 200 kilometres south of the border with Arizona, USA.

In 2013, Bacanora conducted a diamond drill program consisting of 1,400 metres of NQ core drilling in ten holes on the El Sauz and Fleur concessions adjoining the south side of La Ventana. The program was successful in confirming the continuation of lithium-bearing clay units found on Bacanora's adjacent La Ventana concession onto these concessions, and demonstrating that significant lithium values occur in the two clay units identified by the drilling along the 4.2 kilometres of strike length tested.

**Operational update and outlook for the period**

During the period ended March 31, 2015 the Company announced that it has received drilling results from all of the 24 reverse circulation drill holes that were completed on the southern half of the Buenavista concession in December 2014.

Highlights of that drill program are as follows:

- three kilometres of strike length of the lithium-bearing clays on the southern half of the concession were tested. The three kilometres on the northern half of the concession, as well as portions of the strata that continue onto the adjoining Megalit concession, remain untested;

- significant lithium values (*i.e.* greater than 1,000 ppm Li) were found in 13 of the 24 holes;

- of those 13 holes, 11 reported significant thicknesses and grades of lithium-bearing clays, as tabulated below;

- lithium values of individual 1.0 metre samples, within the significant intervals, range from 336 to 2,210 ppm Li; and

- the lithium-bearing clays crop out at surface and dip gently to the east, providing a target for potential low strip ratio, open pit mining of the clays.

**Buenavista Concession – Drill Holes with Significant Li Intervals**

| HOLE ID | From (m) | To (m) | Interval (m) | Li (ppm) Weighted Ave. | LCE[1] % |
|---|---|---|---|---|---|
| BV-01 | 29 | 41 | 12 | 1,421 | 0.76 |
| BV-02 | 8 | 14 | 6 | 1,057 | 0.56 |
| BV-02 | 23 | 26 | 3 | 1,107 | 0.59 |
| BV-03 | 6 | 16 | 10 | 1,043 | 0.56 |
| BV-06 | 18 | 33 | 15 | 1,032 | 0.55 |
| BV-08 | 14 | 35 | 21 | 1,118 | 0.60 |
| BV-09 | 13 | 36 | 23 | 1,077 | 0.57 |
| BV-10 | 15 | 39 | 24 | 1,107 | 0.59 |
| BV-18 | 17 | 39 | 22 | 1,063 | 0.57 |
| BV-19 | 15 | 31 | 16 | 1,035 | 0.55 |
| BV-20 | 28 | 40 | 12 | 1,277 | 0.68 |
| BV-23 | 26 | 30 | 4 | 1,018 | 0.54 |

Management is currently assessing these results to determine if further drilling is required on the northern portion of Buenavista and adjoining concessions. Management anticipates that if it is determined that additional drilling is warranted and is subsequently conducted, it would then be in a position to prepare an NI 43-101 resource statement for the Buenavista and adjoining concessions.

On May 13 2015, the Company announced an update in lithium resources for the Sonora Lithium Project. SRK Consulting (UK) Limited ("**SRK**") updated the Mineral Resource Estimate ("**MRE**") for the Company's lithium properties, consisting of its 100 percent owned La Ventana lithium concessions, and 70 percent owned El Sauz and Fleur concessions.

Highlights of the MRE are:

- Indicated portion of the MRE is 1.12 million tonnes ("**Mt**") lithium carbonate equivalent contained in 95 Mt of clay, at lithium ("**Li**") grade of 2,200 ppm;[2]

[1] LCE is the industry standard terminology for, and is equivalent to, $Li_2CO_3$. 1 ppm Li metal is equivalent to 5.32 ppm LCE / $Li_2CO_3$. Use of LCE is to provide data comparable with industry reports and assumes complete conversion of lithium in clays with no recovery or process losses.

[2] Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. All figures are rounded to reflect the relative accuracy of the estimate and have been used to derive sub-totals, totals and weighted averages. Such calculations inherently involve a degree of rounding and consequently introduce a margin of error. Where these occur, SRK does not consider them to be material.

- Inferred portion of the MRE is 6.3 Mt LCE contained in 500 Mt of clay at a Li grade of 2,300 ppm;
- This updated MRE has been developed using a 3D geological model and Kriged grade estimates. The indicated portion of the MRE will be used for initial open pit mine design while the Company further develops the inferred portion of the MRE;
- Conceptual extensions within current pit shell have the potential to add 2.4 to 4.6 Mt LCE contained in 300 to 350 Mt of clay at a Li grade of approximately 1,500 to 2,500 ppm;[3]
- This MRE (which has been prepared in accordance with National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101")) does not include identified grade and tonnages contained within the Buenavista concession, as further metallurgical testing is required on this deposit; and
- Update is in line with Bacanora's strategy to demonstrate the world class potential of the project, which benefits from high grades and scalability.

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[3] The reporting standard adopted for the reporting of the MRE uses the terminology, definitions and guidelines given in the CIM Standards on Mineral Resources and Mineral Reserves (May 2014) as required by NI 43-101 and JORC.

The updated MRE is based on assay results from drilling and trenching made available to SRK on April 16th 2015, including geological information but not assay results from the 9 holes that were announced on 24 March 2015. A technical report in respect of this updated MRE will be filed on SEDAR on or before June 26, 2015.

***Table 1: Mineral Resource Statement for the Sonora Lithium Project as of May 12, 2015***

| **Classification** | **Owner** | **Concession Name** | **Geological Unit** | **Mt Clay** | **Clay Grade (Li ppm)** | **Contained Li (Kt)** | **Contained LCE[1] (Kt)** | **Contained LCE attributable to Bacanora (Kt)** |
|---|---|---|---|---|---|---|---|---|
| Indicated | Ventana | La Ventana & Ventana 1 | Upper Clay | 35 | 1,400 | 50 | 280 | 280 |
| | Ventana | La Ventana & Ventana 1 | Lower Clay | 35 | 3,250 | 120 | 610 | 610 |
| | Mexilit | El Sauz, Sauz 1, Sauz 2, Fleur & Fleur 1 | Upper Clay | 10 | 1,150 | 10 | 50 | 35 |
| | Mexilit | El Sauz, Sauz 1, Sauz 2, Fleur & Fleur 1 | Lower Clay | 15 | 2,450 | 30 | 180 | 125 |
| | Megalit | Megalit | Upper Clay | 0 | - | - | - | - |
| | Megalit | Megalit | Lower Clay | 0 | - | - | - | - |
| **Total Indicated** | | | | **95** | **2,200** | **210** | **1,120** | **1,050** |
| | | | | | | | | |
| Inferred | Ventana | Ventana & Ventana 1 | Upper Clay | 100 | 1,700 | 150 | 800 | 800 |
| | Ventana | Ventana & Ventana 1 | Lower Clay | 25 | 3,650 | 100 | 500 | 500 |
| | Mexilit | El Sauz, Sauz 1, Sauz 2, Fleur & Fleur 1 | Upper Clay | 150 | 1,350 | 200 | 1,100 | 770 |
| | Mexilit | El Sauz, Sauz 1, Sauz 2, Fleur & Fleur 1 | Lower Clay | 175 | 3,100 | 575 | 3,000 | 2100 |
| | Megalit | Megalit | Upper Clay | 25 | 1,700 | 75 | 300 | 210 |
| | Megalit | Megalit | Lower Clay | 25 | 4,300 | 100 | 600 | 420 |
| **Total Inferred** | | | | **500** | **2,300** | **1,200** | **6,300** | **4,800** |

**Notes:**

1. LCE is the industry standard terminology for, and is equivalent to, $Li_2CO_3$. 1 ppm Li metal is equivalent to 5.32 ppm LCE / $Li_2CO_3$. Use of LCE is to provide data comparable with industry reports and assumes complete conversion of lithium in clays with no recovery or process losses.
2. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. All figures are rounded to reflect the relative accuracy of the estimate and have been used to derive sub-totals, totals and weighted averages. Such calculations inherently involve a degree of rounding and consequently introduce a margin of error. Where these occur, SRK does not consider them to be material.
3. The reporting standard adopted for the reporting of the MRE uses the terminology, definitions and guidelines given in the CIM Standards on Mineral Resources and Mineral Reserves (May 2014) as required by NI 43-101 and JORC.
4. The MRE is reported on 100 percent basis for all project areas.
5. SRK assumes the Sonora Lithium deposit to be amenable to surface mining methods. Using results from initial metallurgical test work, suitable surface mining and processing costs, and forecast LCE price SRK has reported the Mineral Resource at a cut-off 450 ppm Li (2,400 ppm LCE).
6. SRK completed a site inspection of the deposit by Mr. Martin Pittuck, MSc, C.Eng, MIMMM, an appropriate "independent qualified person" as such term is defined in NI 43-101.

Other activity on the lithium concessions included

***La Ventana concession:***

On May 21, 2015, the Company announced the assay results from a total of 2,946 metres of drilling in 22 holes completed on its wholly-owned La Ventana. The lithology from these drill results were included in the updated MRE announced by the Company on May 13, 2015.

Highlights of the assay results are:

- Intercepts of the Upper Clay range from 26.10 to 50.83 metres in length and those for the Lower Clay range from 12.98 to 23.57 metres on La Ventana.
- Analyses received for 18 of the 22 holes indicate that the lithium content of both Upper and Lower clays increases to the south on La Ventana, as well as maintaining grade and thickness down dip at depth. In particular:
    - Weighted averages for lithium content in the Upper Clay Unit varies from 955 ppm Li (0.5% LCE) over 41.6 metres to 3,215 ppm Li (1.7% LCE) over 17.48 metres.
    - For the Lower Clay Unit, lithium content varies from 1,143 ppm Li (0.6% LCE) over 19.20 metres to 5,830 ppm Li (3.1% LCE) over 20.42 metres.
    - Individual 1.5 metre long samples of clay range up to 10,000 ppm Li (5.32% LCE).

***Mexilit S.A. de C.V. (El Sauz and Fleur concessions):***

The La Ventana drilling program recently completed also included one hole drilled on the Fleur concession.

Highlights of the Fleur hole are:

- The hole drilled on the Fleur concession intersected 7.16 metres of the Upper Clay unit, which averaged 3,107 ppm Li (1.7% LCE) and 25.30 metres of the Lower Clay, which averaged 4,242 ppm Li (2.3% LCE).

- The intercepts from this hole represent an additional mineral resource target area, which Bacanora intends to pursue through further drilling.

- The proximity of this new discovery to the current mineral resource on La Ventana may allow it to be included as part of the mine planning and mine design work currently being carried out.

***Minera Megalit S.A. de C.V. (Megalit, Buenavista and San Gabriel concessions):***

- First stage reconnaissance geological mapping, prospecting and sampling on the Megalit ground continues on the property.

**Lithium Plant and Process Design Work:**

- Hatch Pty Ltd. (“Hatch”), Bacanora’ s engineering consultant, have completed their initial work and provided Bacanora with several optimization and process engineering recommendations for the production of Lithium Carbonate and Lithium Hydroxide.

- Hatch will continue to work with the Company, in particular they will be involved in the quality assurance and quality control of work produced by the other processing engineering consultants involved in the Sonora Project.

- Process Engineering, LLC, of Tucson, Arizona, in association with Ernest Burga, a lithium process engineer, is continuing work on plant design, scale-up and process certification; at this time the “Process Development and Engineering General Design Criteria for Lithium Carbonate Production” document has been prepared and is being populated with the test work results and parameters used as part of the basic engineering data acquisition.

- Ore-to-product metallurgical test work continues on one tonne bulk ore samples taken from surface exposures on the Sonora Lithium Project. This test work is part of the optimization work on lithium carbonate recovery and is required to provide design criteria for full size plant and equipment. Process optimization studies at the Company’s pilot plant in Hermosillo have been aided by the addition of a gas-fired rotary calcining unit for roasting lithium-bearing samples as well as resin columns in the lithium carbonate recovery circuit.

**Outlook**

The Company continues to advance work on pre-feasibility studies to design a plant capable of potentially delivering up to 50,000 tonnes per year of lithium carbonate. The Company has also started planning for bench scale testing for the recovery of lithium hydroxide. Both of these process design streams are being examined to meet potential new industry requirements from the electric vehicle markets. The Company is actively working with a number of potential off-take customers for its potential lithium compound production.

## EVALUATION AND EXPLORATION EXPENDITURES

The Company capitalizes all exploration costs subsequent to obtaining the right to explore related to the projects in Mexico to Exploration and Evaluation assets. Below is a summary of expenditures capitalized during the nine-month period ended March 31, 2015 and the fiscal year ended June 30, 2014.

| | Tubutama Borate | Magdalena Borate | La Ventana Lithium | Mexilit Lithium | Megalit Lithium | Total |
|---|---|---|---|---|---|---|
| **Balance, June 30, 2013** | **$1,201,583** | **$4,729,885** | **$ 917,682** | **$ -** | **$ -** | **$6,849,149** |
| Additions: | | | | | | |
| Concession tax | $ 13,674 | $ 121,446 | $ 61,080 | $ 54,787 | - | $ 196,200 |
| Exploration | - | 440,258 | - | 2,284 | - | 442,542 |
| Drilling | - | 155,663 | (849,578) | 1,555,866 | - | 1,179,329 |
| Analysis and assays | - | 31,081 | - | 176,000 | - | 207,081 |
| Technical services | - | 81,772 | 417,392 | 238,275 | - | 499,164 |
| Travel | - | 97,079 | 26,807 | 22,671 | - | 123,886 |
| Office and miscellaneous | 12,774 | 522,407 | 37,273 | 1,645 | - | 572,454 |
| Impairment | (1,228,030) | - | - | - | - | (1,228,030) |
| Total additions | $(1,201,583) | $1,449,705 | $ (307,026) | $ 2,051,528 | - | $ 1,992,625 |
| **Balance, June 30, 2014** | **$ -** | **$6,179,591** | **$ 610,655** | **$ 2,051,528** | **$ -** | **$ 8,841,774** |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Balance, June 30, 2014** | **$ -** | **$6,179,591** | **$ 610,655** | **$ 2,051,528** | **$ -** | **$ 8,841,774** |
| Additions: | | | | | | |
| Concession tax | - | $ 98,753 | $ - | $ 6,092 | $ - | 104,845 |
| Exploration | - | 50,022 | 141,469 | 210 | 53,598 | 245,299 |
| Drilling | - | 256,492 | 275,710 | - | 232,167 | 764,369 |
| Analysis and assays | - | 2,077 | 37,008 | 1,497 | 1,068 | 41,650 |
| Technical services | - | 7,525 | 33,678 | - | 24,828 | 66,031 |
| Travel | - | 3,248 | 16,190 | 3,388 | 2,175 | 22,826 |
| Office and miscellaneous | - | 128,023 | 52,406 | 13,241 | - | 195,845 |
| Total additions | - | $ 546,140 | $ 556,462 | $ 24,428 | $ 313,836 | $ 1,440,866 |
| **Balance, March 31, 2015** | **-** | **$6,725,731** | **$ 1,167,117** | **$2,075,956** | **$ 313,836** | **$10,282,640** |

## RESULTS OF OPERATIONS

The Company is in the early stages of exploration, and does not have any producing operations and has not earned any revenue.

**Three months ended March 31, 2015 compared to three months ended March 31, 2014.**

During the quarter ended March 31, 2015, the Company realized a comprehensive gain of $102,180 (2014 – $312,402), operating activities provided $699,915 (2014 – $339,245), incurred $341,835 (2014 – $1,342,685) on exploration expenditures, as well as $567,525 (2014 - $122,957) on general and administrative expenses.

| | **Three months ended** | |
|---|---|---|
| $ | **March 31, 2015** | March 31, 2014 |
| Comprehensive income/(loss) | **102,180** | 312,402 |
| Comprehensive income/(loss) per basic and diluted share | **(0.00)** | 0.00 |
| Funds provided (used) in operations | **699,915** | 339,245 |
| E&E expenditures | **341,835** | 1,342,685 |
| G&A expenses | **567,525** | 122,957 |

During the three months ended March 31, 2015, the Company's higher G&A expenses were offset by foreign exchange gains. The following table itemizes the individual G&A expense categories:

| | **Three months ended** | |
|---|---|---|
| $ | **March 31, 2015** | March 31, 2014 |
| Management fees | **$ 177,526** | $ 58,000 |
| Legal and accounting fees | **167,072** | 42,834 |
| Investor relations | **128,401** | 12,514 |
| Office expenses | **49,998** | 6,453 |
| Miscellaneous | **44,528** | 3,156 |
| Total | **$ 567,525** | $ 122,957 |

Higher G&A expenses incurred during the current quarter were due to the increase in corporate administrative costs associated with the office in London, addition of new corporate consultants, as well as higher legal fees.

**Nine months ended March 31, 2015 compared to nine months ended March 31, 2014.**

During the nine month period ended March 31, 2015, the Company realized a comprehensive loss of $1,187,482 (2014 - $313,472), used $160,305 (2014 – provided $31,080) in operations, incurred $1,440,866 (2014 – $2,964,253) on exploration expenditures as well as $1,601,701, (2013 - $370,034) on general and administrative expenses.

| $ | **Nine months ended**<br>**March 31, 2015** | <br>March 31, 2014 |
|---|---|---|
| Comprehensive income/(loss) | **(1,187,482)** | (313,472) |
| Comprehensive income/(loss) per basic and diluted share | **(0.01)** | (0.01) |
| Funds provided (used) in operations | **(160,305)** | 31,080 |
| E&E expenditures | **1,440,866** | 2,964,253 |
| G&A expenses | **1,601,701** | 370,034 |

The higher comprehensive loss is due largely to the higher G&A expenses incurred during the period. The following table itemizes the individual G&A expense categories:

| $ | **Nine months ended**<br>**March 31, 2015** | <br>March 31, 2014 |
|---|---|---|
| Management fees | **$ 402,273** | $ 107,326 |
| Legal and accounting fees | **466,893** | 158,119 |
| Investor relations | **320,916** | 45,300 |
| Office expenses | **162,443** | 54,922 |
| Miscellaneous | **249,176** | 4,367 |
| Total | **$ 1,601,701** | $ 370,034 |

Higher G&A expenses incurred during the nine month period were due to the increase in corporate administrative costs associated with the office in London, AIM listing costs, addition of new corporate consultants, as well as higher legal fees.

The following is a summary of the eight most recently completed quarters:

| $ | Three month ended Mar. 31, 2015 | Three months ended Dec. 31, 2014 | Three months ended Sept. 30, 2014 | Three months ended Jun. 30, 2014 |
|---|---|---|---|---|
| Comprehensive income (loss) | 102,180 | (769,652) | (473,776) | (2,251,762) |
| Comprehensive income (loss) per basic and diluted share | 0.00 | (0.01) | (0.01) | (0.03) |
| Funds provided (used) in operations | 699,915 | (533,824) | (325,456) | (1,007,852) |
| E&E expenditures | 341,835 | 823,251 | 275,779 | 249,198 |
| G&A expenses | 567,525 | 637,236 | 396,939 | 698,634 |

| $ | Three months ended Mar. 31, 2014 | Three months ended Dec. 31, 2013 | Three months ended Sept 30, 2013 | Three months ended June 30, 2013 |
|---|---|---|---|---|
| Comprehensive income/(loss) | 312,402 | (22,596) | (615,739) | (525,763) |
| Comprehensive income/(loss) per basic and diluted share | (0.00) | (0.00) | (0.01) | (0.01) |
| Funds provided (used) in operations | 339,245 | 17,814 | (325,979) | (444,925) |
| E&E expenditures | 1,342,685 | 947,666 | 673,902 | 557,288 |
| G&A expenses | 122,957 | 128,372 | 118,705 | 153,967 |

## LIQUIDITY AND CAPITAL MANAGEMENT

### Working Capital

The Company is not in commercial production on any of its resource properties and accordingly, it does not generate cash from operations. The Company finances its activities by raising capital through equity issuances. As at March 31, 2015, the Company had a working capital surplus of $11,117,790 (2014 – $3,355,787). The current working capital is dedicated towards the completion of exploration programs, pre-feasibility studies on the borate and lithium projects along with continued work at the pilot plant.

The Company's budgeted general and administrative burn rate is approximately $222,000 per month or $2,730,000 for the fiscal 2015 year. The total exploration and development budget for the fiscal 2015 year is approximately $3,650,000. The Company is well positioned for the combined overall budget expenditures of approximately $6,380,000 in fiscal 2015, with current cash reserves of approximately $10 million.

At March 31, 2015, the Company did not have any bank debt and does not plan on securing any long-term debt. The Company intends on meeting its long-term financial commitments through further equity financings.

### Capital structure

The Company's objectives in managing capital are to safeguard its ability to operate as a going concern while pursuing exploration and development of its core assets. The Company defines capital as the Company's shareholders equity excluding contributed surplus, of $22,608,688 at March 31, 2015 (2014 - $13,579,674). The Company sets the amount of capital in proportion to risk and corporate growth objectives. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company is not subject to any externally imposed capital requirements other than those disclosed in Note 1 of the Company's quarterly consolidated financial statements. The Company does not expect to enter into any debt financing at this time. The Board of Directors does not establish a quantitative return on capital criteria for management; but rather promotes year over year exploration and development growth. The Company will be meeting its objective of managing capital through its detailed review and preparation of both short-term and long-term cash flow analysis and monthly review of financial results.

### Equity instruments

On July 25, 2014, the Company's common shares were admitted to the AIM Market of the London Stock Exchange. Concurrent with the admission, the Company also completed a brokered financing of 14,393,940 common shares at a price of $0.605 Canadian dollar equivalent per share for aggregate gross proceeds of $8,708,334. In addition to the foregoing, a 'vendor placing' (*i.e.*: sale of shares by an existing holder of the Company shares to subscribers under the offering) of 2,000,000 shares was completed at the same offering price. The vendor of these shares is a director of the Company. Upon completion of this offering, the Company paid cash commissions to its broker, in the amount of approximately $367,717 and issued 90,909 common shares at an ascribed price of $0.605 per share and 390,874 non-transferrable warrants ("Broker Warrants"). In addition, the Company paid its Nominated Advisor, a corporate finance fee in the amount of approximately $146,720 and issued 390,874 Broker Warrants. Each Broker Warrant entitles the holder to purchase one common share at a price of $0.605 until expiry on the date that is five years from the date of issuance, being July 25, 2019. The Nominated Advisor has exercised all of the Broker Warrants, and as the date of this MD&A, there are no Broker Warrants outstanding.

The following tables summarize the outstanding securities issued by the Company as at March 31, 2015, and as of the date of this MD&A.

| | May 29, 2015 | March 31, 2015 |
|---|---|---|
| Common shares | 84,556,535 | 84,365,661 |
| Stock options | 2,475,000 | 2,475,000 |
| Warrants | 1,224,207 | 1,415,081 |
| Total equity instruments outstanding | 88,255,742 | 88,255,742 |

The following table summarizes the outstanding options as at March 31, 2015.

| Grant date | Number outstanding at Mar. 31, 2015 | Exercise price | Weighted average remaining contractual life (Years) | Expiry date | Number exercisable at Mar. 31, 2015 |
|---|---|---|---|---|---|
| December 8, 2010 | 650,000 | 0.24 | 1.1 | Dec. 8, 2015 | 650,000 |
| June 29, 2011 | 350,000 | 0.44 | 1.7 | June 29, 2016 | 350,000 |
| July 19, 2011 | 500,000 | 0.50 | 1.7 | July 19, 2016 | 500,000 |
| September 28, 2012 | 50,000 | 0.25 | 2.9 | Sept. 28, 2017 | 50,000 |
| September 11, 2013 | 925,000 | 0.30 | 2.9 | Sept. 11, 2018 | 925,000 |
| | 2,475,000 | - | - | - | 2,475,000 |

**SELECTED ANNUAL INFORMATION**

The Company is in the early stages of exploration, and does not have any mining operations and has not earned any revenue, except for interest income. While the information set out in the tables below is mandated by *National Instrument 51-102,* it is management's view that the variations in financial results that occur from year to year and quarter to quarter are not particularly helpful in analyzing the Company's performance. It is in the nature of the business of junior exploration companies that unless they sell a mineral interest for a sum greater than the costs incurred in acquiring such interest, they have no significant net sales or total revenue. Because the majority of their expenditures consist of exploration costs that are capitalized, exploration companies' annual and quarterly losses usually result from costs that are of a general and administrative nature.

Significant variances in the Company's reported loss from year to year and quarter to quarter most commonly arise from several factors that are difficult to anticipate in advance or to predict from past results. These factors include: (i) decisions to write off deferred exploration costs when management concludes there has been an impairment in the carrying value of a mineral property, or the property is abandoned, (ii) the vesting of incentive stock options, which results in the recording of amounts for stock based compensation expense that can be quite large in relation to other general and administrative expenses incurred in any given period, and (iii) fluctuations in foreign exchange rates.

For the year ended June 30, 2014, the Company recorded a total comprehensive loss of $2,565,234 (2013 - $634,206), which included an impairment write down of $1,220,826 (2013 - $NIL). During 2014, the Company recorded $198,466 (2013 - $21,715) in stock based compensation expense. The Company's general and administrative expenses for 2014 were $1,068,668 (2013 - $744,542).

| ($, except shares amounts) | For the year ended June 30, 2014 | For the year ended June 30, 2013 | For the year ended June 30, 2012 |
|---|---|---|---|
| Interest income (expense) | 10,710 | 10,917 | 27,177 |
| Total expenses (includes foreign exchange loss/gain) | 2,581,889 | 891,828 | 974,717 |
| Comprehensive loss | 2,565,234 | 634,206 | 838,646 |
| Comprehensive loss per share – basic and diluted | 0.04 | 0.01 | 0.02 |
| Funds used in operations | (1,038,331) | (527,487) | (571,085) |
| Total assets | 13,458,386 | 12,382,206 | 9,022,692 |
| Total liabilities | 1,168,229 | 1,055,406 | 434,956 |
| Exploration and evaluation costs | 3,213,451 | 2,137,726 | 1,941,348 |
| General and administrative costs | 1,068,668 | 745,542 | 585,125 |

During the year ended June 30, 2014, the Company's general and administrative expenses increased by $323,126. Higher G&A expenses were due to the increase in corporate administrative costs associated with the admission of the Company's common shares to the AIM Market of the London Stock Exchange.

General and administrative expenses for the years ended June 30, 2014 and 2013 were as follows:

| For the year ended, | June 30, 2014 | June 30, 2013 |
|---|---|---|
| Management fees | $ 311,271 | $ 129,850 |
| Legal and accounting fees | 507,381 | 279,889 |
| Engineering fees | 2,100 | 10,350 |
| Investor relations | 105,112 | 204,050 |
| Office expenses | 112,751 | 71,036 |
| Miscellaneous | 30,053 | 50,367 |
| Total | $ 1,068,668 | $ 745,542 |

## SEGMENTED INFORMATION

The Company currently operates in one operating segment, the exploration and development of mineral properties in Mexico. Management of the Company makes decisions about allocating resources based on the one operating segment. Summary identifiable assets by operating segment is as follows:

| | **Exploration and Evaluation Activities** | | **Unattributed Head Office Costs** | | **Consolidated** | |
|---|---|---|---|---|---|---|
| | **Mar. 31, 2015** | Mar. 31, 2014 | **Mar. 31, 2015** | Mar. 31, 2014 | **Mar. 31, 2015** | Mar. 31, 2014 |
| Property and equipment | **$ 2,060,913** | $ 1,610,921 | $ **-** | $ - | **$ 2,060,913** | $ 1,610,921 |
| Exploration and evaluation assets | **$10,282,639** | $ 9,813,402 | $ **-** | $ - | **$ 10,282,639** | $ 9,813,402 |

## FINANCIAL INSTRUMENTS

This note presents information about the Company’s exposure to credit, liquidity and market risks arising from its use of financial instruments and the Company’s objectives, policies and processes for measuring and managing such risks.

### a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. Financial instruments that potentially subject the Company to concentrations of credit risk consist of accounts receivables and related party receivables. The Company believes that the amount due from the related party is collectible, however as the amount has not been collected subsequent to year end its recoverability is uncertain as it is dependent on the outcome of future events which are inherently uncertain. Any changes in management’s estimate of the recoverability of the amount due will be recognized in the period of determination and any adjustment may be significant. The carrying amount of accounts and related party receivables represents the maximum credit exposure.

The Company’s cash is held in major Canadian and Mexican banks, and as such the Company is exposed to the risks of those financial institutions. Substantially all of the accounts receivables represent amounts due from the Canadian and Mexican governments and accordingly the Company believes them to have minimal credit risk.

The Board of Directors monitors the exposure to credit risk on an ongoing basis and does not consider such risk significant at this time. The Company considers all of its accounts receivables fully collectible.

### b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its obligations when due, under both normal and stressed conditions, without incurring unacceptable losses.

### c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices, and interest rates will affect the value of the Company’s financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing long-term returns.

The Company conducts exploration projects in Mexico. As a result, a portion of the Company's expenditures, accounts receivables, and accounts payables and accrued liabilities are denominated in US dollars and Mexican pesos and are therefore subject to fluctuation in exchange rates.

### d) Fair values

The carrying value approximates the fair value of the financial instruments due to the short term nature of the instruments.

## RELATED PARTY TRANSACTIONS

### a) Related party expenses

The Company's related parties include directors and officers and companies which have directors in common. Transactions made with related parties are made in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

During the nine month period ended March 31, 2015, director's, management fees and salaries in the amount of $446,900 (2014 - $325,425) were paid to directors, and officers, of the Company. Of this amount, $72,900 (2013 - $122,000) was capitalized to exploration and evaluation assets, and $374,000 (2013 - $203,425) was expensed as general and administrative costs. Of the total amount paid, $61,856 (2013 – $36,000) remains in accounts payables and accrued liabilities.

During the nine month period ended March 31, 2015, the Company paid $56,255 (2014 - $Nil) to Cordelia Orr-Ewing, daughter of Colin Orr-Ewing, Chairman of the Board of Directors of the Company. These services were incurred in the normal course of operations for office administrative services. As of March 31, 2015, $5,536 (2014 - $Nil) remains in due to related parties.

During the nine month period ended March 31, 2015, the Company paid $605,640 (2013 - $552,170) to Grupo Ornelas Vidal S.A. de C.V., a consulting firm of which Martin Vidal, director and president of Bacanora, is a partner. These services were incurred in the normal course of operations for geological exploration and pilot plant operation services. As of March 31, 2015, $66,606 (2013 - $25,411) remains in accounts payable and accrued liabilities.

### b) Key management personnel and related parties compensation

The following table details the related party expenses by category as well as by each individual, for the three and nine month period ended March 31, 2015, and 2014.

| | **Three months ended** | | **Nine months ended** | |
|---|---|---|---|---|
| | **March 31, 2015** | March 31, 2014 | **March 31, 2015** | March 31, 2014 |
| Director's fees: | | | | |
| Colin Orr-Ewing | **$ 15,000** | $ 15,000 | **$ 45,000** | $ 15,000 |
| James Leahy | **5,000** | 4,375 | **15,000** | 4,375 |
| Guy Walker | **5,000** | 4,375 | **15,000** | 4,375 |
| Shane Shircliff | **4,375** | 565 | **13,125** | 565 |
| Derek Batorowski | **4,375** | 4,375 | **13,125** | 4,375 |
| Kiran Morzaria | **-** | - | **-** | - |
| David Lenigas | **-** | - | **-** | - |

| | | | | |
|---|---|---|---|---|
| Total director's fees: | **$ 33,750** | $ 28,690 | **$ 101,250** | $ 28,690 |
| Management and consulting fees: | | | | |
| Paul Conroy[1] | **$ -** | $ 30,000 | **$ -** | $ 79,275 |
| James Leahy | **-** | - | **-** | 24,000 |
| Martin Vidal | **45,000** | 45,000 | **153,045** | 109,750 |
| Shane Shircliff | **21,000** | 17,000 | **52,000** | 41,750 |
| Derek Batorowski | **46,250** | 12,625 | **84,350** | 65,900 |
| Total management and consulting fees | **$ 112,250** | $ 104,625 | **$ 289,395** | $ 320,675 |
| Employee's salaries: | | | | |
| Cordelia Orr-Ewing | **17,170** | - | **56,255** | - |
| Total employee's salaries | **$ 17,170** | $ - | **$ 56,255** | $ - |
| Total director's, management's, consultant's and employee's compensation | **$ 163,170** | $ 140,562 | **$ 446,900** | $ 186,050 |
| Operational consulting fees: | | | | |
| Martin Vidal | **$ 298,336** | $ 219,301 | **$ 605,640** | $ 552,170 |
| Stock-based compensation | **$ -** | $ - | **$ -** | $ 280,869 |

(1) Mr. Conroy resigned his positions as Director and VP, Special Projects on June 20, 2014. He remained with the Company as a consultant until October 31, 2014.

## COMMITMENTS AND CONTINGENCIES

The Company has commitments for lease payments for the field office and camp in Mexico, and an office in London, UK with no specific expiry dates. The total annual financial commitment resulting from these agreements is $75,500.

The properties in Mexico are subject to spending requirements in order to maintain title of the concessions. The capital spending requirement for 2015 is $135,700. The properties are also subject to semi-annual payments to the Mexican government for concession taxes.

## SUBSEQUENT EVENTS

Subsequent to March 31, 2015, 190,874 of the Company's Broker Warrants were exercised by the Company's Nominated Advisor at a price of $0.605 per Common Share for total proceeds of $115,478. After giving effect to this exercise, the Nominated Advisor had exercised all Broker Warrants that had been issued thereto in connection with the admission of the Common Shares to the AIM Market.

## RISKS AND UNCERTAINITES

The mineral exploration industry is subject to numerous risks and uncertainties that can affect the Company's ability to explore and develop its mineral deposits and to ultimately generate cash flows from operations. In addition to the risks described in Note 5 of the Condensed Consolidated Interim Financial Statements for the period ended December 31, 2014, these risks and uncertainties include, but are not limited to, the following:

- **Successful development of the Company's lithium and borate assets, and start of mining operations.**

  Development of mineral properties involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. The commercial viability of a mineral deposit is dependent upon a number of factors which are beyond the Company's control, including the attributes of the deposit, commodity prices, government policies and regulation and environmental protection. Fluctuations in the market prices of minerals may render resources and deposits containing relatively lower grades of mineralization uneconomic.

There are numerous activities that need to be completed in order to successfully commence production at the Sonora Lithium and Magdalena Borate projects, including, without limitation: completing a feasibility study, optimizing the mine plan; recruiting and training personnel; negotiating contracts for transportation and for the sale of products; updating, renewing and obtaining, as required, all necessary permits, including, without limitation, environmental permits; and handling any other infrastructure issues. There is no certainty that the Company will be able to recruit and train personnel, have available funds to finance construction and development activities, avoid potential increases in costs, negotiate transportation or product sales agreements on terms that would be acceptable to the Company, or that the Company will be able to update, renew and obtain all necessary permits to start or to continue to operate the projects. Most of these activities require significant lead times, and the Company will be required to manage and advance these activities concurrently in order to begin production. A failure or delay in the completion of any one of these activities may delay production, possibly indefinitely, and would have a material adverse effect on the Company’s business, prospects, financial position, results of operations and cash flows.

As such, there can be no assurance that Bacanora will be able to complete the development of the Sonora Lithium and/or Magdalena Borate projects at all, or in accordance with any timelines or budgets that may be established due to the factors described above.

- **Financing risk**

Additional funding will be required in order to complete the proposed future exploration and development plans on the projects. There is no assurance that any such funds will be available. Failure to obtain additional financing, on a timely basis, could cause the Company to reduce or delay its proposed operations. The majority of sources of funds currently available to the Company for its projects are in large portion derived from the issuance of equity. While the Company has been successful in the past in obtaining equity financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

- **History of losses and no immediate foreseeable earnings.**

The Company has a history of losses and there can be no assurance that it will be profitable. The Company expects to continue to incur losses until such time as it develops and commences profitable mining operations on its projects. The development of the properties will require the commitment of substantial financial resources. The amount and timing of expenditures will depend on a number of factors, some of which are beyond the Company's control, including the progress of ongoing exploration, studies and development, the results of consultant analysis and recommendations, the rate at which operating losses are incurred and the execution of any joint venture agreements with any strategic partners. There can be no assurance that the Company will achieve profitability.

- **Government Legislation and regulatory risk.**

The mining industry in Mexico is subject to extensive controls and regulations imposed by various levels of government. All current legislation is a matter of public record, but the Company is unable to predict what additional legislation or amendments may be enacted. Amendments to current laws, regulations and permits governing operations and activities of mining companies, including tax and environmental laws and regulations which are evolving in Mexico, or more stringent implementation thereof, could have a material adverse impact on the Company.

While many of these risks are beyond the Company's control and it is impossible to ensure that the Company's exploration and development initiatives will result in commercial operations, Bacanora strives to minimize the aforementioned risks by:

- Employing management and technical staff and consultants with extensive industry and/or area experience;
- Maintaining an appropriate working capital position to cover the Company's capital and overhead requirements;
- Maintaining a low cost structure and a tight cost control system; and
- Maintaining insurance in accordance with industry standards to address the risk of liability for property damage, personal injury, and other hazards.

## ADVISORY REGARDING FORWARD LOOKING STATEMENTS

*This discussion includes certain statements that may be deemed "forward-looking statements". All statements in this discussion other than statements of historical facts, that address future acquisitions and events or developments that the Company expects are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements are summarized herein under the section entitled "Risks and Uncertainties" and include, among other things, risks relating to the successful development of the Company's projects and the start of mining operations, market prices, continued availability of capital and financing, government and regulatory risks, and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements. Except as required by applicable securities laws, the Company does not undertake any obligation to publicly update or revise any forward looking statements.*